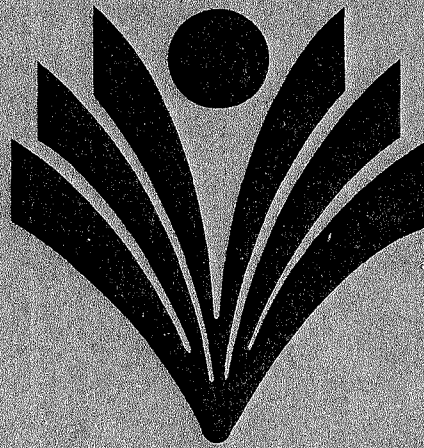


Boulder Valley School District RE-2

Comprehensive Annual Financial Report

For the fiscal year ending June 30, 2005

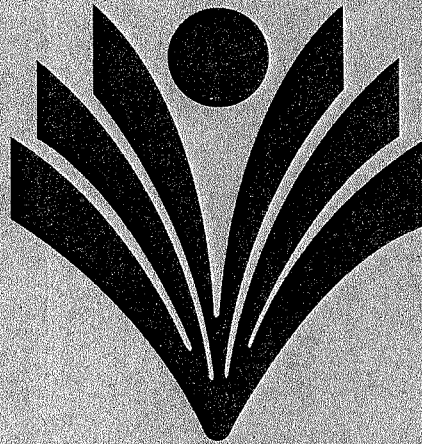


**Boulder, Colorado
Boulder, Broomfield and Gilpin Counties**

Boulder Valley School District RE-2
Boulder, Colorado

Boulder, Broomfield and Gilpin Counties

Comprehensive Annual Financial Report
For the fiscal year ending June 30, 2005



Prepared by: Finance and Accounting Department

Leslie Stafford, CPA
Finance and Accounting Services Director

Chuck McElwain, CPA
Assistant Finance and Accounting Services Director

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INTRODUCTORY SECTION



Boulder Valley Public Schools

6500 Arapahoe, P.O. Box 9011
Boulder, Colorado 80301
(303) 447-1010

Finance & Accounting

November 15, 2005

Members of the Board of Education
Dr. George F. Garcia, Superintendent of Schools
Boulder Valley School District RE-2
Boulder, Colorado

It is our pleasure to submit the Comprehensive Annual Financial Report of the Boulder Valley School District RE-2 for the fiscal year ended June 30, 2005. State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is being formally submitted to the Board of Education in fulfillment of those requirements.

This extensive document was prepared by the District's Finance and Accounting Services Department, and to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner to present fairly the financial position and results of operations of the school district. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District.

The 2005 Comprehensive Annual Financial Report (CAFR) presentation is in compliance with the governmental financial reporting model established by the Governmental Accounting Standards Board (GASB) Statement No. 34 titled *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accounting and financial reporting for state and local governments previously focused on funds to demonstrate fiscal accountability. The GASB No. 34 reporting model parallels private sector reporting by consolidating fund-based presentations into government-wide financial statements designed to ensure and demonstrate fiscal and operational accountability.

This transmittal letter serves as a narrative introduction and overview to accompany the financial statements. In addition, we have prepared the required detailed section entitled *Management's Discussion and Analysis* which can be found immediately following the report of the independent auditors' under the Financial Section tab.

The Comprehensive Annual Financial Report is presented in four sections:
Introductory, Financial, Statistical and Compliance.

Profile of the Government

Boulder Valley School District RE-2 is a public school district, organized and existing under the School District Organization Act of 1965, Article 30, Title 22, and Colorado Revised Statutes. It was originally organized in 1860 and was reorganized in 1961 to include numerous smaller districts. A seven member Board of Education elected by the citizens of Boulder, Broomfield and Gilpin Counties governs the District.

The District is nestled in the foothills of the Rocky Mountains thirty miles northwest of Denver. Boulder Valley's boundaries encompass approximately 500 square miles in Boulder, Broomfield and Gilpin Counties and have a population of approximately 211,000. The communities of Boulder, Louisville, Lafayette, Superior, Broomfield, Nederland, Ward, Jamestown and Gold Hill are served. The District's enrollment in the fall of 2004 was 27,924.

The District provides a full and challenging range of educational programs and services authorized by Colorado State Statute. Included is basic kindergarten through grade twelve education in elementary, middle and high schools, special education for special needs students, vocational education, English as a second language education and numerous other programs. In addition, the District offers preschool programs at multiple sites through the Colorado Preschool Program, Community Montessori focus school and the Special Education program.

Four charter schools are included as component units of the Boulder Valley School District RE-2 for the 2005 CAFR: Boulder Preparatory High School, Horizons K-8 Alternative School, Peak to Peak K-12 Charter School, and Summit Charter School.

Economic Conditions and Outlook

The state economic picture is important to the District because a major source of funding for the District's General Fund operations is received through the State's School Finance Act established by the state legislature.

Boulder Valley School District RE-2 residents, particularly in the more densely settled urban areas where most of the population resides, participate in the large and increasingly diverse front-range economy, which includes the Cities of Denver, Boulder and Longmont and the growing residential communities in between. While the economy is still strong, this area has been impacted by the recent recession, particularly in the developing high-tech and telecommunications sector, which became an increasingly prominent piece of the local economy and drove growth during much of the late 1990s.

The City of Boulder, where the school district is headquartered, is roughly thirty miles northwest of Denver and is home to the University of Colorado, Boulder, and a significant stabilizing force for the local economy. Other major employers in the area include IBM Corporation, Sun Microsystems Inc., Storage Technology, Level 3 Communications, and numerous other smaller software, research, manufacturing and pharmaceutical firms.

The region's economy continues to slowly recover from the 2001 recession. The U.S. Bank's Colorado Economic Update 2005 states that "Colorado was slow to recover from the recent recession. According to Economy.com, which attempts to date recessions and recoveries on a state-by-state basis, Colorado and West Virginia were the last two states to emerge from the 2001 economic downturn, with growth beginning around June 2004, more than 30 months after the national upturn."

"With the US recovery continuing in 2005, the Colorado economy will also improve. About 54,000 new jobs will be created, bringing employment by place of work to a new high in late 2005 or early 2006. The state will benefit from increased defense spending as government contracts flow into the state. The mining industry will add jobs, as energy exploration and production remain robust in the wake of rising prices."

"Population growth will continue to be anemic at 1.4% until we have a year of employment growth in the 3% range. People do not move into Colorado unless jobs are available."

"The residential real estate market is the largest cloud on the immediate horizon. With slow population growth, the overbuilding of recent years, stagnant home prices and rising mortgage rates, housing permits will fall by 12.3%. The apartment vacancy rate will inch down as rising foreclosures force homeowners back into the rental market."

"The Denver-Boulder inflation rate will average 2.2%, well below the national rate thanks to the troubled housing market. Personal income growth will accelerate in line with the improving job market, but retail sales growth will slow as consumers struggle with rising debt payments."

For the 2005-06 fiscal year, the Colorado State Legislature approved School Finance Act funding that increases the statewide base per pupil funding by 1.1%. This includes an inflationary increase of 0.1% plus 1%. This funding level was intended to reflect the provisions set forth in Amendment 23 of the Colorado Constitution. Per pupil revenue for The District for the 2005-06 fiscal year is \$6,104 less a \$1 rescission to pay for staff at the Colorado Department of Education, for a total of \$6,103.

Financial Information

Internal Control

District management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse. Adequate accounting data must also be compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal, state and local financial assistance, the school district is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these programs. As a part of the District's single audit, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the District has complied with applicable laws and regulations, contracts and grants. The results of the District's single audit for the fiscal year ended June 30, 2005 provided no instances of material weaknesses or reportable conditions in internal control or material violations of applicable laws, regulations, contracts and grants.

Budgeting Controls

The District maintains numerous budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget adopted by the Board of Education. Budgetary controls include an encumbrance accounting system, expenditure control and position control. The District's financial system provides budget managers with on-line capabilities to view outstanding orders and available funds for all accounts in their department or school. Encumbered amounts lapse at year end and are generally re-established in the following year as an obligation against that year's appropriated budget. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Fund Balance Requirements

On April 13, 2004, the Board of Education revised Policy DB-*Annual Operating Budget* which requires maintaining a minimum level of year-end fund balance in order to ensure the District's ongoing financial health. The policy's five key requirements are outlined as follows:

- The General Operating Fund budget will be developed so that the total of annual ongoing expenditures, transfers, and incremental increase in required reserves does not exceed annual revenues.
- If the General Operating Fund ends any fiscal year with a surplus of revenues beyond expenditures, this amount can only be used for one-time operating expenditures in subsequent years.
- In addition, the General Operating Fund budget will be developed containing an ending fund balance equal to or greater than the required TABOR reserve on a generally accepted accounting principles (GAAP) basis.
- The budgets for all other funds will be developed to include, at a minimum, the required TABOR reserve.
- Beginning with the 2005-06 fiscal year, the General Operating Fund budget will be developed on a generally accepted accounting principles (GAAP) basis.

At June 30, 2005, the District is in compliance with all provisions of this policy.

Cash Management

The cash management and investment practices of the District follow the Board of Education Investment Policy and state law. The District's investments are managed in a manner that optimizes the return on investments and minimizes risk while providing needed liquidity. The Board of Education receives a quarterly investment portfolio report as a part of the regular quarterly financial reports. Investment earnings for all funds for the year ended June 30, 2005, totaled \$555,174.

In order to meet its cash flow requirements, the District participated in the State of Colorado's Interest Free Loan Program. This program allows the District to borrow funds from the State Treasury as needed to fund its operations. For the year ended June 30, 2005, the District borrowed a total of \$69,178,641 from this program. All funds were repaid to the State Treasury by May 11, 2005.

Risk Management

The District participates in two self-insurance pools, one for property/liability insurance and one for workers' compensation. The property/liability insurance for the District is provided through the Colorado School Districts Self-Insurance Pool, which is comprised of over 100 school districts. The workers' compensation coverage for the District is provided through the Joint School Districts Pool for Workers' Compensation. This pool is comprised of four large Denver-metro school districts: Aurora, Boulder Valley, Cherry Creek, and Littleton. The pools rely upon actuarial reviews to determine appropriate funding and reserve levels. Excess insurance is in place for amounts above the retention. Detailed insurance in force information is provided in the Statistical Section, Table XVI.

Audit Committee

On September 28, 2004, the Board of Education adopted Policy DIEA-*District Audit Committee* which established an Audit Committee. The Committee is made up of five members, two Board of Education members, one being the Board of Education treasurer who shall serve as chair of the District Audit Committee, and the other member appointed by the Board for a two year term; the District's Chief Operations Officer; the District's Finance and Accounting Services Director; and a community member with expertise in governmental accounting and financial management. The community member will be selected by the District Audit Committee and recommended to the Board of Education for a two year term.

The primary responsibilities of the committee are as follows:

- Recommend the selection of an external auditor, considering independence, qualifications and cost of services. Review the scope, plan and coordination of the independent audit efforts. Consider the auditor's findings and recommendations for appropriate actions.
- Review quarterly financial reports provided by the District.
- Review district financial policies and procedures.
- Review any new debt issuance.
- Encourage continuous improvement of district financial policies and procedures.

Other Information

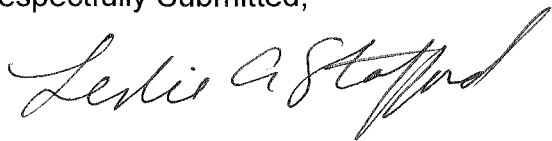
Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Swanhorst & Company LLC was appointed by the Board of Education to perform the June 30, 2005 fiscal year audit, based upon the recommendation of the Audit Committee. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

Acknowledgments

The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the Finance and Accounting Services Department. We would like to express our sincere appreciation to all members of the department for the contributions made in the preparation of this report. We also thank the District's independent auditors, Swanhorst & Company LLC, for the professional manner in which they accomplished the audit and for their work to publish this Comprehensive Annual Financial Report. We would also like to thank Dr. George Garcia, Superintendent, Robert Hammond, Chief Operations Officer, and the Board of Education for their interest in and support of the finance and accounting operations of the Boulder Valley School District RE-2.

Respectfully Submitted,



Leslie A. Stafford, CPA
Finance & Accounting Services Director



Charles R. McElwain, CPA
Finance & Accounting Services Assistant Director

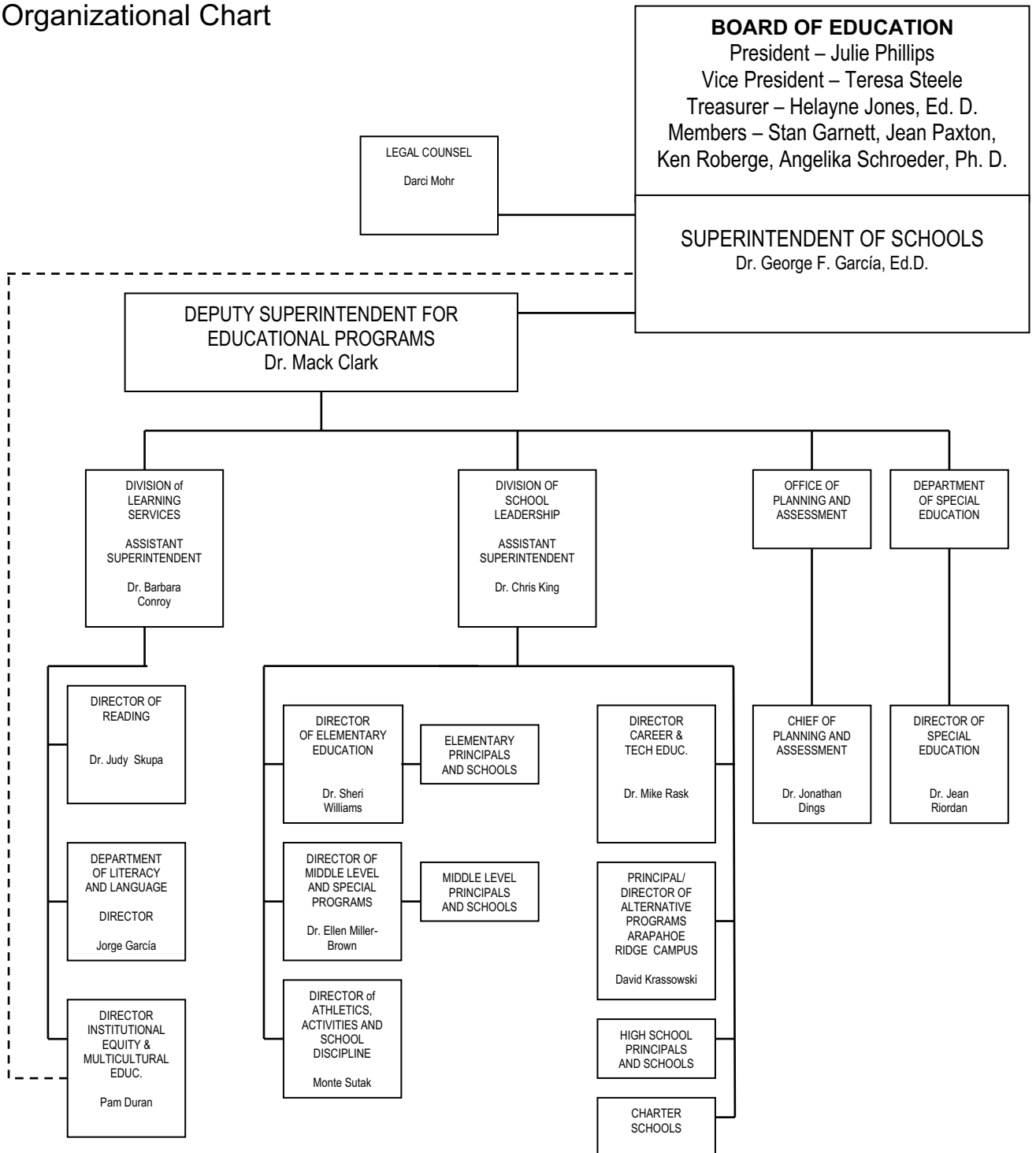
BOULDER VALLEY SCHOOL DISTRICT RE-2

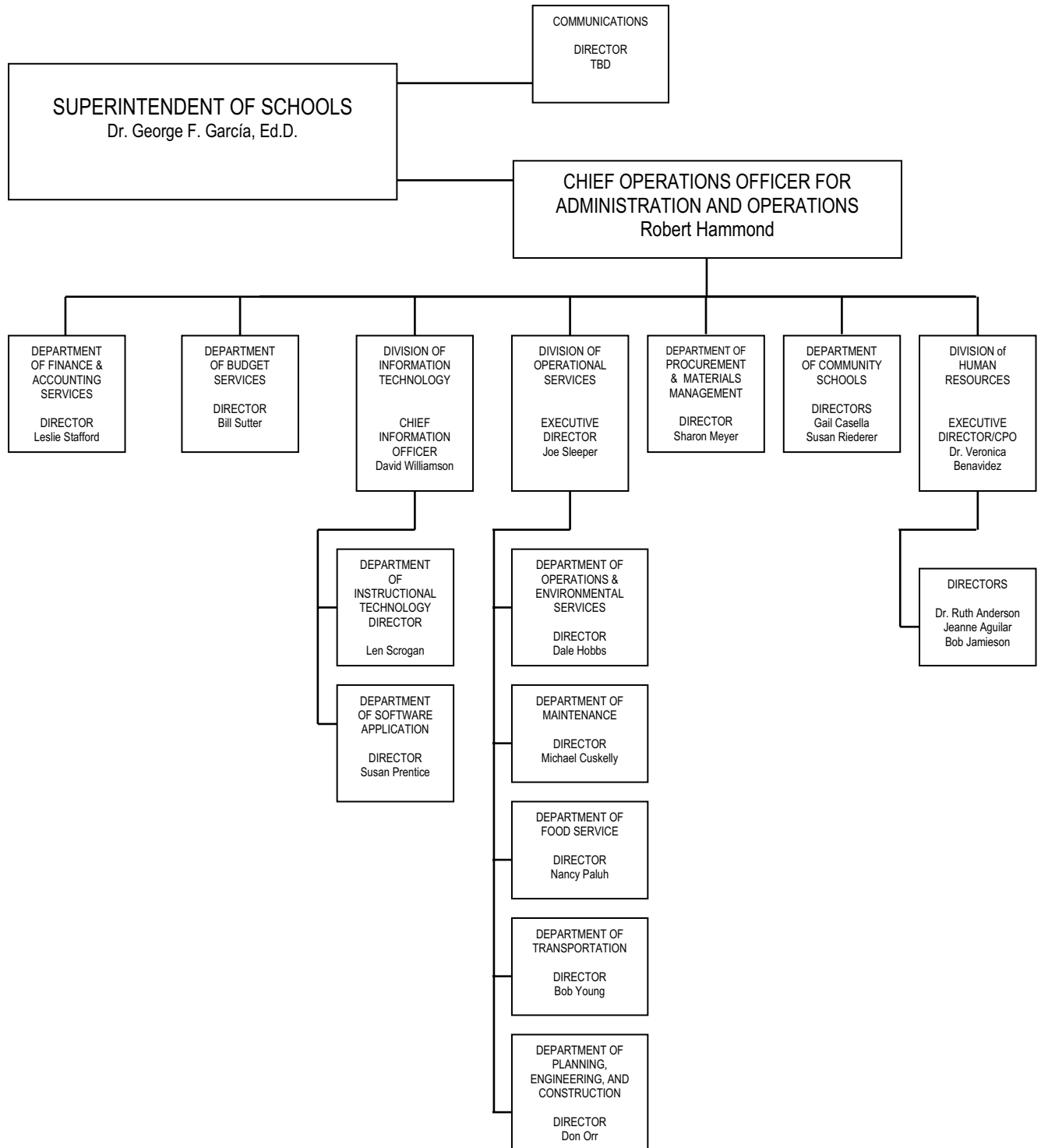
BOARD OF EDUCATION MEMBERS

The registered electors of the District elect the seven members of the Board at successive biennial elections to staggered four-year terms of office. The Board is a policy-making body whose primary functions are to establish policies for the District; provide for the general operation and personnel of the district; and oversee the property, facilities, and financial affairs of the District. Members of the Board serve without compensation. The present Board members, their office on the Board, lengths of service, and terms of office are as follows:

<u>Name</u>	<u>Office</u>	<u>Years of Service</u>	<u>Term Expires</u>
Julie Phillips	President	7	2005
Teresa Steele	Vice President	5	2007
Helayne Jones	Treasurer	1	2007
Angelika Schroeder	Director	5	2007
Stan Garnett	Director	7	2005
Jean Paxton	Director	3	2005
Ken Roberge	Director	1	2007

Boulder Valley School District RE-2 Organizational Chart





BOULDER VALLEY SCHOOL DISTRICT RE-2

LIST OF PRINCIPAL OFFICIALS

The Board is empowered to employ a chief executive officer, the Superintendent, who is responsible to the Board for the daily operations of the District. Other principal administrative officers of the District include a Deputy Superintendent for Educational Programs and a Chief Operations Officer for Administration and Operations. In the absence of the Superintendent, the Deputy Superintendent serves as the Superintendent.

George F. Garcia, Ed.D., Superintendent

Dr. Garcia was appointed Superintendent for the district in August 2000, after serving as Superintendent for Tucson Unified School District since 1991. Dr. Garcia received a Bachelor of Science degree in secondary education from Northwest Missouri State University; a Master's Degree in history from University of Iowa; and a Doctorate in educational administration from Drake University, Des Moines Iowa.

Dr. Garcia has won numerous national and state honors for excellence in leadership. He was selected 1998 Arizona Superintendent of the Year by the American Association of School Administrators. In 1998, he received the University of Arizona Distinguished Service Award and the League of United Latin American Citizen (LULAC) National Presidential Award of Outstanding Leadership in Education. In 1997, he received the prestigious American-Israel Friendship League Partners for Democracy Award. In 1996, Dr. Garcia received the Distinguished Administrator Award from the Arizona School Administrators. In 1994, he received the Dr. Martin Luther King Distinguished Leadership Award. In 1993, *Executive Educator* magazine identified Dr. Garcia as one of the 100 best educational administrators in North America – similar to the *Fortune 500* listing for business and industry. He has been president of the Large City School Superintendents organization and served on the executive committee of the Council of Great City Schools.

