

THOMPSON SCHOOL DISTRICT R2-J

Comprehensive Annual Financial Report

**For the Year Ended
June 30, 2007**

Prepared by the
Financial Services Department

Executive Director of Business Services
Stephen Towne

Manager of Accounting and Reporting
Jason Loveland

**Thompson School District R2-J
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007**

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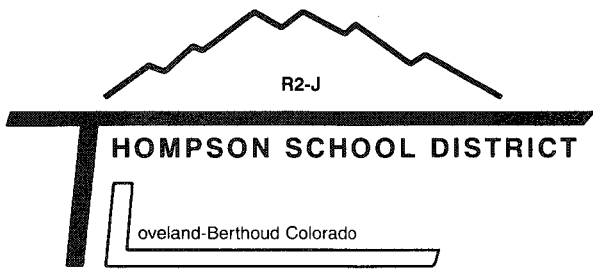
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INTRODUCTORY SECTION

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



October 5, 2007

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

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, 2007.

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, 2007.

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, 2007, 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, 2007, 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. During 2006-07 the District added its' first charter school. 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 14,976 students for the 2006-07 school year. The District's Board of Education is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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

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

Factors Affecting Financial Condition

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

Local economy. Though the District has been impacted by a slowing economy in recent years, there seems to be growing optimism about the near-term economic future. Loss of technology jobs in the recent past remains a concern but sectors like health care and retail sales appear poised to help offset that. Governmental agencies provide a major source of employment, including the City of Loveland and Colorado State University, which has over 6,700 employees. 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. However a downturn in the State's economy may put the funding of this amendment at risk.

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

The District's cash flow pattern is not steady throughout the year. Expenditures are consistent; however, revenues fluctuate since property taxes are received during the last part of the fiscal year. The District did not need to utilize the interest free state loan program for its short term borrowing needs in 2006-07.

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 self-insurance pools with other school districts. Two separate pools are incorporated, one for each type of coverage.

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 causes yearly changes based on these factors. The District benefits from the experience rating in the liability and property pools. Retention and excess costs amounts for 2007 are shown below for the Colorado Self Insurance Pool (CSDSIP):

| | Pool/District Self-Insured Retention* | Excess Insurance |
|----------------|---|---------------------|
| Property Pool | \$1,000,000/\$5,000 | \$500,000,000 |
| Liability Pool | \$600,000/\$10,000 ** | \$ 4,000,000 |

* Shown on a per claim or incident basis

** \$600,000 represents the upper limit for government liability based on governmental immunity statutes. This level is based on a retention amount (\$150,000 per claim, \$600,000 per incident) consistent with Colorado governmental immunity statutes.

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 post-employment benefits can be found in the Notes to Financial Statements section of this report.

Awards and Acknowledgements

The Government Finance Officers Association's (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report


(CAFR) for the fiscal year ended June 30, 2006. This was the eighteenth 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 ninth 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



Jason Loveland

Manager of Accounting & Reporting

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, 2006

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.



President

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)

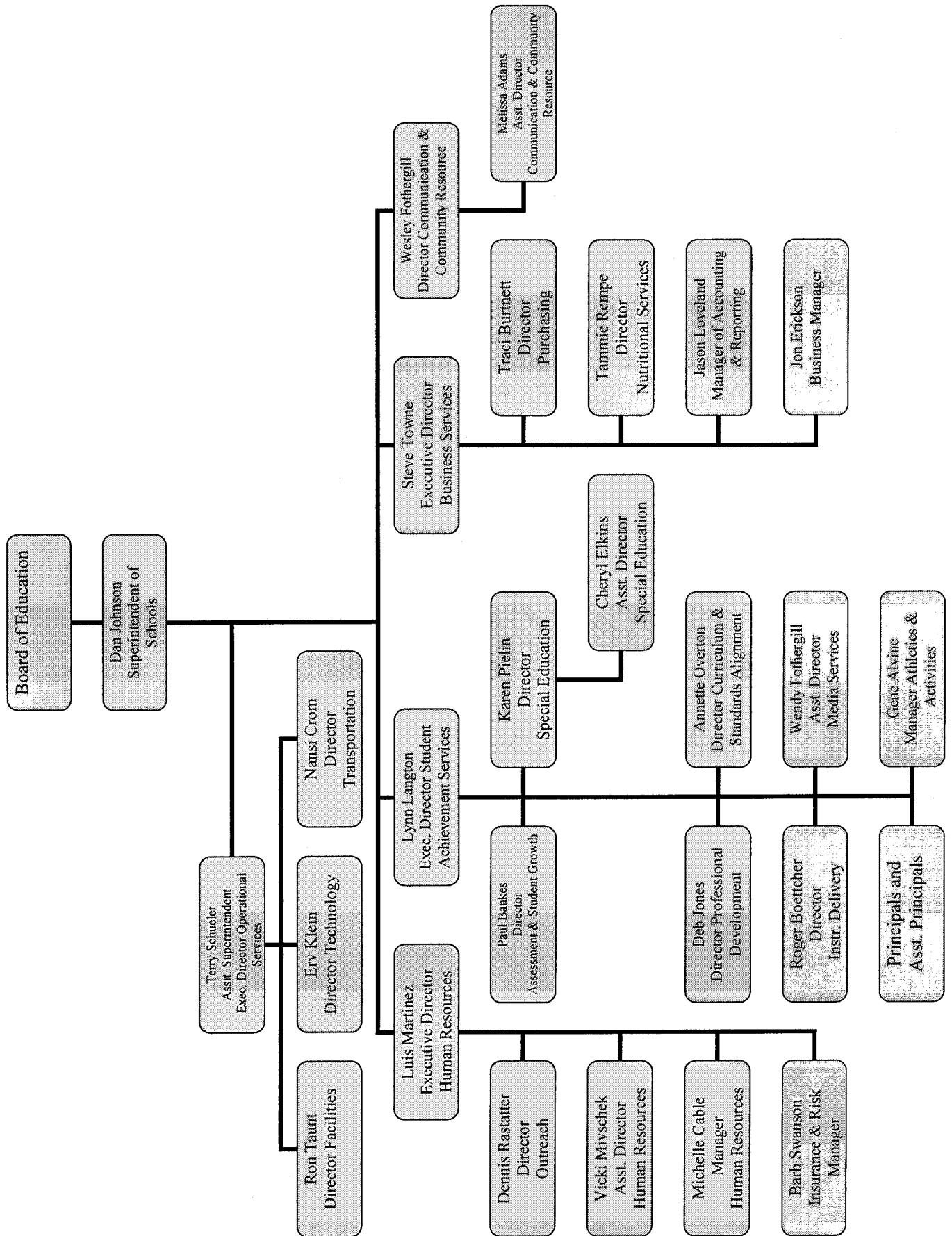
For the Fiscal Year Ended June 30, 2006

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

Thompson School District R2-J



Board of Education

| | |
|------------------------------------|-------------------|
| Robert Towles, President | Term Expires 2007 |
| Dennis Brietbarth, Vice President | Term Expires 2007 |
| Marcia Venzke, Secretary/Treasurer | Term Expires 2009 |
| Lucille Steiner | Term Expires 2007 |
| Becky Jay | Term Expires 2007 |
| Lola Johnson | Term Expires 2007 |
| Bill McCreary | Term Expires 2009 |

