Aims Community College

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2012

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MANAGEMENT'S LETTER

The purpose of this report is to provide readers with fiscal information on the activities and financial condition of Aims Junior College District (the District) as a whole. It incorporates the financial activities of the Aims Continuing Education Authority, Aims Leasing Corporation, and the Aims College Campus Planned Community Association, which are blended component units of the District and those of Aims Community College Foundation, a discretely presented component unit.

The report consists of the District's basic financial statements and notes thereto, actual to budget comparisons, and additional information. We have also included our analysis of the financial results of the District. These statements were prepared in conformity with accounting principles generally accepted in the United States of America, Colorado Higher Education Standards, and other applicable guidelines. Readers are encouraged to read the accompanying notes along with their review of the financial statements.

The management of the District is responsible for the integrity and objectivity of these financial statements, which are presented on the accrual basis of accounting and, accordingly, include some amounts based on judgment. Other financial information in the annual report is consistent with information in the financial statements. A system of internal accounting controls is in place to assure that the financial reports and the books of accounts properly reflect the transactions of the District.

The Board of Trustees of the District monitors the financial and accounting operations of the institution, including the review and discussion of periodic financial statements and the evaluation and adoption of budgets.

The financial statements of the District and notes thereto have been audited by BKD, LLP. Their opinions follow.

Michael Kelly
Chief Administrative Officer

BKD LLP
CPAs & Advisors

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Independent Auditors' Report on Financial Statements and Supplementary Information

Board of Trustees
Aims Junior College District
Greeley, Colorado

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Aims Junior College District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Aims Community College Foundation, the discretely presented component unit of the District. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Aims Community College Foundation, are based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Aims Community College Foundation, the discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Aims Junior College District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information (Actual to Budget Comparison – All Funds), including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures applied by us and the other auditors, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

November 9, 2012

Aims Community College

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Aims Junior College District's (the District) financial report includes financial statements and note disclosures and is prefaced by this Management's Discussion and Analysis (MD&A). The MD&A is designed to provide an easily readable analysis of financial activities for the year ended June 30, 2012. The analysis is based on currently known facts and is prepared by the office of the Chief Administrative Officer. The MD&A begins with brief highlights and is followed by more in-depth analysis.

Financial and Enrollment Highlights

The following significant highlights occurred during the year ended June 30, 2012:

- Net assets increased by 16.1% in 2012. This was more than the 15.0% increase in 2011 which was primarily due to an increase in property tax revenue for oil and gas. Property tax revenue for oil and gas are received in arrears. The price for oil has held its value over the prior year, and with the continued interest in drilling for oil and gas within the property tax boundaries of the Aims Community College (the College), the College was able to witness an increased benefit of approximately $4.2 million dollars in property tax revenue in 2012. The interest in drilling for oil and gas within our property tax region is expected to continue for the near future, however, oil and gas values are highly volatile and tend to fluctuate based on the economic outlook, as well as other political and environmental events.

- Operating revenues increased 1% due to higher tuition revenue and Federal grant revenue. The College recognized a slight increase in tuition and fee revenue (0.5%) due to increased tuition rates and increased awards for Federal grants (24.3%). For the 2011/12 academic year, the College implemented a 3% increase in in-district tuition, 9% out-of-district tuition, and a 5% increase in out-of-state tuition rates. This was necessitated by a continued decrease in state appropriations of approximately $1.3 million (15.5%). Student FTE increased by 1.3% over 2011 which contributed to the increased tuition revenue collected, even though overall headcount decreased by 1.3%. It would appear that students are taking a greater number of courses compared to students in 2011, based on the percentage change between FTE and headcount.

- Total operating expenses for 2012 increased 1.4% from 2011. A majority of the increase is due to the 2.5% salary increase approved by the Board for the 2011/12 academic year. Salary expense is the largest expenditure category of the College. The College's costs savings measures relating for nonpayroll expenditures appear to be working based on the fact that most of the functional category cost increases are mainly attributed to the Board approved salary increase. Instructional expenditures increased by 1.6%, mainly due to higher costs for salaries and benefits.

<u>Financial and Enrollment Highlights</u> (cont'd)

Academic support had a 2.1% decrease in operating expenses based on lower costs for salaries and benefits, as well as reduced expenditures for other operating expenses. Student services costs increased by 6.8% relating mostly to higher salary and benefit costs. Institutional support had increased costs associated with a reduction in the allocated amount associated with information technology expenditures (IT), and an increase in student bad debt allowance. Operation of plant cost decreased by 8.7% mostly due to reduced costs in various contracted services. Student aid increased by 6.6%.

- Net nonoperating revenues increased by $3.4 million (8.1%) in 2012 due to an increase in property tax revenue ($4.2 million) for oil and gas in 2011. The rise in property tax revenue was slightly offset by a reduction in State appropriation, which declined by $1.3 million (15.5%). In addition, Federal Pell grants revenue increased by $0.75 million (8.9%).

- Nonoperating expenses decreased $0.225 million for 2012. The School recognized lower losses for disposal of assets and a reduction in interest expense on capital assets relating to the payoff of the Wells Fargo loan that was collateralized by the Continuing Education building and flight simulator (see Note 12). The largest expenditure in this category is for interest expense associated with the financing of the Allied Health & Science building (see Note 17).

- Unrestricted net assets increased 27.6%, primarily due to higher property tax revenue, federal nonoperating revenue, and flat operating expenses (after factoring out the increase in student aid).

State appropriations received in fiscal year 2012 was $7.2 million which was $1.3 million lower than the 2011 State appropriations received of $8.5 million. The current economic outlook places a question on whether future State appropriations will be further reduced due to budgetary constraints in the State brought about by the current economic slowdown and/or the outcome of the Lobato vs. Colorado lawsuit that is currently being appealed to the State Supreme Court.

In 2006, the law firm of Children's Voices filed the Lobato vs. Colorado lawsuit, which asserts that the State, under Amendment 23 of the education clause of the Colorado Constitution, is not meeting its constitutional obligation to provide a "thorough and uniform" system of free public schools in Colorado. The lawsuit centers on the assumption that the State's school finance scheme fails in two ways: (1) it does not provide sufficient funds to provide for a "thorough" education and (2) it does not ensure that funds are distributed in a way that provides for "uniform" access to educational opportunities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
(Unaudited)

Financial and Enrollment Highlights (cont'd)

In 2000, the voters of Colorado voted in favor of Amendment 23, a change to the States Constitution. Amendment 23 requires the State legislature to annually increase K-12 funding by "inflation +1 percent" through 2010 and inflation thereafter. In addition, it requires funding for special education and transportation to increase by the same percent. Unfortunately, because of the economic downturn that began in 2008 and the resulting budget crisis that hit the State of Colorado, the State found it difficult to cope with the budget demands due to falling revenues. As a result, the State found it necessary to cut educational funding for K-12 as well as Higher Education in order to balance the budget. It is estimated that the State's funding for the 2011-12 school year for K-12 is $800 million underfunded based on the required funding in Amendment 23. If there is a negative outcome of this lawsuit for the State, it could severely affect the future funding for higher education within the State, including the possibility of no State funding for higher education until some sort of legislative or financial remedy can be implemented.

The tables below summarize student enrollment data over the past five years. The economic environment and the District's solutions to reverse the downward trend in enrollment appear to be working according to the table.

Student Headcount Enrollment

Fiscal Year	Unduplicated Headcount	Percent Change
2012	7,961	-1.3%
2011	8,068	0.3%
2010	8,043	2.4%
2009	7,852	9.2%
2008	7,191	-2.9%

Student FTE Enrollment

	Resident FTE				Nonresident FTE		Combined FTE	
Fiscal Year	In-District	Out-of-District	TOTAL	Percent of Change	Out-of-State	Percent of Change	TOTAL	Percent of Change
2012	2,908	703	3,611	1.49%	113	-5.04%	3,724	1.28%
2011	2,874	684	3,558	2.04%	119	5.31%	3,677	2.14%
2010	2,749	738	3,487	11.73%	113	-5.04%	3,600	11.11%
2009	2,506	615	3,121	3.52%	119	16.67%	3,240	3.95%
2008	2,372	643	3,015	1.72%	102	-1.92%	3,117	1.60%

The decreased student headcount enrollment is an indication that the natural cyclical effect of the economy on enrollments in community colleges during economic improvement is beginning to take effect. Unemployment is lower than what it was in 2011, with more people choosing to work instead of going to school.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
(Unaudited)

The following is management's discussion of the results of operations and overview of the financial statements.

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the District. It presents the fiscal resources of the District (assets), the claims against those resources (liabilities), and the residual available for future operations (net assets). The Statement of Net Assets is prepared using the accrual basis of accounting, which is similar to the accounting methodology used by most private sector companies. Assets and liabilities are classified by liquidity as either current or noncurrent. Net assets are classified by the way in which they may be used for future operations. An increase or decrease in the District's net assets is one indicator of whether its financial health is improving or deteriorating. Consideration of other nonfinancial factors may be relied upon to assess the overall health of the District. For the year ended June 30, 2012, net assets increased 16.1%.

Condensed Statement of Net Assets

	June 30, 2012	June 30, 2011
Assets		
Current Assets	$ 63,206,634	$ 45,202,031
Noncurrent Assets - Noncapital	6,506,293	13,765,447
Capital, Net of Accumulated Depreciation	66,569,332	65,514,851
Total Assets	**136,282,259**	**124,482,329**
Liabilities		
Current Liabilities	7,100,637	8,297,950
Noncurrent Liabilities - Loans Payable	-	1,838,330
Noncurrent Liabilities - Certificates of Participation	15,349,429	16,150,204
Other Noncurrent Liabilities	1,221,458	1,198,300
Total Liabilities	**23,671,524**	**27,484,784**
Net Assets		
Invested in Capital Assets		
Net of Related Debt	50,633,019	48,048,270
Restricted - Expendable	1,542,678	1,590,480
Unrestricted	60,435,038	47,358,795
Total Net Assets	**$ 112,610,735**	**$ 96,997,545**

Current Assets

Cash and cash equivalents of $37,298,805 comprise 33.1% of the District's total net assets. The current ratio (current assets over current liabilities) is approximately nine to one (9:1). This means that for every dollar ($1) of liability currently due next fiscal year, the District has about nine dollars ($9) of assets available to pay them. Financial prudence holds that this ratio should be at least two to one (2:1).

