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Challenge to Achieve
Inspire to Excel*



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
Year Ended June 30, 2008
Thompson R2-J School District
www.thompson.k12.co.us

THOMPSON SCHOOL DISTRICT R2-J

Loveland & Berthoud, Colorado

Comprehensive Annual Financial Report

For the Year Ended
June 30, 2008

Prepared by the
Financial Services Department

Executive Director of Business Services
Stephen Towne

Manager of Accounting and Reporting
Luke Gonzales

**Thompson School District R2-J
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008**

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal	i
GFOA Certificate of Achievement.....	vi
ASBO Certificate of Excellence.....	vii
Organizational Chart.....	viii
Board of Education and Superintendent’ s Executive Staff.....	ix

Financial Section

Independent Auditors’ Report	1
Management’ s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Statement of Activities	21
Statement of Net Assets – Proprietary Fund.....	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	23
Statement of Cash Flows – Proprietary Fund	24
Reconciliation of Operating Loss to Net Cash Used By Operating Activities.....	25
Statement of Fiduciary Assets and Liabilities	26
Notes to Financial Statements.....	27
Required Supplementary Information	
General Fund:	
Budgetary Comparison Schedule	48
Government Designated-Purpose Grants Fund:	
Budgetary Comparison Schedule	51
Notes to Required Supplementary Information	52

**Thompson School District R2-J
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008**

TABLE OF CONTENTS

Combining and Individual Fund Financial Statements and Schedules:	
Debt Service:	
Bond Redemption Fund:	
Budgetary Comparison Schedule.....	56
Capital Projects:	
Building Fund:	
Budgetary Comparison Schedule.....	58
Non-Major Governmental Funds:	
Combining Balance Sheet.....	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	62
Capital Reserve Fund:	
Budgetary Comparison Schedule	64
Land Reserve Fund:	
Budgetary Comparison Schedule	65
Severance Incentive Fund:	
Budgetary Comparison Schedule	66
Interscholastic Athletic and Activity Fund:	
Budgetary Comparison Schedule	67
Fee Supported Programs Fund:	
Budgetary Comparison Schedule	68
Enterprise Fund:	
Nutrition Services Fund:	
Budgetary Comparison Schedule	70
Fiduciary Fund Type:	
Combining Statement of Fiduciary Net Assets.....	72
Combining Statement of Changes in Assets and Liabilities.....	73
Education Memorial Fund:	
Budgetary Comparison Schedule	74
Interscholastic Athletic and Activity:	
Budgetary Comparison Schedule	75
Component Units:	
Combining Statement of Net Assets.....	77
Combining Statement of Activities.....	78
Statistical Section	
Financial Trends	
Schedule of Net Assets	80
Schedule of Changes in Net Assets	82
Schedule of Fund Balances, Governmental Funds	84
Schedule of Changes in Fund Balances, Governmental Funds	86

**Thompson School District R2-J
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008**

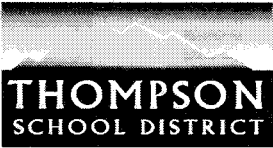
TABLE OF CONTENTS

Revenue Capacity Information	
Assessed Value and Estimated Value of Taxable Property	88
Property Tax Rates – Direct and Overlapping Governments.....	90
Principal Taxpayers	91
Property Tax Levies and Collections.....	92
Debt Capacity Information	
Ratios of Outstanding Debt by Type	93
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita.....	94
Computation of Direct and Overlapping Bonded Debt	95
Computation of Legal Debt Margin.....	96
Demographic and Economic Information	
Principal Employers.....	97
Demographic and Economic Statistics	98
Operating Information	
Number of Employees by Function	99
Operating Indicators.....	100
School Building Information	102
 Compliance Section	
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.....	104
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	106
Schedule of Findings and Questioned Costs.....	108
Independent Auditors’ Report on Schedule of Expenditures of Federal Awards	110
Schedule of Expenditures of Federal Awards.....	111
Independent Auditors’ Report on Auditor’ s Integrity Report	112
Colorado Department of Education Auditor’ s Integrity Report.....	113

INTRODUCTORY SECTION

Contents:

Letter of Transmittal
GFOA Certificate of Achievement
ASBO Certificate of Achievement
District Organization Chart
Listing of Board of Education Members
Listing of Key Officials



December 15, 2008

To the Board of Education, Parents, Taxpayers, and Members of The Thompson School District R2-J, Loveland and Berthoud, Colorado:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Thompson School District R2-J for the year ended June 30, 2008.

State law requires that the District publish within six months of the close of each fiscal year a complete set of financial statements presented in accordance with accounting principles generally accepted in the United States of America (US GAAP) and audited in accordance with auditing standards generally accepted in the United States of America (US GAAS), by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Thompson School District R2-J (District) for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the District's financial statements in conformity with US GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Swanhorst & Company LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with US GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited District's internal controls and compliance with legal requirements, with special emphasis on internal controls and

legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

US GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of the Government

The District, reorganized in 1960, now comprised of 30 schools: five high schools, five middle schools, and nineteen elementary schools. During 2006-07 the District added its' first charter school. All of the schools are located in the City of Loveland, City of Fort Collins or the Town of Berthoud in Northern Colorado. The geographic area of the District is 362 square miles located mainly in southern Larimer County. Student enrollment has steadily increased over the past two decades; the enrollment was 15,349 students for the 2007-08 school year. The District's Board of Education is empowered to levy a property tax on both real and personal properties located within its boundaries.

The District is the reporting entity for financial reporting purposes and is not included in any other governmental reporting entity. The financial statements of the District include all funds that are controlled by the publicly elected Board of Education. The Board of Education adopts the budget, authorizes expenditures, selects management, significantly influences operations, and is primarily accountable for fiscal matters.

The annual budget serves as the foundation of the District's financial planning and control. The District maintains extensive budgetary controls, to ensure compliance with legal requirements, Board of Education policies and District administration guidelines. The legal level of budgetary control is the fund level. The District's budget must be adopted by June 30 prior to the budget year, but may be revised for any reason prior to October 15 of the budget year. Budgets are developed and monitored for compensation costs, utilities and other fixed costs at the District level, and for discretionary (site based) spending at the department or school level.

Staffing levels are authorized for each site and are tracked monthly to insure usage within budgeted limits. On-line budget inquiry access plus monthly reports are provided to each site's administrative staff, to allow monitoring of their discretionary budgets.

Budgetary control is also maintained through the use of an encumbrance accounting system. Encumbrances outstanding at year-end lapse, but are generally reappropriated as part of the following year's budget. Unspent discretionary budgets at year-end are also reappropriated for each school or department in the following budget year, thereby; fostering responsible spending and allowing site management to develop longer range spending plans. Schools' discretionary budgets also include a share of revenues generated from building rentals, and budgets contingent upon site management's compliance with District accountability policies. Under state law, each school is required to involve each employee group, the Board of Education, and the District Accountability Committee in the budget development process.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from a broader perspective of the specific environment within which the District operates.

Local economy. Though the District has been impacted by a slowing economy in recent years, there seems to be growing optimism about the near-term economic future. Loss of technology jobs in the recent past remains a concern but sectors like health care and retail sales appear poised to help offset that. Governmental agencies provide a major source of employment, including the City of Loveland and Colorado State University, which has over 7,000 employees. The Promenade Shops at Centerra, Hewlett Packard, Poudre Valley Health Systems and Walmart Distribution Center continue to be large non-governmental employers.

Long-term financial planning. Because the General Fund revenues for all public schools in Colorado are almost entirely determined by the state, total revenues will normally not fluctuate significantly, especially in years of tight state level budgets. School Districts are also subject to the provisions of an amendment to Article X, Section 20 of the State Constitution called the TABOR Amendment (Taxpayer's Bill of Rights), which limits increases in governmental revenues, taxes and spending.

Under the TABOR Amendment, school districts' annual increases to revenues or spending over the prior year are limited to the combined increase in student enrollment and inflation (measured by the Denver/Boulder consumer price index). These limits apply to the combined funds of the District except those specifically excluded within the law, such as voter-approved bond issues and tax increases. In November 2000, voter approval was given to the District to remove the restriction on growth in revenue effective for the fiscal year ended June 30, 2000 and future years.

Also in November 2000, voters statewide approved an amendment to the State Constitution that set the minimum funding level for public schools over the next ten years. Known as Amendment 23, this amendment establishes a reserve at the state level from state surplus dollars. The reserves along with the state's general fund budget are to be used to guarantee annual increased funding for public schools at a rate equal to inflation plus one percent for the next ten years beginning with fiscal year 2001-02. This amendment will give District management more information to make long-range financial goals and plans. However a downturn in the State's economy may put the funding of this amendment at risk.

Cash management policies and practices. The District's policy is to invest public funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the District and conforming to all federal, state and local statutes governing the investment of public funds. Accordingly, temporarily idle cash is invested during the year primarily in two AAA-rated investment pools: the Colorado Government Liquid Assets Trust (ColoTrust) and the Colorado Diversified Trust (CDT). The investment pools operate similar to a money market fund, providing secure investments with high liquidity, allowing the District to meet cash flow needs for payroll and vendor payments on a timely basis.

The District's cash flow pattern is not steady throughout the year. Expenditures are consistent; however, revenues fluctuate since property taxes are received during the last part of the fiscal year. The District did not need to utilize the interest free state loan program for its short term borrowing needs in 2007-08.

Risk Management. The District utilizes an internal service fund, the Insurance Reserve Fund, to account for risk management costs such as property and liability insurance, legal claims, and workers compensation premiums. Revenues are allocations from the General Fund, as mandated by state law. The District is insured for property and liability claims through participation in a self-insurance pool with other school districts.

The District's share of pool premiums is determined using experience modifiers based on exposure information and actuarial modifiers based on utilization. The percentage contribution from each member district causes yearly changes based on these factors. The District benefits from the experience rating in the liability and property pools. Retention and excess costs amounts for 2008 are shown below for the Colorado Self Insurance Pool (CSDSIP):

	Pool/District Self-Insured Retention*	CSDSIP
Property Pool	\$2,000,000/\$5,000	\$750,000,000
Liability Pool	\$600,000/\$10,000 **	N/A

* Shown on a per claim or incident basis

** Colorado's Governmental Immunity Act, limits the types of claims that can be brought against a school district (i.e. claims involving operation of a motor vehicle and claims arising because of a dangerous condition of any public building) and the amount of monetary damages that a school district might be ordered to pay. The immunity act places a cap on the amount of damages that can be awarded against a public entity or employee. The maximum amount that can be recovered for an injury involving one person in any single occurrence is \$150,000. The Maximum amount that is recoverable for a single occurrence involving two or more people is \$600,000.

Pension and Other Postemployment Benefits

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

The District also contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by 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 HCTF benefit provisions to the State Legislature.

The (SDTF) members of the District may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Additional information on the District's pension arrangements and post-employment benefits can be found in the Notes to Financial Statements section of this report.

Awards and Acknowledgements

The Government Finance Officers Association's (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the nineteenth consecutive year that the government has received this prestigious award. The District also received the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting award. This was the tenth consecutive year that the District has received this award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized CAFR. This report satisfied both US GAAP and applicable legal requirements.

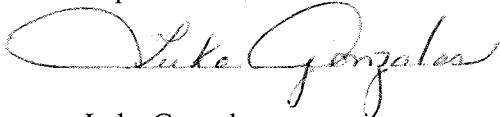
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Programs' requirements and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

The preparation and completion of this report could not have been accomplished without the direct and indirect contributions of the entire Financial Services Staff. Appreciation and recognition is also extended to our independent audit firm, Swanhorst & Company LLC, and its professional audit staff for all the assistance and advice they provide throughout the year.

We would also like to thank the Board of Education for their unfailing support for maintaining the highest standards and professionalism in the management of the District's finances.

Respectfully submitted,

Dr. Daniel Johnson
Superintendent of Schools



Luke Gonzales
Manager of Accounting & Reporting



Stephen Towne
Executive Director of Business Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Thompson School District R2-J
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emmer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

THOMPSON SCHOOL DISTRICT R2-J

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

James E. Brendel

President

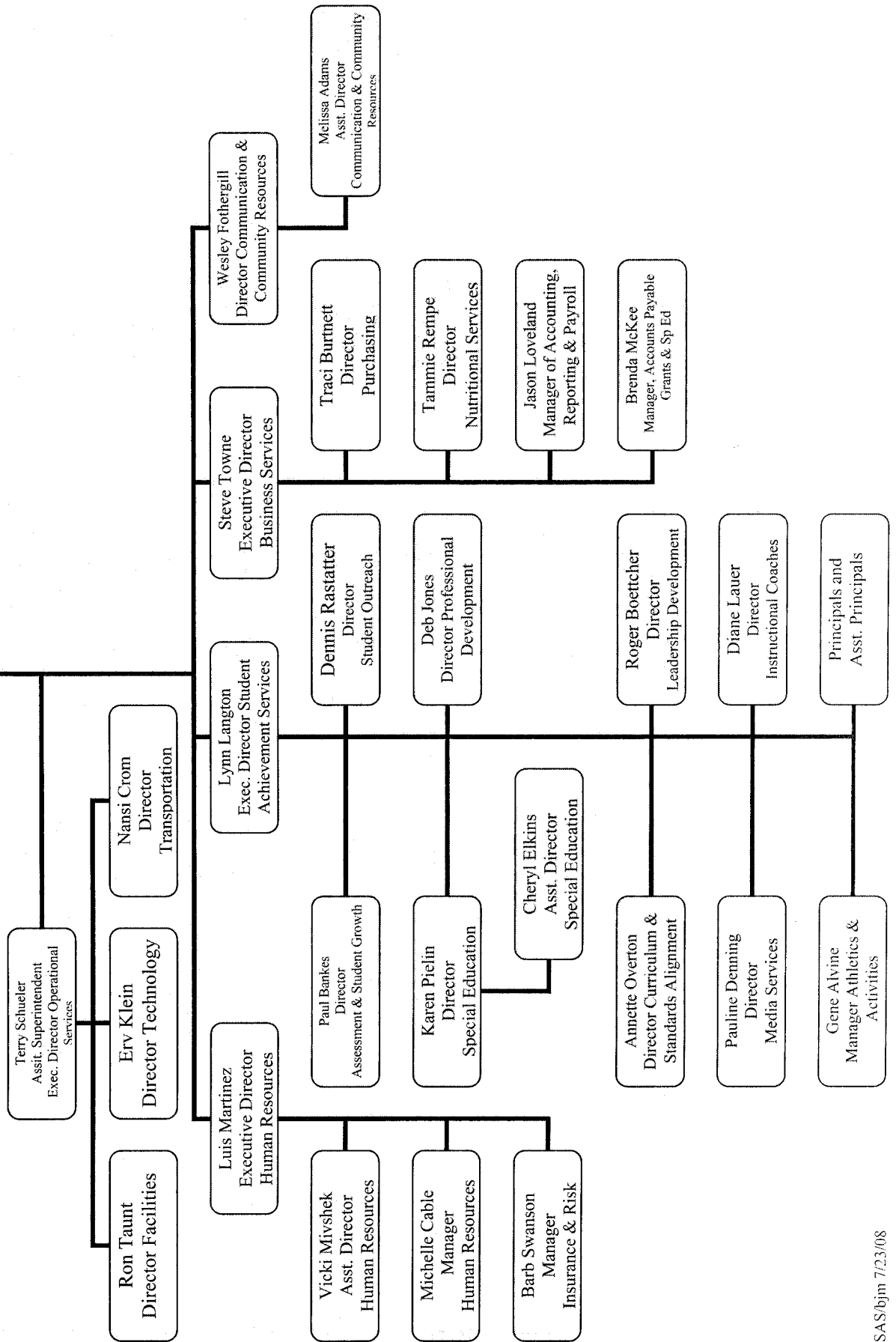
John D. Mauer

Executive Director

**Thompson School District
2007-08**

Board of Education

Dan Johnson, PhD
Superintendent of Schools



Board of Education

Bill McCreary, President	Term Expires 2009
Marcia Venzke, Vice President	Term Expires 2009
Lola Johnson, Treasurer	Term Expires 2011
Lucille Steiner, Secretary	Term Expires 2011
Don Abbott	Term Expires 2011
Dennis Breitbarth	Term Expires 2009
Karen Stockley	Term Expires 2011

Superintendent's Executive Staff

Dr. Daniel Johnson	Superintendent
Terry Schueler	Assistant Superintendent, Operational Services
Lynn Langton	Executive Director, Student Achievement
Luis Martinez	Executive Director, Human Resources
Stephen Towne	Executive Director, Business Services

FINANCIAL SECTION

The Financial section may be viewed as a “reporting pyramid.” The financial statements and schedules are presented only as far down the reporting pyramid (in terms of increasing levels of detail) as necessary to (1) report fairly financial position and operating results; (2) demonstrate legal compliance; and (3) assure adequate disclosure.

The levels of the pyramid are:

Financial Section

Management’s Discussion and Analysis:

The Management’s Discussion and Analysis provides a narrative introduction, overview, and analysis of the basic financial statements.

Independent Auditors’ Report:

This is the opinion of the Independent Certified Public Accountants, Swanhorst & Company LLC, on the information in the financial section. This audit is to determine that information is fairly presented, complete and in conformance with accounting principles generally accepted in the United States of America (US GAAP).

Basic Financial Statements

These statements provide an overview of the financial position of the District as a whole, focusing on major funds instead of fund types and groups. They also serve as an introduction to the more detailed statements and schedules that follow. The notes to the financial statements are an integral part of the basic financial statements and contain the “Summary of Significant Accounting Policies” and other notes necessary for adequate disclosure.

Required Supplemental Information

These statements include budgetary data for the General Fund and Major Special Revenue Funds.

Combining of Non-major Funds and Individual Fund Statements

These statements and schedules present information on the individual funds where (a) there is only one fund of a specific type, or (b) sufficient detail to assure adequate disclosure is not presented in the basic statements. These statements and schedules are also used to present certain budgetary data.



Board of Education
Thompson School District R2-J
Loveland, 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 Thompson School District R2-J, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Thompson School District R2-J, as listed in the table of contents. These financial statements are the responsibility of the Thompson School District R2-J'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 Thompson School District R2-J, as of June 30, 2008, 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 December 8, 2008, on our consideration of the Thompson School District R2-J'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 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 Thompson School District R2-J's basic financial statements. The combining and individual fund financial 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 sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Swanlund & Company LLC

December 8, 2008

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

As management of the Thompson School District R2-J, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets increased by \$5,639,436 for the year ended June 30, 2008. The net increase was composed of the following elements:

Invested in Capital Assets, net of Related Debt	\$ 3,242,364
Restricted for:	
Debt Services	8,643
TABOR	478,440
Other Purposes	(7,745)
Unrestricted	1,917,738
Net Increase	<u>\$ 5,639,436</u>

The amount "invested in Capital Assets, net of related debt" increased as a result of several construction projects the District is completing with funds from the 2005 Bond issuance. Net assets restricted for Debt Service increased due to the reclassification of \$336,136 for the Multiple Year Obligations, which was reported in Unrestricted in the 2006-2007 CAFR. The Colorado Revised Statute Article X, Section 20 (Taxpayer Bill of Rights (TABOR)) requires the district to establish reserves for this Amendment. The increase is due to the calculation factors. Net assets restricted for other purposes decreased due to the Multiple Year Obligations reported in 2006-2007 CAFR being reported in Debt Service for 2007-2008 in the amount of \$336,136. The Unrestricted Net Assets increased overall as a result of the change in fund balance for the General Fund resulting from better than budgeted performance.

