Aims Community College

FINANCIAL STATEMENTS & AUDITORS' REPORTS FOR FY 2004-05

TABLE OF CONTENTS

Page

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 Continuing Education Authority and the Aims Leasing Corporation, 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 Grant Thornton LLP. Their opinions follow.

Carol J. Hoglund	*Susan Dale*
Chief Business Officer	*Chief Financial Officer*

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Aims Junior College District

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, 2005, 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 audit. We did not audit the financial statements of Aims Community College Foundation, the discretely presented component unit of the District. Those 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 reports of the other auditors. Their report, dated September 1, 2005, included a going concern uncertainty explanatory paragraph which is discussed in note 1.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Aims Junior College District, as of June 30, 2005, 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.

As described in note 17, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, effective July 1, 2004.

707 Seventeenth Street, Suite 3200
Denver, Colorado 80202
T 303.813.4000
F 303.839.5711 Audit
F 303.839.5701 Tax
W www.grantthornton.com

Grant Thornton LLP
US Member of Grant Thornton International

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2005, on our consideration of the District's internal control over financial reporting and on 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.

The management's discussion and analysis on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Additionally, the actual to budget comparison-all funds and management's letter listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the actual to budget comparison-all funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Grant Thornton LLP

Denver, Colorado
September 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Aims Junior College District's (the District) financial report includes 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, 2005. The analysis is based on currently known facts and is prepared by the office of the Chief Business 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, 2005:

- Net assets increased by 14.6% due to higher general property tax revenues.
- Unrestricted net assets increased 45.1%, primarily due to higher general property tax revenues, and an increase in operating revenues.
- State appropriations received in fiscal year 2005 equaled that of fiscal year 2004 at $6.8 million.
- Operating revenues increased 7.1% as a result of higher tuition rates and increased grant and contract revenues.
- Personnel costs increased $0.7 million or 3.1% as a result of employee rightsizing and annual board approved wage increases.
- Student full-time equivalent (FTE) enrollment decreased 7.3% over last fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

Financial and Enrollment Highlights (cont'd)

The tables below summarize student enrollment data over the past five years. The District is aggressively pursuing solutions to reverse the downward trend in enrollments.

Student Headcount Enrollment

Fiscal Year	Unduplicated Headcount	Percent Change
2005	7,710	-15.5%
2004	9,128	-24.5%
2003	12,085	-10.9%
2002	13,556	-3.4%
2001	14,036	-1.0%

Student FTE Enrollment

	Resident FTE				Non-resident FTE		Combined FTE	
Fiscal Year	In-District	Out-of-District	TOTAL	Percent of Change	Out-of-State	Percent of Change	TOTAL	Percent of Change
2005	2,336	631	2,967	-7.49%	113	-2.71%	3,080	-7.31%
2004	2,437	770	3,207	-8.50%	116	-27.00%	3,323	-9.30%
2003	2,662	843	3,505	-6.40%	159	-23.60%	3,664	-7.30%
2002	2,946	799	3,745	4.73%	208	-11.90%	3,953	3.70%
2001	2,872	704	3,576	2.00%	236	-10.60%	3,812	1.20%
2000	2,791	713	3,504	N/A	264	N/A	3,768	N/A

Cash and cash equivalents continued to increase in spite of declining student enrollments. This is an indication that the financial health of the District has improved regardless of decreases in these critical factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

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 will need to be used to assess the overall health of the District. For the year ended June 30, 2005, net assets increased 14.6%.

Condensed Statement of Net Assets

		June 30, 2005		June 30, 2004
Assets				
Current Assets	$	19,647,287	$	14,987,014
Noncurrent Assets - Noncapital		502,483		1,004,200
Capital, Net of Accumulated Depreciation		22,389,768		23,131,057
Total Assets	**$**	**42,539,538**	**$**	**39,122,271**
Liabilities				
Current Liabilities	$	4,359,612	$	4,218,529
Noncurrent Liabilities - Loans Payable		3,520,787	$	4,415,467
Noncurrent Liabilities - Capital Leases		19,102		35,883
Other Noncurrent Liabilities		3,744,545		3,486,414
Total Liabilities	**$**	**11,644,046**	**$**	**12,156,293**
Net Assets				
Invested in Capital Assets				
Net of Related Debt	$	17,938,406	$	17,811,793
Restricted--Expendable		1,116,016		991,373
Unrestricted		11,841,070		8,162,812
Total Net Assets	**$**	**30,895,492**	**$**	**26,965,978**

Current Assets

Cash and cash equivalents ($13,094,234) comprise 31% of the District's assets. The current ratio (current assets over current liabilities) is approximately four to one (4:1). This means that for every dollar ($1) of liability currently due next fiscal year, the District has almost four dollars ($4) of assets available to pay them. This year's current ratio improved over that of the prior year by 26%. Financial prudence holds that this ratio should be at least two to one (2:1).

<u>Noncurrent Assets</u>
The decrease in non-current assets is primarily related to the movement of long-term investments into short-term investments during the year. The investments are unrestricted and are recorded at fair value.

<u>Capital Assets</u>
Capital assets consist of District property, and improvements thereto, with a unit cost of $5,000 or more. The decrease in net capital assets of 3.2% is primarily attributable to the disposal of plant assets, compounded by the increase in accumulated depreciation as a result of capital acquisitions and current year depreciation. Note 5 of this report summarizes the changes in capital assets between fiscal year 2005 and 2004.