Capital Assets

Capital assets consist of District property and improvements thereto, with a unit cost of $5,000 or more. The increase in net capital assets of 1.6% is primarily attributable to the increase in the current year accumulated depreciation being less than the capital acquisitions and ongoing construction in process for the Westview building remodel and the Promenade walkway project for 2012. Note 5 of this report summarize the changes in capital assets between fiscal years 2012 and 2011.

Liabilities

Obligations of the District decreased 13.9% over last year's amount. The decrease is mostly attributable to the reduction in long-term debt and obligations, and accounts payable. Total debt associated with the loan payable and certificates of participation decreased by 16.3% for 2012. Accounts payable decrease is associated with the School's cost cutting measures implemented to reduce expenses. The retirement benefits obligation decreased 45.4% from the amount in 2011. This change is in direct relation to the College's implementation of a buyout plan for retirement benefits and accrued compensated absences completed in 2007. More information about the District's long-term debt is presented in Notes 10-14 and 17 of the financial statements. The only area with a measurable liability increase was the compensated absence liability. Deferred revenue decreased 13.5% due to the decreased summer enrollment and tuition and fee revenue. Tuition and fees for summer enrollment is allocated between school years based on the number of days falling within each school year. Tuition and fees attributable to those days falling after June 30, 2012 are recorded as deferred revenue. Deposits held in the custody of others decreased 0.07%, and are mostly attributable to funds held for the Aims Foundation.

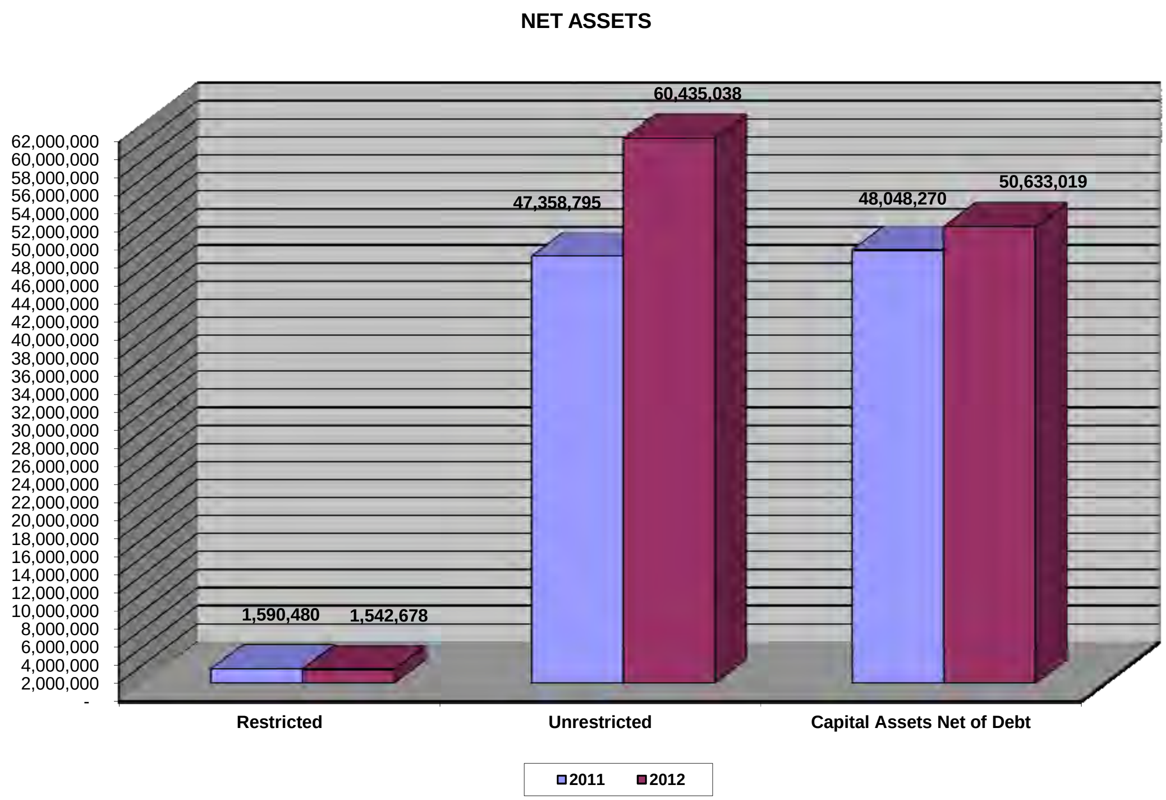
Net Assets

Net assets increased 16.1% in fiscal year 2011-12 primarily due to higher nonoperating revenue. Net assets are the resources available for future operations, that is, assets reduced by liabilities. The District's largest class of assets is its capital assets. Even after consideration of related debt, capital assets net of debt comprises 45.0% of the District's net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
(Unaudited)

Net Assets (cont'd)

It is important to recognize that the Unrestricted Net Assets of $60.4 million include resources that, while "unrestricted" under legal and financial reporting definitions, are in fact dedicated to particular purposes. Most notably, the Unrestricted Net Assets include $35.9 million designated for capital construction and general campus capital equipment, as well as an $18.2 million Reserve Fund created to offset any future shortfalls in funding by the State and/or property tax revenues, based on the current economic outlook for both major sources of funding as directed by the Board of Trustees. Remaining Unrestricted Net Assets include departmental operating funds and the net assets of the Continuing Education Authority.



Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA)

The statement of revenues, expenses, and changes in net assets present the financial activity of the District throughout the fiscal year, and how it increased or decreased net assets. The focus is on operating revenues and expenses, and it is important to recognize that while State appropriations and property taxes are budgeted for operations, they are reported as nonoperating revenues. This statement is also prepared using the accrual basis of accounting.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	For the year ended June 30, 2012	For the year ended June 30, 2011
Operating Revenues		
Net Tuition & Fees	$ 13,429,207	$ 13,361,733
Grants & Contracts	4,059,044	3,806,615
Auxiliary	2,907,674	2,955,529
Other	148,050	210,848
Total Operating Revenues	**20,543,975**	**20,334,725**
Operating Expenses		
Educational & General	44,498,459	43,400,817
Auxiliary	2,604,244	2,717,369
Depreciation and Amortization	3,987,652	4,257,260
Total Operating Expenses	**51,090,355**	**50,375,446**
Operating Loss	(30,546,380)	(30,040,721)
Nonoperating Revenues (Expenses) and Gains (Losses)		
General Property Taxes	30,461,548	26,308,250
State Appropriations	7,226,614	8,546,930
Federal State Fiscal Stabilization Funds	-	382,265
Federal Nonoperating Revenue	9,153,018	8,408,079
Contributions from the Foundation	83,373	59,255
Investment Income	122,389	117,766
Interest on Capital Asset Related Debt	(796,488)	(806,488)
Loss on Disposal of Assets	(110,884)	(326,279)
Total Nonoperating Revenues	**46,139,570**	**42,689,778**
Income Before Other Revenues, Expenses, Gains or Losses	**15,593,190**	**12,649,057**
Capital Grants and Gifts	**20,000**	**10,000**
Increase in Net Assets	15,613,190	12,659,057
Net Assets - Beginning of Year	96,997,545	84,338,488
Net Assets - End of Year	**$ 112,610,735**	**$ 96,997,545**

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd)
For the year ended June 30, 2012, the District had a net operating ratio of negative 1.49. This ratio measures the operating income or loss in relation to the total operating revenues. A negative 1.49 operating ratio means that operating expenses were 149% greater than operating revenues. The net operating ratio will usually be a negative number because nonoperating revenues are reported below the operating income or loss subtotal.

In comparison to the prior year's operating ratio of negative 1.48, the ratio for 2012 remained flat at 1.49. This means from fiscal year 2011 to 2012, while operating expenses increased, operating revenues also increased in the same proportion for the period. Operating revenues increased 1.03%, while operating expenses increased 1.42%.

The primary factors contributing to the increased operating revenues were:

- The District had an increase in Federal grants and contracts of 24.3%. Most of the increase can be explained by an increase in federal grant revenue, specifically student financial aid funds received from the Department of Education.

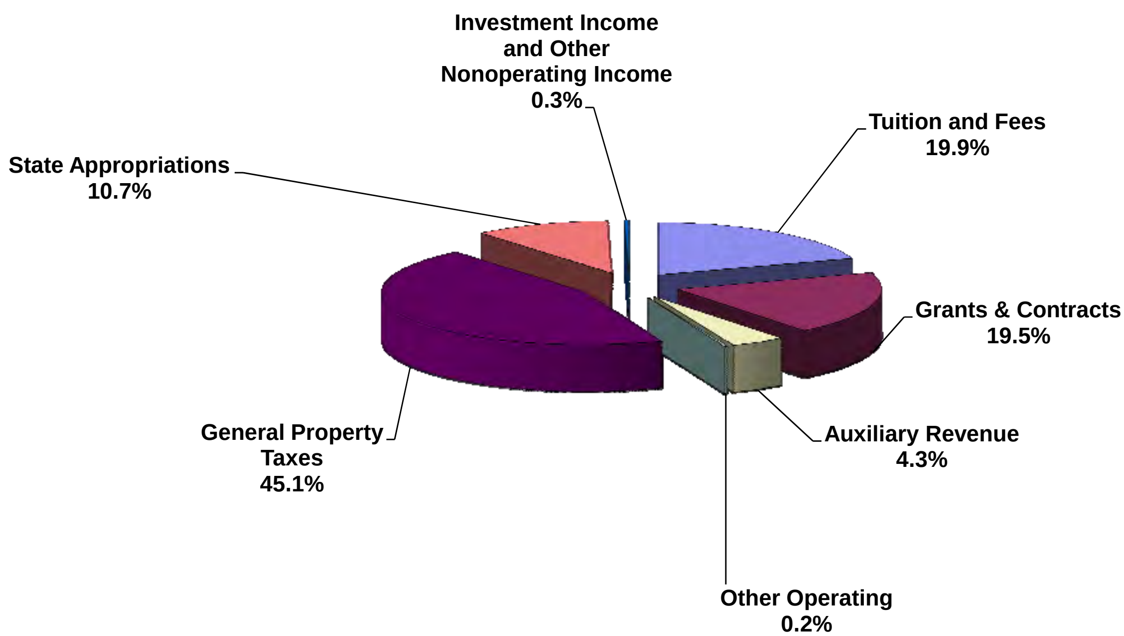
- Tuition and fee revenue increased 0.5% in relation to the increase in tuition and fee rates and student FTE.