- Total assets of governmental activities increased by \$464,145 attributed to the following elements:

	Increase (Decrease)
Cash	\$ (24,979,806)
Receivables	324,863
Due from Other Governments	717,161
Bond Issuance Costs	(100,863)
Capital Assets, net of Accumulated Depreciation	24,502,790
Net Increase	<u>\$ 464,145</u>

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

The decrease in cash was due to the spending of Bond dollars for construction projects. The increase in receivables was primarily due to the increase in the year-end property tax receivable. The increase in Due from Other Governments is from federal grants such as Title I Improvements, and Special Education grants. Receipt of funds lagged a bit versus last year. Capital assets increased as a result of building projects funded by the 2005 Bonds. A highlight of the spending includes the new elementary school, Coyote Ridge and additions at Mountain View High Schools being completed along with spending for the in-process Ferguson High School project.

- Total assets of business type activities decreased by \$210,028 attributed to the following elements:

	Increase (Decrease)
Cash	\$ (317,346)
Due from Other Governments	145,442
Inventory	55,792
Capital Assets, net of Accumulated Depreciation	(93,916)
Net Decrease	<u>\$ (210,028)</u>

The most significant increase is Due from other Governments due to the timing of reimbursements for the Food Service program. The most significant decrease is in Cash due to the increase in pricing of food items and the cost of fuel prices along with the timing of reimbursements for the Food Service program. Capital Assets, net of Accumulated Depreciation decreased as depreciation expense exceeded assets added. Inventory changes are due to the normal operations of the Nutritional Services Fund.

- Total Liabilities of governmental activities decreased by \$5,483,934 due to the following items:

	Increase (Decrease)
Accounts Payable	\$ (1,682,777)
Payroll Withholding Payable	91,510
Accrued Salaries and Benefits	2,319,717
Due to Other Governments	0
Liabilities due within one year	(79,369)
Liabilities due in more than one year	(6,133,015)
Net Decrease	<u>\$ (5,483,934)</u>

Accounts payable decreased due to the lower number of large bond related construction projects that finished as compared to prior year. Accrued Salaries and Benefits increased as result of a broader application of the accrual. The short-term and long-term debt changes of significance are due to the annual payments on all debt. Other changes in liabilities are minimal variations expected during the course of business.

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2008

- Total liabilities for business type activities increased by \$98,614. An increase in the accrued salaries and benefits and accounts payable of \$55,632 and \$21,695, respectively makes up the majority of the change.
- Governmental-activities general revenues accounted for \$122.2 million in revenue or 91 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$12.1 million or 9 percent of total revenues of \$134.3 million.
- The District had \$128.3 million in expenses related to governmental activities; only \$12.1 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$122.2 million were adequate to provide for these programs.
- Among major funds, the general fund had \$111.1 million in revenues and \$109.1 million in expenditures and transfers out. The general fund's fund balance increased to \$23.3 million from \$21.3 million.
- Net assets for Enterprise funds decreased over last year as a result of significant inflationary costs experienced during the year on food and its inbound freight, while pricing to the fund's customers remained flat. As a result of this imbalance the board authorized price increases effective for the 2008-09 school year.

Overview of the Financial Statements

This annual report consists of five parts: introduction, management's discussion and analysis, the basic financial statements, supplementary information and a statistical section. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates like businesses, such as nutritional services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's nutritional services program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2008

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flows.
- *Fiduciary funds:* The District is the agent, or *fiduciary*, for assets that belong to others, such as the education memorial and student activities funds. The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes and the assets reported in these funds. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Total assets increased \$0.46 million. Cash and cash equivalents decreased \$25.0 million. The District's receivables increased \$3.2 million due to the growth in property taxes assessed versus last year. The District's Capital Assets Net of Accumulated Depreciation increased \$24.5 million. The District capitalized assets during the year of \$28.7 million compared to depreciation of \$4.22 million.

The District's *combined* net assets were more than June 30, 2007 by 7.32% to \$82,720,929. Most of this change in the District's financial position came from its governmental activities, the net assets of which increased \$5.9 million to \$82,066,503.

The Colorado Amendment X to the State Constitution (Taxpayer Bill of Rights (TABOR)) requires the district to establish certain reserves. The increase is due to the amount needed for reserves for the District's Severance plan. Net assets reserved for other purposes increased due to growth in the Land Reserve Fund balance. The Unrestricted Net Assets was increased overall, mainly due to the increase in the General Fund's fund balance and passing of a new mill levy.

The net assets of the District's business-type activities decreased \$308,642 to \$654,427.

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008

Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

Table 1
Condensed Statement of Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2007-2008
	2008	2007	2008	2007	2008	2007	
Assets							
Current assets	\$ 97.516	\$ 121.453	\$ 0.690	\$ 0.806	\$ 98.206	\$ 122.259	\$ -19.67%
Non-current assets	155.018	130.616	0.193	0.287	155.211	130.903	18.57%
Total Assets	252.534	252.069	0.883	1.093	253.417	253.162	0.10%
Liabilities							
Current Liabilities	25.334	24.685	0.219	0.125	25.553	24.810	2.99%
Long-Term Liabilities	145.133	151.266	0.009	0.005	145.143	151.271	-4.05%
Total Liabilities	170.467	175.951	0.228	0.130	170.696	176.081	-3.06%
Net Assets							
Invested in Capital net of related debt	47.022	43.686	0.193	0.287	47.215	43.973	7.37%
Restricted	19.710	19.230	0.065	0.065	19.775	19.295	2.49%
Unrestricted (Deficit)	15.334	13.202	0.396	0.611	15.731	13.813	13.89%
Total Net Assets	\$ 82.066	\$ 76.118	\$ 0.654	\$ 0.963	\$ 82.721	\$ 77.081	\$ 7.32%

Table 2 shows the changes in net assets for fiscal year 2008 compared to 2007:

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total School District	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$ 1.314	\$ 1.531	\$ 2.123	\$ 2.137	\$ 3.437	\$ 3.668
Operating Grants & Contributions	10.767	11.584	1.734	1.554	12.501	13.138
Capital Grants & Contributions	-	0.427	-	-	-	0.427
General revenues						
Property taxes	56.899	50.099	-	-	56.899	50.099
State revenue	59.874	57.847	-	-	59.874	57.847
Other	5.389	11.476	-	-	5.389	11.476
Total Revenues	134.243	132.964	3.857	3.691	138.100	136.655
Expenses						
Instruction	67.835	66.529	-	-	67.835	66.529
Pupil & Instructional Services	19.143	15.514	-	-	19.143	15.514
Administration & Business	11.046	9.818	-	-	11.046	9.818
Maintenance & Operations	11.122	6.189	-	-	11.122	6.189
Transportation	4.012	3.221	-	-	4.012	3.221
Other	15.137	15.552	4.170	3.681	19.307	19.233
Total expenses	128.295	116.823	4.170	3.681	132.465	120.504
Increase (decrease) in net assets	\$ 5.948	\$ 16.141	\$ (0.313)	\$ 0.010	\$ 5.635	\$ 16.151

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2008

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 45 cents and 42 cents of every dollar raised respectively (Table 3). Another 8 percent came from state and federal grants for specific programs and the remainder from fees charged for services and other miscellaneous sources.

The District's expenses (70 percent) are predominantly related to instructing, caring for (pupil services) and transporting students (Table 4). The District's administrative and business activities accounted for 9 percent of total costs, while maintenance and other operations cost 21 percent..

Table 3

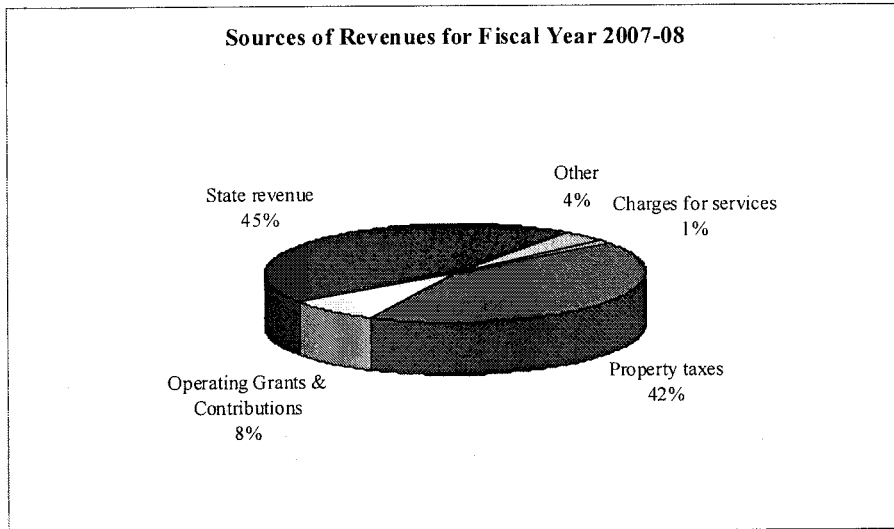
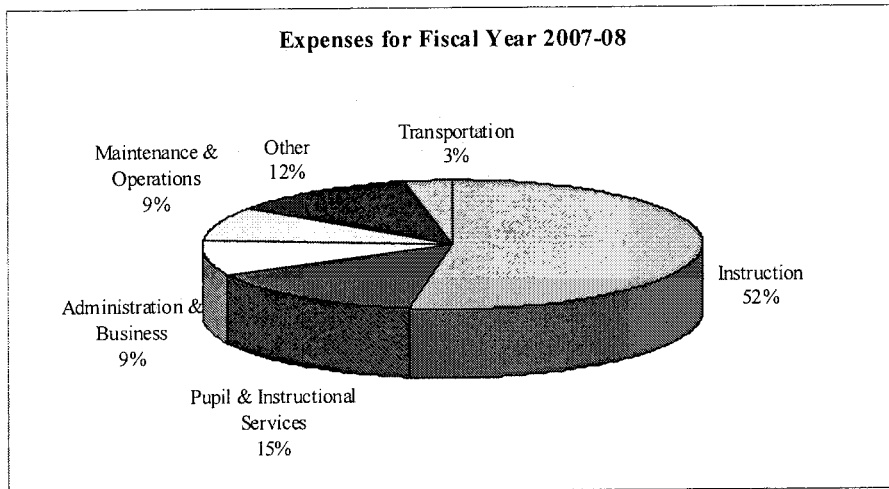


Table 4



**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$6,279 per funded student. In fiscal year 2007-08 the funded pupil count was 14,420. For the 2007-08 fiscal year the District continued to be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 67 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax. State law allows school districts to obtain an additional 20 percent of SFA program funding from local property taxes. This is accomplished by successfully passing a mill levy override ballot question.

In 1999 District voters approved a mill levy override with maximum annual revenue of \$7.5 million in property taxes from annual mills levied not to exceed 8.5. The primary objectives of the 1999 override are to provide additional support for; instructional staff to student ratios, textbooks and library books, instructional supplies and materials, a variety of specific instructional programs, technology replacements and support, and operating costs of Mountain View High School.

Beginning in fiscal year 2007, annual revenues from this override are no longer sufficient to cover the inflationary increases associated with the specific objectives of this override. The Board of Education has chosen to allocate other ongoing general fund revenues to cover the differences rather than cutting specific items from the objectives.

In 2006, the District voters approved an additional mill levy override. The 2006 override's primary objectives are to support instructional staff to student ratios, operating expense support for 3 new elementary schools and additions or modifications to other existing facilities as financed by the 2005 bond issue, educational improvements, technology upgrades, and additional support staff.

This particular override allows for maximum annual revenue of \$6,540,000 in property taxes with annual mills levied not exceeding 4.15 in any year. For 2007-2008 the expected revenues from this mill levy were just under \$5.2 million. Conservative growth projections (3.5% per year) on future District assessed valuations suggest this override will not reach its annual revenue maximum until the 2015-2016 fiscal year. The initial years of the override are still expected to generate reserves which will remain designated for use on the override's primary objectives until such time as inflation requires use of other ongoing resources to balance this fund's budget on an annual basis.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 5 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

**Table 5
Governmental Activities
(In Millions)**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$ 67.835	\$ 66.529	\$ 59.002	\$ 56.962
Pupil & Instructional Services	19.143	15.514	17.519	13.927
Administration & Business	11.046	9.818	10.816	9.589
Maintenance & Operations	11.122	6.189	11.076	7.213
Transportation	4.012	3.221	3.209	2.431
Other	15.137	15.552	14.593	13.157
Total expenses	<u>\$ 128.295</u>	<u>\$ 116.823</u>	<u>\$ 116.215</u>	<u>\$ 103.279</u>

The cost of all *governmental* activities this year was \$128.3 million.

- Some of the cost was financed by the users of the District's programs (\$1.31 million).
- The federal and state government subsidized certain programs with grants and contributions (\$10.77 million).
- Most of the District's costs (\$116.22 million), however, were financed by State and District taxpayers.
- A portion of governmental activities was financed with \$59.87 million in state equalization from the School Finance Act of 1994 (SFA) and \$51.94 million in property taxes, (\$28.36 million from the SFA, \$12.46 from the 1999 and 2006 voter approved mill levy overrides; and \$11.12 million raised to repay the District's annual payment on Bonded debt.)

Business-Type Activities

Business-type activities of the district are limited to the nutritional services fund. This program had revenues of \$3.86 million and expenses of \$4.17 million. As discussed earlier, management has reviewed this program and operations have been restructured for efficiencies and cost effectiveness for fiscal year 2008-09. Business-type activities receive no support from tax revenue.

Financial Analysis of the District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$134.07 million and expenditures of \$158.91 million. The general funds' fund balance increased by \$1.94 million due to improved performance versus budget. Revenue was higher than anticipated in two areas; Specific Ownership tax collection was stronger than budget by \$660,000 and interest earnings was higher by \$538,000. Though actual expenditures were \$3.0 million below budget, \$2.7 million of that savings was simply a timing issue with reauthorization provided to expend those funds in 08/09. The building fund is

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

spending the 2005 Bond proceeds, this causes the total expenditures to be higher than total revenues.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

- Actual revenues were \$1,187,004 greater than expected. This is an insignificant variance compared to the budgeted amount of \$109.90 million.
- The actual expenditures were \$3,074,340 below budget. Schools and departments are allowed to carryover certain unused dollars, which were approximately \$2.70 million at June 30, 2008. The 2007-08 budget reflects all carryover from the previous year being spent, which was approximated at \$2.45 million.
- An addendum to the original budget for the General Fund revenue and expense budget in the amount of \$24,700 was approved. This was to rectify an original misstatement, which lowered the revenue when in actuality the \$24,700 should have been in expense.

Capital Assets and Debt Administration

By the end of 2008, the District had invested \$154.3 million in land, buildings, equipment, and transportation vehicles, \$154.1 million, which was in governmental activities. Table 6 shows a comparison of fiscal years 2008 and 2007:

**Table 6
Capital Assets at June 30
(Net of Depreciation, in Millions)**

	Governmental Activities		Business-Type Activities		Total School District	
	2008	2007	2008	2007	2008	2007
Land	\$ 14.811	\$ 14.385	\$ -	\$ -	\$ 14.811	\$ 14.385
Water Rights	1.050	1.050	-	-	1.050	1.050
Construction in Progress	44.459	17.966	-	-	44.459	17.966
Buildings	88.706	91.683	-	-	88.706	91.683
Equipment	1.865	1.187	0.192	0.286	2.057	1.473
Transportation	3.240	3.357	-	-	3.240	3.357
Totals	<u>\$ 154.131</u>	<u>\$ 129.628</u>	<u>\$ 0.192</u>	<u>\$ 0.286</u>	<u>\$ 154.323</u>	<u>\$ 129.914</u>

Construction in Progress increased as a result of the new elementary school, Coyote Ridge; additions at Mountain View High School and Turner Middle School; building improvements at Thompson Valley and Loveland High Schools being almost completed along with spending for the in-process Ferguson High School project.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

Additional information on the District's capital assets can be found in Note 6 of the Notes to Financial Statements report, page 37.

Long-Term Debt

At year-end, the District had \$146.20 million in bonds, certificates of participation and capital leases payable, \$5.93 million due within one year (Table 7).

**Table 7
Outstanding Debt, at Year End
(In Millions)**

	Governmental Activities 2008	Governmental Activities 2007
General Obligation Bonds	\$ 140.947	\$ 146.254
Certificates of Participation	3.815	3.990
Capital Lease Obligation Payable	1.436	1.606
Total	\$ 146.198	\$ 151.850

Additional information on the District's long-term debt can be found in Note 11 of this report.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- In January 2004 the District adopted a Management Plan for District Resources. This Plan will be used in future budget years to help prioritize program funding based on the District's Strategic Plan. The budget process will be tied directly to The Management Plan for District Resources and the Strategic Plan, based on recommendations by The District Accountability and Advisory Committee.
- In November 2000 the voters of the State of Colorado passed a statewide referendum, Amendment 23. This amendment establishes a school funding reserve from state surplus dollars. This reserve will help fund the School Finance Act whose funding, by this amendment has been guaranteed for the next 10 years to equal inflation plus one percent. In addition, the State must also increase categorical funding by inflation plus one percent for the next ten years.
- Annually, in December, the state issues school report cards for every public school in the state. The report card gives each school an academic performance rating based on the state Colorado Student Assessment Program (CSAP) tests given to all students third through tenth grades. Eleventh graders are required to take the American College Test (ACT). Schools, receiving an unsatisfactory rating for two or more years may convert to a charter school under state law. The 2008 state report cards indicate two schools receiving a low rating, with the rest rating average or high for the school year. The district currently believes that it is in compliance with the federal "No Child Left Behind" law. The district is

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008**

continuously monitoring the rules and regulations of the law to ensure that the District is in compliance with all new rules and regulations.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Office, Thompson School District R2-J, 800 South Taft Ave., Loveland, Colorado 80537.