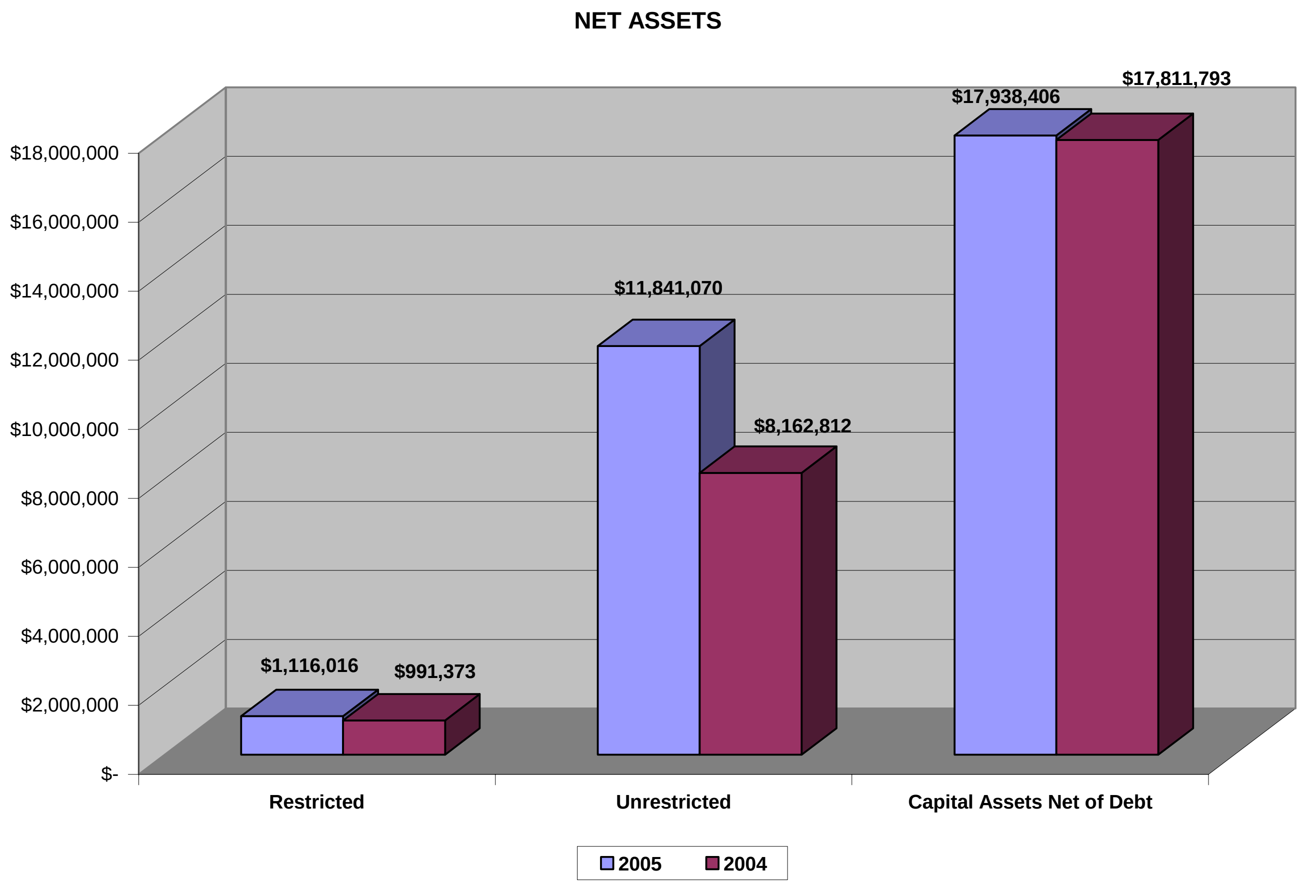
<u>Liabilities</u>
Obligations of the District decreased 4.2% over last year's amount. The decrease is mainly attributable to the principal reduction of long-term debt related to capital assets. Other significant long-term liabilities include retirement benefits and compensated absences or unused leave by employees of the District. The compensated absences liability increased 3.1% over the amount in 2004, and the retirement benefits obligation increased 21.3% over the same period. This change is in direct relation to the increase in the number of eligible employees retiring as of June 30, 2005. More information about the District's long-term debt is presented in Notes 10-14 of the financial statements.

<u>Net Assets</u>
Net assets increased 14.6% in fiscal year 2004-05 primarily due to higher non-operating 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 comprise 58.1% of the District's net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

<u>Net Assets</u> (cont'd)

It is important to recognize that the Unrestricted Net Assets of $11.8 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 $9.3 million earmarked for reserves for capital construction and general campus capital equipment, 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 presents 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 revenue. This statement is also prepared using the accrual basis of accounting.

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

	June 30, 2005	June 30, 2004
Operating Revenues		
Net Tuition & Fees	$ 9,442,653	$ 8,656,686
Grants & Contracts	6,924,126	6,173,166
Auxiliary	3,154,455	3,443,313
Other	574,696	497,245
Total Operating Revenues	**$ 20,095,930**	**$ 18,770,410**
Operating Expenses		
Educational & General	$ 35,910,651	$ 34,557,559
Auxiliary	2,462,878	2,375,345
Depreciation	2,015,607	1,986,232
Total Operating Expenses	**$ 40,389,136**	**$ 38,919,136**
Operating Loss	$ (20,293,206)	$ (20,148,726)
Nonoperating Revenues (Expenses) and Gains (Losses)		
General Property Taxes	$ 17,661,188	$ 14,526,427
State Appropriations	6,782,307	6,782,307
Other Nonoperating Revenue (Expenses)	241,594	98,997
Interest on Capital Asset Related Debt	(213,362)	(301,461)
Loss on Disposal of Assets	(249,007)	(174,018)
Total Nonoperating Revenues	**$ 24,222,720**	**$ 20,932,252**
Increase in Net Assets	$ 3,929,514	$ 783,526
Net Assets - Beginning of Year	26,965,978	26,182,452
Net Assets - End of Year	**$ 30,895,492**	**$ 26,965,978**

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

For the year ended June 30, 2005, the District had a net operating ratio of negative 1.01. This ratio measures the operating gain or loss in relation to the total operating revenues. A negative 1.01 operating ratio means that operating expenses were 101% greater than operating revenues. The net operating ratio will usually be a negative number because nonoperating revenues are reported below the operating gain or loss subtotal.

Compared to prior year's operating ratio of negative 1.07, the 2005 ratio improved 5.6%. This means from fiscal year 2004 to 2005 operating revenues increased at a higher rate than operating expenses for this same period. Operating revenues increased 7.1%, while operating expenses increased only 3.8%.

Primary factors contributing to increased operating revenues include:

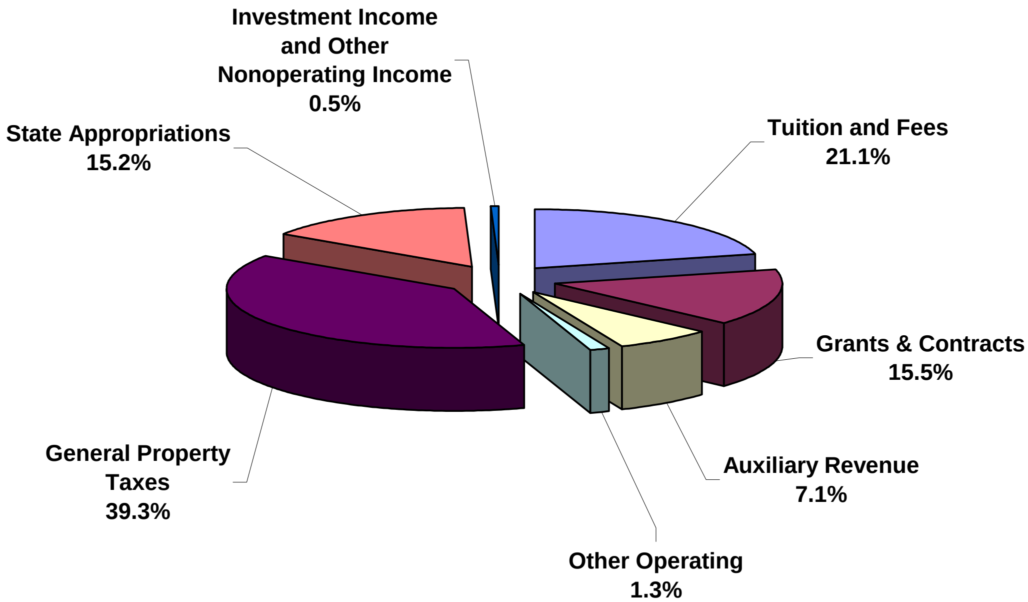
- Prior year tuition rate increases, and an 11.5% increase in revenue for the High School Diploma program.

- An increase in Federal Grant revenue of 17.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd)
Other significant changes on the SRECNA include the $3.1 million increase in Property tax revenue. State of Colorado appropriations remained the same as in 2004 at 6.8 million. At this time, there is an unknown risk of future state appropriations due to the uncertain future economic outlook for the State of Colorado.