Other significant changes on the SRECNA include the State of Colorado appropriations decrease of $1.3 million for 2012 compared to the 2011 appropriations. At this time, the future of State Appropriations is less predictable due to the continued uncertain future economic outlook for the State of Colorado and the Lobato vs. Colorado lawsuit previously mentioned.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd)

TOTAL REVENUES SOURCES



Net revenue from all sources net of scholarship allowances totals $67.6 million, with $20.5 million generated from operating revenues and $47.1 million in nonoperating revenues.

General property taxes represent the single largest source (45.1%) of total revenues to the District, which is up in comparison to 2011 (41.0%). In fiscal year 2012, tuition and fees revenue net of the scholarship allowance remained the second largest source at 19.9%, although it is down from the 20.8% in 2011. Grants and contracts (19.5%) remained the third largest revenue source, primarily due to the increase federal Pell grants. State appropriations decreased for 2012 to approximately 10.7% of total revenue compared to 13.3% for 2011. The State reduced higher education funding in order to balance the State budget.

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd)
Reporting standards require tuition and fees to be shown net of scholarship allowances, which were $2,752,468 for 2012. Scholarship allowances are those portions of tuition and fees, which are paid by other revenues, primarily Federal and State grants for financial aid and general institutional scholarships (see Note 1).

Expenses
Operating expenses are reported on the SRECNA by functional classification. This classification represents the types of programs and services provided by the District. The District also summarized its expenses by their natural classification, which represents expenses by type, regardless of the program or service. The tables below illustrate expenses by functional and natural classifications. Management's analysis for significant changes follows each table.

Functional Classifications

Operating Expenses by Function

	Year Ended June 30, 2012	Year Ended June 30, 2011
Instruction	$ 18,776,022	$ 18,475,555
Public Services	10,000	10,000
Academic Support	3,410,604	3,483,316
Student Services	3,103,116	2,904,385
Institutional Support	5,843,371	5,396,010
Operation of Plant	3,808,484	4,172,832
Student Aid	9,546,862	8,958,719
Auxiliary	2,604,244	2,717,369
Depreciation and Amortization	3,987,652	4,257,260
Total Operating Expenses	$ 51,090,355	$ 50,375,446

Management's Analysis of Functional Classifications
Instruction expenses increased in 2012 by 1.6% attributable to the aforementioned salary increase and the increase in expenses associated with the aviation helicopter program, which was up approximately $0.2 million. In August 2009, the VA Chapter 33 Post 9/11 educational benefit went into effect. Because of this educational benefit and in order for the VA Chapter 33 benefits to cover the flight costs, it was deemed necessary to start charging students in the helicopter flight courses the flight fees at the time of registration, as a portion of the training is provided by a third-party (Front Range Helicopters).

Academic support decreased 2.1% for 2012, mostly attributable to reduced employee payroll expense and across the board savings in general operating expenses.

Management's Analysis of Functional Classifications (cont'd)

Student services expenses increased 6.8%. Payroll expense increased by about 6.9%, and the College continued seeing costs associated with contracted services for assistance in processing the high volume of applications for financial aid applicants. Expenditures for supplies decreased by 29.2%, which offset some of the other general operating expense within this category showed an across the board slight increase.

Institutional support expenses were up 8.3%, mostly associated with a reduction in the allocated amount associated with information technology expenditures (IT), and an increase in student bad debt allowance of 26.1%. The College allocates IT costs each year across functional expense categories based on total expenditures. The amount allocated for IT costs out of institutional support to other functional categories for 2012 was less than 2011 by $0.27million (13.1%). Salary expense was also higher by 1.2%.

Student aid net of scholarship allowances increased 6.6% because of increased financial aid (Federal loan programs), grants paid expenses, and increased enrollment. Although loan funds are not reported in the SRECNA, they are a factor in determining the scholarship allowance, which offsets against tuition and fee revenue and student aid line items to derive the net amounts.

Natural Classifications

	Year Ended June 30, 2012	Year Ended June 30, 2011
Employee & Personnel Services	$ 24,065,261	$ 23,633,598
Other Operating	11,900,579	11,831,808
Costs of Goods Sold	1,590,001	1,694,061
Depreciation and Amortization	3,987,652	4,257,260
Student Aid	9,546,862	8,958,719
Total Operating Expenses	**$ 51,090,355**	**$ 50,375,446**

Management's Analysis of Natural Classifications

Employee and personnel costs increased $0.43 million or 1.8%. Which is much lower than the Board approved 2.5% salary increase.

Other operating costs increased by approximately $0.07 million as a result of expense reduction initiatives implemented by the School not completely offsetting the increase costs for the aviation helicopter program contracted services expense, which increased approximately $0.2 million, and the increase in the provision for student loan bad debt that increased by $0.06 million.

Cost of goods sold decreased due to the increased purchases of used textbooks and the new book rental program. In order to help students with the high cost of textbooks, the Bookstore has been working to sell used textbooks when possible.

Management's Analysis of Natural Classifications (cont'd)

The decrease in depreciation and amortization is attributable to the college assets for equipment and vehicles reaching their depreciable lives.

Statement of Cash Flows

The statement of cash flows provides information about the cash receipts and cash payments during the past year. A summary is presented here with more detail on the actual statement.

The primary cash received from operating activities includes tuition and fees, grant and contract revenues, and auxiliary revenue. Cash outlays for operations include payments for salaries, wages, benefits, supplies, and services. Just as the general property taxes and State appropriations are not reported as operating revenue, cash flows from both are not considered as operating sources, but as noncapital financing.

Significant changes in this statement are noted below:

- Net cash used in operating activities increased over 2011 by $1.8 million. The increase is primarily due to an increase in payments to suppliers (12%) and scholarship disbursements (6.6%), being greater than the increase in cash received for sales of products (9.2%) and services (15.5%) and grants and contracts (13.3%). Payments to and for employees declined slightly (1.2%) due to the District's continued cost control measures in 2012. Tuition and fee decrease is due to an increase in student receivables over 2011. The increase in payments to suppliers corresponds to an increase in inventory and accounts payable at year-end, as well as higher costs for goods sold reflected in the greater revenue for sales of products and services. The increased amount for scholarships disbursed is related to the increase in student enrollment (FTE) and funds received for grants and contracts being distributed to students.

- Cash flows provided by noncapital financing activities increased over 2011 by $0.8 million. The College recognized additional general property tax revenue relating to oil and gas, and the growth in federal revenue relating to Pell grants. These increases offset the declines in stabilization funds received from the State (ARRA funds), which ended in 2011, and the continued drop in State appropriations received, as mentioned earlier.

- Cash used in capital and related financing activities increased 30.4%. This is primarily associated with the retirement of a Wells Fargo loan that was collateralized by the Aims Continuing Education Authority building and the flight simulator building (see Note 12). The Board of Trustees approved the payoff of the loan payable with Wells Fargo at the October 12, 2011 Board meeting.

Statement of Cash Flows (cont'd)

- Negative net cash flows used in investing activities for 2012 were due to purchases of investments by the District. The College did see improvement in its investment earnings for 2012 of $0.4 million.

- Overall, the District's cash position increased $0.07 million, which includes restricted money market funds of $1.1 million.

Economic Outlook

Factors affecting the future of the District include increasing student enrollment and the risk of decreased funding from District property taxes and State appropriations. Each factor is sensitive to the condition of the local and statewide economies. Other factors include the ability of the District to meet educational needs of the community, including underprepared students, and attracting and retaining qualified faculty and staff.

Student FTE enrollment increased by 1.3% from the prior year 2011 to the current year 2012. The District has developed several programs to help ensure student success and retention. The District will continue its diligent efforts to increase student FTE enrollment. One large step the District has taken to help ensure its future growth is the two conjoined purchases of land along the I-25 corridor in Berthoud, Colorado of 30.06 acres and 10.01 acres. The foresight of this land purchase is to construct an additional southwest campus to service an anticipated increased population of District students in southern Weld County, as well as nondistrict students in the surrounding counties near the site. Although the future Berthoud campus remains a key option for future growth of the College, due to the economic uncertainties facing the State and funding for Higher Education in the State, as well as the risk of lower property tax if the economy remains stagnant for an extended period of time; the College continues to evaluate the timing of the development of the campus in order to be fiscally responsible.

State appropriations decreased in fiscal year 2012 by 15.5%. With the depletion of the Federal State Fiscal Stabilization Funds (ARRA) in 2011, it is expected that the State will continue to be forced to reduce funding for Higher Education due to increased demands on the State for statutorily mandated budget programs. The State's economic situation is a major concern to the College and Higher Education as a whole. With the ongoing demands for statutorily mandated budget programs and the risk of the State not receiving a favorable ruling on the Lobato vs. Colorado lawsuit, funding in future years looks bleak. The State committee that examined funding issues and devised a recommendation for a solution to the States dilemma on how to fund Higher Education will hopefully be implemented in some form in the future. However, due to the political environment, and the Constitutional constraints in the State surrounding the implementation of new taxes, any solution will likely be met with formidable obstacles.

Economic Outlook (cont'd)

The growth and the assessed valuation of property within the taxing district play an equally critical role as the State support erodes. Six counties contribute to the assessed value of the taxing district, with the largest contribution coming from Weld County. Growth and assessed valuation have flattened and even declined in some categories. However, the largest category within the Schools property tax revenue, oil and gas, has shown substantial improvement from the low point of the economic downturn. It is unknown whether the rise in property tax for oil and gas will offset the declines in other property tax categories, but current estimates from the county assessor for next year appear to be higher. For fiscal year 2012 property tax revenue again was derived primarily from oil and gas in Weld County. The rising allocation oil and gas plays within our property tax revenue stream requires prudent balancing between operating and capital funding by the College, in order to control the unstable funding swings oil and gas can demonstrate. Although at the close of fiscal year 2012, oil and gas appears to be stabilizing back to a more normal price range, it still remains a volatile source of revenue for the College in relation to the current economic environment.