**BASIC
FINANCIAL STATEMENTS**

Thompson School District R2-J
Statement of Net Assets
As of June 30, 2008

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current Assets				
Cash and Investments	\$ 92,169,189	\$ 341,189	\$ 92,510,378	\$ 2,742,423
Receivables	3,220,702	-	3,220,702	30,428
Prepaid Expense	-	-	-	100,000
Due from Other Governments	2,125,962	165,302	2,291,264	-
Inventory	-	183,745	183,745	-
Total Current Assets	97,515,853	690,236	98,206,089	2,872,851
Noncurrent Assets				
Bond Issuance Costs, (net of Accumulated Amortization)	887,102	-	887,102	183,798
Capital Assets (net of Accumulated Depreciation - where applicable):				
Land	14,810,666	-	14,810,666	-
Water Rights	1,050,000	-	1,050,000	-
Construction in Progress	44,459,350	-	44,459,350	-
Buildings	88,706,373	-	88,706,373	3,595,283
Equipment	1,864,454	192,657	2,057,111	-
Transportation	3,239,992	-	3,239,992	-
Total Noncurrent Assets	155,017,937	192,657	155,210,594	3,779,081
Total Assets	252,533,790	882,893	253,416,683	6,651,932
LIABILITIES				
Current Liabilities				
Accounts Payable	4,667,682	30,131	4,697,813	60,058
Payroll Withholding Payable	213,910	-	213,910	-
Accrued Salaries and Benefits	11,615,167	122,119	11,737,286	89,833
Accrued Interest Payable	-	-	-	78,298
Due to Other Governments	49,376	-	49,376	-
Unearned Revenue	-	62,548	62,548	-
Current Portion of Long-Term Debt	8,787,585	4,500	8,792,085	-
Total Current Liabilities	25,333,720	219,298	25,553,018	228,189
Noncurrent Liabilities				
Bonds Payable	122,829,737	-	122,829,737	4,810,000
Loss on Reissuance Cost	(1,954,603)	-	(1,954,603)	-
Premium on Bond Financing	5,846,981	-	5,846,981	-
Deferred Interest Bonds Payable	8,650,179	-	8,650,179	-
Certificates of Participation	3,635,000	-	3,635,000	-
Capital Lease Obligations	1,257,700	-	1,257,700	-
Compensated Absences	272,565	9,168	281,733	-
Early Retirement Stipends	4,596,008	-	4,596,008	-
Total Noncurrent Liabilities	145,133,567	9,168	145,142,735	4,810,000
Total Liabilities	170,467,287	228,466	170,695,753	5,038,189
Net Assets				
Invested in Capital Assets, net of Related Debt	47,022,288	192,657	47,214,945	(1,030,919)
Restricted for:				
Debt Service	13,339,945	-	13,339,945	482,915
TABOR	4,372,697	65,286	4,437,983	75,000
Repairs and Replacements	-	-	-	1,667
Land and Land Improvements	607,161	-	607,161	-
Multiple Year Obligations	-	-	-	500,870
Grants	989,988	-	989,988	-
Insurance	290,170	-	290,170	-
Colorado Preschool Program	110,437	-	110,437	-
Unrestricted	15,333,817	396,484	15,730,301	1,584,210
Total Net Assets	\$ 82,066,503	\$ 654,427	\$ 82,720,929	\$ 1,613,743

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Statement of Activities
For the Year Ended June 30, 2008**

	Program Revenues		
	Expenses	Charges for Service	Operating Grants and Contributions
Primary Government			
Government Activities			
Total Instruction	67,834,944	715,218	8,118,169
Support Services			
Pupil Services	8,717,227	-	1,125,742
Instructional Staff	10,425,291	39,678	457,966
General Administration	1,213,567	-	-
School Administration	8,046,845	54,747	154,001
Business Services	1,785,422	21,366	-
Maintenance/Operations	11,122,270	-	46,289
Pupil Transportation	4,012,223	-	803,700
Central Supporting Services	7,592,656	482,762	-
Community Services	785,524	-	61,008
Interest on Long-term Debt	6,759,440	-	-
Total Support Services	60,460,465	598,553	2,648,706
Total Governmental Activities	128,295,409	1,313,771	10,766,875
Business-Type Activities			
Nutritional Services	4,170,018	2,123,057	1,734,062
Total Business-Type Activities	4,170,018	2,123,057	1,734,062
Total School District	132,465,428	3,436,828	12,500,937
Component Units			
Charter School	2,629,463	162,784	-
Thompson Education Foundation	649,987	-	707,209
	\$ 3,279,450	\$ 162,784	\$ 707,209

General Revenues

Property taxes levied for:

- General Purposes
- Mill Levy Override
- Debt Services

Specific Ownership Taxes levied for:

- General Purposes
- Mill Levy Override

Equalization Entitlement

Payment in Lieu of Land Dedication

Interest and Investment Earnings

Grants and Contributions not

 Restricted to Specific Programs

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement

**Net (Expenses) Revenues
And Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
(59,001,557)	-	(59,001,557)	-
(7,591,485)	-	(7,591,485)	-
(9,927,647)	-	(9,927,647)	-
(1,213,567)	-	(1,213,567)	-
(7,838,097)	-	(7,838,097)	-
(1,764,056)	-	(1,764,056)	-
(11,075,981)	-	(11,075,981)	-
(3,208,523)	-	(3,208,523)	-
(7,109,894)	-	(7,109,894)	-
(724,516)	-	(724,516)	-
(6,759,440)	-	(6,759,440)	-
(57,213,206)	-	(57,213,206)	-
(116,214,763)	-	(116,214,763)	-
-	(312,900)	(312,900)	-
-	(312,900)	(312,900)	-
(116,214,763)	(312,900)	(116,527,663)	-
-	-	-	(2,466,679)
-	-	-	57,222
-	-	-	(2,409,457)
28,363,669	-	28,363,669	-
12,456,986	-	12,456,986	-
11,119,912	-	11,119,912	-
4,271,504	-	4,271,504	-
687,375	-	687,375	-
59,874,117	-	59,874,117	-
499,858	-	499,858	-
4,071,983	4,258	4,076,240	37,377
-	-	-	-
-	-	-	310,543
817,438	-	817,438	2,264,505
122,162,842	4,258	122,167,099	2,612,425
5,948,079	(308,642)	5,639,436	202,968
76,118,424	963,069	77,081,493	1,410,775
<u>\$ 82,066,503</u>	<u>\$ 654,427</u>	<u>\$ 82,720,929</u>	<u>\$ 1,613,743</u>

Thompson School District R2-J
Balance Sheet
Governmental Funds
June 30, 2008

	General	Government Designated- Purpose Grants	Bond Redemption	Building
ASSETS				
Cash and Investments	\$ 33,883,294	\$ 158,472	\$ 12,499,703	\$ 41,253,309
Receivables	2,467,048	1,649	742,399	-
Due from Other Governments	-	2,125,962	-	-
Total Assets	\$ 36,350,342	\$ 2,286,083	\$ 13,242,102	\$ 41,253,309
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 1,137,447	\$ 107,155	\$ 238,293	\$ 3,050,899
Payroll Withholding Payable	213,910	-	-	-
Accrued Salaries and Benefits	10,400,092	1,063,636	-	-
Due to Other Government	-	49,376	-	-
Deferred Revenue	1,272,472	-	522,025	-
Total Liabilities	13,023,921	1,220,167	760,318	3,050,899
Fund Balances				
Reserve for TABOR	4,117,275	75,928	-	-
Reserved for Debt Services	-	-	12,481,784	-
Reserved for Capital Projects	-	-	-	38,202,410
Reserved for Other Purposes	400,607	989,988	-	-
Unreserved, reported in:				
Designated General Fund (mill levy)	8,988,534	-	-	-
Undesignated General Fund	9,820,005	-	-	-
Undesignated Special revenue funds	-	-	-	-
Total Fund Balances	23,326,421	1,065,916	12,481,784	38,202,410
Total Liabilities and Fund Balances	\$ 36,350,342	\$ 2,286,083	\$ 13,242,102	\$ 41,253,309

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Reconciliation of the Governmental Funds Balance Sheet
With the Statement of Net Assets
June 30, 2008

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>		
\$ 4,374,411	\$ 92,169,189	Amounts reported for governmental activities in the statement of net assets are different because:	
9,606	3,220,702		
-	2,125,962		
\$ 4,384,017	\$ 97,515,853	Total Fund Balance - Governmental Funds	\$ 79,175,221
		Capital assets used in governmental activities are not financial resources & therefore are not reported as assets in governmental funds.	
		The cost of capital assets is	224,899,920
		Accumulated depreciation is	<u>(70,769,085)</u>
			154,130,835
\$ 133,888	\$ 4,667,682	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	
-	213,910		
151,439	11,615,167		
-	49,376	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
-	1,794,497		
285,327	18,340,632		
		Bonds Payable	128,404,737
179,495	4,372,697	Bond Issuance Costs	(887,102)
336,136	12,817,920	Loss on Reissuance Cost	(1,954,603)
-	38,202,410	Premium on Bond Financing	5,846,981
607,161	1,997,756	Deferred Interest	8,650,179
-	8,988,534	Capital Lease Obligations	1,435,765
-	9,820,005	Certificates of Participation	3,815,000
2,975,899	2,975,899	Compensated Absences	552,565
4,098,690	79,175,221	Early Retirement Stipends	<u>7,170,528</u>
-			<u>(153,034,050)</u>
\$ 4,384,017	\$ 97,515,853	Total Net Assets - Governmental Activities	\$ 82,066,503

Thompson School District R2-J
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Government Designated- Purpose Grants</u>	<u>Bond Redemption</u>	<u>Building</u>
Revenue				
Taxes	\$ 45,607,749	\$ -	\$ 11,119,912	\$ -
Intergovernmental	63,691,822	6,949,169	-	-
Investment earnings	971,526	22,287	439,367	2,590,166
Other	817,438	-	-	-
TOTAL REVENUE	<u>111,088,535</u>	<u>6,971,456</u>	<u>11,559,279</u>	<u>2,590,166</u>
Expenditures				
Current				
Instruction				
Salaries and Benefits	50,254,795	5,333,674	-	-
Purchased Services	1,879,698	156,020	-	-
Supplies and Materials	2,786,560	208,041	-	-
Equipment	1,242,767	28,402	-	-
Other Expenditures	91,795	7,961	-	-
Total Instruction	<u>56,255,615</u>	<u>5,734,098</u>	<u>-</u>	<u>-</u>
Support Services				
Pupil Services	6,555,204	1,922,106	-	-
Instructional Staff	8,333,433	838,932	-	-
General Administration	840,032	-	-	295,165
School Administration	7,453,325	262,943	-	-
Business Services	1,722,455	-	-	-
Maintenance/Operations	9,689,455	79,035	-	9,066,233
Pupil Transportation	3,421,601	-	-	-
Central Supporting Services	2,926,002	-	525	-
Community Services	3,196	104,163	-	-
Capital Projects	-	-	-	19,946,724
Charter School	2,257,196	-	-	-
Debt Service - Principal	-	-	5,770,000	-
Debt Service - Interest	-	-	5,986,775	-
Total Support Services	<u>43,201,899</u>	<u>3,207,179</u>	<u>11,757,300</u>	<u>29,308,122</u>
TOTAL EXPENDITURES	<u>99,457,514</u>	<u>8,941,277</u>	<u>11,757,300</u>	<u>29,308,122</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	11,631,021	(1,969,821)	(198,021)	(26,717,956)
Other Financing Sources (Uses)				
Transfers In	-	1,922,320	-	-
Transfers Out	<u>(9,687,728)</u>	<u>-</u>	<u>(260,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(9,687,728)</u>	<u>1,922,320</u>	<u>(260,000)</u>	<u>-</u>
Net Change in Fund Balances	1,943,293	(47,501)	(458,021)	(26,717,956)
Fund Balances - Beginning of the Year	<u>21,383,128</u>	<u>1,113,417</u>	<u>12,939,805</u>	<u>64,920,366</u>
Fund Balances - End of the Year	<u>\$ 23,326,421</u>	<u>\$ 1,065,916</u>	<u>\$ 12,481,784</u>	<u>\$ 38,202,410</u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances with the Statement of Activities
For The Year Ended June 30, 2008

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>		
\$ -	\$ 56,727,661	Amounts reported for governmental activities in the statement of activities are different because:	
-	70,640,991		
48,637	4,071,983	Total net change in fund balances - governmental funds	\$ (24,838,018)
<u>1,813,630</u>	<u>2,631,068</u>	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 exceeds capital outlays in the period.	
<u>1,862,267</u>	<u>134,071,703</u>		
3,619,330	59,207,799	Depreciation expense (4,219,736)	
26,653	2,062,371	Capital Outlays <u>28,722,526</u>	24,502,790
318,353	3,312,954	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	171,785
332,270	1,603,439	In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid (\$2,425,749) were more than the amounts earned (\$1,830,967) by \$594,782. Vacation used (\$607,571) was less than the amounts earned (\$642,278) by (\$34,707).	
33,952	133,708		
<u>4,330,558</u>	<u>66,320,271</u>	Repayment of bonded principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. Repayment of bond Principal \$5,770,000, deferred interest on 1996 Bonds (\$786,380), Bond Issuance Costs, net of amortization \$(100,863) and amortization of Premium and Loss on refunding of \$323,585.	5,206,342
-	8,477,310	Repayment of Capital Lease and Certificate of Participation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities	
1,058,146	10,230,511		
43,925	1,179,122	Principal Payment of Debt	<u>345,104</u>
108,750	7,825,018	Change in net assets of governmental activities	\$ <u>5,948,079</u>
27,901	1,750,356		
1,229,587	20,064,310		
513,789	3,935,390		
948,318	3,874,845		
630,423	737,782		
-	19,946,724		
-	2,257,196		
345,104	6,115,104		
209,007	6,195,782		
<u>5,114,950</u>	<u>92,589,450</u>		
<u>9,445,508</u>	<u>158,909,721</u>		
(7,583,241)	(24,838,018)		
8,334,260	10,256,580		
<u>(308,852)</u>	<u>(10,256,580)</u>		
<u>8,025,408</u>	<u>(0)</u>		
442,167	(24,838,018)		
<u>3,656,523</u>	<u>104,013,239</u>		
<u>\$ 4,098,690</u>	<u>\$ 79,175,221</u>		

Thompson School District R2-J
Statement of Net Assets
Proprietary Fund
June 30, 2008

		<u>Nutrition Services Fund</u>
ASSETS		
Current Assets		
Cash and Investments	\$	341,189
Due from Other Governments		165,302
Inventory		183,745
Total current assets		<u>690,236</u>
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation		<u>192,657</u>
TOTAL ASSETS		<u>882,893</u>
LIABILITIES		
Current Liabilities		
Accounts Payable		30,131
Accrued Salaries and Benefits		122,119
Deferred Revenue		62,548
Current portion of Long-Term Debt		<u>4,500</u>
Total Current Liabilities		<u>219,298</u>
Noncurrent Liabilities		
Compensated Absences		<u>9,168</u>
Total Noncurrent Liabilities		<u>9,168</u>
Total Liabilities		<u>228,466</u>
NET ASSETS		
Invested in Capital Assets		192,657
Restricted for TABOR		65,286
Unrestricted		<u>396,484</u>
Total Net Assets	\$	<u><u>654,427</u></u>

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Fund
For The Year Ended June 30, 2008**

	Nutrition Services Fund
Operating Revenue	
Food Sales	\$ 2,123,057
TOTAL OPERATING REVENUE	2,123,057
Operating Expenses	
Salaries and Benefits	1,819,480
Purchased Services	81,448
Supplies and Materials	2,175,175
Depreciation	93,916
TOTAL OPERATING EXPENSES	4,170,018
Operating Loss	(2,046,962)
Non-Operating Revenue	
Federal Aid:	
USDA Reimbursements	1,479,777
Donated Commodities	204,413
State Categorical Reimbursement	49,872
Interest Earnings	4,258
TOTAL NON-OPERATING REVENUE	1,738,320
Change in Net Assets	(308,642)
Net Assets	
Beginning of the Year	963,069
Net Assets	
End of the Year	\$ 654,427

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2008**

	Nutrition Services Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,140,091
Cash Payments to Suppliers for Goods and Services	(2,086,307)
Cash Payments to Employees for Services	(1,759,595)
Net Cash Used by Operating Activities	(1,705,811)
Cash Flows from Noncapital Financing Activities	
Cash Received from Federal Government	1,335,311
Cash Received from State	48,896
Net Cash Provided by Non-capital Financing Activities	1,384,207
Cash Flows from Investing Activities	
Interest Received	4,258
Net Increase (Decrease) in Cash and Cash Equivalents	(317,346)
Cash and Cash Equivalents at the Beginning of the Year	658,535
Cash and Cash Equivalents at the End of the Year	\$ 341,189

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Reconciliation of Operating Loss To
Net Cash Used by Operating Activities
For the Year Ended June 30, 2008**

**Nutrition Services
Fund**

**Reconciliation of Operating Loss to Net Cash
Used by Operating Activities**

Operating Loss	\$	(2,046,962)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		93,916
USDA Commodities Food Used		204,413
Changes in Assets and Liabilities		
Increase (Decrease) in Accounts Payable		21,695
Increase (Decrease) in Accrued Salaries		55,632
Decrease (Increase) in Inventory		(55,792)
Increase (Decrease) in Compensated Absences		4,253
Increase (Decrease) in Deferred Revenue		17,034
		<hr/>
Net Cash Used by Operating Activities	\$	<u><u>(1,705,811)</u></u>
 Non-cash Investing, Capital and Financing Activities		
Federal Aid:		
Donated Commodities	\$	<u>204,413</u>
 Total Non-cash Investing, Capital and Financing Activities	 \$	 <u><u>204,413</u></u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Fiduciary Assets and Liabilities
As of June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>971,151</u>
TOTAL ASSETS	<u>971,151</u>
LIABILITIES	
Liabilities	
Accounts Payable	15,991
Accrued Salaries and Benefits	4,023
Undistributed Monies	<u>951,137</u>
TOTAL LIABILITIES	\$ <u>971,151</u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

NOTE (1) Summary of Significant Accounting Policies

The financial statements of Thompson School District R2-J (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

(A) Reporting Entity

In conformance with Governmental Accounting and Financial Reporting Standards, Thompson School District R2-J, Larimer County, Loveland, Colorado, is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of public school instruction within the geographical area organized as Thompson School District R2-J. The District meets the criteria of a primary government: its Board of Education is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

The financial statements of the District include all funds that are controlled by or dependent upon the Board of Education. Control by or dependence on the Board of Education is determined on the basis of budget adoption, taxing authority, outstanding debt that may be secured by general obligation of the District, and the responsibility of the District to finance debt or make subsidies to funds.

Blended Component Unit:

Thompson School Facilities Corporation

The Thompson School Facilities Corporation (Corporation), a Colorado not-for-profit corporation, is included as a blended component unit in the accompanying basic financial statements. The Corporation was formed by the District solely for the purpose of acting as lessor, with the District as lessee, to finance the acquisition and/or construction of certain facilities used in District operations. The Corporation does not publish individual component unit financial statements.

Discrete Component Units:

The District includes the New Vision Charter School and the Thompson Education Foundation (the "Entities") within its reporting entity because the Entities are fiscally dependent on the District or provide benefits exclusively to the District and their exclusion would render the District's financial statements incomplete. Since the Entities have separately elected boards, the balances and transactions of the Entities are discretely presented in the financial statements.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

(B) Fund Accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service funds). The following are the District's major governmental funds:

General Fund – The General Fund is the District's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for programs funded by grants from federal and state governments, school construction, certain capital outlay expenditures, debt service, food service operations, extracurricular athletic and other pupil activities, payment of severance incentives and insurance transactions.

Government Designated-Purpose Grants Fund – This fund maintains a separate accounting for programs funded by federal, state and local grants that normally have a different fiscal period than that of the District.

Bond Redemption Fund – The District has one debt service fund, the Bond Redemption Fund. This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund's primary revenue source is local property taxes levied specifically for debt service.

Building Fund – The District has one capital projects fund, the Building Fund. This fund accounts for the financial resources to be used to construct, renovate and equip capital facilities.

The other governmental funds of the District are Special Revenue Funds – These funds account for revenues derived from earmarked revenue sources, including transfers from the General Fund, charges for supporting educational services and tuition. Special Revenue Funds consist of Capital Reserve, Land Reserve, Severance Incentive, Interscholastic Athletic and Activity, and Fee Supported Program Funds.

Proprietary Funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's only enterprise fund is:

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

Nutritional Services Fund – This fund accounts for the financial transactions related to the food service operations of the District.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds, The Education Memorial Fund and Interscholastic Athletic and Activity Fund.

(C) Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. Interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these

funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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 enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

(D) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. See Note 3. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the district must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within 60 days after year-end, interest, tuition, grants and student fees.

Deferred Revenue Deferred revenues (modified accrual) arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period of the fund financial statements. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant moneys are received prior to meeting eligibility requirements (modified and full accrual). In subsequent periods, when both revenue recognition

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include 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.

(E) Cash, Cash Equivalents and Temporary Investments

Cash, cash equivalents, money market funds and temporary investments include cash on hand, demand deposits, certificates of deposit, repurchase agreements, and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months.