TOTAL REVENUES SOURCES



Net revenue from all sources net of scholarship allowances totals $44.3 million, with $20.1 million generated from Operating Revenues and $24.2 million in nonoperating revenues.

General property taxes represent the single largest source (40%) of total revenue to the District, which is 4% higher than in year 2004 (36%). Tuition and fee revenue net the scholarship allowance is the second largest source (22%). In fiscal year 2005, State appropriations declined to 15% of the total revenue compared to 17% for 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

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 $1,229,333 for 2005. Scholarship allowances are those portions of tuition and fees, which are paid by other revenues, primarily federal and state grants for financial aid and also general institutional scholarships.

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, 2005	Year Ended June 30, 2004
Instruction	$ 15,054,547	$ 15,055,685
Public Service	94,517	276,326
Academic Support	5,182,235	5,172,247
Student Services	3,187,622	3,076,712
Institutional Support	5,336,653	5,516,703
Operation of Plant	3,171,941	2,871,713
Student Aid	3,883,136	2,588,173
Auxiliary Operating	2,462,878	2,375,345
Depreciation	2,015,607	1,986,232
Total Operating Expenses	**$ 40,389,136**	**$ 38,919,136**

Management's Analysis of Functional Classifications

Instruction expenses and Academic support expenses remained constant.

Institutional support expenses decreased $0.18 million due to lower utilization of computer contracted services in fiscal year 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

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

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

Student aid net scholarship allowances increased 50% as a result of increased financial aid (federal loan programs). 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.

Auxiliary operating expenses increased 3.7%. The increase is primarily due to the rise in Bookstore operating costs, and costs of goods sold.

Natural Classifications

Operating Expenses by Natural Classification

	Year Ended June 30, 2005	Year Ended June 30, 2004
Employee & Personnel Costs	$ 23,185,884	$ 22,485,283
Operating	9,755,567	10,356,436
Costs of Goods Sold	1,548,942	1,503,012
Depreciation	2,015,607	1,986,232
Student Aid	3,883,136	2,588,173
Total Operating Expenses	**$ 40,389,136**	**$ 38,919,136**

***Management's Analysis of Natural Classifications*—**Employee and personnel costs increased $0.7 million or 3.1%. The increase is primarily due to the Board approved annual wage and benefit increases.

Operating costs decreased $0.6 million as a result of lower expenditures on non-depreciable capital assets.

Cost of goods sold increased 3.1% due to the increase in the cost of text books.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

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.

Condensed Statement of Cash Flows

	Year Ended June 30, 2005	Year Ended June 30, 2004
Cash Flows Provided (Used) by:		
Operating Activities	$ (18,182,381)	$ (17,432,615)
Noncapital Financing	24,098,304	21,208,332
Capital and Related Financing	(2,598,944)	(1,652,818)
Investing Activities, net	55,251	(924,224)
Net Increase in Cash	3,372,230	1,198,675
Beginning Cash Balance	9,722,004	8,523,329
Ending Cash Balance	**$ 13,094,234**	**$ 9,722,004**

The primary cash received from operating activities includes tuition and fees and grant and contract revenues. 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 by operating activities increased $0.75 million as a combined result of increased receivables and decreased accrued liabilities net of increased operating revenues and the decline in cash payments for operations.

- Cash flows provided from noncapital financing increased $2.9 million due to the increase in general property tax revenue.

- Cash used by capital and related financing activities increased 57.2% due to the construction of the new Mildred S. Hansen building for Criminal Justice and Emergency Medicine programs.

- Net cash flows from investing activities for 2005 was due to the earnings on invested assets, and the conversion of $189,630 of cash invested at Wells Fargo converted into investments.

Overall, the District's cash position increased $3.37 million or 34.6% in spite of declining enrollments and flat State appropriations. The financial viability of the District continued to improve in fiscal year 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

Economic Outlook

Factors affecting the future of the District include student enrollment and the amount of funding received 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, attracting and retaining qualified faculty and staff.

Student FTE enrollment declined 7.3% in the current year. There is a downward trend in FTE enrollments since fiscal year 2002. The decline is partly attributed to the conversion from quarters to semesters, and changes in enrollment reporting policies. The District is diligently exploring other causes for the declining enrollment.

State appropriations held constant in fiscal 2005 due to the State's economic situation. The fiscal year 2006 State appropriation is expected to increase slightly, however, that could change if the State does not resolve its current funding crisis.

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 grown steadily and are anticipated to continue at a modest rate. Based on this information, the District anticipates property tax revenue to increase by at least 4% in FY 2006.

Given declining enrollments and State appropriations uncertainty, the District has implemented the following strategies:

- Assess educational needs of the community and adjust instructional programs accordingly.
- Develop and implement techniques to improve student retention.
- Implement initiatives to offset declining 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 the 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 Business Officer, Aims Junior College District, PO Box 69, 5401 W. 20th Street, Greeley, Colorado, 80632.

BASIC FINANCIAL STATEMENTS

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS		
Current Assets:		
Cash and cash equivalents	$	13,094,234
Short-term investments		691,348
Accrued interest receivable		3,841
Student accounts receivable, net		737,030
Accounts receivable, net		610,945
Property tax receivable, net		3,574,692
Inventories		657,908
Other current assets		277,289
Total Current Assets		19,647,287
Noncurrent Assets:		
Long-term investments		502,483
Nondepreciable Capital Assets:		
Land		1,294,107
Land improvements		402,449
Art/historical figures		21,132
Construction in Progress		730,289
Depreciable Capital Assets:		
Land improvements		1,227,418
Buildings and improvements		12,187,590
Leasehold improvements		166,590
Equipment and Furniture		6,360,193
Total Capital Assets (net)		22,389,768
Total Noncurrent Assets		22,892,251
TOTAL ASSETS		**42,539,538**
LIABILITIES		
Current Liabilities:		
Accounts payable		789,014
Accrued liabilities		915,114
Deferred revenue		847,054
Loans payable, current portion		894,692
Capital leases payable, current portion		16,781
Retirement benefits payable, current portion		735,134
Compensated absence liabilities, current portion		95,125
Deposits held in custody for others		66,698
Total Current Liabilities		4,359,612
Noncurrent Liabilities:		
Loans payable		3,520,787
Capital leases payable		19,102
Retirement benefits payable		1,963,870
Compensated absence liabilities		1,780,675
Total Noncurrent Liabilities		7,284,434
TOTAL LIABILITIES		**11,644,046**
NET ASSETS		
Invested in capital assets, net of related debt		17,938,406
Restricted for:		
Expendable purposes:		
TABOR reserves		1,011,496
Loans		4,622
Non-governmental grants and contracts		99,898
Unrestricted		11,841,070
TOTAL NET ASSETS	**$**	**30,895,492**