Given the positive improvement in student FTE and State appropriations uncertainty, the District has continued its implementation of the following strategies:

- Assess educational needs of the community and adjust instructional programs accordingly.
- Continue to implement strategies to improve student retention.
- Implement initiatives to offset potential future slowing property tax revenues and the continued risk of lower State appropriations.

Additionally, the District analyzes tuition rates annually and adjusts tuition based on funding mix and projected costs. The District's tuition remains competitive with other Colorado community colleges.

The District will continue to explore solutions that will support its educational mission and strengthen its presence in the community.

Requests for Information

This financial report is designed to provide a general overview of Aims Junior College District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information for the District and the financial statements of Aims Community College Foundation should be addressed to the Chief Administrative Officer, Aims Junior College District, P.O. Box 69, 5401 W. 20th Street, Greeley, Colorado, 80632.

Aims Community College

BASIC FINANCIAL STATEMENTS

AIMS JUNIOR COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS		
Current Assets:		
Cash and cash equivalents	$	37,298,805
Short-term investments and nonnegotiable certificates of deposit		17,526,073
Accrued interest receivable		202
Student accounts receivable, net of allowance of $530,888		1,472,969
Accounts receivable, net of allowance of $51,940		693,230
Property tax receivable		4,835,456
Inventories		750,722
Other current assets		629,177
Total Current Assets		63,206,634
Noncurrent Assets:		
Land held for development		1,419,342
Money market funds-restricted for construction		1,107,723
Long-term investments		3,620,408
Deferred capital lease issuance costs, net		358,820
		6,506,293
Nondepreciable Capital Assets (Net):		
Land		8,735,272
Land improvements		1,931,538
Art/historical figures		42,132
Construction-in-progress		2,862,295
Depreciable Capital Assets:		
Land improvements		1,831,805
Buildings and improvements		47,012,708
Leasehold improvements		16,796
Equipment and furniture		4,136,786
Total Capital Assets (Net)		66,569,332
Total Noncurrent Assets		73,075,625
TOTAL ASSETS		**136,282,259**
LIABILITIES		
Current Liabilities:		
Accounts payable		1,591,534
Accrued liabilities		1,024,995
Deferred revenue		1,132,833
Capital leases payable-certificates of participation, current portion		775,000
Retirement benefits payable, current portion		10,456
Compensated absence liabilities, current portion		298,829
Deposits held in custody for others		2,266,990
Total Current Liabilities		7,100,637
Noncurrent Liabilities:		
Capital leases payable-certificates of participation, net		15,349,429
Retirement benefits payable		26,142
Compensated absence liabilities		1,195,316
Total Noncurrent Liabilities		16,570,887
TOTAL LIABILITIES		**23,671,524**
NET ASSETS		
Invested in capital assets, net of related debt		50,633,019
Restricted for:		
Expendable purposes:		
TABOR reserves		1,481,074
Nongovernmental grants and contracts		61,604
Unrestricted		60,435,038
TOTAL NET ASSETS	**$**	**112,610,735**

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS	
Cash and cash equivalents	$ 2,370,663
Investments	3,870,358
Contributions receivable, net	33,579
Prepaid expenses	1,962
Interest receivable	6,934
TOTAL ASSETS	**$ 6,283,496**
LIABILITIES	
Split-interest payable	$ 2,895
Deferred revenue	24,000
TOTAL LIABILITIES	**26,895**
NET ASSETS	
Unrestricted	549,796
Temporarily restricted	3,370,142
Permanently restricted	2,336,663
TOTAL NET ASSETS	**6,256,601**
TOTAL LIABILITIES AND NET ASSETS	**$ 6,283,496**

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2012

REVENUES		
Operating Revenues:		
Student tuition and fees, net of scholarship allowances of $2,752,468	$	13,429,207
Federal grants and contracts		1,449,569
State and local grants and contracts		2,609,475
Auxiliary operating revenue		2,907,674
Other operating revenue		148,050
Total Operating Revenues		**20,543,975**
EXPENSES		
Operating Expenses:		
Educational and general		
Instruction		18,776,022
Public service		10,000
Academic support		3,410,604
Student services		3,103,116
Institutional support		5,843,371
Operation of plant		3,808,484
Student aid		9,546,862
Depreciation and amortization		3,987,652
Auxiliary		2,604,244
Total Operating Expenses		**51,090,355**
Operating Loss		**(30,546,380)**
NONOPERATING REVENUES (EXPENSES)		
General property taxes		30,461,548
State appropriations		7,226,614
Federal nonoperating revenue		9,153,018
Contributions from the Foundation and private donor (excluding $26,967 included in State and local grants and contracts above and $20,000 included in capital gifts and grants below)		83,373
Investment gain		122,389
Interest on capital asset related debt		(796,488)
Loss on disposal of assets		(110,884)
Net Nonoperating Revenues		**46,139,570**
Income Before Other Revenues, Expenses, Gains or Losses		**15,593,190**
Capital grants and gifts		20,000
Increase in Net Assets		**15,613,190**
Net Assets, Beginning of Year		96,997,545
Net Assets, End of Year	**$**	**112,610,735**

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

Revenue and Gains:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Contributions and grants	$ 109,646	$ 141,802	$ -	$ 251,448
Investment earnings	93,509	(94,472)	-	(963)
Miscellaneous income	-	404	-	404
Net assets released from restrictions:				
Satisfaction of program restrictions	259,029	(259,029)	-	-
Total revenues and support	**462,184**	**(211,295)**	**-**	**250,889**
Expenses:				
Program services:				
Scholarships:				
Student	116,382	-	-	116,382
Contributions to College:				
Allied Health programs	17,803	-	-	17,803
Automotive	65,640	-	-	65,640
Emerging Scholars	4,023	-	-	4,023
Engineering	7,000	-	-	7,000
Fire academy	5,000	-	-	5,000
Mental health counseling	5,000	-	-	5,000
Sculptures and signage	503	-	-	503
The Aims RACK	13,934	-	-	13,934
Welding	2,555	-	-	2,555
Writers community	5,000	-	-	5,000
Other	5,906	-	-	5,906
Total Program Services	248,746	-	-	248,746
Support Services:				
Fundraising	37,466	-	-	37,466
General and administrative	165,427	-	-	165,427
Total Support Services	202,893	-	-	202,893
Total Expenses	**451,639**	**-**	**-**	**451,639**
Board and donor transfers	**83,537**	**(93,537)**	**10,000**	**-**
Change in net assets before other changes	**94,082**	**(304,832)**	**10,000**	**(200,750)**
Other changes - loss on investments	**3,099**	**(3,099)**	**-**	**-**
Change in net assets	**90,983**	**(301,733)**	**10,000**	**(200,750)**
Net assets--beginning of year	458,813	3,671,875	2,326,663	6,457,351
Net assets--end of year	**$ 549,796**	**$ 3,370,142**	**$ 2,336,663**	**$ 6,256,601**

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and fees	$	12,789,697
Sales of services		791,170
Sales of products		2,419,468
Grants and contracts		4,107,507
Other receipts		148,012
Cash Payments:		
Payments to and for employees		(24,043,119)
Payments to suppliers		(15,077,913)
Scholarships disbursed		(9,546,862)
Net cash used in operating activities		**(28,412,040)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from the Foundation and private donors		83,373
State appropriations, noncapital		7,226,614
Federal revenues, noncapital		9,153,018
General property taxes, noncapital		29,043,253
Decrease in deposits held in custody for others		(1,672)
Direct loans receipts		9,804,212
Direct loans disbursements		(9,804,212)
Net cash provided by noncapital financing activities		**45,504,586**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets		(4,083,624)
Principal paid on loans and capital leases		(3,109,948)
Interest paid on loans and capital leases		(790,776)
Payment of prior year payables for capital assets		(455,945)
Net cash used in capital and related financing activities		**(8,440,293)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments		(10,354,667)
Proceeds from sales of investments		1,271,390
Investment earnings		503,818
Net cash used in investing activities		**(8,579,459)**
Increase in Cash and Cash Equivalents		72,794
Cash and Cash Equivalents, Beginning of Year		38,333,734
Cash and Cash Equivalents, End of Year (includes $1,107,723 money market funds-restricted for construction)	$	38,406,528
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$**	**(30,546,380)**
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense		3,987,653
Decrease (increase) in assets:		
Receivables, net		(111,955)
Inventory		(331,136)
Prepaid expenses		(152,555)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities		(1,093,126)
Deferred revenues		(176,166)
Compensated absences		11,625
Net cash used in operating activities	$	(28,412,040)
Noncash capital and related financing activities:		
Construction accounts payable and retainages payable in accounts payable	$	1,278,427
Amortization of bond issuance costs		43,132
Amortization of deferred capital lease premium-certificates of participation		25,775
Capital assets donated to the District		20,000
Unrealized gain/loss on investment		328,292

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donors	$	153,943
Interest and dividends received		117,284
Cash paid to support College programs		(206,303)
Cash paid to employees and suppliers		(51,032)
Net cash provided by operating activities		**13,892**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in investments		6,541
Net cash used in investing activities		**6,541**
Net increase in cash and cash equivalents		20,433
Beginning cash and cash equivalents balance		2,350,230
Ending cash and cash equivalents balance	$	2,370,663

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	$	(200,750)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net loss on investments		118,247
Changes in operating assets and liabilities:		
Contributions receivable		73,042
Prepaid expense		(125)
Interest receivable		(336)
Split-interest payable		(186)
Deferred revenue		24,000
Net cash provided by operating activities	$	13,892

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Aims Junior College District (the District) is a self-governing junior college district with direct taxing authority. The District was formed in January 1967 to serve the post-high school educational needs of Weld County, Colorado and adjacent counties, including vocational and adult education. Aims Junior College District operates under the name of Aims Community College (the College).

The financial statements of the District include all of the integral parts of the District's operations. The District applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the District's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

As required by generally accepted accounting principles, these financial statements present the District (primary government) and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.*

Blended Component Units

The Aims Continuing Education Authority (the Authority), a not-for-profit corporation under the Colorado Nonprofit Corporation Act, was established July 1, 1996, to provide continuing education services.