H. Mack Clark, Ed.D., Deputy Superintendent

Dr. Clark has served as Deputy Superintendent of Educational Programs in Boulder Valley School District RE-2 since December 1997. He previously functioned as assistant superintendent in Beaverton, Oregon, and Colorado Springs, Colorado. Dr. Clark received a Doctorate of Education from the University of Northern Colorado, Greeley, Colorado, in June 1978 with a major in curriculum and instruction and a minor in social studies. Dr. Clark received his Master of Education degree in May 1972 from Central Missouri State University, Warrensburg, Missouri, with a major in social studies and a minor in educational administration.

Robert Hammond, Chief Operations Officer

Mr. Hammond joined Boulder Valley School District RE-2 as Chief Operations Officer for Administration and Operations in January 2001, after serving as Associate Superintendent for Administration and Operations with the Wichita Public School District in Wichita, Kansas for many years. Mr. Hammond also held positions as Senior Vice President of Farm Credit Services, Assistant City Manager of Norman, Oklahoma, and City Manager of Oskaloosa, Iowa before joining the public education arena. He received a Bachelor of Arts in psychology and sociology at Baker University, Baldwin, Kansas, in 1972. Mr. Hammond also holds a Master's Degree in Public Administration, Urban Management from the University of Kansas, Lawrence, Kansas, 1977.

Strategic Plan Guides District Decision-Making

Nearly a decade ago, Boulder Valley School District hosted a community-wide discussion about its future. That was the first strategic planning process. Its purpose was to, in a deliberate way, reach agreement and commit to paper the beliefs and priorities that should drive educational decisions in Boulder Valley.

The current School Board returned to the strategic plan as a vehicle to re-emphasize key priorities in Boulder Valley. The Board wanted to create a roadmap to meet present-day demands for increased performance and accountability.

Drawing largely on the existing plan, the Board focused the priorities into six areas and developed belief statements related to each priority.

Below and on the following pages, you will find the adopted priorities and beliefs of the Boulder Valley School District, which were approved February 11, 1999, and revised to include the sixth priority in 2001. The district published the Report of Progress in March 2000, which includes strategies and indicators for each of the five priorities in the strategic plan.

In September of 2004, the “Achievement of Board Goals” report was published. The following text lists only a few selections from the report. The full detailed results can be found on the BVSD website at: <http://www.bvsd.k12.co.us/general/achievegoals.shtml>.

The “Achievement of Board Goals” document will be updated for 2004-05 and published in September of 2005.

The BVSD Mission:

The Boulder Valley School District challenges students to achieve their academic, creative and physical potential in order to become responsible, contributing citizens.

The Priorities

1. Maximize Student Learning and Achievement
2. Foster Collaboration and Partnerships
3. Value Diversity and Promote Understanding
4. Provide a High-Quality, Committed Staff
5. Manage Assets Responsibly
6. Plan and Assess for Continuous Improvement

Definitions:

Many acronyms and terms are used in the Focused Outcomes section for each Priority. Please refer to the glossary in the last chapter of this document for definitions to these terms.

Priority 1: Maximize Student Learning and Achievement

Definition: All children will achieve academic success through high quality, challenging programs, research-based practices, supportive policies and committed people working together in a safe and nurturing world.

1a Beliefs:

- All students can learn when they are provided with resources and support.
- Different student needs require different resources.
- High, achievable expectations are essential for the success of all students.
- Staff has a critical responsibility for student success.
- Parents who have high expectations for their children's success maximize student achievement.
- A program that coordinates services and resources best meets students' educational needs.
- Learning is a continual, cooperative process among students, parents, the community and teachers.
- Diverse student characteristics are accommodated through a variety of learning options and classroom environments.
- Knowledge and skills must be combined with creative thinking and problem solving so that students can apply what they have learned and succeed in a changing, technologically advanced society.
- Students must be prepared for lifelong learning and citizenship in a free, democratic society.

1b 2003-04 Focused Outcomes:

New Century Graduate Profile takes shape

During the past year, district staff began looking at what it will take to make the profile of the New Century Graduate a reality. The first step in this process is to determine how students will fulfill the profile and what changes are needed in courses and graduation requirements. The district will ultimately have the ability to report the percent of each graduating class that has achieved each of the skills, knowledge and personal characteristics identified in the profile.

Class of 2004 Accomplishments

The Class of 2004 was the second group of Boulder Valley students to graduate under the umbrella of the New Century Vision, which was developed by the community in 2002. These students and their achievements are the culmination of their years in the Boulder Valley schools. This group of New Century Graduates concluded their educational experience in BVSD with an impressive level of achievement:

- The Class of 2004 had over 1,900 graduates, the largest class in the district's 44-year history.
- Seniors were awarded more than \$21 million in scholarships.
- The class had 32 National Merit Finalists.
- Students were accepted into more than 400 colleges and universities in 49 states and four foreign countries.
- Students earned 328 technical certificates from Boulder Technical Education Center (TEC).

Keeping kids in school

- This year with the assistance of the state Alternative Discipline Grant we were able to focus resources on the reduction of discipline and truancy problems and keep kids in school. The number of expulsions is down from 45 in 2001-02 to 12 in 2003-04 and the number of suspensions increased slightly. The drop-out rate remained stable at 1.3 percent in 2002 and 2003. The 2004 rate will be released by the Colorado Department of Education in December.

Standardized tests show consistent achievement

- A continued emphasis on reading and writing and a renewed emphasis on math paid dividends, based on student performance on the Colorado Student Assessment Program (CSAP) tests.
- As part of the district improvement plan with the Colorado Department of Education, we have set high and attainable achievement goals in reading, writing, math and science. We are in the second year of a five-year improvement cycle and we have already met two of the goals (in writing, English and Spanish) and are making good progress on the other eight.
- 2004 CSAP scores increased substantially in science, administered only at 8th grade, and in math, where students achieving proficient and advanced increased 3 percentage points.
- Gains in math were statistically significant at 5th, 8th and 9th grades.
- In math, reading and writing, BVSD has experienced a three-year pattern of reducing the achievement gaps between Hispanic and Anglo students.
- In reading, Boulder Valley made statistically significant gains in reading at the 5th, 7th and 9th grades, and overall performance of students achieving proficient or advanced increased a full percentage point.
- The district's focus on literacy also is showing progress. The percent of students meeting reading standards in grades K-6 increased or remained stable in 2004.
- ACT scores for Boulder Valley juniors dropped slightly in 2004, following the state trend, but continued to exceed the state average scores.
- SAT scores for Boulder Valley seniors increased in 2004 in both verbal and math, while exceeding state and national averages.



Other Achievement Highlights

- Annual customer surveys continue to show a high level of parent satisfaction (over 90 percent) with district expectations for students, a curriculum that provides a solid foundation for students' futures, school safety and students' attitudes about school.
- New K-8 math and new K-12 health curricula were completed and adopted by the board of education for implementation in 2004-05.
- New standards-based report cards are being phased in at the elementary level to give parents more information about their children's academic progress. Seven schools used the report cards in 2003-04 and 14 schools will join them in 2004-05.

1c Customer Satisfaction:

- 92% of parents surveyed agreed or strongly agreed that BVSD schools set high and realistic expectations for students, and 93% feel that BVSD classes provide a solid foundation for their students' future.
- 92% of parents surveyed agreed or strongly agreed that BVSD students feel safe at school and 93% feel that the schools have clear rules for student behavior.
- 90% of parents and 95% of staff surveyed agreed or strongly agreed that students have a positive attitude about school.
- 84% of parents and 92% of staff surveyed agreed or strongly agreed that students are learning above the expected levels, consistent with results from last year.

1d Relationship to 2004-05 Budget:

- Efforts to improve student achievement are supported through the budgets in Learning Services, Planning and Assessment, Elementary and Secondary Instruction, and the schools.
- The 1998 referendum funding incorporated in this budget is tied to promises to improve student achievement.

Priority 2: Foster Collaboration and Partnerships

Definition: As part of a community that recognizes the importance of quality education for all students to the well-being of our neighborhoods, our economy, and the quality of life for our citizens, the district and its schools, the home, and the community collaborate to meet the educational and social needs of students and their families.

2a Beliefs:

- Schools welcome community members and encourage them to volunteer their time.
- Boulder Valley School District staff is accountable to the community for student progress toward established goals.
- The district and schools make decisions in partnership with parents, community members, teachers, administrators and School Board members.
- Community members - from parents, students and staff to business executives, elected officials and neighbors who no longer have children in school - contribute significantly to the success of Boulder Valley schools and should be involved in school activities.
- Parent involvement in activities that support the instructional program enhances their children's school performance.

2b 2003-04 Focused Outcomes:

- Annual customer surveys indicate a high level of parent satisfaction with home-school relations. At least 93 percent of parents say they feel welcome at school, teachers are available to discuss student progress, principals are available when needed and teacher conferences involve them in their child's education.
- The district worked on rebuilding relationships internally and externally through regular meetings with employee association representatives, a new communications advisory team, district advisory councils as well as memberships in the Boulder Valley chambers of commerces.
- The district evaluated and expanded its use of the employee newsletter, BVSD on the Inside, and expanded distribution to the advisory committees. The newsletter received a national award from the National School Public Relations Association.
- The district conducted a comprehensive communications audit and updated the communication plan to reflect the findings.
- The district implemented a comprehensive budget communication program to increase awareness and understanding of financial issues by staff, parents and other community members. The communication campaign received a national award from the National School Public Relations Association.
- The annual employee giving campaign raised more than \$58,000 for four local charitable agencies including the Foundation for Boulder Valley Schools (renamed Impact on Education in August 2004). This was the third largest amount in the campaign's history.
- Parent-teacher conferences were well-attended throughout the district. Attendance averaged 94 percent in the fall and 92 percent in the spring.
- Parent and community volunteers donated over 250,000 hours to their schools, the equivalent of 183 additional employees.
- Donations from individuals, businesses and organizations exceeded \$2 million during the year, nearly double the donations in 2002-03.
- The district enjoyed at least 70 different partnerships with the University of Colorado and other institutions, local governments and businesses.
- The Foundation for Boulder Valley Schools – recently renamed Impact on Education – provided teachers and students with nearly \$335,000 in scholarships and grants, a 58 percent increase over the previous year. This amount does not include the multiple impacts of each dollar on students and the leveraged impact of specific foundation-business partnerships training to BVSD special educators and parents of children diagnosed with autism.



2c Customer Satisfaction:

- 94% of parents surveyed agreed or strongly agreed that they felt welcome at school and that teachers are available to discuss their child's work or behavior, consistent with last year.
- 93% of parents surveyed agree or strongly agree that administrators are accessible to them when needed, consistent with last year.
- 93% of parents surveyed agreed or strongly agreed that are encouraged to participate in school activities and that conferences with teachers involve them in their child's education, up from 92% last year.
- 91% of parents surveyed agreed or strongly agreed that they receive timely responses to questions and requests from their child's school, up from 90% last year.
- 89% of parents surveyed agreed or strongly agreed that they receive regular reports on their child's progress at school, consistent with results a year ago.

2d Relationship to 2004-05 Budget:

- Efforts to support collaboration and partnerships are supported through the budgets in Communications, Superintendent, the Division of School Leadership, and the schools.



Priority 3: Value Diversity and Promote Understanding

Definition: The district ensures that staff and students work and learn in an environment where all people protect and respect the rights of all individuals.

3a: Beliefs

- All human beings have inherent worth.
- All students, regardless of race, ethnicity, gender, sexual orientation, age, disability or religion, deserve a quality education.
- BVSD will not tolerate discrimination, intimidation, harassment or violence based on race, ethnicity, gender, sexual orientation, age, disability or religion.
- Healthy school communities respect differences, welcome diversity and promote cultural plurality.
- Racial, ethnic and cultural diversity should be evident across all employee groups and central administration.

3b 2003-04 Focused Outcomes:

- Customer surveys indicate high levels of satisfaction in BVSD's efforts to value diversity and promote understanding among Latino, African American, Native American and Asian families.
 - At least 94 percent of parents surveyed in all four ethnic minority groups believe teachers treat their children with respect and at least 93 percent believe their children feel welcome at school.
 - At least 90 percent of parents surveyed in all four groups believe that students of different cultural, racial and ethnic backgrounds are treated with respect.
- The annual student survey, given to students in grades 3 through 12, indicates improvements are being made in school climate throughout the district. The survey measures student feelings about vulnerability, safety, alienation and connectivity in relationship to school climate. The results are used to create goals for individual school improvement plans.
- The steps being made in the district to reduce the achievement gap bears repeating as it relates to the goal of valuing diversity. Progress was evident in the 2004 CSAP results, which show a three-year trend of Hispanic students making larger gains than their White peers in reading, writing and math. These gains are particularly evident in 3rd grade reading scores and are also illustrated in the CSAP weighted index scores in section one of the full report.
- English language learners who are now fully English proficient are performing at levels comparable to native English speakers in nearly all areas.
- The district uses a variety of resources to help second language learners become proficient in English while learning the academic content areas. At the end of 2003-04, 6.7 percent (141) of English language learners had been designated Fully English Proficient (FEP).
- The Department of Institutional Equity and Multicultural Education provides training for staff on issues related to diversity. In the past year, training and workshops were attended by more than 2,000 staff members.
- Ethnic diversity trends among students have been steady the past three years. Of the total student enrollment, 13 percent are Hispanic, 5 percent are Asian, 2 percent are African American, 1 percent is American Indian and 79 percent are White.
- Slight changes have been seen in other student demographics. Last year, the percentage of students on free or reduced lunches (the state's measure of socioeconomic status) increased from 12 to 13 percent; the percentage of students classified as ELL (English language learners) was unchanged at 9 percent; and the percentage of students receiving special education services went down from 12 to 11 percent.
- The ethnic diversity of the staff also has remained stable. Last year, 9 percent of teachers and 14 percent of administrators represented an ethnic minority, primarily Hispanic.

3c Customer Satisfaction:

- 94% of the parents surveyed either agreed or strongly agreed that teachers treat their students with respect, consistent with last year. Of this percentage:
 - 95% of the Latino parents surveyed either agreed or strongly agreed that teachers treat their students with respect, consistent with last year.
 - 94% of the African American parents surveyed either agreed or strongly agreed that teachers treat their students with respect, a slight increase from last year.
 - 98% of the Native American parents surveyed either agreed or strongly agreed that teachers treat their students with respect, an increase of 7 points over last year.
 - 96% of the Asian parents surveyed either agreed or strongly agreed that teachers treat their students with respect, an increase of one point over last year.
 - 94% of the white parents surveyed either agreed or strongly agreed that teachers treat their students with respect, consistent with last year.
- 96% of the parents surveyed either agreed or strongly agreed that their children feel welcome at school, the same percentage as last year. Of this percentage:
 - 97% of the Latino parents surveyed either agreed or strongly agreed that their children feel welcome at school, an increase of two points over last year.
 - 92% of the African American parents surveyed either agreed or strongly agreed that their children feel welcome at school, a drop of one point from last year.
 - 94% of the Native American parents surveyed either agreed or strongly agreed that their children feel welcome at school, consistent with last year.
 - 93% of the Asian parents surveyed either agreed or strongly agreed that their children feel welcome at school, a drop of four points from last year.
 - 96% of the white parents surveyed either agreed or strongly agreed that that their children feel welcome at school, consistent with results from last year.
- 95% of the parents surveyed either agreed or strongly agreed that students of different cultural, racial and ethnic backgrounds are treated with respect at school. This question was asked for the first time in 2004. Of this percentage:
 - 95% of the Latino parents surveyed either agreed or strongly agreed that their children are treated with respect at school.
 - 90% of the African American parents surveyed either agreed or strongly agreed that their children are treated with respect at school.
 - 90% of the Native American parents surveyed either agreed or strongly agreed that their children are treated with respect at school.
 - 90% of the Asian parents surveyed either agreed or strongly agreed that their children are treated with respect at school.
 - 96% of the white parents surveyed either agreed or strongly agreed that that their children are treated with respect at school.



3d Relationship to 2004-05 Budget:

- Efforts to focus attention and resources toward eliminating racism and developing an appreciation for cultural diversity are supported through the budgets for the schools, Superintendent and Learning Services through the Director of Cultural Diversity. 1998 referendum funding is also directed toward this priority.

Priority 4: Provide a High-Quality, Committed Staff

Definition: A highly qualified, caring, committed, and diverse staff is recruited, supported, retained, supervised and evaluated using strategies that focus on continuous improvement resulting in high levels of organizational performance.

4a: Beliefs

- Boulder Valley School District values all employees.
- A highly qualified, committed staff:
 - Maximizes student learning and achievement.
 - Fosters collaboration and partnerships.
 - Values diversity and promotes understanding.
 - Manages assets responsibly.

4b 2003-04 Focused Outcomes:

- Customer surveys indicate a high level of parent satisfaction with the quality and commitment of BVSD staff. At least 90 percent of parents feel teachers encourage students to do their best and are committed to maximizing achievement. An equal number of parents also have a high level of satisfaction with building administrators' commitment to school improvement and effective leadership.
- Last year, the district employed 1,892 teachers and other licensed professional staff.
- The average teaching experience was 13 years, and more than 60 percent had master's degrees or higher.
- The average annual teacher salary was \$40,646, ranging from a minimum of \$30,096 to a maximum of \$74,126. In addition the district pays 11.79 percent for PERA, Medicare and long-term disability, and contributes up to \$4,070 for health, dental and life insurance.
- Of the 1,453 teachers in the district, 98.25 percent met the state requirements of "highly qualified," meaning they were licensed and endorsed in the core academic content areas they teach.
- The district hosted 11 professional development days with in-service trainings for teachers, office professionals, custodians and administrators.
- The high quality of Boulder Valley's staff is recognized annually with local, state and national awards. In 2003-04, these included the Daily Camera Pacesetter Award, Amgen Award of Teaching Excellence, and Teacher of the Year and Paraeducator of the Year from the National Association of Bilingual Educators.

4c Customer Satisfaction:

- 92% of parents surveyed agreed or strongly agreed that teachers encourage their children to do their best and 90% believe teachers are committed to maximizing student achievement, down one percent from last year.
- 90% of parents surveyed and 94% of staff agreed or strongly agreed that the building administrators demonstrate commitment to school improvement, down and up respectively by one point from last year.
- 86% of parents surveyed and 87% of staff agreed or strongly agreed that their principals or administrators provides effective leadership, down by one point each from last year.

4d Relationship to 2004-05 Budget:

- Efforts to provide a high-quality, committed staff are supported in the budget of Human Resources, and staff development funds in the departmental and school budgets.



Priority 5: Manage Assets Responsibly

Definition: All district fiscal and facility resources are maximized to provide equitable, quality learning environments, while maintaining public confidence in management practices and results.

5a: Beliefs

- Student achievement is the first priority in making budget decisions.
- Facilities should be maintained to provide environments that promote learning and protect the health and safety of students.
- The district is obligated to the taxpayers to spend money effectively and prudently.
- The district must address needs of individual students and maintain equitable resource allocations.

5b 2003-04 Focused Outcomes:

- Customer surveys indicate a high level of parent and staff satisfaction in BVSD's ability to manage assets responsibly. At least 92 percent of parents and 91 percent of staff feel the schools provide the resources necessary to learn and that resources are used effectively.
- A new policy governing the financial accounting of parent groups was adopted by the board of education to bring the groups into compliance with tax and insurance requirements.
- A new financial management policy was adopted by the board so that spending for ongoing expenses does not exceed revenues, excess revenues are spent only on one-time items, and that TABOR fund balances are maintained on a GAAP (generally accepted accounting principles) basis. Beginning in 2005-06, the budget will be developed on a GAAP basis to conform to uniform minimum standards for financial accounting and reporting.
- The board of education appointed a Capital Improvement Planning Committee, made up of district and community representatives, to take a comprehensive look at building conditions, athletic facilities and technology. The committee's work may lead to a recommendation for a future bond issue.
- Three schools were closed or consolidated with other BVSD schools at the end of 2002-03. The district tracked the costs associated with the closures and consolidations, tracked student movement and analyzed the net savings realized by the district over a six-month period. The district analysis indicated the district had an on-going net general fund savings of \$846,313 annually in personnel and operational costs, while accounting for nine students (\$53,055) lost due to closures and consolidations. On a one-time basis, \$205,522 was expended from the general fund to cover transitional costs; \$352,837 was expended from capital reserve and grant funds for one-time capital related expenditures.
- The district developed projects with the cities of Boulder and Louisville for the use of educational excise tax funds. The tax has funded synthetic turf field improvements at three high schools and track replacements at two high schools. Two additional high schools had synthetic turf fields installed in the summer of 2004.
- Community use of school facilities through the Community School Program continued to be strong and generated an increase in revenue. As a result, CSP returned \$400,000 to the district's general fund.
- The Food Service Department worked with a committee of parents and staff to develop a K-12 Nutrition Policy with guidelines to offer more healthy food choices to middle school students.
- While the district's history of enrollment growth has slowed, Boulder Valley experienced a small enrollment increase in 2003-04. The audited enrollment was 28,860.

5c Customer Satisfaction:

- 92% of parents and 91% of staff surveyed agreed or strongly agreed that the school provides students with the materials and resources necessary to learn, consistent with results from last year.
- 92% of parents agreed or strongly agreed that resources at their school are used effectively, consistent with results from last year. 91% of staff surveyed agreed or strongly agreed that resources at their school are used effectively, up one point from last year.

5d Relationship to 2004-05 Budget:

- Efforts to promote responsible management of resources are supported by budgets in the Budget, Accounting, Purchasing, Warehouse, Operations and Maintenance departments, and all program budgets.



Priority 6: Plan and Assess for Continuous Improvement

Definition: The district commits itself to continuous improvement and enhanced organizational effectiveness through comprehensive planning based on data-driven decision making, which is focused on the district's mission and strategic initiatives

6a: Beliefs

- The district and its schools must regularly examine the effectiveness of practices, programs, procedures and policies.
- Continuous improvement occurs through planned change.
- The continuous improvement process is a cycle that includes data analysis, determination of needs, planning for improvement, implementation of the plan and analysis of results.
- School organizations are complex and variable.
- The district and its schools must be responsive to changing needs and expectations of its clients and the community.
- Cooperation, teamwork and partnering are the norm.

