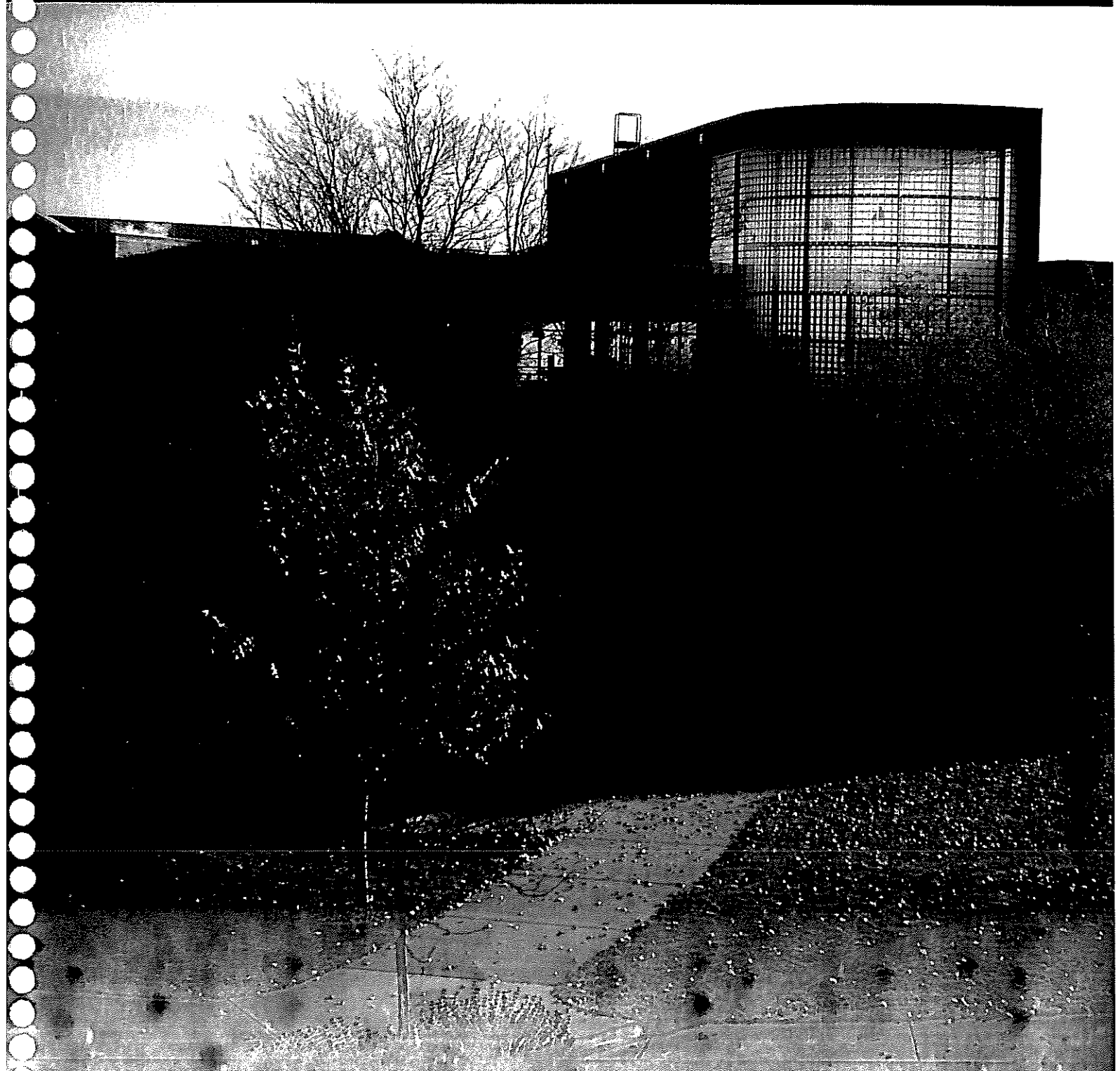

AUDITED FINANCIAL STATEMENTS



YEAR END



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**FINANCIAL STATEMENTS AND INDEPENDENT
 AUDITOR'S REPORTS
 YEAR ENDED JUNE 30, 2016
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MANAGEMENT'S LETTER

The purpose of this report is to provide readers with fiscal information on the activities and financial condition of the Aims College District (the District) as a whole. It incorporates the financial activities of Aims College (the College), its blended component units, and those of the Aims Community College Foundation (the Foundation), a discretely presented component unit.

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

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

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

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

A handwritten signature in black ink, appearing to read "Robert G. Cox".

Robert G. Cox
Vice President for Administrative Services

Independent Auditor's Report

Board of Trustees
Aims College District
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Aims College District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information including the Actual to Budget Comparison – All Funds schedule and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees
Aims College District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016, 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* in considering the District's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
November 2, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Overview

We are pleased to present this management discussion and analysis (MD&A) of the Aims College District (the District). This discussion and analysis is intended to make the District's financial statements easier to understand and to communicate its financial situation in an open and accountable manner. It provides an objective analysis of the District's financial position and results of operations as of and for the fiscal year ended June 30, 2016. District management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The presented information relates to the financial activities of the District, and focuses on the financial condition and results of operations as a whole. The financial statements for the Aims Community College Foundation (the Foundation), a legally separate organization whose operations benefit the District, is discretely presented within the District's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the District.

Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help your assessment of the District's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following parts:

- The *Independent Auditors' Report* presents an unmodified opinion prepared by the District's auditors (an independent certified public accounting firm, BKD LLP) on the fairness, in all material respects, of the District and its discretely presented component units' respective financial position.
- The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District at a point in time (June 30, 2016). Its purpose is to present a financial snapshot of the District. This statement aids readers in determining the assets available to continue the District's operations.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents the total revenues earned and expenses incurred by the District for operating, nonoperating, and other related activities during a period of time (the year ended June 30, 2016). Its purpose is to assess the District's operating results.
- The *Statement of Cash Flows* presents the District's cash receipts and payments during a period of time (the year ended June 30, 2016). Its purpose is to assess the District's ability to generate net cash flows and meet its payment obligations as they come due.
- The *Notes to the Financial Statements* present additional information to support the financial statements and are commonly referred to as Notes. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found. We suggest that you combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Financial Highlights

The following significant financial highlights occurred during the year ended June 30, 2016:

- District assets total \$209.3 million. These assets include \$87.2 million of cash and investments, \$116.3 million of net capital assets, and \$6 million of other assets.
- District liabilities include \$5.3 million of current liabilities estimated to be payable within the 2017 fiscal year. Noncurrent liabilities include \$1.5 million for employee future compensated absences and \$94.7 million for the District's calculated share of the Colorado State PERA pension liability as required by Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. This net pension liability was \$77.6 million in 2015.
- GASB 68 also requires the District to record deferred outflows of resources and deferred inflows of resources related to pensions which primarily reflect the changes in actuarial assumptions used to value the overall PERA pension liability that will be recognized in future periods. Deferred outflows of resources were \$16.7 million and \$6.6 million for 2016 and 2015, respectively, and deferred inflows of resources were recorded in the amount of (\$1.1 million) and (\$6 thousand) for 2016 and 2015, respectively.
- These assets, deferred outflows of resources, liabilities, and deferred inflows of resources result in a total net position of \$123.3 million at June 30, 2016 and \$100.2 million at June 30, 2015. At June 30, 2016, the District's total net position included \$2.4 million restricted for purposes as required by law or imposed by grantors or other external third parties and \$115.3 million is net investments in capital assets.
- The remaining \$5.6 million is unrestricted net position. Unrestricted net position exclusive of the net pension liability of (\$94.7 million) is \$101.3 million which may be used to meet the District's ongoing obligations.
- During 2016, the District's total net position increased \$23.1 million as detailed on the 2016 Statement of Revenues, Expenses, and Changes in Net Position.
- Operating revenues from student tuition, restricted grants and other operating revenue sources remained stable with only a 1% increase. Operating revenues were \$17.5 million and \$17.3 million in fiscal years 2016 and 2015, respectively.
- Nonoperating revenues increased 18.3% in 2016 due to an increase in property tax revenue (\$12.2 million). State appropriations increased by approximately \$992 thousand (12.4%).
- Total operating expenses increased 14.9% from \$66.9 million in 2015 to \$76.8 million in 2016. \$5.3 million of this increase is primarily due to increased pension expense related to GASB 68.
- The District completed \$30.8 million of building and building improvement projects, as well as \$2.2 million of land improvement projects during fiscal year 2016. As a result of these completed capitalized projects, depreciation expense for the District increased 22.4%. Depreciation expense was \$5.8 million and \$4.7 million for fiscal years 2016 and 2015, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Enrollment Highlights

The tables below summarize student enrollment data over the past five years. As noted below, student headcount increased from 7,107 students in 2015 to 7,530 students in 2016. Full time equivalent (FTE) student enrollment increased in total from 3,230 students in 2015 to 3,356 students in 2016.