The Aims Leasing Corporation, a Colorado nonprofit corporation (the Corporation), was established on February 6, 2002, to acquire real and personal property to be used by the College or the Authority.

The Aims College Campus Planned Community Association (the Association), a not-for-profit corporation under the Colorado Revised Nonprofit Corporation Act, was incorporated August 30, 2006, and was created pursuant to a Declaration (the Declaration) by the Aims Junior College District to acquire real and personal property to be used by the College or the Association. The Declaration created separate ownership of a planned community unit and for the ownership and management by the association of the common elements appurtenant thereto. The planned community unit represents property leased under a lease purchase agreement between Wells Fargo Bank, National Association and the District, as lessee (see Note 17 for further information regarding the lease agreement).

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

These entities are blended with the District because they provide services entirely to the District or among each other. Separate financial statements for the blended component units are not issued.

Discretely Presented Component Unit

The Aims Community College Foundation (the Foundation), a not-for-profit corporation under Article 40, Title 7 of the Colorado Revised Statutes of 1973, was established in 1979 to promote the welfare, development, growth, and well-being of Aims Community College, and also to permit the Foundation to engage in such activities as may be beyond the scope of the Trustees of the District. In addition, the Foundation is concerned and involved in the affairs of the community. The Foundation is discretely presented in the District's financial statements because it meets the three criteria contained in GASB 39 for inclusion as a component unit. The Foundation is a separate legal entity from the District. The voting members of the Foundation's Board of Directors are composed of a group of concerned individuals, one of whom is a member of the District staff. The Foundation contributed $132,364 to the operations of the District and $116,382 for scholarships for the year ended June 30, 2012. The District has recorded $2,203,026 as deposits held in custody for others on behalf of the Foundation as of June 30, 2012.

The financial statements of the Foundation may be obtained at the following address:

Aims Junior College District
Attn: Chief Administrative Officer
P.O. Box 69, 5401 W. 20th Street
Greeley, CO 80632

Basis of Presentation and Changes in Accounting Principles

The District's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) pronouncements, and Colorado Higher Education Accounting Standards.

The District has the option to apply all FASB pronouncements issued after November 30, 1989, unless the FASB standards conflict with GASB standards. The District has elected not to apply FASB pronouncements issued after the applicable date.

The Foundation's financial statements have been presented under the reporting format described in FASB Accounting Standards Codification ASC 958-205, *Presentation of Financial Statements.*

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Accounting

The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. In addition, all significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents, include money market accounts and other demand deposits, including funds deposited in COLOTRUST, an investment fund organized in accordance with Colorado State Statutes. For purposes of the statements of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The District accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market on the first-in, first-out (FIFO) basis.

Property Taxes

Property taxes are levied in November and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. Six counties contribute to the assessed valued of the taxing district, with the largest contribution coming from Weld County. The January 1, 2012 levy for the District was 6.355 mills, or approximately $28,429,833 from Weld County. Anticipated tax revenue not received at June 30 is recorded as property tax receivable in the statement of net assets.

Deferred Capital Lease Issuance Costs

Issuance costs associated with the issuance of bonds or other long-term debt obligations, including certificates of participation, are deferred and amortized to expense over the life of the respective obligation using the interest method.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that exceed $50,000 and significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Interest cost is capitalized on assets constructed by the District during the period of construction.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between 27.5 and 40 years for buildings, 15 to 20 years for land improvements, and 3 to 10 years for equipment. Assets recorded under capital lease agreements are amortized over either the term of the lease or the estimated useful life, whichever period is shorter. Such amortization is included as depreciation expense in the accompanying financial statements.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues for summer tuition and fees are calculated based on the number of days falling within each respective fiscal year. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employees' compensated absences are accrued at year-end for financial statement purposes. The current portion represents estimated amounts that will be paid out within one year.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of capital lease and retirement benefit obligations maturing after one year. Only amounts specifically identified as payable within one year are classified in current liabilities in the statement of net assets. Remaining balances have been classified as noncurrent liabilities as maturities are due in greater than one year or there is uncertainty as to when the estimated liabilities will be paid. Deferred capital lease premium, which is netted against the related obligation, represents the deferral of the premium on the issuance of the 2006 certificates of participation that is being amortized to interest expense over the life of the obligations using the interest method.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets—expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, property tax, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Classification of Revenue

The District has classified its revenue as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the District.

Nonoperating revenues: Nonoperating revenues are those revenues that do not meet the definition of operating revenues. For example, nonoperating revenues include state appropriations, general property taxes, gifts, and investment income.

Scholarship Allowances

The District uses the "Alternate Method" prescribed by the National Association of College and University Business Officers (NACUBO) to compute its scholarship allowances or tuition discount. Under the alternative method, institutions may use a rational, documented allocation methodology to determine the portion of applicable financial aid support to be applied as scholarship allowances and student aid expenses.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Scholarship Allowances (cont'd)

NACUBO provides guidance for two methods for the application of financial aid and institutional resources to student accounts receivable. The first is on a case-by-case method and the second is a rational allocation method. Because a case-by-case method is not feasible for most institutions, the rational allocation or 'Alternate Method' is the preferred method of determining tuition and scholarship allowances. NACUBO issued Advisory Report 2000-05, September 8, 2000, detailing the 'Alternate Method.'

Application of Restricted and Unrestricted Resources

The District's policy is to first apply an expense against restricted resources then toward unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NOTE 2—BUDGET LAW

The Board of Trustees adopts an annual budget to authorize and control spending from the various accounting funds of the District and the Authority. The District's expenditures for a fund may not exceed the amount budgeted. Budgets are adopted on a basis consistent with generally accepted accounting principles. The preparation and adoption of the District's operating budget is prescribed by the School District Budget Law of 1964 (Article 44, Title 22 of the Colorado Revised Statutes).

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS

Cash and cash equivalents as of June 30, 2012 is comprised of the following:

First National Bank Wealth Management	$	1,412,421
First National Bank		260,852
Wells Fargo Bank		249,984
Wells Fargo Advantages - Money Market		647,410
Goldman Sachs Fin SQ FDS Government Preferred 488		20,382,788
COLOTRUST		14,338,690
		37,292,145
Cash on hand		6,660
Total	$	37,298,805

The District also has $1,107,723 of cash and cash equivalents held in a money market account which is restricted for construction.

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State.

The District has noninterest-bearing transaction accounts which are covered under the FDIC Temporary Liquidity Unlimited Coverage for noninterest-bearing transactions accounts program. For the period December 31, 2010 through December 31, 2012, at all FDIC-insured institutions, deposits held in noninterest-bearing accounts will be fully insured regardless of the amount in the account. FDIC insurance limits for interest-bearing accounts is $250,000. At June 30, 2012, the carrying amount of the District's deposits was $1,666,345. The District's deposits of cash and nonnegotiable certificates of deposits in banks was $3,411,290, of which noninterest-bearing accounts totaling $2,255,780 and interest-bearing accounts of $1,155,510 are covered by federal deposit insurance. Any interest-bearing accounts in excess of $250,000 during the year would be uninsured but collateralized in accordance with the provisions of PDPA. The District also had cash on hand of $6,660 at June 30, 2012.

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

Investments

The statutes of the State of Colorado authorize the District to invest in certificates of deposit, money market certificates, bonds or other interest-bearing obligations of the United States, state, county and school district bonds, and state, county and municipal warrants, obligations of national mortgage associations, certain repurchase agreements, local government investment pools, and government money market funds.

State law limits investments in commercial paper and corporate bonds to at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency. State law allows the investment of public funds in any security issued by, guaranteed by, or the credit of which is pledged for payment by the United States, a federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, or the government national mortgage association. Investments in these types of securities are limited to a term of five years from the date of purchase, unless the governing body authorizes investment for such period in excess of five years. The District has no investment policy that would further limit its investment choices.

As of June 30, 2012, the District had the following investments, restricted money market funds and certificates of deposit with original maturities greater than 90 days:

I. First National

Investment	Current Market Value	Cost Basis	Current Yield	Maturity	Credit Rating Moody's	Credit Rating S&P
Corporate Obligations - Bonds						
Berkshire Hathway	$ 55,012	$ 55,166	4.85%	1/15/2015	AA2	AA+
Chevron Corp	52,750	54,075	3.95%	3/3/2014	AA1	AA
General Electric Cap Corp.	50,777	50,039	2.10%	1/7/2014	A1	AA+
Howard Hughes Med Inst.	53,085	53,589	3.45%	9/1/2014	Aaa	AA+
JP Morgan Chase & Co	50,315	50,403	1.65%	9/30/2013	A2	A
Merck & CO Inc.	51,211	52,237	4.38%	2/15/2013	AA3	AA
Novartis Capital	52,784	53,503	4.13%	2/10/2014	AA2	AA-
Primero Reorg Sch Dist No 2 Co Go	26,624	26,296	5.00%	12/15/2013	Aa3	AA-
Procter & Gamble Co.	53,584	54,204	3.50%	2/15/2015	AA3	AA-
Toyota Mtr Crd Corp.	50,417	50,718	1.38%	8/12/2013	Aa3	AA-
United Parcel Service	51,102	53,983	4.50%	1/15/2013	AA3	AA-
Wal-Mart Stores Inc.	51,860	52,345	3.00%	2/3/2014	AA2	AA
Yale University Mtn	52,694	53,067	2.90%	10/15/2014	AAA	AAA
	652,215	659,625				