Cash balances from different funds are combined and invested to the extent possible in local government investment pools and repurchase agreements. Earnings from investments are allocated to each fund based upon that fund's share of the investment. Investments are stated at fair value. The District generally holds investments until maturity.

(F) Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net assets and, classified as due from other funds or due to other funds on the balance sheet.

(G) Inventories

Nutritional Services Fund purchased inventories are stated at cost as determined by the first-in, first-out (FIFO) method. Commodity inventories are stated at the USDA's assigned values, which approximate fair market value, at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the National School Lunch Program. Commodity contributions used by the District are recorded as non-operating revenues at the date of their consumption.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

(H) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend and asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 Years	N/A
Buildings and Improvements	10-50 Year	N/A
Furniture and Equipment	5-20 Years	5-20 Years
Vehicles	8-15 years	8-15 years

(I) Compensated Absences and Severance Incentive Benefit Amounts

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. District policy allows employees to accumulate only unused vacation earned since the beginning of the current school year. For employees classified as administrators, twenty days of vacation may be carried over from year to year with the approval of the Superintendent of Schools.

Upon separation, all certified employees are entitled to unused sick leave at the substitute teacher daily rate. Unused sick leave is exchanged at the rate of one-half day for every day earned up to 120 days beyond the 30 accrued days, acquired prior to the end of the 1993 fiscal year. However, under the severance bonus plan, adopted in fiscal year 1993, teachers could choose a severance plan that would allow payment for all sick leave earned at one-half the substitute teacher daily rate up to a combined total of 120 days. For classified staff, unused sick leave is exchanged at the rate of one-half day for every day earned up to 120 days beyond the 30 accrued days, acquired prior to the end of the 1994 fiscal year.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

The entire compensated absence liability is reported on the government-wide financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. A liability is reported in the governmental funds only when payment is due.

During fiscal year 1993, the District initiated a severance bonus plan. Certified, classified and administrative personnel could choose from a number of options and payment plans when terminating from the District. Currently payments under the severance plan are scheduled through fiscal year 2013. The severance plan is structured to comply with the legal requirements of Title X of the Colorado Constitution (also known as the Tabor Amendment). The District budgets the subsequent year's available resources for severance, severance incentive and eligible accumulated leave benefits. Therefore, the entire unpaid liability for early retirement and sick leave paid upon retirement for governmental funds is reported on the government-wide financial statements. Amounts for sick leave to be paid with the severance and early retirement bonus are included in severance incentive stipends payable. The compensated absences balance is the accrual for active employees. The amounts recorded as liabilities for all compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

(J) Accrued Liabilities and Long-Term Obligations

All payables accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with available resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with available financial resources. In general, payments made within sixty days after year-end are considered to have been made with available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

(K) Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Designated unreserved fund balances have been established for the mill levy override election.

(L) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(M) Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

NOTE (2) Cash and Investments

(A) 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, 2008 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, 2008, the District had deposits of \$14,292,509 collateralized with securities held by the financial institutions' agents, but not in the District's name.

(B) Investments

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

- 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
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

State statutes do not address custodial risk.

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statute limits investments in U.S. Agency securities and repurchase agreements to five years from date of purchase.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

Credit Risk – State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO. State statutes require repurchase agreements to be collateralized at no less than one hundred two percent with U.S. Treasury or Agency securities.

Custodial Risk – State statutes require the collateral securities of repurchase agreements to be held by the District’s custodian or a third-party trustee.

Concentration Risk – At June 30, 2008 the District’s investment in a repurchase agreement with a financial institution represented 50% of the total investments. State statutes do not limit the amount the District may invest in a single issuer.

Local government investment pools – At June 30, 2008, the District had \$23,324,602 and \$17,224,021 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Diversified Trust, respectively. The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the pools. The pools operate similarly to a money market fund with each share equal in value to \$1.00. The pools are rated AAAM by Standard and Poor’s. Investments of the pools 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. The custodian’s internal records identify the investments owned by the participating governments.

Investment Type	Rating	Investment Maturities (In Years)			Thompson	All	Fair Value
		Less than 1	1 - 3	3 +	Ed. Fnd.	Other Funds	
Uninvested Funds	N/A	\$ 233	\$ -	\$ -	\$ 233	\$ -	\$ 233
Money Market Funds	AAA	8,028	-	-	-	8,028	8,028
Money Market Funds	N/A	314,236	-	-	314,236	-	314,236
Local Government Investment Pool	AAA	40,548,623	-	-	-	40,548,623	40,548,623
Repurchase Agreement	N/A	41,495,447	-	-	-	41,495,447	41,495,447
Commercial Paper	AAA	336,714	-	-	-	336,714	336,714
U.S. Agency Securities	AAA	-	-	416,647	416,647	-	416,647
		<u>\$ 82,703,281</u>	<u>\$ -</u>	<u>\$ 416,647</u>	<u>\$ 731,116</u>	<u>\$ 82,388,812</u>	<u>\$ 83,119,928</u>

The Thompson Education Foundation is a non profit entity with its own investment policy and is not subject to state statute.

The following table is a reconciliation of cash and investments on the statement of net assets.

Cash and Deposits	\$ 11,401,636
Investments	<u>83,119,928</u>
Total	<u>\$ 94,521,564</u>
<u>Statement of Net Assets:</u>	
Primary Government Cash and Investments	\$ 92,510,378
Component Unit Cash and Investments	1,040,035
Fiduciary Funds Cash and Investments	<u>971,151</u>
Total	<u>\$ 94,521,564</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

NOTE (3) Receivables

Property taxes are certified on December 15 and are levied the following January 1. They are payable in full by April 30 or are due in two equal installments on February 28 and June 15. Larimer, Weld and Boulder Counties bill and collect property taxes for all taxing entities within each county. The property tax receipts collected by the counties are remitted to the District in the subsequent month.

NOTE (4) Due To/From Other Funds

The District's claim on cash account holds the cash of all funds. As a result, negative claim on cash balances occur in certain funds and are in essence "financed" by other funds. Positive book cash balances are displayed on the balance sheet as "due from other funds", while negative cash balances are included in "Due to other funds" on the balance sheet.

NOTE (5) Interfund Transfers

Interfund transfers at June 30, 2008, were composed of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:		
Capital Reserve	Debt Service	\$ 260,000
Government Designated-Purpose Grants	General	<u>1,922,320</u>
	Sub-total	2,182,320
Non-Major Funds:		
Interscholastic Athletic & Activity	General	1,356,012
Severance Incentive	General	2,460,000
Fee Supported Programs	General	324,826
Capital Reserve	General	3,624,570
Building Corporation Debt Service	Capital Reserve	<u>308,852</u>
	Sub-total	8,074,260
	Total	<u>\$ 10,256,580</u>

The General Fund routinely subsidizes programs of other funds. The General Fund is required by State statute to transfer \$292 per funded pupil to the Capital Reserve Fund or used for insurance costs. The Capital Reserve Fund transferred to the Building Corporation Debt Service Fund the amount of debt service requirements. By District policy and as allowed by State statute, the Debt Service Fund transfers its investment income to the Capital Reserve Fund each year.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

NOTE (6) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Capital Assets July 1, 2007	Additions	Deletions Inventory Adjustments/ Transfers	Capital Assets June 30, 2008
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 14,385,406	\$ 425,260	\$ -	\$ 14,810,666
Water Rights	1,050,000	-	-	1,050,000
Construction in Progress	<u>17,965,702</u>	<u>26,493,648</u>	-	<u>44,459,350</u>
Total capital assets, not being depreciated	<u>33,401,108</u>	<u>26,918,908</u>	-	<u>60,320,016</u>
Capital assets, being depreciated:				
Buildings	149,655,411	-	-	149,655,411
Equipment	3,870,954	1,130,712	(24,812)	4,976,854
Transportation	<u>9,427,959</u>	<u>672,906</u>	<u>(153,226)</u>	<u>9,947,639</u>
Total capital assets, being depreciated	162,954,324	1,803,618	(178,038)	164,579,904
Less accumulated depreciation for:				
Buildings	(57,972,458)	(2,976,580)	-	(60,949,038)
Equipment	(2,684,457)	(452,755)	24,812	(3,112,400)
Transportation	<u>(6,070,472)</u>	<u>(790,401)</u>	<u>153,226</u>	<u>(6,707,647)</u>
Total accumulated depreciation	<u>(66,727,387)</u>	<u>(4,219,736)</u>	<u>178,038</u>	<u>(70,769,085)</u>
Total capital assets, being depreciated, net	<u>96,226,937</u>	<u>(2,416,118)</u>	-	<u>93,810,819</u>
Governmental Activities Capital Assets, Net	<u>\$ 129,628,045</u>	<u>\$ 24,502,790</u>	<u>\$ -</u>	<u>\$ 154,130,835</u>
Business-Type Activities				
Furniture and Equipment	\$ 2,516,971	\$ -	\$ -	\$ 2,516,971
Less Accumulated Depreciation	<u>(2,230,398)</u>	<u>(93,916)</u>	-	<u>(2,324,314)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 286,573</u>	<u>\$ (93,916)</u>	<u>\$ -</u>	<u>\$ 192,657</u>

Depreciation expense for the year ended June 30, 2008 was charged to the following governmental functions:

Instruction	\$ 2,316,690
Support:	
Pupil Services	239,917
Instructional Staff	251,775
General Administration	34,446
School Administration	221,827
Business Services	35,066
Maintenance/Operations	651,173
Pupil Transportation	76,833
Central Supporting Services	344,267
Community Services	<u>47,742</u>
Total	<u>\$ 4,219,736</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

NOTE (7) 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 ten months. The salaries and benefits earned, but unpaid, at June 30, 2008, are estimated to be \$11,737,286. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE (8) General Obligation Bonds Payable

On January 7, 1997, the District issued \$48,949,738 in general obligation bonds. The bond proceeds are being used for construction projects and bond issuance costs. The bond issue was comprised of two separate types of bonds. These bonds have different interest rates and payment due dates as shown in the tables below. The first and second tables identify each type of the 1996 bond issue. On July 29, 2003, the District issued \$25,660,000 in general obligation bonds. The bond proceeds were used to refund the Series 1996. The first table is the remaining principal and interest due from the portion of the 1996 Series Bonds, which were not refunded. The second table identifies the remaining principal and interest due on the 2003 bond issue as of June 30, 2008. On September 17, 2004, the District issued \$22,215,000 in general obligation bonds. The bond proceeds were used to refund the Series 1994 bonds. Table 3 details the remaining principal and interest due on the 2004 bond issue as of June 30, 2008. On December 20, 2005, the District issued \$89,215,000 in general obligation bonds. Table 4 details the remaining principal and interest due on the 2005 bond issue as of June 30, 2008.

Table 1
Series 1996 Deferred Interest
Interest Rate 5.4% to 5.5%

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,271,194	\$ 3,603,806	\$ 6,875,000
2012	3,101,430	3,823,570	6,925,000
2013	<u>2,912,113</u>	<u>4,002,887</u>	<u>6,915,000</u>
Totals	<u>\$ 9,284,737</u>	<u>\$11,430,263</u>	<u>\$20,715,000</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

Table 2
Series 2003A Refunding Bonds
Interest Rate 2.75% to 5.25%

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 805,000	\$ 916,244	\$ 1,721,244
2010	875,000	892,050	1,767,050
2011	-	878,925	878,925
2012	-	878,925	878,925
2013	-	878,925	878,925
2014	4,315,000	779,269	5,094,269
2015	4,550,000	591,238	5,141,238
2016	4,760,000	383,862	5,143,862
2017	5,045,000	132,431	5,177,431
Total	<u>\$ 20,350,000</u>	<u>\$ 6,331,869</u>	<u>\$26,681,869</u>

Table 3
Series 2004A Refunding Bonds
Interest Rate 2.30% to 3.49%

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,670,000	\$ 361,000	\$ 5,031,000
2010	<u>4,885,000</u>	<u>122,125</u>	<u>5,007,125</u>
Total	<u>\$ 9,555,000</u>	<u>\$ 483,125</u>	<u>\$ 10,038,125</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

Table 4
Series 2005 Bonds
Interest Rate 4.00% to 5.00%

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 100,000	\$ 4,429,600	\$ 4,529,600
2010	100,000	4,425,600	4,525,600
2011	105,000	4,421,500	4,526,500
2012	105,000	4,417,300	4,522,300
2013	130,000	4,412,600	4,542,600
2014	1,205,000	4,385,900	5,590,900
2015	1,300,000	4,335,150	5,635,150
2016	1,445,000	4,272,375	5,717,375
2017	1,600,000	4,196,250	5,796,250
2018	7,090,000	3,979,000	11,069,000
2019	7,570,000	3,612,500	11,182,500
2020	8,065,000	3,221,625	11,286,625
2021	8,600,000	2,805,000	11,405,000
2022	9,160,000	2,361,000	11,521,000
2023	9,750,000	1,888,250	11,638,250
2024	10,340,000	1,386,000	11,726,000
2025	10,990,000	852,750	11,842,750
2026	<u>11,560,000</u>	<u>289,000</u>	<u>11,849,000</u>
Total	<u>\$89,215,000</u>	<u>\$59,691,400</u>	<u>\$148,906,400</u>

NOTE (9) Certificates of Participation

Certificates of Participation represent long-term lease purchase agreements for the acquisition of capital items. Certificates of Participation (COP) are not considered bonded debt of the District due to the structure of the lease and annual appropriation clause. The COPs are not considered to be a general obligation or other indebtedness of the District within the meaning of any constitutional or statutory debt limitations.

On April 22, 2004, the Thompson School Facilities Corporation issued \$4,485,000 of COPs. The 2004 COPs were issued to purchase the Thompson Learning Community, which houses the District's central administrative offices and a Community Learning Center. The COPs carry interest rates ranging from 1.85% to 4.50%. Annual lease payments will be made from the Capital Reserve Fund.

The table below identifies the remaining principal and interest due on the 2004 COP issue as of June 30, 2008.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

Table 1

Series 2004 Certificates of Participation

Interest Rate 1.85% to 4.50%

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 180,000	\$ 152,076	\$ 332,076
2010	185,000	146,370	331,370
2011	190,000	140,039	330,039
2012	200,000	132,964	332,964
2013	200,000	125,714	325,714
2014	210,000	118,329	328,329
2015	220,000	109,906	329,906
2016	230,000	100,769	330,769
2017	235,000	91,351	326,351
2018	245,000	81,174	326,174
2019	255,000	70,460	325,460
2020	270,000	59,300	329,300
2021	280,000	47,335	327,335
2022	290,000	34,650	324,650
2023	305,000	21,262	326,262
2024	<u>320,000</u>	<u>7,200</u>	<u>327,200</u>
Total	<u>\$3,815,000</u>	<u>\$1,438,899</u>	<u>\$5,253,899</u>

NOTE (10) Capital Leases

The District has the following capital lease, which is subject to annual appropriation:

<u>Equipment</u>	<u>Original Lease Amount</u>	<u>Remaining Principal</u>	<u>Annual Payment</u>
1) Performance Contract	<u>\$ 2,233,253</u>	<u>\$ 1,435,766</u>	<u>\$ 245,259</u>

This lease with Sun Trust Leasing Corporation was entered into on September 15, 2002. Twelve annual payments of \$245,259 began on July 1, 2003. This lease is an energy performance contract. The payments are guaranteed from annual energy savings by replacing equipment with more energy efficient units. This contract is guaranteed by Siemen Building Technologies. Payments are made from the Capital Reserve Fund, based on a transfer from the General Fund energy budget. No assets were capitalized, as items did not meet District's capitalization policy.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

NOTE (11) Changes in Long-Term Debt

(A) Summary

The following is a summary of the changes in long-term debt for the year ended June 30, 2008:

	July 1, 2007	Additions	Deletions	June 30, 2008	Amount Due in One Year
Governmental activities:					
General Obligation Bond	\$146,254,499	\$ 786,380	\$ 6,093,585	\$140,947,294	\$ 5,575,000
Certificates of Participation	3,990,000	-	175,000	3,815,000	180,000
Capital Lease Obligations Payable	1,605,869	-	170,104	1,435,765	178,065
Compensated Absences *	517,858	642,278	607,571	552,565	280,000
Severance-Incentive Payable*	7,765,310	1,830,967	2,425,749	7,170,528	2,574,520
Governmental activities Long-term liabilities	<u>\$160,133,536</u>	<u>\$ 3,259,625</u>	<u>\$ 9,472,009</u>	<u>\$153,921,152</u>	<u>\$ 8,787,585</u>
Business-type activities:					
Compensated Absences	\$ 9,415	\$ 10,977	\$ 6,724	\$ 13,668	\$ 4,500

* The General Fund liquidates compensated absences and the Severance Incentive Fund liquidates the severance incentive stipend payable.

(B) Annual Requirements

Listed below are the annual requirements to amortize all long-term debt at June 30, 2008:

Year Ending June 30,	General Obligation Bonds	Capital Lease/COP Obligations	Compensated Absences	Severance Incentive Stipends	Total
2009	\$ 11,281,844	\$ 577,335	\$ -	\$ 2,574,520	\$ 14,433,699
2010	11,299,775	576,629	-	2,000,911	13,877,315
2011	12,280,425	575,298	-	1,132,218	7,112,941
2012	12,326,225	578,223	-	813,788	6,793,236
2013-2017	55,632,997	2,376,843	-	649,091	51,743,932
2018-2022	56,464,125	1,632,920	-	-	58,097,045
2023-2026	47,056,000	653,462	-	-	47,709,462
Due in accordance with District leave policies	-	-	552,565	-	552,565
Less amounts representing interest	(77,936,656)	(1,719,945)	-	-	(58,941,600)
Principal Due	<u>\$128,404,737</u>	<u>\$5,250,765</u>	<u>\$ 552,565</u>	<u>\$ 7,170,528</u>	<u>\$141,378,595</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

NOTE (12) Fund Balance

(A) Reserves/Designations

The District has reserved all or portions of the fund balance in several funds. The reserved fund balance represents the portion not available for expenditures or legally segregated for specific future use. Fund balances of \$12,817,920 have been reserved for future debt service payments. Other reserve balances are: Land Reserve Fund (\$607,161), Government Designated Purpose Grants Fund (\$989,988), Insurance (\$290,170) and the Colorado Preschool Program (\$110,437). Fund balance of \$8,988,534 has been designated for future mill levy override projects.

NOTE (13) Defined Benefit Pension Plan

(A) Plan Description

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

(B) Funding Policy

Plan member 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 8.0% and for the District is 11.15% (July 1, 2007 – December 31, 2007) and 12.05% (January 1, 2008 – June 30, 2008) of covered salary for fiscal year 2008. A portion of the District's contribution 1.02% of covered salary is allocated for the Health Care Trust Fund. The District's contributions to SDTF for the years ending June 30, 2008, 2007, and 2006 were \$8,322,105, \$7,370,568 and \$6,923,289 respectively equal to their required contributions for each year.

NOTE (14) Postemployment Healthcare Benefits

(A) 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 HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

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).

(B) Funding Policy

The District is required to contribute at a rate of 1.02% for fiscal year 2007-2008, 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 contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contributions to HCTF for the years ending June 30, 2008, 2007, 2006 were \$731,055, \$671,347, and \$665,262 respectively, equal to their required contributions for each year.