Fiscal Year	Unduplicated headcount	Percent Change
2016	7,530	6.0%
2015	7,107	-2.0%
2014	7,253	-0.3%
2013	7,273	-8.6%
2012	7,961	-1.3%

Student FTE Enrollment

Fiscal Year	Resident FTE			Nonresident FTE		Combined FTE		
	In-District	Out-of-District	Total	Percent Change	Out-of-State	Percent Change	Total	Percent Change
2016	2,607	653	3,260	3.2%	96	35.2%	3,356	3.9%
2015	2,517	642	3,159	-4.3%	71	-7.8%	3,230	-4.4%
2014	2,640	662	3,302	-3.1%	77	-26.7%	3,379	-3.8%
2013	2,737	672	3,409	-5.6%	105	-7.1%	3,514	-5.6%
2012	2,908	703	3,611	1.5%	113	-5.0%	3,724	1.3%

The growth in headcount is from three main areas of growth:

1. Concurrent high school students taking college classes while still in high school,
2. Students completing coursework for personal or professional development,
3. Student seeking a college degree.

High school students enrolled in a concurrent high school/college program, as well as students taking courses for personal or professional development, tend to take less than four courses during a year. As a result, student FTE generated by these populations of students is less than the headcount for these students. While headcounts have grown by 6%, student FTE has grown by 3.9%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Net Position

The Statement of Net Position is a snapshot of the District's financial resources at June 30, 2016. This statement presents:

- The fiscal resources of the District identified as assets;
- the use of net position that applies to future periods identified as deferred outflows of resources;
- the claims against those resources identified as liabilities;
- the acquisition of net position that applies to future periods identified as deferred inflows of resources;
- and the residual net resources available for future operations identified as net position.

The Statement of Net Position is prepared using the accrual basis of accounting and an accounting methodology similar to that used by private sector companies. Assets and liabilities are classified by liquidity as either current or noncurrent. Net position is classified in three basic categories: net investment in capital assets, restricted, or unrestricted. The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between these financial statement elements is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the strength of the financial position of the District. Consideration of other nonfinancial factors may be relied upon to assess the overall health of the District.

Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current Assets	\$ 60,603,659	\$ 48,367,602
Noncurrent Assets	32,574,453	37,244,592
Capital Assets, Net of Accumulated Depreciation	116,150,163	96,176,542
Total Assets	<u>209,328,275</u>	<u>181,788,736</u>
Deferred Outflows of Resources	<u>16,676,586</u>	<u>6,578,644</u>
Liabilities		
Current Liabilities	5,297,076	9,110,017
Noncurrent Liability-Employee Compensated Absences	1,512,584	1,473,582
Noncurrent Liability-Net Pension Liability	94,720,288	77,557,998
Total Liabilities	<u>101,529,948</u>	<u>88,141,597</u>
Deferred Inflows of Resources	<u>1,124,138</u>	<u>5,747</u>
Net Position		
Net Investment in Capital Assets	115,359,507	92,711,923
Restricted for Expendable Purposes	2,437,768	1,975,927
Unrestricted	5,553,500	5,532,186
Total Net Position	<u>\$ 123,350,775</u>	<u>\$ 100,220,036</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Assets

Current Assets

Current assets increased from \$48.4 million to \$60.6 million between June 30, 2015 and 2016, respectively. This \$12.2 million increase was primarily due to a \$9.0 million increase in total cash and cash equivalents, plus \$3.2 million increase in short-term investments held by the District. Other current assets including accounts receivable, property tax receivable, inventories and prepaid expenses remained stable, totaling \$6.0 million for both June 30, 2016 and 2015.

At the end of fiscal year 2016, the District has designated \$33.0 million of cash for future capital construction and repair projects.

Other Noncurrent Assets

Other noncurrent assets consist of long-term investments. Long-term investments are investments held by the District with a maturity date extending beyond 12 months. Long-term investments decreased from \$37.2 million at June 30, 2015 to \$32.6 million at June 30, 2016. This \$4.6 million decrease (12.5%) is primarily the result of sales of investments to fund capital construction projects completed in 2016.

Capital Assets

The District's single largest financial resource is its campus facilities capital assets. Capital assets consist of District property and improvements, that have a unit cost of \$5,000 or more and an initial useful life extending beyond one year. As of June 30, 2016, capital assets of \$171.1 million, net of \$55.0 million accumulated depreciation, totaled \$116.1 million. This is a \$20.0 million (20.8%) increase from fiscal year 2015, when capital assets of \$146.9 million, net of \$50.7 million accumulated depreciation, totaled \$96.2 million.

This increase in net capital assets is primarily attributable to capital acquisitions and ongoing construction-in-progress projects. Both the new Public Safety Institute facility near Windsor, Colorado, and the Greeley Campus Recreation Center were completed in 2016 using existing cash reserves. In addition, the District began construction of the Applied Environmental Technologies building, as well as the Welding and Hansen building renovation projects in fiscal year 2016. The budget for these projects is \$23 million and the projects will be fully funded using the District's cash reserves.

Note 6 of this report summarizes the changes in capital assets between June 30, 2015 and June 30, 2016. Current accounts and retainage payable liabilities related to capital construction totaled \$0.8 million and \$3.5 million for June 30, 2016 and 2015, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Liabilities

Current Liabilities

The District's nondebt obligations and commitments arising from past events that are expected to result in a consumption of resources are reported as current liabilities. Current liabilities include amounts owed to vendors, personnel commitments, and unearned revenue due to be paid within one year. Accounts payable and accrued liabilities of \$3.3 million are the District's most significant current liabilities. These liabilities decreased \$3.4 million in fiscal year 2016 primarily as the result of the payment of final construction retainage payable amounts obligated at June 30, 2015 for major capital construction projects completed during 2016.

Accounts payable liabilities at June 30, 2016 were \$2.0 million and included amounts payable in July and August 2016 for capital construction and business technology services. Accrued liabilities (\$1.3 million) were primarily for employee payroll and fringe benefits paid during July 2017.

Unearned revenues of \$787 thousand include tuition and fees received by June 30, 2016, which are for services to be provided in fiscal year 2017. It also includes revenues received from grant and contract sponsors, and the Foundation that have not yet been earned. These amounts will be recognized as revenue in future periods after all conditions have been satisfied.

Noncurrent Liabilities

The District's noncurrent liabilities include commitments to pay employee compensated absences for vacation and sick leave, and the District's net pension liability required by GASB 68. The District's noncurrent liability for employee compensated absences remained relatively stable between June 30, 2015 and June 30, 2016, increasing only \$39 thousand. The District's net pension liability required by GASB 68 increased from \$77.6 million at June 30, 2015 to \$94.7 million at June 30, 2016.

GASB 68 requires the District to recognize the District's proportionate share of the collective net pension liability of the state of Colorado as a liability in the District's financial statements. Having employers record their share of the collective net pension liability provides transparency to financial statement users as to the entire net pension liability and pension expense of the cost-sharing plan for the state of Colorado. Details concerning the implementation of GASB 68 are provided throughout Note 8 of these financial statements. *The District has no legal obligation to fund the net pension liability; nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.*

Net Position

Net position represents the resources available for future operations. The District's net position equals assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position increased from \$100.2 million at June 30, 2015 to \$123.3 million at June 30, 2016. The District's increase in net position was \$23.1 million in 2016 and \$20.1 million in 2015. This increase was primarily due to increased nonoperating property tax revenues received in fiscal year 2016. Total nonoperating revenues were \$82.4 million and \$69.7 million in fiscal years 2016 and 2015, respectively.

The District's largest class of assets is its capital assets comprising 93.5% of the District's net position. Unrestricted net position exclusive of the net pension liability would be approximately \$101.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position present the financial activity of the District throughout the fiscal year, and how it increased or decreased net position. The focus is on operating revenues and expenses, and while it is important to recognize that state appropriations and property tax revenues are utilized for operations, they are reported as nonoperating revenues.