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

I. First National (continued)

Investment	Current Market Value	Cost Basis	Current Yield	Maturity	Credit Rating Moody's	Credit Rating S&P
Certificates of Deposit (Negotiable)						
Compass Bank Birmingham AL	159,690	160,000	0.50%	5/16/2014	N/A	N/A
Farmers Bank Ault CO	250,553	250,000	1.00%	10/4/2012	N/A	N/A
Millennium Bank Edwards CO	249,784	249,000	0.75%	4/19/2013	N/A	N/A
Wells Fargo Bk N.A.	39,607	40,000	1.00%	6/9/2014	N/A	N/A
Wells Fargo Bk N.A.	24,842	25,000	1.00%	3/9/2015	N/A	N/A
	724,476	724,000				
Certificates of Deposit (Non-Negotiable)						
Cobiz Bank	248,000	248,745				
Great Western Bank	250,000	250,000				
Mile High Bank	205,000	205,000				
	703,000	703,745				
Government issued or guaranteed bonds						
US Treasury Note	57,121	57,561	4.50%	2/15/2016	AAA	AA+
US Treasury Note	58,665	59,020	4.88%	8/15/2016	AAA	AA+
US Treasury Note	55,695	55,613	3.25%	12/31/2016	AAA	AA+
US Treasury Note	55,481	55,410	3.13%	1/31/2017	AAA	AA+
US Treasury Note	58,915	59,098	4.63%	2/15/2017	AAA	AA+
Federal National Mortgage Association	52,793	54,335	4.63%	10/15/2013	AAA	AA+
Federal National Mortgage Association	59,183	59,893	5.25%	9/15/2016	AAA	AA+
	397,853	400,930				
Treasury Inflation-Protection Securities						
UST INFL INDEX NTS	42,472	41,547	1.88%	7/15/2015	AAA	AA+
UST INFL INDEX NTS	46,195	45,951	2.00%	1/15/2016	AAA	AA+
UST INFL INDEX NTS	43,471	44,350	2.38%	1/15/2017	AAA	AA+
	132,138	131,848				
Money Market Funds						
Goldman Sachs Fin SQ FDS Government Preferred 488	20,382,788	20,382,788			Aaa	AAAm
Advantage Bank	250,126	250,126			N/A	N/A
First Citizens Bank	640,659	640,659			N/A	N/A
Goldman Sachs Preferred	73,944	73,944			N/A	N/A
Solera Bank	198,691	198,691			N/A	N/A
Flatirons Bank	249,000	249,000			N/A	N/A
	21,795,208	21,795,208				
Total Investments - First National	$ 24,404,890	$ 24,415,356				

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

II. Wells Fargo Investments

Investment	Current Market Value	Cost Basis	Current Yield	Maturity	Credit Rating Moody's	Credit Rating S&P
Government issued or guaranteed bonds						
Fed Home Loan Bank	$ 1,000,952	$ 1,012,670	1.38%	7/30/2012	AAA	AA+
Fed Home Loan Bank	3,011,091	3,066,090	2.00%	9/14/2012	AAA	AA+
Fed Home Loan Bank	737,018	754,908	4.00%	12/13/2013	AAA	AA+
Fed Home Loan Bank	2,008,620	2,035,299	1.75%	12/14/2012	AAA	AA+
Freddie Mac Note	2,003,112	2,008,860	0.63%	10/30/2012	AAA	AA+
Federal National Mortgage Association	2,007,704	2,018,680	1.00%	12/27/2012	AAA	AA+
Freddie Mac Note	1,061,649	1,074,480	2.88%	2/9/2015	AAA	AA+
Fed Home Loan Bank	2,122,215	2,124,444	0.38%	5/30/2013	AAA	AA+
Federal Home Loan Note	100,665	100,761	1.95%	11/15/2012	AAA	AA+
Federal Home Loan Note	103,246	106,018	3.75%	6/14/2013	AAA	AA+
Federal National Mortgage Association	2,056,510	2,142,180	4.75%	2/21/2013	AAA	AA+
Freddie Mac Note	107,068	108,273	4.50%	4/2/2014	AAA	AA+
	16,319,850	16,552,663				
Corporate Obligations - Bonds						
Barclays Bank PLC	302,187	306,252	2.50%	1/23/2013	A2	A+
Bear Stearns Co LLC	327,043	360,110	6.95%	8/10/2012	A2	A
Charles Schwab Corp	107,247	110,514	4.95%	6/1/2014	A2	A
General Electric Capital Corp	303,499	309,585	2.80%	1/8/2013	A1	A+
Goldman Sachs Group INC	303,395	319,422	5.00%	10/1/2014	A3	A-
South Carolina Electric & Gas Co	317,162	345,330	7.13%	6/15/2013	A3	A
Wells Fargo & Co	103,908	98,245	5.50%	5/1/2013	A2	A+
	1,764,441	1,849,458				
Money Market Funds - restricted						
Wells Fargo Advantage Funds - Government Money Market Fund - restricted	1,107,723	1,107,723			AAA	AAA
Wells Fargo Advantage Funds - Prime Investment Money Market Fund - Institutional	647,410	647,410			Aaa	AAAm
	1,755,133	1,755,133				
Total Investments - Wells Fargo	**$ 19,839,424**	**$ 20,157,254**				
Certificate of Deposits (Non-negotiable)						
Colorado East Bank & Trust	$ 240,481	$ 240,481				
Bank of Colorado	212,028	212,028				
	$ 452,509	$ 452,509				

Statement of net assets classification

Short-term investments and non-negotiable certificates of deposit-unrestricted	$ 17,526,073
Money market funds - restricted	$ 1,107,723
Money market funds included in cash and cash equivalents	$ 22,442,619
Long-term investments	$ 3,620,408

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

Investments (cont'd)

The District does have a formal investment procedure that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments in commercial paper and corporate bonds to at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency. State law allows the investment of public funds in any security issued by, guaranteed by, or the credit of which is pledged for payment by the United States, a federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, or the government national mortgage association. Investments in these types of securities are limited to a term of five years from the date of purchase, unless the governing body authorizes investment for such period in excess of five years. The District has no investment policy that would further limit its investment choices.

As of June 30, 2012, the District's investment in Colorado Local Government Liquid Asset Trust (COLOTRUST) investment pool was rated AAAm by Standards and Poor.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. More than 24.1% of the District's deposits and investments are in the COLOTRUST investment pool. The District also has 1.9% of its deposits and investments restricted for construction and or repayment of the certificates of participation issued in August of 2006. In addition, approximately 61.8% of the District's deposits and investments invested in implicitly guaranteed Government securities as direct holdings with the College's First National Bank Investment Account (0.2%) and the Wells Fargo Investment Account (27.4%) or through our First National Bank Investment – Goldman Sachs Government Preferred Account (34.2%). The District also has money market funds as direct holdings with the Wells Fargo Investment Account, which comprise 1.1% of the District's deposits and investments.

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

Investments (cont'd)

The following details the investments held by the Foundation for each major category of investments and the related fair market value at June 30, 2012:

Mutual funds	$ 743,809
Equities	1,984,513
U.S. Treasury notes	159,492
Corporate bonds	477,804
Real estate and specialty assets	504,740
Total	$ 3,870,358

NOTE 4—LAND HELD FOR DEVELOPMENT

Land held for development is carried at cost and is comprised of land, water rights, professional fees and site preparation costs related to land owned by the District that is being proposed for development as a residential/commercial project either internally or through sale of the land to an outside developer.

On June 8, 2011, the College sold 6.11 acres of land to Waltel Minerals, LLC for $35,000. The sale of the property did not include any water or mineral rights. At the time of the sale, a repurchase option was signed by the buyer and the College allowing the College the option to buy back the property for $35,000 upon on the termination date of the mineral lease the College signed with Synergy Resources Corporation and extending five (5) years thereafter.

The property was sold contingent on the buyer or a third party being granted an oil and gas lease on the property by the College. On June 8, 2011, the College entered into an oil and gas lease with Synergy Resources Corporation for the purpose of drilling oil and gas wells on the property in consideration of the College receiving a 16.67% net royalty interest after taxes and agreed-upon costs. In addition to the royalty interest, the College also received a one-time $300 per acre royalty bonus ($54,780) for land it owned (182.6 acres) under which the wells will be extracting minerals. The future value of royalties to be received is unknown at this time.

NOTE 5—CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2012.

	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012
Capital assets, not being depreciated:				
Land	$ 8,735,272	$ -	$ -	$ 8,735,272
Land Improvements	1,931,538	-	-	1,931,538
Art/Historical Figures	42,132	-	-	42,132
Total capital assets, not being depreciated	10,708,942	-	-	10,708,942
Capital assets, being depreciated:				
Land Improvements	3,232,795	257,018	-	3,489,813
Buildings & Improvements	71,630,294	799,530	-	72,429,824
Vehicles	1,339,870	54,570	-	1,394,440
Equipment	16,345,745	1,162,248	488,455	17,019,538
Leasehold Improvements	27,091	-	-	27,091
Total capital assets, being depreciated	92,575,795	2,273,366	488,455	94,360,706
Less accumulated depreciation				
Land Improvements	1,522,136	135,872	-	1,658,008
Buildings & Improvements	23,000,694	2,416,422	-	25,417,116
Vehicles	954,165	135,271	-	1,089,436
Equipment	12,283,680	1,281,647	377,571	13,187,756
Leasehold Improvements	9,211	1,084	-	10,295
Total accumulated depreciation	37,769,886	3,970,296	377,571	41,362,611
Total capital assets, being depreciated, net	54,805,909	(1,696,930)	110,884	52,998,095
Add construction-in-progress	-	2,862,295	-	2,862,295
Net carrying amount	$ 65,514,851	$ 1,165,365	$ 110,884	$ 66,569,332

Included in land improvements not being depreciated are $280,200 of water rights.

Interest cost capitalized for 2012 was as follows:

Westview	$ 310
College Promenade	8,337
	$ 8,647

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or (800) 759-PERA (7372).

Funding Policy

The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. Prior to July 1, 2010, the contribution rate for members was 8.0% and for the District was 10.15% of covered salary. Effective July 1, 2010, the member contribution rate increased to 10.5% and the employer contribution rate decreased to 7.65% due to the passage of Senate Bill 10-146. The contribution rate changes were intended to be for a one-year modification that would end on June 30, 2011. However, with the passage of Senate Bill 11-076 in 2011, the contribution change was extended through fiscal year 2011-12. A portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (see Note 8). The District is also required to pay an amortization equalization disbursement (AED) equal to 3.0% of the total payroll for the calendar year 2012 (2.6% of total payroll for the calendar year 2011, and 2.2% of total payroll for the calendar year 2010). Additionally, the District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 2.5% of the total payroll for the calendar year 2012 (2.0% of the total payroll for the calendar year 2011, and 1.5% of the total payroll for the calendar year 2010). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree, no member contributions are required. However, Senate Bill 10-001 requires retirees who return to work for a PERA covered employer to make nonrefundable contributions at the same rate as members working for the employer. Therefore, beginning January 1, 2011 retirees will be treated the same as members with respect to the above contribution. For more detailed information on SB 10-146 and SB 10-001 contact Colorado PERA.

