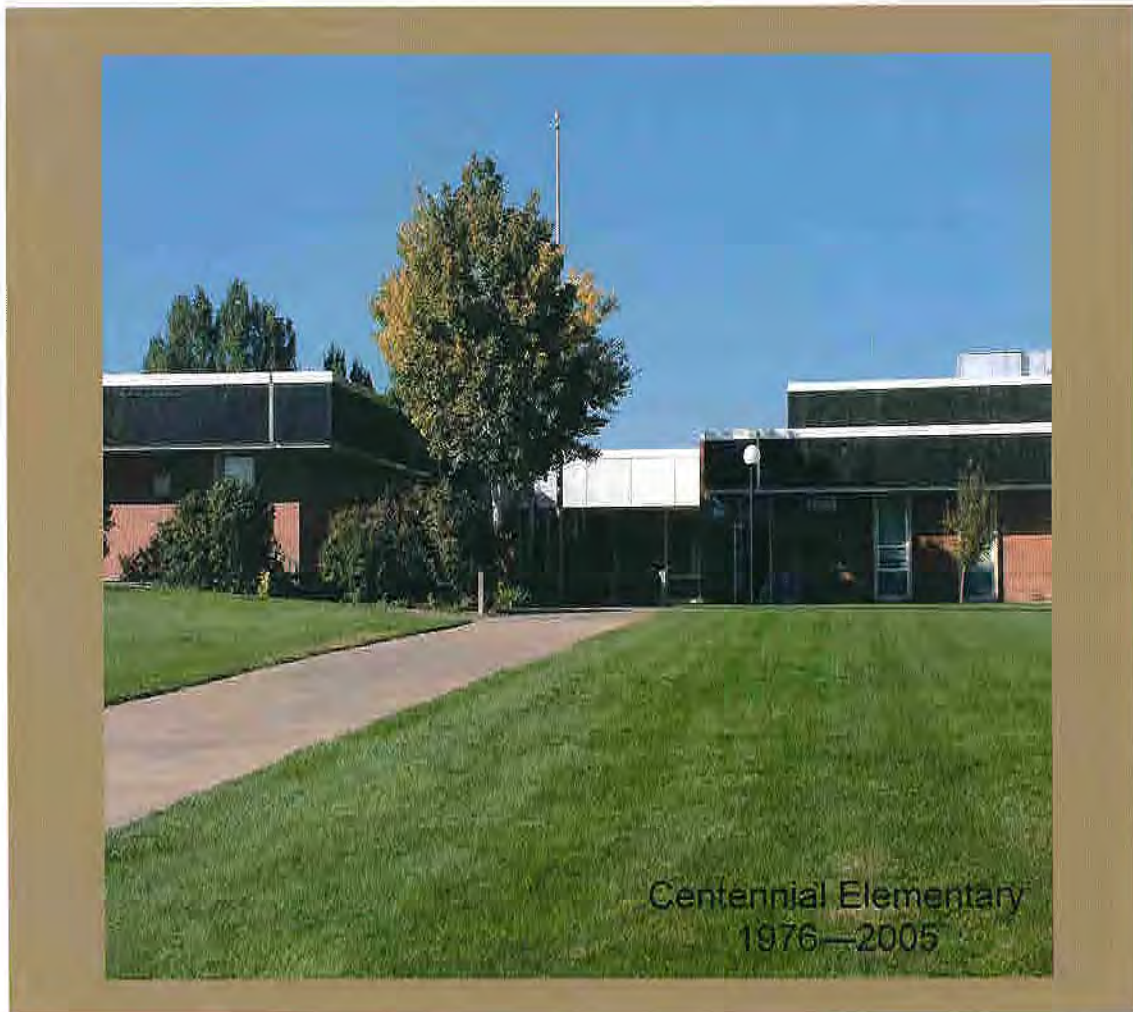


Thompson School District R2-J

Comprehensive Annual Financial Report

Year Ended June 30, 2005



Loveland-Berthoud, Colorado

Thompson School District R2-J

Comprehensive Annual Financial Report

Year Ended June 30, 2005



Loveland-Berthoud, Colorado

Prepared by the Business Services Department
Stephen Towne, Executive Director
Don Smith, Director of Financial Services
Jason Loveland, Manager of Accounting & Reporting

Thompson School District R2-J
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005

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R2-J

HOMPSON SCHOOL DISTRICT

Loveland-Berthoud Colorado

Business Services

800 S. Taft Avenue
Loveland, Colorado 80537
Phone: (970) 613-5051
Fax: (970) 613-5085

October 21, 2005

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, 2005.

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, 2005.

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, 2005, 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, 2005, 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 28 schools: five high schools, five middle schools, and eighteen elementary schools. All of the schools are located in the City of Loveland 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 15,030 students for the 2004-05 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 the 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. Construction remains strong with almost 13,000 building permits issued in 2004. Governmental agencies provide a major source of employment, including the City of Loveland and Colorado State University. Agilent, Hewlett Packard and Kodak 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.

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 2004-05.

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, Colorado School Districts Self Insurance Pool (CSDSIP), with other school districts.

The District's shares of pool premiums are determined using experience modifiers based on exposure information and actuarial modifiers based on utilization. The percentage contribution from each member district changes yearly based on these factors. The District benefits from the experience rating in the liability and property pool. Retention amounts and reinsurance (excess) limits for July 1, 2004 – July 1, 2005 are shown below for CSDSIP.

	District Self-Insured Retention*	Pool Self-Insured Retention*	Reinsurance (Excess) Limits*
Property Coverage	\$5,000	\$1,000,000	\$232,979,883***
Liability Coverage**	\$10,000	\$500,000	\$2,000,000 per occurrence/ \$5,000,000 annual aggregate

* Self-Insured Retentions and Limits are shown on a per occurrence basis

** Colorado Governmental Immunity Act (CGIA) caps are \$150,000 per person and \$600,000 per occurrence

*** CSDSIP provides Total Insured Value (TIV) not to exceed \$600,000,000

Pension and Other Postemployment Benefits

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

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 (CSSDTF) 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 postemployment benefits can be found in Notes (14) – (16) in the Basic 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, 2004. This was the sixteenth 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 seventh 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.

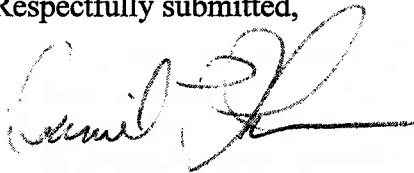
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Programs' requirements and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

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



Stephen Towne
Executive Director of Business Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Thompson School District,
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Egan

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

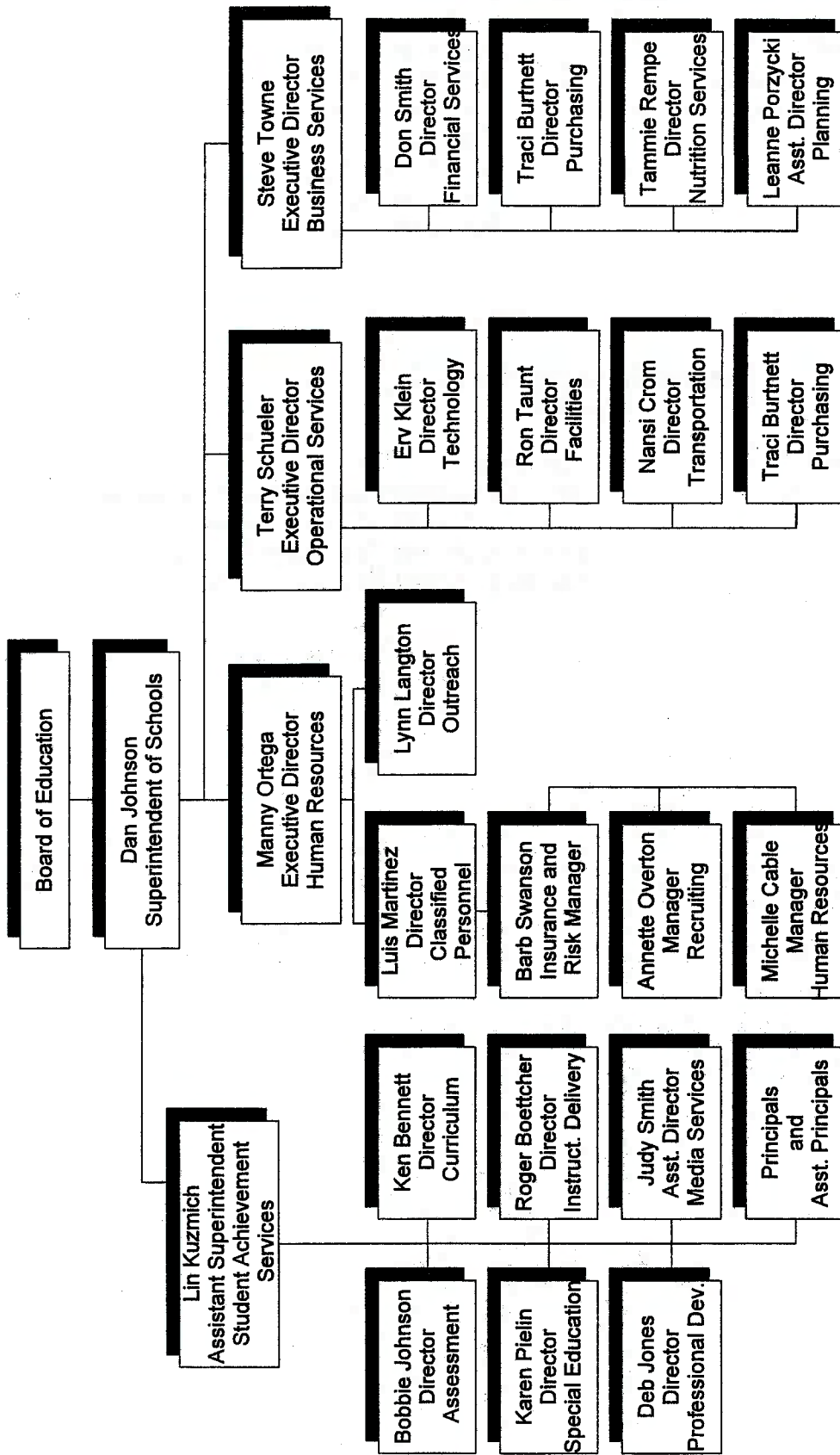
Thompson R2-J School District

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

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

President

Executive Director



2004-2005
Thompson School District

Board of Education

Becky Jay, President	Term Expires 2005
Tracy Young, Vice President	Term Expires 2005
Marcia Venzke, Secretary/Treasurer	Term Expires 2005
Bill McCreary	Term Expires 2005
Steve Brown	Term Expires 2007
Jeff Swanty	Term Expires 2007
Robert Towles	Term Expires 2007

**Superintendent's Executive Staff
July 2005**

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

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 remaining fund information of the Thompson School District R2-J, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the District, as listed in the table of contents. These financial statements are the responsibility of the 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 remaining fund information of the Thompson School District R2-J, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



October 21, 2005

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

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, 2005. 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 2005 are as follows:

- In total, net assets increased by \$5,596,296 for the year ended June 30, 2005. The net increase was composed of the following elements:

	Increase (Decrease)
Invested in Capital Assets, net of Related Debt	\$ 6,992,396
Restricted for:	
Debt Services	(1,885,576)
Capital Projects	(31,529)
TABOR	344,776
Other Purposes	1,140,204
Unrestricted	(963,975)
Net Increase	\$ 5,596,296

The amount "invested in Capital Assets, net of related debt" increased as a result of the principal payments made on debt. Net assets restricted for Debt Service decreased due to the 2004 refunding issuance of the 1994 bonds, completed in September 2004. 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 increased due to the net change in the Land Reserve fund balance. The Land Reserve fund balance increased due to the collection of payments in lieu of land dedication. The Unrestricted Net Assets decreased overall as a result of the changes in fund balance for the general, severance, fee supported and risk management funds.

- Total assets of governmental activities decreased by \$3,281,848 attributed to the following elements:

	Increase (Decrease)
Cash	\$ 502,255
Receivables	(1,781,917)
Due from Other Governments	33,763
Bond Issuance Costs	206,894
Capital Assets, net of Accumulated Depreciation	(2,242,843)
Net Increase	\$ (3,281,848)

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

The increase in cash was due to the increased interest rates during the year. The decrease in Due from Other Governments is from federal grants such as Title I, Headstart and Title VI-B grants. Payments were received during the year instead of recording a receivable. Capital assets decreased as a result of depreciation expense. In the current year the amount of depreciation was more than assets capitalized.

Total assets of business type activities increased by \$3,691 attributed to the following elements:

	Increase (Decrease)
Cash	\$ 67,966
Due from Other Governments	17,964
Inventory	(972)
Capital Assets, net of Accumulated Depreciation	(88,649)
Net Decrease	\$ 3,691

The most significant increase is cash and due to from other governments. The Nutrition Services program reduced operating cost while maintaining and slightly increasing revenues in order to improve the financial stability of the Nutrition Services Fund. The most significant decrease is in Capital Assets, net of Accumulated Depreciation. Fewer assets were purchased during the fiscal year and the decrease reflects the change in annual depreciation expense, which was greater than the addition of capital assets. Other changes in the assets are due to the normal operations of the Nutritional Services Fund.

- Total Liabilities of governmental activities decreased by \$8,876,868 due to the following items:

	Increase (Decrease)
Accounts Payable	\$ 289,031
Payroll Withholding Payable	19,471
Accrued Salaries and Benefits	581,938
Due to Other Governments	(16,511)
Liabilities due within one year	(4,475,912)
Liabilities due in more than one year	(5,274,885)
Net Decrease	\$ (8,876,868)

Accounts payable increased due to timing differences from one year to the next. Payroll withholding payable increased due to an increase in the number of employees using the Public Employees Retirement Association in the 2004-05 fiscal year. Accrued salaries and benefits changed reflecting the annual differences in salaries and benefits for all employee groups. The decrease in Due to Other Governments is due to deferred revenue in the Government Designated

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

Purpose Grants Fund. The change in short term and long-term debt is due to the annual payments on all debts.

Total liabilities for business type activities decreased by \$4,967. The decrease is mainly due to the decrease in accrued salaries. Deferred revenue increased by \$5,239, and is mainly due to the receipting of prepaid meals during the fiscal year.

- General revenues accounted for \$102 million in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$15 million or 13 percent of total revenues of \$117 million.
- The District had \$108.0 million in expenses related to governmental activities; only \$11.1 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$102.6 million were adequate to provide for these programs.
- Among major funds, the general fund had \$95.0 million in revenues and \$95.2 million in expenditures. The general fund's fund balance decreased to \$12.6 million from \$12.8 million. Approximately \$195,696 of the decrease is from the Tax Payer Bill of Rights (TABOR) Reserve, and \$12,719 decreased from unrestricted net assets.
- Net assets for enterprise funds increased slightly. This increase resulted from operating revenue of \$2.2 million and Federal grants of \$1.3 million exceeding operating expenses of \$3.5 million. However, pricing of sales items was insufficient to meet expenses.

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 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.

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

- 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.

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, you need 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:

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

- 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).