Superintendent's Executive Staff

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

FINANCIAL SECTION

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

The levels of the pyramid are:

Financial Section

Management’s Discussion and Analysis:

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

Independent Auditors’ Report:

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

Basic Financial Statements

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

Required Supplemental Information

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

Combining of Non-major Funds and Individual Fund Statements

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



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Thompson School District R2-J, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Thompson School District R2-J, as listed in the table of contents. These financial statements are the responsibility of the Thompson School District R2-J's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Thompson School District R2-J, as of June 30, 2007, 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 November 12, 2007, on our consideration of the Thompson School District R2-J's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thompson School District R2-J's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Swanlund & Company LLC

November 12, 2007

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

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, 2007. 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 2007 are as follows:

- In total, net assets increased by \$16,156,017 for the year ended June 30, 2007. The net increase was composed of the following elements:

| | Increase (Decrease) |
|---|------------------------|
| Invested in Capital Assets, net of Related Debt | \$ 8,657,160 |
| Restricted for: | |
| Debt Services | 833,987 |
| TABOR | (36,733) |
| Other Purposes | (2,564,803) |
| Unrestricted | 9,266,407 |
| Net Increase | <u>\$16,156,017</u> |

The amount "invested in Capital Assets, net of related debt" increased as a result of several construction projects the District is completing with funds from the 2005 Bond issuance. Net assets restricted for Debt Service increased due to the increase in debt payments. The Colorado Revised Statute Article X, Section 20 (Taxpayer Bill of Rights (TABOR)) requires the district to establish reserves for this Amendment. The decrease is due to the calculation factors. Net assets restricted for other purposes decreased due to the net change in the Land Reserve fund balance. The Land Reserve fund balance decreased due to the purchase of land. The Unrestricted Net Assets increased overall as a result of the change in fund balance for the General Fund. This increase was mainly due to the passing of a mill levy in November 2006.

- Total assets of governmental activities increased by \$10,883,655 attributed to the following elements:

| | Increase (Decrease) |
|---|------------------------|
| Cash | \$ (15,932,366) |
| Receivables | 495,493 |
| Due from Other Governments | (99,817) |
| Bond Issuance Costs | (100,864) |
| Capital Assets, net of Accumulated Depreciation | 26,521,209 |
| Net Increase | <u>\$ 10,883,655</u> |

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

The decrease in cash was due to the spending of Bond dollars for construction projects. The increase in receivables was primarily due to the increase in the year-end property tax receivable. The 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 in a timelier manner. Capital assets increased as a result of building projects funded by the 2005 Bonds. A highlight of the spending includes the additions at Winona Elementary and Centennial Elementary schools being completed.

Total assets of business type activities increased by \$25,467 attributed to the following elements:

| | Increase (Decrease) |
|---|------------------------|
| Cash | \$ 239,717 |
| Due from Other Governments | (133,241) |
| Inventory | 10,883 |
| Capital Assets, net of Accumulated Depreciation | (91,892) |
| Net Increase | <u>\$ 25,467</u> |

The most significant increase is cash. 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 the Due from Other Governments due to the timing of reimbursements for the Food Service program. Capital Assets, net of Accumulated Depreciation decreased as depreciation expense exceeded assets added. Inventory changes are due to the normal operations of the Nutritional Services Fund.

- Total Liabilities of governmental activities decreased by \$4,233,849 due to the following items:

| | Increase (Decrease) |
|---------------------------------------|------------------------|
| Accounts Payable | \$ 2,264,854 |
| Payroll Withholding Payable | 4,266 |
| Accrued Salaries and Benefits | 9,856 |
| Due to Other Governments | (3,124) |
| Liabilities due within one year | (57,619) |
| Liabilities due in more than one year | (6,452,082) |
| Net Increase | <u>\$ (4,233,849)</u> |

Accounts payable increased due to the amount of large bond related construction projects in progress. The short-term and long-term debt changes of significance are due to the annual payments on all debt. Other changes in liabilities are minimal variations expected during the course of business.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

Total liabilities for business type activities increased by \$11,422. An increase in the accrued salaries and benefits of \$10,704 makes up the majority of the change.

- Governmental-activities general revenues accounted for \$119.4 million in revenue or 90 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$13.5 million or 10 percent of total revenues of \$132.9 million.
- The District had \$117.2 million in expenses related to governmental activities; only \$13.5 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$119.4 million were adequate to provide for these programs.
- Among major funds, the general fund had \$106.0 million in revenues and \$98.8 million in expenditures and transfers out. The general fund's fund balance increased to \$21.3 million from \$14.1 million.
- Net assets for enterprise funds increased slightly. This increase resulted from operating revenue of \$2.1 million and Federal grants of \$1.5 million exceeding operating expenses of \$3.7 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.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates like businesses, such as nutritional services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

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:

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

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

The District has three kinds of funds:

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

Financial Analysis of the District as a Whole

Total assets increased \$10.9 million. Cash and cash equivalents decreased \$15.7 million. The District's receivables increased \$.49 million due to the recognized receivable of property taxes for collections from September through December 2007. The District's Capital Assets Net of Accumulated Depreciation increased \$26.5 million. The District capitalized assets during the year of \$30.26 million compared to depreciation of \$3.89 million.

The District's *combined* net assets were more than June 30, 2006 by 24.4% to \$77,081,493. Most of this change in the District's financial position came from its governmental activities, the net assets of which increased \$16.1 million to \$76,118,424.

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

The net assets of the District's business-type activities increased \$14,045 to \$963,069.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

Table 1 provides a summary of the District's net assets for 2007 compared to 2006:

**Table 1
Condensed Statement of Net Assets
(In Millions)**

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage Change 2006-2007 |
|---|-------------------------|------------------|--------------------------|-----------------|-----------------------|------------------|-----------------------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | |
| Assets | | | | | | | |
| Current assets | \$ 121.453 | \$ 136.990 | \$ 0.806 | \$ 0.689 | \$ 122.259 | \$ 137.679 | \$ -11.20% |
| Non-current assets | 130.616 | 104.196 | 0.287 | 0.378 | 130.903 | 104.574 | 25.18% |
| Total Assets | 252.069 | 241.186 | 1.093 | 1.067 | 253.162 | 242.253 | 4.50% |
| Liabilities | | | | | | | |
| Current Liabilities | 24.361 | 22.466 | 0.125 | 0.114 | 24.486 | 22.580 | 8.44% |
| Long-Term Liabilities | 151.590 | 157.719 | 0.005 | 0.004 | 151.595 | 157.723 | -3.89% |
| Total Liabilities | 175.951 | 180.185 | 0.130 | 0.118 | 176.081 | 180.303 | -2.34% |
| Net Assets | | | | | | | |
| Invested in Capital net of related debt | 43.686 | 34.937 | 0.287 | 0.379 | 43.973 | 35.316 | 24.51% |
| Restricted | 19.230 | 21.873 | 0.065 | 0.069 | 19.295 | 21.942 | -12.06% |
| Unrestricted (Deficit) | 13.202 | 4.191 | 0.611 | 0.501 | 13.813 | 4.692 | 194.39% |
| Total Net Assets | \$ 76.118 | \$ 61.001 | \$ 0.963 | \$ 0.949 | \$ 77.081 | \$ 61.950 | \$ 24.42% |