For the years ended June 30, 2012, 2011, and 2010, the District's employer contributions to the SDTF were $2,256,231, $2,087,453, and $2,504,677, respectively, equaling its required contributions for each year.

NOTE 7—DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Employees of the District who are members of the SDTF (see Note 6) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual financial report for the 401(k) Plan. That report may be obtained online at www.copera.org or by writing to Colorado PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($16,500 for the calendar year 2011 and $17,000 calendar year 2012). Catch-up contributions up to $5,500 for the calendar year 2011 and $5,500 for the calendar year 2012 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended.

NOTE 8—POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

Health Care Program

PERACare (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY 2011-12, the premium subsidy was $115 for those with 20 years of service credit ($230 for members under age 65), and it was reduced by 5% for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution as discussed in Note 6.

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations providing services within Colorado.

Life Insurance Program

PERA provides its members access to term life and accidental death and dismemberment (AD&D) insurance offered by UNUM Provident (1 to 4 units), and may continue coverage into retirement. Members must be enrolled prior to retirement and cannot add units after retirement. Premiums are paid monthly by payroll deduction or other means.

NOTE 9—COMMITMENTS AND CONTINGENT LIABILITIES

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from enterprise activities, gifts, federal funds, reserve expenditures, damage awards, or property sales. The District believes it is in compliance with the requirements of TABOR.

On November 2, 1999, voters in the District approved superseding the provisions of TABOR and other State requirements that limit the amount of revenue the District could retain each year, without increasing or adding taxes of any kind. Included in the accompanying financial statements are emergency reserves required by TABOR of at least 3% of fiscal year spending. The emergency reserve of $1,481,074 is recorded as restricted net assets on the statement of net assets.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, though the District expects such amounts, if any, to be immaterial. The District believes it is in compliance with all requirements of the grantor agencies.

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded this coverage in any of the past three fiscal years.

As of June 30, 2012, the District had construction commitments outstanding of $1,720,585. The Board approved a number of capital projects for the 2011-12 academic year. The Promenade project included the design and construction of a campus promenade through the core of the academic buildings, and the construction of a road extension from the southwest entrance of the campus connecting to the north parking lots, and an additional parking lot next to the Physical Education building. The extension of the road will create a circular road system around the campus. Outstanding commitments for the Promenade project at June 30, 2012 was $1,124,885. The Promenade project will be completed in the Fall of 2012. The other major capital project approved by the Board was the remodel of the Westview building. Outstanding commitments for the Westview building remodel at June 30, 2012 was $595,700. It is expected to be completed in the fall of 2012. For the academic year 2012-13, the Board approved the construction of a new building located at the Fort Lupton campus to house the new oil and gas program and the agriculture business program. This building is expected to be completed prior to the fall of the 2013 semester. The budget cost to construct and furnish the building is $9,000,000. No other major construction projects have been approved by the Board.

NOTE 10—COMPENSATED ABSENCES

District employees accrue annual vacation and sick leave based on length of service and may accumulate it subject to certain limitations regarding the amount that will be paid upon termination.

The estimated liability related to compensated absences for which employees are vested at June 30, 2012 is $1,494,145. The District estimates 20% of the liability will be paid in the subsequent year.

Any benefited employee with excess sick time above the maximum 640 hours allowed to be carried over to the next year is allowed to convert 25% of their excess sick time into either additional vacation hours or pay (based on their hourly rate at the time).

In June 2009, the Board of Trustees voted to revise the Leave of Absence policy to change the sick leave accrual from 10.67 hours per month to 8 hours. The change also eliminated the payout of accrued sick leave for employees hired on or after July 1, 2009. In June of 2010, the Board agreed to allow the above change for sick leave accrual from 10.67 to 8 hours to sunset after June 2012 for faculty hired before July 1, 2009. The College reserved the right to renegotiate the sunset provision prior to June 2012 through the consultation process. With the approval of the consultation agreement at the June 2012 Board meeting, the Board decided to allow the Leave of Absence policy change to sunset. Effective July 1, 2012, the revised sick leave accrual for employees hired prior to July 1, 2009 will be 10.67 hours and 8.00 hours for those employees hired on or after July 1, 2009.

NOTE 11—LONG-TERM LIABILITIES

The following presents changes in long-term liabilities for the year ended June 30, 2012:

	Balance, July 1, 2011	Additions	Reductions	Balance, June 30, 2012	Amounts Due Within One Year
Loan Payable	$ 2,369,948	$ -	$ (2,369,948)	$ -	$ -
Certificates of Participation	16,650,000	-	(740,000)	15,910,000	775,000
Unamortized Capital Lease Premium-Certificates of Participation	240,204	-	(25,775)	214,429	-
Total	**$ 19,260,152**	$ -	**$ (3,135,723)**	**$ 16,124,429**	**$ 775,000**
Other Liabilities:					
Retirement Benefits	$ 66,991	$ -	$ (30,393)	$ 36,598	$ 10,456
Accrued Compensated Absences	1,452,127	42,018	-	1,494,145	298,829
Total Other Liabilities	**$ 1,519,118**	**$ 42,018**	**$ (30,393)**	**$ 1,530,743**	**$ 309,285**

Amounts shown in "Balance, June 30, 2012" of long-term liabilities include both current and noncurrent portions. Additional information regarding accrued compensated absences is included in Note 10, loan payable obligations in Note 12, retirement benefits payable in Note 14 and certificates of participation in Note 17.

NOTE 12—LOAN PAYABLE

The Board of Trustees approved the payoff of the loan payable with Wells Fargo at the October 12, 2011 Board meeting. The District paid $174,735 of principal payments from July 1 – October 1, 2011 and paid off the remainder of the loan, or $2,199,566 including accrued interest of $4,353, on October 18, 2011.

History

On July 29, 2005, Aims Leasing Corporation (the Corporation) signed a promissory note with Wells Fargo Brokerage, LLC for $5,062,500. The note was dated July 29, 2005, and was scheduled to mature on August 1, 2015 with a fixed interest rate of 4.2%. The purpose of this note was to refinance two existing promissory notes: one for the corporate education center and simulator building, and the other for the flight simulator. The note was collateralized by a building. Additional proceeds from the refinancing were used to purchase new equipment for the flight simulator and pay closing costs. The two promissory notes were previously held by Union Colony Bank and GE Capital. The refinancing was conducted by the Corporation for the benefit of the Continuing Education Authority (the Authority, see Note 1). The Authority accounted for the promissory note as a loan payable. Upon completion of the refinancing, the Authority renewed its leasing commitment for the education center, simulator building, and flight simulator. There were no loan covenants. The activities of the Authority and the Corporation are blended with those of the District. Accordingly, under the provisions of GASB 14, the debt and assets of the blended component units were reported as a form of the District's debt and assets.

NOTE 13—LEASES

The District leases space and equipment under operating leases to conduct its operations. Rental payments for operating leases were $45,772 for the year ended June 30, 2012. The future minimum rental payments for operating leases as of June 30, 2012, are as follows:

Year Ending June 30	Amount
2013	$ 14,659
2014	14,659
2015	8,551
	$ 37,869

The District has operating leases for airplanes used in its flight-training program. The airplanes are leased on a per hour basis. Rental payments under these leases for the year ended June 30, 2012, were $69,267.

NOTE 14—RETIREMENT BENEFITS PAYABLE

The District has a Retention and Recognition Plan, which rewards full-time faculty and administrators hired before July 1, 1994, who leave the employment of the District with 15 or more years of service. Benefits equal the last year's base salary and are paid out over a five-year period, for employees retiring at normal PERA retirement age, with reduced benefits for those retiring after a specified time period. Employees with 16 or more years of service also receive partial payment of unused sick leave. In 2005, the Board of Trustees offered an alternative option for eligible employees. Under the terms of the alternative option, eligible employees could elect to receive their retirement benefits over a three-year period before retirement. Eligible employees had until October 3, 2005 to make this election. As of June 30, 2012, $36,598 is due to individuals whose applications have been approved by the Board of Trustees. The liability as of June 30, 2012 includes all eligible individuals hired before July 1, 1994, whether or not they have 15 or more years of service as of that date. Future payments under the plan as of June 30, 2012, are as follows:

Year Ending June 30	**Amount**
2013	$ 10,456
2014	10,457
2015	10,457
2016	5,228
	$ 36,598

NOTE 15—INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Invested in capital assets, net of related debt, is comprised of the following as of June 30, 2012:

Total capital assets, net of accumulated depreciation	$	66,569,332
plus (less):		
Capital leases payable-certificates of participation, current portion		(775,000)
Capital leases payable-certificates of participation, noncurrent		(15,349,429)
Unspent proceeds-certificates of participation, restricted funds		1,107,723
Deferred capital lease issuance costs, net		358,820
Construction accounts payable		(1,278,427)
	$	50,633,019

NOTE 16—NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2012, the following table represents operating expenses within both natural and functional classifications:

	NATURAL CLASSIFICATION					
FUNCTIONAL CLASSIFICATIONS	**Employee & Personnel Services**	**Operating**	**Cost of Goods Sold**	**Depreciation**	**Student Aid**	**TOTAL OPERATING EXPENSES**
Instruction	$ 12,619,314	$ 6,147,400	$ 9,308	$ -	$ -	$ 18,776,022
Public Service	-	10,000	-	-	-	10,000
Academic Support	2,833,060	577,544	-	-	-	3,410,604
Student Services	2,492,576	610,540	-	-	-	3,103,116
Institutional Support	4,400,798	1,442,331	242	-	-	5,843,371
Operation of Plant	1,070,464	2,738,020	-	-	-	3,808,484
Student Aid	-	-	-	-	9,546,862	9,546,862
Auxiliary	649,049	374,744	1,580,451	-	-	2,604,244
Depreciation and Amortization	-	-	-	3,987,652	-	3,987,652
TOTAL EXPENSES	**$ 24,065,261**	**$ 11,900,579**	**$ 1,590,001**	**$ 3,987,652**	**$ 9,546,862**	**$ 51,090,355**

NOTE 17—CAPITAL LEASE PAYABLE-CERTIFICATES OF PARTICIPATION

On August 30, 2006, Aims Junior College District (operating under the name of Aims Community College) entered into a Lease Purchase Agreement with Wells Fargo Bank, National Association, solely in its capacity as Trustee under an Indenture of Trust, as Lessor (Lessor), whereby Lessor issued Certificates of Participation (COP), Series 2006, to finance the construction of the new Allied Health & Science Building, the leased property. The aggregate principal amount of the financing was $19,335,000. The Lease Purchase Agreement is payable solely through annual appropriations by the Board of Trustees for base rentals and any purchase option price paid by the District under the lease. Base rental payments under the lease equal the principal and interest on the COP. The lease is subject to annual termination by the District and will be terminated upon the occurrence of an event of nonappropriation by the Board or an event of default under the lease.