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. The District uses *internal service funds* (the other kind of proprietary funds) to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund, the Insurance Reserve Fund.
- *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 the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. 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 decreased \$3.3 million. Cash and cash equivalents increased \$.5 million. The District's receivables decreased \$1.7 million due to the recognized receivable of property taxes for collections from September through December 2005. The District's Capital Assets Net of Accumulated Depreciation decreased \$1.9 million. The District capitalized assets during the year of \$1.2 million compared to depreciation of \$3.5 million.

The District's *combined* net assets were more than June 30, 2004 by 12% to \$51,769,705. Most of this change in the District's financial position came from its governmental activities, the net assets of which increased \$5.6 million to \$50,931,702. The Colorado Amendment X to the State Constitution (Taxpayer Bill of Rights (TABOR)) requires the district to establish reserves for this

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

Amendment. The increase is due to the calculation factors. Net assets restricted for other purposes increased due to the net change in the Land Reserve Fund's fund balance. The Land

Reserve fund balance increased due to the collection of payments in lieu of land dedication. The Unrestricted Net Assets was increased overall as a result of the general, severance, athletic and activity, fee supported funds and The Thompson Education Foundation change in excess revenue over expenditures from the previous fiscal year. The net assets of the District's business-type activities increased \$1,276 to \$838,003.

Table 1 provides a summary of the District's net assets for 2005 compared to 2004:

Table 1
Condensed Statement of Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
Assets							
Current assets	\$ 43.320	\$ 44.566	\$ 0.479	\$ 0.394	\$ 43.799	\$ 44.960	\$ -2.58%
Capital assets	96.655	98.691	0.469	0.558	97.124	99.249	-2.14%
Total Assets	<u>139.975</u>	<u>143.257</u>	<u>0.948</u>	<u>0.952</u>	<u>140.923</u>	<u>144.209</u>	<u>-2.28%</u>
Liabilities							
Current Liabilities	19.845	23.447	0.106	0.111	19.951	23.558	-15.31%
Long-Term Liabilities	69.199	74.473	0.004	0.004	69.203	74.477	-7.08%
Total Liabilities	<u>89.044</u>	<u>97.920</u>	<u>0.110</u>	<u>0.115</u>	<u>89.154</u>	<u>98.035</u>	<u>-9.06%</u>
Net Assets							
Invested in Capital net of related debt	28.159	21.078	0.470	0.558	28.629	21.636	32.32%
Restricted	20.148	20.578	0.068	0.070	20.216	20.648	-2.09%
Unrestricted (Deficit)	2.624	3.681	0.300	0.209	2.924	3.890	-24.83%
Total Net Assets	<u>\$ 50.931</u>	<u>\$ 45.337</u>	<u>\$ 0.838</u>	<u>\$ 0.837</u>	<u>\$ 51.769</u>	<u>\$ 46.174</u>	<u>\$ 12.12%</u>

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

Table 2 shows the changes in net assets for fiscal year 2005 compared to 2004:

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total School District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services	\$ 1.579	\$ 1.426	\$ 2.216	\$ 2.289	\$ 3.795	\$ 3.715
Operating Grants & Contributions	9.544	9.376	1.367	1.285	10.911	10.661
Capital Grants & Contributions	0.095	0.029	-	-	0.095	0.029
General revenues						
Property taxes	42.091	46.520	-	-	42.091	46.520
State revenue	53.573	53.209	-	-	53.573	53.209
Other	6.970	6.326	-	-	6.970	6.326
Total Revenues	<u>113.852</u>	<u>116.886</u>	<u>3.583</u>	<u>3.574</u>	<u>117.435</u>	<u>120.460</u>
Expenses						
Instruction	63.012	63.178	-	-	63.012	63.178
Pupil & instructional Services	14.488	14.440	-	-	14.488	14.440
Administration & Business	9.424	9.024	-	-	9.424	9.024
Maintenance & Operations	9.943	10.902	-	-	9.943	10.902
Transportation	2.916	3.033	-	-	2.916	3.033
Other	8.475	15.025	3.582	3.504	12.057	18.529
Total expenses	<u>108.258</u>	<u>115.602</u>	<u>3.582</u>	<u>3.504</u>	<u>111.840</u>	<u>119.106</u>
 Increase (decrease) in net assets	 <u>\$ 5.594</u>	 <u>\$ 1.284</u>	 <u>\$ 0.001</u>	 <u>\$ 0.070</u>	 <u>\$ 5.595</u>	 <u>\$ 1.354</u>

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 46 cents and 36 cents of every dollar raised respectively. (See Table 3.) Another 9 percent came from state and federal grants for specific programs and the remainder from fees charged for services and miscellaneous sources.

The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (69 percent). (See Table 4.) The District's administrative and business activities accounted for 8 percent of total costs.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005**

Table 3

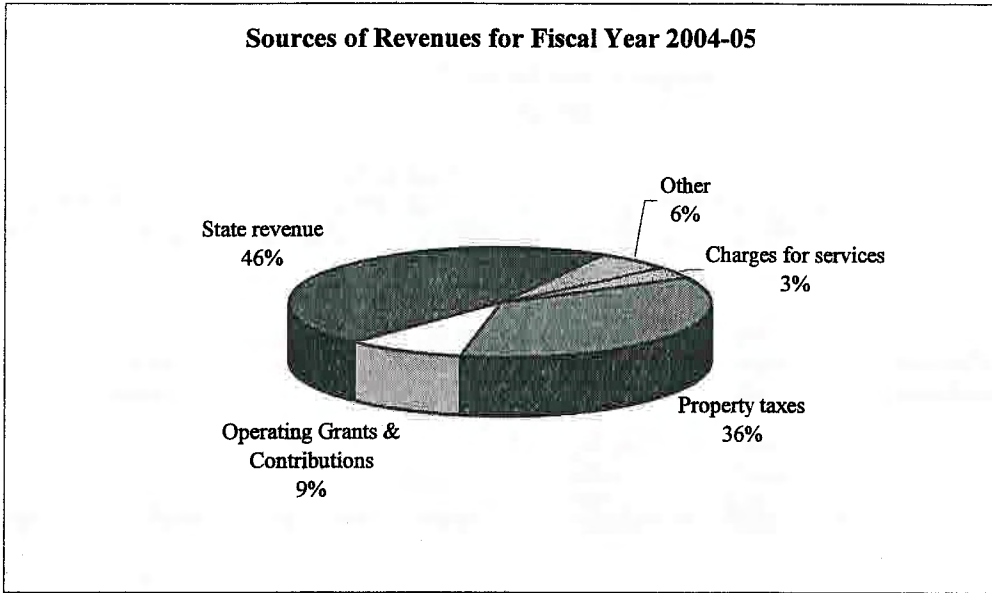
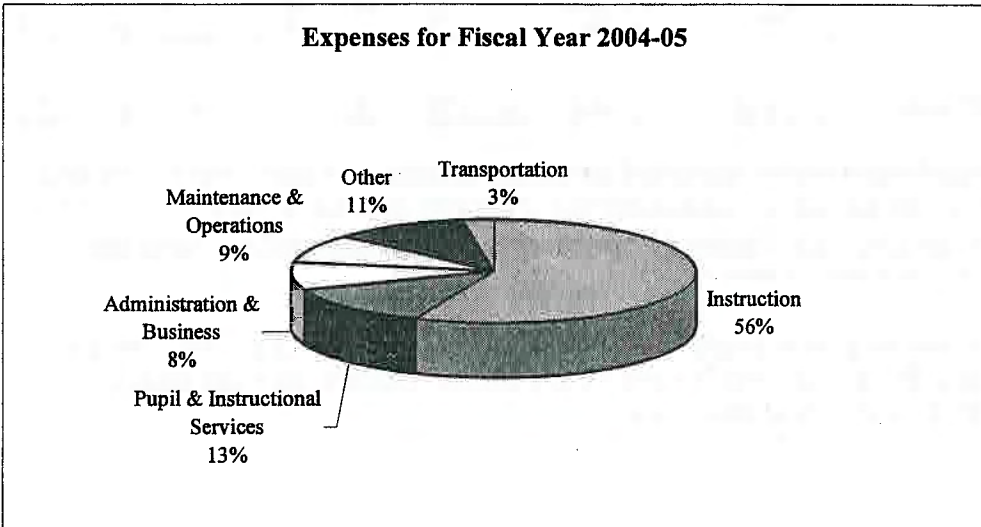


Table 4



Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

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 \$5,721 per funded student. In fiscal year 2004-05 the funded pupil count was 14,352.5. For the 2003-04 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 69 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 the District passed the lesser of 8.5 mills or \$7.5 million mill levy override. Its main purpose was to add additional teachers, instructional supplies and textbooks, and to provide operating revenue for Mountain View High School. The District's assessed valuation generated \$7.5 million in property taxes in fiscal year 2004-05. As expected, during the 2004-05 fiscal year the District's assessed valuation grew large enough that 8.5 mills generated more than the \$7.5 million revenue maximum and therefore the Board of Education reduced the mills to 7.383. In the first few years of the mill levy override revenues exceeded expenditures, creating reserves. It has been the Board of Education's primary intention to use those reserves in later years when the \$7.5 million maximum revenue will no longer cover inflationary increases of the associated programs. Original projections indicated the reserves would last until the 2006-07 fiscal year before additional resources or cuts in programs will be necessary.

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.

Table 5
Governmental Activities
(In Millions)

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction	\$ 63.012	\$ 63.178	\$ 55.321	\$ 55.813
Pupil & Instructional Services	14.488	14.440	12.958	13.102
Administration & Business	9.424	9.024	9.276	8.894
Maintenance & Operations	9.942	10.902	9.932	10.893
Transportation	2.916	3.033	2.111	2.255
Other	8.477	15.025	7.442	13.814
Total expenses	\$ 108.259	\$ 115.602	\$ 97.040	\$ 104.771

The cost of all *governmental* activities this year was \$108.3 million.

- Some of the cost was financed by the users of the District's programs (\$1.58 million).
- The federal and state government subsidized certain programs with grants and contributions (\$9.54 million).

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

- Most of the District's costs (\$97.04 million), however, were financed by State and District taxpayers.
- A portion of governmental activities was financed with \$ 53.57 million in state equalization from the School Finance Act of 1994 (SFA) and \$42.08 million in property taxes, (\$24.43 million from the SFA, \$7.46 from the 1999 voter approved mill levy override; and \$10.19 million raised to repay the District's annual payment on Bonded debt.)

Business-Type Activities

Business-type activities are made up of the nutritional services fund. This program had revenues of \$3.58 million and expenses of \$3.58 million. As discussed earlier, management has reviewed this program and operations have been restructured for efficiencies and cost effectiveness for fiscal year 2004-05. 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 \$114.51 million and expenditures of \$115.91 million. The net change in fund balance for the year was most significant in the Debt Service Fund, a decrease of \$1.55 million.

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 \$265,591 lower than expected. This is an insignificant variance compared to the budgeted amount of 95.2 million.
- The actual expenditures were \$340,573 below budget. In addition schools and departments are allowed to carryover unspent supplies and material dollars to the next fiscal year. Approximately \$.5 million was unspent in textbook, supplies and material budgets at year-end.

Capital Assets and Debt Administration

By the end of 2005, the District had invested \$96.9 million in land, buildings, equipment, and transportation vehicles, \$96.4 million, which was in governmental activities. Table 6 shows fiscal 2005 compared to 2004:

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

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

Additional information on the District's capital assets can be found in the Notes to the Financial Statements.

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
Site	\$ 8.337	\$ 8.337	\$ -	\$ -	\$ 8.337	\$ 8.337	0.00%
Buildings	84.139	86.636	-	-	84.139	86.636	-2.88%
Equipment	0.904	0.864	0.469	0.558	1.373	1.422	-3.45%
Transportation	3.069	2.854	-	-	3.069	2.854	7.53%
Totals	\$ 96.449	\$ 98.691	\$ 0.469	\$ 0.558	\$ 96.918	\$ 99.249	-2.35%

Long-Term Debt

At year-end, the District had \$68.29 million in bonds and capital leases payable, \$5.77 million due within one year. The District issued \$22,215,000 in general obligation bonds in 2004. The proceeds were used to refund the Series 1994 bonds. See Table 7 and 8 for additional information on bonds and capital leases outstanding.

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

	Governmental Activities 2005	Governmental Activities 2004
General Obligation Bonds	\$ 61.802	\$ 70.461
Certificates of Participation	4.325	4.485
Capital Lease Obligation Payable	2.162	2.667
Total	\$ 68.289	\$ 77.613

Additional information on the District's long-term debt can be found in the Notes to the Financial Statements.

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

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005

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 will convert to a charter school under state law. The 2005 state report cards indicate two schools receiving a low rating, with the rest rating average or high for the 2004-2005 school year. The district currently believes that it is in compliance with the federal "No Child Left Behind" law. The district is 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.

Thompson School District R2-J
Statement of Net Assets
As of June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 39,367,739	\$ 218,397	\$ 39,586,136
Receivables	2,894,520	-	2,894,520
Due from Other Governments	1,058,230	148,854	1,207,084
Inventory	-	111,490	111,490
Total Current Assets	<u>43,320,489</u>	<u>478,741</u>	<u>43,799,230</u>
Noncurrent Assets:			
Bond Issuance Costs, (net of Accumulated Amortization)	206,894	-	206,894
Capital Assets (net of Accumulated Depreciation - where applicable):			
Site	8,336,675	-	8,336,675
Buildings	84,138,805	-	84,138,805
Equipment	903,901	469,579	1,373,480
Transportation	3,069,140	-	3,069,140
Total Noncurrent Assets	<u>96,655,415</u>	<u>469,579</u>	<u>97,124,994</u>
Total Assets	<u>139,975,904</u>	<u>948,320</u>	<u>140,924,224</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	948,434	6,487	954,921
Payroll Withholding Payable	1,112,075	-	1,112,075
Accrued Salaries and Benefits	9,201,973	53,431	9,255,404
Due to Other Governments	35,174	-	35,174
Deferred Revenue	-	43,925	43,925
Current Portion of Long-Term Debt	8,547,461	2,500	8,549,961
Total Current Liabilities	<u>19,845,117</u>	<u>106,343</u>	<u>19,951,460</u>
Noncurrent Liabilities:			
Bonds Payable	50,419,737	-	50,419,737
Loss on Reissuance Cost	(2,966,989)	-	(2,966,989)
Premium on Bond Financing	2,805,402	-	2,805,402
Deferred Interest Bonds Payable	6,434,017	-	6,434,017
Capital Lease Obligations	5,828,889	-	5,828,889
Compensated Absences	24,055	3,974	28,029
Early Retirement Stipends	6,653,974	-	6,653,974
Total Noncurrent Liabilities	<u>69,199,085</u>	<u>3,974</u>	<u>69,203,059</u>
Total Liabilities	<u>89,044,202</u>	<u>110,317</u>	<u>89,154,519</u>
Net Assets:			
Invested in Capital Assets, net of Related Debt	28,158,995	469,579	28,628,574
Restricted for:			
Debt Service	9,885,779	-	9,885,779
Capital Projects	214,666	-	214,666
TABOR	4,526,951	67,967	4,594,918
Other Purposes	5,520,347	-	5,520,347
Unrestricted	2,624,964	300,456	2,925,420
Total Net Assets	<u>\$ 50,931,702</u>	<u>\$ 838,003</u>	<u>\$ 51,769,705</u>