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION

June 30, 2005

ASSETS		
Cash and cash equivalents	$	207,720
Investments		2,944,708
Contributions receivable, net		500
Prepaid expenses		1,292
Donor restricted funds advanced for unrestricted operations		119,522
Interest receivable		4,224
TOTAL ASSETS	**$**	**3,277,966**
LIABILITIES		
Accounts payable	$	12,525
Borrowing from donor restricted funds		119,522
Split interest payable		4,502
TOTAL LIABILITIES		**136,549**
NET ASSETS		
Unrestricted		(123,813)
Temporarily restricted		917,717
Permanently restricted		2,347,513
TOTAL NET ASSETS		**3,141,417**
TOTAL LIABILITIES AND NET ASSETS	**$**	**3,277,966**

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2005

REVENUES		
Operating Revenues:		
Student tuition and fees, net of scholarship allowances of $1,229,333	$	9,442,653
Federal grants and contracts		5,402,294
State and local grants and contracts		1,283,164
Nongovernmental grants and contracts		238,668
Auxiliary operating revenue		3,154,455
Other operating revenue		574,696
Total Operating Revenues		**20,095,930**
EXPENSES		
Operating Expenses:		
Educational and general		
Instruction		15,054,547
Public service		94,517
Academic support		5,182,235
Student services		3,187,622
Institutional support		5,336,653
Operation of plant		3,171,941
Student aid		3,883,136
Depreciation and Amortization		2,015,607
Auxiliary operating		2,462,878
Total Operating Expenses		**40,389,136**
Operating Loss		**(20,293,206)**
NONOPERATING REVENUES (EXPENSES)		
General property taxes		17,661,188
State appropriations		6,782,307
Investment income		241,594
Interest on capital asset related debt		(213,362)
Loss on disposal of assets		(249,007)
Net Nonoperating Revenues		**24,222,720**
Increase in Net Assets		**3,929,514**
Net Assets		
Net assets--beginning of year		26,965,978
Net Assets--End of Year	**$**	**30,895,492**

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2005

Revenue and Gains:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Investment income	$ 3,224	$ 97,538	$ -	$ 100,762
Net gain on investments	23,852	15,842		39,694
Net investment earnings	27,076	113,380	-	140,456
Contributions	27,945	271,162	3,749	302,856
Write-off of uncollectible pledges	(3,940)	(5,005)	(612)	(9,557)
Miscellaneous income	2,216	2,049	577	4,842
Net assets released from restrictions:				
Satisfaction of program restrictions	315,793	(315,793)	-	-
Total revenues and gains	**369,090**	**65,793**	**3,714**	**438,597**
Expenses				
Program services:				
Scholarships:				
Student	83,683	-	-	83,683
Childcare subsidy	23,538	-	-	23,538
Contributions to College:				
Technology	83,437	-	-	83,437
Childcare	30,000	-	-	30,000
Aims Library	21,109	-	-	21,109
Medical programs	17,900	-	-	17,900
Automotive	7,800	-	-	7,800
Other	36,207	-	-	36,207
Total Program Services	303,674	-	-	303,674
Support Services:				
Fund raising	34,519	-	-	34,519
General and administrative	117,696	-	-	117,696
Total Support Services	152,215	-	-	152,215
Total Expenses	**455,889**	**-**	**-**	**455,889**
Board and Donor Transfers	**(3,317)**	**(46,570)**	**49,887**	**-**
Change in net assets	**(90,116)**	**19,223**	**53,601**	**(17,292)**
Net assets--beginning of year	(33,697)	898,494	2,293,912	3,158,709
Net assets --end of year	**$ (123,813)**	**$ 917,717**	**$ 2,347,513**	**$ 3,141,417**

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and fees	$	9,931,433
Sales of services		923,364
Sales of products		2,132,955
Grants and contracts		6,773,636
Student loans collected		11,829
Other receipts		595,101
Cash Payments:		
Payments to and for employees		(22,986,326)
Payments to suppliers		(10,940,850)
Scholarships disbursed		(4,623,523)
Net cash used by operating activities		**(18,182,381)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations, noncapital		6,782,307
General property taxes, noncapital		17,426,991
Decrease in deposits held in custody for others		(110,994)
Net cash provided by noncapital financing activities		**24,098,304**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets		(1,514,233)
Principal paid on loans and capital leases		(867,902)
Interest paid on loans and capital leases		(216,809)
Net cash used by capital financing and related activities		**(2,598,944)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Puchase of investments, net		(189,630)
Investment earnings		244,881
Net cash provided by investing activities		**55,251**
Net Increase in Cash and Cash Equivalents		3,372,230
Beginning cash and cash equivalents balance		9,722,004
Ending cash and cash equivalents balance	$	13,094,234
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(20,293,206)
Other receipts		6,313
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		2,015,607
Decrease (increase) in assets:		
Receivables, net		(263,044)
Inventories & prepaids		(118,132)
Increase (decrease) in liabilities:		
Accounts payable		481,791
Accrued liabilities		(332,229)
Deferred revenues		(211,266)
Retirement benefits payable		474,625
Compensated absences		57,160
Net cash used by operating activities	$	(18,182,381)

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donors	$	337,172
Interest and dividends received		100,762
Cash paid to support College programs		(303,674)
Cash paid to employees and suppliers		(141,342)
Net cash (used) provided by operating activities		**(7,082)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in investments		(52,893)
Net cash (used) by investing activities		**(52,893)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments		3,137
Net cash provided by financing activites		3,137
Net (decrease) in cash and cash equivalents		(56,838)
Beginning cash and cash equivalents balance		264,558
Ending cash and cash equivalents balance	$	207,720

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

Change in net assets	$	(17,292)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net (increase) on investments		(39,694)
Contributions restricted for endowments		(3,137)
Changes in operating assets and liabilities:		
Contributions receivable		43,809
Prepaid expenses		(1,292)
Interest receivable		(1,641)
Accounts payable		12,426
Split interest payable		(261)
Net cash (used) provided by operating activities	$	(7,082)

See accompanying notes to financial statements

Aims Community College

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,* which was adopted by the District for fiscal year 1994, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* which was adopted by the District for fiscal year 2004.

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 non-profit 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 financial activities of the Corporation are blended with the entity receiving or using the property (see note 11 & 12).

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

Discretely Presented Component Unit

The Aims Community College Foundation (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 approximately $303,674 to the operations of the District for the year ended June 30, 2005. The District provided approximately $33,231 to the Foundation to support grant activities. The District has recorded $44,099 as Deposits Held in Custody for Others on behalf of the Foundation as of June 30, 2005.

The Foundation has not generated adequate levels of unrestricted contributions to cover its operating expenses. In order to fund operations, the Foundation has borrowed funds from temporarily restricted assets to cover this shortfall at June 30, 2005. These conditions create an uncertainty about the Foundation's ability to continue as a going concern.

The Foundation will start a major capital campaign in the fiscal year 2005-2006, and the District has agreed to pay the salary of the Foundation's Executive Director for a two-year period, so the Executive Director may devote the time necessary to undertake the campaign. Although the contributions from this campaign may include donor-restrictions, the Foundation expects increases in invested assets will generate additional unrestricted earnings as a result of the administrative fee charged for investment administration.

If the amount of increases in revenues and reductions in support services are inadequate to return the unrestricted operations of the Foundation to a positive basis, the Foundation may not be able to fund its on-going operations.

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

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

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

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 Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB standards conflict with Governmental Accounting Standards Board (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 No. 117, *Financial Statements of Not-for-Profit Organizations*.