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

	For the year ended June 30, 2016	For the year ended June 30, 2015
Operating Revenues		
Net Tuition & Fees	\$ 10,520,151	\$ 10,093,915
Grants & Contracts	5,938,551	5,956,132
Auxiliary	510,126	979,041
Other	549,053	310,422
Total Operating Revenues	17,517,881	17,339,510
Operating Expenses		
Educational & General	70,623,407	61,211,923
Auxiliary	420,770	948,718
Depreciation and Amortization	5,772,028	4,715,084
Total Operating Expenses	76,816,205	66,875,725
Operating Loss	(59,298,324)	(49,536,215)
Nonoperating Revenues (Expenses) and Gains (Losses)		
General Property Taxes	66,103,420	53,888,714
State Appropriations	9,015,256	8,022,950
Federal Nonoperating Revenue	6,264,428	7,216,597
Investment Income	1,049,290	525,602
Loss on Disposal of Assets	(80,385)	(143,548)
Other Nonoperating Revenues	77,054	156,640
Total Nonoperating Revenues	82,429,063	69,666,955
Increase in Net Position	23,130,739	20,130,740
Net Position, Beginning of Year, As Previously Reported	100,220,036	147,325,488
Adjustment for Change in Accounting Principle (GASB 68)	-	(67,236,192)
Net Position - Beginning of Year, As Restated	100,220,036	80,089,296
Net Position, End of Year	\$ 123,350,775	\$ 100,220,036

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

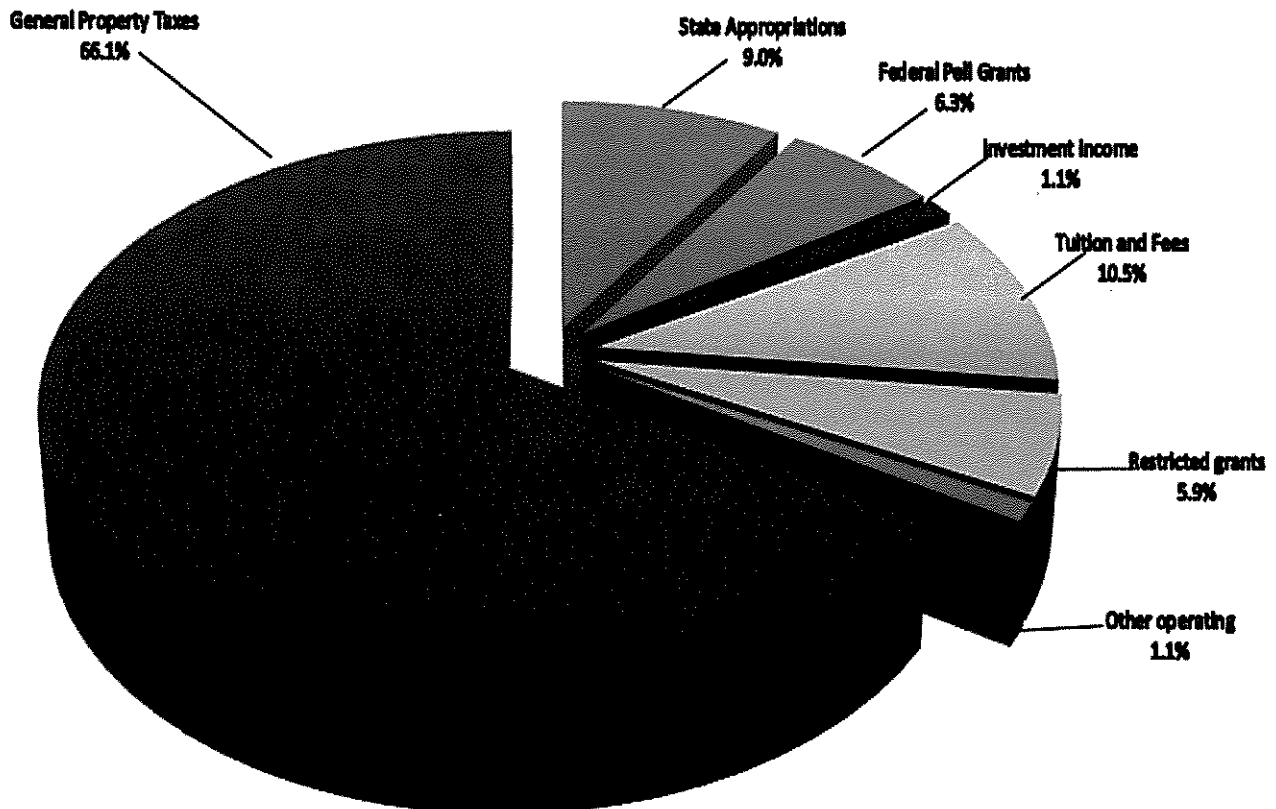
For the year ended June 30, 2016, the District had a net operating ratio of negative 4.39. This ratio measures the operating income or loss in relation to the total operating revenues. A negative 4.39 operating ratio means that operating expenses were 439% greater than operating revenues. The net operating ratio will usually be a negative number because nonoperating revenues are reported below the operating income or loss subtotal.

In comparison, the prior year's operating ratio was negative 3.82. This means that during fiscal year 2016, operating expenses increased more than operating revenues. Operating revenues increased 1%, while operating expenses increased 14.9%.

Revenues

Net revenue from all sources, net of scholarship allowances, totaled \$100.0 million during fiscal year 2016. \$17.5 million was generated from operating revenues, and \$82.5 million in nonoperating revenues.

TOTAL REVENUE SOURCES



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

Revenues (continued)

Operating Revenues:

- Operating revenues increased 1% due primarily to a \$426,236 increase in net tuition revenues earned. For the 2015-16 academic year, the District retained the same tuition rates in effect since 2011-12.
- Tuition and fees revenues, net of scholarship allowances, totaled \$10.5 million, and were 10.5% of total revenues. Fiscal year 2015 net tuition and fee revenues were \$10.1 million and were 11.6% of total revenues. Reporting standards require tuition and fees to be shown net of scholarship allowances, which were \$2.6 million and \$2.4 million in fiscal years 2016 and 2015, respectively. Scholarship allowances are those portions of tuition and fees, that are paid by other revenues, primarily federal and state grants for financial aid and general institutional scholarships (see Note 1).
- Restricted grants and gifts operating revenues decreased only slightly (\$18 thousand) and were \$5.9 million in both fiscal years 2016 and 2015.

Nonoperating Revenues:

- General property taxes were 66.1% of total revenues to the District, and represent its single largest source of revenue. General property tax revenues totaled \$66.1 million and \$53.9 million in fiscal years 2016 and 2015, respectively. Property tax revenues increased primarily due to increased collection of property taxes related to oil and gas revenues by Weld County.
- During fiscal year 2016, nonoperating Colorado state appropriation revenues were approximately 9.0% (\$9.0 million) of total revenue compared to 9.2% (\$8.0 million) during fiscal year 2015.
- Federal Pell grant revenue is considered a federal entitlement program rather than a restricted grant program. Pell grant revenue is, therefore, recognized as nonoperating revenue. Federal Pell grant revenue was \$6.3 million and \$7.2 million in fiscal years 2016 and 2015, respectively. This decrease is the result of a higher number of students qualifying for tuition assistance programs other than Federal Pell grant entitlements. These additional programs include the various high school concurrent enrollment programs and other student aid programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

Expenses

Total operating expenses increased 14.9% and were \$76.8 million and \$66.9 million for fiscal years 2016 and 2015, respectively. This increase was the result of increases in GASB 68 pension expenses, which were \$12.7 million and \$7.4 million in 2016 and 2015, respectively. The remaining \$4.6 million increase in operating expenses was primarily the result of increases in salaries, wages, and benefits.

Management's Analysis of Functional Classifications

Operating expenses are reported by functional classification, which identifies the costs of programs and services provided by the District. The functional classifications identified in the table below are defined by the National Association of College and University Business Officers (NACUBO) and are utilized by public colleges and universities in the United States to allow for comparability between higher education institutions.

Functional Classifications Operating Expenses by Function

	Year Ended	
	June 30, 2016	June 30, 2015
Instruction	\$ 31,206,618	\$25,260,016
Public Service	10,536	5,000
Academic Support	8,709,068	6,625,712
Student Services	6,630,137	5,191,410
Institutional Support	10,098,466	9,924,045
Operation of Plant	5,998,221	5,467,488
Student Aid	7,970,361	8,738,252
Auxiliary	420,770	948,718
Depreciation and Amortization	5,772,028	4,715,084
Total Operating Expenses	\$ 76,816,205	\$ 66,875,725

Instruction expenses increased in 2016 by \$5.9 million (23.5%) and were \$31.2 million and \$25.3 million for fiscal years 2016 and 2015, respectively. This increase is attributable to salary and benefit increases, the addition of full-time faculty, and an increase of \$2.1 million of GASB 68 pension expense. Instruction related GASB 68 pension expense was \$4.0 million and \$1.9 million in fiscal years 2016 and 2015, respectively.

Academic support expenses increased by \$2.1 million (31.4%). These expenses were \$8.7 million and \$6.6 million for fiscal years 2016 and 2015, respectively. This increase is attributable to salary and benefit increases, plus the recognition of an additional \$0.7 million of GASB 68 pension expense. Academic support related GASB 68 pension expense was \$1.2 million and \$0.5 million in fiscal years 2016 and 2015, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

Management's Analysis of Functional Classifications (continued)

Student services expenses increased \$1.4 million (27.7%) during fiscal year 2016, as a result of salary and benefit increases, as well as the expansion of tutoring and student assistance programs. Expenses funded by student fees were reclassified from auxiliary expenses to student services expenses as recommended by NACUBO during fiscal year 2016.