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Statement of Activities
For the Year Ended June 30, 2005**

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction				
Salaries and Benefits	\$ 56,974,652	\$ 265,483	\$ 6,192,860	\$ -
Purchased Services	2,283,706	29,356	200,177	-
Supplies and Materials	3,170,412	572,167	241,612	-
Capital Outlay	456,262	8,727	58,813	-
Other	127,293	12,352	109,863	-
Total Instruction	63,012,325	888,085	6,803,325	-
Support Services:				
Pupil Services	6,948,277	1,372	1,031,221	-
Instructional Staff	7,540,045	-	497,680	-
General Administration	919,514	58,367	-	-
School Administration	6,863,529	28,999	59,144	-
Business Services	1,641,331	1,024	-	-
Maintenance/Operations	9,942,999	-	10,584	-
Pupil Transportation	2,916,150	-	805,060	-
Central Supporting Services	3,928,544	601,923	-	-
Community Services	1,152,881	-	336,845	94,556
Interest on Long-term Debt	3,393,072	-	-	-
Total Support Services	45,246,342	691,685	2,740,534	94,556
Total Governmental Activities	108,258,667	1,579,770	9,543,859	94,556
Business-Type Activities:				
Nutritional Services	3,582,130	2,214,879	1,367,059	-
Total Business-Type Activities	3,582,130	2,214,879	1,367,059	-
Total School District	\$ 111,840,797	\$ 3,794,649	\$ 10,910,918	\$ 94,556

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

Gain on Sale of Capital Assets

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**

Governmental Activities	Business-Type Activities	Total
\$ (50,516,309)	\$ -	\$ (50,516,309)
(2,054,173)	-	(2,054,173)
(2,356,633)	-	(2,356,633)
(388,722)	-	(388,722)
(5,078)	-	(5,078)
<hr/>	<hr/>	<hr/>
(55,320,915)	-	(55,320,915)
(5,915,684)	-	(5,915,684)
(7,042,365)	-	(7,042,365)
(861,147)	-	(861,147)
(6,775,386)	-	(6,775,386)
(1,640,307)	-	(1,640,307)
(9,932,415)	-	(9,932,415)
(2,111,090)	-	(2,111,090)
(3,326,621)	-	(3,326,621)
(721,480)	-	(721,480)
(3,393,072)	-	(3,393,072)
<hr/>	<hr/>	<hr/>
(41,719,567)	-	(41,719,567)
<hr/>	<hr/>	<hr/>
(97,040,482)	-	(97,040,482)
<hr/>	<hr/>	<hr/>
-	(192)	(192)
<hr/>	<hr/>	<hr/>
-	(192)	(192)
<hr/>	<hr/>	<hr/>
(97,040,482)	(192)	(97,040,674)
<hr/>	<hr/>	<hr/>
24,432,966	-	24,432,966
7,463,272	-	7,463,272
10,195,101	-	10,195,101
3,866,971	-	3,866,971
784,202	-	784,202
53,573,154	-	53,573,154
831,031	-	831,031
758,603	-	758,603
415,401	-	415,401
314,801	1,468	316,269
<hr/>	<hr/>	<hr/>
102,635,502	1,468	102,636,970
<hr/>	<hr/>	<hr/>
5,595,020	1,276	5,596,296
<hr/>	<hr/>	<hr/>
45,336,682	836,727	46,173,409
<hr/>	<hr/>	<hr/>
\$ 50,931,702	\$ 838,003	\$ 51,769,705

**Thompson School District R2-J
Balance Sheet
Governmental Funds
June 30, 2005**

	<u>General</u>	<u>Government Designated- Purpose Grants</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS				
Cash and Cash Equivalents	\$ 20,826,087	\$ 627,232	9,901,833	\$ 214,666
Receivables	2,211,694	-	682,826	-
Due from Other Governments	-	1,058,230	-	-
Due from Other Funds	420,347	-	-	-
Total Assets	\$ 23,458,128	\$ 1,685,462	10,584,659	\$ 214,666
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 685,825	\$ 8,522	108,458	\$ -
Payroll Withholding Payable	1,112,075	-	-	-
Accrued Salaries and Benefits	8,060,361	950,715	-	-
Due to Other Government	-	35,174	-	-
Deferred Revenue	993,454	-	460,422	-
Due to Other Funds	-	421,519	130,000	-
Total Liabilities	10,851,715	1,415,930	698,880	-
Fund Balances:				
Reserve for TABOR	4,230,904	77,322	-	-
Reserved for Debt Services	-	-	9,885,779	-
Reserved for Capital Projects	-	-	-	214,666
Reserved for Other Purposes	-	192,210	-	-
Unreserved, reported in:				
Designated General Fund (mill levy)	6,207,422	-	-	-
Undesignated General Fund	2,168,087	-	-	-
Undesignated Special revenue funds	-	-	-	-
Total Fund Balances	12,606,413	269,532	9,885,779	214,666
Total Liabilities and Fund Balances	\$ 23,458,128	\$ 1,685,462	10,584,659	\$ 214,666

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, 2005**

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,436,881	\$ 39,006,699
-	2,894,520
-	1,058,230
<u>131,172</u>	<u>551,519</u>
<u>\$ 7,568,053</u>	<u>\$ 43,510,968</u>
\$ 145,629	\$ 948,434
-	1,112,075
190,897	9,201,973
-	35,174
-	1,453,876
-	<u>551,519</u>
<u>336,526</u>	<u>13,303,051</u>
183,822	4,492,049
-	9,885,779
-	214,666
5,328,137	5,520,347
-	6,207,422
-	2,168,087
<u>1,719,567</u>	<u>1,719,567</u>
<u>7,231,527</u>	<u>30,207,917</u>
<u>\$ 7,568,053</u>	<u>\$ 43,510,968</u>

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

Total Fund Balance - Governmental Funds \$ 30,207,917

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	156,389,583	
Accumulated depreciation is	<u>(59,941,062)</u>	96,448,521

An internal service fund is used by the District's management to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net assets. 361,040

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds 1,453,876

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:

Bonds Payable	55,529,737	
Bond Issuance Costs	(206,894)	
Loss on Reissuance Cost	(2,966,989)	
Premium on Bond Financing	2,805,402	
Deferred Interest	6,434,017	
Capital Lease Obligations and Certificates of Participation	6,487,357	
Compensated Absences	481,107	
Early Retirement Stipends	<u>8,975,915</u>	
		<u>(77,539,652)</u>

Total Net Assets - Governmental Activities \$ 50,931,702

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Government Designated- Purpose Grants	Debt Service	Capital Projects	Other Governmental Funds
Revenues:					
Taxes	\$ 37,686,307	\$ -	\$ 10,195,101	\$ -	\$ -
Intergovernmental	56,422,794	6,410,009	-	-	-
Investment earnings	319,767	7,681	3,610	2,704	424,006
Other	520,602	-	-	30,325	2,490,862
TOTAL REVENUES	94,949,470	6,417,690	10,198,711	33,029	2,914,868
Expenditures:					
Current:					
Instruction:					
Salaries and Benefits	46,413,024	5,368,087	-	-	3,534,924
Purchased Services	1,980,758	173,703	-	-	67,316
Supplies and Materials	2,536,615	215,969	-	-	369,467
Capital Outlay	468,434	97,551	-	-	307,549
Other Expenditures	73,070	10,439	-	-	39,071
Total Instruction	51,471,901	5,865,749	-	-	4,318,327
Support Services:					
Pupil Services	5,532,092	1,229,111	-	-	-
Instructional Staff	5,878,388	559,110	-	-	1,006,641
General Administration	771,903	-	-	-	125,000
School Administration	6,445,362	125,282	-	-	109,739
Business Services	2,666,861	-	-	-	43,093
Maintenance/Operations	8,698,342	114,878	-	19,267	1,247,536
Pupil Transportation	2,830,873	-	-	-	210,426
Central Supporting Services	1,889,477	-	925	36,691	615,009
Community Services	6,058	79,474	-	-	1,026,995
Capital Projects	-	-	-	8,600	-
Bond Issuance Costs	-	-	258,618	-	-
Debt Service - Principal	-	-	9,560,000	-	665,047
Debt Service - Interest	-	-	2,183,594	-	311,951
Total Support Services	34,719,356	2,107,855	12,003,137	64,558	5,361,437
TOTAL EXPENDITURES	86,191,257	7,973,604	12,003,137	64,558	9,679,764
Excess (Deficiency) of Revenues Over/(Under) Expenditures	8,758,213	(1,555,914)	(1,804,426)	(31,529)	(6,764,896)
Other Financing Sources (Uses):					
Transfers In	-	1,602,361	-	-	7,730,067
Transfers Out	(8,982,231)	-	-	-	(350,197)
Proceeds from Bond Financing	-	-	22,215,000	-	-
Transfer to Bond Escrow	-	-	(23,276,594)	-	-
Premium on Bond Financing	-	-	1,320,212	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	415,401
Total Other Financing Sources (Uses)	(8,982,231)	1,602,361	258,618	-	7,795,271
Net Change in Fund Balances	(224,018)	46,447	(1,545,808)	(31,529)	1,030,375
Fund Balances - Beginning of the Year	12,830,431	223,085	11,431,587	246,195	6,201,152
Fund Balances - End of the Year	\$ 12,606,413	\$ 269,532	\$ 9,885,779	\$ 214,666	\$ 7,231,527

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 District-wide Statement of Activities
For The Year Ended June 30, 2005

<u>Total Governmental Funds</u>															
\$ 47,881,408 62,832,803 757,768 <u>3,041,789</u> 114,513,768 55,316,035 2,221,777 3,122,051 873,534 <u>122,580</u> 61,655,977 6,761,203 7,444,139 896,903 6,680,383 2,709,954 10,080,023 3,041,299 2,542,102 1,112,527 8,600 258,618 10,225,047 <u>2,495,545</u> <u>54,256,343</u> <u>115,912,320</u> (1,398,552) 9,332,428 (9,332,428) 22,215,000 (23,276,594) 1,320,212 <u>415,401</u> <u>674,019</u> (724,533) <u>30,932,450</u> <u>\$ 30,207,917</u>	<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Total net change in fund balances - governmental funds \$ (724,533)</p> <p>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.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">Depreciation expense</td> <td style="width: 20%; text-align: right;">(3,442,988)</td> </tr> <tr> <td></td> <td style="text-align: right;">Capital Outlays</td> <td style="text-align: right;">1,212,216</td> </tr> <tr> <td></td> <td style="text-align: right;">Net effect of deleted Assets</td> <td style="text-align: right;"><u>(12,071)</u></td> </tr> </table> <p style="text-align: right;">(2,242,843)</p> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,345,790)</p> <p>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 (\$2,169,273) were more than the amounts earned (\$1,809,612) by \$359,661. Vacation used (\$641,978) was more than the amounts earned (\$574,731) by \$67,247. 426,908</p> <p>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 \$9,560,000, refinance of 1994 bonded debt \$(22,215,000), Transfer to bond escrow \$23,276,594 Premium on bond reissuance (\$1,320,212), deferred interest on 1996 Bonds (\$714,891), Bond Issuance Costs, net of amortization \$206,894, and amortization of Premium and Loss on refunding of \$72,352. 8,865,737</p> <p>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</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">Principal Payment of Debt</td> <td style="width: 20%; text-align: right;">665,046</td> </tr> </table> <p>An internal service fund is used by the District's management to charge the costs of the risk management expenditures. The net gain of the internal service fund is reported with governmental activities. <u>(49,505)</u></p> <p>Change in net assets of governmental activities <u>\$ 5,595,020</u></p> <p>The accompanying notes are an integral part of this statement</p>		Depreciation expense	(3,442,988)		Capital Outlays	1,212,216		Net effect of deleted Assets	<u>(12,071)</u>		Principal Payment of Debt	665,046		
	Depreciation expense	(3,442,988)													
	Capital Outlays	1,212,216													
	Net effect of deleted Assets	<u>(12,071)</u>													
	Principal Payment of Debt	665,046													

Thompson School District R2-J
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Business-type Activities</u> Enterprise Fund	<u>Governmental</u> Activities - Internal Service	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 218,397	\$ 361,040	\$ 579,437
Due from Other Governments	148,854	-	148,854
Inventory	111,490	-	111,490
Total current assets	<u>478,741</u>	<u>361,040</u>	<u>839,781</u>
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation (where applicable)	<u>469,579</u>	<u>-</u>	<u>469,579</u>
TOTAL ASSETS	<u>948,320</u>	<u>361,040</u>	<u>1,309,360</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	6,487	-	6,487
Accrued Salaries and Benefits	53,431	-	53,431
Deferred Revenue	43,925	-	43,925
Current portion of Long-Term Debt	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total Current Liabilities	<u>106,343</u>	<u>-</u>	<u>106,343</u>
Noncurrent Liabilities:			
Compensated Absences	<u>3,974</u>	<u>-</u>	<u>3,974</u>
Total Noncurrent Liabilities	<u>3,974</u>	<u>-</u>	<u>3,974</u>
Total Liabilities	<u>110,317</u>	<u>-</u>	<u>110,317</u>
NET ASSETS			
Invested in Capital Assets, net of Related Debt	469,579	-	469,579
Restricted for TABOR	67,967	34,902	102,870
Unrestricted	<u>300,456</u>	<u>326,138</u>	<u>626,594</u>
Total Net Assets	<u>\$ 838,003</u>	<u>\$ 361,040</u>	<u>\$ 1,199,043</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 Funds
For The Year Ended June 30, 2005

	<u>Business-type Activities</u> Enterprise Fund	<u>Governmental</u> Activities - Internal Service	<u>Totals</u>
Operating Revenue:			
Food Sales	\$ 2,216,347	\$ -	\$ 2,216,347
Charges for Services	-	1,100,000	1,100,000
TOTAL OPERATING REVENUES	2,216,347	1,100,000	3,316,347
Operating Expenses:			
Salaries and Benefits	1,592,947	107,563	1,700,510
Purchased Services	68,346	-	68,346
Insurance Premiums	-	1,105,355	1,105,355
Supplies and Materials	1,815,453	-	1,815,453
Depreciation	105,384	-	105,384
TOTAL OPERATING EXPENSES	3,582,130	1,212,918	4,795,048
Operating Loss	(1,365,783)	(112,918)	(1,478,701)
Non-Operating Revenue:			
Federal Aid:			
USDA Reimbursements	1,197,957	-	1,197,957
Donated Commodities	117,849	-	117,849
State Categorical Reimbursement	43,052	-	43,052
Other Revenue	8,201	63,413	71,614
TOTAL NON-OPERATING REVENUES	1,367,059	63,413	1,430,472
Change in Net Assets	1,276	(49,505)	(48,229)
Net Assets			
Beginning of the Year	836,727	410,545	1,247,272
Net Assets			
End of the Year	\$ 838,003	\$ 361,040	\$ 1,199,043