NOTE (15) Risk Management

(A) Colorado School District Self Insurance Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other districts to participate in the Colorado School Districts Self Insurance Pool (CSDSIP), a public entity risk pool currently operating as a common risk management and insurance program for school districts. Participation in CSDSIP is approved by and managed under regulations promulgated by the Colorado State Insurance Division of Regulatory Agencies. The District pays an annual premium to CSDSIP for its general property and liability insurance coverage. CSDSIP is self-sustaining through member premiums and currently carries reinsurance for property claims in excess of \$1,000,000 and for liability claims in excess of \$500,000.

The Colorado Governmental Immunity Act limits the types of liability claims that can be brought against a school district and the amount of monetary damages that a school district might be ordered to pay. The maximum amount that can be recovered for an injury involving one person in any single occurrence is \$150,000. The maximum amount that is recoverable for a single occurrence involving two or more people is \$600,000.

The District's contribution to CSDSIP is funded by premium contributions through a transfer from the General Fund to the Capital Reserve Fund. The fund is also used to cover the purchase of commercial insurance for workers' compensation coverage and other types of coverage not provided in the pool agreement; to partially fund salaries and other service costs for risk management and loss control (deductibles, security contracts, medical evaluation, controlled substance and alcohol testing, etc.). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Complete financial statements for

CSDSIP can be obtained from CSDSIP, 455 Sherman Street, Suite 455, Denver, Colorado 80203-4427.

(B) Centennial Board of Cooperative Educational Services (CBOCES)

The District participates in the Centennial Board of Cooperative Educational Services (CBOCES), along with St. Vrain, Park and several smaller districts in Weld County. CBOCES provides data processing services, teacher education, provides research and development for

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

members districts. The District is not responsible for deficits nor is the District entitled to operating surplus. The District has no moral or other responsibility for debt. The amount contributed is based upon the number of students enrolled in each district. For the 2007-08 fiscal year, the administrative, operations and contingency percentage the District contribution is

approximately 28%. Complete financial statements can be obtained from CBOCES, 830 S. Lincoln, Longmont, Colorado 80501.

The District made a \$1,007,610 contribution to CBOCES during fiscal year 2007-08.

(C) Larimer County Board of Cooperative Educational Services (LCBOCES)

The District is also a member of the Larimer County Board of Cooperative Educational Services (LCBOCES), along with Poudre R-1 and Park School Districts. At one time, LCBOCES administered the Voc-Tech Center (Center) in Fort Collins, Colorado. The Center provides the vocational training for District students. At the current time, the LCBOCES retains title to the assets at the Voc-Tech Center, but has no day-to-day operations. On July 1, 1988, LCBOCES and the three related school districts contracted with the State of Colorado for the operation and management of the Center. Under these arrangements, the Center became a satellite campus of Front Range Community College and the name was changed to Front Range Community College/Larimer County Center. The District is not responsible for deficits, nor is the District entitled to operating surplus. The District has no moral or other responsibility for debt. The District's share of original contribution was 35.44%. Poudre R-1's original contribution share was 64.56%, and Park School District made no original contribution. Complete financial statements can be obtained from LCBOCES, 830 S. Lincoln, Longmont, Colorado 80501.

The District made a \$5,052 contribution to LCBOCES during fiscal year 2007-08.

NOTE (16) Commitments and Contingencies

(A) Litigation

The District is involved in several pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

(B) Grants and State Funding

The District participates in a number of Federal and State assisted grant programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material affect on the financial statements of the District at June 30, 2008.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2008

(C) TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

In November 2000, voter approval was given to the District to remove the restriction on growth in revenue effective beginning the fiscal year ended June 30, 2000. At June 30, 2008, the District has complied with the requirements to establish emergency reserves that are recorded in the financial statements as a reserved fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

These financial statements present more detailed information, such as budget to actual comparisons for the individual funds in a format that segregates information by major fund type and non-major funds.

GENERAL FUND

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund in relation to the District's overall operations.

**Thompson School District R2-J
General Fund - 10
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenue				
Taxes				
Local Property- School Finance Act	\$ 28,116,646	\$ 28,116,646	\$ 28,191,884	\$ 75,238
Local Property- Mill Levy Override	12,614,481	12,614,481	12,456,986	(157,495)
Specific Ownership	3,546,159	3,546,159	4,271,504	725,345
Specific Ownership - Mill Levy Override	750,000	750,000	687,375	(62,625)
Intergovernmental				
Equalization Entitlements	60,370,096	60,370,096	59,874,117	(495,979)
Special Education	2,449,751	2,449,751	2,762,719	312,968
Vocational Education	247,000	247,000	251,286	4,286
Transportation	722,756	722,756	803,700	80,944
Investment Earnings	275,000	275,000	812,723	537,723
Investment Earnings - Mill Levy	153,875	153,875	158,803	4,928
Other	631,067	655,767	817,438	161,671
TOTAL REVENUE	109,876,831	109,901,531	111,088,535	1,187,004
TOTAL EXPENDITURES	102,507,154	102,531,854	99,457,514	3,074,340
Excess revenues over expenditures	7,369,677	7,369,677	11,631,021	4,261,344
Other Financing Sources (Uses)				
Transfers Out:				
Interscholastic Athletic & Activity Fund	(1,356,012)	(1,356,012)	(1,356,012)	-
Governmental Designated-Purpose				
Grants Fund	(1,749,700)	(1,749,700)	(1,922,320)	(172,620)
Severance Incentive Fund	(2,460,000)	(2,460,000)	(2,460,000)	-
Fee Supported Programs Fund	(324,826)	(324,826)	(324,826)	-
Capital Reserve Fund	(3,686,172)	(3,686,172)	(3,624,570)	61,602
Total Other Financing Sources (Uses)	(9,576,710)	(9,576,710)	(9,687,728)	(111,018)
Net Change in Fund Balance	\$ (2,207,033)	\$ (2,207,033)	1,943,293	\$ 4,150,326
Fund Balance - Beginning of Year			21,383,128	
Fund Balance - End of Year			\$ 23,326,421	

See independent auditor's report

**Thompson School District R2-J
General Fund - 10
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instruction:				
Salaries and Benefits	\$ 54,286,451	\$ 54,286,451	\$ 50,254,795	\$ 4,031,656
Purchased Services	2,028,354	2,028,354	1,879,698	148,656
Supplies and Materials	3,197,188	3,197,188	2,786,560	410,628
Other	87,174	87,174	91,795	(4,621)
Total Instruction	59,599,167	59,599,167	55,012,848	4,586,319
Supporting Services				
Pupil Services	5,263,630	5,263,630	6,555,204	(1,291,574)
Instructional Staff	8,221,488	8,221,488	8,333,433	(111,945)
General Administration	754,137	754,137	840,032	(85,895)
School Administration	7,228,363	7,228,363	7,453,325	(224,962)
Business Services	1,922,814	1,922,814	9,689,455	(7,766,641)
Maintenance/Operations	10,376,090	10,376,090	3,421,601	6,954,489
Transportation	3,350,580	3,375,280	1,722,455	1,652,825
Central Supporting Services	3,256,561	3,256,561	2,926,002	330,559
Community Service	-	-	3,196	(3,196)
Charter School	2,196,250	2,196,250	2,257,196	(60,946)
Total Supporting Services	42,569,913	42,594,613	43,201,899	(607,286)
Capital Outlay	338,074	338,074	1,242,767	(904,693)
TOTAL EXPENDITURES	<u>\$ 102,507,154</u>	<u>\$ 102,531,854</u>	<u>\$ 99,457,514</u>	<u>\$ 3,074,340</u>

See independent auditor's report

GOVERNMENT DESIGNATED-PURPOSE FUND

The Government Designated-Purpose Fund maintains the accounting for programs funded by federal, state and local grants that normally have a different fiscal period than that of the District.

**Thompson School District
Government Designated Purpose Grants Fund - 22 & 28
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Budget		
Revenue				
Intergovernmental				
Federal Sources	\$ 6,624,343	\$ 6,624,343	\$ 6,362,842	\$ (261,501)
State/Local Sources	630,095	630,095	586,327	(43,768)
Investment Earnings	-	-	22,287	22,287
TOTAL REVENUE	7,254,438	7,254,438	6,971,456	(282,982)
Expenditures				
Instruction				
Salaries and Benefits	5,441,388	5,441,388	5,333,674	107,714
Purchased Services	197,707	197,707	156,020	41,687
Supplies and Materials	236,424	236,424	208,041	28,383
Equipment	44,031	44,031	28,402	15,629
Other Expenditures	59,594	59,594	7,961	51,633
Total Instruction	5,979,144	5,979,144	5,734,098	245,046
Support Services				
Pupil Services	1,928,112	1,928,112	1,922,106	6,006
Instructional Staff	905,069	905,069	838,932	66,137
School Administration	365,768	365,768	262,943	102,825
Maintenance/Operations	73,234	73,234	79,035	(5,801)
Pupil Transportation	12,000	12,000	-	12,000
Community Services	119,123	119,123	104,163	14,960
Total Support Services	3,403,306	3,403,306	3,207,179	196,127
Total Expenditures	9,382,450	9,382,450	8,941,277	441,173
Excess Revenues Over/(Under) Expenditures	(2,128,012)	(2,128,012)	(1,969,821)	158,191
Other Financing Sources (Uses)				
Operating Transfer In	1,749,700	1,749,700	1,922,320	172,620
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (378,312)	\$ (378,312)	(47,501)	\$ 330,811
Fund Balances - Beginning of Year			<u>1,113,417</u>	
Fund Balances - End of Year			<u>\$ 1,065,916</u>	

See independent auditor's report

Thompson School District R2-J
Notes to Required Supplementary Information
June 30, 2008

Budgets and Budgetary Accounting

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data reflected in the financial statements:

- 1) Budgets are required by state law for all funds. Prior to May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- 3) Prior to June 30, the budget is adopted by formal resolution.
- 4) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the Superintendent of Schools, or department directors. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- 5) Budgets for all funds are adopted on a basis consistent with US GAAP, with the exception of the Nutritional Services. The Nutritional Services Fund budgets for capital outlay and not for depreciation expense.
- 6) Appropriations lapse at year-end.
- 7) No Budgetary information is presented for the Building Corporation Debt Service Fund as this is presented as a component unit of the District and there is no legal requirement to adopt a budget for this fund.

Thompson School District R2-J
Notes to Required Supplementary Information
June 30, 2008

There were four funds overspent as compared to budget for 2008 - the Athletic and Activities Fund, \$14,623; Building Fund, \$1,282,425; Nutritional Services Fund, \$249,102; and the Education Memorial Trust Fund, \$7,078. These funds' appropriations (which include expenditures plus beginning reserves) are greater than expenditures; therefore, the District believes it is in compliance with State budget statutes.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

These financial statements present more detailed information, such as budget to actual comparisons for the individual funds in a format that segregates information by major fund type and non-major funds.

DEBT SERVICE FUND

The District has one debt service fund, the Bond Redemption Fund. This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. This fund's primary revenue sources are local property taxes levied specifically for debt service.

**Thompson School District R2-J
Bond Redemption Fund - 31
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Local Property Taxes	\$ 11,500,000	\$ 11,500,000	\$ 11,119,912	\$ (380,088)
Investment Earnings	350,000	350,000	439,367	89,367
TOTAL REVENUE	11,850,000	11,850,000	11,559,279	(290,721)
Expenditures				
Other Charges	5,000	5,000	525	4,475
Debt Service:				
Principal retirement	5,770,000	5,770,000	5,770,000	-
Interest and Fiscal Charges	5,986,776	5,986,776	5,986,775	1
TOTAL EXPENDITURES	11,761,776	11,761,776	11,757,300	4,476
Excess revenues over (under) expenditures	88,224	88,224	(198,021)	(286,245)
Other Financing (Uses)				
Transfer Out	(260,000)	(260,000)	(260,000)	-
Total Other Financing Sources (Uses)	(260,000)	(260,000)	(260,000)	-
Net Change in Fund Balance	\$ (171,776)	\$ (171,776)	(458,021)	\$ (286,245)
Fund Balance - Beginning of Year			<u>12,939,805</u>	
Fund Balance - End of Year			<u>\$ 12,481,784</u>	
See independent auditor's report				

CAPITAL PROJECTS FUND

The District has one capital projects fund, the Building Fund. This fund accounts for the financial resources to be used to construct, renovate and equip capital facilities.

**Thompson School District R2-J
Building Fund - 41
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Investment Earnings	\$ 2,700,000	\$ 2,700,000	\$ 2,590,166	\$ (109,834)
TOTAL REVENUES	2,700,000	2,700,000	2,590,166	(109,834)
Expenditures				
Project Administration	349,122	349,122	295,165	53,957
New or Addition to Schools	18,824,075	18,824,075	19,010,683	(186,608)
Maintenance Projects	8,800,000	8,800,000	9,066,233	(266,233)
Technology Projects	52,500	52,500	936,041	(883,541)
TOTAL EXPENDITURES	28,025,697	28,025,697	29,308,122	(1,282,425)
Excess revenues over (under) expenditures	(25,325,697)	(25,325,697)	(26,717,956)	(1,392,259)
Net Change in Fund Balance	\$ (25,325,697)	\$ (25,325,697)	(26,717,956)	\$ (1,392,259)
Fund Balance - Beginning of the Year			<u>64,920,366</u>	
Fund Balance - End of the Year			<u>\$ \$ 38,202,410</u>	

See independent auditor's report

NON-MAJOR FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The District has the following Non-major Funds:

Capital Reserve Fund

This fund is authorized by Colorado state law. Under state law, funds must be reported as a special revenue fund type, not a capital projects fund type. It is used to fund ongoing capital needs such as site acquisitions, building additions, equipment purchases and technology. Funding was provided by a property tax through 1988. Funding is now provided by a transfer from the General Fund, as mandated by the Public School Finance Act of 1994.

Land Reserve Fund

This fund is provided to maintain a separate accounting for cash in lieu of land dedication assessed on newly constructed homes that have an impact on the District's financial resources. This revenue is to provide facilities for learning due to the increased amount of student population.

Severance Incentive Fund

This fund pays benefits to District employees who elect to take advantage of the severance plan. Funding is provided by a transfer from the General Fund.

Interscholastic Athletic and Activity Fund

This fund accounts for the coaches and sponsors of the interscholastic athletic programs and student organizations at all secondary schools in the District. Funding is provided by transfers from the General Fund.

Fee Supported Programs Fund

This fund is used to account for programs that are financed primarily through user fees and tuition.

Building Corporation Debt Service

Accounts for the transactions related to the debt service of the Building Corporation

Thompson School District R2-J
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Capital Reserve	Land Reserve	Severance Incentive	Interscholastic Athletic & Activity
ASSETS				
Cash and Cash Equivalents	\$ 2,155,042	\$ 622,783	\$ 163,727	\$ 73,211
Receivables	-	-	-	-
Total Assets	\$ 2,155,042	\$ 622,783	\$ 163,727	\$ 73,211
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 114,604	\$ -	\$ -	\$ 1,294
Accrued Salaries and Benefits	-	-	-	-
Total Liabilities	114,604	-	-	1,294
Fund Balances				
Reserve for TABOR	-	15,622	73,917	40,740
Reserve for Debt Service	-	-	-	-
Reserve for Other Purposes	-	607,161	-	-
Unreserved, Reported in Special Revenue Funds	2,040,438	-	89,810	31,178
Total Fund Balances	2,040,438	622,783	163,727	71,917
Total Liabilities and Fund Balances	\$ 2,155,042	\$ 622,783	\$ 163,727	\$ 73,211

See independent auditor's report

<u>Fee Supported Programs</u>	<u>Building Corporation Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,023,512	\$ 336,136	\$ 4,374,411
9,606	-	9,606
\$ 1,033,118	\$ 336,136	\$ 4,384,017
\$ 17,990	\$ -	\$ 133,888
151,439	-	151,439
169,429	-	285,327
49,216	-	179,495
-	336,136	336,136
-	-	607,161
814,473	-	2,975,899
863,689	336,136	4,098,690
\$ 1,033,118	\$ 336,136	\$ 4,384,017

Thompson School District R2-J
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Capital Reserve</u>	<u>Land Reserve</u>	<u>Severance Incentive</u>	<u>Interscholastic Athletic & Activity</u>
Revenue				
Investment earnings	\$ 19,952	\$ 20,880	\$ 3,892	\$ 1,979
Other	-	499,858	-	-
TOTAL REVENUES	19,952	520,738	3,892	1,979
Expenditures				
Instruction				
Salaries and Benefits	-	-	1,884,918	1,292,331
Purchased Services	2,135	-	-	13,074
Supplies and Materials	-	-	-	15,392
Equipment	331,386	-	-	185
Other Expenditures	-	-	-	11,984
Total Instruction	333,521	-	1,884,918	1,332,967
Support Services				
Instructional Staff	1,006,332	-	-	-
General Administration	43,925	-	-	-
School Administration	-	-	-	37,256
Business Services	-	-	-	-
Maintenance/Operations	1,229,587	-	-	-
Pupil Transportation	513,789	-	-	-
Central Supporting Services	44,326	340,541	563,451	-
Community Services	-	-	-	-
Debt Service - Principal	170,104	-	-	-
Debt Service - Interest	75,155	-	-	-
Total Support Services	3,083,218	340,541	563,451	37,256
TOTAL EXPENDITURES	3,416,739	340,541	2,448,369	1,370,223
Excess (Deficiency) of Revenues Over Expenditures	(3,396,787)	180,197	(2,444,477)	(1,368,244)
Other Financing Sources (Uses)				
Transfers in	3,884,570	-	2,460,000	1,356,012
Transfers out	(308,852)	-	-	-
Total Other Financing Sources (Uses)	3,575,718	-	2,460,000	1,356,012
Net Change in Fund Balances	178,931	180,197	15,523	(12,232)
Fund Balances - Beginning of the Year	1,861,507	442,585	148,204	84,149
Fund Balances - End of the Year	\$ 2,040,438	\$ 622,783	\$ 163,727	\$ 71,917

See independent auditor's report

<u>Fee Supported Programs</u>	<u>Building Corporation Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,934	\$ -	\$ 48,637
<u>1,313,772</u>	<u>-</u>	<u>1,813,630</u>
1,315,706	-	1,862,267
442,080	-	3,619,330
11,444	-	26,653
302,961	-	318,353
699	-	332,270
21,968	-	33,952
<u>779,152</u>	<u>-</u>	<u>4,330,558</u>
51,814	-	1,058,146
-	-	43,925
71,494	-	108,750
27,901	-	27,901
-	-	1,229,587
-	-	513,789
-	-	948,318
630,423	-	630,423
-	175,000	345,104
-	133,852	209,007
<u>781,632</u>	<u>308,852</u>	<u>5,114,950</u>
<u>1,560,784</u>	<u>308,852</u>	<u>9,445,508</u>
(245,078)	(308,852)	(7,583,241)
324,826	308,852	8,334,260
<u>-</u>	<u>-</u>	<u>(308,852)</u>
<u>324,826</u>	<u>308,852</u>	<u>8,025,408</u>
79,748	-	442,167
<u>783,941</u>	<u>336,136</u>	<u>3,656,523</u>
<u>\$ 863,689</u>	<u>\$ 336,136</u>	<u>\$ 4,098,690</u>