Institutional support expenses remained relatively stable, increasing only 1.8% (\$174 thousand) during fiscal year 2016, despite a net increase in GASB 68 pension expense of \$1.6 million. Limited increases in institutional support costs (overhead expenses) are a goal of the District.

Operation of plant expenses increased 9.7% due to increased operational repairs and maintenance of facilities and GASB 68 pension expense increases. Operation and maintenance expenses were \$6.0 million and \$5.5 million in fiscal years 2016 and 2015, respectively.

Student aid expenses decreased 8.8%. This decrease is the result of a greater percentage of students enrolling in concurrent high school and college programs, and who do not have a need for student assistance. Student aid expenses are not affected by GASB 68 pension costs.

Auxiliary expenses decreased 55.6%. This decrease of \$0.5 million is primarily as the result of the reclassification of expenses funded by student fees to student services expenses (see student services expenses above), and because the bookstore is now outsourced to Barnes and Noble.

Depreciation expense increased 22.4%, and was \$5.8 million and \$4.7 million in fiscal years 2016 and 2015, respectively. This increase is attributable to the completion of over \$34 million in capital asset building, building improvement, and land improvement projects during 2016. These capital assets were placed into service during 2016 and were depreciated using the "half-year" accounting convention (6 months) resulting in increased depreciation expense in 2016.

The District also summarizes its expenses by their natural classification, which represents expenses by type, regardless of the program or service. The table below illustrates expenses by natural classifications. Primary expenditure increases and decreases were the result of salary and benefit increases, depreciation, and student aid changes as explained above.

Natural Classifications

Operating Expenses by Natural Classification

	Year Ended	
	June 30, 2016	June 30, 2015
Employee & Personnel Services	\$ 46,851,036	\$ 38,013,162
Other Operating	16,237,146	15,409,227
Depreciation and Amortization	5,772,028	4,715,084
Student Aid	7,955,995	8,738,252
Total Operating Expenses	\$ 76,816,205	\$ 66,875,725

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Cash Flows

The statement of cash flows provides information about the cash receipts and cash payments during the past fiscal year.

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

Significant changes in this statement are noted below:

- Operating activities of the District required \$45.6 million and \$41.2 million of cash in fiscal years 2016 and 2015, respectively. This \$4.4 million increase is primarily due to increased payments to and for employee compensation (13.1%). Cash paid to and for employees was \$38.5 million and \$34.0 million for fiscal years 2016 and 2015, respectively.
- Cash flows provided by noncapital financing activities increased 18.6%, and were \$80.7 million and \$68.1 million in fiscal years 2016 and 2015, respectively. This increase is the result of the District recognizing additional general property tax revenues related to oil and gas. Property taxes received during fiscal year 2016 were the result of property taxes assessed in calendar year 2014. Oil and gas production in Weld County has recently decreased because of falling oil commodity prices. The District expects that General Property Tax revenues received will decline in 2017.
- Cash used for capital and related financing activities increased 85.8%, and were \$28.5 million and \$15.3 million in fiscal years 2016 and 2015, respectively. This is the result of the District's cash investment in capital construction projects during fiscal year 2016.
- In fiscal year 2016, net cash flows provided by investing activities was \$2.4 million. The District purchased \$22.4 million in new investments, sold \$23.9 million of investments, and received \$845,857 in investment earnings.
- Overall, the District's cash position increased 23.6%. Cash and cash equivalents were \$47.4 million and \$38.4 million at June 30, 2016 and 2015, respectively. This significant increase is primarily due to the increase in property tax revenue discussed above.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Economic Outlook

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

To manage student enrollment, the District has developed several programs to improve student success and retention. The Public Safety Institute in Windsor was completed during fiscal year 2016, and should encourage growth in student enrollment in fire protection and other emergency services training programs.

State appropriations increased in fiscal year 2016 by 12.4%. The state's economic situation is a concern to the District and the higher education community as a whole. On a positive note, economic conditions in the state have improved. State funding is expected to continue to be appropriated to offset the need to increase tuition rates. This should be helpful for students who are finding it more and more difficult to seek a higher degree or learn the skills they need to meet the growing employment demands of Colorado.

The growth and the assessed valuation of property within the taxing district both play a critical role. Six counties contribute to the assessed value of the taxing district, with the largest contribution coming from Weld County. For fiscal year 2016, property tax revenue was derived primarily from oil and gas production in Weld County. The unstable funding swings in oil and gas property tax revenues require careful monitoring by the District when planning for the future.

Additionally, the District analyzes tuition rates annually and adjusts tuition based on funding mix and projected costs. The District's tuition rates are less than all 13 of the Colorado State System community colleges and are competitive with Colorado Mountain College, a similarly funded Colorado community college.

The District will continue to explore revenue growth and cost containment 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 College District's finances. If you have questions regarding any of the information provided in this report, or if you have a request for additional financial information regarding the District, please contact the Vice President for Administrative Services, Aims College District, P.O. Box 69, 5401 W. 20th Street, Greeley, Colorado, 80634.



BASIC FINANCIAL STATEMENTS

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

Current Assets:

Cash and cash equivalents	\$	47,401,300
Short-term investments		7,196,303
Student accounts receivable, net of allowance of \$163,883		825,366
Accounts receivable		1,563,821
Property tax receivable		3,185,498
Inventories		31,348
Prepaid expenses and other current assets		400,023
Total Current Assets		60,603,659

Noncurrent Assets:

Long-term investments		32,574,453
		32,574,453

Nondepreciable Capital Assets:

Land		10,299,308
Land held for development		1,419,342
Land improvements		1,931,538
Art/historical figures		42,132
Construction-in-progress		3,465,468

Depreciable Capital Assets (Net):

Land improvements		6,628,325
Buildings and improvements		85,035,893
Vehicles		349,206
Equipment and furniture		6,978,951
Total Capital Assets (Net)		116,150,163

Total Noncurrent Assets		148,724,616
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TOTAL ASSETS		209,328,275
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DEFERRED OUTFLOWS OF RESOURCES

		16,676,586
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LIABILITIES

Current Liabilities:

Accounts payable		1,961,911
Accrued liabilities		1,316,594
Unearned revenue		786,879
Compensated absence liabilities, current portion		378,146
Deposits held in custody for others		853,546
Total Current Liabilities		5,297,076

Noncurrent Liabilities:

Compensated absence liabilities		1,512,584
Net pension liability		94,720,288
Total Noncurrent Liabilities		96,232,872

TOTAL LIABILITIES		101,529,948
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DEFERRED INFLOWS OF RESOURCES

		1,124,138
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NET POSITION

Net investment in capital assets		115,359,507
Restricted for expendable purposes		
TABOR reserves		2,431,359
Nongovernmental grants and gifts		6,409
Unrestricted		5,553,500
Total Net Position		\$ 123,350,775

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
 June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 822,395
Operating investments	2,302,077
Contributions receivable, net	4,864
Endowment	
Investments	1,612,987
Beneficial Interest in perpetual trust	<u>1,823,408</u>
TOTAL ASSETS	<u>\$ 6,565,731</u>
NET ASSETS	
Unrestricted	\$ 675,161
Temporarily restricted	3,370,293
Permanently restricted	<u>2,520,277</u>
TOTAL NET ASSETS	<u>\$ 6,565,731</u>

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2016

REVENUES

Operating Revenues:

Student tuition and fees, net of scholarship allowances of \$2,625,968	\$	10,520,151
Federal grants and contracts		1,857,123
State and local grants, contracts and gifts		4,081,428
Sales and services of educational activities		449,632
Auxiliary operating revenue		510,126
Other operating revenue		99,421
Total Operating Revenues		<u>17,517,881</u>

EXPENSES

Operating Expenses:

Educational and general		
Instruction		31,206,618
Public service		10,536
Academic support		8,709,068
Student services		6,630,137
Institutional support		10,098,466
Operation of plant		5,998,221
Student aid		7,970,361
Depreciation and amortization		5,772,028
Auxiliary		420,770
Total Operating Expenses		<u>76,816,205</u>
Operating Loss		<u>(59,298,324)</u>

NONOPERATING REVENUES (EXPENSES)

General property taxes		66,103,420
State appropriations		9,015,256
Federal nonoperating revenue		6,264,428
Investment income		1,049,290
Other nonoperating revenues		77,054
Loss on disposal of assets		(80,385)
Net Nonoperating Revenues		<u>82,429,063</u>
Increase in Net Position		23,130,739
Net Position, Beginning of Year		<u>100,220,036</u>
Net Position, End of Year	\$	<u>123,350,775</u>