In connection with the capital lease transaction, the District, through a declaration, formed the Aims College Campus Planned Community Association (the Association), as a nonprofit company to own common elements or the real property on which the new Allied Health & Science Building is being constructed. Common elements represent all portions of the planned community created by the declaration other than the units (buildings constructed thereon and any other improvements located thereon) within the planned community.

The COP bears per annum interest and mature serially beginning December 15, 2007 and continue annually through December 15, 2026. The COP interest rates range from 3.625% to 5.0%, with effective yields ranging from 3.60% to 4.54%. The series is rated AAA by Standard & Poor's.

The underlying gross capitalized asset costs for this capital lease are $17,208,846. Accumulated amortization as of June 30, 2012 is $2,815,993.

The maturity schedule for the COP is presented in a chart on the following page.

NOTE 17—CAPITAL LEASE PAYABLE-CERTIFICATES OF PARTICIPATION (cont'd)

Maturity Schedule

Year ending June 30	Interest Rate	Price or Yield	Principal Amount	Interest	Total
2013	5.000%	3.860%	$ 775,000	$ 713,669	$ 1,488,669
2014	4.250%	3.940%	805,000	677,188	1,482,188
2015	4.250%	4.020%	840,000	642,231	1,482,231
2016	4.250%	4.070%	875,000	605,788	1,480,788
2017	4.250%	4.120%	915,000	567,750	1,482,750
2018	4.100%	4.200%	950,000	528,831	1,478,831
2019	4.125%	4.260%	990,000	488,937	1,478,937
2020	4.250%	4.310%	1,025,000	446,737	1,471,737
2021	5.000%	4.350%	1,075,000	398,081	1,473,081
2022	4.750%	4.390%	1,130,000	344,369	1,474,369
2023	5.000%	4.430%	1,180,000	288,031	1,468,031
2024	5.000%	4.460%	1,240,000	227,531	1,467,531
2025	5.000%	4.480%	1,305,000	163,906	1,468,906
2026	5.000%	4.500%	1,370,000	97,031	1,467,031
2027	4.375%	4.540%	1,435,000	31,392	1,466,392
Total Certificates of Participation			$ 15,910,000	$ 6,221,472	$ 22,131,472

NOTE 18—CURRENT ECONOMIC CONDITIONS

The current economic environment could present public institutions of higher education with unprecedented circumstances and challenges. The financial statements have been prepared using values and information currently available to the College.

Current economic conditions have made it difficult for the State of Colorado to fund higher education at levels previously provided. Higher education funding for local college districts by the State is appropriated as an individual line item in the State Long Appropriation Bill. Depending upon the depth of the reduced future funding from the State; the College could see an adverse impact on future operating results. In addition, the State is facing a lawsuit brought on by the law firm of Children's Voices (Labato vs. Colorado). In 2006, the law firm of Children's Voices filed the Lobato vs. Colorado lawsuit, which asserts that the state, under Amendment 23 of the education clause of the Colorado Constitution, is not meeting its constitutional obligation to provide a "thorough and uniform" system of free public schools in Colorado. The lawsuit centers on the assumption that the State's school finance scheme fails in two ways: (1) it does not provide sufficient funds to provide for a "thorough" education and (2) it does not ensure that funds are distributed in a way that provides for "uniform" access to educational opportunities. Currently the case is being appealed to the State Supreme Court. An adverse outcome to the case could have a catastrophic impact to higher education funding in the State.

Although State appropriations are expected to remain volatile, property tax revenues are projected to improve next year and could offset some of the possible declines in State appropriations.

In addition, given the volatility of current economic conditions, the value of assets and liabilities recorded in the financial statements could change rapidly, resulting in future adjustments to investment values and allowances.

In anticipation of future reductions in State funding to the College, the College has implemented a number of cost savings and revenue generating strategies to help mitigate some of the impact reduced funding may have on the College. The College has eliminated a number of property leases reduced travel expenditures, implemented energy savings strategies, and increased tuition. In addition, the College continues to monitor program cost to ascertain relevance and cost effectiveness. The College continues to vigilantly monitor the State funding for higher education so it can respond rapidly to any changes that might impact the College.

SUPPLEMENTARY INFORMATION

AIMS JUNIOR COLLEGE DISTRICT
ALL FUNDS
ACTUAL TO BUDGET COMPARISON

Year Ended June 30, 2012	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Tuition and fees	$ 16,181,675	$ 15,675,579	$ 506,096
Less: Tuition Discounts (Student Financial Aid)	(2,752,468)	-	(2,752,468)
Net Tuition and Fees	13,429,207	15,675,579	(2,246,372)
Gifts, grants and contracts (including Pell)	13,212,062	11,147,725	2,064,337
Auxiliary operating revenue	2,907,674	2,926,125	(18,451)
Other operating revenue	148,050	81,405	66,645
Total Operating Revenues	29,696,993	29,830,834	(133,841)
Operating Expenses:			
Education and general	34,951,597	44,576,978	9,625,381
Student aid	9,546,862	10,534,800	987,938
Depreciation and amortization expense	3,987,652	-	(3,987,652)
Auxiliary enterprises expenses	2,604,244	2,827,346	223,102
Total Operating Expenses	51,090,355	57,939,124	6,848,769
Nonoperating Revenues and Expenses:			
General property taxes	30,461,548	26,837,512	3,624,036
State appropriations	7,226,614	6,243,682	982,932
Investment gain	122,389	132,614	(10,225)
Interest expense	(796,488)	(720,856)	(75,632)
Loss on disposal of assets	(110,884)	-	(110,884)
Contribution from the Foundation	103,373	-	103,373
Total Nonoperating Revenue and Expense	37,006,552	32,492,952	4,513,600
Transfers In (Out):			
Nonmandatory transfers in	23,807,363	11,029,895	12,777,468
Nonmandatory transfers out	(23,807,363)	(11,029,895)	(12,777,468)
Total Transfers In (Out)	-	-	-
Increase in Net Assets	$ 15,613,190	$ 4,384,662	$ 11,228,528

REPORTS REQUIRED BY OMB CIRCULAR A-133

Wells Fargo Center
1700 Lincoln Street, Suite 1400
Denver, CO 80203-4514
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Aims Junior College District
Greeley, Colorado

We have audited the financial statements of the business-type activities and the discretely presented component unit of Aims Junior College District (the District) as of and for the year ended June 30, 2012, which collectively comprise its basic financial statements and have issued our report thereon dated November 9, 2012, which contained a reference to the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Aims Community College Foundation, the discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Board of Trustees
Aims Junior College District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the District's management in a separate letter dated November 9, 2012.

This report is intended solely for the information and use of the Board of Trustees, management and others within the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 9, 2012

BKD LLP
CPAs & Advisors

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Aims Junior College District
Greeley, Colorado

Compliance

We have audited Aims Junior College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Board of Trustees
Aims Junior College District

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management and others within the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 9, 2012

Aims Junior College District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA # Number	Federal Expenditures
U.S. Department of Education		
Student Financial Assistance Cluster		
Federal Pell Grant Program	84.063	$ 9,153,018
Federal Supplemental Educational Opportunity Grants	84.007	104,883
Federal Work-Study Program	84.033	78,820
Federal Direct Student Loans	84.268	9,804,212
Academic Competitiveness Grants	84.375	325
		19,141,258
TRIO Cluster		
TRIO_Student Support Services	84.042	461,865
English Language Acquisition Grant	84.365Z	183,916
Passed through Colorado Community Colleges		
Career and Technical Education -- Basic Grants to States:		
Postsecondary Non-Reserved Grant:	84.048	
Academic Rigor		6,000
Secondary/Postsecondary Linkages		-
Professional Development		432
Evaluations		10,664
Expand & Modernize		412,733
Sufficient Scope		-
Special Populations		30,287
Indirect Costs		2,266
		462,382
Total U.S. Department of Education		20,249,421

Aims Junior College District

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2012

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA # Number	Federal Expenditures
National Science Foundation		
Passed through Arapahoe Community College		
Education and Human Resources	47.076	13,089
Passed through Colorado State University		
Education and Human Resources	47.076	3,204
Total National Science Foundation		16,293
U.S. Department of Health and Human Services		
Passed through Pueblo Community College		
ARRA - Health Information Technology Professionals in Health Care	93.721	17,224
Total U.S. Department of Health and Human Services		17,224
U.S. Department of Labor Employment and Training		
Trade Adjustment Assistance Community College and Career Training Grants	17.282	97,558
Total U.S. Department Labor Employment and Training		97,558
Total Expenditures of Federal Awards		$ 20,380,496

See Notes to the Schedule of Expenditures of Federal Awards

Aims Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

1. This schedule includes the federal awards activity of Aims Junior College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Of the federal expenditures presented in this schedule, there were no funds passed on to subrecipients.

Aims Junior College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:

☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified?	☐ Yes	☒ None Reported

3. Noncompliance material to the financial statements noted?	☐ Yes	☒ No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified?	☐ Yes	☒ None Reported

5. Types of auditor's report issued on compliance for major programs:

☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	☐ Yes	☒ No

Aims Junior College District

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2012

7. Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.268, 84.375	Student Financial Assistance Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: $300,000.

9. Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Aims Junior College District

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2012

Section II – Financial Statement Findings

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Aims Junior College District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

Reference Number	Summary of Finding	Status
2011-01	*Special Tests and Provisions – Return of Title IV Fund:* Processes should be implemented to ensure that Return of Title IV Funds calculations are being performed, reviewed, and funds returned to the proper Title IV grant or loan assistance programs within the required timeframe.	Implemented