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2005

	<u>Business-Type Activities Enterprise</u>	<u>Governmental Activities - Internal Service</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,247,751	\$ 1,100,000	\$ 3,347,751
Cash Payments to Suppliers for Goods and Services	(1,785,974)	(1,041,942)	(2,827,916)
Cash Payments to Employees for Services	(1,600,121)	(107,563)	(1,707,684)
Net Cash Used by Operating Activities	<u>(1,138,344)</u>	<u>(49,505)</u>	<u>(1,187,849)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Government	1,179,993	-	1,179,993
Cash Received from State	43,052	-	43,052
Net Cash Provided by Non-capital Financing Activities	<u>1,223,045</u>	<u>-</u>	<u>1,223,045</u>
Cash Flows from Capital Financing Activities:			
Acquisitions of Capital Assets	(16,735)	-	(16,735)
Net Increase (Decrease) in Cash and Cash Equivalents	67,966	(49,505)	18,461
Cash and Cash Equivalents at the Beginning of the Year	<u>150,431</u>	<u>410,545</u>	<u>560,976</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 218,397</u>	<u>\$ 361,040</u>	<u>\$ 579,437</u>

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, 2005**

	<u>Business-Type Activities Enterprise</u>	<u>Governmental Activities - Internal Service</u>	<u>Totals</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	\$ (1,365,783)	\$ (112,918)	\$ (1,478,701)
Miscellaneous Non-Operating Revenue	8,201	63,413	71,614
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation	105,384	-	105,384
USDA Commodities Food Used	117,849	-	117,849
Changes in Assets and Liabilities			
Increase (Decrease) in Accounts Payable	(3,032)	-	(3,032)
Increase (Decrease) in Accrued Salaries	(7,356)	-	(7,356)
Decrease (Increase) in Inventory	972	-	972
Increase (Decrease) in Compensated Absences	182	-	182
Increase (Decrease) in Deferred Revenue	5,239	-	5,239
Net Cash Used by Operating Activities	\$ (1,138,344)	\$ (49,505)	\$ (1,187,849)
Non-cash Investing, Capital and Financing Activities:			
Federal Aid:			
Donated Commodities	\$ 117,849	\$ -	\$ 117,849
Total Non-cash Investing, Capital and Financing Activities	\$ 117,849	\$ -	\$ 117,849

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, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 993,821
TOTAL ASSETS	<u>993,821</u>
LIABILITIES	
Liabilities:	
Accounts Payable	40,373
Undistributed Monies	<u>953,448</u>
TOTAL LIABILITIES	<u>\$ 993,821</u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

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 Components Unit:

Thompson Education Foundation

The Thompson Education Foundation (Foundation) is a nonprofit corporation as defined by Internal Revenue Code Section 501(c) (3). The Foundation's sole function is to advance the interests of education within the Thompson School District. Funds raised by the Foundation exclusively benefit the District. The Foundation is fiscally dependent on the District for operational support. Management considers the Foundation to be a related entity, and is shown in the financial statements as a blended unit.

There are no individual financial statements for the Foundation, but the Internal Revenue Service Form 990 is prepared annually and a copy is available at the District offices.

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.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (1) **Summary of Significant Accounting Policies** (continued)

(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.

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, general long-term debt principal, interest and related costs. The fund's primary revenue source is local property taxes levied specifically for debt service.

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.

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, Fee Supported Program Funds, Thompson Education Foundation.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (1) (B) **Fund Accounting** (continued)

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:

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

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District (Insurance Reserve Fund) accounts for risk management activities.

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. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. 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 segment or governmental function is self-financing or draws from the general revenues of the District.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (1) (C) **Basis of Presentation** (continued)

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. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. 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.

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 government 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 4. State equalization monies are recognized as revenues during the period in which they are

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (1) (D) **Basis of Accounting** (continued)

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 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 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.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

(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.

(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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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

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Notes to Financial Statements
June 30, 2005

(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 1992-93 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 1993-94 fiscal year.

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.

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. Payments under the severance plan will continue until fiscal year 2010. 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 on June 30, 2005.

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

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 encumbrances, and 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.

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 Cash Equivalents

(A) Cash and Deposits

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. However, Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The market value of the assets in the pool must be at least

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (2) Cash and Cash Equivalents (Continued)

equal to the uninsured deposits. At June 30, 2005, all financial institutions holding deposits for the District are eligible public depositories.

At June 30, 2005, the District had deposits of \$3,680,884 collateralized with securities held by the financial institutions agent, but not in the Districts' name.

Interest rate risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - Colorado State Statutes authorize the District to invest in obligations of the U. S. Treasury, agencies and instrumentalities, commercial paper, repurchase agreements, money market funds and local government investment pools with a maturity date no more than five years from date of purchase.

Local government investment pools include: Colorado Liquid Asset Trust (COLOTRUST) and the Colorado Diversified Trust (CDT), which are 2a7-like investment pools. Investments are valued at amortized cost with each share valued at \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments consist of U. S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. All securities owned by each pooled investment are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investment owned by each pool investor. COLOTRUST is rated Aaa and CSAFE is rates AAAM by Standard and Poor's. The District's Business Manager is a member of the Board of Trustees for Colorado Diversified Trust.

At June 30, 2005, the District invested in COLOTRUST (\$14,105,502) and CDT (\$12,984,891).

The District's bank has agreed to invest unused cash deposits in overnight repurchase agreements. At June 30, 2005 the District had a balance of \$8,994,453 in repurchase agreements.

The District had \$336,714 invested in commercial paper which matures on December 1, 2005 and in \$8,222 in money market funds rated AAAM by Standard and Poor's.

Concentration Risk - At June 30, 2005 the District's investment in repurchase agreements with a financial institution represented 25% of the total investments.

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Notes to Financial Statements
June 30, 2005

NOTE (2) Cash and Cash Equivalents (Continued)

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

Cash and Deposits		\$ 4,150,226
Investments		<u>36,429,782</u>
		<u>\$ 40,579,957</u>
<u>Statement of Net Assets:</u>		
Cash and Cash Equivalents		\$ 39,586,136
<u>Statement of Fiduciary Net Assets:</u>		
Cash and Cash Equivalents		<u>993,821</u>
Total		<u>\$ 40,579,957</u>

NOTE (3) Receivables

Property taxes are levied on December 15 and attached as a lien on property 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. By District policy and as allowed by State statute, the Debt Service Fund transfers its investment income to the Capital Reserve Fund each year.

Individual balances due to/from other funds at June 30, 2005, are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>Governmental Funds:</u>		
General Fund	\$ 420,347	\$ -
Capital Reserve	130,000	-
Fee Supported	1,172	-
Government Designated Purpose	-	421,519
Bond Redemption Fund	-	<u>130,000</u>
Sub-total	<u>\$ 551,519</u>	<u>\$ 551,519</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (5) Interfund Transfers

Interfund transfers at June 30, 2005, were composed of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:		
Government Designated-Purpose Grants	General	\$ <u>1,602,361</u>
Non-Major Funds:		
Interscholastic Athletic & Activity	General	1,226,657
Severance Incentive	General	2,375,000
Fee Supported Programs	General	300,126
Capital Reserve	General	3,478,087
Building Corporation Debt Service	Capital Reserve	<u>350,197</u>
	Sub-total	7,730,067
	Total	\$ <u>9,332,428</u>

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. The General Fund routinely subsidizes programs from other funds.

The General Fund is required by State statute to transfer \$268 per funded pupil to the Capital Reserve and Insurance Reserve Funds to be used for those specific purposes. The Capital Reserve Fund transferred to the Building Corporation Debt Service Fund the amount of debt service requirements.

NOTE (6) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Capital Assets July 1, 2004</u>	<u>Additions</u>	<u>Deletions Inventory Adjustments/ Transfers</u>	<u>Capital Assets June 30, 2005</u>
Governmental Activities				
Capital assets, not being depreciated:				
Site	\$ 8,336,675	\$ -	\$ -	\$ 8,336,675
Total capital assets, not being depreciated	<u>8,336,675</u>	<u>-</u>	<u>-</u>	<u>8,336,675</u>
Capital assets, being depreciated:				
Buildings	138,234,203	-	(1,596,724)	136,637,479
Equipment	2,981,933	362,361	(94,145)	3,250,149
Transportation	<u>7,405,779</u>	<u>849,855</u>	<u>(90,354)</u>	<u>8,165,280</u>
Total capital assets, being depreciated	148,621,915	1,212,216	(1,781,223)	148,052,908

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (6) Capital Assets (Continued)

Less accumulated depreciation for:				
Buildings	(51,598,193)	(2,497,205)	1,596,724	(52,498,674)
Equipment	(2,117,268)	(311,054)	82,074	(2,346,248)
Transportation	<u>(4,551,765)</u>	<u>(634,729)</u>	<u>90,354</u>	<u>(5,096,140)</u>
Total accumulated depreciation	<u>(58,267,226)</u>	<u>(3,442,988)</u>	<u>1,769,152</u>	<u>(59,941,062)</u>
Total capital assets, being depreciated, net	<u>90,354,689</u>	<u>(2,230,772)</u>	<u>(12,071)</u>	<u>88,111,846</u>
Governmental Activities Capital Assets, Net	<u>\$ 98,691,364</u>	<u>\$ (2,230,772)</u>	<u>\$ (12,071)</u>	<u>\$ 96,448,521</u>
Business-Type Activities				
Furniture and Equipment	\$ 2,483,253	\$ 16,735	\$ -	\$ 2,499,988
Less Accumulated Depreciation	<u>(1,925,025)</u>	<u>(105,384)</u>	<u>-</u>	<u>(2,030,409)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 558,228</u>	<u>\$ (88,649)</u>	<u>\$ -</u>	<u>\$ 469,579</u>

Depreciation expense of \$3,442,988 for the year ended June 30, 2005 was charged to the following governmental functions:

Instruction	\$ 2,078,407
Support:	
Pupil Services	214,988
Instructional Staff	232,791
General Administration	28,277
School Administration	210,474
Business Services	50,814
Maintenance/Operations	306,990
Pupil Transportation	92,823
Central Supporting Services	192,938
Community Services	<u>34,486</u>
Total	<u>\$ 3,442,988</u>

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, 2005, are estimated to be \$9,140,244. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements. In addition, the District had a liability of \$115,160 for salaries and benefits related to work performed by hourly employees. This work was completed, but not paid for at June 30, 2005.

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (8) General Obligation Bonds Payable (Continued)

District issued \$25,660,000 in general obligation bonds. The bond proceeds were used to refund the Series 1996. The first two tables are the remaining principal and interest due from the portion of the 1996 Series Bonds, which were not refunded. The third table identifies the remaining principal and interest due on the 2003 bond issue as of June 30, 2005. 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 4 details the remaining principal and interest due on the 2004 bond issue as of June 30, 2005.

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>2,912,114</u>	<u>4,002,886</u>	<u>6,915,000</u>
Totals	<u>\$ 9,284,738</u>	<u>\$11,430,262</u>	<u>\$20,715,000</u>

Table 2
Series 1996 Current Interest Bonds
Interest Rate 3.7% to 5.45%

<u>Year Ended June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,095,000	\$ 184,034	\$ 1,279,034
2007	1,245,000	115,297	1,360,297
2008	<u>1,340,000</u>	<u>39,363</u>	<u>1,379,363</u>
Total	<u>\$ 3,680,000</u>	<u>\$ 338,694</u>	<u>\$ 4,018,694</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (8) General Obligation Bonds Payable (Continued)

Table 3

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>
2006	\$ -	\$ 927,312	\$ 927,312
2007	-	927,313	927,313
2008	-	927,312	927,312
2009	805,000	916,244	1,721,244
2010	875,000	892,050	1,767,050
2011	-	878,925	875,925
2012	-	878,925	875,925
2013	-	878,925	875,925
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>\$ 9,113,806</u>	<u>\$29,463,806</u>

Table 4

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>
2006	\$ 4,015,000	\$ 1,010,375	\$ 5,025,375
2007	4,215,000	804,625	5,019,625
2008	4,430,000	588,500	5,018,500
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>\$ 22,215,000</u>	<u>\$ 2,886,625</u>	<u>\$ 25,101,625</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 District issued \$4,485,000 of COPs. The 2004 COPs were issued to the Thompson School Facilities Corporation 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.

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Notes to Financial Statements
June 30, 2005

NOTE (9) Certificates of Participation (Continued)

The table below identifies the remaining principal and interest due on the 2004 COP issue as of June 30, 2005.

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>
2006	\$ 165,000	\$ 164,359	\$ 329,359
2007	170,000	160,724	330,724
2008	175,000	156,964	331,964
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>\$4,325,000</u>	<u>\$1,920,946</u>	<u>\$6,245,946</u>

NOTE (10) Capital Leases

The District has the following capital leases, which are all subject to annual appropriation:

<u>Equipment</u>	<u>Amount Capitalized</u>	<u>Original Lease Amount</u>	<u>Remaining Principal</u>	<u>Interest Rate</u>	<u>Annual Payment</u>
1) Modular Units	303,233	220,939	-	5.0%	-
2) Performance Contract	-	986,860	238,755		248,209
3) Performance Contract	-	<u>2,233,253</u>	<u>1,923,602</u>		<u>245,259</u>
Totals	<u>\$ 303,233</u>	<u>\$3,441,052</u>	<u>\$2,162,357</u>		<u>\$ 493,468</u>

1) This lease with First National Bank, Fort Collins, was entered into on August 1, 2001. Three annual payments of \$81,541 began on July 1, 2002. This lease is secured by the seven modulars purchased and placed throughout the district. Payments are made from the Capital Reserve Fund. During the fiscal year the final lease payment was made.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (10) Capital Leases (Continued)

- 2) annual payments of \$500,000 for first year, \$300,000 for second year and \$248,209 for the last year began on July 1, 2003. This lease is secured by replacement equipment outlined in the agreement. Payments are made from the Capital Reserve Fund. No Assets were capitalized, as items did not meet District's capitalization policy.
- 3) 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.

For fiscal Year 2004-05 the District made Principal payments of \$505,047 and interest payments of \$121,753 out of the Capital Reserve Fund for the leases mentioned above.

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, 2005:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>	<u>Amount Due in One Year</u>
Governmental activities:					
General Obligation Bond	\$ 70,461,009	\$ 23,573,508	\$ 32,232,350	\$ 61,802,167	\$ 5,110,000
Certificates of Participation	4,485,000	-	160,000	4,325,000	165,000
Capital Lease Obligations Payable	2,667,404	-	505,047	2,162,357	493,468
Compensated Absences *	548,354	574,731	641,978	481,107	457,052
Severance-Incentive Stipend Payable*	9,335,576	1,809,612	2,169,273	8,975,915	2,321,941
Governmental activities Long-term liabilities	<u>\$ 87,497,343</u>	<u>\$ 25,957,851</u>	<u>\$ 35,708,648</u>	<u>\$ 77,746,546</u>	<u>\$ 8,547,461</u>
Business-type activities:					
Compensated Absences	<u>\$ 6,292</u>	<u>\$ 16,367</u>	<u>\$ 16,185</u>	<u>\$ 6,474</u>	<u>\$ 2,500</u>

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (11) Changes in Long-Term Debt (continued)

(B) Annual Requirements

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

Year Ending June 30,	General Obligation Bonds	Capital Lease/COP Obligations	Compensated Absences	Severance Incentive Stipends	Total
2006	\$ 7,159,373	\$ 822,827	\$ -	\$ 2,321,941	\$ 10,432,864
2007	7,234,887	575,983	-	2,298,665	10,238,258
2008	7,252,826	577,223	-	1,834,112	9,792,884
2009	6,679,895	577,335	-	1,519,937	8,905,890
2010	6,830,549	576,629	-	882,727	8,289,905
2011-2015	33,869,153	2,382,725	-	118,533	36,370,411
2016-2020	10,434,034	1,638,054			12,072,088
2021-2024		1,305,448			1,305,448
Due in accordance with District leave policies	-	-	481,107	-	481,107
Less amounts representing interest	(23,930,980)	(1,968,867)	-	-	(25,899,847)
Principal Due	<u>\$55,529,737</u>	<u>\$6,487,357</u>	<u>\$ 481,107</u>	<u>\$ 8,975,915</u>	<u>\$ 71,474,116</u>

Note: The District refinanced a portion of the 1994 in September 2004. This schedule reflects the future General Obligation Bond Debt based on the refinancing.