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Contributions	\$ 64,315	\$ 108,266	\$ 85,282	\$ 257,863
In-kind contributions	43,254	89,892	-	133,146
Net investment return	70,509	(133,325)	-	(62,816)
Restricted grants	-	12,500	-	12,500
Special events revenue	-	6,660	-	6,660
Net assets released from restrictions	477,628	(477,628)	-	-
Total Revenues, Support, and Gains	655,706	(393,635)	85,282	347,353
Expenses				
Program services:				
Student scholarships	307,380	-	-	307,380
Support for academic programs	119,212	-	-	119,212
Support for student services	18,902	-	-	18,902
Other Aims College programs	1,279	-	-	1,279
Total Program Services	446,773	-	-	446,773
Support Services:				
Management and general	200,214	-	-	200,214
Fundraising and development	61,723	-	-	61,723
Total Support Services	261,937	-	-	261,937
Total Expenses	708,710	-	-	708,710
Change in Net Assets	(53,004)	(393,635)	85,282	(361,357)
Net assets--beginning of year	728,165	3,763,928	2,434,995	6,927,088
Net assets--end of year	\$ 675,161	\$ 3,370,293	\$ 2,520,277	\$ 6,565,731

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received:	
Tuition and fees	\$ 10,131,753
Sales of services	425,581
Sales of products	510,126
Grants and gifts	5,830,377
Receipts from Foundation	125,211
Other receipts	99,421
Cash Payments:	
Payments to and for employees	(38,504,441)
Payments to suppliers	(16,321,493)
Scholarships disbursed	(7,909,395)
Net cash used in operating activities	<u>(45,612,860)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations, noncapital	8,859,821
Federal revenues, noncapital	6,264,428
General property taxes, noncapital	65,761,432
Other noncapital financing activities - oil and gas royalties	77,055
Decrease in deposits held in custody for others	(213,433)
Direct loans receipts	4,019,118
Direct loans disbursements	(4,019,118)
Net cash provided by noncapital financing activities	<u>80,749,303</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition or construction of capital assets	(25,035,379)
Payment of prior year payables for capital assets	(3,464,619)
Net cash used in capital and related financing activities	<u>(28,499,998)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(22,391,704)
Proceeds from sales of investments	23,951,548
Investment earnings	845,857
Net cash provided by investing activities	<u>2,405,701</u>

Increase in Cash and Cash Equivalents	9,042,146
Cash and Cash Equivalents, Beginning of Year	38,359,154
Cash and Cash Equivalents, End of Year	<u>\$ 47,401,300</u>

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (59,298,324)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	5,772,028
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Receivables, net	(79,847)
Inventory, prepaid expenses and other assets	542,172
Pension related items	8,182,739
Accounts payable and accrued liabilities	(754,569)
Deferred revenues	(20,582)
Compensated absences	43,523
Net cash used in operating activities	<u>\$ (45,612,860)</u>

Noncash capital and related financing activities and investing activities:

Construction accounts payable and retainages payable in accounts payable	\$ 790,656
Loss on disposal of capital assets	80,385
Unrealized gain on investment	216,322

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
June 30, 2016

CASH FLOWS FOR OPERATING ACTIVITIES

Cash received from donors	\$	274,723
Interest and dividends received		95,835
Cash paid to support College programs		(356,881)
Cash paid to College for employees		(190,486)
Cash paid to suppliers and other vendors		(28,197)
Net cash used in operating activities		<u>(205,006)</u>

CASH FLOWS FOR INVESTING ACTIVITIES

Purchases of operating investments		(1,537,583)
Proceeds from sales of operating investments		1,257,105
Net (increase) in endowment investments		(48,913)
Net decrease in beneficial interest in perpetual trust		52,425
Net cash used in investing activities		<u>(276,966)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Collections of contributions restricted to endowment		85,282
Net cash provided by financing activities		<u>85,282</u>

Net Change in Cash and Cash Equivalents		(396,690)
Cash and Cash Equivalents, Beginning of Year		1,219,085
Cash and Cash Equivalents, End of Year	\$	<u>822,395</u>

Reconciliation of change in net assets to net cash used in operating activities:

Change in net assets	\$	(361,357)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Net loss on investments		158,651
Collections of contributions restricted to endowment		(85,282)
Changes in operating assets and liabilities:		
Contributions receivable		95,482
Deferred revenue		(12,500)
Net cash used in operating activities	\$	<u>(205,006)</u>

See accompanying notes to financial statements



NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Aims College District (the District) is a self-governing 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 College District operates under the name of Aims Community 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.

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. On June 25, 2015, the Aims Continuing Education Authority Board of Trustees unanimously voted to close the Authority and transfer the operations to Aims Community College. The Aims Board of Trustees accepted the Continuing Education operations (including all existing assets and liabilities) into the District's operations effective July 1, 2015.

The Aims Leasing Corporation (the Corporation), a Colorado nonprofit corporation, was established on February 6, 2002, to acquire real and personal property to be used by the District. Net capital assets held by the Corporation at June 30, 2015 totaled \$2,028,963. These assets were transferred to the District in 2016. During fiscal year ended and as of June 30, 2016, there was no additional activity related to the Corporation.

The Aims College Campus Planned Community Association (the Association), a not-for-profit corporation under the Colorado Revised Nonprofit Corporation Act, was incorporated on August 30, 2006, and was created pursuant to a Declaration (the Declaration) by the District to acquire real and personal property to be used by the District or the Association. The Declaration created separate ownership of a planned community unit, and for the ownership and management by the Association of the common elements appurtenant thereto. During fiscal year ended and as of June 30, 2016 there was no activity related to the Association.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely Presented Component Unit

The Aims Community College Foundation (the Foundation), a not-for-profit corporation under Article 40, Title 7 of the Colorado Revised Statutes of 1973, was established in 1979 to promote the welfare, development, growth, and well-being of the District, 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 with and involved in the affairs of the community. The Foundation is a separate legal entity with its own Board of Trustees.

Although the District does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the District. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

The Foundation contributed \$138,735 to the operations of the District and \$307,380 for scholarships for the year ended June 30, 2016. Included in the District's deposits held in custody for others is \$709,229 held on behalf of the Foundation as of June 30, 2016.

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

Aims College District
Attn: Vice President for Administrative Services
P.O. Box 69, 5401 W. 20th Street
Greeley, CO 80634

Basis of Presentation

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

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

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

The District considers all liquid investments with original maturities of three months or less when purchased to be cash equivalents. At June 30, 2016, cash equivalents consisted primarily of cash on hand and money market accounts with brokers.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income

Investments in equity and debt securities and negotiable certificates of deposit are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

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

Inventories

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

Property Taxes

Property taxes are levied in November and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. Six counties contribute to the assessed value of the taxing District, with the largest contribution coming from Weld County. The January 1, 2016 levy for the District was 6.325 mills, or approximately \$63,390,613 from Weld County. Anticipated tax revenue not received by June 30 is recorded as property tax receivable in the statement of net position.

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between 27 and 40 years for buildings, 15 to 20 years for land improvements, and 3 to 10 years for equipment. Assets recorded under capital lease agreements are amortized to depreciation expense over either the term of the lease or the estimated useful life, whichever period is shorter. The District did not have any capital leases in fiscal year 2016.

Unearned Revenues

Unearned 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. Unearned revenues for summer tuition and fees are calculated based on the number of days falling within each respective fiscal year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned as eligibility requirements have not been met.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the vesting method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as pension contributions and Medicare taxes computed using rates in effect at that date.

Noncurrent Liabilities

Noncurrent liabilities are obligations of the District with payment maturities that are greater than one year, or for which there is uncertainty as to when the estimated liabilities will be paid. Noncurrent liabilities include the District's proportionate share of the net pension liability associated with its participation in a cost-sharing defined benefit pension plan through the State of Colorado (see "Cost-sharing Defined Benefit Pension Plan" information below).

Deferred Inflows and Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

Cost-Sharing Defined Benefit Pension Plan

The District participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The District's net position is classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of accumulated depreciation reduced by the outstanding borrowing used to finance the purchase or construction of those assets, including accounts payable related to capital construction at June 30, 2016. During and as of June 30, 2016 there was no outstanding debt associated with capital assets.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unrestricted net position: Unrestricted net position represents 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 non-educational services for students, faculty, and staff.

Classification of Revenue

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

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

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

Scholarship Allowances

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

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

Application of Restricted and Unrestricted Resources

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

Use of Estimates

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Principle

The District implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72) which generally requires state and local governments to measure investments at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The implementation of GASB 72 had no effect on net position; however, it did change the requirements for information disclosed in the footnotes included within this financial report.

Related Party

The District maintains deposits at First National Bank and investments with First National Wealth Management. One member of the District's Board of Trustees is employed by First National Bank. This Board member, however, is not involved in any investment decisions on behalf of the District and is excused from all Board matters involving First National Bank or First National Wealth Management.