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006:

**Table 2
Changes in Net Assets
(In Millions)**

| | Governmental Activities | | Business-Type Activities | | Total School District | |
|-----------------------------------|-------------------------|----------------|--------------------------|--------------|-----------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,531 | \$ 1,500 | \$ 2,137 | \$ 2,242 | \$ 3,668 | \$ 3,742 |
| Operating Grants & Contributions | 11,584 | 9,824 | 1,554 | 1,496 | 13,138 | 11,320 |
| Capital Grants & Contributions | 0.427 | 0.007 | - | - | 0.427 | 0.007 |
| General revenues | | | | | | |
| Property taxes | 50,099 | 44,792 | - | - | 50,099 | 44,792 |
| State revenue | 57,847 | 54,738 | - | - | 57,847 | 54,738 |
| Other | 11,476 | 9,322 | - | 0,003 | 11,476 | 9,325 |
| Total Revenues | 132,964 | 120,183 | 3,691 | 3,741 | 136,655 | 123,924 |
| Expenses | | | | | | |
| Instruction | 66,529 | 62,223 | - | - | 66,529 | 62,223 |
| Pupil & Instructional Services | 15,514 | 14,977 | - | - | 15,514 | 14,977 |
| Administration & Business | 9,818 | 9,646 | - | - | 9,818 | 9,646 |
| Maintenance & Operations | 7,213 | 12,039 | - | - | 7,213 | 12,039 |
| Transportation | 3,221 | 2,719 | - | - | 3,221 | 2,719 |
| Other | 14,552 | 8,510 | 3,681 | 3,630 | 18,233 | 12,140 |
| Total expenses | 116,847 | 110,114 | 3,681 | 3,630 | 120,528 | 113,744 |
| Increase (decrease) in net assets | \$ 16,117 | \$ 10,069 | \$ 0,010 | \$ 0,111 | \$ 16,127 | \$ 10,180 |

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2007

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 43 cents and 38 cents of every dollar raised respectively (Table 3). Another 9 percent came from state and federal grants for specific programs and the remainder from fees charged for services and other miscellaneous sources.

The District's expenses (73 percent) are predominantly related to instructing, caring for (pupil services) and transporting students (Table 4). The District's administrative and business activities accounted for 9 percent of total costs, while maintenance and other operations cost 6%.

Table 3

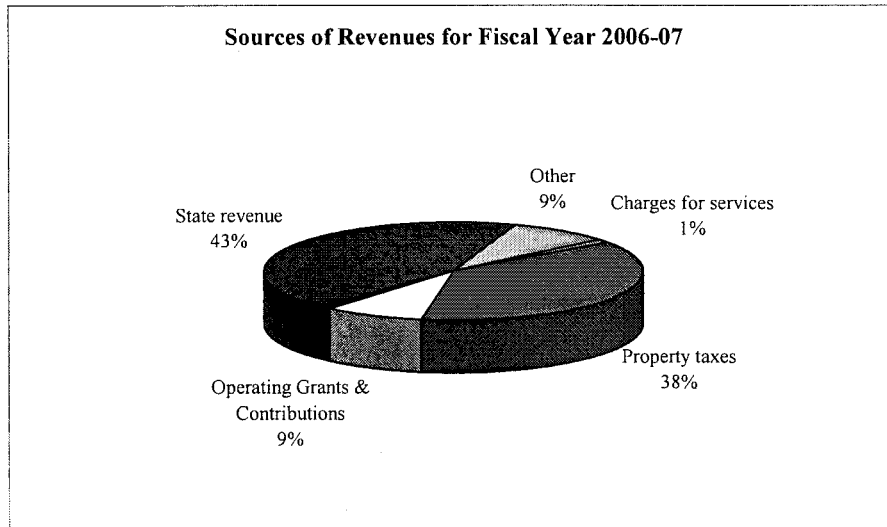
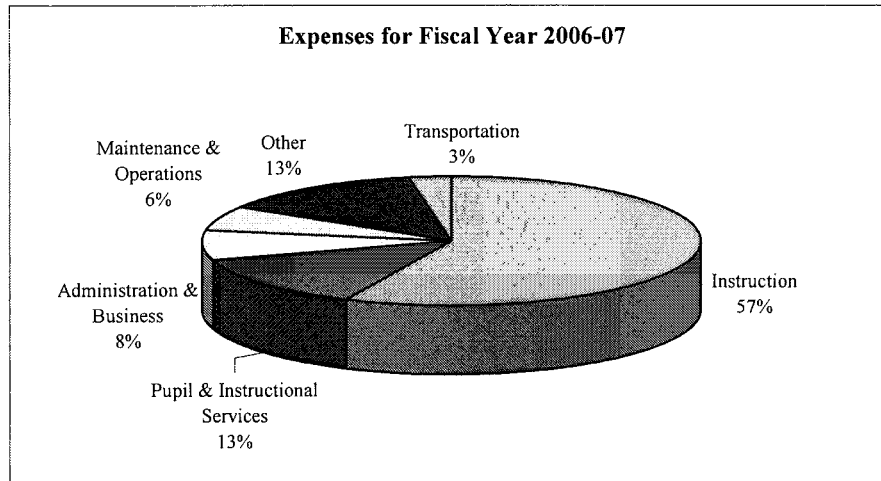


Table 4



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 \$5,988 per funded student. In fiscal year 2006-07 the funded pupil count was 14,402. For the 2006-07 fiscal year the District continued to

Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007

be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 67 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax. State law allows school districts to obtain an additional 20 percent of SFA program funding from local property taxes. This is accomplished by successfully passing a mill levy override ballot question.

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

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

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

This particular override allows for maximum annual revenue of \$6,540,000 in property taxes with annual mills levied not exceeding 4.15 in any year. For 2006-2007 the expected revenue from this mill levy were just under \$4.8 million. Conservative growth projections (3.5% per year) on future District assessed valuations suggest this override will not reach its annual revenue maximum until the 2015-2016 fiscal year. The initial years of the override are still expected to generate reserves which will remain designated for use on the override's primary objectives until such time as inflation requires use of other ongoing resources to balance this fund's budget on an annual basis.

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

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

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

| | Total Cost of Services | | Net Cost of Services | |
|--------------------------------|---------------------------|-------------------|-------------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Instruction | \$ 66.529 | \$ 62.223 | \$ 56.962 | \$ 54.199 |
| Pupil & Instructional Services | 15.514 | 14.977 | 13.927 | 13.512 |
| Administration & Business | 9.818 | 9.646 | 9.589 | 9.402 |
| Maintenance & Operations | 7.213 | 12.039 | 7.213 | 12.032 |
| Transportation | 3.221 | 2.719 | 2.431 | 1.945 |
| Other | 14.552 | 8.510 | 13.157 | 7.693 |
| Total expenses | \$ 116.847 | \$ 110.114 | \$ 103.279 | \$ 98.783 |

The cost of all *governmental* activities this year was \$117.8 million.