6b 2003-04 Focused Outcomes:

- Customer surveys indicate a high level of parent satisfaction, at least 93 percent, with the opportunities to become involved in school decision-making. At least 89 percent also feel they are informed about school improvement goals.
- The quest for continuous improvement requires the district to work under three systems of accountability: state accreditation, state school accountability reports and the Federal No Child Left Behind Act.
- All but one of the district's schools have been base line accredited, which means they have met the rigorous performance standards set by the Colorado Department of Education.
- On the State Accountability Reports (SARs), BVSD schools received 48 "excellent" or "high" ratings out of a total of 63. In addition, 20 schools were awarded the John Irwin School of Excellence Award for performing in the top eight percent of public schools in Colorado. Four schools won the Governor's Distinguished Improvement Award, which is given to schools that receive a rating of "significant improvement" following a low or unsatisfactory rating.
- In 2002-03, our district did not meet AYP because we did not meet performance targets for three subgroups for reading and/or math: special education students at the high school level, Hispanic students at the elementary level and English language learners at all levels. Our district did meet 123 of 132 targets.

6c Customer Satisfaction:

- 93% of parents and 84% of staff surveyed agreed or strongly agreed that they know how to become involved in school decision-making, if they chose, an increase of two and three points respectively over last year.
- 89% of parents surveyed agreed or strongly agreed that they have been informed about the school's improvement goals, an increase of four points over last year.
- 74% of parents surveyed agreed or strongly agreed that the quality of programs at their child's school improved since last year, an increase of one point over last year.

6d Relationship to 2004-05 Budget:

- Efforts toward continuous improvement are supported through budgets in Planning and Assessment and the Chief Operations Officer.



FINANCIAL SECTION



Board of Education
Boulder Valley School District RE-2
Boulder, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Boulder Valley School District RE-2, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the District, as listed in the table of contents. These financial statements are the responsibility of the Boulder Valley School District RE-2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Boulder Valley School District RE-2, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, on our consideration of the Boulder Valley School District RE-2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boulder Valley School District RE-2's basic financial statements. The combining and individual fund statements and schedules 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical information has not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion on it.

Swanhorst & Company LLC

October 7, 2005

Management's Discussion and Analysis

As management of the Boulder Valley School District RE-2, we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the letter of transmittal on pages i – vi of this report.

Financial Highlights

At June 30, 2005:

- The primary government has government-wide net assets of \$88,845,146.
- Governmental activities have an unrestricted net assets surplus of \$14,408,303.
- Business-type activities have an unrestricted net assets surplus of \$643,460.
- Fund balance of the District's governmental funds increased by \$2,467,511 resulting in an ending fund balance of \$36,370,142.
- The Combined General Fund ending balance increased by \$4,609,871 to \$19,008,690, primarily because of funding increases in the School Finance Act, 2002 referendum programs that were budgeted in 2004-05 but not implemented, and unexpended budget amounts identified for carryover into the 2005-06 fiscal year.
- The District's long-term general obligation debt decreased by \$6,755,000 to \$140,310,000 as a result of current year principal and interest payments on the outstanding debt.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Boulder Valley School District's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of the District's financial activities in a manner similar to a private sector business.

The statement of net assets presents information on all of the District's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: levied but uncollected property taxes and earned but unused employees' vacation leave).

The government-wide financial statements consolidate governmental and internal service activities that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or most of their costs through user fees and charges. Governmental activities consolidate all of the following District funds: General Fund, Athletics Fund, Community Schools Fund, Tuition Preschool Fund, Colorado Preschool Fund, Governmental Designated-purpose Grants Fund, Capital Reserve Fund, Insurance Reserve Fund, and Bond Redemption Fund. Business-type activities include only the Food Service Fund.

The government-wide financial statements include not only the District itself (known as the primary government), but also information about the District's four charter schools (known as component units). Financial information for the charter schools is presented separately from the primary government because the charter schools are legally separate from the District but are financially accountable to the District and provide service to the District's students.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other governments, uses fund accounting to ensure and demonstrate compliance. All of the funds of the District have been divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term financial resources and fund balances (which are spendable resources available at the end of the fiscal year). Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds called major funds: the General Fund (which combines the District's General Operating Fund, Athletics Fund, Community Schools Fund, Tuition Preschool Fund and the Colorado Preschool Fund) and the Bond Redemption Fund. They are presented separately in the fund financial statements with the remaining governmental funds (combined into a single aggregated presentation labeled other governmental funds). Other governmental funds, called non-major funds, include the Governmental Designated-purpose Grants Fund, and the Capital Reserve Fund. Individual fund information for the non-major funds is presented as other supplemental information after the notes section of this report.

The District adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the General Fund is included in required supplementary information to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplemental information and can be found after the notes section of this report.

Proprietary Funds

The District maintains two types of proprietary funds. One of the proprietary fund types is an enterprise fund. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation.

The other type of proprietary fund is an internal service fund. Internal service funds are used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund type to account for the insurance reserve fund activities related to the District's liability, property and workers' compensation insurance needs and the overall risk management activities of the District.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because these sources of funds are not available to support the District's direct educational programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the financial statements.

Government-wide Financial Analysis

Government-wide Net Assets

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are considered current assets. These assets are available to provide resources for the near-term operations of the District. The majority of current assets are the result of the property tax collection process. The District receives over 60% of the annual property tax assessment in May and June. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The assets of the primary government exceed liabilities by \$88,845,146 with an unrestricted balance of \$15,051,763 at June 30, 2005.

56.2% of the District's net assets represent its investment in capital assets (e.g. land, land improvements, buildings, equipment, and vehicles), less related debt used to acquire these assets. The District uses these capital assets to provide services to its constituents; consequently these assets are not available for future spending. Also the resources needed to repay the debt associated with these assets must be provided from other sources, since the capital assets cannot be liquidated to pay the debt.

26.8% of the District's net assets are subject to external restrictions on how they may be used. The remaining 17% of net assets are available to fund the District's ongoing programs.

**Boulder Valley School District RE-2
Net Assets**

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$66,715,302	\$ 63,160,033	\$972,426	\$972,547	\$67,687,728	\$64,132,580
Capital assets	<u>195,994,219</u>	<u>201,158,611</u>	<u>249,763</u>	<u>295,298</u>	<u>196,243,982</u>	<u>201,453,909</u>
Total Assets	262,709,521	264,318,644	1,222,189	1,267,845	263,931,710	265,586,489
Long-term liabilities	147,823,206	154,873,795	-	-	147,823,206	154,873,795
Other liabilities	<u>27,094,571</u>	<u>27,589,355</u>	<u>168,787</u>	<u>149,869</u>	<u>27,263,358</u>	<u>27,739,224</u>
Total Liabilities	174,917,777	182,463,150	168,787	149,869	175,086,564	182,613,019
Net assets						
Investment in capital assets						
net of related debt	49,692,959	47,637,046	249,763	295,298	49,942,722	47,932,344
Restricted for:					-	-
Debt Service	15,807,548	17,211,464	-	-	15,807,548	17,211,464
Capital Projects	1,575,024	2,141,390	-	-	1,575,024	2,141,390
Multiple Year Obligations	200,000	100,000	-	-	200,000	100,000
Emergencies	6,107,910	5,879,459	160,179	154,940	6,268,089	6,034,399
Unrestricted	<u>14,408,303</u>	<u>8,886,135</u>	<u>643,460</u>	<u>667,738</u>	<u>15,051,763</u>	<u>9,553,873</u>
Total Net Assets	<u>\$87,791,744</u>	<u>\$81,855,494</u>	<u>\$1,053,402</u>	<u>\$1,117,976</u>	<u>\$88,845,146</u>	<u>\$82,973,470</u>

The District's net assets increased by \$5,871,676, primarily because of funding increases in the School Finance Act, 2002 referendum programs that were budgeted in 2004-05 but not implemented, and unexpended budget amounts identified for carryover into the 2005-06 fiscal year. These increases were offset somewhat by lower property tax revenues collected for debt service as a result of a decreased debt service mill levy.

Government-wide Activities

Governmental activities increased the District's net assets by \$5,936,250. Key elements of this increase are as follows:

Boulder Valley School District RE-2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Charges For Services	\$5,049,089	\$4,633,203	\$3,370,264	\$3,592,297	\$8,419,353	\$8,225,500
Operating Grants/Contributions	19,381,843	17,157,713	1,533,700	1,545,589	20,915,543	18,703,302
General Revenues:						
Taxes:						
Local Property Taxes	148,506,345	152,701,086	-	-	148,506,345	152,701,086
Specific Ownership Taxes	11,254,363	11,551,266	-	-	11,254,363	11,551,266
School Finance Act	49,628,580	45,499,801	-	-	49,628,580	45,499,801
Other Revenues	5,503,310	6,215,533	-	-	5,503,310	6,215,533
Interest Income	<u>555,174</u>	<u>230,215</u>	<u>-</u>	<u>-</u>	<u>555,174</u>	<u>230,215</u>
Total Revenue	239,878,704	237,988,817	4,903,964	5,137,886	244,782,668	243,126,703
Expenses						
Instruction	156,019,891	152,350,470	-	-	156,019,891	152,350,470
Supporting Services	70,880,775	67,708,814	-	-	70,880,775	67,708,814
Interest Expense	7,041,788	7,251,857	-	-	7,041,788	7,251,857
Food Services	-	-	<u>4,968,538</u>	<u>4,951,365</u>	<u>4,968,538</u>	<u>4,951,365</u>
Total Expenses	233,942,454	227,311,141	4,968,538	4,951,365	238,910,992	232,262,506
Change in net assets	5,936,250	10,677,676	(64,574)	186,521	5,871,676	10,864,197
Net Assets - July 1	<u>81,855,494</u>	<u>71,177,818</u>	<u>1,117,976</u>	<u>931,455</u>	<u>82,973,470</u>	<u>72,109,273</u>
Net Assets - June 30	<u>\$87,791,744</u>	<u>\$81,855,494</u>	<u>\$1,053,402</u>	<u>\$1,117,976</u>	<u>\$88,845,146</u>	<u>\$82,973,470</u>

Governmental Activities

- Revenues from Governmental Activities increased by \$1,889,887 or .80%. Increases in charges for services and operating grants and contributions and interest income were offset by decreases in other revenues and specific ownership taxes. Revenues provided by the School Finance Act (including local property taxes) were flat due to small increase in enrollment.
- Expenditures from Governmental Activities increased by \$6,631,313 or 2.92%. This increase is due primarily to pay increases given to District employees and the hiring of additional staff.

Enterprise Activities

- The \$64,574 decrease in net assets from Enterprise Activities is due to declining participation from enrollment shifts, changes in middle level start times, and changes in choices offered in elementary and middle school snack lines.

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal and state requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The Combined General Fund is the major governmental fund of the District. The Combined General Fund under GASB 34 reporting requirements includes the General Operating Fund, Athletics Fund, Community Schools Fund, Tuition Preschool Fund and the Colorado Preschool Fund. As of June 30, 2005, the Combined General Fund shows an ending fund balance of \$19,008,690 up from the combined fund balance of \$14,398,819 for the prior year.

The General Operating Fund is the core of operations for the District. At the end of the fiscal year, the fund balance had increased by \$4,434,009 to a balance of \$17,552,007. This increase is due primarily to 2002 referendum programs that were budgeted but not implemented, unexpended budget amounts identified for carryover into the 2005-06 fiscal year, unfilled teacher extra duty contracts, and lower substitute teacher costs than anticipated. The Capital Projects Fund had a decrease in fund balance at the end of the year of \$643,977 to \$1,784,052 due primarily to the completion of capital projects and purchases of capital assets from funds budgeted in prior years. The Bond Redemption Fund ended the fiscal year with a balance of \$15,577,400 which will carry forward into 2005-06 to fund the District's long-term debt principal and interest payments.

General Operating Fund Budgetary Highlights

In December 2003, the District began the budget process with development of a calendar as presented to the Board of Education.

In January 2004, the Superintendent conducted budget information forums with school facilities and the public. A publication entitled "Budget Perspectives" was developed jointly by the Budget and Communications departments as a centerpiece for these information sessions. A video of the Superintendent's presentation was also distributed to schools for teacher and parent groups.

In February and March, the Superintendent conducted budget hearings with all schools and departments with critical issues. The major themes that were heard in these hearings were used in developing the 2004-05 budget. Major themes of school budget hearings include:

What programs/services are essential?

- Maintain the programs we have. Do not start new programs we cannot sustain due to funding.

What can be reduced or eliminated?

- No trend in suggestions for reductions; however, principals noted previous cuts to central support services have had a negative impact on schools. (Examples include literacy coaches, custodians and maintenance.)

A budget work session was held with the Board of Education on April 8, 2004. This work session reviewed the assumptions and projections for 2004-05 and identified the issues facing the district. Issues facing the district include:

- Colorado Legislative Actions
- Employee Compensation
- Critical District Needs
- Previously Identified Referendum Programs.

After reviewing the input from the Board of Education, the budget hearings, the enrollment projections prepared by the Planning Department and the most current revenue assumptions, the Superintendent and his senior staff prepared a preliminary budget guided by the priorities outlined in the BVSD Strategic Plan. The preliminary budget was presented to the Board of Education in April.

Three additional public input sessions were also conducted in April.

- April 19, 2004 – Centennial Middle School
- April 20, 2004 – Centaurus High School
- April 22, 2004 – Broomfield Heights Middle School

After the presentation of the Proposed Budget on May 25, 2004, the Board of Education continued discussions at the scheduled Board meetings until adoption of the proposed 2004-05 budget on June 22, 2004.

The final phase of budget development was the modification of the June budget based on final 2003-04 financials and updated enrollment information gained from the first month of school in the fall. This budget development process is consistent with current Colorado statutes that require a proposed budget be presented to the Board of Education by June 1, with budget adoption by June 30. The law provides the opportunity for the Board to adjust revenues and expenditures through October 15, 2004. The revised budget was adopted on October 12, 2004.

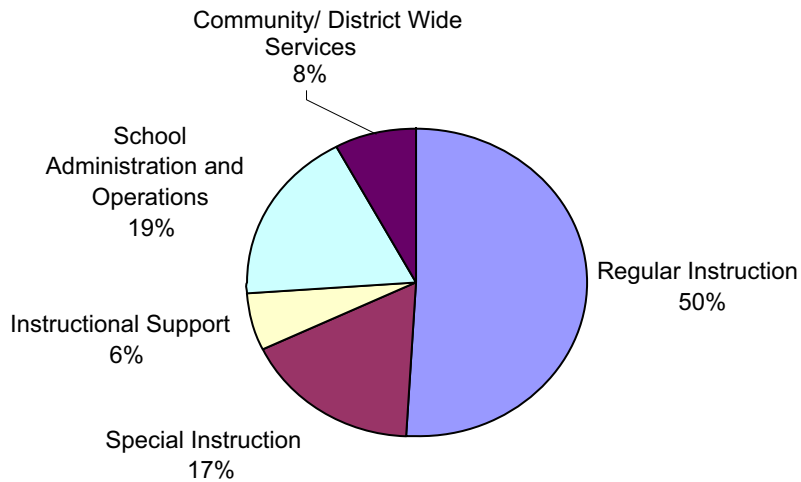
General Operating Fund Expenditure Highlights

General operating fund spending in 2004-05 provided for the continuation of district programs and services. General Operating Fund expenditures by function is shown in the following chart. 73.63% of expenditures are instruction related; regular program instruction, special program instruction, and direct instructional support. 18.56% of expenditures are for school administration, operations and maintenance of District facilities and student transportation, and 7.81% of expenditures are for District wide services and community obligations. 2005 percentages are similar to prior years.

Spending Your Boulder Valley School District RE-2 Dollar

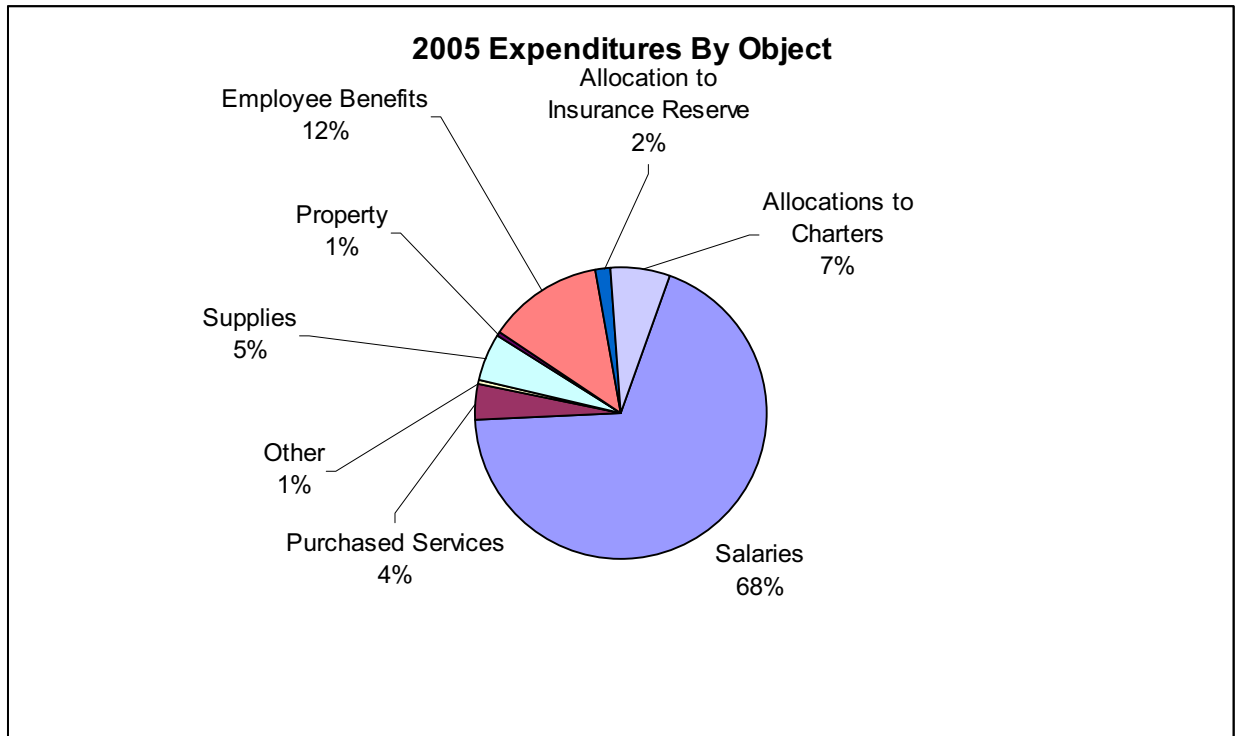
<u>Function</u>	<u>June 30, 2005</u>	<u>Percent</u>
Regular Instruction	\$ 100,120,255	50.72%
Regular Education		
Special Instruction	\$ 33,507,869	16.98%
Special Education	24,653,649	
Vocational Education	2,717,843	
Co-curricular Education	845,168	
Literacy and Language Support Services	4,368,988	
Talented and Gifted Education	922,221	
Instructional Support	\$ 11,714,301	5.93%
Student Services	5,025,436	
Instructional Staff Support	6,688,865	
School Administration and Operations	\$ 36,627,149	18.56%
School Administration	14,039,748	
Operations and Maintenance	15,757,590	
Student Transportation	6,829,811	
District Wide/Community Services	\$ 15,407,750	7.81%
General Administration	2,559,575	
Business Services	2,694,665	
Central Services	9,318,739	
Enterprise Operations	107,008	
Adult Basic Education	13,555	
Debt Services - Payments on Debt	714,208	
Total General Operating Fund Expenditures	<u>\$ 197,377,324</u>	100.00%

2005 Expenditures By Function



General Operating Fund expenditures by object is shown in the following chart. 81.38% of expenditures are for salary and benefit costs, 11.91% are for non-personnel costs and 6.71% are for allocations to District charter schools.

<u>Object</u>	<u>June 30, 2005</u>	<u>Percent</u>
Personnel Costs:		
Salaries	\$ 135,457,563	68.73%
Employee Benefits	25,172,117	12.75%
Subtotal	\$ 160,629,681	81.38%
Non-Personnel Costs:		
Purchased Services	\$ 7,465,645	3.78%
Supplies	10,436,112	5.29%
Property	1,045,107	0.53%
Other	1,113,800	0.56%
Allocation to Insurance Reserve	3,441,926	1.74%
Subtotal	\$ 23,502,590	11.91%
Operating Expenditures	\$ 184,132,271	93.29%
Allocations to Charters	\$ 13,245,054	6.71%
Total Expenditures	\$ 197,377,324	100.00%



Combined General Fund Fund Balance Analysis

An analysis of the District's General Fund fund balance is shown in the following chart. The \$19,008,690 fiscal year 2004-05 GAAP fund balance is at the highest level in the past 10 years.

Boulder Valley School District RE-2 Ten Year Analysis of Combined General Fund Fund Balance

Year Ended	Budget Basis		Summer		Reserve for		GAAP Basis	Fund Balance
<u>June 30</u>	<u>Fund Balance</u>	-	<u>Salary Accrual</u>	+	<u>Inventory</u>	=	<u>Fund Balance</u>	<u>Change</u>
2005	36,698,833		17,127,456		437,313		19,008,690	4,609,871
2004	30,904,045		16,978,199		472,973		14,398,819	8,288,665
2003	22,292,828		16,557,701		375,027		6,110,154	6,214,421
2002	15,064,051		15,610,934		442,616		(104,267)	(4,789,327)
2001	18,917,605		14,694,706		462,161		4,685,060	(1,161,673)
2000	19,712,812		14,351,221		485,142		5,846,733	(1,793,336)
1999	20,916,931		13,691,862		415,000		7,640,069	9,619,401
1998	9,861,052		12,255,384		415,000		(1,979,332)	413,454
1997	9,188,705		12,071,491		490,000		(2,392,786)	(1,283,722)
1996	9,561,740		11,160,804		490,000		(1,109,064)	4,478,142

For the years ending after June 30, 2002 and after, the Combined General Fund includes the General Operating Fund, Summer School Fund, Athletics Fund, Community Schools Fund, Tuition Preschool Fund and the Colorado Preschool Fund and excludes the Charter School Fund.

For the years ending June 30, 2001 and 2002, the Combined General Fund includes the General Operating Fund, Summer School Fund, Athletics Fund, Community Schools Fund, and the Charter Fund.

Fund Balance Policy

In May 2004 the District revised Board Policy DB. The purpose of this revision was to ensure the District's ongoing financial health by maintaining a minimum level of year end fund balance.