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 certificates of deposits, money market accounts, and other demand deposits. 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.

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

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. The January 1, 2005, levy for the District was 6.32 mills, or approximately $16,102,314. Anticipated tax revenue not received at June 30 is recorded as property tax receivable in the statement of net assets.

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 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 15 to 20 years for land improvements, and 3 to 10 years for equipment.

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.

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

Non-current Liabilities

Non-current liabilities include principal amounts of capital lease and retirement benefit obligations maturing after one year and other estimated liabilities. 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.

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

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

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.

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.

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 Continuing Education Authority (the Authority). The 2004-05 budget was amended in June 2005. 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: DEPOSITS AND INVESTMENTS

At June 30, 2005, the District's deposits of cash and certificates of deposits in banks was $963,945. The entire bank balance was covered by federal deposit insurance. The District also had cash on hand of $5,512 at June 30, 2005.

Cash and cash equivalents as of June 30, 2005 is comprised of the following:

Colorado Diversified Trust	$	13,569,042
Wells Fargo Advantage - Money Market		175,327
		13,744,369
Certificates of deposit		880,431
Cash on hand		5,512
Operating account (overdrafts covered by sweep agreement)		(1,536,078)
Total	$	13,094,234

The Colorado Public Deposit Protection Act 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 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.

Effective July 1, 2004, the District has adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures,* as discussed in Note 17.

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.

NOTE 3: DEPOSITS AND INVESTMENTS (cont'd)

As of June 30, 2005, the District's investment in Colorado Diversified Trust investment pool was rated AAAm by Standards and Poor. The District's investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association were rated AAA by Moody's.

Investors Service. The District's investment in Citigroup Incorporated bond is rated AA1 by Moody's Investors Service. The District's investment in General Electric Capital Corporation bond is rated AAA by Moody's Investors Service, and the Districts investment in the IBM Corporation bond is rated A1 by Moody's Investors Service.

As of June 30, 2005, the District had the following investments:

Investment	Maturities	Fair Value
Government issued or guaranteed bonds		
Federal Home Loan Bank	9/21/2005	$ 99,230
Federal Home Loan Mortgage Corporation	11/28/2005	98,570
Federal Home Loan Mortgage Corporation	5/3/2006	96,610
Federal National Mortgage Association	8/17/2005	99,570
Federal National Mortgage Association	12/21/2005	98,320
Federal National Mortgage Association	1/15/2009	104,344
Federal National Mortgage Association	10/15/2006	100,813
Fannie Mae	1/15/2006	99,094
US Treasury Bill	7/7/2005	99,954
Corporate Obligations - Bonds		
Citigroup Incorporated	2/1/2008	98,590
General Electric Capital Corporation	1/16/2007	98,245
IBM Corporation	9/15/2009	100,491
Investment Pool		
Colorado Diversified Trust		13,569,042
Other		
Wells Fargo Advantage - Money Market		175,327
Total Investments		$ 14,938,200
Summary of investments		
Amounts classified as Cash & cash equivalents		$ 13,744,369
Short-term investments		691,348
Long-term investments		502,483
Total Investments		$ 14,938,200

NOTE 3: DEPOSITS AND INVESTMENTS (cont'd)

Interest Rate Risk. The District does not have a formal investment policy 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, 2005, the District's investment in Colorado Diversified Trust investment pool was rated AAAm by Standards and Poor. The District's investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association were rated AAA by Moody's Investors Service.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. More than 90.8% of the District's investments are in the Colorado Diversified Trust investment pool. Four percent (4%) of the District's investments are invested in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These investments are 2.7% and 1.3%, respectively, of the District's total investments.

The following details the investments held by the Foundation for each major category of investments and the related fair market value at June 30, 2005:

Mutual funds	$ 455,914
Common stock	1,150,735
U.S. Treasury notes	734,465
Corporate bonds	603,594
Total	$ 2,944,708

NOTE 4—RECEIVABLES

		Balance June 30, 2005
Net Receivables at June 30, 2005, were as follows:		
Student Accounts Receivable Less Allowance of $382,552	$	737,030
Property Tax Receivable		3,574,692
Other Accounts Receivable Less Allowance of $18,171		170,693
Grants Receivable		440,252
Accrued Interest Receivable		3,841
Total Receivables	**$**	**4,926,508**

NOTE 5—CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2005.

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	$ 1,294,107	$ -	$ -	$ 1,294,107
Land Improvements	402,449	-	-	402,449
Art/Historical Figures	21,132	-	-	21,132
Total capital assets, not being depreciated	1,717,688	-	-	1,717,688
Capital assets, being depreciated:				
Land Improvements	2,245,530	-	-	2,245,530
Buildings & Improvements	26,965,549	72,965	351,422	26,687,092
Vehicles	636,850	72,187	10,460	698,577
Equipment	11,427,936	638,792	575,495	11,491,233
Leasehold Improvements	311,507	-	-	311,507
Total capital assets, being depreciated	41,587,372	783,944	937,377	41,433,939
Less Accumulated Depreciation				
Land Improvements	951,107	67,005	-	1,018,112
Buildings & Improvements	14,055,658	712,146	268,302	14,499,502
Vehicles	482,898	52,342	9,895	525,345
Equipment	4,597,390	1,122,397	415,515	5,304,272
Leasehold Improvements	86,950	57,967	-	144,917
Total Accumulated Depreciation	20,174,003	2,011,857	693,712	21,492,148
Total capital assets, being depreciated, net	21,413,369	(1,227,913)	243,665	19,941,791
Add Construction in Progress	-	730,289	-	730,289
Net Carrying Amount	$ 23,131,057	$ (497,624)	$ 243,665	$ 22,389,768

The District is amortizing a three year license agreement from MediaCast for an on-demand streamlining system. Amortization for 2005 was $3,750.

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The CSSDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the CSSDTF. 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 CSSDTF. 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

Plan members and the District are required to contribute to the CSSDTF 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. The contribution rate for members is 8.0% and for the District is 10.15% of covered salary. Beginning with payroll periods ending after January 1, 2001, the employer contribution paid to the CSSDTF were reduced by an employer match on members' voluntary contributions to a defined contribution plan (DC). The match, set by the Board of Trustees of PERA, is 100% of a member's eligible tax-deferred retirement program contributions limited by a per payroll whole percentage of PERA-includable salary limit (percentage set for 2002 was 3.0%, 2003 was 2.0% and 2004 was 1.1% from January 1, 2004, through June 30, 2004). Any unused DC match money is forwarded to the CSSDTF. Also, a portion of the District's contribution (1.10% of covered salary January 1, 2004 through June 30, 2005) is allocated for the Health Care Trust Fund.

The District's contributions to CSSDTF for the years ended June 30, 2005, 2004, and 2003, were $1,690,487, $1,662,931, and $1,833,868, respectively, equal their required contributions for each year.

NOTE 7—DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The (CSSDTF) members (See Note 6) of the District 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.

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($12,000 in 2003, $13,000 in 2004, and $14,000 in 2005). Beginning January 1, 2001, an employer match was legislated, which would match 100% of a member's eligible tax-deferred retirement program contributions limited by 2.0% in 2003, 1.0% in 2004, and 0.0% for 2005 per payroll of the PERA-includable salary. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The 401(k) Plan member contributions from the District for the year ended June 30, 2005, were $466,495.