- Some of the cost was financed by the users of the District's programs (\$1.53 million).
- The federal and state government subsidized certain programs with grants and contributions (\$11.58 million).
- Most of the District's costs (\$104.30 million), however, were financed by State and District taxpayers.
- A portion of governmental activities was financed with \$57.85 million in state equalization from the School Finance Act of 1994 (SFA) and \$50.09 million in property taxes, (\$26.22 million from the SFA, \$12.06 from the 1999 and 2006 voter approved mill levy overrides; and \$11.81 million raised to repay the District's annual payment on Bonded debt.)

Business-Type Activities

Business-type activities are made up by the nutritional services fund. This program had revenues of \$3.69 million and expenses of \$3.68 million. As discussed earlier, management has reviewed this program and operations have been restructured for efficiencies and cost effectiveness for fiscal year 2006-07. 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 \$131.76 million and expenditures of \$148.92 million. The general funds' fund balance increased by \$7.2 million, mainly due to the 2006 mill levy. The building fund is spending the 2005 Bond proceeds, which causes the total expenditures to be higher than total revenues.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

General Fund Budgetary Highlights

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

- Actual revenues were \$1,602,470 greater than expected. This is an insignificant variance compared to the budgeted amount of \$104.47 million.
- The actual expenditures were \$4,017,387 below budget. Schools and departments are allowed to carryover unused dollars, which were approximately \$1.77 million at June 30, 2007. The 2006-07 budget reflects all carryover from the previous year being spent, which was approximated at \$1.03 million.

Capital Assets and Debt Administration

By the end of 2007, the District had invested \$129.9 million in land, buildings, equipment, and transportation vehicles, \$129.6 million, which was in governmental activities. Table 6 shows a comparison of fiscal years 2007 and 2006:

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

| | Governmental Activities | | Business-Type Activities | | Total School District | |
|--------------------------|----------------------------|-------------------|-----------------------------|-----------------|--------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land | \$ 14.385 | \$ 10.438 | \$ - | \$ - | \$ 14.385 | \$ 10.438 |
| Water Rights | 1.050 | 1.050 | - | - | 1.050 | 1.050 |
| Construction in Progress | 17.966 | 5.531 | - | - | 17.966 | 5.531 |
| Buildings | 91.683 | 81.642 | - | - | 91.683 | 81.642 |
| Equipment | 1.187 | 0.858 | 0.286 | 0.378 | 1.473 | 1.236 |
| Transportation | 3.357 | 3.588 | - | - | 3.357 | 3.588 |
| Totals | \$ 129.628 | \$ 103.107 | \$ 0.286 | \$ 0.378 | \$ 129.914 | \$ 103.485 |

Additional information on the District's capital assets can be found in Note 6 of this report.

Long-Term Debt

At year-end, the District had \$151.85 million in bonds and capital leases payable, \$6.12 million due within one year (Table 7).

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

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

| | Governmental Activities 2007 | Governmental Activities 2006 |
|----------------------------------|------------------------------------|------------------------------------|
| General Obligation Bonds | \$ 146.254 | \$ 151.323 |
| Certificates of Participation | 3.990 | 4.160 |
| Capital Lease Obligation Payable | 1.606 | 1.768 |
| Total | \$ 151.850 | \$ 157.251 |

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

Factors Bearing on the District's Future

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

- In January 2004 the District adopted a Management Plan for District Resources. This Plan will be used in future budget years to help prioritize program funding based on the District's Strategic Plan. The budget process will be tied directly to The Management Plan for District Resources and the Strategic Plan, based on recommendations by The District Accountability and Advisory Committee.
- In November 2000 the voters of the State of Colorado passed a statewide referendum, Amendment 23. This amendment establishes a school funding reserve from state surplus dollars. This reserve will help fund the School Finance Act whose funding, by this amendment has been guaranteed for the next 10 years to equal inflation plus one percent. In addition, the State must also increase categorical funding by inflation plus one percent for the next ten years.
- Annually, in December, the state issues school report cards for every public school in the state. The report card gives each school an academic performance rating based on the state Colorado Student Assessment Program (CSAP) tests given to all students third through tenth grades. Eleventh graders are required to take the American College Test (ACT). Schools, receiving an unsatisfactory rating for two or more years may convert to a charter school under state law. The 2007 state report cards indicate two schools receiving a low rating, with the rest rating average or high for the school year. The district currently believes that it is in compliance with the federal "No Child Left Behind" law. The district is 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

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2007**

accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Office, Thompson School District R2-J, 800 South Taft Ave., Loveland, Colorado 80537.

**BASIC
FINANCIAL STATEMENTS**

Thompson School District R2-J
Statement of Net Assets
As of June 30, 2007

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Investments | \$ 117,148,995 | \$ 658,535 | \$ 117,807,530 | \$ 1,326,495 |
| Receivables | 2,895,839 | - | 2,895,839 | 676 |
| Prepaid Expense | - | - | - | 26,833 |
| Due from Other Governments | 1,408,801 | 19,860 | 1,428,661 | 142,754 |
| Inventory | - | 127,953 | 127,953 | - |
| Total Current Assets | 121,453,635 | 806,348 | 122,259,983 | 1,496,758 |
| Noncurrent Assets | | | | |
| Bond Issuance Costs, (net of Accumulated Amortization) | 987,965 | - | 987,965 | - |
| Capital Assets (net of Accumulated Depreciation - where applicable): | | | | |
| Land | 14,385,406 | - | 14,385,406 | - |
| Water Rights | 1,050,000 | - | 1,050,000 | - |
| Construction in Progress | 17,965,702 | - | 17,965,702 | - |
| Buildings | 91,682,953 | - | 91,682,953 | - |
| Equipment | 1,186,497 | 286,573 | 1,473,070 | - |
| Transportation | 3,357,487 | - | 3,357,487 | - |
| Total Noncurrent Assets | 130,616,010 | 286,573 | 130,902,583 | - |
| Total Assets | 252,069,645 | 1,092,921 | 253,162,566 | 1,496,758 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 6,350,459 | 8,436 | 6,358,895 | 23,495 |
| Payroll Withholding Payable | 122,400 | - | 122,400 | 11,105 |
| Accrued Salaries and Benefits | 9,295,450 | 66,487 | 9,361,937 | 51,383 |
| Due to Other Governments | 49,376 | - | 49,376 | - |
| Unearned Revenue | - | 45,514 | 45,514 | - |
| Current Portion of Long-Term Debt | 8,866,954 | 4,500 | 8,871,454 | - |
| Total Current Liabilities | 24,684,639 | 124,937 | 24,809,576 | 85,983 |
| Noncurrent Liabilities | | | | |
| Bonds Payable | 128,404,737 | - | 128,404,737 | - |
| Loss on Reissuance Cost | (2,292,065) | - | (2,292,065) | - |
| Premium on Bond Financing | 6,508,028 | - | 6,508,028 | - |
| Deferred Interest Bonds Payable | 7,863,799 | - | 7,863,799 | - |
| Certificates of Participation | 3,815,000 | - | 3,815,000 | - |
| Capital Lease Obligations | 1,435,765 | - | 1,435,765 | - |
| Compensated Absences | 237,858 | 4,915 | 242,773 | - |
| Early Retirement Stipends | 5,293,460 | - | 5,293,460 | - |
| Total Noncurrent Liabilities | 151,266,582 | 4,915 | 151,271,497 | - |
| Total Liabilities | 175,951,221 | 129,852 | 176,081,073 | 85,983 |
| Net Assets | | | | |
| Invested in Capital Assets, net of Related Debt | 43,686,008 | 286,573 | 43,972,581 | - |
| Restricted for: | | | | |
| Debt Service | 13,331,302 | - | 13,331,302 | - |
| TABOR | 3,894,027 | 65,516 | 3,959,543 | 70,734 |
| Land and Land Improvements | 419,862 | - | 419,862 | - |
| Multiple Year Obligations | 336,136 | - | 336,136 | - |
| Grants | 1,008,847 | - | 1,008,847 | - |
| Insurance | 130,076 | - | 130,076 | - |
| Colorado Preschool Program | 110,582 | - | 110,582 | - |
| Unrestricted | 13,201,584 | 610,980 | 13,812,564 | 1,340,041 |
| Total Net Assets | \$ 76,118,424 | \$ 963,069 | \$ 77,081,493 | \$ 1,410,775 |