Key provisions of this policy are:

1. The General Operating Fund budget will be developed so that the total of annual ongoing expenditures, transfers, and incremental increase in required reserves does not exceed annual revenues.
2. If the General Operating Fund ends any fiscal year with a surplus of revenue beyond expenditures, this amount can only be used for one-time operating expenditures in subsequent years.
3. The General Operating Fund budget will be developed containing an ending fund balance equal to or greater than the required TABOR reserve on a generally accepted accounting principles (GAAP) basis.
4. The budgets for all other funds will be developed to include, at a minimum, the required TABOR reserve.
5. Beginning with the 2005-06 fiscal year, the General Operating Fund budget will be developed on a generally accepted accounting principles (GAAP) basis.

The 2005-06 budget was developed in accordance with all provisions of this policy.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$196,243,982.

Boulder Valley School District RE-2 Capital Assets (net of accumulated depreciation)

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Land	\$ 2,802,833	\$ 2,802,833
Construction in Progress	105,762	0
Land Improvements	5,756,245	4,798,998
Buildings	182,412,085	188,871,595
Equipment	1,119,830	1,280,786
Vehicles	<u>4,047,227</u>	<u>3,699,697</u>
Total	\$ 196,243,982	\$201,453,909

Additional information on the District's capital assets can be found in Note 4 of this report.

At June 30, 2005, the District had total bonded debt outstanding of \$140,310,000 backed by the full faith and credit of the District. Additionally, the District had long-term debt obligations for certificates of participation and compensated absences in the amount of \$6,300,000 and \$1,279,731 respectively, outstanding at the end of the current fiscal year. The Certificates of participation are collateralized by specific buildings owned by the District.

**Boulder Valley School District RE-2
Long-Term Debt**

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
General Obligation Bonds		
And Bond Premium	\$ 140,396,577	\$ 147,176,364
Certificates of Participation	6,300,000	6,790,000
Compensated Absences	1,279,731	1,075,843
Loss on Debt Refunding	<u>(153,102)</u>	<u>(168,412)</u>
Total	\$ <u>147,823,206</u>	\$ <u>154,873,795</u>

Additional information on the District's long-term obligations can be found in note 7 of this report.

Economic Factors and Next Year's Budget

In November 2000, voters in Colorado approved a provision to the Colorado Constitution providing that K-12 education funding would increase at pupil growth plus inflation plus one percent for 10 years and thereafter, growth plus inflation. This provision was intended to stabilize funding and provide predictability for District revenues for the future.

For the 2005-06 fiscal year, the Colorado State Legislature approved School Finance Act funding that increases the statewide base per pupil funding by 1.1%. This includes an inflationary increase of 0.1% plus 1%. This funding level was intended to reflect the provisions set forth in Amendment 23 of the Colorado Constitution. Per pupil revenue for the District for the 2005-06 fiscal year is \$6,104 less a \$1 rescission to pay for staff at the Colorado Department of Education, for a total of \$6,103.

Actual and projected student enrollment counts also influence the District's current and future operating budgets due to their impact on the funding and resource allocation process. Enrollment for 2005-06 is estimated at 27,959, with a resulting FTE pupil count of 26,817. This represents an increase of 35 in enrollment/heads and 18 in FTE from 2004-05. While the School Finance Act averaging softens the blow of reduced funding as enrollments decline, increased student FTE does not realize an increase in revenues on a one-for-one basis.

Requests for Information

This financial report is designed to provide a general overview of the Boulder Valley School District RE-2's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Leslie A. Stafford, CPA, Finance & Accounting Services Director
Boulder Valley School District RE-2
6500 East Arapahoe
Boulder, Colorado 80301

BASIC FINANCIAL STATEMENTS

BOULDER VALLEY SCHOOL DISTRICT RE-2

STATEMENT OF NET ASSETS

June 30, 2005

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE		UNITS
	ACTIVITIES	ACTIVITIES	TOTAL	CHARTER
				SCHOOLS
ASSETS				
Cash and Investments	\$ 51,791,025	\$ 515,819	\$ 52,306,844	\$ 3,437,689
Restricted Cash and Investments	789,941	-	789,941	2,842,138
Accounts Receivable	420,569	343,903	764,472	8,748
Due from Other Governments	4,123,627	-	4,123,627	-
Taxes Receivable	6,307,524	-	6,307,524	-
Grants Receivable	2,534,047	-	2,534,047	-
Inventories	437,313	112,704	550,017	10,755
Prepaid Expenses and Deposits	69,041	-	69,041	7,228
Debt Issuance Costs	242,215	-	242,215	665,537
Capital Assets, Net of Accumulated Depreciation	195,994,219	249,763	196,243,982	14,371,029
TOTAL ASSETS	262,709,521	1,222,189	263,931,710	21,343,124
LIABILITIES				
Accounts Payable	8,210,444	465	8,210,909	69,918
Accrued Liabilities	-	-	-	-
Accrued Salaries and Benefits	18,439,206	128,580	18,567,786	618,133
Accrued Interest Payable	-	-	-	430,666
Deferred Revenues	444,921	39,742	484,663	34,986
Noncurrent Liabilities				
Due Within One Year	7,555,000	-	7,555,000	390,000
Due in More Than One Year	140,268,206	-	140,268,206	18,112,377
TOTAL LIABILITIES	174,917,777	168,787	175,086,564	19,656,080
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	49,692,959	249,763	49,942,722	(3,075,811)
Restricted for Debt Service	15,807,548	-	15,807,548	3,150,666
Restricted for Capital Projects	1,575,024	-	1,575,024	-
Restricted for Multiple Year Obligations	200,000	-	200,000	-
Restricted for Emergencies	6,107,910	160,179	6,268,089	358,790
Unrestricted	14,408,303	643,460	15,051,763	1,253,399
TOTAL NET ASSETS	\$ 87,791,744	\$ 1,053,402	\$ 88,845,146	\$ 1,687,044

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 156,019,891	\$ 3,938,124	\$ 16,509,845
Supporting Services	70,880,775	1,110,965	2,871,998
Interest Expense	7,041,788	-	-
Total Governmental Activities	233,942,454	5,049,089	19,381,843
Business-Type Activities			
Food Services	4,968,538	3,370,264	1,533,700
Total Business-Type Activities	4,968,538	3,370,264	1,533,700
TOTAL PRIMARY GOVERNMENT	\$ 238,910,992	\$ 8,419,353	\$ 20,915,543
COMPONENT UNITS			
Charter Schools	15,560,963	628,951	929,816
TOTAL COMPONENT UNITS	\$ 15,560,963	\$ 628,951	\$ 929,816
GENERAL REVENUES			
Local Property Taxes			
Specific Ownership Taxes			
State Equalization			
Capital Construction Funding			
Investment Earnings			
Other Revenues			
TOTAL GENERAL REVENUES			
CHANGE IN NET ASSETS			
NET ASSETS, Beginning			
NET ASSETS, Ending			

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT
GOVERNMENTAL	BUSINESS-TYPE		UNITS
ACTIVITIES	ACTIVITIES	TOTAL	CHARTER
			SCHOOLS
\$ (135,571,922)	\$ -	\$ (135,571,922)	\$ -
(66,897,812)	-	(66,897,812)	-
(7,041,788)	-	(7,041,788)	-
(209,511,522)	-	(209,511,522)	-
-	(64,574)	(64,574)	-
-	(64,574)	(64,574)	-
(209,511,522)	(64,574)	(209,576,096)	-
-	-	-	(14,002,196)
-	-	-	(14,002,196)
148,506,345	-	148,506,345	-
11,254,363	-	11,254,363	-
49,628,580	-	49,628,580	-
-	-	-	211,084
555,174	-	555,174	116,491
5,503,310	-	5,503,310	13,397,120
215,447,772	-	215,447,772	13,724,695
5,936,250	(64,574)	5,871,676	(277,501)
81,855,494	1,117,976	82,973,470	1,964,545
\$ 87,791,744	\$ 1,053,402	\$ 88,845,146	\$ 1,687,044

BOULDER VALLEY SCHOOL DISTRICT RE-2

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	GENERAL	BOND REDEMPTION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 34,511,293	\$ 15,340,842	\$ 1,735,897	\$ 51,588,032
Restricted Cash and Investments	789,941	-	-	789,941
Accounts Receivable	348,308	24,542	47,719	420,569
Due From Other Governments	4,123,627	-	-	4,123,627
Taxes Receivable	5,865,360	442,164	-	6,307,524
Grants Receivable	-	-	2,534,047	2,534,047
Due from Other Funds	1,023,817	-	-	1,023,817
Inventories	437,313	-	-	437,313
Prepaid Items	18,071	-	50,970	69,041
TOTAL ASSETS	\$ 47,117,730	\$ 15,807,548	\$ 4,368,633	\$ 67,293,911
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 8,206,869	\$ -	\$ 3,575	\$ 8,210,444
Accrued Salaries and Benefits	17,171,093	-	1,247,624	18,418,717
Due to Other Funds	-	-	1,023,817	1,023,817
Deferred Revenues	135,356	-	309,565	444,921
Deferred Property Taxes	2,595,722	230,148	-	2,825,870
TOTAL LIABILITIES	28,109,040	230,148	2,584,581	30,923,769
FUND BALANCES				
Reserved for Inventories	437,313	-	-	437,313
Reserved for Prepaid Items	18,071	-	490	18,561
Reserved for Multiple Year Obligations	200,000	-	-	200,000
Reserved for Emergencies	5,797,587	-	208,538	6,006,125
Unreserved, reported in				
General Fund	12,555,719	-	-	12,555,719
Debt Service Fund	-	15,577,400	-	15,577,400
Capital Projects Fund	-	-	1,575,024	1,575,024
TOTAL FUND BALANCES	19,008,690	15,577,400	1,784,052	36,370,142
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,117,730	\$ 15,807,548	\$ 4,368,633	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	195,994,219
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	2,825,870
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	182,504
Long-term liabilities, including bonds payable (\$140,310,000), bond premium (\$86,577), certificates of participation (\$6,300,000), compensated absences (\$1,279,731), debt issuance costs \$242,215, and loss on refunding \$153,102 are not due and payable in the current period and therefore, are not reported in the funds.	(147,580,991)
Net assets of governmental activities	\$ 87,791,744

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 156,414,605	\$ 12,083,674	\$ 1,275,220	\$ 169,773,499
State Sources	56,370,559	-	1,708,940	58,079,499
Federal Sources	-	-	10,486,570	10,486,570
 TOTAL REVENUES	 <u>212,785,164</u>	 <u>12,083,674</u>	 <u>13,470,730</u>	 <u>238,339,568</u>
EXPENDITURES				
Current				
Instruction	136,397,675	-	10,359,613	146,757,288
Supporting Services	66,831,231	-	2,461,721	69,292,952
Capital Outlay	-	-	5,525,552	5,525,552
Debt Service				
Principal	490,000	6,755,000	-	7,245,000
Interest and Fiscal Charges	224,208	6,827,057	-	7,051,265
 TOTAL EXPENDITURES	 <u>203,943,114</u>	 <u>13,582,057</u>	 <u>18,346,886</u>	 <u>235,872,057</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>8,842,050</u>	 <u>(1,498,383)</u>	 <u>(4,876,156)</u>	 <u>2,467,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	4,232,179	4,232,179
Transfers Out	(4,232,179)	-	-	(4,232,179)
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(4,232,179)</u>	 <u>-</u>	 <u>4,232,179</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCES	 4,609,871	 (1,498,383)	 (643,977)	 2,467,511
FUND BALANCES, Beginning	<u>14,398,819</u>	<u>17,075,783</u>	<u>2,428,029</u>	<u>33,902,631</u>
FUND BALANCES, Ending	\$ <u><u>19,008,690</u></u>	\$ <u><u>15,577,400</u></u>	\$ <u><u>1,784,052</u></u>	\$ <u><u>36,370,142</u></u>

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances, governmental funds	\$ 2,467,511
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$7,872,383) and loss on disposal (\$77,578) exceeded capital outlay \$2,785,569 in the current year.	(5,164,392)
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents property taxes not available at year end.	1,475,916
Repayments of debt principal \$7,245,000 and decreases in compensated absences \$203,888 are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	7,041,112
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items: amortization of bond issuance costs (\$34,172), amortization of bond premium \$24,787, and amortization of loss on refunding (\$15,310)	(24,695)
An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is included in governmental activities in the statement of activities.	<u>140,798</u>
Change in net assets of governmental activities	\$ <u><u>5,936,250</u></u>

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2

BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2005

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 515,819	\$ 202,993
Accounts Receivable	343,903	-
Inventories	112,704	-
	<hr/>	<hr/>
Total Current Assets	972,426	202,993
	<hr/>	<hr/>
Noncurrent Assets		
Equipment	1,073,362	-
Accumulated Depreciation	(823,599)	-
	<hr/>	<hr/>
Total Noncurrent Assets	249,763	-
	<hr/>	<hr/>
TOTAL ASSETS	1,222,189	202,993
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities		
Accounts Payable	465	-
Accrued Salaries and Benefits	128,580	20,489
Deferred Revenues	39,742	-
	<hr/>	<hr/>
TOTAL LIABILITIES	168,787	20,489
	<hr/>	<hr/>
NET ASSETS		
Invested in Capital Assets	249,763	-
Restricted for Emergencies	160,179	101,785
Unrestricted	643,460	80,719
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 1,053,402	\$ 182,504
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
OPERATING REVENUES		
Regular School Lunch	\$ 1,624,084	\$ -
Sandwich Line	1,740,442	-
Premiums and Services	-	3,441,926
Other Revenue	<u>5,738</u>	<u>12,840</u>
 TOTAL OPERATING REVENUES	 <u>3,370,264</u>	 <u>3,454,766</u>
OPERATING EXPENSES		
Salaries	1,951,366	867,558
Benefits	526,462	207,561
Purchased Food	1,980,075	-
USDA Donated Commodities	137,992	-
Nonfood Supplies	119,141	-
Purchased Services	27,617	2,186,384
Depreciation	45,535	-
Indirect Costs	117,755	-
Other	<u>62,595</u>	<u>52,465</u>
 TOTAL OPERATING EXPENSES	 <u>4,968,538</u>	 <u>3,313,968</u>
 OPERATING INCOME (LOSS)	 <u>(1,598,274)</u>	 <u>140,798</u>
NONOPERATING REVENUES		
USDA Donated Commodities	183,862	-
Federal Reimbursements	1,295,430	-
State Matching Funds	<u>54,408</u>	<u>-</u>
 TOTAL NONOPERATING REVENUES	 <u>1,533,700</u>	 <u>-</u>
 NET INCOME	 (64,574)	 140,798
NET ASSETS, Beginning	<u>1,117,976</u>	<u>41,706</u>
NET ASSETS, Ending	\$ <u><u>1,053,402</u></u>	\$ <u><u>182,504</u></u>

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash

Year Ended June 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
Cash Flows From Operating Activities		
Contributions	\$ -	\$ 3,441,926
Cash Received from Operations	3,226,881	-
Other Operating Receipts	5,738	12,840
Cash Payments for Premiums and Claims	-	(2,201,366)
Cash Paid to Employees	(2,439,923)	(1,090,237)
Cash Paid to Suppliers	(2,331,879)	(52,465)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	(1,539,183)	110,698
Cash Flows From Noncapital Financing Activities		
Cash Received from Federal Reimbursements	1,452,546	-
Cash Received from State Matching Funds	54,408	-
	<hr/>	<hr/>
Net Cash Provided by Noncapital Financing Activities	1,506,954	-
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH	(32,229)	110,698
CASH, Beginning	548,048	92,295
	<hr/>	<hr/>
CASH, Ending	\$ <u>515,819</u>	\$ <u>202,993</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,598,274)	\$ 140,798
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	45,535	-
Donated Commodities	183,862	-
Changes in Assets and Liabilities Related to Operations		
Accounts Receivable	(315,889)	-
Inventories	126,665	-
Accounts Payable	(13,369)	(14,982)
Accrued Salaries and Benefits	37,905	(15,118)
Deferred Revenues	(5,618)	-
	<hr/>	<hr/>
Total Adjustments	59,091	(30,100)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ <u>(1,539,183)</u>	\$ <u>110,698</u>
NON-CASH TRANSACTIONS		
Commodities Received	\$ <u>183,862</u>	\$ <u>-</u>

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2**STATEMENT OF FIDUCIARY NET ASSETS****June 30, 2005**

	SCHOLARSHIP FUND	TRUST FUND	AGENCY FUND
ASSETS			
Cash and Investments	\$ 84,770	\$ 161,903	\$ 3,222,070
TOTAL ASSETS	<u>84,770</u>	<u>161,903</u>	<u>3,222,070</u>
LIABILITIES			
Due to Student Groups	-	-	3,222,070
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>3,222,070</u>
NET ASSETS			
Restricted for Scholarships	<u>84,770</u>	<u>161,903</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 84,770</u>	<u>\$ 161,903</u>	<u>\$ 3,222,070</u>

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2005

	SCHOLARSHIP FUND	TRUST FUND
ADDITIONS		
Contributions	\$ 29,934	\$ 9,183
TOTAL ADDITIONS	<u>29,934</u>	<u>9,183</u>
DEDUCTIONS		
Scholarships and Awards	<u>4,100</u>	<u>8,205</u>
CHANGE IN NET ASSETS	25,834	978
NET ASSETS, Beginning	<u>58,936</u>	<u>160,925</u>
NET ASSETS, Ending	\$ <u><u>84,770</u></u>	\$ <u><u>161,903</u></u>

The accompanying notes are an integral part of the financial statements.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Boulder Valley School District RE-2 (the "District") conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District.

Based upon the application of this criteria, the District includes four charter schools within its reporting entity. The charter schools are public schools authorized by State statutes to provide alternatives for parents, pupils and teachers. The charter schools are fiscally dependent on the District and their exclusion would render the District's financial statements incomplete. Since the Charter Schools have separately elected boards, the balances and transactions of the charter schools are discretely presented in the financial statements. Separate financial statements for the Peak to Peak Charter School may be obtained by contacting the School at 800 Merlin Drive, Lafayette, Colorado 80026. Separate financial statements for the remaining charter schools are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the District is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the District's government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary funds utilize the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary (enterprise and internal service) fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations.

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Bond Redemption Fund* accounts for resources accumulated for, and payments made on, long-term debt obligations of the District.

Additionally, the District reports the following fund types:

The *Food Services Enterprise Fund* accounts for the financial activities associated with the District's school lunch program.

The *Insurance Reserve Internal Service Fund* accounts for the resources used for the District's liability, property, and workers' compensation insurance needs, and for providing overall risk management activities for the District.

The *Private-Purpose Trust Funds* account for the activities of various scholarship accounts. The District holds all resources in a purely custodial capacity.

The *Agency Fund* is used to account for resources used to support each school's student and fundraising activities. The District holds all resources in a purely custodial capacity.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets

Cash and Investments - The District utilizes the pooled cash concept whereby cash balances of each of the District's funds and component units are pooled and invested by the District. All investments are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification.

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied in the current year but not received at year end are identified as property taxes receivable and are presented net of an allowance for uncollectible taxes of 1% of the total levy. Any taxes not collected within sixty days after year end are recorded as deferred revenue in the fund financial statements.

Inventories - Materials and supplies inventories are stated at average cost. Food Service Fund inventories consist of purchased and donated commodities. Purchased inventories are stated at average cost. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

Inventory is recorded as an asset when individual items are purchased and as an expenditure when consumed.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond year end, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of payment, and an expenditure/expense is reported in the year in which the services are consumed.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund types in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets (Continued)

Property and equipment of the District and its component units is depreciated using the straight line method over the following estimated useful lives.

Land Improvements	25 years
Buildings	50 years
Equipment and Vehicles	5 to 20 years

Compensated Absences - District policy allows unlimited accumulation of sick time and accumulation of vacation time to a maximum of 40 days for certain personnel classifications. Accrued vacation is paid to those eligible employees upon termination of employment. Payment for unused sick time is made upon an employee's retirement at varying rates based upon longevity and classification. The payment of unused sick leave at the time of retirement is made in a lump sum or over a period of up to five years.

These compensated absences are recognized as current salary costs when accrued in the proprietary fund types and when paid in the governmental fund types. A long-term liability has been recorded in the government-wide financial statements for the accrued compensated absences.

Deferred Revenues - Deferred revenues include grant funds that have been collected but the corresponding expenditures have not been incurred. Property taxes earned but not available are also recorded as deferred revenue in the fund financial statements.

Long-Term Debt - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Assets/Fund Balances - In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

Property Taxes - Under Colorado law, all property taxes become due and payable on January 1 in the year following that in which they are levied. Payments are due in full on April 30, or in two installments on February 28 and June 15. When taxes become delinquent, the property is sold on the tax sale date of September 30.

Interest Income - Interest income earned on pooled cash is recorded as revenue in the General Fund. Interest income from the Building Fund and certain Trust and Agency Fund accounts is recorded when earned in the related fund.

NOTE 2: CASH AND INVESTMENTS

At June 30, 2005, the District had the following cash and investments.

Cash on Hand	\$ 63,428
Deposits	2,958,933
Investments	<u>55,808,281</u>
Total	<u>\$ 58,830,642</u>

Cash and investments are reported in the financial statements as follows:

Primary Government Cash and Investments	\$ 52,306,844
Primary Government Restricted Cash and Investments	789,941
Fiduciary Funds Cash and Investments	3,468,743
Charter School Cash Held by District	<u>2,265,114</u>
Total	<u>\$ 58,830,642</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2005, the State regulatory commissioners had indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2005, the District had bank deposits of \$5,794,086 collateralized with securities held by the financial institutions' agents but not in the District's name.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The District had the following investments at June 30, 2005:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
FHLB Note	12/15/05	\$ 4,954,273
FNMA Note	10/15/13	703,312
JPMorgan Chase Money Market Fund	NA	10,386,568
Wells Fargo Money Market Fund	NA	52,100
Local Government Investment Pool	NA	<u>39,712,028</u>
Total		<u>\$ 55,808,281</u>

Interest Rate Risk - State statutes limit investments in U.S. Agency securities to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments in U.S. Agency securities to the highest rating issued by nationally recognized statistical rating organizations ("NRSROs"). At June 30, 2005, the District's investment in the Federal Home Loan Bank and the Federal National Mortgage Association were rated AAA by Standard & Poor's and Fitch Ratings.