NOTE (12) Fund Balance (Deficit)

(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 \$9,885,779 have been reserved for future debt service payments. Fund balance of \$214,666 has been reserved for future capital projects. Fund balance of \$6,207,422 has been designated for future mill levy override projects. Other Purpose Reserves of \$5,520,347 is made up of reserves from the following funds: Land Reserve Fund (\$4,211,900), Government Designated Purpose Grants Fund (\$192,210), Building Corporation Debt Service Fund (\$336,136) and The Thompson Education Foundation (\$780,101).

As more fully described in Note (16), the TABOR Amendment to the Colorado Constitution requires the pledging of cash for any multiple year debt or obligation. The District entered into one multiple year obligation for which fund balance is reserved. The District offered a severance incentive program to its administrators, certified and support staff. The plan for support staff and administrators spans several fiscal years and the payments after June 30, 2005 are included in reserved fund balance of the General Fund. The certified staff has the option to renew the plan annually. Therefore, the District does not believe that this constitutes multiple year debt.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (13) **Defined Benefit Pension Plan**

(A) Plan Description

The District contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). CSSDTF provides retirement and disability, annual increases and death benefits for members or their beneficiaries. All employees of the District are members of the CSSDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CSSDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

(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 10.15% of covered salary. A portion of the District's contribution 1.02% of covered salary is allocated for the Health Care Trust Fund. The District's contributions to CSSDTF for the years ending June 30, 2005, 2004, and 2003 were \$5,714,755, \$5,288,474 and \$5,137,059 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. 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 2004/2005, 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, 2005, 2004, 2003 were \$694,611, \$1,019,165 and \$845,779, respectively, equal to their required contributions for each year.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (15) **Risk Management**

(A) Insurance Reserve Fund

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 District 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 through property claims in excess of \$1,000,000 and liability claims in excess of \$500,000. Property coverage is provided by CSDSIP up to \$232,979,883 for the District and can be provided up to \$600,000,000 Total Insured Value (TIV). Liability coverage is provided by CSDSIP up to \$2,000,000 per occurrence limits with an annual aggregate limit of \$5,000,000. Under Colorado statutes, the District has the protection of the Colorado Governmental Immunity Act (CGIA) for state claims including the \$150,000 per person and \$600,000 per occurrence caps. Thereafter, under Colorado statutes, the District has the protection of governmental immunity.

The District's contribution to the pools mentioned above is funded by premium contributions from the Insurance Reserve Fund. The Fund is also used to cover the purchase of commercial insurance for property, liability and worker's compensation coverage not provided in the pool agreements, and to partially fund salaries and other costs for risk management and loss control. 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 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 2004-05 fiscal year, the administrative, operations and contingency percentage the District contribution is approximately 40%. Complete financial statements can be obtained from CBOCES, 830 S. Lincoln, Longmont, Colorado 80501.

The District made a \$728,662 contribution to CBOCES during fiscal year 2004-05.

(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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (15) Risk Management (Continued)

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 percent. 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 \$21,745 contribution to LCBOCES during fiscal year 2004-05.

NOTE (16) Commitments and Contingencies

(A) Refunded Debt

At various dates in prior years, the District has placed proceeds from refunding bond issues and district cash contributions in irrevocable escrow accounts. The moneys deposited in the irrevocable escrow accounts are invested in U. S. Treasury obligations that, together with interest earned thereon, should provide amounts sufficient for payment of all remaining principal and interest on the following issues. The likelihood of the funds in these escrow accounts not being sufficient to pay the refunded bond issues appears remote. At June 30, 2005 the outstanding balance of the defeased debt was \$35,330,000.

In September 2004, the District issued \$22,215,000 General Obligation Refunding Bonds, Series 2004A to advance refund a portion of the General Obligation Bonds, Series 1994. Net proceeds of \$23,276,594 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of \$22,600,000 of the 1994 Bonds. Although the advance refunding resulted in the recognition of an accounting loss of \$676,694, the District reduced its aggregate debt service payments (difference between the present values of the old and new debt service payments) of approximately \$1,500,000. The outstanding balance of the defeased debt at June 30, 2005 was \$2,000,000. Accordingly, the escrow accounts and refunded bonds are not included in the District's balance sheet.

(B) 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.

(C) Grants and State Funding

The District participates in a number of Federal and State assisted grant programs, principal of which are the National School Lunch Program, Title 1, Title VI-B and Headstart 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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2005

NOTE (16) Commitments and Contingencies (Continued)

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, 2005.

(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, 2005, the District has complied with the requirements to establish emergency reserves that are recorded in the financial statements as a restricted fund balance.

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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
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Local Property- School Finance Act	\$ 25,247,516	\$ 25,247,516	\$ 25,571,862	\$ 324,346
Local Property- Mill Levy Override	7,500,000	7,500,000	7,463,272	(36,728)
Specific Ownership	3,807,474	3,807,474	3,866,971	59,497
Specific Ownership - Mill Levy Override	800,000	800,000	784,202	(15,798)
Intergovernmental				
Equalization Entitlements	54,361,924	54,361,924	53,573,154	(788,770)
Special Education	1,720,347	1,720,347	1,781,409	61,062
Vocational Education	325,000	325,000	263,171	(61,829)
Transportation	777,800	777,800	805,060	27,260
Other	15,000	15,000	-	(15,000)
Investment Earnings	150,000	150,000	232,831	82,831
Investment Earnings - Mill Levy	75,000	75,000	86,936	11,936
Other	435,000	435,000	520,602	85,602
TOTAL REVENUES	95,215,061	95,215,061	94,949,470	(265,591)
TOTAL EXPENDITURES	86,531,830	86,531,830	86,191,257	340,573
 Excess revenues over expenditures	 8,683,231	 8,683,231	 8,758,213	 74,982
Other Financing Sources (Uses):				
Transfers Out:				
Interscholastic Athletic & Activity Fund	(1,226,657)	(1,226,657)	(1,226,657)	-
Governmental Designated-Purpose Grants Fund	(2,733,352)	(2,733,352)	(1,602,361)	1,130,991
Severance Incentive Fund	(2,375,000)	(2,375,000)	(2,375,000)	-
Fee Supported Programs Fund	(300,126)	(300,126)	(300,126)	-
Capital Reserve Fund	(3,448,096)	(3,448,096)	(3,478,087)	(29,991)
Total Other Financing Sources (Uses)	(10,083,231)	(10,083,231)	(8,982,231)	1,101,000
 Net Change in Fund Balance	 \$ (1,400,000)	 \$ (1,400,000)	 (224,018)	 \$ 1,175,982
 Fund Balance - Beginning of Year			 12,830,431	
 Fund Balance - End of Year			 \$ 12,606,413	
See independent auditor's report				

**Thompson School District R2-J
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<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	\$ 48,070,320	\$ 48,070,320	\$ 46,413,024	\$ 1,657,296
Purchased Services	1,870,129	1,870,129	1,980,758	(110,629)
Supplies and Materials	3,097,377	3,097,377	2,536,615	560,762
Other	112,994	112,994	73,070	39,924
Total Instruction	53,150,820	53,150,820	51,003,467	2,147,353
Supporting Services:				
Pupil Personnel	4,578,474	4,578,474	5,532,092	(953,618)
Instructional Staff	5,787,227	5,787,227	5,878,388	(91,161)
General Administration	698,632	698,632	771,903	(73,271)
School Administration	6,063,560	6,063,560	6,445,362	(381,802)
Maintenance/Operations	8,168,480	8,168,480	8,698,342	(529,862)
Transportation	2,944,096	2,944,096	2,830,873	113,223
Other Business Services	2,670,621	2,670,621	2,666,861	3,760
Central Supporting Services	2,071,588	2,071,588	1,889,477	182,111
Contingency	2,686	2,686	6,058	(3,372)
Total Supporting Services	32,985,364	32,985,364	34,719,356	(1,733,992)
Capital Outlay	395,646	395,646	468,434	(72,788)
Total Expenditures	\$ 86,531,830	\$ 86,531,830	\$ 86,191,257	\$ 340,573

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
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Budget</u>		
Revenues:				
Intergovernmental				
Federal Sources	\$ 6,500,000	\$ 6,500,000	\$ 5,442,644	\$ (1,057,356)
State/Local Sources	600,500	600,500	967,365	366,865
Investment Earnings	-	-	7,681	7,681
TOTAL REVENUES	<u>7,100,500</u>	<u>7,100,500</u>	<u>6,417,690</u>	<u>(682,810)</u>
Expenditures:				
Instruction				
Salaries and Benefits	6,065,717	6,065,717	5,368,087	697,630
Purchased Services	202,265	202,265	173,703	28,562
Supplies and Materials	219,154	219,154	215,969	3,185
Capital Outlay	102,568	102,568	97,551	5,017
Other Expenditures	87,933	87,933	10,439	77,494
Total Instruction	<u>6,677,637</u>	<u>6,677,637</u>	<u>5,865,749</u>	<u>811,888</u>
Support Services:				
Pupil Services	1,336,108	1,336,108	1,229,111	106,997
Instructional Staff	635,916	635,916	559,110	76,806
General Administration	-	-	-	-
School Administration	96,311	96,311	125,282	(28,971)
Business Services	-	-	-	-
Maintenance/Operations	23,178	23,178	114,878	(91,700)
Pupil Transportation	23,718	23,718	-	23,718
Central Supporting Services	-	-	-	-
Community Services	89,601	89,601	79,474	10,127
Total Support Services	<u>2,204,832</u>	<u>2,204,832</u>	<u>2,107,855</u>	<u>96,977</u>
Total Expenditures	<u>8,882,469</u>	<u>8,882,469</u>	<u>7,973,604</u>	<u>908,865</u>
Excess Revenues Over/(Under) Expenditures	<u>(1,781,969)</u>	<u>(1,781,969)</u>	<u>(1,555,914)</u>	<u>226,055</u>
Other Financing Sources (Uses)				
Operating Transfer In	<u>1,431,969</u>	<u>1,431,969</u>	<u>1,602,361</u>	<u>170,392</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	<u>46,447</u>	<u>\$ 396,447</u>
Fund Balances - Beginning of Year			<u>223,085</u>	
Fund Balances - End of Year			<u>\$ 269,532</u>	

See independent auditor's report

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Thompson School District R2-J
Notes to Required Supplementary Information
June 30, 2005

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 and Insurance Reserve Funds. The Nutritional Services Fund budgets for capital outlay and not for depreciation expense. The Insurance Reserve Fund budgets for premiums on a cash basis. The budget does not include the expense for the changes in the equity in insurance pools.
- 6) Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2005:

	Original Budget	Total Revisions	Revised Budget
Governmental Funds:			
Fees Supported Program Fund	\$ 1,518,633	\$ 25,000	\$ 1,543,633
Nutrition Services Fund	3,484,176	25,000	3,509,176
Education Memorial Fund	55,000	20,000	75,000

The increase in the Nutrition Services Fund was due to an increase in school lunch sales. The increase in Education Memorial Fund and Fees Supported Program Fund was caused by an increase in memorial donations.

- 7) Appropriations lapse at year-end.

Thompson School District R2-J
Notes to Required Supplementary Information
June 30, 2005

Budgets and Budgetary Accounting (Continued)

- 8) No budgetary information is presented for the Thompson Education Foundation. The Foundation is a component unit of the District; however, it is not required under state law to have a budget. For fiscal year 2005, the Thompson Education Foundation's board did not adopt a budget.
- 9) No Budgetary information is presented for the Building Corporation Debt Service as this is presented as a component unit of the District and there is no legal requirement to adopt a budget for this fund.

The Debt Service Fund was overspent by \$254,618, the Fee Supported Fund was overspent by \$17,650, and the Education Memorial Trust Fund was overspent by \$7,413. These fund's appropriations (which includes expenditures plus reserves) are greater than expenditures; therefore, the District believes that the over expenditure in these funds is not a violation of Colorado Statutes. The Interscholastic Athletic and Activity Fund was overspent by \$52,259 (which with the inclusion of expenditures plus reserves) remains overspent. This may be a violation of Colorado 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.

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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
Debt Service Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 12,000,000	\$ 12,000,000	\$ 10,195,101	\$ (1,804,899)
Investment Earnings	180,000	180,000	3,610	(176,390)
TOTAL REVENUES	12,180,000	12,180,000	10,198,711	(1,981,289)
Expenditures:				
Other Charges	5,000	5,000	925	4,075
Bond Issuance Costs			258,618	(258,618)
Debt Service:				
Principal retirement	9,560,000	9,560,000	9,560,000	-
Interest and Fiscal Charges	2,183,519	2,183,519	2,183,594	(75)
TOTAL EXPENDITURES	11,748,519	11,748,519	12,003,137	(254,618)
Excess revenues over (under) expenditures	431,481	431,481	(1,804,426)	(1,977,289)
Other Financing (Uses):				
Proceeds From Bond Issuance	-	-	22,215,000	22,215,000
Transfer to Bond Escrow	-	-	(23,276,594)	(23,276,594)
Premium on Bond Issuance	-	-	1,320,212	1,320,212
Total Other Financing Sources (Uses)	-	-	258,618	258,618
Net Change in Fund Balance	\$ 431,481	\$ 431,481	(1,545,808)	\$ (1,718,671)
Fund Balance - Beginning of Year			11,431,587	
Fund Balance - End of Year			\$ 9,885,779	

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
Capital Projects Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Earnings	\$ -	\$ -	\$ 2,704	\$ 2,704
Other	30,000	30,000	30,325	325
TOTAL REVENUES	30,000	30,000	33,029	3,029
Expenditures:				
MVHS Pool Addition	96,700	96,700	8,600	88,100
Maintenance Projects	55,425	55,425	19,267	37,433
Technology Projects	40,000	40,000	36,691	3,309
TOTAL EXPENDITURES	192,125	192,125	64,558	128,842
Net Change in Fund Balance	<u>\$ (163,400)</u>	<u>\$ (163,400)</u>	(31,529)	<u>\$ 131,871</u>
Fund Balance - Beginning of the Year			246,195	
Fund Balance - End of the Year			<u>\$ 214,666</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.