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Activities
For the Year Ended June 30, 2007

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|---------------------|----------------------------|---|---|
| | | <u>Charges for Service</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Instruction | | | | |
| Salaries and Benefits | \$ 56,958,027 | \$ 377,972 | \$ 7,991,980 | \$ - |
| Purchased Services | 2,298,036 | 21,505 | 270,966 | - |
| Supplies and Materials | 3,256,403 | 519,381 | 311,845 | - |
| Equipment | 3,886,662 | 6,300 | 34,264 | - |
| Other | 130,110 | 19,964 | 12,869 | - |
| Total Instruction | <u>66,529,238</u> | <u>945,121</u> | <u>8,621,923</u> | <u>-</u> |
| Support Services | | | | |
| Pupil Services | 7,570,257 | 1,188 | 1,101,955 | - |
| Instructional Staff | 7,944,486 | 17,647 | 466,201 | - |
| General Administration | 1,113,179 | - | - | - |
| School Administration | 6,999,468 | 51,298 | 149,984 | - |
| Business Services | 1,706,322 | 28,190 | - | - |
| Maintenance/Operations | 6,188,898 | 454 | - | - |
| Pupil Transportation | 3,220,776 | - | 789,892 | - |
| Central Supporting Services | 8,767,469 | 487,370 | - | 427,774 |
| Community Services | 694,139 | - | 454,379 | - |
| Interest on Long-term Debt | 6,088,520 | - | - | - |
| Total Support Services | <u>50,293,514</u> | <u>586,147</u> | <u>2,962,410</u> | <u>427,774</u> |
| Total Governmental Activities | <u>116,822,752</u> | <u>1,531,268</u> | <u>11,584,333</u> | <u>427,774</u> |
| Business-Type Activities | | | | |
| Nutritional Services | 3,681,340 | 2,136,774 | 1,554,024 | - |
| Total Business-Type Activities | <u>3,681,340</u> | <u>2,136,774</u> | <u>1,554,024</u> | <u>-</u> |
| Total School District | <u>120,504,092</u> | <u>3,668,042</u> | <u>13,138,357</u> | <u>427,774</u> |
| Component Units | | | | |
| Charter School | 2,117,386 | 47,980 | 297,990 | - |
| Thompson School District | 815,370 | - | 681,340 | - |
| | <u>\$ 2,932,756</u> | <u>\$ 47,980</u> | <u>\$ 979,330</u> | <u>\$ -</u> |

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

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement

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

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Component Units</u> |
|------------------------------------|-------------------------------------|--------------------------|----------------------------|
| \$ (48,588,075) | \$ - | \$ (48,588,075) | \$ - |
| (2,005,565) | - | (2,005,565) | - |
| (2,425,178) | - | (2,425,178) | - |
| (3,846,098) | - | (3,846,098) | - |
| <u>(97,278)</u> | <u>-</u> | <u>(97,278)</u> | <u>-</u> |
| (56,962,194) | - | (56,962,194) | - |
| (6,467,115) | - | (6,467,115) | - |
| (7,460,638) | - | (7,460,638) | - |
| (1,113,179) | - | (1,113,179) | - |
| (6,798,186) | - | (6,798,186) | - |
| (1,678,132) | - | (1,678,132) | - |
| (6,188,444) | - | (6,188,444) | - |
| (2,430,884) | - | (2,430,884) | - |
| (7,852,325) | - | (7,852,325) | - |
| (239,760) | - | (239,760) | - |
| <u>(6,088,520)</u> | <u>-</u> | <u>(6,088,520)</u> | <u>-</u> |
| (46,317,183) | - | (46,317,183) | - |
| <u>(103,279,377)</u> | <u>-</u> | <u>(103,279,377)</u> | <u>-</u> |
| - | 9,458 | 9,458 | - |
| <u>-</u> | <u>9,458</u> | <u>9,458</u> | <u>-</u> |
| (103,279,377) | 9,458 | (103,269,919) | - |
| - | - | - | (1,771,416) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(134,030)</u> |
| - | - | - | (1,905,446) |
| - | - | - | - |
| 26,228,692 | - | 26,228,692 | - |
| 12,058,082 | - | 12,058,082 | - |
| 11,811,769 | - | 11,811,769 | - |
| 3,873,082 | - | 3,873,082 | - |
| 705,116 | - | 705,116 | - |
| 57,847,052 | - | 57,847,052 | - |
| 733,693 | - | 733,693 | - |
| 5,249,371 | 4,587 | 5,253,958 | 64,876 |
| <u>914,492</u> | <u>-</u> | <u>914,492</u> | <u>2,011,839</u> |
| 119,421,349 | 4,587 | 119,425,936 | 2,076,715 |
| 16,141,972 | 14,045 | 16,156,017 | 171,269 |
| <u>59,976,452</u> | <u>949,024</u> | <u>60,925,476</u> | <u>1,239,506</u> |
| \$ <u>76,118,424</u> | \$ <u>963,069</u> | \$ <u>77,081,493</u> | \$ <u>1,410,775</u> |