State statutes limit investments in money market funds to those with the highest rating issued by NRSROs and with a constant share price, or to money market funds that invest only in specified securities. As of June 30, 2005, the District's investment in the Wells Fargo money market fund was rated AAA by Moody's Investor Services and AAAm-G by Standard & Poor's. The JPMorgan Chase money market fund was rated AAAm by Standard & Poor's and Aaa by Moody's Investor Services.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in one issuer. At June 30, 2005, the District's investment in the Federal Home Loan Bank was 9% of the District's total investments.

Local Government Investment Pool - At June 30, 2005, the District had invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund with each share equal in value to \$1.00. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Cash and investments of \$722,264, representing required reserves for the Certificates of Participation, have been restricted in the General Fund. In addition, \$42,668 has been restricted in the General Fund for employee flexible spending benefits.

NOTE 3: INTERFUND BALANCES AND TRANSFERS

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Balance</u>
General Fund	Grants Fund	<u>\$ 1,023,817</u>

The General Fund has temporarily covered the negative cash balance of the Grants Fund.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Balance</u>
Capital Reserve Fund	General Fund	<u>\$ 4,232,179</u>

The General Fund is required by State statute to allocate a portion of its funding to the Capital Reserve Fund to be used for capital purposes.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is summarized below.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/05</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 2,802,833	\$ -	\$ -	\$ 2,802,833
Construction in Progress	-	<u>105,762</u>	-	<u>105,762</u>
Total Capital Assets, Not Being Depreciated	<u>2,802,833</u>	<u>105,762</u>	<u>-</u>	<u>2,908,595</u>
Capital Assets, Being Depreciated				
Land Improvements	5,076,420	1,237,396	-	6,313,816
Buildings	262,921,017	-	-	262,921,017
Equipment	3,048,692	111,624	(154,521)	3,005,795
Vehicles	<u>12,771,255</u>	<u>1,330,787</u>	<u>(129,668)</u>	<u>13,972,374</u>
Total Capital Assets, Being Depreciated	<u>283,817,384</u>	<u>2,679,807</u>	<u>(284,189)</u>	<u>286,213,002</u>
Less Accumulated Depreciation For				
Land Improvements	277,422	280,149	-	557,571
Buildings	74,049,422	6,459,510	-	80,508,932
Equipment	2,063,204	227,045	(154,521)	2,135,728
Vehicles	<u>9,071,558</u>	<u>905,679</u>	<u>(52,090)</u>	<u>9,925,147</u>
Total Accumulated Depreciation	<u>85,461,606</u>	<u>7,872,383</u>	<u>(206,611)</u>	<u>93,127,378</u>
Total Capital Assets, Being Depreciated, Net	<u>198,355,778</u>	<u>(5,192,576)</u>	<u>(77,578)</u>	<u>193,085,624</u>
Governmental Activities Capital Assets, Net	<u>\$ 201,158,611</u>	<u>\$ (5,086,814)</u>	<u>\$ (77,578)</u>	<u>\$ 195,994,219</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 1,073,362	\$ -	\$ -	\$ 1,073,362
Less Accumulated Depreciation For				
Equipment	<u>778,064</u>	<u>45,535</u>	<u>-</u>	<u>823,599</u>
Business-Type Activities Capital Assets, Net	<u>\$ 295,298</u>	<u>\$ (45,535)</u>	<u>\$ -</u>	<u>\$ 249,763</u>
Charter Schools				
Capital Assets, Not Being Depreciated				
Land	\$ 1,103,000	\$ -	\$ -	\$ 1,103,000
Construction in Progress	<u>4,160</u>	<u>-</u>	<u>(4,160)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>1,107,160</u>	<u>-</u>	<u>(4,160)</u>	<u>1,103,000</u>
Capital Assets, Being Depreciated				
Land Improvements	745,712	-	-	745,712
Buildings	12,246,845	1,727,615	-	13,974,460
Equipment	<u>24,761</u>	<u>-</u>	<u>-</u>	<u>24,761</u>
Total Capital Assets, Being Depreciated	<u>13,017,318</u>	<u>1,727,615</u>	<u>-</u>	<u>14,744,933</u>
Less Accumulated Depreciation For				
Land Improvements	149,142	74,571	-	223,713
Buildings	806,910	436,377	-	1,243,287
Equipment	<u>4,952</u>	<u>4,952</u>	<u>-</u>	<u>9,904</u>
Total Accumulated Depreciation	<u>961,004</u>	<u>505,900</u>	<u>-</u>	<u>1,476,904</u>
Total Capital Assets, Being Depreciated, Net	<u>12,056,314</u>	<u>1,211,715</u>	<u>(4,160)</u>	<u>13,268,029</u>
Charter Schools Capital Assets, Net	<u>\$ 13,163,474</u>	<u>\$ 1,211,715</u>	<u>\$ (4,160)</u>	<u>\$ 14,371,029</u>

BOULDER VALLEY SCHOOL DISTRICT RE-2**NOTES TO FINANCIAL STATEMENTS****June 30, 2005****NOTE 4: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to programs of the District as follows.

Governmental Activities

Instruction	\$ 6,719,866
Supporting Services	<u>1,152,517</u>

Total	<u><u>\$ 7,872,383</u></u>
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Business-Type Activities

Food Services	<u><u>\$ 45,535</u></u>
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NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2005, were \$18,567,786 and \$618,133 for the District and charter schools, respectively. The accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 6: SHORT-TERM DEBT

During the year ended June 30, 2005, the District borrowed \$69,178,641 from the State-sponsored interest-free loan program to provide cash flow throughout the fiscal year. The loan was paid in full by June 30, 2005, from property taxes received primarily from February through June.

NOTE 7: LONG-TERM DEBT

Following is a summary of long-term debt transactions of the District for the year ended June 30, 2005.

	Balances 6/30/04	Additions	Payments	Balances 6/30/05	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 147,065,000	\$ -	\$ 6,755,000	\$ 140,310,000	\$ 7,060,000
Bond Premium	111,364	-	24,787	86,577	-
Certificates of Participation	6,790,000	-	490,000	6,300,000	495,000
Loss on Refunding	(168,412)	-	(15,310)	(153,102)	-
Compensated Absences	<u>1,075,843</u>	<u>203,888</u>	<u>-</u>	<u>1,279,731</u>	<u>-</u>
Total	<u><u>\$ 154,873,795</u></u>	<u><u>\$ 203,888</u></u>	<u><u>\$ 7,254,477</u></u>	<u><u>\$ 147,823,206</u></u>	<u><u>\$ 7,555,000</u></u>

The liability for compensated absences is expected to be liquidated with resources of the General Fund.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 7: LONG-TERM DEBT (Continued)

General Obligation Bonds

General obligation bonds payable at June 30, 2005, are comprised of the following issues.

\$24,230,000 General Obligation Bonds, Series 2001.

Issued to refund certain general obligation bonds.

Principal payments due on December 1 and
interest payments due on December 1 and June 1,
through 2008. Interest accrues at rates ranging from
3% to 3.75%.

\$ 14,815,000

\$63,655,000 General Obligation Bonds, Series 1999.

Issued to implement a District-wide capital improvement
program. Principal payments due on December 1 and
interest payments due on December 1 and June 1,
through 2018. Interest accrues at rates ranging from
4% to 5.125%.

59,430,000

\$68,810,000 General Obligation Bonds, Series 1997.

Issued to refund certain general obligation bonds.

Principal payments due on December 1 and
interest payments due on December 1 and June 1,
through 2014. Interest accrues at rates ranging
from 3.75% to 5.00%.

66,065,000

Total

\$ 140,310,000

Bond payments, to maturity, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 7,060,000	\$ 6,529,990	\$ 13,589,990
2007	7,375,000	6,227,721	13,602,721
2008	7,715,000	5,902,340	13,617,340
2009	8,080,000	5,561,010	13,641,010
2010	8,770,000	5,183,293	13,953,293
2011 - 2015	50,760,000	18,925,886	69,685,886
2016 - 2019	<u>50,550,000</u>	<u>5,131,472</u>	<u>55,681,472</u>
Total	<u>\$ 140,310,000</u>	<u>\$ 53,461,712</u>	<u>\$ 193,771,712</u>

BOULDER VALLEY SCHOOL DISTRICT RE-2**NOTES TO FINANCIAL STATEMENTS****June 30, 2005****NOTE 7: LONG-TERM DEBT (Continued)****Certificates of Participation**

On November 1, 2003, the District issued \$7,275,000 Certificates of Participation, Series 2003. Principal payments are due annually on June 1 and interest payments are due on June 1 and December 1, through 2016. Interest accrues at rates ranging from 2.5% to 4%. Proceeds of the Certificates were used to currently refund the District's outstanding Certificates of Participation and to finance the installation of artificial turf on the athletic fields at various District facilities. Future debt service requirements of the Certificates of Participation are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 495,000	\$ 206,008	\$ 701,008
2007	505,000	193,633	698,633
2008	515,000	181,008	696,008
2009	530,000	168,133	698,133
2010	545,000	153,558	698,558
2011 - 2015	3,030,000	482,945	3,512,945
2016 - 2017	<u>680,000</u>	<u>27,200</u>	<u>707,200</u>
Total	<u>\$ 6,300,000</u>	<u>\$ 1,412,485</u>	<u>\$ 7,712,485</u>

Component Units

The Peak to Peak Charter School has entered into a capital lease agreement with Prairie View, Inc., a component unit, to construct facilities. The Colorado Educational and Cultural Facilities Authority has issued Charter School Revenue and Refunding Bonds on behalf of Prairie View, Inc. The School makes monthly payments to Prairie View, Inc., and Prairie View, Inc. makes semi-annual bond payments. Changes in long-term debt of the Peak to Peak Charter School for the year ended June 30, 2005 and bond payments, to maturity, are as follows:

	<u>Balances</u> <u>6/30/04</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/05</u>	<u>Due Within</u> <u>One Year</u>
2004 Capital Lease	\$ 23,300,000	\$ -	\$ -	\$ 23,300,000	\$ 390,000
Premium	529,253	-	17,740	511,513	-
Loss on Refunding	<u>(5,493,268)</u>	<u>-</u>	<u>(184,132)</u>	<u>(5,309,136)</u>	<u>-</u>
Total	<u>\$ 18,335,985</u>	<u>\$ -</u>	<u>\$ (166,392)</u>	<u>\$ 18,502,377</u>	<u>\$ 390,000</u>

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 7: LONG-TERM DEBT (Continued)

Component Units (Continued)

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 390,000	\$ 1,142,592	\$ 1,532,592
2007	400,000	1,130,743	1,530,743
2008	415,000	1,118,517	1,533,517
2009	425,000	1,105,918	1,530,918
2010	440,000	1,092,942	1,532,942
2011 - 2015	2,455,000	5,187,867	7,642,867
2016 - 2020	3,075,000	4,541,382	7,616,382
2021 - 2025	3,965,000	3,622,108	7,587,108
2026 - 2030	5,120,000	2,435,473	7,555,473
2031 - 2035	6,615,000	903,655	7,518,655
Total	<u><u>\$ 23,300,000</u></u>	<u><u>\$ 23,281,197</u></u>	<u><u>\$ 45,581,197</u></u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and health and dental claims of its employees. The District plans to provide for or restore the economic damages of those losses through risk retention and risk transfer.

Joint School District Workers' Compensation Self-Insurance Pool

The District, along with Aurora, Cherry Creek, and Littleton School Districts, combined to form the Joint School District Pool for Workers' Compensation (the JSD Pool) which is a public entity risk pool currently operating as a common risk management and insurance program for the school district members noted above. The JSD Pool is administered by a Board of Directors consisting of one individual from each of the four school districts, generally the District's chief financial officer.

The Board exercises control over the Pool and has contracted the management of the Pool operations to third parties. The participating districts make annual contributions to the JSD Pool based on the size of their respective payrolls. The contributions are retroactively adjusted based on the districts' actual loss experience.

Each member of the JSD Pool is responsible for the first \$100,000 of each loss. Losses between \$100,000 and \$300,000 are pooled between the member districts, and losses in excess of \$300,000 are reinsured for up to \$5,000,000 per occurrence.

There is no current or long-term debt associated with the JSD Pool. The contributions are determined on an actuarial basis and are sufficient to provide for the estimated claims and losses as determined by the actuarial computation. No settlements exceeded insurance coverage for each of the past three fiscal years.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 8: RISK MANAGEMENT (Continued)

Colorado School Districts Self-Insurance Pool

The Colorado School Districts Self-Insurance Pool (CSDSIP), sponsored by the Colorado Association of School Boards, operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by the Pool Board which is comprised of eight members. The eight members include the president, vice president, and executive director of the Colorado Association of School Boards (CASB), with the remaining five members being appointed by the Board of Directors of CASB. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The Pool Agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description - The District contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). CSSDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the CSSDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature.

PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CSSDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the District is 10.15% of covered salary. A portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (See Note 10). The District's contributions to CSSDTF for the years ending June 30, 2005, 2004, and 2003 were \$14,652,484, \$13,182,312, and \$11,876,600, respectively, equal to the required contributions for each year.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The District was required to contribute at a rate of 1.02% of covered 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 CRS, as amended. The apportionment of the contributions of the health care fund is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The District's contributions to HCF for the years ending June 30, 2005, 2004, and 2003 were \$1,472,466, \$1,571,751, and \$1,920,183, respectively, equal to the required contributions for each year.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2005, significant amounts of grant expenditures have not been audited by the grantor agency, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Litigation

Several claims are presently pending against the District, but District management believes the final settlements of these matters will not have a materially adverse effect on the financial position of the District.

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Amendment.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)

Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. In November, 1999, voters within the District authorized the District to collect, retain, and expend all excess revenues and other funds received from every source, without limitation, in the 1999-2000 budget year and each subsequent budget year thereafter without future voter approval, notwithstanding the limitations of the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies. At June 30, 2005, net assets in the amount of \$6,268,089 were restricted to satisfy the reserve requirement.

REQUIRED SUPPLEMENTARY INFORMATION

BOULDER VALLEY SCHOOL DISTRICT RE-2

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 148,491,440	\$ 148,791,254	\$ 146,441,355	\$ (2,349,899)
Tuition	75,000	480,662	3,938,124	3,457,462
Earnings on Investments	50,000	50,000	314,937	264,937
Other Local Revenue	5,592,092	5,618,039	5,720,189	102,150
State Equalization	47,540,398	47,695,993	49,648,368	1,952,375
State Reimbursement Programs	2,505,049	2,699,073	2,872,512	173,439
Special Education	3,756,913	3,562,820	3,774,324	211,504
English Language Proficiency Act	92,250	92,250	75,355	(16,895)
TOTAL REVENUES	208,103,142	208,990,091	212,785,164	3,795,073
EXPENDITURES				
Current				
Instruction - Regular Programs	101,542,797	101,972,192	100,269,512	1,702,680
Instruction - Special Programs	37,207,685	37,162,663	36,277,420	885,243
Student Support Services	4,818,059	5,171,261	5,025,436	145,825
Instructional Staff Services	7,675,029	7,592,602	6,688,865	903,737
General Administration	2,461,739	2,573,289	2,595,702	(22,413)
School Administration	13,866,629	14,694,707	14,042,602	652,105
Business Services	1,989,672	1,925,600	2,694,665	(769,065)
Operations and Maintenance	15,251,542	15,630,690	15,757,590	(126,900)
Pupil Transportation	6,663,391	6,654,548	6,829,811	(175,263)
Central Support Services	4,994,458	5,253,552	5,724,368	(470,816)
Other Supporting Services	83,843	-	152,445	(152,445)
Enterprise Operations	-	82,122	107,008	(24,886)
Community Services	3,775,854	3,849,078	3,757,258	91,820
Adult Education	28,759	9,424	13,555	(4,131)
Reserves	9,425,371	9,728,003	-	9,728,003
Debt Service				
Principal	946,915	946,915	490,000	456,915
Interest	-	-	224,208	(224,208)
TOTAL EXPENDITURES	210,731,743	213,246,646	200,650,445	12,596,201
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,628,601)	(4,256,555)	12,134,719	16,391,274
OTHER FINANCING SOURCES (USES)				
Transfers Out	(7,360,538)	(7,829,030)	(7,674,105)	154,925
TOTAL OTHER FINANCING SOURCES (USES)	(7,360,538)	(7,829,030)	(7,674,105)	154,925
NET CHANGE IN FUND BALANCE	(9,989,139)	(12,085,585)	4,460,614	16,546,199
Salaries and Benefits Earned but Unpaid				
Beginning	-	-	(16,978,199)	(16,978,199)
Ending	-	-	17,127,456	17,127,456
FUND BALANCE, Beginning	26,860,685	30,400,100	14,398,819	(16,001,281)
FUND BALANCE, Ending	\$ 16,871,546	\$ 18,314,515	\$ 19,008,690	\$ 694,175

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

- In March, the Superintendent submits to the Board of Education a preliminary proposed budget for the period commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at regular Board of Education meetings to obtain taxpayer comments.
- In June, the budget is legally adopted by the Board of Education.
- In October, a revised budget is legally adopted by the Board of Education.

Colorado Budget Law requires that all funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenue. All appropriations lapse at the end of each fiscal year. Authorization to transfer budget amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

The budget is used as a management control device for all funds. Budgets for all funds were adopted on a basis consistent with generally accepted accounting principles ("GAAP") except as follows:

Salaries of teachers and certain other employees are paid over a 12 month period ending August 31. However, most salaries are earned over the school year of August through June. For salaries and benefits earned prior to June 30 but not paid until July and August of the following year, the District has consistently followed a practice of budgeting and appropriating these expenditures in the period paid.

Payments from the General Fund to the Insurance Reserve Fund are treated as a transfer for budgetary purposes and as an expenditure and revenue for GAAP purposes.

Budget to GAAP differences for these funds are as follows:

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

	<u>General Fund</u>	<u>Grants Fund</u>
Expenditures		
Total Expenditures, GAAP Basis	\$ 203,943,114	\$ 12,821,334
Change in Salaries Earned but Unpaid	149,257	(401,504)
Transfers to Insurance Reserve Fund	<u>(3,441,926)</u>	<u>-</u>
 Expenditures, Budgetary Basis	 <u>\$ 200,650,445</u>	 <u>\$ 12,419,830</u>
	<u>Grants Fund</u>	<u>Internal Service Fund</u>
Revenues		
Revenues, GAAP Basis	\$ 12,821,334	\$ 3,454,766
Salaries Earned but Unpaid	(846,246)	-
Premiums and Services	<u>-</u>	<u>(3,441,926)</u>
 Revenues, Budgetary Basis	 <u>\$ 11,975,088</u>	 <u>\$ 12,840</u>
	<u>General Fund</u>	<u>Internal Service Fund</u>
Operating Transfers		
Operating Transfers, GAAP Basis	\$ (4,232,179)	\$ -
Premiums and Services	<u>(3,441,926)</u>	<u>3,441,926</u>
 Operating Transfers, Budgetary Basis	 <u>\$ (7,674,105)</u>	 <u>\$ 3,441,926</u>

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

BOULDER VALLEY SCHOOL DISTRICT RE-2

GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2005

	<u>GENERAL FUND</u>	<u>SUMMER SCHOOL FUND</u>	<u>ATHLETICS FUND</u>	<u>COMMUNITY SCHOOLS FUND</u>
ASSETS				
Cash and Investments	\$ 32,949,097	\$ -	\$ 130,212	\$ 661,804
Restricted Cash and Investments	789,941	-	-	-
Accounts Receivable	291,705	-	41,001	-
Due From Other Governments	4,123,627	-	-	-
Taxes Receivable	5,865,360	-	-	-
Due from Other Funds	1,023,817	-	-	-
Inventories	437,313	-	-	-
Prepaid Items and Deposits	16,799	-	-	1,272
TOTAL ASSETS	\$ 45,497,659	\$ -	\$ 171,213	\$ 663,076
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 8,206,872	\$ -	\$ -	\$ (3)
Accrued Salaries and Benefits	17,143,058	-	1,888	21,981
Deferred Revenues	-	-	-	109,548
Deferred Property Taxes	2,595,722	-	-	-
TOTAL LIABILITIES	27,945,652	-	1,888	131,526
FUND BALANCES				
Reserved for Inventories	437,313	-	-	-
Reserved for Prepaid Items	16,799	-	-	1,272
Reserved for Multiple Year Obligations	200,000	-	-	-
Reserved for Emergencies	5,595,624	-	75,205	109,029
Unreserved	11,302,271	-	94,120	421,249
TOTAL FUND BALANCES	17,552,007	-	169,325	531,550
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,497,659	\$ -	\$ 171,213	\$ 663,076

See the accompanying Independent Auditors' Report.

<u>TUITION PRESCHOOL FUND</u>	<u>COLORADO PRESCHOOL FUND</u>	<u>CHARTER SCHOOLS UNALLOCATED</u>	<u>TOTAL GENERAL FUND</u>
\$ 25,697	\$ 19,656	\$ 724,827	\$ 34,511,293
-	-	-	789,941
-	-	15,602	348,308
-	-	-	4,123,627
-	-	-	5,865,360
-	-	-	1,023,817
-	-	-	437,313
-	-	-	18,071
<u>\$ 25,697</u>	<u>\$ 19,656</u>	<u>\$ 740,429</u>	<u>\$ 47,117,730</u>
\$ -	\$ -	\$ -	\$ 8,206,869
1,740	2,426	-	17,171,093
20,000	5,808	-	135,356
-	-	-	2,595,722
<u>21,740</u>	<u>8,234</u>	<u>-</u>	<u>28,109,040</u>
-	-	-	437,313
-	-	-	18,071
-	-	-	200,000
6,444	11,285	-	5,797,587
(2,487)	137	740,429	12,555,719
<u>3,957</u>	<u>11,422</u>	<u>740,429</u>	<u>19,008,690</u>
<u>\$ 25,697</u>	<u>\$ 19,656</u>	<u>\$ 740,429</u>	<u>\$ 47,117,730</u>

BOULDER VALLEY SCHOOL DISTRICT RE-2

GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	<u>GENERAL FUND</u>	<u>SUMMER SCHOOL FUND</u>	<u>ATHLETICS FUND</u>	<u>COMMUNITY SCHOOLS FUND</u>
REVENUES				
Local Sources	\$ 151,087,379	\$ 9,892	\$ 821,299	\$ 4,220,538
State Sources	<u>56,370,559</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUES	 <u>207,457,938</u>	 <u>9,892</u>	 <u>821,299</u>	 <u>4,220,538</u>
EXPENDITURES				
Current				
Instruction - Regular Programs	100,120,255	-	-	-
Instruction - Special Programs	33,507,869	-	2,375,248	-
Supporting Services	5,025,436	-	-	-
Instructional Staff Services	6,688,865	-	-	-
General Administration	2,559,575	-	36,127	-
School Administration	14,039,748	-	2,854	-
Business Services	2,694,665	-	-	-
Operations and Maintenance	15,757,590	-	-	-
Pupil Transportation	6,829,811	-	-	-
Central Support Services	9,166,294	-	-	-
Other Support Services	152,445	-	-	-
Facility Acquisition	107,008	-	-	-
Community Services	-	-	-	3,533,704
Adult Education	13,555	-	-	-
Debt Service				
Principal	490,000	-	-	-
Interest and Fiscal Charges	<u>224,208</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>197,377,324</u>	 <u>-</u>	 <u>2,414,229</u>	 <u>3,533,704</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>10,080,614</u>	 <u>9,892</u>	 <u>(1,592,930)</u>	 <u>686,834</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	583,750	-	1,592,451	-
Transfers Out	<u>(6,230,355)</u>	<u>-</u>	<u>-</u>	<u>(583,750)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(5,646,605)</u>	 <u>-</u>	 <u>1,592,451</u>	 <u>(583,750)</u>
 NET CHANGE IN FUND BALANCES	 4,434,009	 9,892	 (479)	 103,084
FUND BALANCES (DEFICITS), Beginning	<u>13,117,998</u>	<u>(9,892)</u>	<u>169,804</u>	<u>428,466</u>
FUND BALANCES, Ending	\$ <u><u>17,552,007</u></u>	\$ <u><u>-</u></u>	\$ <u><u>169,325</u></u>	\$ <u><u>531,550</u></u>

See the accompanying Independent Auditors' Report.