Thompson Education Foundation

Accounts for all of the activity for the Thompson Education Foundation

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, 2005**

	<u>Capital Reserve</u>	<u>Land Reserve</u>	<u>Severance Incentive</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,124,111	\$ 4,239,247	\$ 170,222
Due from Other Funds	130,000	-	-
Total Assets	<u>\$ 1,254,111</u>	<u>\$ 4,239,247</u>	<u>\$ 170,222</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 127,885	\$ -	\$ 1,657
Accrued Salaries and Benefits	-	-	-
Total Liabilities	127,885	-	1,657
Fund Balances:			
Reserve for TABOR	-	27,347	71,290
Reserve for Other Purposes	-	4,211,900	-
Unreserved Fund Balance	1,126,226	-	97,275
Total Fund Balances	<u>1,126,226</u>	<u>4,239,247</u>	<u>168,565</u>
Total Liabilities and Fund Balances	<u>\$ 1,254,111</u>	<u>\$ 4,239,247</u>	<u>\$ 170,222</u>

See independent auditor's report

Interscholastic Athletic & Activity	Fee Supported Programs	Thompson Education Foundation	Building Corporation Debt Service	Total Nonmajor Governmental Funds
\$ 128,681	\$ 658,383	\$ 780,101	\$ 336,136	\$ 7,436,881
-	1,172	-	-	131,172
<u>\$ 128,681</u>	<u>\$ 659,555</u>	<u>\$ 780,101</u>	<u>\$ 336,136</u>	<u>\$ 7,568,053</u>
\$ 68	\$ 16,019	\$ -	-	\$ 145,629
112,990	77,907	-	-	190,897
113,058	93,926	-	-	336,526
36,820	48,365	-	-	183,822
-	-	780,101	336,136	5,328,137
(21,197)	517,264	-	-	1,719,567
15,623	565,629	780,101	336,136	7,231,527
<u>\$ 128,681</u>	<u>\$ 659,555</u>	<u>\$ 780,101</u>	<u>\$ 336,136</u>	<u>\$ 7,568,053</u>

Thompson School District R2-J
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	<u>Capital Reserve</u>	<u>Land Reserve</u>	<u>Severance Incentive</u>
Revenues:			
Investment earnings	\$ 327,770	\$ 80,520	\$ 1,341
Other	-	831,031	-
TOTAL REVENUES	327,770	911,551	1,341
Expenditures:			
Instruction			
Salaries and Benefits	-	-	1,850,036
Purchased Services	8,201	-	-
Supplies and Materials	-	-	-
Capital Outlay	288,238	-	-
Other Expenditures	-	-	-
Total Instruction	<u>296,439</u>	<u>-</u>	<u>1,850,036</u>
Support Services:			
Instructional Staff	1,003,522	-	-
General Administration	125,000	-	-
School Administration	-	-	-
Business Services	-	-	-
Maintenance/Operations	1,246,477	-	-
Pupil Transportation	210,426	-	-
Central Supporting Services	88,817	87,088	439,104
Community Services	16,010	-	-
Principal and Interest	626,801	-	-
Total Support Services	<u>3,317,053</u>	<u>87,088</u>	<u>439,104</u>
TOTAL EXPENDITURES	<u>3,613,492</u>	<u>87,088</u>	<u>2,289,140</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,285,722)	824,463	(2,287,799)
Other Financing Sources (Uses):			
Transfers in	3,478,087	-	2,375,000
Transfers out	(350,197)	-	-
Sale of Capital Assets	415,401	-	-
Total Other Financing Sources (Uses)	<u>3,543,291</u>	<u>-</u>	<u>2,375,000</u>
Net Change in Fund Balances	257,569	824,463	87,201
Fund Balances - Beginning of the Year	<u>868,657</u>	<u>3,414,784</u>	<u>81,364</u>
Fund Balances - End of the Year	<u>\$ 1,126,226</u>	<u>\$ 4,239,247</u>	<u>\$ 168,565</u>

See independent auditor's report

Interscholastic Athletic & Activity	Fee Supported Programs	Thompson Education Foundation	Building Corporation Debt Service	Total Nonmajor Governmental Funds
\$ 682	\$ 666	\$ 16,659	\$ (3,632)	\$ 424,006
-	1,311,390	348,441	-	2,490,862
682	1,312,056	365,100	(3,632)	2,914,868
1,290,036	394,852	-	-	3,534,924
8,442	50,673	-	-	67,316
2,490	366,977	-	-	369,467
277	19,034	-	-	307,549
22,961	16,110	-	-	39,071
1,324,206	847,646	-	-	4,318,327
-	3,119	-	-	1,006,641
-	-	-	-	125,000
33,479	76,260	-	-	109,739
-	43,093	-	-	43,093
-	1,059	-	-	1,247,536
-	-	-	-	210,426
-	-	-	-	615,009
-	590,136	420,849	-	1,026,995
-	-	-	350,197	976,998
33,479	713,667	420,849	350,197	5,361,437
1,357,685	1,561,313	420,849	350,197	9,679,764
(1,357,003)	(249,257)	(55,749)	(353,829)	(6,764,896)
1,226,657	300,126	-	350,197	7,730,067
-	-	-	-	(350,197)
-	-	-	-	415,401
1,226,657	300,126	-	350,197	7,795,271
(130,346)	50,869	(55,749)	(3,632)	1,030,375
145,969	514,760	835,850	339,768	6,201,152
\$ 15,623	\$ 565,629	\$ 780,101	\$ 336,136	\$ 7,231,527

Thompson School District R2-J
Capital Reserve Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment Earnings	\$ 10,000	\$ 10,000	\$ 327,770	\$ 317,770
TOTAL REVENUES	10,000	10,000	327,770	317,770
Expenditures:				
Instruction				
Purchased Services	-	-	8,201	(8,201)
Capital Outlay	854,819	854,819	288,238	566,581
Total Instruction	854,819	854,819	296,439	558,380
Support Services:				
Instructional Staff	-	-	1,003,522	(1,003,522)
General Administration	125,000	125,000	125,000	-
Maintenance/Operations	3,224,175	3,224,175	1,246,477	1,977,698
Pupil Transportation	617,920	617,920	210,426	407,494
Central Supporting Services	-	-	88,817	(88,817)
Community Services	-	-	16,010	(16,010)
Principal Payments	-	-	505,047	(505,047)
Interest Payments	-	-	121,754	(121,754)
Total Support Services	3,967,095	3,967,095	3,317,053	650,042
TOTAL EXPENDITURES	4,821,914	4,821,914	3,613,492	1,208,422
Excess revenues over (under) expenditures	(4,811,914)	(4,811,914)	(3,285,722)	1,526,192
Other Financing Sources (Uses):				
Transfer In	5,020,087	5,020,087	3,478,087	(1,542,000)
Transfer Out	-	-	(350,197)	(350,197)
Sale of Capital Assets	-	-	415,401	415,401
Total Other Financing Sources (Uses)	5,020,087	5,020,087	3,543,291	(1,476,796)
Net Change in Fund Balance	\$ 208,173	\$ 208,173	257,569	\$ 49,396
Fund Balance - Beginning of Year			868,657	
Fund Balance - End of Year			\$ 1,126,226	

See independent auditor's report

**Thompson School District R2-J
Land Reserve Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment Earnings	\$ 25,000	\$ 25,000	\$ 80,520	\$ 55,520
Payments in lieu of Land Dedication	875,300	875,300	831,031	(44,269)
TOTAL REVENUES	900,300	900,300	911,551	11,251
Expenditures:				
Instruction				
Central Supporting Services	4,175,300	4,175,300	87,088	4,088,212
Total Support Services	4,175,300	4,175,300	87,088	4,088,212
TOTAL EXPENDITURES	4,175,300	4,175,300	87,088	4,088,212
Net Change in Fund Balance	\$ (3,275,000)	\$ (3,275,000)	824,463	\$ 4,099,463
Fund Balance - Beginning of Year			3,414,784	
Fund Balance - End of Year			\$ 4,239,247	

See independent auditor's report

**Thompson School District R2-J
Severance Incentive Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment Earnings	\$ -	\$ -	\$ 1,341	\$ 1,341
TOTAL REVENUES	-	-	1,341	1,341
Expenditures:				
Instruction				
Salaries and Benefits	1,800,000	1,800,000	1,850,036	(50,036)
Total Instruction	1,800,000	1,800,000	1,850,036	(50,036)
Support Services:				
Central Supporting Services	600,000	600,000	439,104	160,896
Total Support Services	600,000	600,000	439,104	160,896
TOTAL EXPENDITURES	2,400,000	2,400,000	2,289,140	110,860
Excess revenues over (under) expenditures	(2,400,000)	(2,400,000)	(2,287,799)	112,201
Other Financing Sources (Uses):				
Transfer in	2,375,000	2,375,000	2,375,000	-
Total Other Financing Sources (Uses)	2,375,000	2,375,000	2,375,000	-
Net Change in Fund Balance	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	87,201	<u>\$ 112,201</u>
Fund Balance - Beginning of Year			81,364	
Fund Balance - End of Year			<u>\$ 168,565</u>	

See independent auditor's report

Thompson School District R2-J
Interscholastic Athletic and Activity Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment Earnings	\$ -	\$ -	\$ 682	\$ 682
TOTAL REVENUES	-	-	682	682
Expenditures:				
Instruction				
Salaries and Benefits	1,232,926	1,232,926	1,290,036	(57,110)
Purchased Services	17,000	15,000	8,442	6,558
Supplies and Materials	2,000	2,000	2,490	(490)
Capital Outlay	-	-	277	(277)
Other Expenditures	23,000	25,000	22,961	2,039
Total Instruction	1,274,926	1,274,926	1,324,206	(49,280)
Support Services:				
School Administration	30,500	30,500	33,479	(2,979)
Total Support Services	30,500	30,500	33,479	(2,979)
Total Expenditures	1,305,426	1,305,426	1,357,685	(52,259)
Excess of Revenues Over (Under) Expenditures	(1,305,426)	(1,305,426)	(1,357,003)	(51,577)
Other Financing Sources (Uses):				
Transfers In	1,226,657	1,226,657	1,226,657	-
Total Other Financing Sources (Uses)	1,226,657	1,226,657	1,226,657	-
Net Change in Fund Balance	\$ (78,769)	\$ (78,769)	(130,346)	\$ (51,577)
Fund Balance Beginning of the Year			145,969	
Fund Balance End of The Year			\$ 15,623	
See independent auditor's report				

**Thompson School District R2-J
 Fee Supported Programs Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 1,086,959	\$ 1,086,959	\$ 1,311,390	\$ 224,431
Investment Earnings	-	-	666	666
Total Revenue	<u>1,086,959</u>	<u>1,086,959</u>	<u>1,312,056</u>	<u>225,097</u>
Expenditures:				
Instruction				
Salaries and Benefits	371,750	371,750	394,852	(23,102)
Purchased Services	80,200	80,200	50,673	29,527
Supplies and Materials	312,500	337,500	366,977	(29,477)
Capital Outlay	-	-	19,034	(19,034)
Other Expenditures	-	-	16,110	(16,110)
Total Instruction	<u>764,450</u>	<u>789,450</u>	<u>847,646</u>	<u>(58,196)</u>
Support Services:				
Instructional Staff	-	-	3,119	(3,119)
School Administration	114,896	114,896	76,260	38,636
Business Services	26,500	26,500	43,093	(16,593)
Maintenance/Operations	-	-	1,059	(1,059)
Community Services	612,817	612,817	590,136	22,681
Total Support Services	<u>754,213</u>	<u>754,213</u>	<u>713,667</u>	<u>40,546</u>
Total Expenditures	<u>1,518,663</u>	<u>1,543,663</u>	<u>1,561,313</u>	<u>(17,650)</u>
Excess of Revenues Over (Under) Expenditures	(431,704)	(456,704)	(249,257)	207,447
Other Financing Sources (Uses)				
Transfers In	300,126	300,126	300,126	-
Total Other Financing Sources (Uses)	<u>300,126</u>	<u>300,126</u>	<u>300,126</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (131,578)</u>	<u>\$ (156,578)</u>	50,869	<u>\$ 207,447</u>
Fund Balance - Beginning of the Year			<u>514,760</u>	
Fund Balance - End of the Year			<u>\$ 565,629</u>	
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. Fixed 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, 2005

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenue:				
Food Sales	\$ 2,345,440	\$ 2,345,440	\$ 2,216,347	\$ (129,093)
TOTAL OPERATING REVENUES	2,345,440	2,345,440	2,216,347	(129,093)
Expenses:				
Salaries and Benefits	1,568,176	1,568,176	1,592,947	(24,771)
Purchased Services	61,000	61,000	68,346	(7,346)
Supplies and Materials	1,835,000	1,860,000	1,810,980	49,020
Capital Outlay	10,000	10,000	16,735	(6,735)
Other	10,000	10,000	4,473	5,527
TOTAL OPERATING EXPENSE	3,484,176	3,509,176	3,493,481	15,695
Operating Income (Loss)	(1,138,736)	(1,163,736)	(1,277,134)	(113,398)
Non-Operating Revenues:				
Federal Aid:				
USDA Reimbursements	956,200	956,200	1,197,957	241,757
Commodities	130,000	130,000	117,849	(12,151)
State Categorical Reimbursement	39,909	39,909	43,052	3,143
Other Revenue	26,200	26,200	8,201	(17,999)
TOTAL NON-OPERATING REVENUES	1,152,309	1,152,309	1,367,059	214,750
Change in Net Assets	<u>\$ 13,573</u>	<u>\$ (11,427)</u>	89,925	<u>\$ 101,352</u>
Less: Depreciation Expense			(105,384)	
Add: Capital Outlay			16,735	
Change in Net Assets			1,276	
Net Assets - Beginning of the Year			836,727	
Net Assets - End of the Year			<u>\$ 838,003</u>	

See independent auditor's report

INTERNAL SERVICE 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. Fixed asset acquisitions are budgeted as an expense, but are classified as an asset for financial reporting purposes. One type of proprietary fund is an internal service fund.

Internal service funds account for the financing goods or service provided by one department to another department or school within the District. The services provided are reimbursed by charges to user groups. An internal service fund normally recovers the complete cost of operations without producing any significant profit. The District has one internal service fund, the Insurance Reserve Fund.

This fund is provided for by state statute so that school districts can provide or accumulate funds to pay for commercial insurance, co-insurance participation, or self-insurance pool participation, including related administrative expenses. Revenue is provided by statutory transfer from the General Fund. This fund is supported by charges to other user funds.