Thompson School District R2-J
Balance Sheet
Governmental Funds
June 30, 2007

| | General | Government Designated- Purpose Grants | Bond Redemption | Building |
|--|----------------------|--|----------------------------|----------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 29,420,977 | \$ 726,005 | \$ 12,725,135 | \$ 70,377,900 |
| Receivables | 2,281,280 | 2,470 | 606,167 | - |
| Due from Other Governments | - | 1,408,801 | - | - |
| Due from Other Funds | - | - | - | - |
| | <u>31,702,257</u> | <u>2,137,276</u> | <u>13,331,302</u> | <u>70,377,900</u> |
| Total Assets | \$ 31,702,257 | \$ 2,137,276 | \$ 13,331,302 | \$ 70,377,900 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 696,718 | \$ 15,624 | \$ - | \$ 5,457,534 |
| Payroll Withholding Payable | 122,400 | - | - | - |
| Accrued Salaries and Benefits | 8,268,796 | 958,859 | - | - |
| Due to Other Government | - | 49,376 | - | - |
| Deferred Revenue | 1,231,215 | - | 391,497 | - |
| Due to Other Funds | - | - | - | - |
| | <u>10,319,129</u> | <u>1,023,859</u> | <u>391,497</u> | <u>5,457,534</u> |
| Total Liabilities | 10,319,129 | 1,023,859 | 391,497 | 5,457,534 |
| Fund Balances | | | | |
| Reserve for TABOR | 3,599,242 | 104,570 | - | - |
| Reserved for Debt Services | - | - | 12,939,805 | - |
| Reserved for Capital Projects | - | - | - | 64,920,366 |
| Reserved for Other Purposes | 240,658 | 1,008,847 | - | - |
| Unreserved, reported in: | | | | |
| Designated General Fund (mill levy) | 9,375,572 | - | - | - |
| Undesignated General Fund | 8,167,656 | - | - | - |
| Undesignated Special revenue funds | - | - | - | - |
| | <u>21,383,128</u> | <u>1,113,417</u> | <u>12,939,805</u> | <u>64,920,366</u> |
| Total Fund Balances | 21,383,128 | 1,113,417 | 12,939,805 | 64,920,366 |
| Total Liabilities and Fund Balances | \$ 31,702,257 | \$ 2,137,276 | \$ 13,331,302 | \$ 70,377,900 |

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, 2007

| <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> | | |
|---|---|---|----------------------|
| \$ 3,898,978 | \$ 117,148,995 | Amounts reported for governmental activities in the statement of net assets are different because: | |
| 5,922 | 2,895,839 | | |
| - | 1,408,801 | Total Fund Balance - Governmental Funds | \$ 104,013,238 |
| - | - | Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | |
| <u>\$ 3,904,900</u> | <u>\$ 121,453,635</u> | The cost of capital assets is | 196,355,432 |
| | | Accumulated depreciation is | <u>(66,727,387)</u> |
| | | | 129,628,045 |
| \$ 180,583 | \$ 6,350,459 | Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds | 1,622,712 |
| - | 122,400 | | |
| 67,795 | 9,295,450 | 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: | |
| - | 49,376 | Bonds Payable | 134,174,737 |
| - | 1,622,712 | Bond Issuance Costs | (987,965) |
| - | - | Loss on Reissuance Cost | (2,292,065) |
| <u>248,378</u> | <u>17,440,397</u> | Premium on Bond Financing | 6,508,028 |
| | | Deferred Interest | 7,863,799 |
| 190,215 | 3,894,027 | Capital Lease Obligations | 1,605,869 |
| - | 12,939,805 | Certificates of Participation | 3,990,000 |
| - | 64,920,366 | Compensated Absences | 517,858 |
| 755,998 | 2,005,503 | Early Retirement Stipends | <u>7,765,310</u> |
| - | 9,375,572 | | (159,145,571) |
| - | 8,167,656 | | |
| 2,710,309 | 2,710,309 | | |
| <u>3,656,522</u> | <u>104,013,238</u> | | |
| <u>\$ 3,904,900</u> | <u>\$ 121,453,635</u> | Total Net Assets - Governmental Activities | <u>\$ 76,118,424</u> |

Thompson School District R2-J
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

| | <u>General</u> | <u>Government Designated- Purpose Grants</u> | <u>Bond Redemption</u> | <u>Building</u> |
|--|----------------------|--|----------------------------|----------------------|
| Revenue | | | | |
| Taxes | \$ 42,489,375 | \$ - | \$ 11,811,769 | \$ - |
| Intergovernmental | 61,706,650 | 7,591,661 | - | - |
| Investment earnings | 984,071 | 23,928 | 516,054 | 3,678,216 |
| Other | 890,634 | - | - | - |
| TOTAL REVENUE | 106,070,730 | 7,615,589 | 12,327,823 | 3,678,216 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | | | | |
| Salaries and Benefits | 45,921,132 | 5,457,958 | - | - |
| Purchased Services | 1,980,418 | 185,368 | - | - |
| Supplies and Materials | 2,653,029 | 207,362 | - | - |
| Capital Outlay | 802,027 | 15,026 | - | - |
| Other Expenditures | 87,684 | 8,289 | - | - |
| Total Instruction | 51,444,290 | 5,874,003 | - | - |
| Support Services | | | | |
| Pupil Services | 5,863,264 | 1,484,582 | - | - |
| Instructional Staff | 6,010,584 | 628,078 | - | - |
| General Administration | 656,942 | - | - | 299,512 |
| School Administration | 6,497,331 | 202,062 | - | - |
| Business Services | 1,641,808 | - | - | - |
| Maintenance/Operations | 9,284,425 | 310,756 | - | 13,195,197 |
| Pupil Transportation | 3,126,953 | - | - | - |
| Central Supporting Services | 2,804,069 | - | 600 | - |
| Community Services | 3,322 | 89,972 | - | - |
| Capital Projects | - | - | - | 13,255,992 |
| Charter School | 1,868,346 | - | - | - |
| Debt Service - Principal | - | - | 5,460,000 | - |
| Debt Service - Interest | - | - | 6,278,834 | - |
| Total Support Services | 37,757,044 | 2,715,450 | 11,739,434 | 26,750,701 |
| TOTAL EXPENDITURES | 89,201,334 | 8,589,453 | 11,739,434 | 26,750,701 |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | 16,869,396 | (973,864) | 588,389 | (23,072,485) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | 1,643,770 | - | - |
| Transfers Out | (9,591,403) | - | (130,000) | - |
| Total Other Financing Sources (Uses) | (9,591,403) | 1,643,770 | (130,000) | - |
| Net Change in Fund Balances | 7,277,993 | 669,906 | 458,389 | (23,072,485) |
| Fund Balances - Beginning of the Year, as restated | 14,105,135 | 443,511 | 12,481,416 | 87,992,852 |
| Fund Balances - End of the Year | \$ 21,383,128 | \$ 1,113,417 | \$ 12,939,805 | \$ 64,920,367 |