**Thompson School District R2-J
Capital Reserve Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Investment Earnings	\$ 10,000	\$ 10,000	\$ 19,952	\$ 9,952
TOTAL REVENUE	10,000	10,000	19,952	9,952
Expenditures				
Instruction				
Purchased Services	-	-	2,135	(2,135)
Equipment	318,087	318,087	331,386	(13,299)
Total Instruction	318,087	318,087	333,521	(15,434)
Support Services				
Instructional Staff	1,018,084	1,018,084	1,006,332	11,752
General Administration	125,000	125,000	43,925	81,075
Maintenance/Operations	649,500	649,500	1,229,587	(580,087)
Pupil Transportation	450,000	450,000	513,789	(63,789)
Central Supporting Services	2,576,989	2,576,989	44,326	2,532,663
Principal Payments	162,499	162,499	170,104	(7,605)
Interest Payments	82,760	82,760	75,155	7,605
Total Support Services	5,064,831	5,064,831	3,083,218	1,981,614
TOTAL EXPENDITURES	5,382,919	5,382,919	3,416,739	1,966,180
Excess revenues over (under) expenditures	(5,372,919)	(5,372,919)	(3,396,787)	1,976,132
Other Financing Sources (Uses)				
Transfer In	3,946,172	3,946,172	3,884,570	(61,602)
Transfer Out	-	-	(308,852)	(308,852)
Total Other Financing Sources (Uses)	3,946,172	3,946,172	3,575,718	(370,454)
Net Change in Fund Balance	\$ (1,426,747)	\$ (1,426,747)	178,931	\$ 1,605,678
Fund Balance - Beginning of Year			1,861,507	
Fund Balance - End of Year			\$ 2,040,438	

See independent auditor's report

**Thompson School District R2-J
Land Reserve Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Investment Earnings	\$ 5,000	\$ 5,000	\$ 20,880	\$ 15,880
Payments in lieu of Land Dedication	<u>843,000</u>	<u>843,000</u>	<u>499,858</u>	<u>(343,142)</u>
TOTAL REVENUE	848,000	848,000	520,738	(327,262)
Expenditures				
Instruction				
Equipment	1,335,000	1,335,000	-	1,335,000
Support Services				
Central Supporting Services	<u>-</u>	<u>-</u>	<u>340,541</u>	<u>(340,541)</u>
TOTAL EXPENDITURES	<u>1,335,000</u>	<u>1,335,000</u>	<u>340,541</u>	<u>994,459</u>
Net Change in Fund Balance	\$ <u>(487,000)</u>	\$ <u>(487,000)</u>	180,197	\$ <u>667,197</u>
Fund Balance - Beginning of Year			<u>442,585</u>	
Fund Balance - End of Year			<u><u>\$ 622,783</u></u>	

See independent auditor's report

**Thompson School District R2-J
Severance Incentive Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Investment Earnings	\$ -	\$ -	\$ 3,892	\$ 3,892
TOTAL REVENUE	-	-	3,892	3,892
Expenditures				
Instruction				
Salaries and Benefits	1,913,706	1,913,706	1,884,918	28,788
Total Instruction	1,913,706	1,913,706	1,884,918	28,788
Support Services				
Salaries and Benefits	558,144	558,144	563,451	(5,307)
Total Support Services	558,144	558,144	563,451	(5,307)
TOTAL EXPENDITURES	2,471,850	2,471,850	2,448,369	23,481
Excess revenues over (under) expenditures	(2,471,850)	(2,471,850)	(2,444,477)	27,373
Other Financing Sources (Uses)				
Transfer in	2,460,000	2,460,000	2,460,000	-
Net Change in Fund Balance	\$ (11,850)	\$ (11,850)	15,523	\$ 27,373
Fund Balance - Beginning of Year			148,204	
Fund Balance - End of Year			\$ 163,727	

See independent auditor's report

**Thompson School District R2-J
Interscholastic Athletic and Activity Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Investment Earnings	\$ -	\$ -	\$ 1,979	\$ 1,979
TOTAL REVENUE	-	-	1,979	1,979
Expenditures				
Instruction				
Salaries and Benefits	1,276,000	1,276,000	1,292,331	(16,331)
Purchased Services	17,000	17,000	13,074	3,926
Supplies and Materials	2,000	2,000	15,392	(13,392)
Equipment	-	-	185	(185)
Other Expenditures	23,000	23,000	11,984	11,016
Total Instruction	1,318,000	1,318,000	1,332,967	(14,967)
Support Services				
School Administration	37,600	37,600	37,256	344
Total Support Services	37,600	37,600	37,256	344
TOTAL EXPENDITURES	1,355,600	1,355,600	1,370,223	(14,623)
Excess of Revenues Over (Under) Expenditures	(1,355,600)	(1,355,600)	(1,368,244)	(12,644)
Other Financing Sources (Uses)				
Transfers In	1,356,012	1,356,012	1,356,012	-
Net Change in Fund Balance	\$ 412	\$ 412	(12,232)	\$ (12,644)
Fund Balance Beginning of the Year			84,149	
Fund Balance End of The Year			\$ 71,917	

See independent auditor's report

**Thompson School District R2-J
Fee Supported Programs Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Charges for Services	\$ 1,268,000	\$ 1,268,000	\$ 1,313,772	\$ 45,772
Investment Earnings	-	-	1,934	1,934
TOTAL REVENUE	1,268,000	1,268,000	1,315,706	47,706
Expenditures				
Instruction				
Salaries and Benefits	542,500	542,500	442,080	100,420
Purchased Services	125,000	125,000	11,444	113,556
Supplies and Materials	254,600	254,600	302,961	(48,361)
Equipment	-	-	699	(699)
Other Expenditures	-	-	21,968	(21,968)
Total Instruction	922,100	922,100	779,152	142,948
Support Services				
Instructional Staff	-	-	51,814	(51,814)
School Administration	73,100	73,100	71,494	1,606
Business Services	35,000	35,000	27,901	7,099
Community Services	603,706	603,706	630,423	(26,717)
Total Support Services	711,806	711,806	781,632	(69,826)
TOTAL EXPENDITURES	1,633,906	1,633,906	1,560,784	73,122
Excess of Revenues Over (Under) Expenditures	(365,906)	(365,906)	(245,078)	120,828
Other Financing Sources (Uses)				
Transfers In	324,826	324,826	324,826	-
Net Change in Fund Balance	\$ (41,080)	\$ (41,080)	79,748	\$ 120,828
Fund Balance - Beginning of the Year			783,941	
Fund Balance - End of the Year			\$ 863,689	

See independent auditor's report

ENTERPRISE FUND

Proprietary funds are used to account for activities that generate net income or maintain capital. While US GAAP used to prepare the financial statements at year-end are comparable to those found in private business, these funds are budgeted like governmental fund types. The main difference between financial reporting and budgeting is that the depreciation of assets is recorded for financial reporting purposes but is not budgeted. Capital asset acquisitions are budgeted as an expense, but are classified as an asset for financial reporting purposes. One type of proprietary fund is an enterprise fund.

Enterprise funds account for operations that are financed and operated in a manner similar to private enterprises, where the cost of providing goods or services to the general public is financed or recovered primarily by user charges.

The District has one enterprise fund, the Nutrition Services Fund.

This fund accounts for all financial activities associated with the district school breakfast and lunch programs. Funding is provided by sales to pupils and intergovernmental revenue from the United States Department of Agriculture.

**Thompson School District R2-J
Nutrition Services Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenue				
Food Sales	\$ 2,079,500	\$ 2,079,500	\$ 2,123,057	\$ 43,557
TOTAL OPERATING REVENUE	2,079,500	2,079,500	2,123,057	43,557
Operating Expenses				
Salaries and Benefits	1,667,000	1,667,000	1,819,480	(152,480)
Purchased Services	95,500	95,500	81,448	14,052
Supplies and Materials	1,945,000	1,945,000	2,175,175	(230,175)
Equipment	10,000	10,000	-	10,000
Other	108,000	108,000	-	108,000
TOTAL OPERATING EXPENSES	3,825,500	3,825,500	4,076,102	(250,602)
Operating Income (Loss)	(1,746,000)	(1,746,000)	(1,953,046)	(207,046)
Non-Operating Revenue (Expenses)				
Federal Aid:				
USDA Reimbursements	1,460,900	1,460,900	1,480,753	19,853
Commodities	170,000	170,000	204,413	34,413
State Categorical Reimbursement	41,000	41,000	48,896	7,896
Interest Earnings	-	-	4,258	4,258
Other Revenue	79,500	79,500	-	(79,500)
TOTAL NON-OPERATING REVENUE	1,751,400	1,751,400	1,738,320	(13,080)
Change in Net Assets	\$ 5,400	\$ 5,400	(214,726)	\$ (220,126)
Less: Depreciation Expense			(93,916)	
Change in Net Assets			(308,642)	
Net Assets - Beginning of the Year			963,069	
Net Assets - End of the Year			\$ 654,427	

See independent auditor's report

FIDUCIARY FUND TYPE

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds; The Education Memorial Fund and the Interscholastic Athletic and Activity Fund.

Thompson School District R2-J
Combining Statement of Fiduciary Net Assets
June 30, 2008

	Educational Memorial	Interscholastic Athletic and Activity	Totals
ASSETS			
Cash and Investments	\$ 53,525	\$ 917,626	\$ 971,151
TOTAL ASSETS	\$ 53,525	\$ 917,626	\$ 971,151
LIABILITIES			
Accounts Payable	-	15,991	15,991
Accrued Salaries and Benefits	-	4,023	4,023
Undistributed Monies	53,525	897,612	951,137
TOTAL LIABILITES	\$ 53,525	\$ 917,626	\$ 971,151

See independent auditor's report

Thompson School District R2-J
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The year Ended June 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Educational Memorial</u>				
Assets				
Cash and Investments	\$ 96,815	\$ 33,788	\$ 77,078	\$ 53,525
Liabilities				
Undistributed Monies	96,815	33,788	77,078	53,525
Total Liabilities	\$ 96,815	\$ 33,788	\$ 77,078	\$ 53,525
<u>Interscholastic Athletic and Activity</u>				
Assets				
Cash and Investments	\$ 967,555	\$ 2,927,819	\$ 2,977,748	\$ 917,626
Liabilities				
Accounts Payable	\$ 20,312	\$ -	\$ 4,321	\$ 15,991
Accrued Salaries and Benefits	635	3,388	-	4,023
Undistributed Monies	946,608	2,924,431	2,973,427	897,612
Total Liabilities	\$ 967,555	\$ 2,927,819	\$ 2,977,748	\$ 917,626
<u>Combined</u>				
Assets				
Cash and Investments	\$ 1,064,370	\$ 2,961,607	\$ 3,054,826	\$ 971,151
Liabilities				
Accounts Payable	\$ 20,312	\$ -	\$ 4,321	\$ 15,991
Accrued Salaries and Benefits	635	3,388	-	4,023
Undistributed Monies	1,043,423	2,958,219	3,050,505	951,137
Total Liabilities	\$ 1,064,370	\$ 2,961,607	\$ 3,054,826	\$ 971,151

See independent auditor's report

**Thompson School District R2-J
Education Memorial Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Additions				
Investment Earnings	\$ 2,000	\$ 2,000	\$ 2,383	\$ 383
Other Revenue	<u>33,000</u>	<u>33,000</u>	<u>31,405</u>	<u>(1,595)</u>
Total Additions	35,000	35,000	33,788	(1,212)
Deductions				
Other Trust Expense	<u>70,000</u>	<u>70,000</u>	<u>77,078</u>	<u>(7,078)</u>
Total Deductions	<u>70,000</u>	<u>70,000</u>	<u>77,078</u>	<u>(7,078)</u>
Change in Undistributed Monies	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	(43,290)	<u>\$ (8,290)</u>
Undistributed Monies - Beginning of Year			96,815	
Undistributed Monies - End of Year			<u>\$ 53,525</u>	

See independent auditor's report

**Thompson School District R2-J
Interscholastic Athletic and Activity Fund
Budgetary Comparison Schedules
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Additions				
Fund Raising and Events	\$ 2,450,000	\$ 2,950,000	\$ 2,900,046	\$ (49,954)
Investment Earnings	<u>25,000</u>	<u>25,000</u>	<u>27,773</u>	<u>2,773</u>
Total Additions	2,475,000	2,975,000	2,927,819	(47,181)
Deductions				
Athletic Expenditures	875,000	1,125,000	914,522	210,478
Pupil Activity Expenditures	<u>1,800,000</u>	<u>2,050,000</u>	<u>2,062,293</u>	<u>(12,293)</u>
Total Deductions	<u>2,675,000</u>	<u>3,175,000</u>	<u>2,976,815</u>	<u>198,185</u>
Change in Undistributed Monies	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	(48,996)	<u>\$ 151,004</u>
Undistributed Monies Beginning of the Year			946,608	
Undistributed Monies End of The Year			<u>\$ 897,612</u>	

See independent auditor's report

COMPONENT UNITS

Component Units are legal separate entities for which the primary government is financially accountable. Certain legal and organizational structures such as charter schools and foundations may result in an entity apart from, although connected to, the school district. When this happens the financial transactions of the charter school or foundation is usually not included in the school district's financial transaction database for normal day to day operations. However, districts are required to include the activity for revenues and expenditures in the financial statement presentation.

Thompson School District's component units consist of one charter school administrative unit: New Vision Charter School and Thompson Education Foundation. These entities have separate governing boards.

Thompson School District R2-J
Combining Statement of Net Assets
Component Units
As of June 30, 2008

	New Vision Charter School	Thompson Education Foundation	Total Component Units
ASSETS			
Cash and Investments	\$ 1,702,388	\$ 1,040,035	\$ 2,742,423
Receivables	30,428	-	30,428
Prepaid Expense	100,000	-	100,000
Debt Issuance Costs, Net of Accumulated Depreciation	183,798	-	183,798
Capital Assets, Net of Accumulated Depreciation	3,595,283	-	3,595,283
Total Assets	5,611,897	1,040,035	6,651,932
LIABILITIES			
Accounts Payable	60,058	-	60,058
Accrued Salaries and Benefits	89,833	-	89,833
Accrued Interest Payable	78,298	-	78,298
Due in More Than One Year	4,810,000	-	4,810,000
Total Liabilities	5,038,189	-	5,038,189
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(1,030,919)	-	(1,030,919)
Restricted for Future Lease Obligations	500,870	-	500,870
Restricted for Debt Service	482,915	-	482,915
Restricted for Repairs and Replacement	1,667	-	1,667
Restricted for Emergencies	75,000	-	75,000
Unrestricted	544,175	1,040,035	1,584,210
Total Net Assets	573,708	1,040,035	1,613,743
Total Liabilities and Net Assets	\$ 5,611,897	\$ 1,040,035	\$ 6,651,932

See independent auditor's report

**Thompson School District R2-J
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2008**

	<u>New Vision Charter School</u>	<u>Thompson Education Foundation</u>	<u>Total Component Units</u>
Expenses			
Total Instruction	1,405,002	-	1,405,002
Total Support Services	1,120,548	649,987	1,770,535
Building Corporation	103,913	-	103,913
Total Expenses	<u>2,629,463</u>	<u>649,987</u>	<u>3,279,450</u>
Program Revenues			
Charges for Services	162,784	-	162,784
Operating Grants and Contributions	-	707,209	707,209
Total Program Revenues	<u>162,784</u>	<u>707,209</u>	<u>869,993</u>
General Revenues			
Per Pupil Revenues	2,257,196	-	2,257,196
Grants and Contributions not Restricted to Specific Programs	310,543	-	310,543
Investment Income	9,878	27,499	37,377
Miscellaneous	7,309	-	7,309
Total General Revenues	<u>2,584,926</u>	<u>27,499</u>	<u>2,612,425</u>
Changes in Net Assets	118,247	84,721	202,968
Net Assets - Beginning	455,461	955,314	1,410,775
Net Assets - Ending	<u>\$ 573,708</u>	<u>\$ 1,040,035</u>	<u>\$ 1,613,743</u>

See independent auditor's report

STATISTICAL SECTION

This part of the Thompson School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	80-87
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue sources.	88-92
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	93-96
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	97-98
Operating Information These schedules contain personnel and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	99-103



THOMPSON
SCHOOL DISTRICT

Thompson School District R2-J
Schedule of Net Assets
Last Seven Years
(Accrual basis of accounting)
(Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 16,953,856	\$ 15,941,849	\$ 21,077,951
Restricted	23,423,807	27,854,128	20,577,871
Unrestricted	6,161,147	5,261,814	3,680,860
Total Governmental Activities Net Assets	<u>\$ 46,538,810</u>	<u>\$ 49,057,791</u>	<u>\$ 45,336,682</u>
Business-type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 782,714	\$ 663,779	\$ 558,228
Restricted	68,791	71,200	69,964
Unrestricted	40,000	30,959	208,535
Total Business-type Activities Net Assets	<u>\$ 891,505</u>	<u>\$ 765,938</u>	<u>\$ 836,727</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 17,736,570	\$ 16,605,628	\$ 21,636,179
Restricted	23,492,598	27,925,328	20,647,835
Unrestricted	6,201,147	5,292,773	3,889,395
Total Primary Government Net Assets	<u>\$ 47,430,315</u>	<u>\$ 49,823,729</u>	<u>\$ 46,173,409</u>

Note: Accrual-basis financial information for the District as a whole is only available back to 2001, the year GASB 34 was implemented.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 28,158,995	\$ 34,936,956	\$ 43,686,008	\$ 47,022,288
20,147,743	21,873,077	19,230,832	19,710,398
2,624,964	4,190,887	13,201,584	15,333,817
<u>\$ 50,931,702</u>	<u>\$ 61,000,920</u>	<u>\$ 76,118,424</u>	<u>\$ 82,066,503</u>
\$ 469,579	\$ 378,465	\$ 286,573	\$ 192,657
67,967	69,313	65,516	65,316
300,456	501,246	610,980	396,455
<u>\$ 838,002</u>	<u>\$ 949,024</u>	<u>\$ 963,069</u>	<u>\$ 654,427</u>
\$ 28,628,574	\$ 35,315,421	\$ 43,972,581	\$ 47,214,945
20,215,711	21,942,390	19,296,348	19,775,713
2,925,420	4,692,133	13,812,564	15,730,272
<u>\$ 51,769,705</u>	<u>\$ 61,949,944</u>	<u>\$ 77,081,493</u>	<u>\$ 82,720,929</u>

Thompson School District R2-J
Schedule of Changes in Net Assets
Last Seven Years
(Accrual basis of accounting)
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities:							
Total Instruction	57,510,303	61,344,975	63,177,736	63,012,325	62,223,449	66,529,238	67,834,944
Support Services							
Pupil Services	6,395,337	6,924,508	6,612,481	6,948,277	7,227,057	7,570,257	8,717,227
Instructional Staff	6,488,963	8,072,644	7,828,193	7,540,045	7,749,997	7,944,486	10,425,291
General Administration	636,396	535,449	750,238	919,514	925,276	1,113,179	1,213,567
School Administration	6,092,669	6,590,527	6,641,734	6,863,529	7,026,788	6,999,468	8,046,845
Business Services	1,340,104	1,559,503	1,632,314	1,641,331	1,693,037	1,706,322	1,785,422
Maintenance/Operations	9,416,543	13,953,782	10,901,991	9,942,999	12,039,281	6,188,899	11,122,270
Pupil Transportation	1,682,457	2,464,000	3,032,800	2,916,150	2,718,538	3,220,776	4,012,223
Central Supporting Services	3,746,070	3,827,622	5,066,225	3,928,544	2,778,997	8,767,469	7,592,656
Community Services	406,469	936,233	1,325,831	1,152,881	1,210,399	694,139	785,524
Interest on Long-term Debt	5,909,556	6,610,993	8,632,902	3,393,072	4,521,000	6,088,520	6,759,440
Depreciation - unallocated							
Total Support Services	42,114,564	51,475,261	52,424,709	45,246,342	47,890,390	50,293,515	60,460,465
Total Governmental Activities Expenses	99,624,867	112,820,236	115,602,445	108,258,667	110,113,839	116,822,753	128,295,409
Business-type Activities:							
Nutritional Services	3,521,504	3,581,246	3,503,514	3,582,130	3,630,472	3,681,340	4,170,018
Total Primary Government Expenses	103,146,371	116,401,482	119,105,959	111,840,797	113,744,311	120,504,093	132,465,428
Program Revenues							
Governmental Activities:							
Charges for Services	1,041,168	1,209,390	1,425,861	1,579,770	1,499,610	1,531,268	1,313,771
Operating Grants and Contributions	9,030,381	9,845,561	9,376,242	9,543,859	9,824,094	11,584,333	10,766,875
Capital Grants and Contributions	149,055	666,222	28,970	94,556	6,731	427,774	-
Total Governmental Activities Program Revenues	10,220,604	11,721,173	10,831,073	11,218,185	11,330,435	13,543,375	12,080,646