NOTE 2—BUDGET LAW

The Board of Trustees adopts an annual budget to authorize and control the spending of the District. The District's expenditures 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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. FDIC insurance is \$250,000. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

At June 30, 2016, the carrying amount of the District's deposits, including cash held in banks and non-negotiable certificates of deposits, was \$2,636,000. The bank balance of the District's cash held in banks and non-negotiable certificates of deposit totaled \$3,007,569, of which \$2,886,000 was insured by federal deposit insurance and \$121,569 was collateralized in accordance with PDPA.

The District also had cash on hand of \$4,730 at June 30, 2016.

Investments

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

At June 30, 2016, the District has invested \$493,916 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.

In addition, the District held the following types of investments at June 30, 2016:

Type	Fair Value	Maturities in Years		NRSRO Ratings	
		Less than 1	1-5	Moody's	S&P
Money Market Mutual Funds	\$ 46,902,654	\$ 46,902,654	\$ -	Aaa-mf	AAAm
U.S. Agency Obligations	12,482,336	50,495	12,431,841	AAA	AA+
U.S. Treasury Obligations	4,944,752	760,046	4,184,706	AAA	AA+
Corporate Bonds	5,446,162	3,094,644	2,351,518	A1 - Aaa	AA- - AAA
Negotiable Certificates of Deposit	14,261,506	2,891,118	11,370,388	N/A	N/A
Total	<u>\$ 84,037,410</u>				

NOTE 3—DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 does 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: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. 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. See table above for ratings associated with the District's investments.

As of June 30, 2016, the District's investment in ColoTrust investment pool was rated AAAM by Standard and Poor's.

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk as the District's money market funds are considered open-ended money market funds (*i.e.*, a fund that does not have restrictions on the number of shares it can issue) and their existence is not evidenced by securities that exist in physical or book entry form. In addition, all of the District's other investments are held in investment accounts registered in the District's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government, such as U.S. Treasury Obligations, are excluded from this requirement. The District places no limit on the amount it may invest in any anyone issuer. As of June 30, 2016, 55.8% of the District's investments are held in money market funds with brokers. In addition, the District's investments in U.S. government agencies and negotiable certificates of deposits constituted 14.9% and 17.0%, respectively, of its total investments.

Foreign Currency Risk: This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The District had no investments denominated in foreign currency at June 30, 2016.

NOTE 3—DEPOSITS AND INVESTMENTS (continued)

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net position for June 30, 2016 as follows:

Carrying value	
Deposits	\$ 2,640,730
Investments	84,531,326
	<u>\$ 87,172,056</u>

Included in the following statement of net position	
Cash and cash equivalents	\$ 47,401,300
Short-term investments	7,196,303
Long-term investments	32,574,453
	<u>\$ 87,172,056</u>

NOTE 4—DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis, and the level within the fair value hierarchy in which the fair value measurements are classified at June 30, 2016:

Investments by fair value	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds	\$46,902,654	\$ 46,902,654	\$ -	\$ -
U.S. Agency Obligations	12,482,336	-	12,482,336	-
U.S. Treasury Obligations	4,944,752	4,944,752	-	-
Corporate Bonds	5,446,162	5,446,162	-	-
Negotiable Certificates of Deposit	14,261,506	-	14,261,506	-
ColoTrust (1)	493,916	-	-	-
Total investments by fair value level	\$84,531,326	\$ 57,293,568	\$ 26,743,842	\$ -

(1) Certain investments are exempt from being measured at fair value and thus have not been classified in the fair value hierarchy. The fair value amount included above is intended to permit reconciliation of this disclosure to other amounts presented in this report.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. The District does not hold any Level 3 securities.

NOTE 5—AIMS FOUNDATION INVESTMENTS

The following schedule of investments are held by the Foundation for each major category of investments, and presents the related fair market value at June 30, 2016:

Assets	Total	Fair Value Measurements at Report Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - fixed income	\$ 1,421,169	\$ 1,421,169	\$ -	\$ -
Mutual funds - equities	920,654	920,654	-	-
Common stocks	1,063,324	1,063,324	-	-
Government obligations	213,498	-	213,498	-
Corporate bonds	296,419	-	296,419	-
Beneficial interest in perpetual trust	1,823,408	-	-	1,823,408
	<u>\$ 5,738,472</u>	<u>\$ 3,405,147</u>	<u>\$ 509,917</u>	<u>\$ 1,823,408</u>
Held as operating investments				\$ 2,302,077
Held as endowment investments				3,436,395
				<u>\$ 5,738,472</u>

NOTE 6—CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2016.

	Balance, June 30, 2015	Additions	Deductions	Transfers	Balance, June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 10,299,308	\$ -	\$ -	-	\$ 10,299,308
Land Held for Development	1,419,342	-	-	-	1,419,342
Land Improvements	1,931,538	-	-	-	1,931,538
Art/Historical Figures	42,132	-	-	-	42,132
Total capital assets, not being depreciated	13,692,320	-	-	-	13,692,320
Capital assets, being depreciated:					
Land Improvements	7,309,203	-	30,308	2,169,449	9,448,344
Buildings & Improvements	91,644,134	-	1,160,768	30,829,147	121,312,513
Vehicles	1,555,808	218,248	79,161	-	1,694,895
Equipment	18,139,029	2,048,715	260,145	1,603,893	21,531,492
Leasehold Improvements	27,091	-	27,091	-	-
Total capital assets, being depreciated	118,675,265	2,266,963	1,557,473	34,602,489	153,987,244
Less accumulated depreciation					
Land Improvements	2,472,966	376,987	29,933	-	2,820,020
Buildings & Improvements	33,646,421	3,762,407	1,132,208	-	36,276,620
Vehicles	1,320,786	104,063	79,160	-	1,345,689
Equipment	13,246,210	1,528,571	222,241	-	14,552,540
Leasehold Improvements	13,546	-	13,546	-	-
Total accumulated depreciation	50,699,929	5,772,028	1,477,088	-	54,994,869
Total capital assets, being depreciated, net	67,975,336	(3,505,065)	80,385	34,602,489	98,992,375
Add construction-in-progress	14,508,886	23,559,071	-	(34,602,489)	3,465,468
Net carrying amount	\$ 96,176,542	\$ 20,054,006	\$ 80,385	-	\$ 116,150,163

Net investment in capital assets is comprised of the following as of June 30, 2016:

Total capital assets, net of accumulated depreciation	\$ 116,150,163
Less construction accounts payable	(790,656)
Net investment in capital assets per Statement of Net Position	<u>\$ 115,359,507</u>

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

NOTE 7—LAND HELD FOR DEVELOPMENT

Land held for development is carried at cost and is comprised of land, water rights, professional fees and site preparation costs related to land owned by the District that is being held for future development. The land held for development is included in capital assets.

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

The property was purchased by the District contingent on being granted an oil and gas lease on the property. On June 8, 2011, the District entered into an oil and gas lease with Synergy Resources Corporation for the purpose of drilling oil and gas wells on the property in consideration of the District receiving a 16.67% net royalty interest after taxes and agreed-upon costs. The future value of royalties to be received is dependent upon the activity of the oil and gas wells.

NOTE 8—DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Eligible employees of the District are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained, and the benefit structure under which the contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SDTF.

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the District are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements for all employees are summarized in the table below:

	For the years ended December 31	
	2015	2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the SDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SDTF ¹	17.33%	18.23%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the District were \$4,661,032 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$94,720,288 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on District contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF.

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2015, the District’s proportion was 0.899%, which was an increase of 0.075% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$12,722,844 and the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,379,282	\$ 2,923
Changes of assumptions or other inputs	-	1,121,215
Net difference between projected and actual earnings on pension plan investments	7,137,089	-
Changes in proportion	5,777,686	-
Contributions subsequent to the measurement date	<u>2,382,529</u>	N/A
Total	<u>\$ 16,676,586</u>	<u>\$ 1,124,138</u>

The \$2,382,529 of deferred outflows of resources reported in the previous schedule as related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 5,782,819
2018	4,034,205
2019	1,892,097
2020	<u>1,460,798</u>
	<u>\$ 13,169,919</u>

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs as follows:

Actuarial cost method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increase:	
PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.00 percent
PERA Benefit Structure hired prior to 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18-month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Govt/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.9%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.5% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (*i.e.*, the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (*i.e.*, the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	119,665,770	94,720,288	73,854,223

Pension Plan Fiduciary Net Position

Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at:
www.copera.org/investments/pera-financial-reports

NOTE 9—DEFINED CONTRIBUTION PENSION PLAN & DEFERRED COMPENSATION PLAN

Voluntary Investment Program

Plan Description: Employees of the District that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy: The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not match contributions made by participants of the plan. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$401,247.