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances with the Statement of Activities
For The Year Ended June 30, 2007

| <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> | | |
|---|---|--|----------------------|
| \$ - | \$ 54,301,144 | Amounts reported for governmental activities in the statement of activities are different because: | |
| - | 69,298,311 | Total net change in fund balances - governmental funds | \$ (17,163,671) |
| 47,102 | 5,249,371 | Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period. | |
| <u>2,020,231</u> | <u>2,910,865</u> | Depreciation expense (3,887,983) | |
| 2,067,333 | 131,759,691 | Capital Outlays <u>30,409,192</u> | 26,521,209 |
| 3,717,883 | 55,096,973 | Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 375,597 |
| 65,146 | 2,230,932 | 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 (\$2,748,625) were more than the amounts earned (\$1,623,367) by \$1,125,258. Vacation used (\$611,946) was less than the amounts earned (\$628,696) by (\$16,750). | 1,108,508 |
| 300,924 | 3,161,315 | Repayment of bonded principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. Repayment of bond Principal \$5,460,000, deferred interest on 1996 Bonds (\$714,891), Bond Issuance Costs, net of amortization \$(100,864) and amortization of Premium and Loss on refunding of \$323,585. | 4,967,830 |
| 4,313,190 | 5,130,243 | 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 | |
| 30,338 | 126,311 | Principal Payment of Debt | <u>332,499</u> |
| <u>8,427,481</u> | <u>65,745,774</u> | Change in net assets of governmental activities | <u>\$ 16,141,972</u> |
| 1,357 | 7,349,203 | | |
| 1,073,842 | 7,712,504 | | |
| 124,985 | 1,081,439 | | |
| 95,688 | 6,795,081 | | |
| 32,209 | 1,674,017 | | |
| 906,189 | 23,696,567 | | |
| 23,031 | 3,149,984 | | |
| 832,376 | 3,637,045 | | |
| 556,855 | 650,149 | | |
| - | 13,255,992 | | |
| - | 1,868,346 | | |
| 332,499 | 5,792,499 | | |
| 235,928 | 6,514,762 | | |
| <u>4,214,959</u> | <u>83,177,588</u> | | |
| 12,642,440 | 148,923,362 | | |
| (10,575,107) | (17,163,671) | | |
| 8,400,801 | 10,044,571 | | |
| <u>(323,168)</u> | <u>(10,044,571)</u> | | |
| 8,077,633 | - | | |
| (2,497,474) | (17,163,671) | | |
| 6,153,996 | 121,176,910 | | |
| <u>\$ 3,656,522</u> | <u>\$ 104,013,239</u> | | |

**Thompson School District R2-J
Statement of Net Assets
Proprietary Fund
June 30, 2007**

| | <u>Nutrition Services Fund</u> |
|---|---|
| ASSETS | |
| Current Assets | |
| Cash and Investments | \$ 658,535 |
| Due from Other Governments | 19,860 |
| Inventory | 127,953 |
| Total current assets | <u>806,348</u> |
| Noncurrent Assets: | |
| Capital Assets, Net of Accumulated Depreciation (where applicable) | <u>286,573</u> |
| TOTAL ASSETS | <u>1,092,921</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 8,436 |
| Accrued Salaries and Benefits | 66,487 |
| Deferred Revenue | 45,514 |
| Current portion of Long-Term Debt | <u>4,500</u> |
| Total Current Liabilities | <u>124,937</u> |
| Noncurrent Liabilities | |
| Compensated Absences | <u>4,915</u> |
| Total Noncurrent Liabilities | <u>4,915</u> |
| Total Liabilities | <u>129,852</u> |
| NET ASSETS | |
| Invested in Capital Assets | 286,573 |
| Restricted for TABOR | 65,516 |
| Unrestricted | <u>610,980</u> |
| Total Net Assets | <u>\$ 963,069</u> |

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Fund
For The Year Ended June 30, 2007**

| | <u>Nutrition Services Fund</u> |
|------------------------------------|------------------------------------|
| Operating Revenue | |
| Food Sales | \$ <u>2,136,774</u> |
| TOTAL OPERATING REVENUE | 2,136,774 |
| Operating Expenses | |
| Salaries and Benefits | 1,658,779 |
| Purchased Services | 91,990 |
| Supplies and Materials | 1,838,679 |
| Depreciation | <u>91,892</u> |
| TOTAL OPERATING EXPENSES | <u>3,681,340</u> |
| Operating Loss | (1,544,566) |
| Non-Operating Revenue | |
| Federal Aid: | |
| USDA Reimbursements | 1,347,467 |
| Donated Commodities | 164,068 |
| State Categorical Reimbursement | 42,489 |
| Interest Earnings | <u>4,587</u> |
| TOTAL NON-OPERATING REVENUE | <u>1,558,611</u> |
| Change in Net Assets | 14,045 |
| Net Assets | |
| Beginning of the Year | <u>949,024</u> |
| Net Assets | |
| End of the Year | <u>\$ <u>963,069</u></u> |

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2007**

| | <u>Nutrition Services Fund</u> |
|--|---|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 2,008,458 |
| Cash Payments to Suppliers for Goods and Services | (1,650,438) |
| Cash Payments to Employees for Services | <u>(1,646,087)</u> |
| Net Cash Used by Operating Activities | <u>(1,288,067)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Cash Received from Federal Government | 1,480,708 |
| Cash Received from State | <u>42,489</u> |
| Net Cash Provided by Non-capital Financing Activities | <u>1,523,197</u> |
| Cash Flows from Investing Activities | |
| Interest Received | <u>4,587</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 239,717 |
| Cash and Cash Equivalents at the Beginning of the Year | <u>418,818</u> |
| Cash and Cash Equivalents at the End of the Year | <u><u>\$ 658,535</u></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, 2007**

| | <u>Nutrition Services Fund</u> |
|--|------------------------------------|
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities | |
| Operating Loss | \$ (1,544,566) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation | 91,892 |
| USDA Commodities Food Used | 164,068 |
| Changes in Assets and Liabilities | |
| Increase (Decrease) in Accounts Payable | (6,194) |
| Increase (Decrease) in Accrued Salaries | 10,704 |
| Decrease (Increase) in Inventory | (10,883) |
| Increase (Decrease) in Compensated Absences | 1,989 |
| Increase (Decrease) in Deferred Revenue | <u>4,924</u> |
| Net Cash Used by Operating Activities | \$ <u>(1,288,067)</u> |
| Non-cash Investing, Capital and Financing Activities | |
| Federal Aid: | |
| Donated Commodities | \$ <u>164,068</u> |
| Total Non-cash Investing, Capital and Financing Activities | \$ <u>164,068</u> |

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Fiduciary Assets and Liabilities
As of June 30, 2007

| | <u>Agency Funds</u> |
|-------------------------------|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ <u>1,064,370</u> |
| TOTAL ASSETS | <u><u>1,064,370</u></u> |
| LIABILITIES | |
| Liabilities | |
| Accounts Payable | 20,312 |
| Accrued Salaries and Benefits | 635 |
| Undistributed Monies | <u>1,043,423</u> |
| TOTAL LIABILITIES | <u><u>\$ 1,064,370</u></u> |

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

NOTE (1) Summary of Significant Accounting Policies

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

(A) Reporting Entity

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

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

Blended Component Unit:

Thompson School Facilities Corporation

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

Discrete Component Units:

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

The charter school did not have any reconciling items from their fund financials to full-accrual financials, therefore only the government-wide financial statements are presented.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

(B) Fund Accounting

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

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

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

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

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

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

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

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

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

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

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

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

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. Interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

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

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

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

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

(D) Basis of Accounting

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

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

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

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

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Notes to Financial Statements
June 30, 2007

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.