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 04-05, 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 two group life insurance plans offered by Prudential and Anthem Life (formerly known as Rocky Mountain Life). Members may join one or both plans, and they may continue coverage into 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 requirement 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 $1,011,496 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 they are in compliance and there are no contingencies.

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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 10—COMPENSATED ABSENCES

District employees accrue annual 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. Employees hired after June 30, 1997, will no longer receive payment for unused sick leave upon retirement.

The estimated liability related to compensated absences for which employees are vested at June 30, 2005, is $1,875,800. Of this amount $95,125 represents the current portion due next fiscal year. Current 2005 expenses increased $57,160 in the estimated compensated absence liability.

NOTE 11—LONG-TERM LIABILITIES

The following presents changes in long-term liabilities for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Payments	Balance June 30, 2005	Amounts Due Within One Year
Loans Payable	$ 5,268,326	$ -	$ (852,847)	$ 4,415,479	$ 894,692
Capital Leases Payable	50,938	-	(15,055)	35,883	16,781
Total	**$ 5,319,264**	**$ -**	**$ (867,902)**	**$ 4,451,362**	**$ 911,473**
Other Liabilities:					
Retirement Benefits	$ 2,224,379	$ 1,057,413	$ (582,788)	$ 2,699,004	$ 735,134
Accrued Compensated Absences	1,818,640	57,160	-	1,875,800	95,125
Total Other Liabilities	**$ 4,043,019**	**$ 1,114,573**	**$ (582,788)**	**$ 4,574,804**	**$ 830,259**

Amounts shown in “Balance, June 30, 2005” of long-term liabilities include both current and noncurrent portions. Additional information regarding notes payable obligations are included in Note 12, capital lease obligations are included in Note 13 and retirement benefits payable are included in Note 14.

NOTE 12—LOANS PAYABLE

During 2002, the Aims Continuing Education Authority (the Authority) refinanced two promissory notes; one for the education center and the second for the flight simulator building. The refinance was conducted by the Aims Leasing Corporation (the Corporation) for the benefit of the Authority (see Note 1). Upon completion of the refinance, the Authority began leasing the education center and the simulator building from the Corporation. The Authority accounts for the promissory notes as a loan payable. The original amount of the loan is $2,600,000, with an interest rate of 4.5% and a maturity range of May 5, 2002 through May 8, 2012. There are 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 are reported as a form of the District's debt and assets.

On December 11, 2001, the District entered into a master lease agreement to purchase a flight simulator through the United States Bankruptcy Court. The District subleases this equipment to the Authority. The Authority accounts for the promissory note as a loan payable. The original amount of the loan is $4,500,000 with an interest rate of 4.88% and a maturity range of December 31 2001 through January 1, 2009. There are 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 are reported as a form of the District's debt and assets.

Annual debt service requirements to maturity for the loans payable are as follows:

Year Ending June 30	Principal	Interest	Total
2006	$ 894,692	$ 189,986	$ 1,084,678
2007	938,560	146,109	1,084,669
2008	984,431	100,237	1,084,668
2009	713,512	54,386	767,898
2010	290,036	34,340	324,376
2011-2012	594,248	27,522	621,770
Total Loans Payable	**$ 4,415,479**	**$ 552,580**	**$ 4,968,059**

NOTE 13—LEASES

The District also leases office equipment to support its operations. These leases are accounted for as capital leases and are reflected in the financial statements as such. The leased equipment is included in capital assets at $63,567 with accumulated depreciation of $33,755 as of June 30, 2005. The following table summarizes the future minimum lease payments for these leases as of June 30, 2005:

Year Ending June 30		Principal		Interest		Total
2006	$	16,781	$	3,893	$	20,674
2007		17,020		1,862		18,882
2008		2,082		291		2,373
Total Capital Lease Obligation	**$**	**35,883**	**$**	**6,046**	**$**	**41,929**

NOTE 13—LEASES (cont'd)

The District leases space and equipment to conduct its operations. Rental payments for operating leases were $453,465 for the year ended June 30, 2005. The future minimum rental payments for operating leases as of June 30, 2005, are as follows:

Year Ending June 30		Amount
2006	$	345,047
2007		178,913
2008		147,073
2009		68,000
2010		62,298
	$	**801,331**

The District has operating leases for airplanes used in its flight training program. The planes are leased on a per hour basis. Rental payments for the year ended June 30, 2005, were $66,062.

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. At June 30, 2005, $2,699,004 is due to individuals whose applications have been approved by the Board of Trustees. Future payments under the plan as of June 30, 2005, are as follows:

Year Ending June 30	Amount
2006	$ 735,134
2007	696,594
2008	622,539
2009	345,740
2010	223,384
2011	67,642
2012	7,971
	$ 2,699,004

NOTE 15—NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2005, the following table represents operating expenses within both natural and functional classifications:

FUNCTIONAL CLASSIFICATIONS	NATURAL CLASSIFICATION Employee & Personal Services	Operating	Cost of Goods Sold	Depreciation	Student Aid	TOTAL OPERATING EXPENSES
Instruction	$ 10,863,257	$ 4,124,732	$ 66,558	$ -	$ -	$ 15,054,547
Public Service	82,910	11,607	-	-	-	94,517
Academic Support	4,442,559	739,676	-	-	-	5,182,235
Student Services	2,300,223	887,399	-	-	-	3,187,622
Institutional Support	3,927,631	1,409,022	-	-	-	5,336,653
Operation of Plant	897,404	2,274,537	-	-	-	3,171,941
Student Aid	-	-	-	-	3,883,136	3,883,136
Auxiliaries	671,900	308,594	1,482,384	-	-	2,462,878
Depreciation	-	-	-	2,015,607	-	2,015,607
TOTAL EXPENSES	**$ 23,185,884**	**$ 9,755,567**	**$ 1,548,942**	**$ 2,015,607**	**$ 3,883,136**	**$ 40,389,136**

NOTE 16—ADDITIONAL CASH FLOW INFORMATION

Additional cash flow information includes the following for the year ended June 30, 2005:

The $189,630 under Cash flows from investing activities is the net amount of purchases and sales of investments at Wells Fargo for 2005.

NOTE 17— ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

Effective July 1, 2004, the District has adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures,* as discussed in Note 3. GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial risk and concentrations of credit risk), interest rate risks, and foreign currency risk. Adoption of GASB 40 had no effect on beginning net assets as of July 1, 2004, or change in net assets for the year ended June 30, 2005.

NOTE 18— SUBSEQUENT EVENTS

On July 29, 2005, Aims Leasing Corporation signed a promissory note with Wells Fargo Brokerage, LLC for $5,062,500. The note is dated July 29, 2005 and matures on August 1, 2015 with a fixed interest rate of 4.2%. The purpose of this note is to refinance two existing promissory notes: one for the corporate education center and simulator building, and the other for the flight simulator, see Note 12. Additional proceeds from the refinancing will be 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 Aims Leasing Corporation (the Corporation) for the benefit of the Continuing Education Authority (the Authority, see note 1). Upon completion of the refinancing, the Authority renewed its leasing commitment for the education center, simulator building, and flight simulator.