<u>TUITION PRESCHOOL FUND</u>	<u>COLORADO PRESCHOOL FUND</u>	<u>CHARTER SCHOOLS UNALLOCATED</u>	<u>TOTAL GENERAL FUND</u>
\$ 191,889	\$ -	\$ 83,608	\$ 156,414,605
-	-	-	56,370,559
191,889	-	83,608	212,785,164
-	-	-	100,120,255
-	394,303	-	36,277,420
-	-	-	5,025,436
-	-	-	6,688,865
-	-	-	2,595,702
-	-	-	14,042,602
-	-	-	2,694,665
-	-	-	15,757,590
-	-	-	6,829,811
-	-	-	9,166,294
-	-	-	152,445
-	-	-	107,008
223,554	-	-	3,757,258
-	-	-	13,555
-	-	-	490,000
-	-	-	224,208
223,554	394,303	-	203,943,114
(31,665)	(394,303)	83,608	8,842,050
-	405,725	-	2,581,926
-	-	-	(6,814,105)
-	405,725	-	(4,232,179)
(31,665)	11,422	83,608	4,609,871
35,622	-	656,821	14,398,819
\$ 3,957	\$ 11,422	\$ 740,429	\$ 19,008,690

NON MAJOR FUNDS

Special Revenue Fund

Governmental Designated-Purpose Grants Fund

This fund is provided to account for monies received from various federal, state and local grant programs.

Capital Projects Fund

Capital Reserve Fund

This fund is authorized by Colorado School Law and is used to fund ongoing capital needs such as site acquisition, building additions, and equipment purchases.

BOULDER VALLEY SCHOOL DISTRICT RE-2

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	
	<u>GRANTS FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ -	\$ 1,735,897	\$ 1,735,897
Accounts Receivable	-	47,719	47,719
Grants Receivable	2,534,047	-	2,534,047
Prepaid Items	50,480	490	50,970
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>2,584,527</u>	\$ <u>1,784,106</u>	\$ <u>4,368,633</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,575	\$ -	\$ 3,575
Accrued Salaries and Benefits	1,247,570	54	1,247,624
Due to Other Funds	1,023,817	-	1,023,817
Deferred Revenues	309,565	-	309,565
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,584,527</u>	<u>54</u>	<u>2,584,581</u>
FUND BALANCES			
Reserved for Prepaid Items	-	490	490
Reserved for Emergencies	-	208,538	208,538
Unreserved, reported in Capital Projects Fund	-	1,575,024	1,575,024
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>-</u>	<u>1,784,052</u>	<u>1,784,052</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,584,527</u>	\$ <u>1,784,106</u>	\$ <u>4,368,633</u>

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS CAPITAL RESERVE FUND</u>	<u>TOTAL</u>
REVENUES	GRANTS FUND		
Local Sources	\$ 625,824	\$ 649,396	\$ 1,275,220
State Sources	1,708,940	-	1,708,940
Federal Sources	10,486,570	-	10,486,570
 TOTAL REVENUES	 12,821,334	 649,396	 13,470,730
 EXPENDITURES			
Current			
Instruction - Regular Programs	3,495,367	-	3,495,367
Instruction - Special Programs	6,864,246	-	6,864,246
Student Support Services	306,910	-	306,910
Instructional Staff Services	1,254,212	-	1,254,212
General Administration	119,896	-	119,896
School Administration	249,867	-	249,867
Operations and Maintenance	2,110	-	2,110
Pupil Transportation	57,693	-	57,693
Central Support Services	20,046	-	20,046
Community Services	285,234	-	285,234
Education for Adults	165,753	-	165,753
Capital Outlay	-	5,525,552	5,525,552
 TOTAL EXPENDITURES	 12,821,334	 5,525,552	 18,346,886
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 -	 (4,876,156)	 (4,876,156)
 OTHER FINANCING SOURCES (USES)			
Transfers In	-	4,232,179	4,232,179
 TOTAL OTHER FINANCING SOURCES (USES)	 -	 4,232,179	 4,232,179
 NET CHANGE IN FUND BALANCES	 -	 (643,977)	 (643,977)
 FUND BALANCES, Beginning	 -	 2,428,029	 2,428,029
 FUND BALANCES, Ending	 \$ -	 \$ 1,784,052	 \$ 1,784,052

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

GRANTS FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources	\$ -	\$ -	\$ 625,824	\$ 625,824
State Sources	-	-	1,708,940	1,708,940
Federal Sources	19,000,000	19,000,000	9,640,324	(9,359,676)
TOTAL REVENUES	<u>19,000,000</u>	<u>19,000,000</u>	<u>11,975,088</u>	<u>(7,024,912)</u>
EXPENDITURES				
Current				
Instruction - Regular Programs	19,000,000	19,000,000	3,495,367	15,504,633
Instruction - Special Programs	-	-	6,462,742	(6,462,742)
Student Support Services	-	-	306,910	(306,910)
Instructional Staff Services	-	-	1,254,212	(1,254,212)
General Administration	-	-	119,896	(119,896)
School Administration	-	-	249,867	(249,867)
Operations and Maintenance	-	-	2,110	(2,110)
Pupil Transportation	-	-	57,693	(57,693)
Central Support Services	-	-	20,046	(20,046)
Community Services	-	-	285,234	(285,234)
Education for Adults	-	-	165,753	(165,753)
TOTAL EXPENDITURES	<u>19,000,000</u>	<u>19,000,000</u>	<u>12,419,830</u>	<u>6,580,170</u>
NET CHANGE IN FUND BALANCE	-	-	(444,742)	(444,742)
Salaries and Benefits Earned but Unpaid				
Beginning	-	-	846,246	846,246
Ending	-	-	(1,247,750)	(1,247,750)
Revenues Accrued Due to Salaries and Benefits Earned but Unpaid	-	-	846,246	846,246
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditor's Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

CAPITAL RESERVE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources	\$ 212,000	\$ 522,632	\$ 649,396	\$ 126,764
EXPENDITURES				
Capital Outlay				
Salaries and Benefits	632,800	632,800	553,189	79,611
Building Improvements	720,000	812,000	739,915	72,085
Instructional Technology	85,300	85,300	68,746	16,554
Operating Departments	2,971,046	2,977,046	1,731,830	1,245,216
School Projects	1,989,684	2,444,108	2,431,872	12,236
Reserves	222,865	208,538	-	208,538
TOTAL EXPENDITURES	6,621,695	7,159,792	5,525,552	1,634,240
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,409,695)	(6,637,160)	(4,876,156)	1,761,004
OTHER FINANCING SOURCES				
Transfers In	3,665,645	4,209,131	4,232,179	23,048
NET CHANGE IN FUND BALANCE	(2,744,050)	(2,428,029)	(643,977)	1,784,052
FUND BALANCE, Beginning	2,744,050	2,428,029	2,428,029	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 1,784,052	\$ 1,784,052

See the accompanying Independent Auditor's Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

BOND REDEMPTION FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Taxes	\$ 12,152,320	\$ 11,855,428	\$ 11,843,437	\$ (11,991)
Earnings on Investments	<u>100,000</u>	<u>100,000</u>	<u>240,237</u>	<u>140,237</u>
TOTAL REVENUES	<u>12,252,320</u>	<u>11,955,428</u>	<u>12,083,674</u>	<u>128,246</u>
EXPENDITURES				
Debt Service				
Principal	6,755,000	6,755,000	6,755,000	-
Interest and Fiscal Charges	<u>6,845,708</u>	<u>6,845,708</u>	<u>6,827,057</u>	<u>18,651</u>
TOTAL EXPENDITURES	<u>13,600,708</u>	<u>13,600,708</u>	<u>13,582,057</u>	<u>18,651</u>
NET CHANGE IN FUND BALANCE	(1,348,388)	(1,645,280)	(1,498,383)	146,897
FUND BALANCE, Beginning	<u>16,968,194</u>	<u>17,075,783</u>	<u>17,075,783</u>	<u>-</u>
FUND BALANCE, Ending	\$ <u><u>15,619,806</u></u>	\$ <u><u>15,430,503</u></u>	\$ <u><u>15,577,400</u></u>	\$ <u><u>146,897</u></u>

See the accompanying Independent Auditor's Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

FOOD SERVICES FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
OPERATING REVENUES				
Regular School Lunch	\$ 1,859,548	\$ 1,917,248	\$ 1,624,084	\$ (293,164)
Sandwich Line	1,896,711	1,885,000	1,740,442	(144,558)
Other Revenue	<u>2,500</u>	<u>2,500</u>	<u>5,738</u>	<u>3,238</u>
TOTAL OPERATING REVENUES	<u>3,758,759</u>	<u>3,804,748</u>	<u>3,370,264</u>	<u>(434,484)</u>
OPERATING EXPENSES				
Salaries	2,069,375	2,053,527	1,951,366	102,161
Benefits	512,969	555,760	526,462	29,298
Purchased Food	2,010,126	2,118,516	1,980,075	138,441
USDA Donated Commodities	193,262	167,012	137,992	29,020
Nonfood Supplies	129,669	126,026	119,141	6,885
Purchased Services	35,725	36,205	27,617	8,588
Depreciation	70,000	70,000	45,535	24,465
Other	65,625	94,507	62,595	31,912
Indirect Costs	117,755	117,755	117,755	-
Reserves	<u>156,135</u>	<u>160,179</u>	<u>-</u>	<u>160,179</u>
TOTAL OPERATING EXPENSES	<u>5,360,641</u>	<u>5,499,487</u>	<u>4,968,538</u>	<u>530,949</u>
OPERATING INCOME (LOSS)	<u>(1,601,882)</u>	<u>(1,694,739)</u>	<u>(1,598,274)</u>	<u>96,465</u>
NONOPERATING REVENUES				
USDA Donated Commodities	167,012	167,012	183,862	16,850
Federal Reimbursement	1,282,703	1,326,869	1,295,430	(31,439)
State Matching Funds	<u>51,000</u>	<u>51,000</u>	<u>54,408</u>	<u>3,408</u>
TOTAL NONOPERATING REVENUES	<u>1,500,715</u>	<u>1,544,881</u>	<u>1,533,700</u>	<u>(11,181)</u>
NET INCOME (LOSS)	<u>(101,167)</u>	<u>(149,858)</u>	<u>(64,574)</u>	<u>85,284</u>
NET ASSETS, Beginning	<u>1,394,382</u>	<u>1,117,974</u>	<u>1,117,976</u>	<u>2</u>
NET ASSETS, Ending	<u>\$ 1,293,215</u>	<u>\$ 968,116</u>	<u>\$ 1,053,402</u>	<u>\$ 85,286</u>

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

INSURANCE RESERVE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
OPERATING REVENUES				
Other Revenue	\$ <u>10,000</u>	\$ <u>11,000</u>	\$ <u>12,840</u>	\$ <u>1,840</u>
OPERATING EXPENSES				
Salaries	774,552	859,369	867,558	(8,189)
Benefits	209,394	191,477	207,561	(16,084)
Property Insurance Premiums	940,302	900,000	870,138	29,862
Workers Compensation Premiums	1,165,000	1,220,644	1,220,644	-
Deductible Reserves	200,000	200,000	95,602	104,398
Other	17,500	21,356	52,465	(31,109)
Reserves	<u>99,202</u>	<u>101,785</u>	<u>-</u>	<u>101,785</u>
TOTAL OPERATING EXPENSES	<u>3,405,950</u>	<u>3,494,631</u>	<u>3,313,968</u>	<u>180,663</u>
OPERATING LOSS	<u>(3,395,950)</u>	<u>(3,483,631)</u>	<u>(3,301,128)</u>	<u>182,503</u>
TRANSFERS IN				
General Fund	<u>3,299,522</u>	<u>3,441,926</u>	<u>3,441,926</u>	<u>-</u>
NET INCOME (LOSS)	<u>(96,428)</u>	<u>(41,705)</u>	<u>140,798</u>	<u>182,503</u>
NET ASSETS, Beginning	<u>96,428</u>	<u>41,705</u>	<u>41,706</u>	<u>1</u>
NET ASSETS, Ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>182,504</u></u>	\$ <u><u>182,504</u></u>

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

PRIVATE PURPOSE TRUSTS

SCHEDULE OF ADDITIONS, DEDUCTIONS AND BALANCE AVAILABLE FOR SCHOLARSHIPS

Year Ended June 30, 2005

	Balances 6/30/04	Additions	Deductions	Balances 6/30/05
SCHOLARSHIP FUND				
Parmerlee Greiner Scholarship	\$ 4,888	\$ 4,055	\$ -	\$ 8,943
Hoelscher Scholarship	1,673	22	50	1,645
TEC Scholarships	712	1,009	500	1,221
CASB Scholarship Hilty Award	664	8	-	672
Cameron Memorial Fund	61	1	-	62
Jerry Buck Scholarship	3,084	40	-	3,124
Armijo Memorial Fund	1,096	518	250	1,364
Hamilton Scholarship Fund	10,495	136	500	10,131
Banman Memorial Scholarship	135	2	-	137
Armstrong Tech Theater Award	5,531	71	1,000	4,602
Urquidez Scholarship	1,655	21	-	1,676
CASB Scholarship Sandstead Award	1,680	22	-	1,702
Baldwin Memorial Scholarship	36	1	-	37
Taylor Memorial Scholarship	8,526	461	100	8,887
CASB Scholarship Young Award	159	2	-	161
E. Scates Scholarship	-	23,331	1,000	22,331
Monarch HS Class of 2001	18,541	234	700	18,075
TOTALS	\$ <u>58,936</u>	\$ <u>29,934</u>	\$ <u>4,100</u>	\$ <u>84,770</u>
TRUST FUND				
Carlson Scholarship	\$ 14,626	\$ 189	\$ -	\$ 14,815
Bostrom Scholarship Fund	16,299	210	500	16,009
Japanese Exchange	130,000	8,784	7,705	131,079
TOTALS	\$ <u>160,925</u>	\$ <u>9,183</u>	\$ <u>8,205</u>	\$ <u>161,903</u>

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

AGENCY FUND

SCHEDULE OF ADDITIONS, DEDUCTIONS AND BALANCE DUE TO STUDENT GROUPS

Year Ended June 30, 2005

	Balances		Additions		Deductions		Balances
	6/30/04						6/30/05
Angevine Middle Student Activities	\$ 15,845	\$	81,385	\$	75,641	\$	21,589
Arapahoe Ridge High Student Activities	10,890		11,009		10,139		11,760
Aspen Creek K-8 Student Activities	43,213		131,871		138,595		36,489
Boulder High Student Activities	241,991		1,128,144		1,148,102		222,033
Boulder TEC Student Activities	18,949		45,119		38,353		25,715
Broomfield Heights Middle Student Activities	40,699		114,084		99,317		55,466
Broomfield High Student Activities	159,555		844,797		840,738		163,614
Casey Middle Student Activities	31,963		132,692		128,886		35,769
Centaurus High Student Activities	201,700		612,859		604,632		209,927
Centennial Middle Student Activities	34,310		152,975		142,430		44,855
Community Schools Student Activities	758		19,169		18,719		1,208
Douglass Elementary Student Activities	11,112		25,109		25,167		11,054
Eldorado K-8 Student Activities	35,166		111,721		109,443		37,444
Fairview High Student Activities	387,572		1,288,976		1,255,396		421,152
Foothills Elementary Student Activities	15,075		81,657		84,809		11,923
Heatherwood Elementary Student Activities	2,744		1,311		2,017		2,038
Louisville Middle Student Activities	83,414		149,157		149,547		83,024
Manhattan Middle Student Activities	61,864		198,606		222,637		37,833
Mesa Elementary Student Activities	45,599		121,237		135,543		31,293
Monarch High Student Activities	237,005		981,465		990,886		227,584
Monarch K-8 Student Activities	48,280		121,060		119,371		49,969
Nederland Middle/Sr. Student Activities	36,761		185,934		181,307		41,388
Nevin Platt Middle Student Activities	37,605		219,387		216,877		40,115
New Vista High Student Activities	36,711		118,797		125,716		29,792
Southern Hills Middle Student Activities	19,806		112,826		105,483		27,149
Subtotal	1,858,587		6,991,347		6,969,751		1,880,183
 Angevine Middle School	 1,052		 490		 490		 1,052
Arapahoe Ridge High School	2,905		2,734		3,263		2,376
Bear Creek Elementary School	4,533		28,425		30,967		1,991
Birch Elementary School	5,872		51,140		42,793		14,219
Boulder Community School of Integrated Studies	1,480		461		283		1,658
Boulder High School	997		21,362		22,186		173
Boulder TEC	-		5,233		5,192		41
Broomfield Heights Middle School	-		1,023		-		1,023
Broomfield High School	(21,432)		68,494		43,124		3,938
Casey Middle School	9,867		8,055		15,256		2,666
Centaurus High School	5,044		3,572		7,898		718
Centennial Middle School	(3,472)		22,318		17,258		1,588
Coal Creek Elementary School	9,803		10,495		18,050		2,248

See the accompanying Independent Auditors' Report.

	Balances 6/30/04	Additions	Deductions	Balances 6/30/05
Columbine Elementary School	7,876	17,243	17,651	7,468
Community Montessori School	17,607	7,380	35,515	(10,528)
Creskside at Martin Park Elementary School	9,101	56,956	35,863	30,194
Crest View Elementary School	3,570	15,826	14,355	5,041
Douglass Elementary School	10,465	64,625	58,799	16,291
Eisenhower Elementary School	33,735	50,644	69,586	14,793
Eldorado K-8 School	(3,846)	12,666	12,328	(3,508)
Emerald Elementary School	11,894	32,816	27,019	17,691
Fairview High School	4,506	9,000	26,003	(12,497)
Fireside Elementary School	12,750	26,868	26,286	13,332
Flatirons Elementary School	29,369	7,338	4,138	32,569
Foothill Elementary School	8,864	21,630	4,903	25,591
Gold Hill Elementary	515	2,200	2,072	643
Halcyon	57	-	-	57
Heatherwood Elementary School	22,202	68,214	67,042	23,374
High Peaks Elementary School	5,285	3,197	1,217	7,265
Jamestown Elementary	212	496	-	708
Kohl Elementary School	17,078	30,593	31,481	16,190
Lafayette Elementary School	6,810	61,699	41,963	26,546
Louisville Elementary School	12,122	6,015	4,076	14,061
Louisville Middle School	7,922	3,905	3,260	8,567
Manhattan Middle School of Arts & Academics	2,829	3,115	13,332	(7,388)
Mesa Elementary School	485	28,125	28,981	(371)
Monarch High School	(3,577)	24,897	25,397	(4,077)
Monarch K-8 School	(627)	-	-	(627)
Nederland Elementary School	12,113	52,251	48,996	15,368
Nederland Middle/High School	5,239	19,623	18,448	6,414
Nevin Platt Middle School	1,130	1,597	2,302	425
New Vista High School	30,883	12,526	23,049	20,360
Other Departments	843,181	648,117	558,759	932,539
Pioneer Elementary School	(28)	18,011	21,007	(3,024)
Ryan Elementary School	7,988	27,386	24,709	10,665
Sanchez Elementary School	17,292	61,451	35,860	42,883
Southern Hills Middle School	(968)	1,126	158	-
Superior Elementary School	26,238	41,644	41,982	25,900
University Hill Elementary School	31,755	33,541	29,906	35,390
Whittier Elementary School	5,502	5,587	11,198	(109)
Subtotal	<u>1,214,178</u>	<u>1,702,110</u>	<u>1,574,401</u>	<u>1,341,887</u>
TOTALS	<u>\$ 3,072,765</u>	<u>\$ 8,693,457</u>	<u>\$ 8,544,152</u>	<u>\$ 3,222,070</u>

BOULDER VALLEY SCHOOL DISTRICT RE-2

COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
June 30, 2005

	<u>BOULDER PREP</u>	<u>HORIZONS</u>	<u>PEAK TO PEAK</u>	<u>SUMMIT</u>	<u>TOTAL COMPONENT UNITS</u>
ASSETS					
Cash and Investments	\$ 62,933	\$ 333,180	\$ 2,606,500	\$ 435,076	\$ 3,437,689
Restricted Cash and Investments	-	-	2,842,138	-	2,842,138
Accounts Receivable	-	-	8,748	-	8,748
Inventories	-	8,305	2,450	-	10,755
Prepaid Items	7,228	-	-	-	7,228
Debt Issuance Costs	-	-	665,537	-	665,537
Capital Assets, Net of Accumulated Depreciation	14,857	-	14,306,312	49,860	14,371,029
TOTAL ASSETS	85,018	341,485	20,431,685	484,936	21,343,124
LIABILITIES					
Accounts Payable	-	-	69,918	-	69,918
Accrued Salaries and Benefits	-	206,490	305,130	106,513	618,133
Accrued Interest Payable	-	-	430,666	-	430,666
Deferred Revenues	-	-	34,986	-	34,986
Noncurrent Liabilities					
Due Within One Year	-	-	390,000	-	390,000
Due in More Than One Year	-	-	18,112,377	-	18,112,377
TOTAL LIABILITIES	-	206,490	19,343,077	106,513	19,656,080
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	14,857	-	(3,140,528)	49,860	(3,075,811)
Restricted for Debt Service	-	-	3,150,666	-	3,150,666
Restricted for Emergencies	16,453	53,824	238,866	49,647	358,790
Unrestricted	53,708	81,171	839,604	278,916	1,253,399
TOTAL NET ASSETS	\$ 85,018	\$ 134,995	\$ 1,088,608	\$ 378,423	\$ 1,687,044