Thompson School District R2-J
 Schedule of Fund Balances, Governmental Funds
 Last Ten Years
 (Modified accrual accounting)
 (Unaudited)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund				
Reserved	\$ 3,260,231	\$ 8,198,098	\$ 3,178,711	\$ 3,477,354
Unreserved	(36,645)	(1,062,544)	5,491,267	7,502,040
Total General Fund	<u>3,223,586</u>	<u>7,135,554</u>	<u>8,669,978</u>	<u>10,979,394</u>
All Other Governmental Funds				
Reserved	25,432,905	14,398,566	17,309,323	19,931,437
Unreserved:				
Undesignated, reported in:				
Special Revenue Funds	1,960,867	2,395,153	2,841,666	3,130,837
Total All Other Governmental Funds	<u>27,393,772</u>	<u>16,793,719</u>	<u>20,150,989</u>	<u>23,062,274</u>
Total Governmental Funds	<u>\$ 30,617,358</u>	<u>\$ 23,929,273</u>	<u>\$ 28,820,967</u>	<u>\$ 34,041,668</u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	3,417,314	\$ 3,899,450	\$ 4,230,904	\$ 3,644,088	\$ 3,599,242	\$ 4,517,882
	<u>9,143,617</u>	<u>8,930,981</u>	<u>8,375,509</u>	<u>10,311,178</u>	<u>17,783,886</u>	<u>18,808,539</u>
	<u>12,560,931</u>	<u>12,830,431</u>	<u>12,606,413</u>	<u>13,955,266</u>	<u>21,383,128</u>	<u>23,326,421</u>
	24,408,997	16,645,409	15,881,936	106,197,107	79,919,801	52,872,901
	<u>2,943,489</u>	<u>1,456,610</u>	<u>1,719,568</u>	<u>1,899,136</u>	<u>2,710,309</u>	<u>2,975,899</u>
	<u>27,352,486</u>	<u>18,102,019</u>	<u>17,601,504</u>	<u>108,096,243</u>	<u>82,630,110</u>	<u>55,848,800</u>
\$	<u>39,913,417</u>	<u>\$ 30,932,450</u>	<u>\$ 30,207,917</u>	<u>\$ 122,051,509</u>	<u>\$ 104,013,238</u>	<u>\$ 79,175,221</u>

Thompson School District R2-J

Schedule of Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified accrual accounting)

(Unaudited)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues				
Taxes	\$ 31,638,866	\$ 38,985,473	\$ 42,646,848	\$ 46,791,728
Intergovernmental	45,705,301	47,329,392	51,062,293	56,119,346
Investment Earnings	2,258,933	1,462,685	1,333,774	1,182,235
Other	3,365,237	4,579,418	4,918,352	4,370,368
Total Revenues	<u>82,968,337</u>	<u>92,356,968</u>	<u>99,961,267</u>	<u>108,463,677</u>
Expenditures				
Current:				
Instruction	44,188,714	46,821,196		
Salaries and Benefits	-	-	46,698,517	49,530,112
Purchased Services	-	-	1,619,408	1,692,550
Supplies and Materials	-	-	2,986,064	3,312,747
Other	1,414,343	675,374	153,292	211,137
Supporting Services	24,182,352	25,757,306		
Pupil Services	-	-	5,343,667	6,173,161
Instructional Staff	-	-	5,646,503	6,266,194
General Administration	-	-	537,760	612,976
School Administration	-	-	5,537,666	5,869,595
Business Services	-	-	1,177,047	1,787,754
Maintenance/Operations	-	-	8,694,689	9,177,770
Pupil Transportation	-	-	2,715,761	2,621,154
Central Supporting Services	-	-	2,897,292	3,090,305
Community Services	-	-	305,054	1,751,460
Capital Projects	18,333,720	18,586,373	3,208,192	5,246,376
Charter School	-	-	-	-
Bond Issuance Costs	-	-	-	-
Debt Service:				
Principal	2,609,511	2,628,398	1,710,000	1,923,000
Interest	5,106,757	5,175,677	5,838,662	5,907,560
Total Expenditures	<u>95,835,397</u>	<u>99,644,324</u>	<u>95,069,574</u>	<u>105,173,851</u>
Excess (deficiency) of Revenues over Expenditures	<u>(12,867,060)</u>	<u>(7,287,356)</u>	<u>4,891,693</u>	<u>3,289,826</u>
Other Financing Sources (Uses)				
Transfers In	5,646,782	6,803,417	7,265,234	7,773,529
Transfers Out	(5,646,782)	(6,803,417)	(7,265,234)	(7,773,529)
Proceeds from Capital Lease	-	1,250,000	-	220,939
Issuance of Debt	-	-	-	-
Transfer to Bond Escrow	-	-	-	-
Premium on Bond Financing	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,250,000</u>	<u>-</u>	<u>220,939</u>
Net Change to Fund Balance	<u>\$ (12,867,060)</u>	<u>\$ (6,037,356)</u>	<u>\$ 4,891,693</u>	<u>\$ 3,510,765</u>
Debt Service as a Percentage of				
Non-Capital Expenditures	9.96%	9.63%	8.22%	7.84%

Note: From 1998-2000 the District reported expenditures only by Instruction, Support Services and Other. In 2001, the District adopted GASB 34 and began reporting expenditures by function.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	48,677,114	\$ 49,314,672	\$ 47,881,408	\$ 49,085,270	\$ 54,301,144	\$ 56,727,661
	60,939,434	62,003,232	62,832,803	64,307,404	69,298,311	70,640,991
	507,060	371,980	757,768	3,262,834	5,249,371	4,071,983
	4,797,990	3,206,253	3,041,789	3,608,178	2,910,865	2,631,068
	<u>114,921,598</u>	<u>114,896,137</u>	<u>114,513,768</u>	<u>120,263,686</u>	<u>131,759,691</u>	<u>134,071,703</u>
	52,742,724	54,271,472	55,316,035	54,622,983	55,096,973	59,207,799
	1,903,506	2,076,288	2,221,777	2,182,801	2,230,932	2,062,371
	3,414,106	3,210,706	3,122,051	2,746,923	3,161,315	3,312,954
	194,785	231,676	122,580	132,878	126,311	133,708
	6,633,916	6,321,785	6,761,203	7,021,698	7,349,203	8,477,310
	7,760,087	7,516,507	7,444,139	7,564,297	7,712,504	10,230,511
	512,979	5,821,374	896,903	925,216	1,081,439	1,179,122
	6,313,951	6,349,752	6,680,383	6,827,099	6,795,081	7,825,018
	2,119,057	2,660,555	2,709,954	2,244,847	1,674,017	1,750,356
	14,129,970	10,434,325	10,080,023	11,697,226	23,696,567	20,064,310
	2,731,259	3,323,739	3,041,299	3,437,655	3,149,984	3,935,390
	2,802,815	3,565,282	2,542,102	2,824,053	3,637,045	3,874,845
	1,527,067	1,283,364	1,112,527	1,175,910	650,149	737,782
	1,073,283	879,514	882,134	8,064,632	18,386,234	21,550,163
	-	-	-	-	1,868,346	2,257,196
	-	-	258,618	982,798	-	-
	1,695,035	14,685,732	10,225,047	5,668,988	5,787,500	6,115,104
	6,715,422	6,023,451	2,495,545	4,539,810	6,519,762	6,195,782
	<u>112,269,962</u>	<u>128,655,522</u>	<u>115,912,320</u>	<u>122,659,814</u>	<u>148,923,362</u>	<u>158,909,721</u>
	<u>2,651,636</u>	<u>(13,759,385)</u>	<u>(1,398,552)</u>	<u>(2,396,128)</u>	<u>(17,163,671)</u>	<u>(24,838,018)</u>
	9,127,797	10,311,254	9,332,428	10,177,062	10,044,571	10,256,580
	(9,127,797)	(10,311,254)	(9,332,428)	(10,177,062)	(10,044,571)	(10,256,580)
	3,220,113	4,485,000	-	-	-	-
		25,660,000	22,215,000	89,215,000	-	-
		(27,407,353)	(23,276,594)	-	-	-
		2,040,771	1,320,212	5,024,720	-	-
		-	415,401	-	-	-
	<u>3,220,113</u>	<u>4,778,418</u>	<u>674,019</u>	<u>94,239,720</u>	<u>-</u>	<u>(0)</u>
\$	<u>5,871,749</u>	<u>(8,980,967)</u>	<u>(724,533)</u>	<u>91,843,592</u>	<u>(17,163,671)</u>	<u>(24,838,018)</u>
	7.56%	16.21%	11.06%	8.91%	9.43%	8.96%

Thompson School District R2-J

Assessed Value and Estimated Value of Taxable Property
(Unaudited)

Year Ended December 31,	Residential Property	Commercial Property	Industrial Property	Agricultural	Natural Resources Oil & Gas, & Utilities
1998	\$ 1,010,695,020	\$ 483,174,800	\$ 76,900,510	\$ 39,391,050	\$ 64,301,320
1999	1,050,518,500	503,429,610	79,385,520	41,028,630	65,586,800
2000	1,221,485,100	624,936,370	81,224,490	19,665,180	73,533,880
2001	1,288,723,030	650,552,360	96,424,380	19,555,940	75,664,210
2002	1,549,649,830	803,155,060	105,173,350	19,693,910	79,068,070
2003	1,627,889,490	826,707,590	109,967,760	19,856,750	94,106,880
2004	1,702,909,960	915,101,040	111,710,270	15,291,010	88,390,920
2005	1,765,704,970	935,712,490	113,792,070	15,556,060	81,237,808
2006	1,913,606,420	1,042,005,600	111,003,590	16,403,560	86,809,902
2007	1,998,127,240	1,087,444,240	111,954,530	17,243,500	87,703,917

From 1998 to 2007, commercial real property, undeveloped land, personal property and utilities were assessed at 29% of replacement cost calculated on the base year's appraised value.

Residential real property was assessed as follows:

	Assessment Percentage	Base Year
1998	10.36%	1997 appraised value
1999	9.74%	1997 appraised value
2000	9.74%	1999 appraised value
2001	9.74%	1999 appraised value
2002	9.15%	2001 appraised value
2003	9.15%	2001 appraised value
2004	7.96%	2003 appraised value
2005	7.96%	2004 appraised value
2006	7.96%	2005 appraised value
2007	7.96%	2005 appraised value

Source: Larimer County Assessor's Office - Larimer County December 31, 2007 Comprehensive Annual Financial Report

Note: All residential and commercial real properties are reappraised every two years in the odd year cycle bringing properties to the current market level of valuation. The residential assess rate is set by the Legislature and coincides with changes in the level of value. This is constitutionally required and designed to stabilize the tax burden on residential property.

Personal Property	Total Taxable Assessed Value	Tax Exempt Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 242,016,260	\$ 1,916,478,960	\$ 954,523,100	21.025	\$ 13,500,138,482	14.20%
249,985,710	1,989,934,770	959,164,640	21.417	14,024,977,331	14.19%
303,920,650	2,324,765,670	1,030,163,860	21.798	16,345,330,543	14.22%
299,078,820	2,429,998,740	1,014,089,890	21.756	18,019,838,182	13.49%
292,583,570	2,849,323,790	934,372,150	22.603	21,417,698,061	13.30%
280,954,090	2,959,482,560	883,309,680	22.563	22,382,842,209	13.22%
274,798,890	3,108,202,090	965,980,430	22.565	26,239,176,137	11.85%
273,690,849	3,185,694,247	509,850,250	22.659	27,078,737,989	11.76%
283,537,320	3,453,366,392	1,056,157,790	22.552	29,349,798,804	11.77%
282,913,948	3,585,387,375	1,177,190,260	22.552	30,575,411,815	11.73%

Thompson School District R2-J
Property Tax Rates
Direct and Overlapping Governments
(per \$1,000 of Assessed Value)
Last Ten Fiscal Years
(Unaudited)

Last Year Collection Year	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008
School District										
General Fund	34.948	31.170	31.460	27.542	27.141	25.858	25.304	22.985	22.523	32.438
Mill Levy Override	-	8.500	8.500	8.500	8.195	7.687	7.383	6.755	10.636	0.198
Debt Services	13.126	13.126	13.126	13.126	13.126	13.126	10.000	10.510	10.298	9.021
School District Total	48.074	52.796	53.086	49.168	48.462	46.671	42.687	40.250	43.457	41.657
Larimer County	21.293	21.293	21.656	21.614	22.461	22.560	22.517	22.541	22.410	22.414
Town of Berthoud	6.673	6.673	6.673	6.673	6.673	6.673	6.409	6.664	10.735	11.551
City of Fort Collins	-	-	-	-	-	-	-	9.797	9.797	9.797
City of Loveland	8.997	8.997	9.564	9.564	9.564	9.564	9.564	9.564	9.564	9.564
Town of Windsor	-	-	-	-	-	-	-	12.030	12.030	12.030
Town of Johnstown	-	-	-	-	-	-	-	23.9347	23.947	23.947
Johnstown Fire Protection District	-	-	-	-	-	-	-	-	8.796	9.478
Berthoud Fire Protection District	8.128	8.128	8.128	8.128	8.128	8.128	15.274	15.274	15.274	15.274
Loveland Fire District	6.674	6.674	6.674	6.674	6.674	6.674	5.808	5.808	5.808	5.808
Poudre Valley Fire District	-	-	-	-	-	-	-	9.301	9.301	9.301
Windsor-Severance Fire District	-	-	-	-	-	-	-	4.944	4.944	4.944
Lyons Fire District	-	-	-	-	-	-	-	7.148	7.193	7.196
Pinewood Lake Fire District	-	-	-	-	-	-	-	6.446	5.944	6.373
Health District of Northern Larimer Co.	-	-	-	-	-	-	-	2.167	2.167	2.167
Thompson Valley Hospital District	1.712	1.712	1.673	1.669	1.564	1.564	1.519	1.509	1.492	1.471
Larimer County P.I.D. No. 27	-	-	-	-	-	-	-	-	56.695	55.946
Larimer County P.I.D. No. 35	-	-	-	-	-	-	-	-	104.222	29.208
Larimer County P.I.D. No. 36	-	-	-	-	-	-	-	-	13.485	13.580
Larimer Pest Control	0.124	0.124	0.124	0.124	0.124	0.124	0.142	0.142	0.142	0.142
Larimer County G.I.D. No. 8 Namaqua Hills	-	-	-	-	-	-	-	-	8.145	8.382
Loveland Downtown Dev. Auth	5.000	5.000	5.000	-	-	-	-	-	0.000	0.000
Loveland General Improvement District	2.684	2.684	2.684	2.684	-	-	2.684	2.684	2.684	2.684
Estes Valley Park Recreation	-	-	-	-	-	-	-	1.331	1.472	1.404
West Loveland Recreation District	5.557	5.557	5.557	5.557	5.557	5.557	-	-	-	-
South Fort Collins Sanitation District	-	-	-	-	-	-	-	-	0.500	0.500
Fort Collins - Loveland Water District	-	-	-	-	-	-	-	-	1.500	1.500
Fort Collins Regional Library District	-	-	-	-	-	-	-	-	3.000	3.000
North Carter Lake Water District	-	-	-	-	-	-	-	-	10.756	10.225
No. Colorado Water Conservancy District	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Spring Canyon Water and Sanitation	-	-	-	-	-	-	-	2.966	3.118	3.000
West Loveland Water and Sanitation	12.382	12.382	12.382	12.382	12.382	12.382	-	-	-	-
Thompson Crossing Metropolitan No. 2	-	-	-	-	-	-	-	-	20.000	20.000
Van De Water Metropolitan District No. 2	-	-	-	-	-	-	-	45.980	45.980	45.980
Van De Water Metropolitan District No. 3	-	-	-	-	-	-	-	-	45.980	40.000
Windsor Highlands Metropolitan No. 3	-	-	-	-	-	-	-	30.000	35.000	35.000
Windsor Highlands Metropolitan No. 4	-	-	-	-	-	-	-	-	35.000	35.000
Centerra Metropolitan District No. 2	-	-	-	-	-	-	-	35.000	35.000	52.600
Waterfront Metropolitan District	-	-	-	-	-	-	-	45.979	45.979	45.979
Lincoln Place Metropolitan District	-	-	-	-	-	-	55.000	55.000	50.000	-
Loveland Midtown Metropolitan No. 1	-	-	-	-	-	-	-	-	40.000	40.000
Larimer County P.I.D. No. 31	-	-	-	-	-	-	-	-	137.932	121.967
Thompson Crossing Metropolitan No. 4	-	-	-	-	-	-	-	-	76.000	60.000
Highpointe Vista Metropolitan No. 2	-	-	-	-	-	-	-	-	26.000	32.000
Deer Meadows Metropolitan District	-	-	-	-	-	-	-	-	40.000	45.000
Thompson Rivers Park & Rec. District	-	-	-	-	-	-	-	-	3.594	3.594
Thompson Crossing Metropolitan No. 3	-	#	-	-	-	-	-	-	-	60.000
Thompson Crossing Metropolitan No. 5	-	#	-	-	-	-	-	-	-	60.000
Thompson Crossing Metropolitan No. 6	-	-	-	-	-	-	-	-	-	60.000
Johnstown North Metropolitan No. 1	-	-	-	-	-	-	-	-	-	20.000
Johnstown North Metropolitan No. 2	-	-	-	-	-	-	-	-	-	20.000
Johnstown North Metropolitan No. 3	-	-	-	-	-	-	-	-	-	20.000

Source: Larimer County Assessor's Office

Thompson School District R2-J
Principal Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Centerra Lifestyle Center, LLC	\$ 23,912,390	1	0.67%	\$		
Wal-Mart Stores East, LP	18,324,990	2	0.51%	11,736,300	2	1.99%
Qwest Corporation	11,779,300	3	0.33%			
Agilent Technologies, Incorporated	10,012,850	4	0.28%			
Public Service Company	8,384,720	5	0.23%	2,008,170	8	0.34%
Craig Realty Group-Loveland, LLC	8,018,500	6	0.22%			
Taft Carlisle, LLC	4,174,530	7	0.12%			
Waterbury Orchards, LLC	3,839,610	8	0.11%			
Millbrae Square Company	3,480,000	9	0.10%			
Comcast of Colorado II LLC	3,332,870	10	0.09%			
Hewlett Packard	-			18,667,050	1	3.17%
Loveland Factory Shops LP	-			8,302,630	3	1.41%
Woodward Governor Company	-			6,932,990	4	1.18%
U.S. West Communications	-			6,480,900	5	1.10%
Hach Company	-			4,831,300	6	0.82%
Teledyne Industries	-			3,698,140	7	0.63%
Orchards Investors	-			1,624,020	9	0.28%
One Directory Place Limited Liability Co.	-			1,566,000	10	0.27%
	<u>\$ 95,259,760</u>		<u>2.66%</u>	<u>\$ 65,847,500</u>		<u>11.19%</u>
Total assessed valuation	<u>\$ 3,585,387,375</u>			<u>\$ 589,777,130</u>		

Source: Larimer County Assessor's Office

Thompson School District R2-J
Property Tax Levies and Collections
Last Ten Years
(Unaudited)

Year Ended June 30,	Taxes Levied for the Year (1)	Collected within the Year of the Levy		Total Collection to Date	
		Amount	Percentage of Levy	Amount (2)	Percentage of Levy
1999	27,362,716	28,273,729	103.3%	27,280,628	99.7%
2000	35,714,316	34,910,900	97.8%	35,500,030	99.4%
2001	37,797,337	38,116,403	100.8%	37,532,756	99.3%
2002	42,399,981	42,065,211	99.2%	42,103,181	99.3%
2003	44,143,219	44,067,398	99.8%	43,745,930	99.1%
2004	45,329,848	44,502,033	98.2%	45,057,869	99.4%
2005	43,366,318	43,230,235	99.7%	43,019,387	99.2%
2006	44,331,015	44,262,935	99.8%	43,799,043	98.8%
2007	50,059,218	47,530,029	94.9%	48,180,784	96.2%
2008	55,222,130	51,940,567	94.1%	52,255,621	94.6%

Notes:

- (1) This column does not include abatements and reappraisals during the year
- (2) Percentages are for Larimer County as a whole

Source: Larimer County Treasurer's Office

Thompson School District R2-J
Ratios of Outstanding Debt by Type (Governmental Only)
Last Ten Years
(Unaudited)

Year	General Obligation Bonds	Certificate of Participation Bonds	Capital Leases	Total Government	Percentage of Personal Income (1)	Per Capita (1)
1999	82,446,738	-	1,215,026	83,661,764	6.44%	1,776
2000	80,230,738	-	2,052,628	82,283,366	5.99%	1,700
2001	78,520,738	-	1,839,066	80,359,804	5.44%	1,588
2002	76,597,738	-	1,875,058	78,472,796	4.81%	1,453
2003	75,168,738	-	4,829,136	79,997,874	4.79%	1,399
2004	70,461,009	4,485,000	2,667,404	77,613,413	4.30%	1,300
2005	61,802,167	4,325,000	2,162,357	68,289,524	3.62%	1,136
2006	151,323,193	4,160,000	1,768,368	157,251,561	7.99%	2,540
2007	146,254,499	3,990,000	1,605,869	151,850,368	7.20%	2,369
2008	128,404,737	3,815,000	1,435,765	133,655,502	6.48%	2,222

Notes: Details regarding the District's outstanding debt can be found in the Notes to the Financials Statements.