Deferred Compensation Plan

Plan Description: Employees may also participate in the 457(b) eligible deferred compensation plan administered by PERA as provided by Title 24, Article 51, Part 16 of the CRS. Plan participation is voluntary, and contributions are separate from others made to PERA. The plan uses a third-party administrator, and all costs of administration and funding are borne by the plan participants. The plan is subject to the Colorado State Deferred Compensation Program, as defined in §24-10-102, C.R.S., and its governing board. The state's governing board has full authority to make changes to the plan. PERA issues a publicly available annual financial report for the 457(b) Plan. That report may be obtained online at www.copera.org or by calling to Colorado PERA at (303) 832-9550 or (800) 759-PERA (7372).

Funding Policy: The deferred compensation plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not match contribution made by participants of the plan. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$37,513.

NOTE 10—POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

PERA Health Care Trust Fund

Plan Description: The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information or 2016 the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy: The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2016, 2015, and 2014 the District contributions to the HCTF were \$267,406, \$237,456, and \$215,800 respectively, equal to their required contributions for each year.

Life Insurance Program

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

NOTE 11—COMMITMENTS AND CONTINGENT LIABILITIES

Tax, Spending and Debt Limitations

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

On November 2, 1999, voters in the District approved superseding the provisions of TABOR and other state requirements that limit the amount of revenue the District could retain each year, without increasing or adding taxes of any kind. Included in the accompanying financial statements are emergency reserves required by TABOR of at least 3% of fiscal year spending. At June 30, 2016, an emergency reserve of \$2.4 million was recorded as restricted net position on the statement of net position.

Federally Assisted Grant Programs

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

Risk Management

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

Construction Commitments

As of June 30, 2016, the District had construction commitments outstanding of \$61.0 million. For the academic year 2016-17, the Board approved a budget for \$33.0 million to renovate the Hansen Building, construct an addition to the trades building, renovate the Welding building, improve the 50th Street entrance to the campus and construct new science labs.

NOTE 12—LONG-TERM LIABILITIES

The following presents changes in long-term liabilities for the year ended June 30, 2016:

	Balance, July 1, 2015	Additions	Reductions	Balance, June 30, 2016	Amounts Due Within One Year
Other Liabilities:					
Accrued Compensated Absences	\$ 1,841,978	\$ 48,752	\$ -	\$ 1,890,730	\$ 378,146
Retirement Benefits	5,229	-	(5,229)	-	-
Net Pension Liability	77,557,998	17,162,290	-	94,720,288	-
Total Other Liabilities	\$ 79,405,205	\$ 17,211,042	\$ (5,229)	\$ 96,611,018	\$ 378,146

Liability amounts shown in "Balance, June 30, 2016" include both current and noncurrent portions. Additional information regarding accrued compensated absences is included in Note 13.

NOTE 13—COMPENSATED ABSENCES

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

The estimated liability related to compensated absences for which employees are vested at June 30, 2016 is \$1,890,730. The District estimates that 20% of the liability will be paid in the subsequent year.

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

In June 2009, the Board of Trustees voted to revise the Leave of Absence policy to change the sick leave accrual from 10.67 hours per month to eight hours. The change also eliminated the payout of accrued sick leave for employees hired on or after July 1, 2009.

In June of 2010, the Board agreed to allow the above change for sick leave accrual from 10.67 to eight hours to sunset after June 2012 for faculty hired before July 1, 2009. The District reserved the right to renegotiate the sunset provision prior to June 2012 through the consultation process. With the approval of the consultation agreement at the June 2012 Board meeting, the Board decided to allow the Leave of Absence policy change to sunset. Effective July 1, 2012, the revised sick leave accrual for employees hired prior to July 1, 2009 is 10.67 hours and eight hours for those employees hired on or after July 1, 2009.

NOTE 14—LEASES

The District leases space and equipment under operating leases to conduct its operations. Rental payments for operating leases were \$31,471 for the year ended June 30, 2016. All operating leases in effect at June 30, 2016 are on a month-to-month leasing structure.

The District has operating leases for airplanes used in its flight-training program. The airplanes are leased on a per hour basis. Rental payments under these leases for the year ended June 30, 2016 were \$146,522.

NOTE 15—NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2016, the following table represents operating expenses within both natural and functional classifications:

FUNCTIONAL CLASSIFICATIONS	NATURAL CLASSIFICATION					TOTAL OPERATING EXPENSES
	Employee & Personnel Services	Supplies	Operating	Student Aid	Depreciation	
Instruction	\$ 23,147,104	\$ 2,062,767	\$ 5,996,747	\$ -	\$ -	\$ 31,206,618
Public Service	536	-	10,000	-	-	10,536
Academic Support	7,138,931	540,414	1,029,723	-	-	8,709,068
Student Services	5,428,870	191,738	1,009,529	-	-	6,630,137
Institutional Support	8,580,470	232,743	1,285,253	-	-	10,098,466
Operation of Plant	2,293,124	493,783	3,211,314	-	-	5,998,221
Student Aid	-	-	14,366	7,955,995	-	7,970,361
Depreciation	-	-	-	-	5,772,028	5,772,028
Auxiliary	262,001	2,226	156,543	-	-	420,770
TOTAL EXPENSES	\$ 46,851,036	\$ 3,523,671	\$ 12,713,475	\$ 7,955,995	\$ 5,772,028	\$ 76,816,205



Required Supplementary Information

AIMS JUNIOR COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (PERA - SDTF)
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.899%	0.825%	0.776%
District's proportionate share of the net pension liability (asset)	\$ 94,720,288	\$ 77,557,998	\$ 69,116,756
District's covered-employee payroll	\$ 25,003,265	\$ 22,200,317	\$ 19,976,041
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	378.83%	349.36%	346.00%
Plan fiduciary net position as a percentage of the total pension liability	56.11%	59.80%	61.08%

Information above is presented as of the measurement date

*Information is not currently available for prior years; additional years will be displayed as they become available

**AIMS JUNIOR COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PERA - SDTF)
LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,661,032	\$ 3,931,585	\$ 3,383,030
Contributions in relation to the contractually required contribution	<u>(4,661,032)</u>	<u>(3,931,585)</u>	<u>(3,383,030)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 26,216,232	\$ 23,280,009	\$ 21,156,892
Contributions as a percentage of covered-employee payroll	17.78%	16.89%	15.99%

Information above is presented as of the District's fiscal year

*Information is not currently available for prior years; additional years will be displayed as they become available

Supplementary Information

**AIMS JUNIOR COLLEGE DISTRICT
ACTUAL TO BUDGET COMPARISON
ALL FUNDS**

Year Ended June 30, 2016	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Tuition and fees	\$ 13,146,119	\$ 14,731,013	\$ (1,584,894)
Less: Tuition discounts (Student Financial Aid)	(2,625,968)	-	(2,625,968)
Net Tuition and Fees	10,520,151	14,731,013	(4,210,862)
Gifts, grants and contracts (including Pell)	12,202,979	11,801,192	401,787
Auxiliary operating revenue	959,758	1,078,246	(118,488)
Other operating revenue	99,421	350,000	(250,579)
Total Operating Revenues	23,782,309	27,960,451	(4,178,142)
Operating Expenses:			
Education and general	62,653,046	87,943,180	25,290,134
Student aid	7,970,361	11,248,355	3,277,994
Depreciation and amortization expense	5,772,028	-	(5,772,028)
Auxiliary enterprises expenses	420,770	1,045,557	624,787
Total Operating Expenses	76,816,205	100,237,092	23,420,887
Nonoperating Revenues and Expenses:			
General property taxes	66,103,420	65,000,000	1,103,420
State appropriations	9,015,256	8,797,792	217,464
Investments	1,049,290	205,000	844,290
Other nonoperating revenues	77,054	-	77,054
Loss on disposal of assets	(80,385)	-	(80,385)
Total Nonoperating Revenue and Expense	76,164,635	74,002,792	2,161,843
Transfers In (Out):			
Nonmandatory transfers in	96,830,998	50,412,747	46,418,251
Nonmandatory transfers out	(96,830,998)	(50,412,747)	(46,418,251)
Total Transfers In (Out)	-	-	-
Increase in Net Assets	\$ 23,130,739	\$ 1,726,151	\$ 21,404,588

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Trustees
Aims College District
Greeley, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Aims College District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2016, which contained a reference to the report of other auditors. The financial statements of Aims Community College Foundation, the discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the District's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Aims College District

Compliance and Other Matters

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

We noted certain matters that we reported to the District's management in a separate letter dated November 2, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
November 2, 2016

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Board of Trustees
Aims College District
Greeley, Colorado

Report on Compliance for Each Major Federal Program

We have audited Aims College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
November 2, 2016