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

	BOULDER PREP	HORIZONS	PEAK TO PEAK	SUMMIT	TOTAL COMPONENT UNITS
EXPENSES					
Instruction - Regular Programs	\$ 299,128	\$ 1,364,692	\$ 3,233,682	\$ 1,074,941	\$ 5,972,443
Instruction - Special Programs	7,934	353,426	110,942	40,208	512,510
Student Support Services	199,247	-	302,601	44,148	545,996
Instructional Staff Services	77,946	10,588	112,597	96,416	297,547
General Administration	10,754	-	183,647	730	195,131
School Administration	85,910	357,731	830,206	294,737	1,568,584
Business Services	17,432	-	3,907	-	21,339
Operations and Maintenance	88,304	113,534	725,415	30,880	958,133
Central Support Services	540	-	27,382	5,758	33,680
Other Support Services	-	-	938,273	-	938,273
Community Services	-	-	58,643	-	58,643
District Charges for Services	141,530	468,991	1,798,719	696,834	3,106,074
Interest	-	-	1,352,610	-	1,352,610
TOTAL EXPENSES	928,725	2,668,962	9,678,624	2,284,652	15,560,963
PROGRAM REVENUES					
Charges for Services	-	96,004	516,087	16,860	628,951
Operating Grants and Contributions	211,792	163,743	549,183	5,098	929,816
TOTAL PROGRAM REVENUES	211,792	259,747	1,065,270	21,958	1,558,767
NET (EXPENSE) REVENUE	716,933	2,409,215	8,613,354	2,262,694	14,002,196
GENERAL REVENUES					
Per Pupil Revenues	633,802	2,122,189	8,115,213	2,141,870	13,013,074
Capital Construction Funding	14,454	-	196,630	-	211,084
Investment Earnings	-	1,971	114,520	-	116,491
Other Revenues	60,355	29,065	172,650	121,976	384,046
TOTAL GENERAL REVENUES	708,611	2,153,225	8,599,013	2,263,846	13,724,695
CHANGE IN NET ASSETS	(8,322)	(255,990)	(14,341)	1,152	(277,501)
NET ASSETS, Beginning	93,340	390,985	1,102,949	377,271	1,964,545
NET ASSETS, Ending	\$ 85,018	\$ 134,995	\$ 1,088,608	\$ 378,423	\$ 1,687,044

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

COMPONENT UNITS
COMBINING BALANCE SHEET
June 30, 2005

	BOULDER PREP	HORIZONS	PEAK TO PEAK	SUMMIT	TOTAL COMPONENT UNITS
ASSETS					
Cash and Investments	\$ 62,933	\$ 333,180	\$ 2,606,500	\$ 435,076	\$ 3,437,689
Restricted Cash and Investments	-	-	2,842,138	-	2,842,138
Accounts Receivable	-	-	8,748	-	8,748
Inventories	-	8,305	2,450	-	10,755
Prepays Items	7,228	-	-	-	7,228
TOTAL ASSETS	\$ 70,161	\$ 341,485	\$ 5,459,836	\$ 435,076	\$ 6,306,558
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 69,918	\$ -	\$ 69,918
Accrued Salaries and Benefits	-	206,490	305,130	106,513	618,133
Deferred Revenues	-	-	34,986	-	34,986
TOTAL LIABILITIES	-	206,490	410,034	106,513	723,037
FUND BALANCES					
Reserved for Debt Service	-	-	3,150,666	-	3,150,666
Reserved for Emergencies	16,453	53,824	238,866	49,647	358,790
Unreserved	53,708	81,171	1,660,270	278,916	2,074,065
TOTAL FUND BALANCES	70,161	134,995	5,049,802	328,563	5,583,521
TOTAL LIABILITIES AND FUND BALANCES	\$ 70,161	\$ 341,485	\$ 5,459,836	\$ 435,076	\$ 6,306,558

Amounts reported in the statement of net assets are difference because:

Fund Balances	\$ 70,161	\$ 134,995	\$ 5,049,802	\$ 328,563	\$ 5,583,521
Capital Assets	14,857	-	14,306,312	49,860	14,371,029
Long-Term Debt	-	-	(23,300,000)	-	(23,300,000)
Accrued Interest Payable	-	-	(430,666)	-	(430,666)
Debt Premium	-	-	(511,513)	-	(511,513)
Loss on Refunding	-	-	5,309,136	-	5,309,136
Debt Issuance Costs	-	-	665,537	-	665,537
Net Assets	\$ 85,018	\$ 134,995	\$ 1,088,608	\$ 378,423	\$ 1,687,044

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	<u>BOULDER PREP</u>	<u>HORIZONS</u>	<u>PEAK TO PEAK</u>	<u>SUMMIT</u>	<u>TOTAL COMPONENT UNITS</u>
REVENUES					
Local Sources	\$ 737,710	\$ 2,358,394	\$ 9,283,025	\$ 2,253,798	\$ 14,632,927
State Sources	181,524	47,338	203,893	26,908	459,663
Federal Sources	1,169	7,240	177,365	5,098	190,872
TOTAL REVENUES	920,403	2,412,972	9,664,283	2,285,804	15,283,462
EXPENDITURES					
Current					
Instruction - Regular Programs	294,176	1,364,692	3,233,682	1,074,941	5,967,491
Instruction - Special Programs	7,934	353,426	110,942	40,208	512,510
Student Support Services	199,247	-	302,601	44,148	545,996
Instructional Staff Services	77,946	10,588	112,597	96,416	297,547
General Administration	10,754	-	183,647	730	195,131
School Administration	85,910	357,731	807,124	288,505	1,539,270
Business Services	17,432	-	3,907	-	21,339
Operations and Maintenance	88,304	113,534	725,415	30,880	958,133
Central Support Services	540	-	27,382	5,758	33,680
Other Support Service	-	-	267,165	-	267,165
Community Services	-	-	58,643	-	58,643
District Charges for Services	141,530	468,991	1,798,719	696,834	3,106,074
Capital Outlay	-	-	1,723,455	-	1,723,455
Debt Service					
Interest and Fiscal Charges	-	-	921,944	-	921,944
TOTAL EXPENDITURES	923,773	2,668,962	10,277,223	2,278,420	16,148,378
NET CHANGE IN FUND BALANCES	(3,370)	(255,990)	(612,940)	7,384	(864,916)
FUND BALANCES, Beginning	73,531	390,985	5,662,742	321,179	6,448,437
FUND BALANCES, Ending	\$ 70,161	\$ 134,995	\$ 5,049,802	\$ 328,563	\$ 5,583,521

Amounts reported in the statement of activities are different because:

Net Change in Fund Balances	\$ (3,370)	\$ (255,990)	\$ (612,940)	\$ 7,384	\$ (864,916)
Capital Outlay	-	-	1,723,455	-	1,723,455
Depreciation Expense	(4,952)	-	(504,716)	(6,232)	(515,900)
Accrued Interest	-	-	(430,666)	-	(430,666)
Amortization of Debt Premium	-	-	17,740	-	17,740
Amortization of Loss on Refunding	-	-	(184,132)	-	(184,132)
Amortization of Debt Issuance Costs	-	-	(23,082)	-	(23,082)
Change in Net Assets	\$ (8,322)	\$ (255,990)	\$ (14,341)	\$ 1,152	\$ (277,501)

See the accompanying Independent Auditors' Report.

STATISTICAL SECTION

BOULDER VALLEY SCHOOL DISTRICT RE-2
GENERAL FUND EXPENDITURES BY OBJECT
Last Ten Years

(Unaudited)

	Actual 1995/96	Actual 1996/97 (a)	Actual 1997/98	Actual 1998/99
Salaries	\$ 81,531,594	\$ 91,353,222	\$ 97,385,100	\$ 104,732,608
Percent change from prior year	(1.39)	12.05	6.60	7.54
Employee benefits	14,702,980	16,030,722	16,642,275	17,843,964
Percent change from prior year	(7.22)	9.03	3.81	7.22
Purchased services	11,695,375	11,057,256	7,187,545	8,955,449
Percent change from prior year	50.46	(5.46)	(35.00)	24.60
Supplies and materials	2,660,743	4,817,209	7,277,785	8,054,703
Percent change from prior year	(48.90)	81.05	51.08	10.68
Capital outlay	362,504	496,083	435,089	628,495
Percent change from prior year	38.87	36.85	(12.30)	44.45
Other	376,343	1,579,599	802,476	1,244,665
Percent change from prior year	(19.28)	319.72	(49.20)	55.10
Net allocations to charter schools	-	-	-	-
Percent change from prior year	-	-	-	-
Pre-PERA retirement	11,436	12,238	13,000	3,281
Percent change from prior year	(47.93)	7.01	6.23	(74.76)
County fees for tax collection	420,420	432,080	466,996	525,629
Percent change from prior year	5.01	2.77	8.08	12.56
Retirement payoffs	762,836	406,504	849,607	764,660
Percent change from prior year	11.70	(46.71)	109.00	(10.00)
TOTAL GENERAL OPERATING FUND EXPENDITURES	\$ 112,524,231	\$ 126,184,913	\$ 131,059,873	\$ 142,753,454
PERCENT CHANGE FROM PRIOR YEAR	1.81%	12.14%	3.86%	8.92%

(a) As of 1996/97, The District eliminated the General Fund Subsidy Accounts. The balances represent total General Operating Fund expenditures from 1996/97 and thereafter.

Source: Boulder Valley School District RE-2 Audited Financial Statements 1995/96-2004/05.

TABLE I

Actual 1999/00	Actual 2000/01	Actual 2001/02	Actual 2002/03	Actual 2003/04	Actual 2004/05
\$ 114,512,943 9.34	\$ 119,789,541 4.61	\$ 123,794,477 3.34	\$ 130,450,470 5.38	\$ 132,352,763 1.46	134,536,810 1.65
20,286,097 13.69	21,410,503 5.54	22,611,621 5.61	22,876,106 1.17	26,224,978 14.64	25,172,117 (4.01)
7,468,825 (16.60)	7,568,103 1.33	6,612,818 (12.62)	6,645,457 0.49	6,983,768 5.09	7,127,064 2.05
9,209,969 14.34	9,846,458 6.91	8,550,185 (13.16)	8,413,461 (1.60)	8,354,910 (0.70)	10,436,112 24.91
1,432,177 127.87	1,452,045 1.39	1,813,620 24.90	1,192,985 (34.22)	1,316,451 10.35	1,045,107 (20.61)
3,177,706 155.31	2,754,619 (13.31)	3,397,436 23.34	3,288,447 (3.21)	4,120,251 25.29	4,555,726 10.57
- -	- -	5,844,475 -	9,160,211 56.73	12,283,334 34.09	13,245,054 7.83
- (100.00)	- -	- -	- -	- -	- -
276,694 (47.36)	281,337 1.68	295,412 5.00	336,150 13.79	342,289 1.83	338,581 (1.08)
914,668 19.62	1,024,725 12.03	551,681 (46.16)	610,564 10.67	574,550 (5.90)	920,753 60.26
<u>\$ 157,279,079</u>	<u>\$ 164,127,331</u>	<u>\$ 173,471,725</u>	<u>\$ 182,973,851</u>	<u>\$ 192,553,294</u>	<u>\$ 197,377,324</u>
<u>10.18%</u>	<u>4.35%</u>	<u>5.69%</u>	<u>5.48%</u>	<u>5.24%</u>	<u>2.51%</u>

BOULDER VALLEY SCHOOL DISTRICT RE-2
GENERAL FUND REVENUE BY SOURCE
Last Ten Years

(Unaudited)

	Actual 1995/96	Actual 1996/97 (a)	Actual 1997/98	Actual 1998/99
Local Revenue				
Current property taxes	\$ 83,979,637	\$ 86,433,327	\$ 92,650,365	\$ 105,206,316
Specific ownership taxes	6,776,864	7,205,038	7,746,082	9,961,118
Delinquent taxes and penalties	167,769	117,529	194,816	93,653
Tuition	191,701	269,515	3,304,518	3,408,518
Interest income	478,482	421,707	418,924	499,766
Miscellaneous	1,923,444	994,988	1,149,519	3,780,598
Total local revenue	93,517,897	95,442,104	105,464,224	122,949,969
State Revenue				
State equalization	21,199,877	23,664,149	24,506,373	27,821,878
Special education	2,772,541	2,771,485	2,939,892	2,956,640
Transportation	1,613,185	1,562,182	1,448,265	1,353,305
Vocational education	805,146	782,306	927,638	697,546
Medicaid	-	-	-	-
Miscellaneous	149,950	251,213	330,697	340,482
Total state revenue	26,540,699	29,031,335	30,152,865	33,169,851
Federal Revenue	24,273	-	6,075	17,086
TOTAL GENERAL FUND REVENUE	<u><u>\$ 120,082,869</u></u>	<u><u>\$ 124,473,439</u></u>	<u><u>\$ 135,623,164</u></u>	<u><u>\$ 156,136,906</u></u>
PERCENT CHANGE FROM PRIOR YEAR	<u><u>4.74%</u></u>	<u><u>3.66%</u></u>	<u><u>8.96%</u></u>	<u><u>15.13%</u></u>

(a) As of 1996/97, the District eliminated the General Fund Subsidy Accounts. The balances represent total General Fund expenditures from 1996/97 and thereafter.

Source: Boulder Valley School District RE-2 Audited Financial Statements 1995/96-2004/05.

TABLE II

Actual 1999/00	Actual 2000/01	Actual 2001/02	Actual 2002/03	Actual 2003/04	Actual 2004/05
\$ 108,575,064	\$ 111,867,694	\$ 117,861,142	\$ 132,645,345	\$ 136,429,558	\$ 135,047,456
11,324,836	11,936,063	12,221,725	11,605,270	11,551,266	11,254,363
322,645	837,968	921,330	387,791	336,249	139,537
3,191,887	3,110,424	170,581	142,288	108,654	247,160
507,953	802,566	252,916	152,177	80,227	314,937
1,310,833	2,013,252	712,996	969,381	3,671,360	4,083,926
125,233,218	130,567,967	132,140,690	145,902,252	152,177,314	151,087,379
29,110,241	31,174,893	35,352,777	42,286,795	45,499,801	49,648,368
3,005,528	3,076,734	3,253,442	3,458,753	3,562,820	3,580,231
1,534,018	1,605,018	1,641,720	1,740,381	1,666,126	1,817,823
729,487	997,821	1,093,446	836,724	740,919	863,334
-	-	-	211,016	195,883	181,471
149,359	127,057	861,089	322,123	309,221	279,332
34,528,633	36,981,523	42,202,474	48,855,792	51,974,770	56,370,559
-	-	-	-	-	-
<u>\$ 159,761,851</u>	<u>\$ 167,549,490</u>	<u>\$ 174,343,164</u>	<u>\$ 194,758,044</u>	<u>\$ 204,152,084</u>	<u>\$ 207,457,938</u>
<u>2.32%</u>	<u>4.87%</u>	<u>4.05%</u>	<u>11.71%</u>	<u>4.82%</u>	<u>1.62%</u>

**BOULDER VALLEY SCHOOL DISTRICT RE-2
PROPERTY TAX LEVIES AND COLLECTIONS - ALL FUNDS
Last Ten Years**

(Unaudited)

Levy Year	Collection Year	Total Tax Levied	Total Current Tax Collections	Total Current Tax Collections as a Percentage of Total Tax Levied	Delinquent Tax Collections	Delinquent Tax Collections as a Percentage of Total Tax Levied
1994	1995	91,670,259	92,168,033	99.45	187,108	0.20
1995	1996	95,233,893	94,791,270	99.54	171,986	0.18
1996	1997	101,016,769	99,430,408	98.43	194,817	0.19
1997	1998	106,247,007	103,162,683	97.10	93,653	0.09
1998	1999	120,618,953	119,967,464	99.46	142,920	0.12
1999	2000	123,278,175	123,084,710	99.84	356,068	0.29
2000	2001	127,106,029	126,382,188	99.43	71,953	0.06
2001	2002	131,684,926	130,756,272	99.29	387,790	0.29
2002	2003	148,573,194	147,631,486	99.37	336,249	0.23
2003	2004	152,358,542	155,208,574	101.87	139,537	0.09

Source: Boulder County, Broomfield County and Gilpin County Assessor's Offices and Boulder Valley School District RE-2.

**BOULDER VALLEY SCHOOL DISTRICT RE-2
ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Years**

(Unaudited)

Levy Year	Property Values				Estimated Actual Value
	Amount Assessed in Boulder County	Amount Assessed in Broomfield County	Amount Assessed in Gilpin County	Total Assessed Valuation Amount	
1995	2,070,225,420	-	16,406,770	2,086,632,190	13,416,773,470
1996	2,143,943,580	-	17,166,510	2,161,110,090	14,815,570,254
1997	2,281,778,250	-	19,381,190	2,301,159,440	15,207,498,800
1998	2,375,324,790	-	19,999,560	2,395,324,350	15,879,878,955
1999	2,776,736,100	-	25,040,610	2,801,776,710	18,407,178,810
2000	2,937,953,310	-	25,582,000	2,963,535,310	20,616,439,773
2001	3,215,728,800	537,935,180	29,624,610	3,783,288,590	26,157,867,737
2002	3,255,103,009	569,409,440	32,127,420	3,856,639,869	26,525,947,278
2003	3,339,113,674	604,917,750	38,677,800	3,982,709,224	30,780,211,997
2004	3,360,484,781	583,745,160	38,544,450	3,982,774,391	31,059,099,814

Source: Boulder County, Broomfield County and Gilpin County Assessor's Offices.

**BOULDER VALLEY SCHOOL DISTRICT RE-2
RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Years**

(Unaudited)

	<u>June 1996</u>	<u>June 1997</u>	<u>June 1998</u>	<u>June 1999</u>
Gross bonded deb	\$ 124,795,000	\$ 119,515,000	\$ 119,015,000	\$ 176,270,000
Debt service moneys available	10,223,940	12,464,494	13,211,549	14,467,115
Net bonded debt outstanding	114,571,060	107,050,506	105,803,451	161,802,885
District's estimated population	Not available	Not available	Not available	Not available
Boulder County per capita income	Not available	Not available	Not available	Not available
District's total assessed valuation *	2,086,632,190 *	2,161,110,090 *	2,301,159,440 *	2,395,324,350
Net bonded debt per capita	Not available	Not available	Not available	Not available
Net bonded debt as a percent of assessed valuation	5.49	4.95	4.60	6.75
Total per capita income as a percent of net bonded debt	Not available	Not available	Not available	Not available

* Assessed valuation as of December 31 of the previous yea

Source: Boulder Valley District RE-2 Audited Financial Statements 1995/96 to 2004/05.

TABLE V

June 2000	June 2001	June 2002	June 2003	June 2004	June 2005
\$ 170,405,000	\$ 165,070,000	\$ 159,500,000	\$ 153,515,000	\$ 147,065,000	\$ 140,310,000
14,172,985	14,952,229	14,973,430	15,131,986	17,075,783	15,577,400
156,232,015	150,117,771	144,526,570	138,383,014	129,989,217	124,732,600
Not available	189,000	202,000	202,000	207,000	211,000
Not available	37,523	39,347	40,840	41,936	38,028
2,801,776,710	2,963,535,310	3,783,288,590	3,856,639,869	3,982,709,224	3,982,774,391
Not available	794.27	715.48	685.06	627.97	591.15
5.58	5.07	3.82	3.59	3.26	3.13
Not available	0.02	0.03	0.03	0.03	0.03

**BOULDER VALLEY SCHOOL DISTRICT RE-2
COMPUTATION OF LEGAL DEBT MARGIN**

(Unaudited)

2004 taxable assessed valuation	\$ 3,982,774,391
Debt limit percentage (1)	<u>20%</u>
Legal debt limit	796,554,878
Amount of debt applicable to debt limit - total bonded debt as of June 30, 2005	<u>140,310,000</u>
LEGAL DEBT MARGIN	<u><u>\$ 656,244,878</u></u>

- (1) Colorado Statute No. 22-42-104: Each school district shall have a limit of bonded indebtedness of 20% of the latest valuation for assessment of the taxable property in such district, as certified by the assessor to the Board of County Commissioners, or 25% if enrollment has increased by 3% or more over each preceding year in the last three years, or 6% of actual value.

Source: Boulder Valley School District RE-2.

BOULDER VALLEY SCHOOL DISTRICT RE-2
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
Last Ten Years

(Unaudited)

Fiscal Year	Principal	Interest and Other Expenditures	Total Debt Service	Total General Fund Expenditures (b)	Ratio of Debt Service to Total General Fund Expenditures
1995/96	4,165,000	7,589,905	11,754,905	112,524,231	10.46
1996/97	5,280,000	7,310,668	12,590,668	119,362,800	10.55
1997/98	69,310,000 (a)	11,960,474	81,270,474	129,460,071	62.78
1998/99	6,400,000	7,065,854	13,465,854	142,753,454	9.43
1999/00	5,865,000	8,886,603	14,751,603	157,279,079	9.38
2000/01	5,335,000	8,601,250	13,936,250	164,127,331	8.49
2001/02	5,625,000	8,341,108	13,966,108	173,471,725	8.05
2002/03	5,985,000	7,382,241	13,367,241	182,973,851	7.31
2003/04	6,450,000	7,119,222	13,569,222	192,553,294	7.05
2004/05	6,755,000	6,827,057	13,582,057	197,377,324	6.88

(a) Refunding of debt occurred

(b) As of 1996/97, the District eliminated the General Fund Subsidy Accounts. The balances represent total General Fund expenditures from 1996/97 and thereafter

Source: Boulder Valley School District RE-2 Audited Financial Statements 1995/96-2004/05

**BOULDER VALLEY SCHOOL DISTRICT RE-2
DISTRICT MILL LEVY HISTORY
Last Ten Years**

(Unaudited)

Levy Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Collection Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund	40.640	40.437	40.525	44.356	38.978	38.191	31.274	35.006	34.378	34.418
Bond Redemption Fund	5.000	6.306	4.819	6.000	5.022	4.699	3.533	3.518	3.877	3.005
TOTAL LEVY	<u>45.640</u>	<u>46.743</u>	<u>45.344</u>	<u>50.356</u>	<u>44.000</u>	<u>42.890</u>	<u>34.807</u>	<u>38.524</u>	<u>38.255</u>	<u>37.423</u>

Source: Boulder, Broomfield and Gilpin Counties Abstracts of Assessment and Summary of Tax Levies, 1995-2004.