**Thompson School District
Risk Management
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenue:				
Charges for Services	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ -
TOTAL OPERATING REVENUES	1,100,000	1,100,000	1,100,000	-
Expenses:				
Contribution to Pool	409,246	409,246	408,359	887
Worker Compensation Premiums	700,000	700,000	671,209	28,791
Miscellaneous Premiums	10,000	10,000	11,373	(1,373)
Uninsured Losses	25,000	25,000	14,414	10,586
Administrative	106,706	106,706	107,563	(857)
TOTAL OPERATING EXPENSES	1,250,952	1,250,952	1,212,918	38,034
Operating Income (loss)	(150,952)	(150,952)	(112,918)	38,034
Non-Operating Revenues:				
Investment Earnings	-	-	835	835
Other Revenue	-	-	62,579	62,579
TOTAL NON-OPERATING REVENUES	-	-	63,414	63,414
Change in Net Assets	\$ (150,952)	\$ (150,952)	(49,504)	\$ 101,448
Net Assets - Beginning of the Year			410,545	
Net Assets - End of the Year			\$ 361,041	
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, 2005

	Educational Memorial	Interscholastic Athletic and Activity	Totals
ASSETS			
Cash and Cash Equivalents	\$ 68,525	\$ 925,296	\$ 993,821
TOTAL ASSETS	\$ 68,525	\$ 925,296	\$ 993,821
LIABILITIES			
Liabilities:			
Accounts Payable	875	39,498	40,373
Undistributed Monies	67,650	885,798	953,448
TOTAL LIABILITES	\$ 68,525	\$ 925,296	\$ 993,821

See independent auditor's report

Thompson School District R2-J
Combining Schedule of Changes in Assets and Liabilities
For the Agency Funds
For The year Ended June 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Educational Memorial</u>				
Assets:				
Cash and Cash Equivalents	\$ 85,951	\$ 64,987	\$ 82,413	\$ 68,525
Liabilities:				
Accounts Payable	\$ -	\$ 875	\$ -	\$ 875
Undistributed Monies	85,951	64,112	82,413	67,650
Total Liabilities	\$ 85,951	\$ 64,987	\$ 82,413	\$ 68,525
<u>Interscholastic Athletic and Activity</u>				
Assets:				
Cash and Cash Equivalents	\$ 869,894	\$ 2,353,397	\$ 2,297,994	\$ 925,297
Liabilities:				
Accounts Payable	\$ 43,520	\$ -	\$ 4,022	\$ 39,498
Undistributed Monies	826,374	2,353,397	2,293,973	885,798
Total Liabilities	\$ 869,894	\$ 2,353,397	\$ 2,297,995	\$ 925,296
<u>Combined</u>				
Assets:				
Cash and Cash Equivalents	\$ 955,845	\$ 2,418,384	\$ 2,380,407	\$ 993,822
Liabilities:				
Accounts Payable	\$ 43,520	\$ 875	\$ 4,022	\$ 40,373
Undistributed Monies	912,325	2,417,509	2,376,386	953,448
Total Liabilities	\$ 955,845	\$ 2,418,384	\$ 2,380,408	\$ 993,821

See independent auditor's report

**Thompson School District R2-J
Education Memorial Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Additions:				
Investment Earnings	\$ 1,000	\$ 1,000	\$ 1,247	\$ 247
Other Revenue	33,000	33,000	62,865	29,865
Total Additions	34,000	34,000	64,112	30,112
Deductions:				
Other Trust exp	55,000	75,000	82,413	(7,413)
Total Deductions	55,000	75,000	82,413	(7,413)
Change in Undistributed Monies	<u>\$ (21,000)</u>	<u>\$ (41,000)</u>	(18,301)	<u>\$ 22,699</u>
Undistributed Monies - Beginning of Year			85,951	
Undistributed Monies - End of Year			<u>\$ 67,650</u>	

See independent auditor's report

Thompson School District R2-J
Interscholastic Athletic and Activity Fund
Budgetary Comparison Schedules
Year Ended June 30, 2005

	<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	\$ 2,400,000	\$ 2,400,000	\$ 2,339,776	\$ (60,224)
Investment Earnings	-	-	13,622	13,622
Total Additions	2,400,000	2,400,000	2,353,398	(46,602)
Deductions:				
Athletic Expenditures	550,000	550,000	415,577	134,423
Pupil Activity Expenditures	2,000,000	2,000,000	1,878,397	121,603
Total Deductions	2,550,000	2,550,000	2,293,974	256,026
Change in Undistributed Monies	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	59,424	<u>\$ 209,424</u>
Undistributed Monies Beginning of the Year			826,374	
Undistributed Monies End of The Year			<u>\$ 885,798</u>	

See independent auditor's report

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Thompson School District R2-J
Government Wide Expenses by Function
Last Four Years
(unaudited)

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Instruction	\$ 57,510,303	\$ 61,344,975	\$ 63,177,736	\$ 63,012,325
Support Services				
Pupils	6,395,337	6,924,508	6,612,481	6,948,277
Instructional Staff	6,488,963	8,072,644	7,828,193	7,540,045
General Administration	636,396	535,449	750,238	919,514
School Administration	6,092,669	6,590,527	6,641,734	6,863,529
Business Support Services:				
Operations and Maintenance	9,416,543	13,953,782	10,901,991	9,942,999
Pupil Transportation	1,682,457	2,464,000	3,032,800	2,916,150
Other Business Services	1,340,104	1,559,503	1,632,314	1,641,331
Central Supporting Services	3,746,070	3,827,622	5,066,255	3,928,544
Community Services	406,469	936,233	1,325,831	1,152,881
Debt Service	5,909,556	6,610,993	8,632,902	3,393,072
Total Expenses	\$ 99,624,867	\$ 112,820,236	\$ 115,602,475	\$ 108,258,667
Expenses per Student				
Instruction	\$ 3,884	\$ 4,097	\$ 4,246	\$ 4,192
Support Services				
Pupils	432	462	444	462
Instructional Staff	438	539	526	502
General Administration	43	36	50	61
School Administration	412	440	446	457
Business Support Services:				
Operations and Maintenance	636	932	733	662
Pupil Transportation	114	165	204	194
Other Business Services	91	104	110	109
Central Supporting Services	253	256	340	261
Community Services	27	63	89	77
Debt Service	399	441	580	226
Total Expenses Per Student	\$ 6,729	\$ 7,534	\$ 7,769	\$ 7,203

NOTE: In 2001 The District implemented GASB Statement 33 and 34, data in this section is presented at the fund level
Therefore this is the first fiscal year that Government-wide Expenses by Function are available

This table represents governmental activities only

Thompson School District R2-J
Government-wide Revenues By Source
Last Four Fiscal Years
(unaudited)

Fiscal Year	Property Taxes	Specific Ownership Taxes	Investment Earnings	Equalization
2002	\$ 42,065,211	\$ 4,726,517	\$ 1,182,788	\$ 47,140,244
2003	44,849,047	4,609,716	507,403	51,539,947
2004	46,520,050	4,812,639	372,367	53,208,893
2005	42,091,339	4,651,173	758,603	53,573,154

NOTE: In 2001 The District implemented GASB Statement 33 and 34, data in this section is presented at the fund level
Therefore this is the first fiscal year that Government-wide Revenue by Source are available

This table represents governmental activities only

Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	All Others	Total Revenues
\$ 1,041,168	\$ 9,030,381	\$ 149,055	\$ 1,771,467	\$ 107,106,831
1,209,390	9,845,561	666,222	2,111,931	115,339,217
1,425,861	9,376,242	28,970	1,140,549	116,885,571
1,579,770	9,543,859	94,556	1,561,233	113,853,687

Thompson School District R2-J
General Governmental Expenditures by Function
Last Ten Years
(unaudited)

Function	1996	1997	1998	1999
Instruction	\$ 36,414,277	\$ 30,409,946	\$ 39,093,095	\$ 45,005,279
Support Services				
Pupils	3,361,442	4,436,261	3,915,206	5,304,028
Instructional Staff	2,690,463	3,128,238	3,617,364	3,483,606
General Administration	390,259	481,723	604,463	608,731
School Administration	3,424,898	2,499,014	4,246,123	4,020,031
Business Support Services:				
Operations and Maintenance	5,594,991	5,966,380	5,788,290	6,030,606
Pupil Transportation	1,523,372	1,674,112	1,902,715	1,832,602
Other Business Services	3,209,709	2,856,040	2,305,559	1,371,030
Central Supporting Services	632,794	852,597	1,444,580	1,573,828
Community Services	134,312	192,368	284,433	-
Debt Service	4,905,516	6,218,948	7,495,083	7,716,269
Other Charges	2,918,807	2,866,558	2,965,522	394,886
Risk Management (1)	-	-	-	-
Capital Outlay	2,169,681	5,589,998	19,480,144	18,333,720
Total Expenditures	\$ 67,370,521	\$ 67,172,183	\$ 93,142,577	\$ 95,674,616
Expenditures per Student				
Instruction	\$ 2,678	\$ 2,855	\$ 2,746	\$ 3,133
Support Services				
Pupils	247	321	275	369
Instructional Staff	198	226	254	243
General Administration	29	35	42	42
School Administration	252	181	298	280
Business Support Services:				
Operations and Maintenance	411	432	407	420
Pupil Transportation	112	121	134	128
Other Business Services	231	207	162	95
Central Supporting Services	47	62	101	110
Community Services	10	14	20	11
Debt Service	361	450	527	537
Other Charges	215	208	208	27
Risk Management (1)	-	-	-	-
Capital Outlay	160	409	1,369	1,276
Total Expenditures Per Student	\$ 4,951	\$ 5,521	\$ 6,543	\$ 6,671

General Governmental expenditures include the General, Special Revenue, Debt Service, Capital Projects, and Governmental Funds

(1) In 1996 the Insurance Reserve Fund was transferred to an internal Service Fund in order to comply with GASB 10.

(2) In 2001 The District implemented GASB Statement 33 and 34, data in this section is presented at the fund level

2000	2001 (2)	2002	2003	2004	2005
\$ 48,026,716	\$ 54,665,473	\$ 55,498,343	\$ 58,790,617	\$ 60,651,772	\$ 61,655,977
4,168,862	5,343,667	6,173,161	6,633,916	6,321,785	6,761,203
5,458,572	5,646,503	6,266,194	7,760,087	7,516,507	7,444,139
640,403	537,760	612,976	512,979	5,821,374	896,903
4,461,886	5,537,666	5,869,595	6,313,951	6,349,752	6,680,383
8,302,896	8,694,689	9,177,770	14,129,970	10,434,325	10,080,023
2,266,531	2,715,761	2,621,154	2,731,259	3,323,739	3,041,299
1,555,611	1,177,047	1,787,754	2,119,057	2,660,555	2,709,954
2,098,726	2,897,292	3,090,305	2,802,815	3,565,282	3,519,100
297,260	305,054	6,246,039	2,064,854	1,301,248	1,121,127
7,804,862	7,548,662	7,830,560	8,410,457	20,709,183	12,002,212
262,651	-	-	-	-	-
-	-	-	-	-	-
14,299,348	-	-	-	-	-
\$ 99,644,324	\$ 95,069,574	\$ 105,173,851	\$ 112,269,962	\$ 128,655,522	\$ 115,912,320
\$ 3,337	\$ 3,702	\$ 3,748	\$ 3,926	\$ 4,076	\$ 4,102
290	362	417	443	425	450
379	382	423	518	505	495
44	36	41	34	391	60
310	375	396	422	427	444
577	589	620	944	701	671
157	184	177	182	223	202
108	80	121	142	179	180
146	196	209	187	240	234
21	21	422	138	87	75
542	511	529	562	1,392	799
18	-	-	-	-	-
-	-	-	-	-	-
993	-	-	-	-	-
\$ 6,923	\$ 6,438	\$ 7,103	\$ 7,498	\$ 8,646	\$ 7,712

Thompson School District R2-J
General Governmental Revenues By Source
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Property Taxes	Specific Ownership Taxes	Investment Earnings	All Others
1996	\$ 21,864,845	\$ 2,398,110	\$ 464,022	\$ 2,959,097
1997	25,282,373	2,759,755	1,505,508	3,486,942
1998	27,134,138	3,063,612	2,917,664	3,070,583
1999	28,273,729	3,366,136	2,258,934	3,365,237
2000	34,910,900	4,074,573	1,462,685	4,579,418
2001 (A)	38,116,403	4,530,445	1,333,774	4,918,352
2002	42,065,211	4,726,517	1,182,235	4,370,368
2003	44,067,398	4,609,716	507,060	4,815,072
2004	44,502,033	4,812,639	371,980	3,206,253
2005	43,230,235	4,651,173	757,768	3,483,624

(A) in fiscal year 2000-01 the District early implemented GASB Statement 34. General Revenues by Source equal all funds considered Governmental Activities type funds. Those funds include major funds and all non-major funds. Previous to fiscal year 2001-02 the funds above included all Governmental Funds and Expendable Trust Funds.

Does not include the revenues from the refunding of Bond indebtedness

State Sources

Equalization	Vocation Education	Transportation	Special Education	All Others	Federal Sources	Total Revenues
\$ 35,865,398	\$ 326,178	\$ 661,333	\$ 1,499,548	\$ 17,330	\$ 2,323,674	\$ 68,379,535
37,149,352	302,560	685,700	1,102,180	15,762	2,543,212	74,833,344
38,639,551	309,500	671,418	1,418,517	12,893	2,809,652	80,047,528
40,175,834	391,479	661,022	1,436,799	292,658	2,747,509	82,969,337
41,158,161	379,692	658,922	1,429,921	-	3,702,696	92,356,968
43,869,213	303,761	669,397	1,578,487	695,610	3,945,825	99,961,267
47,140,244	258,544	708,306	1,602,249	1,085,981	5,324,022	108,463,677
51,539,947	254,801	734,841	1,689,848	897,077	5,805,838	114,921,598
53,208,893	401,674	777,921	1,751,883	690,355	5,172,506	114,896,137
53,573,154	263,171	805,060	1,781,409	525,530	5,442,644	114,513,768

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

Year Ended June 30, (1)	Total Tax Levy	Total Tax Collections	Percent of Levy Collected	Percent of Current Tax Collected (2)
1996	\$ 22,384,033	\$ 21,864,845	97.7%	99.6%
1997	25,714,241	25,282,373	98.3%	99.1%
1998	27,123,578	27,134,138	100.0%	99.4%
1999	27,362,716	28,273,729	103.3%	99.7%
2000	35,714,316	34,910,900	97.8%	99.4%
2001	37,797,337	38,116,403	100.8%	99.3%
2002	42,399,981	42,065,211	99.2%	99.3%
2003	44,143,219	44,067,398	99.8%	99.1%
2004	45,329,848	44,502,033	98.2%	99.4%
2005	43,366,318	43,230,235	99.7%	98.8%

(1) This column does not include abatements and reappraisals during the year

(2) Percentages are for Larimer County as a whole

Thompson School District R2-J
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(unaudited)

Collection Year	Assessed Valuation (1)	Estimated Actual Value (3)	Ratio of Assessed to Estimated Actual Value (2)
1996	\$ 470,796,760	\$ 3,333,385,742	14.12%
1997	501,667,480	3,776,882,900	13.28%
1998	562,263,220	3,980,794,100	14.12%
1999	589,777,130	3,980,794,100	14.82%
2000	678,127,029	5,032,329,613	13.48%
2001	721,846,710	5,334,972,062	13.53%
2002	862,347,980	6,780,759,572	12.72%
2003	915,165,300	7,190,063,581	12.73%
2004	975,725,363	8,577,433,440	11.38%
2005	1,015,859,622	8,878,884,604	11.44%

(1) Source: Larimer, Weld and Boulder County Assessor's Offices.