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Aims College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed-through to Subrecipients</u>
<i>U.S. Department of Education</i>				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	\$ 6,264,428	\$ -
Federal Supplemental Educational Opportunity Grants	84.007	N/A	128,249	-
Federal Work-Study Program	84.033	N/A	102,579	-
Federal Direct Student Loans	84.268	N/A	4,019,118	-
			<hr/> 10,514,374	-
TRIO Cluster				
TRIO - Student Support Services	84.042A	N/A	420,525	-
English Language Acquisition Grant	84.365Z	N/A	278,562	129,547
<i>Passed through Colorado Community Colleges</i>				
Career and Technical Education - Basic Grants to States:				
Postsecondary Non-Reserved Grant:	84.048	1609		
Professional Development			31,561	-
Evaluations			1,006	-
Expand & Modernize			456,333	-
Special Populations			7,682	-
Indirect Costs			3,256	-
			<hr/> 499,838	-
<i>Total U.S. Department of Education</i>			11,713,299	129,547
<i>National Aeronautics and Space Administration</i>				
<i>Passed through University of Colorado</i>				
National Space Grant College and Fellowship Program	43.008	1552128	18,795	-
<i>Total National Aeronautics and Space Administration</i>			18,795	-
<i>National Science Foundation</i>				
<i>Passed through Colorado State University</i>				
Education and Human Resources	47.076	G-3336-2	7,400	-
<i>Total National Science Foundation</i>			7,400	-
<i>U.S. Department of Labor Employment and Training</i>				
Trade Adjustment Assistance Community College and Career Training Grants	17.282	N/A	401,192	-
<i>Total U.S. Department Labor Employment and Training</i>			401,192	-
Total Expenditures of Federal Awards			<hr/> \$ 12,140,686	<hr/> \$ 129,547

Aims College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1: General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Aims College District (the District). The Schedule includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the District through other non-federal entities. The District's reporting entity is defined in Note 1 in the District's basic financial statements for the year ended June 30, 2016.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements or reports to federal agencies and pass-through grantors. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years, if any. The District has elected to use its federally negotiated indirect cost rate.

Note 3: Pass-through Grantor's Number

For federal awards expended by the District as a subrecipient, the Schedule includes identification of the pass-through grantor and the identifying number assigned to the grant by the pass-through grantor where the pass-through grantor has supplied such number to the District.

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Aims College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

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

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

Federal Awards

4. Internal control over major programs:

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

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

Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Aims College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2016

7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.

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

Aims College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2016

Section II – Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Aims College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2016

Section III – Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2016-001	<p>Finding: Special Tests & Provisions - Enrollment Reporting</p> <p>Student Financial Assistance Cluster: Federal Direct Student Loans CFDA No. 84.268 Federal Pell Grant Program CFDA No. 84.063 Department of Education - Award Year: 2015-2016</p> <p>Criteria: Per the National Student Loan Data System (NSLDS) Enrollment Reporting Guide (October 2015 revision), institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] which is placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by the Department of Education via NSLDS.</p> <p>Condition: We reviewed all 12 months of fiscal year 2016 noting none of the months had all errors cleared within the required 15 days.</p> <p>Questioned Costs: None. Questioned costs would not be applicable under this finding.</p> <p>Context: We obtained the SCHER1 report for the entire fiscal year 2016 and reviewed all 12 months for compliance with this requirement.</p> <p>Effect: Enrollment reporting assists the federal government in management of these programs, including tracking of the 150% subsidized loan limitation provisions and congressional report requirements associated with the Pell grant program. In addition, for the direct loan program it assists lenders in the determination of whether a borrower should be moved into loan repayment or if they are eligible for an in-school deferment. Thus, if the District fails to meet the required reporting timelines or submits inaccurate information to NSLDS, the borrowers' repayment responsibilities may be reported incorrectly resulting in either a lack of timely repayments by the borrowers or the student being inappropriately moved into loan repayment status.</p> <p>Cause: The District was not aware that the National Student Clearinghouse was not automatically clearing errors or providing the District the information it needed to clear the errors noted on roster files submitted to NSLDS.</p> <p>Identification as a repeat finding: Not applicable.</p> <p>Recommendation: We recommend that the District work with the National Student Clearinghouse to request and resolve errors noted on roster files within the required 15 day timeframe.</p> <p>Views of responsible officials: Agree. See separate report for planned corrective actions.</p>

**Aims College District
 Status of Prior Audit Findings
 Year Ended June 30, 2016**

Reference Number	Summary of Finding	Status
2015-001	<i>Accounting for Capital Assets:</i> The District should develop a clear capitalization policy (including limiting the number of accounts capital outlay can be recorded) and provide training for employees on the policy. In addition, we recommend management of the District consider performing a review of capital outlay and capital asset related accounts on a quarterly versus annual basis. In regards to disposition of capital assets, we recommend the District review and train its employees on the policies and procedures surrounding the disposal of capital assets.	Implemented
2015-002	<i>Financial Statement Preparation:</i> The District should hire a controller with higher education industry experience for the financial services department to provide a detailed level of oversight for the financial information prepared throughout the year and year-end processes. Furthermore, a succession plan should be implemented by the department to help ensure proper oversight and review can be maintained when turnover does occur. Additionally, we recommend management and the accounting department develop written accounting policies and procedures to provide guidance to staff throughout the year and in periods of turnover.	Implemented

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**Aims College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016**

Reference Number	Summary of Finding	Status
2015-001	<i>Accounting for Capital Assets</i> - While we have moved capital assets from the manual inventory spreadsheets previously used to track equipment and vehicles to the College's Banner Financial Accounting System, we have been working to reconcile the manual spreadsheets to detail in Banner to ensure balances were properly uploaded into the system. We will also develop clear capitalization policies and accounts to record capital assets and provide the necessary training to College employees regarding the procedures to dispose of capital assets. Beginning July 1, 2015, all equipment will be processed through the College's Banner Financial Accounting System. We will also reconcile all construction-in-progress and retainages balance quarterly.	Corrective Action Taken
2015-002	<i>Financial Information Preparation:</i> We have been in the process of attempting to hire a qualified Controller with experience in higher education. Several offers have been made and rejected. We are in the process of making another offer and plan to have the position filled in the next month. We will also develop written accounting policies and procedures and develop succession planning through departmental cross-training and the reclassification of a financial services position to be the Assistant Controller.	Corrective Action Taken



Aims Community College Award Year 2015-16 Audit

Corrective Action Plan

Finding #2016-001

Issue:

Errors on the Student Status Confirmation Report (SSCR) were not being cleared and reported to National Student Loan Data System (NSLDS) within 15 days.

Plan:

Aims Admissions, Registration & Records (AR&R) office reports student enrollment to the National Student Clearinghouse (NSC) at least monthly, and typically bi-weekly throughout each semester. Before any of those submissions can be "certified" and complete, Aims must clear all errors. That information is then reported by the NSC to the NSLDS at the end of each month.

The college was not aware of this SSCR of rejected records from NSLDS to NSC until around Sept. 27, 2016, or that NSC was not clearing those errors or notifying Aims of those additional errors.

AR&R emailed NSC and received a response back from Daniel Markowitz of the Audit Resource Center on Sept. 30, 2016 to gain an understanding of this file, how to be notified of it, how to access it, and the process to correct the errors contained in it. AR&R learned at that time that the college cannot literally correct the errors online to the file but must contact the NSC to have them correct it before they resubmit it to NSLDS.

AR&R was notified by NSC email October 18, 2016 at 9:55pm of a new SSCR file. AR&R logged into the NSC site to review the file the morning of October 20, and then immediately contacted Jennifer Hendrick at NSC by phone to verify the process and correct the errors.

Aims now has the names and contact info numbers of two separate contacts at NSC for correcting these errors. AR&R will also add these contacts and this new procedure to the NSC Procedure document for reporting student enrollment status changes. This document is on the Aims network and available to the three contacts listed below in the event the primary NSC reporting staff member is unavailable to report for an extended period.

Expected Implementation Date:

NSLDS error reports are now being accessed and cleared as of Oct 20, 2016; review of future errors and reporting will be ongoing, with each new file being corrected within 5 business days.

Aims has arranged with NSC for the 3 contacts listed below to each be notified by email of every NSLDS error report.

Aims procedure document for student status enrollment reporting referred to above has also been updated with this additional process and the 2 NSC contacts.



Contacts:

Sarah Ener, Executive Director of Admissions, Registration & Records
Aims Community College
5401 W 20th St
Greeley, CO 80634
(970) 339-6366

Stuart Thomas, Registrar
Aims Community College
5401 W 20th St
Greeley, CO 80634
(970) 339-6366

Connie Hoffmann, Student Services Specialist
(Primary NSC Reporting staff member)
Aims Community College
5401 W 20th St
Greeley, CO 80634
(970) 339-6366