The future debt issue payments for this promissory note will be as follows:

Year Ending June 30	Principal	Interest	Total
2006	$ 344,503	$ 172,996	$ 517,499
2007	431,079	189,920	620,999
2008	449,537	171,462	620,999
2009	468,785	152,214	620,999
2010	488,858	132,141	620,999
2011-2016	2,879,738	328,760	3,208,498
Total Loans Payable	**$ 5,062,500**	**$ 1,147,493**	**$ 6,209,993**

SUPPLEMENTARY INFORMATION

AIMS JUNIOR COLLEGE DISTRICT
ALL FUNDS
ACTUAL TO BUDGET COMPARISON

Year Ended June 30, 2005	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Tuition and fees	$ 10,671,986	$ 10,000,831	$ 671,155
Less: Tuition Discounts (Student Financial Aid)	(1,229,333)	0	(1,229,333)
Net Tuition and Fees	9,442,653	10,000,831	(558,179)
Gifts, grants and contracts	6,924,126	7,547,000	(622,874)
Auxiliary operating revenues	3,154,455	2,388,861	765,594
Other operating revenues	574,696	1,442,260	(867,564)
Total Operating Revenues	20,095,930	21,378,952	(1,283,023)
Operating Expenses:			
Education and general	33,388,768	38,109,915	4,721,147
Other restricted programs	2,510,099	3,090,000	579,901
Loan cancellations and write-offs	11,784	5,800	(5,984)
Depreciation expense	2,015,607	0	(2,015,607)
Auxiliary enterprises expenses	2,462,878	2,362,722	(100,156)
Total Operating Expenses	40,389,136	43,568,437	3,179,301
Non-operating Revenues and Expenses:			
General property taxes	17,661,188	17,782,248	(121,060)
State appropriation	6,782,307	6,782,307	-
Investment income	241,594	257,752	(16,158)
Interest expense	(213,362)	0	(213,362)
Loss on disposal of fixed assets	(249,007)	0	(249,007)
Total Non-operating Revenues and Expenses	24,222,720	24,822,307	(599,587)
Transfers In (Out):			
Non-mandatory transfers in	10,634,946	2,634,188	(8,000,758)
Non-mandatory transfers out	(10,634,946)	(4,134,188)	6,500,758
Total Transfers In (Out)	0	(1,500,000)	(1,500,000)
Net Increase in Net Assets	3,929,514	1,132,822	2,796,692
Net Assets, July 1, 2004	26,965,978	26,965,978	-
Net Assets, June 30, 2005	$ 30,895,492	$ 28,098,800	$ 2,796,692

Aims Junior College District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Pell Grant Program	84.063	$ 3,173,441
Supplemental Educational Opportunity Grants	84.007	76,362
College Work-Study Program	84.033	49,996
Federal Direct Student Loans	84.268	4,621,033
English Language Acquisition - Career Ladder	84.195	375,422
Title V - Strengthening Hispanic Serving Institutions	84.031	281,672
Title III - Strengthening Institutions	84.031	391,914
Passed through Colorado Community Colleges:		
Vocational Education - Basic Grants to States:		
Postsecondary Non-Reserved Grant:	84.048	
Equipment Grant		45,087
Projects & Activities		169,828
Tutors		12,524
Equity Activities		1,662
Reporting		1,457
Administration		12,738
Health Program		12,037
Alcanzar Med Prep		36,376
Target Recruitment		12,165
Passed through Colorado Department of Education:		
Teacher Quality Enhancement - UNC	84.336	28,493
Teacher Quality Enhancement - Arapahoe CC	84.336	65,237
Passed through the University of Colorado:		
English Language Acquisition - CO-TOP*ELA	84.195	8,472
Passed through University of Northern Colorado:		
Disabilities	84.333	31,868
Total U.S. Department of Education		9,407,784

(continued)

The accompanying notes are an integral part of this schedule.

Aims Junior College District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2005

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Head Start Partnership	93.600	91,260
Passed through Colorado Department of Education:		
Child Care & Development Block Grant	93.575	30,496
Passed through Weld County Dept. of Social Services:		
Temporary Assistance for Needy Families	93.558	206,617
Passed through Weld County Dept. of Social Services - United Way:		
Child Care & Development Block Grant	93.575	4,354
Total Department of Health and Human Services		332,727
U.S. Department of Agriculture		
Passed through Colorado Dept. of Public Health and Environment:		
Child and Adult Care Food Program	10.558	20,698
U.S. Department of Labor		
Passed through Weld County Division of Human Services:		
Employment Service	17.207	22,486
U.S. Department of Transportation		
Passed through Colorado Department of Transportation:		
Building Highways/Building Careers	20.205	196,292
U.S. Small Business Administration		
Passed through Colorado Office of Business Development:		
Small Business Development Center	59.037	37,226
Total Expenditures of Federal Awards		$ 10,017,213

The accompanying notes are an integral part of this schedule.

Aims Junior College District

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2005

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant 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 financial statements.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Aims Junior College District

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, 2005 and have issued our report thereon dated September 22, 2005. As noted in our report, the District adopted GASB 40 effective July 1, 2004. Also as noted in our report, the financial statements of the District's discretely presented component unit, Aims Community College Foundation (the Foundation), 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 the Foundation, are based solely on the reports of the other auditors. Their report, dated September 1, 2005, included a going concern uncertainty explanatory paragraph. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we express no such opinion. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

707 Seventeenth Street, Suite 3200
Denver, Colorado 80202
T 303.813.4000
F 303.839.5711 Audit
F 303.839.5701 Tax
W www.grantthornton.com

Grant Thornton LLP
US Member of Grant Thornton International

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 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 management of Aims Junior College District in a separate letter dated September 22, 2005.

This report is intended solely for the information and use of the Board of Trustees, management, and 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.

Grant Thornton LLP

Denver, Colorado
September 22, 2005

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Aims Junior College District

Compliance

We have audited the compliance of Aims Junior College District (the District) with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements or 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants; 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2005-1.

707 Seventeenth Street, Suite 3200
Denver, Colorado 80202
T 303.813.4000
F 303.839.5711 Audit
F 303.839.5701 Tax
W www.grantthornton.com

Grant Thornton LLP
US Member of Grant Thornton International

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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk of noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management and 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.