**BOULDER VALLEY SCHOOL DISTRICT RE-2
PROPERTY TAX RATES (MILLS)*
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Years**

(Unaudited)

Levy Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Boulder Valley School District RE-2	45.640	46.743	46.743	45.344	44.000	42.890	34.807	38.524	38.255	37.423
Boulder County	20.897	21.447	21.243	21.762	19.382	19.835	17.621	20.087	20.088	21.267
City of Boulder	9.189	9.666	11.428	11.438	10.502	10.908	9.301	9.640	9.860	10.005
City and County of Broomfield	13.894	13.894	13.894	13.894	13.894	13.894	28.986	28.986	28.968	28.968
City of Lafayette	13.629	13.009	13.817	13.034	11.352	11.860	11.130	10.994	10.832	10.710
City of Louisville	5.457	5.246	5.246	5.184	4.643	4.767	5.292	5.184	6.710	6.710
Northern Colorado Water Conservancy District	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Town of Jamestown	7.244	12.621	13.390	12.320	13.289	13.289	12.343	14.843	14.680	21.400
Town of Nederland	14.440	14.440	15.486	16.210	14.982	15.546	15.408	15.455	14.462	14.765
Town of Superior	2.709	2.737	2.727	2.727	2.279	2.144	1.836	1.906	8.805	8.805
Town of Ward	5.416	5.416	4.807	5.481	4.232	4.230	3.662	3.474	2.616	2.709
Urban Drainage & Flood Control District	0.696	0.696	0.668	0.676	0.583	0.594	0.521	0.531	0.533	0.538
TOTAL	140.211	146.915	150.449	149.070	140.138	140.957	141.907	150.624	156.809	164.300

* Does not include all Special Districts.

Source: Boulder County Abstract of Assessment and Summary of Tax Levies, 1995-2004.

BOULDER VALLEY SCHOOL DISTRICT RE-2
COMPUTATION OF OVERLAPPING BONDED
GENERAL OBLIGATION DEBT
June 30, 2005

TABLE X

(Unaudited)

	Gross Outstanding General Obligation Debt (1)	Net Outstanding General Obligation Debt (1)	Net Outstanding General Obligation Debt Chargeable to Properties within the District	
			Percent	Amount
Baseline Water District	\$ 5,598	\$ -	100.00	\$ -
Boulder Central General Improvement District	27,485,000	27,485,000	100.00	27,485,000
Boulder Rural Fire Protection District	-	-	100.00	-
Brownsville Water & Sanitation District	-	-	34.90	-
Cherryvale Fire Protection District	-	-	100.00	-
City of Boulder	66,180,000	66,180,000	74.80	49,502,640
City of Broomfield	3,845,000	3,685,000	100.00	3,685,000
City of Lafayette	14,980,000	9,885,000	100.00	9,885,000
City of Louisville	8,878,530	8,878,530	100.00	8,878,530
Coal Creek Canyon Fire Protection District	-	-	10.80	-
Colorado Tech Center Metropolitan District	11,510,814	11,510,814	87.20	10,037,430
Four Mile Canyon Fire District	-	-	100.00	-
Gilpin County Library District	275,000	275,000	100.00	275,000
Gold Hill Fire Protection District	-	-	100.00	-
Gunbarrel Improvement District	415,000	415,000	100.00	415,000
High Country Fire Protection District	-	-	88.80	-
Interlocken Consolidated Metropolitan District	92,782,993	92,782,993	100.00	92,782,993
Louisville Fire Protection District	-	-	100.00	-
Mountain View Fire Protection District	755,000	755,000	6.50	49,075
North Metro Fire Rescue District	-	-	42.70	-
Northern Colorado Water Conservancy District	4,606,523	-	100.00	-
Pine Brook Water District	5,400,000	-	42.20	-
Pine Brook Hills Fire District	-	-	100.00	-
Superior Metropolitan District No. 1	-	-	100.00	-
Superior Metropolitan District No. 2	7,120,000	7,120,000	100.00	7,120,000
Superior Metropolitan District No. 3	3,395,000	3,395,000	100.00	3,395,000
Town of Nederland	1,981,659	1,762,945	100.00	1,762,945
University Hills General Improvement District	-	-	100.00	-
			Total	<u>\$ 215,273,613</u>

(1) "Gross outstanding general obligations debt" includes general obligation debt historically paid from system revenues ("self-supporting general obligation debt"). "Net outstanding general obligation debt" is gross outstanding general obligation debt minus self-supporting general obligation debt.

(2) This amount constitutes a contractual obligation of the district.

Sources: Boulder County Assessor's Office, and information obtained from individual entities

**BOULDER VALLEY SCHOOL DISTRICT RE-2
BOULDER COUNTY POPULATION ESTIMATES**

(Unaudited)

	1960	1970	1980	1990	2000	Percent Increase (Decrease)	
						1980- 1990	1990- 2000
Boulder	37,718	66,870	76,685	83,312	94,673	8.64 %	13.64 %
Broomfield (1)	-	7,261	14,514	16,458	21,474	13.39	30.48
Erie (1)	-	7	23	21	4,282	(4.50)	20,290.48
Longmont	11,489	23,209	42,942	51,555	71,069	20.05	37.85
Louisville	2,073	2,409	5,593	12,361	18,937	121.01	53.20
Lafayette	2,612	3,498	8,985	14,548	23,197	61.91	59.45
Lyons	706	958	1,137	1,227	1,585	7.92	29.18
Nederland	272	492	1,212	1,099	1,394	(9.32)	25.02
Jamestown	107	185	223	251	205	12.56	(18.33)
Superior	173	171	208	255	9,008	22.59	3,432.55
Ward	9	32	129	159	169	23.25	6.29
Unincorporated							
Boulder County	17,900	26,797	37,974	34,676	45,295	(8.68)	30.62
Estimated Boulder							
County Total (2)	74,254	131,889	189,625	215,922	291,288	13.87	34.90

(1) Population includes only that portion located in Boulder County. As of 2000, approximately 56% of the 38,272 residents of Broomfield (approximately 21,474 persons) and approximately 68% of the 6,291 residents of Erie (approximately 4,282 persons) resided in Boulder County.

(2) The estimated Boulder County total reflects an unduplicated count.

Source: Colorado Division of Local Affairs; United States Bureau of the Census. 1950, 1960, 1970, and 1980 are Census figures; 1990 and 2000 figures are estimates from the Colorado Department of Local Affairs.

BOULDER VALLEY SCHOOL DISTRICT RE-2
CHARACTERISTICS OF EMPLOYMENT IN BOULDER COUNTY

TABLE XII

(Unaudited)

<u>Industry</u>	<u>As of December 31, 2003</u>		<u>As of December 31, 2004</u>	
	<u>Estimated</u>	<u>Percent</u>	<u>Estimated</u>	<u>Percent</u>
	<u>Average</u>	<u>of Total</u>	<u>Average</u>	<u>of Total</u>
	<u>Monthly</u>	<u>Employment</u>	<u>Monthly</u>	<u>Employment</u>
	<u>Employment</u>		<u>Employment</u>	
Mining and construction	6,323	4.18 %	7,044	4.59 %
Manufacturing	19,744	13.04	18,859	12.29
Transportation	1,733	1.14	1,364	0.89
Wholesale and retail trade	21,676	14.31	20,842	13.59
Information	9,749	6.44	9,159	5.97
Finance, insurance and real estate	7,167	4.73	7,278	4.74
Services	61,524	40.62	64,858	42.28
Government	23,530	15.54	24,003	15.65
TOTAL	<u>151,446</u>	<u>100.00 %</u>	<u>153,407</u>	<u>100.00 %</u>

Source: State Department of Labor and Employment, Division of Employment and Training.

**BOULDER VALLEY SCHOOL DISTRICT RE-2
MAJOR EMPLOYERS IN BOULDER AND BROOMFIELD COUNTIES**

TABLE XIII

(Unaudited)

Company	Activity	Estimated Number of Employees
University of Colorado	Four-year college and graduate school	7,100
International Business Machines	Software development, custom information systems	4,700
Boulder Valley School District RE-2	One of two public school districts in Boulder County	4,554
Sun Microsystems, Inc.	Software development and custom information systems	3,300
Ball Corp.	Electronic space exploration systems and defense products	2,600
Boulder Community Hospital	Medical facility	2,600
Level 3 Communications, Inc.	Communications and information services	2,100
Boulder County	Local Government	1,843
City of Boulder	Local Government	1,529
Seagate Technology	Manufacturer of hard disc drives	1,200

Source: Boulder County Business Report Book of Lists and Individual Entities

BOULDER VALLEY SCHOOL DISTRICT RE-2
PROPERTY VALUES AND CONSTRUCTION
Last Ten Years

(Unaudited)

Tax Year	Property Values			Construction	
	Assessed Valuation	Estimated Actual Value		Permits	Residential Value
1995	2,086,632,190	13,416,773,470		3,247	250,505,183
1996	2,161,110,090	14,815,570,254		3,237	133,160,668
1997	2,301,159,440	15,207,498,800		3,030	154,316,806
1998	2,395,324,350	15,879,878,955		n/a	n/a
1999	2,801,776,710	18,407,178,810		3,965	193,159,717
2000	2,963,535,310	20,616,439,773		3,602	166,897,609
2001	3,783,288,590	26,157,867,737	(3)	n/a	n/a
2002	3,856,639,869	26,525,947,278	(3)	n/a	n/a
2003	3,982,709,224	30,780,211,997	(3)	n/a	n/a
2004	3,982,774,391	31,059,099,814	(3)	n/a	n/a

(2) The method of calculating estimated actual value has changed to provide more accurate values.

(3) The Assessor's office changed it's accounting system and is, at this time, not able to provide data in this format.

Source: Boulder County Assessor's Office.

TABLE XIV

Construction			
Nonresidential		Total	Total
Permits	Value	Permits	Value
395	56,317,925	3,848	306,823,108
472	77,131,744	3,709	210,292,412
450	77,360,518	3,480	231,677,324
n/a	n/a	n/a	n/a
316	84,328,680	4,281	277,488,397
212	87,399,041	3,814	254,296,650
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

TABLE XV

**BOULDER VALLEY SCHOOL DISTRICT RE-2
PRINCIPAL TAXPAYERS OVER A SPECIFIED
AMOUNT OF ASSESSED VALUATION
December 31, 2004**

(Unaudited)

<u>Name</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Xcel Energy	Supplier of electricity and natural gas to consumers	\$64,779,480	1.63 %
Flatiron Holding LLC	Regional Retail Center	45,037,420	1.13 %
Roche Colorado Corporation	Processing of pharmaceuticals	32,819,450	0.82 %
Level 3 Communications	Telecommunications	31,253,880	0.78 %
International Business Machines Corporation	Manufacturer of computer software and hardware	29,541,870	0.74 %
Qwest	Telecommunications	27,576,220	0.69 %
Sun Microsystems	Computer Technology	16,981,740	0.43 %
DDR Flatirons LLC	Regional Retail Center	14,443,700	0.36 %
Storage Technology Corporation	Manufacturer of peripheral equipment	13,298,330	0.33 %
Flatiron Property Holding LLC	Regional Retail Center	13,192,940	0.33 %
Hunter Douglas Inc	Manufacturing	11,929,080	0.30 %
FSP 380Interlocken Corporation	Interlocken Office Building	11,192,490	0.28 %
Sub-total		312,046,600	7.83 %
Taxpayers under \$		3,670,727,791	92.17 %
TOTAL		<u><u>\$ 3,982,774,391</u></u>	<u><u>100.00 %</u></u>

Source: Boulder County Assessor's Office and City of Broomfield Assessor's Office

BOULDER VALLEY SCHOOL DISTRICT RE-2
INSURANCE IN FORCE
June 30, 2005

(Unaudited)

As of June 30, 2005, the District maintained the types and amounts of insurance coverage summarized below. The District's insurance premiums are accounted for in the Insurance Reserve Internal Service Fund. Funding of the Insurance Reserve Internal Service Fund comes primarily from a transfer from the General Fund. In addition to the insurance coverage described below, the Colorado Governmental Immunity Act provides the District with substantial protection from liability.

<u>Coverage Area</u>	<u>Coverage Amounts/Deductibles</u>
Property	Coverage: \$460,196,462 per occurrence limit for real and business personal property and inland marine; \$75,000,000 per occurrence and annual aggregate limit for floods and earthquakes; \$12,918,404 terminal per occurrence limit; \$45,000 garagekeepers coverage per accident or occurrence limit; \$50,000 property damage to non-owned property per occurrence limit; \$1,000,000 property in the course of construction or builders' risk limit. Deductibles: \$100,000 real and business personal property, inland marine and non-owned property; \$1,000 terminal per vehicle \$10,000 per occurrence; \$250 garagekeepers per vehicle \$500 per occurrence.
Equipment Breakdown	Coverage: \$65,000,000 per accident limit; sublimits apply as follows: \$5,000,000 expediting expense, \$250,000 perishable goods and ammonia contamination, \$2,500,000 hazardous substance, \$100,000 computer equipment. Deductibles: \$10,000 damage to covered property, \$10,000 perishable goods 12 hours indirect coverage (business income/extra expense).
School Entity	Coverage: Liability-\$2,000,000 each occurrence or wrongful act limit, \$5,000,000 annual aggregate limit; medical payments-\$1,000 any one person \$10,000 each accident; AHERA and pollution coverage-\$25,000 each occurrence and annual aggregate limit. Deductibles: Liability coverage-\$10,000 each occurrence, limit of defense-\$2,000,000 limit per occurrence of wrongful act.
Auto Liability	Coverage: Liability, including non-owned auto and hired, borrowed, leased and auto medical payments \$1,000,000 limit per accident; auto medical payments \$5,000 per person limit; limit of defense \$2,000,000 per accident. Deductible: \$10,000 per accident
Crime	Coverage: Employee theft \$100,000 per loss coverage, Employee Theft per employee coverage \$100,000 for Chief Operations Officer, Finance Director and Assistant Finance Director, \$25,000 for Board Treasurer and Board Secretary. Theft of Money, Securities and Other Property \$10,000, Counterfeit Currency and Money Order Coverage \$5,000. Public Official Coverage \$25,000 limit per loss Secretary Board of Education, Treasurer Board of Education. Deductibles: Employee theft \$500 per occurrence; forgery or alteration, theft of money, securities, and other property, computer fraud, and counterfeit currency and money order \$100 per occurrence; Public Official coverage \$100 per occurrence.

Source: Boulder Valley School District RE-2

**BOULDER VALLEY SCHOOL DISTRICT RE-2
DISTRICT ENROLLMENT
June 30, 2005**

(Unaudited)

Boulder Valley School District RE-2's total enrollment for the school years 1995-96 through 2004-05 is as follows:

<u>School Year</u> *	<u>Enrollment</u>
1995-96	25,359
1996-97	25,815
1997-98	26,288
1998-99	26,951
1999-00	27,085
2000-01	27,500
2001-02	27,924
2002-03	27,818
2003-04	27,867
2004-05	27,922

* Data from the official pupil count on October 1 of each school year.

Source: Boulder Valley School District RE-2.

COMPLIANCE SECTION



Board of Education
Boulder Valley School District RE-2
Boulder, Colorado

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

We have audited the financial statements of the of the Boulder Valley School District RE-2 as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boulder Valley School District RE-2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boulder Valley School District RE-2'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*.

This report is intended solely for the information and use of the Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

Swanhorst & Company LLC

October 7, 2005



Board of Education
Boulder Valley School District RE-2
Boulder, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the Boulder Valley School District RE-2 with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Boulder Valley School District RE-2's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, grant agreements and other matters applicable to each of its major federal programs is the responsibility of the Boulder Valley School District RE-2's management. Our responsibility is to express an opinion on the Boulder Valley School District RE-2's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boulder Valley School District RE-2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Boulder Valley School District RE-2's compliance with those requirements.

In our opinion, the Boulder Valley School District RE-2 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Boulder Valley School District RE-2 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Boulder Valley School District RE-2's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Shanley & Company, LLC

October 7, 2005

BOULDER VALLEY SCHOOL DISTRICT RE-2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Reportable conditions identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Reportable conditions identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

_____ yes x no

Identification of major programs:

84.010 Title I
10.555 National School Lunch Program
10.553 School Breakfast Program

Dollar threshold used to distinguish between type A and type B programs: \$354,124

Auditee qualified as low-risk auditee? x yes _____ no

Financial Statement Findings

The audit of the financial statements did not disclose reportable conditions in internal control that would be considered material weaknesses, and did not disclose fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse that were material to those financial statements.

Federal Awards Findings and Questioned Costs

The audit of federal awards did not disclose reportable conditions in internal control that would be considered material weaknesses, and did not disclose instances of noncompliance or abuse that were material to those federal awards.



Swanhorst & Company LLC

Board of Education
Boulder Valley School District RE-2
Boulder, Colorado

**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the Boulder Valley School District RE-2, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. These financial statements are the responsibility of the Boulder Valley School District RE-2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boulder Valley School District RE-2's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

October 7, 2005

BOULDER VALLEY SCHOOL DISTRICT RE-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Accrued (Deferred) Revenue 6/30/04	Receipts	Disburse- ments	Accrued (Deferred) Revenue 6/30/05
U.S. Department of Education					
Direct Programs					
Indian Education	84.060	\$ 2,210	\$ 22,175	\$ 24,453	\$ 4,488
Bilingual Education	84.290	56,258	382,745	344,953	18,466
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	-	37,646	37,646	-
21st Century Community Learning Centers	84.287	52,112	271,261	258,892	39,743
Passed Through State Department of Education					
Title I	84.010	538,779	2,010,241	2,117,374	645,912
Adult Education	84.002	30,904	127,574	119,240	22,570
Special Education	84.027	1,042,225	5,183,205	5,178,560	1,037,580
Special Education Preschool	84.173	29,833	178,977	151,258	2,114
Safe and Drug Free Schools and Communities	84.184	(19,645)	3,138	22,783	-
Safe and Drug Free Schools and Communities	84.186	18,982	135,225	149,285	33,042
Even Start	84.213	54,413	173,769	157,079	37,723
Innovative Education Program Strategies	84.298	38,928	221,267	197,302	14,963
Comprehensive School Reform Demonstration	84.332	18,039	114,407	118,909	22,541
Education Technology	84.318	7,471	34,449	27,284	306
English Language Aquisition	84.365	37,617	232,204	254,293	59,706
Improving Teacher Quality	84.367	279,330	770,757	818,632	327,205
Passed Through State Department of Human Services					
Vocational Rehabilitation	84.126	30,406	150,210	161,727	41,923
Passed Through State Community College System					
Vocational Education	84.048	31,664	135,298	138,385	34,751
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>2,249,526</u>	<u>10,184,548</u>	<u>10,278,055</u>	<u>2,343,033</u>
U.S. Department of Agriculture					
Passed Through State Department of Human Services					
Food Donation	10.550	(45,360)	178,244	183,862	(39,742)
Passed Through State Department of Education					
National School Lunch Program	10.555	139,317	993,708	1,158,858	304,467
School Breakfast Program	10.553	17,799	117,690	136,572	36,681
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>111,756</u>	<u>1,289,642</u>	<u>1,479,292</u>	<u>301,406</u>
U.S. Department of Health and Human Services					
Passed Through State Department of Education					
Refugee and Entrant Assistance	93.576	29,953	52,576	26,785	4,162
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>29,953</u>	<u>52,576</u>	<u>26,785</u>	<u>4,162</u>
Corporation for National and Community Service					
Passed Through State Department of Education					
Learn and Serve America	94.004	-	20,000	20,000	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 2,391,235</u>	<u>\$ 11,546,766</u>	<u>\$ 11,804,132</u>	<u>\$ 2,648,601</u>

See the accompanying Independent Auditors' Report.

BOULDER VALLEY SCHOOL DISTRICT RE-2

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

STATE COMPLIANCE

This report includes information required by the Colorado Department of Education.



Swanhorst & Company LLC

Certified Public Accountants

Board of Education
Boulder Valley School District RE-2
Boulder, Colorado

**INDEPENDENT AUDITORS' REPORT ON ELECTRONIC FINANCIAL
DATA INTEGRITY CHECK FIGURES**

We have audited the financial statements of the Boulder Valley School District RE-2, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. These financial statements are the responsibility of the Boulder Valley School District RE-2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boulder Valley School District RE-2's basic financial statements. The accompanying electronic financial data integrity check figures is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Swanhorst & Company LLC'.

October 7, 2005

11/04/2005
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Colorado Department of Education
Fiscal Year 2004-2005
Colorado School District/BOCES
Auditor's Integrity Report

BOULDER BOULDER VALLEY RE 2
District Code: 0480

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources -	0001 - 0999 Total Expenditures & Other Uses =	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	14,363,197	191,268,393	186,638,278	18,993,311
11 Charter School Fund	6,448,437	12,177,388	13,042,304	5,583,521
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	405,725	394,303	11,422
20 Special Revenue Fund	35,622	191,889	223,554	3,957
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	-0	12,821,334	12,821,334	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	17,075,784	12,083,674	13,582,057	15,577,400
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	2,428,029	4,881,575	5,525,552	1,784,052
TOTALS	40,351,068	233,829,977	232,227,382	41,953,664
Proprietary				
51 Food Service Fund	1,117,975	4,903,965	4,968,538	1,053,402
50 Other Enterprise Funds	0	0	0	0
64 Risk-Related Activity Fund	41,705	3,454,767	3,313,968	182,504
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	1,159,680	8,358,732	8,282,506	1,235,906
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	219,861	39,117	12,305	246,673
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	3,072,765	8,693,457	8,544,152	3,222,070
TOTALS	3,292,626	8,732,574	8,556,457	3,468,743

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.