(1) See the Demographic page in the Statistical Section for personal income and population data.

Thompson School District R2-J
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years
(Unaudited)

Year Ended December 31,	Gross Bonded Debt	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Due to Assessed Value (1)	Net Bonded Debt per Capita
1999	\$ 82,446,738	\$ 6,521,355	\$ 75,925,383	12.87%	\$ 926
2000	80,230,738	7,977,272	72,253,466	10.65%	844
2001	78,520,738	10,105,819	68,414,919	9.48%	764
2002	76,597,738	13,572,046	63,025,692	7.31%	661
2003	75,168,738	17,499,748	57,668,990	6.30%	644
2004	70,461,009	11,431,587	59,029,422	6.05%	632
2005	61,802,167	9,885,779	51,916,388	5.09%	538
2006	151,323,193	12,481,416	138,841,777	12.51%	2,072
2007	146,254,499	12,939,805	133,314,694	11.53%	2,080
2008	128,404,737	12,481,784	115,922,953	8.77%	1,762

Source: Larimer, Weld and Boulder County Assessor's Office

(1) Assessed Value is \$3,585,387,375 for 2008.

Thompson School District R2-J
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2008
 (Unaudited)

	General Obligation Long-Term Debt Outstanding	Percent Applicable to the District (1)	Net Direct and Overlapping Debt
Thompson School District R2-J	\$ 128,404,737	100.00%	\$ 128,404,737
Town of Berthoud	8,020,748	100.00%	8,020,748
Berthoud Fire District	1,655,000	31.43%	520,167
Total	\$ 138,080,485		\$ 136,945,652

(1) Determined by calculating ratio of assessed valuation of taxable property within the District to assessed valuation of the overlapping unit.

Thompson School District R2-J
Computation of Legal Debt Margin
June 30, 2008
(Unaudited)

Assessed Value		\$ <u>3,585,387,375</u>
Debt Limit (20% of Assessed Valuation)		717,077,475
Total Bonded Debt	\$ 128,404,737	
Total Amount Applicable to Debt Limit		<u>128,404,737</u>
Legal Debt Margin		<u>\$ 588,672,738</u>

Thompson School District R2-J
Principal Employers
Current and Nine Years Ago
(Unaudited)

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Thompson School District R2-J	2,232	1	6.81%	1,660	2	6.26%
Wal-Mart Distribution Center	1,225	2	3.74%	1,000	3	3.77%
Hach Company	1,100	3	3.36%	551	6	2.08%
McKee Medical Center	950	4	2.90%	775	4	2.92%
Medical Center of the Rockies	950	5	2.90%			
City of Loveland	814	6	2.49%	572	5	2.16%
Agilent Technologies	550	7	1.68%			
Kroll Factual Data	354	8	1.08%			
Group Publishing	324	9	0.99%			
Big Thompson Medical Group, P.C.	250	10	0.76%			
Hewlett-Packard				2,400	1	9.06%
Woodward Governor				525	7	1.98%
Merix-Loveland				357	8	1.35%
Summit Crest Homes				260	9	0.98%
Teledyne Water Pik				250	10	0.94%
Total	8,749 (a)		26.71%	8,350		31.50%

(a) The number for 2008 was not available, therefore, the 2007 number was used

Source: City of Loveland December 31, 2007 Comprehensive Annual Financial Report

Thompson School District R2-J
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population <i>(thousands)</i>	Personal Income <i>(millions)</i>	County Per Capita Income (b) <i>(thousands)</i>	Median Age	Unemployment Percentage (a)
1998	47.1	\$ 1,300.00	27.6	33.6	3.8
1999	48.4	1,374.60	28.4	33.8	3.1
2000	50.6	1,477.50	29.2	34.1	2.9
2001	54.0	1,630.80	30.2	33.3	4.1
2002	57.2	1,670.20	29.2	33.4	4.8
2003	59.7	1,802.90	30.2	34.0	5.2
2004	60.1	1,887.10	31.4	34.4	5.3
2005	61.9	1,968.40	31.8	36.0	4.1
2006	64.1	2,108.90	32.9	33.9	3.5
2007	65.8	2,256.90	34.3	33.2	3.4

(a) Metropolitan Statistical Area of Fort Collins/Loveland, separate City statistics not available

(b) Larimer County, separate City statistics not available

Source: City of Loveland December 31, 2007 Comprehensive Annual Financial Report

Thompson School District R2-J
 Number of Employees by Function
 June 30, 2008
 (Unaudited)

<u>Employees: (Full and Part Time Positions)</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Administration										
Instructional Central Office Administrators	10	10	10	10	10	10	10	10	12	12
Principals & Asst. Principals	35	35	35	35	35	35	45	45	42	46
Support Central Office Administrators	5	5	5	5	5	5	10	10	11	11
Teaching Staff										
Teachers	845	845	845	845	850	850	1,015	985	995	1024
Substitute Teachers	255	255	255	255	255	255	380	350	304	375
Guidance Counselors	25	25	25	25	25	25	45	40	45	43
Media Specialist	10	10	10	10	10	10	10	10	9	9
Teacher Aides	175	175	175	175	175	175	170	180	198	187
Support Services										
Nurses, Psychologists, and Social Workers	20	20	20	20	20	20	30	30	35	31
Pupil Transportation	100	100	100	100	100	100	115	125	112	118
Personnel Services	10	10	10	10	10	10	10	10	9	12
Operations and Maintenance	165	165	165	165	165	165	150	155	153	160
Fiscal Services and Data Processing	5	5	5	5	5	5	10	10	9	15
School Building Clerical	120	120	120	120	120	120	140	140	130	141
Other Professional Support Staff	45	45	45	45	45	45	145	130	122	152
Other Clerical Support	30	30	30	30	30	30	35	30	31	31
Food Services	150	150	150	150	150	150	115	115	105	112
Total	2,005	2,005	2,005	2,005	2,010	2,010	2,435	2,375	2,322	2,479

Source: Thompson School District Human Resources Department

Thompson School District R2-J
Operating Indicators
June 30, 2008
(Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Funding per Student	\$ 4,568	\$ 4,677	\$ 4,831	\$ 5,103	\$ 5,441	\$ 5,595	\$ 5,721	\$ 5,798	\$ 5,988	\$ 6,279
Funded Pupil Count	13,794.0	13,824.0	14,180.0	14,335.0	14,495.0	14,445.5	14,352.5	14,304.6	14,402.0	14,419.5
Total Funding per School Finance Act	<u>63,010,992</u>	<u>64,654,848</u>	<u>68,499,751</u>	<u>73,151,305</u>	<u>78,867,295</u>	<u>80,822,573</u>	<u>82,110,653</u>	<u>82,938,071</u>	<u>86,239,176</u>	<u>90,540,041</u>

Source: Thompson School District Finance Department



THOMPSON
SCHOOL DISTRICT

Thompson School District R2-J
School Building Information
 June 30, 2008
 (Unaudited)

<u>Schools</u>	<u>Sq. Ft.</u>	<u>Capacity</u>	<u>Enrollment History by Fiscal Year</u>						
			<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Elementary Schools									
Berthoud	52,300	550	424	404	404	415	406	399	415
BF Kitchen	33,700	310	194	185	233	244	260	279	275
Big Thompson	32,400	255	192	200	212	211	224	231	257
Carrie Martin	32,400	315	322	299	307	285	281	265	258
Centennial	58,000	550	343	319	343	409	362	340	335
Cottonwood Plains	57,400	580	555	517	529	485	463	464	469
Garfield	34,700	355	261	271	246	253	247	298	295
Ivy Stockwell	36,000	425	342	363	376	359	365	365	385
Laurene Edmondson	32,600	320	289	302	310	304	315	320	311
Lincoln	38,100	380	393	391	431	327	306	308	300
Mary Blair	49,300	545	496	471	461	445	433	444	451
Monroe	51,100	550	393	420	409	430	411	441	387
Namaqua	51,200	590	509	516	603	580	591	626	649
Sarah Milner	35,800	420	336	366	345	353	381	405	463
Stansberry	31,400	245	241	216	235	246	273	288	314
Truscott	45,700	290	282	285	267	207	209	220	222
Van Buren	32,200	295	269	266	272	271	286	280	285
Winona	60,100	500	407	364	382	411	396	359	322
Middle Schools									
Bill Reed	128,800	925	604	612	645	697	693	727	707
Conrad Ball	96,100	750	703	783	794	784	809	781	764
Lucile Erwin	114,400	1,015	836	736	800	801	801	782	777
Turner	70,800	575	426	434	437	467	495	508	504
Walt Clark	104,300	870	683	708	770	789	753	756	741
High Schools									
Berthoud	129,800	780	656	675	673	681	704	689	685
Ferguson	10,200	100	99	102	97	105	94	102	112
Loveland	198,300	1,365	1,596	1,578	1,536	1,493	1,477	1,464	1,467
Mountain View	201,100	1,070	1,141	1,126	1,179	1,195	1,221	1,147	965
Thompson Valley	215,400	1,310	1,406	1,413	1,477	1,435	1,425	1,503	1,536
Totals	2,033,600	16,235	14,398	14,322	14,773	14,682	14,681	14,791	14,651

Source: Thompson School District Master Plans

<u>2001</u>	<u>2000</u>	<u>1999</u>
458	452	452
282	256	277
267	290	289
239	231	246
328	283	280
457	437	410
321	329	319
393	390	397
309	296	307
290	292	304
471	468	520
388	392	399
625	598	568
474	454	467
340	349	355
218	223	197
261	279	289
273	247	250
714	695	704
749	721	672
777	774	735
493	494	486
811	751	797
667	659	663
120	140	116
1,554	1,842	1,910
718	N/A	N/A
1,585	1,812	1,663
<u>14,582</u>	<u>14,154</u>	<u>14,072</u>



THOMPSON
SCHOOL DISTRICT

COMPLIANCE SECTION



THOMPSON
SCHOOL DISTRICT



Board of Education
Thompson School District R2-J
Loveland, 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 governmental activities, the business-type activities, each major fund, and aggregate discretely presented component units and remaining fund information of the Thompson School District R2-J, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated December 8, 2008. 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 Thompson School District R2-J's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Thompson School District R2-J's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Thompson School District R2-J's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Thompson School District R2-J's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Thompson School District R2-J's financial statements that is more than inconsequential will not be prevented or detected by the Thompson School District R2-J's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Thompson School District R2-J's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Thompson School District R2-J'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, 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.

Swanmont Company LLC

December 8, 2008



Board of Education
Thompson School District R2-J
Loveland, 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 Thompson School District R2-J 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, 2008. The Thompson School District R2-J'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 and grants applicable to each of its major federal programs is the responsibility of the Thompson School District R2-J's management. Our responsibility is to express an opinion on the Thompson School District R2-J'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 Thompson School District R2-J's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Thompson School District R2-J's compliance with those requirements.

In our opinion, the Thompson School District R2-J 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, 2008.

Internal Control Over Compliance

The management of the Thompson School District R2-J 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 Thompson School District R2-J'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Thompson School District R2-J's internal control over compliance.

A control deficiency in the Thompson School District R2-J's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Thompson School District R2-J's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Thompson School District R2-J's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Thompson School District R2-J's internal control.

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

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

Swanlund & Company LLC

December 8, 2008



THOMPSON
SCHOOL DISTRICT



Board of Education
Thompson School District R2-J
Loveland, Colorado

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

We have audited the 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 Thompson School District R2-J, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated December 8, 2008. These financial statements are the responsibility of the Thompson School District R2-J'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 Thompson School District R2-J'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 this 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.

December 8, 2008

**Thompson School District R2-J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA Number	Accrued (Deferred) Revenue June 30, 2007	Grant Receipt	Grant Expenditures	Accrued (Deferred) Revenue June 30, 2008
U.S. Department of Education					
Passed Through State Department of Education					
Title I & Title I Improvements	84.010	\$ 432,652	\$ 1,399,055	\$ 1,470,204	\$ 503,801
Comprehensive School Reform Demonstration	84.332	2,385	-	1,386	3,771
Migrant Education	84.011	24,994	50,902	42,993	17,085
Special Education	84.027	448,231	2,027,737	2,699,933	1,120,427
Special Education Preschool	84.173	21,741	96,811	85,753	10,683
Improving Teacher Quality	84.367	137,834	389,931	401,931	149,834
Innovative Programs	84.298	7,536	7,247	8,568	8,857
Safe and Drug Free Schools and Communities	84.186	12,695	43,524	44,174	13,345
Education Technology	84.318	9,627	10,361	8,406	7,672
English Language Acquisition	84.365	28,824	69,672	56,963	16,115
Passed Through State Department of Human Services					
Vocational Rehabilitation	84.126	29,514	128,103	102,684	4,095
Passed Through State Community Colleges System:					
Vocational Education	84.048	51,867	115,546	105,103	41,424
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,207,900</u>	<u>4,338,889</u>	<u>5,028,098</u>	<u>1,897,109</u>
U.S. Department of Agriculture					
Passed through State Department of Human Services:					
Food Donation	10.550	-	204,413	204,413	-
Passed Through State Department of Education:					
School Breakfast Program	10.553	-	228,354	260,130	31,776
National School Lunch Program	10.555	-	1,065,601	1,198,151	132,550
Summer Food Service Program for Children	10.559	19,860	35,298	15,438	-
Passed Through State Department of Public Health & Environment:					
Child and Adult Care Food Program	10.558	-	6,058	6,058	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>19,860</u>	<u>1,539,724</u>	<u>1,684,190</u>	<u>164,326</u>
U.S. Department of Labor					
Passed through Denver Metro Chamber of Commerce:					
WIA Pilots, Demonstrations, and Research Projects	17.261	29,908	281,332	309,668	58,244
		<u>29,908</u>	<u>281,332</u>	<u>309,668</u>	<u>58,244</u>
U.S. Department of Health and Human Services					
Direct Program					
Head Start	93.600	167,592	873,513	864,833	158,912
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>167,592</u>	<u>873,513</u>	<u>864,833</u>	<u>158,912</u>
Corporation for National and Community Service					
Passed Through State Department of Education					
Learn and Serve America	94.004	(1,370)	-	1,370	-
TOTAL U.S. DEPARTMENT OF VETERAN AFFAIRS		<u>(1,370)</u>	<u>-</u>	<u>1,370</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,423,890</u>	<u>\$ 7,033,458</u>	<u>\$ 7,888,159</u>	<u>\$ 2,278,591</u>

Note: The above schedule of expenditures of federal awards includes the federal grant activity of the Thompson School District R2-J and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Board of Education
Thompson School District R2-J
Loveland, Colorado

**INDEPENDENT AUDITORS' REPORT ON
AUDITOR'S INTEGRITY REPORT**

We have audited the 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 Thompson School District R2-J, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated December 8, 2008. These financial statements are the responsibility of the Thompson School District R2-J'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 Thompson School District R2-J's basic financial statements. The accompanying auditor's integrity report 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 this 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

December 8, 2008

COE Colorado Department of Education

Automated Data Exchange View Report

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Colorado Department of Education
Fiscal Year 2007-2008
Colorado School District/BOCES
Auditor's Integrity Report

01/14/2009
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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	21,142,472	97,809,357	96,026,017	22,925,812
18 Risk Mgmt Sub-Fund of General Fund	130,076	1,109,748	949,655	290,170
19 Colorado Preschool Program Fund	110,582	224,502	224,647	110,437
Subtotal	21,383,130	99,143,607	97,200,318	23,326,419
11 Charter School Fund	455,461	2,747,710	2,629,463	573,708
20,26-29 Special Revenue Fund	2,396,557	6,854,294	6,694,605	2,556,246
21 Capital Reserve Spec Revenue Fund	1,861,507	3,595,670	3,416,738	2,040,438
22 Govt Designated-Purpose Grants Fund	91,587	6,918,608	6,850,333	159,862
23 Pupil Activity Special Revenue Fund	84,150	1,357,991	1,370,224	71,917
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	336,136	308,852	308,852	336,136
31 Bond Redemption Fund	12,939,805	11,299,279	11,757,300	12,481,784
41 Building Fund	64,920,366	2,590,166	29,308,122	38,202,410
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	104,468,699	134,816,177	159,535,956	79,748,920
TOTALS	963,068	3,861,377	4,170,018	654,427
Proprietary				
51 Food Service Fund	0	0	0	0
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	963,068	3,861,377	4,170,018	654,427
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	96,815	33,788	77,078	53,525
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	946,608	2,927,820	2,976,815	897,612
79 GASB 34:Permanant Fund	0	0	0	0
85 Foundations	955,315	734,707	649,987	1,040,034
TOTALS	1,998,737	3,696,315	3,703,881	1,991,171

*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.

From submitted data file: fdl560.21a Program: fdrdh.sqr File: fdl560.dba FINAL