Grant Thornton LLP

Denver, Colorado
September 22, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:
☒ Unqualified
☐ Qualified
☐ Adverse
☐ Disclaimer

Internal control over financial reporting:
Material weakness (es) identified? ☐ Yes ☒ No
Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:
Material weakness (es) identified? ☐ Yes ☒ No
Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs
☒ Unqualified
☐ Qualified
☐ Adverse
☐ Disclaimer

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 300,516

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2005-1	U.S. Department of Education; Student Financial Aid Program Cluster: CFDA 84.268
Criteria or specific Requirement:	*Special Tests and provisions* - Per the ED Audit Guide, the institution must submit FDL Student Status Confirmation Reports periodically. Information from the report is needed by the lender in order to determine student status for billing and other purposes. The institution must report a change in a student's enrollment status directly to ED, the lender, or the guarantee agency within 30 days if a student has ceased to be enrolled at least half time or has graduated from the institution if the institution does not expect to submit it next SSCR within the next 60 days.
Condition:	The College does not correctly submit the graduation and withdrawal information to The National Clearinghouse and NSLDS
Questioned Costs:	There are no questioned costs.
Context:	Ten of the twenty individuals tested did not show the correct enrollment status (i.e., graduated or withdrawal) at The National Clearinghouse or NSLDS.
Effect:	The lender may have misinformation when they determine a student's status for billing and another institution may have inaccurate information in determining prior loan information and future eligibility.
Cause:	The College does not have a process in place to transmit the information correctly and there is a lack of communication between departments as to what constitutes a withdrawal.
Recommendation:	We recommend that the College implement procedures to ensure information is properly submitted to The National Clearinghouse and establish a standard as to what constitutes a withdrawal.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Views of Responsible Officials and Planned Corrective Actions: Agree.

Contact person:
Lynne Suppes, Director of Student Financial Aid

Corrective Action Planned:
The College has already begun implementation of procedures to ensure information is properly submitted to The National Clearinghouse. College dialog as to what constitutes a withdrawal is underway with appropriate policies and procedures to be developed as a result.

Anticipated completion date:
March 1, 2006

Aims Junior College District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2005

FINDING 04-1:	SEGREGATION OF DUTIES
Criteria:	Segregation of duties is a critical component of internal controls in an organization. Duties of initiation, authorization, recording and reporting transactions and custody of the assets of the organization should be performed by separate individuals.
Condition:	In many of the cycles within the accounting process, a single individual has access to perform and/or performs more than one of the duties within the accounting cycle. Specifically, cash receiving, cash disbursements and payroll functions have segregation of duties weaknesses.
Recommendation:	The College should revise the current access and transaction processes to improve the segregation of duties within each cycle of the accounting process.
Status:	Corrective action was taken.

FINDING 04-2:	U.S. DEPARTMENT OF EDUCATION, STUDENT FINANCIAL AID PROGRAMS, CFDA #84.063, 84.007, 84.033, 84.038, 84.268
Criteria:	Under 34 CFR 675.9, 676.9, 674.9, 682.201 and 685.200 relating to eligibility determination for student financial aid, the student's total aid awarded is not allowed to be in excess of the student's financial need. This evaluation relies on the College's calculation of the student's cost of attendance. Schools are allowed to use standard costs established for different categories of students. Per guidelines provided in the Student Financial Aid Handbook for 2003-04, the cost of attendance is generally the sum of tuition and fees, books, supplies, transportation, miscellaneous personal expenses, an allowance for room and board, an allowance for dependent care, study-abroad, expenses related to a student's disability, and an allowance for reasonable costs associated with work experience through a cooperative education program.
Condition and context:	Of the 30 students tested for student financial aid eligibility, two of those had costs above the standard cost of attendance for that student's category.
Questioned Cost:	$1,388.
Recommendation:	We recommend the College not provide an additional cost allowance for students who participate in summer work study on campus.
Status:	Corrective action was taken.

FINDING 04-3:	U.S. DEPARTMENT OF EDUCATION, STUDENT FINANCIAL AID PROGRAMS, CFDA #84.063, 84.007, 84.033, 84.038, 84.268
Criteria:	Under 34 CFR 668.57, the College is required to obtain a copy of the prior year's tax return signed by the filers or tax preparer's typed name for verification of the adjusted gross income.
Condition and context:	Of the 30 students tested for student eligibility, eleven files required verification and one of the eleven files did not have the required signature on the tax return provided.
Questioned Cost:	None.
Recommendation:	We recommend the College develop and implement use of a checklist or other internal controls to ensure proper completion of the verification process.
Status:	Corrective action was taken.
FINDING 04-4:	U.S. DEPARTMENT OF EDUCATION, STUDENT FINANCIAL AID PROGRAMS, CFDA #84.063, 84.007, 84.033, 84.038, 84.268
Criteria:	Under 34 CFR 673.3, the College is required to submit the FISAP for student financial aid activity which reconciles to the College's accounting and other records.
Condition and context:	Total tuition and fees for the award year were underreported by $549,926. Categorical Perkins amounts reported did not agree to the general ledger account balances. Work study balances reported for on-campus and off-campus agreed without material exception in total, but did not agree to the general ledger account balances. The College could not provide accurate support for the number of students reported in attendance.
Questioned Cost:	None.
Recommendation:	We recommend the College evaluate all revenue accounts for propriety of inclusion in the reported tuition amount during each reporting period, reconcile general ledger account balances to actual activity to properly reflect support categorical balances reported, and supporting documentation for amounts reported.
Status:	Corrective action was taken.

FINDING 04-5:	U.S. DEPARTMENT OF EDUCATION, STUDENT FINANCIAL AID PROGRAMS, CFDA #84.063, 84.007, 84.033, 84.038, 84.268
Criteria:	Under 34 CFR 668.22, the College is required to determine the withdrawal date as the date the student provided notification to the College, the last date of known student attendance, or, if the student ceases attendance without providing official notification to the institution, as the midpoint of the payment period or period of enrollment. Under 34 CFR section 668.22(j), the College must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment, academic year in which the student withdrew, or educational program from which the student withdrew. The College must then return the total amount of unearned Title IV assistance no later than 30 days after the institution determined the student withdrew.
Condition and context:	Of the twenty files tested for refund of Title IV funds, six files had support for an earlier withdrawal date than used by the College in the refund calculation, eighteen files had inaccurate determination dates recorded, and nine files had a determination date more than 30 days after the withdrawal date. In addition, of the ten files with refunds, two files had refund amounts netted with draw downs more than 30 days after the determination date and one file did not have support that a refund was completed. Due to the inaccurate determination of the withdrawal date and inclusion of matriculation fees in the total tuition and fees charged by the institution, eleven of twenty files tested had refund amounts which were not correctly calculated.
Questioned Cost:	There were $4,903 of underpaid institution and student refunds in a sample of twenty files, which had a total of $8,524 refunds remitted.
Recommendation:	We recommend the College develop and implement policies and procedures to include an improved communication process among departments to ensure the student financial aid office receives timely notification of student withdrawals. Also, we recommend the College establish a schedule and process for review of student withdrawals and implement a review process for the calculation and submission of refunds.
Status:	Corrective action was taken.

FINDING 04-6:	U.S. DEPARTMENT OF EDUCATION, FEDERAL DIRECT STUDENT LOAN PROGRAM CFDA #84.268
Criteria:	Under 34 CFR section 682.610, a school must notify NSLDS within 30 days, or include in the school's next Roster File within 60 days, changes in a student's status as a result of a student not enrolling or ceasing to be enrolled on at least a half-time basis.
Condition and context:	Of the sixteen students with direct loans that had a status change, two of those were not reported to NSLDS within 60 days of the change in student status.
Questioned Cost:	None.
Recommendation:	We recommend the College evaluate and modify their procedures for student status change determination and notification to NSLDS to ensure notification is completed within the timeframe as required by the Department of Education and that a review process be established to monitor timely performance of reporting.
Status:	Recommendation not fully implemented. See finding 2005-1 for current year audit finding, recommendation, and corrective action plan.