(2) Ratios are for Larimer County as a whole for years ended December 31, 1996 to 2005.

From 1996 to 2005, 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:

Years	Assessment Percentage	Base Year
1995 - 1996	10.36%	1994 appraised value
1997 -1998	9.74%	1995 appraised value
1999 -2000	9.74%	1997 appraised value
2001	9.15%	2000 appraised value
2002	9.15%	2001 appraised value
2003	9.15%	2002 appraised value
2004	7.96%	2003 appraised value

(3) Calculated based upon Larimer County as a whole for years ended December 31, 1994 to 2004

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	1995 1996	1996 1997	1997 1998	1998 1999	1999 2000
School District					
General Fund	37.281	38.131	34.954	34.948	31.170
Mill Levy Override	-	-	-	-	8.500
Debt Services	10.264	13.126	13.126	13.126	13.126
School District Total	<u>47.545</u>	<u>51.257</u>	<u>48.080</u>	<u>48.074</u>	<u>52.796</u>
City of Loveland	9.015	9.564	8.634	8.997	8.997
Town of Berthoud	6.860	6.921	7.047	6.673	6.673
Larimer County	20.905	21.432	21.620	21.293	21.293
Berthoud Fire District	8.135	8.128	8.128	8.128	8.128
Loveland Fire District	6.796	6.760	6.682	6.674	6.674
Thompson Valley Hospital District	1.233	1.257	1.702	1.712	1.712
No. Colorado Water Conservancy District	1.000	1.000	1.000	1.000	1.000
Aims Junior College District	6.318	6.326	6.322	6.253	6.253
Loveland Downtown Dev. Auth	5.000	5.000	4.190	5.000	5.000
West Loveland Recreation	5.167	5.167	5.167	5.557	5.557
West Loveland Water and Sanitation	12.382	12.382	12.382	12.382	12.382
Larimer Pest Control	0.135	0.420	0.136	0.124	0.124
Loveland General Improvement District	2.684	2.684	2.112	2.684	2.684

Source: Larimer County Assessor's office

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
31.460	27.542	27.141	25.858	25.304
8.500	8.500	8.195	7.687	7.383
13.126	13.126	13.126	13.126	10.000
<u>53.086</u>	<u>49.168</u>	<u>48.462</u>	<u>46.671</u>	<u>42.687</u>
9.564	9.564	9.564	9.564	9.564
6.673	6.673	6.673	6.673	6.409
21.656	21.614	22.461	22.560	22.517
8.128	8.128	8.128	8.128	15.274
6.674	6.674	6.674	6.674	5.808
1.673	1.669	1.564	1.564	1.541
1.000	1.000	1.000	1.000	1.000
6.253	6.253	6.253	6.253	6.328
5.000	-	-	-	-
5.557	5.557	5.557	5.557	-
12.382	12.382	12.382	12.382	-
0.124	0.124	0.124	0.124	0.142
2.684	2.684	-	-	2.684

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 (2)
1996	\$ 40,139,000	\$ 4,462,101	\$ 35,676,899	7.58%	471
1997	86,544,738	5,443,726	81,101,012	16.17%	1,041
1998	84,537,738	5,841,274	78,696,464	14.00%	994
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%	786

Source: Larimer, Weld and Boulder County Assessors

(1) Assessed Value is shown on page 86.

(2) Estimated District Population is included in the table on page 95.

Thompson School District R2-J
Computation of Legal Debt Margin
June 30, 2005
(unaudited)

Assessed Value		\$ 1,015,859,622
		<hr/> <hr/>
Debt Limit (20% of Assessed Valuation)		203,171,924
Total Bonded Debt	\$ 61,802,167	
Total Amount Applicable to Debt Limit		61,802,167
		<hr/> <hr/>
Legal Debt Margin		\$ 141,369,757

Thompson School District R2-J
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
June 30, 2004
(unaudited)

	General Obligation Long-Term Debt Outstanding	Percent Applicable to the District	Net Direct and Overlapping Debt
School District R2-J	\$ 61,802,167	100.00%	\$ 61,802,167
Town of Berthoud	6,500,000	100.00%	6,500,000
Berthoud Fire District	1,990,000	31.43%	625,457
Central Colorado Water Conservancy Subdistrict	9,225,000	0.02%	1,845
North Carter Lake Water District	85,000	100.00%	85,000
Northern Colorado Water Conservancy District	3,807,462	10.40%	395,976
Poudre Health Service District	11,400,000	1.83%	208,620
Total	\$ 94,809,629		\$ 69,619,065

Thompson School District R2-J
Ratio of Annual Debt Service Expenditures for General Bonded Debt
to Total General Expenditures
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended June 30,	Principal	Interest & Fiscal Charges	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1996	\$ 1,255,000	\$ 3,135,563	\$ 4,390,563	\$ 67,370,521	6.52%
1997	2,544,000	3,172,426	5,716,426	76,172,183	7.50%
1998	2,007,000	5,025,378	7,032,378	93,142,577	7.55%
1999	2,091,000	5,063,676	7,154,676	95,835,397	7.47%
2000	2,216,000	5,104,419	7,320,419	99,644,324	7.35%
2001	1,710,000	5,840,314	7,550,314	95,069,574	7.94%
2002	1,923,000	5,909,556	7,832,556	105,173,851	7.45%
2003	1,429,000	6,610,993	8,039,993	112,269,962	7.16%
2004	12,524,000	6,109,420	18,633,420	128,655,522	14.48%
2005	9,560,000	2,184,515	11,744,515	115,912,320	10.13%

NOTE: In Fiscal Year 2003-04 the District made an additional \$10.5 million principal payment on General Obligation Debt in order to pay General Obligation Debt off earlier.

Thompson School District R2-J
Property Values, Construction and Bank Deposits
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Number of Building Permits	Cost of Construction	Bank Deposits (in Thousands) (1)
1996	9,964	417,439,196	357,442
1997	10,735	425,132,165	N/A
1998	10,907	461,421,114	N/A
1999	11,565	604,979,386	N/A
2000	13,135	786,216,261	N/A
2001	14,133	725,026,503	N/A
2002	12,594	786,581,603	N/A
2003	13,451	767,958,056	N/A
2004	12,896	707,813,429	N/A
2005	12,815	1,005,749,818	N/A

Source: 2005 Data Includes Unincorporated Larimer County and City of Loveland from Planning Departments, as a whole, for years ended December 31.

(1) Source: Loveland Chamber of Commerce. Figures do not include deposits in the banks in Berthoud, Colorado as these figures were not available for all years.

N/A Information is not available

Estimated Real Property Value

Residential	Commercial & Industrial	Agricultural & Natural Resources	Non-Taxable
7,136,716,603	1,667,618,772	114,732,275	3,898,917,616
8,216,869,648	1,889,707,869	128,597,793	5,878,119,933
9,121,667,636	2,008,884,551	134,312,138	6,299,538,042
9,763,859,124	2,283,207,067	141,114,724	6,377,282,308
10,198,372,283	2,371,885,982	147,021,655	6,707,445,035
12,540,914,784	2,435,037,448	73,890,897	7,254,675,070
13,231,242,608	2,575,781,862	74,496,552	7,511,776,963
15,910,162,526	3,132,166,931	75,625,758	6,921,275,185
17,791,141,967	3,229,915,000	77,901,586	6,543,034,667
21,393,341,206	3,540,728,655	N/A	N/A

Thompson School District R2-J
Demographics Statistics
Last Ten Fiscal Years
(unaudited)

Year Ended December 31	Estimated Population	Income (1)	Unemployment Rate	School Enrollment
1996	75,730	24,060	3.90%	13,597
1997	77,942	25,799	3.80%	13,806
1998	79,142	27,607	3.20%	14,234
1999	82,000	28,386	3.80%	14,364
2000	85,600	N/A	3.10%	14,394
2001	89,491	N/A	3.00%	14,766
2002	95,400	N/A	3.50%	14,806
2003	89,491	N/A	4.70%	14,974
2004	93,402	N/A	5.20%	14,880
2005	96,483	N/A	4.90%	15,030

(1) Data presented from information for Larimer County as a whole. Income is measured as Median Household Effective Buying Income.

N/A Information is not available

Thompson School District R2-J
Principal Taxpayers
June 30, 2005
(unaudited)

Taxpayer	Assessed Valuation	Percent Total 2003 Valuation
Wal-Mart Properties Inc	\$ 13,603,100	2.23%
Agilent Technologies	13,428,800	2.20%
TGS Realty Inc.	8,018,500	1.31%
Qwest	6,968,500	1.14%
Teledyne Industries	5,100,000	0.84%
Woodward Governor Company	3,625,800	0.59%
Orchard Shopping Center Partnership	3,231,000	0.53%
Taft Carlise, LLC	2,980,600	0.49%
Comcast Cablevision	2,879,300	0.47%
Public Service Company	2,700,000	0.44%
	\$ 62,535,600	10.24%

Source: Larimer County Assessor

Thompson School District R2-J
Miscellaneous Statistical Data
June 30, 2005
(unaudited)

Year of Reorganization: 1960
 Geographical Area: 362 Square Miles
 District Population: 65,752 (Loveland & Berthoud only)
 Student enrollment, 2004/2005 school year: 15,030
 Accreditation: North Central Association of College and Schools

Counties:

Larimer (comprises 99.1% of assessed value)
 Boulder (comprises .30% of assessed value)
 Weld (comprises .60% of assessed value)

Cities:

Loveland
 Berthoud

Employees: (Full and Part Time Positions)

Instructional Services

Central Office Administrators	11
Principals & Asst. Principals	44
Teaching Staff	1,014
Substitute Teachers	380
Guidance Counselors	43
Media Specialist	10
Teacher Aides	169

Support Services

Central Office Administrators	12
Nurses, Psychologists, and Social Workers	29
Pupil Transportation	117
Personnel Services	11
Operations and Maintenance	150
Fiscal Services and Data Processing	9
School Building Clerical	140
Other Professional Support Staff	146
Other Clerical Support	37
Food Services	115

Total	<u><u>2,437</u></u>
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Schools:

Elementary	18
Middle School	5
High School*	5
Other:	
Headstart	1

* includes 1 alternative School



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 Thompson School District R2-J as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Thompson School District R2-J's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 and management, and is not intended to be and should not be used by anyone other than these specified parties.

October 21, 2005

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
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, 2005. 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 on 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, 2005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

S. M. ... & Company LLC

October 21, 2005

Thompson School District R2-J
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

• Material weaknesses identified? _____ yes no

• Reportable conditions identified that are not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted?

_____ yes no

Federal Awards

Internal control over major programs:

• Material weaknesses identified? _____ yes no

• Reportable conditions identified that are not considered to be material weaknesses? _____ yes none reported

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

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

_____ yes no

Identification of major programs:

- 84.027 Special Education
- 84.173 Special Education Preschool
- 84.367 Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes _____ no

Financial Statement Findings

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

Federal Awards Findings and Questioned Costs

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



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 Thompson School District R2-J, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. 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.

October 21, 2005

**Thompson School District R2-J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA Number	Accrued (Deferred) Revenue June 30, 2004	Grant Receipt	Grant Expenditures	Accrued (Deferred) Revenue June 30, 2005
U.S. Department of Education					
Passed Through State Department of Education					
Title I	84.010	\$ 274,146	\$ 1,024,680	\$ 998,874	\$ 248,340
Comprehensive School Reform Demonstration	84.332	(674)	-	-	(674)
Migrant Education	84.011	(2,593)	50,522	43,552	(9,563)
Special Education, IDEA Part B	84.027	412,782	2,609,751	2,538,654	341,685
Special Education, IDEA Preschool	84.173	25,968	105,468	93,838	14,338
Title II, Part A Teacher Quality (Formerly Title VI-D & II)	84.367	144,130	459,049	427,254	112,335
Title V, Innovative Education (Formerly Title VI)	84.298	23,330	72,542	68,129	18,917
Safe and Drug Free Schools	84.186	6,159	50,183	58,666	14,642
Vocational Rehabilitation	84.126	21,307	118,918	110,183	12,572
Technology Literacy Challenge	84.318	5,478	36,416	78,814	47,876
Title III, Part A English Language	84.365	7,657	24,442	27,978	11,193
Passed Through State Community Colleges & Occupational Education System:					
Carl Perkins	84.048	3,973	56,435	78,130	25,668
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>921,663</u>	<u>4,608,406</u>	<u>4,524,072</u>	<u>837,329</u>
U.S. Department of Agriculture					
Passed through State Department of Human Services:					
Food Distribution	10.550	-	117,849	117,849	-
Passed Through State Department of Education:					
National School Breakfast Program	10.553	-	135,364	152,894	17,530
National School Lunch	10.555	19,239	932,978	1,045,063	131,324
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>19,239</u>	<u>1,186,191</u>	<u>1,315,806</u>	<u>148,854</u>
U.S. Department of Health and Human Services					
Direct Program					
Headstart	93.600	115,882	885,603	955,970	186,249
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>115,882</u>	<u>885,603</u>	<u>955,970</u>	<u>186,249</u>
U.S. Department of Veteran Affairs					
Passed Through State Department of Education					
Learn and Serve America	94.004	-	22,000	17,251	(4,749)
TOTAL U.S. DEPARTMENT OF VETERAN AFFAIRS		<u>-</u>	<u>22,000</u>	<u>17,251</u>	<u>(4,749)</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,056,784</u>	<u>\$ 6,702,200</u>	<u>\$ 6,813,099</u>	<u>\$ 1,167,683</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 ELECTRONIC
FINANCIAL DATA INTEGRITY CHECK FIGURES**

We have audited the financial statements of the Thompson School District R2-J, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. 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 electronic financial data integrity check figures is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in 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

October 21, 2005

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

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				
00 General Fund	12,823,078	84,692,749	84,940,104	12,575,724
01 Charter School Fund	0	0	0	0
02 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
03 Colorado Preschool Program Fund	7,352	174,490	151,155	30,688
04 Special Revenue Fund	4,978,253	7,722,457	6,595,262	6,105,448
05 Capital Reserve Spec Revenue Fund	868,657	3,871,061	3,613,492	1,126,226
06 Govt Designated-Purpose Grants Fund	91,589	5,562,769	5,736,733	-82,374
07 Pupil Activity Special Revenue Fund	145,969	1,227,339	1,357,684	15,623
08 Transportation Fund	0	0	0	0
09 Debt Service Fund	339,768	346,565	350,197	336,136
10 Bond Redemption Fund	11,431,587	33,733,923	35,279,730	9,885,780
11 Building Fund	246,194	33,029	64,557	214,666
12 Special Building Fund	0	0	0	0
13 Capital Reserve Capital Projects Fund	0	0	0	0
TOTALS	30,932,448	137,364,383	138,088,914	30,207,916
Proprietary				
51 Food Service Fund	836,728	3,583,406	3,582,131	838,003
52 Other Enterprise Funds	0	0	0	0
54 Risk-Related Activity Fund	410,545	1,163,414	1,212,918	361,040
50,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	1,247,273	4,746,820	4,795,049	1,199,043
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	85,951	64,113	82,413	67,651
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	826,374	2,353,397	2,293,974	885,798
TOTALS	912,325	2,417,510	2,376,386	953,449

*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.