(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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund financial statements.

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

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

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

(I) Compensated Absences and Severance Incentive Benefit Amounts

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

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

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

During fiscal year 1993, the District initiated a severance bonus plan. Certified, classified and administrative personnel could choose from a number of options and payment plans when terminating from the District. 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

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June 30, 2007

Colorado Constitution (also known as the Tabor Amendment). The District budgets the subsequent year's available resources for severance, severance incentive and eligible accumulated leave benefits. Therefore, the entire unpaid liability for early retirement and sick leave paid upon retirement for governmental funds is reported on the government-wide financial statements. Amounts for sick leave to be paid with the severance and early retirement bonus are included in severance incentive stipends payable. The compensated absences balance is the accrual for active employees. The amounts recorded as liabilities for all compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

(J) Accrued Liabilities and Long-Term Obligations

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

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

(K) Fund Balance Reserves

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

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Notes to Financial Statements
June 30, 2007

(M) Interfund Transactions

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

NOTE (2) Cash and Investments

(A) Deposits

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 District 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 equal to the uninsured deposits. At June 30, 2007, all financial institutions holding deposits for the District are eligible public depositories.

At June 30, 2007, the District had deposits of \$14,260,964 collateralized with securities held by the financial institutions agent, but not in the Districts' name.

(B) Investments

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

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

State statutes do not address custodial risk.

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

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Notes to Financial Statements
June 30, 2007

interest rates. State statute limits investments in U.S. Agency securities and repurchase agreements to five years from date of purchase.

Credit risk – State statutes limit investments in U.S. Agency securities and to the highest rating issued by two or more nationally recognized statistical rating organizations. Money market investments are limited to funds with a constant share price, or to funds that invest only in specified securities.

Concentration Risk – At June 30, 2007 the District’s investment in a repurchase agreement with a financial institution represented 63% of the total investments. State statutes do not limit the amount the District may invest in a single issuer.

Local government investment pools – Colorado Liquid Asset Trust (COLOTRUST) and the Colorado Diversified Trust (CDT), are 2a7-like investment pools. Investments are valued at amortized cost with each share valued at \$1.00. The Colorado Division of Securities with regard to operations and investments routinely monitors the investment pools. 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. The 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 AAAM and CSAFE is rated AAAM by Standard and Poor’s.

| Investment Type | Rating | Investment Maturities (In Years) | | | Thompson | All | Fair Value |
|----------------------------------|--------|----------------------------------|-------------|-------------------|-------------------|-----------------------|-----------------------|
| | | Less than 1 | 1 - 3 | 3 + | Ed. Fnd. | Other Funds | |
| Uninvested Funds | N/A | \$ 92 | \$ - | \$ - | \$ 92 | \$ - | \$ 92 |
| Money Market Funds | AAA | 17,498 | - | - | - | 17,498 | 17,498 |
| Money Market Funds | N/A | 150,448 | - | - | 150,448 | - | 150,448 |
| Local Government Investment Pool | AAA | 39,623,258 | - | - | - | 39,623,258 | 39,623,258 |
| Repurchase Agreement | N/A | 69,962,079 | - | - | - | 69,962,079 | 69,962,079 |
| Commercial Paper | AAA | 336,136 | - | - | - | 336,136 | 336,136 |
| U.S. Agency Securities | AAA | - | - | 447,949 | 447,949 | - | 447,949 |
| | | <u>\$ 110,089,511</u> | <u>\$ -</u> | <u>\$ 447,949</u> | <u>\$ 598,489</u> | <u>\$ 109,938,971</u> | <u>\$ 110,537,460</u> |

The Thompson Education Foundation had \$150,448 invested in money market accounts which were not rated. This may be a violation of State statute.

The New Vision Charter School cash was part of the District’s cash and deposits, subject to the District’s investment policies, and totaled \$371,181 at June 30, 2007.

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

| | |
|---|-----------------------|
| Cash and Deposits | \$ 9,660,935 |
| Investments | <u>110,537,460</u> |
| Total | <u>\$ 120,198,395</u> |
| Statement of Net Assets: | |
| Primary Government Cash and Investments | \$ 117,807,530 |
| Component Unit Cash and Investments | 1,326,495 |
| Fiduciary Funds Cash and Investments | <u>1,064,370</u> |
| Total | <u>\$ 120,198,395</u> |

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

NOTE (3) Receivables

Property taxes are certified 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.

NOTE (5) Interfund Transfers

Interfund transfers at June 30, 2007, were composed of the following:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------------------|---------------------|----------------------|
| Major Funds: | | |
| Capital Reserve | Debt Service | \$ 130,000 |
| Government Designated-Purpose Grants | General | <u>1,643,770</u> |
| | Sub-total | 1,773,770 |
| Non-Major Funds: | | |
| Interscholastic Athletic & Activity | General | 1,303,748 |
| Severance Incentive | General | 2,660,000 |
| Fee Supported Programs | General | 324,826 |
| Capital Reserve | General | 3,659,059 |
| Building Corporation Debt Service | Capital Reserve | <u>323,168</u> |
| | Sub-total | 8,270,801 |
| | Total | <u>\$ 10,044,571</u> |

The General Fund routinely subsidizes programs of other funds. The General Fund is required by State statute to transfer \$279 per funded pupil to the Capital Reserve Fund or used for insurance costs. The Capital Reserve Fund transferred to the Building Corporation Debt Service Fund the amount of debt service requirements. By District policy and as allowed by State statute, the Debt Service Fund transfers its investment income to the Capital Reserve Fund each year.

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Notes to Financial Statements
June 30, 2007

NOTE (6) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

| | Capital Assets July 1, 2006 | Additions | Deletions Inventory Adjustments/ Transfers | Capital Assets June 30, 2007 |
|---|-----------------------------------|----------------------|---|------------------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 10,438,442 | \$ 3,946,964 | \$ - | \$ 14,385,406 |
| Water Rights | 1,050,000 | - | - | 1,050,000 |
| Construction in Progress | <u>5,531,210</u> | <u>25,452,424</u> | <u>(13,017,932)</u> | <u>17,965,702</u> |
| Total capital assets, not being depreciated | <u>17,019,652</u> | <u>29,399,388</u> | <u>(13,017,932)</u> | <u>33,401,108</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 136,637,479 | 13,017,932 | - | 149,655,411 |
| Equipment | 3,325,773 | 585,451 | (40,270) | 3,870,954 |
| Transportation | <u>9,109,312</u> | <u>424,353</u> | <u>(105,706)</u> | <u>9,427,959</u> |
| Total capital assets, being depreciated | 149,072,564 | 14,027,736 | (145,976) | 162,954,324 |
| Less accumulated depreciation for: | | | | |
| Buildings | (54,995,879) | (2,976,579) | - | (57,972,458) |
| Equipment | (2,467,933) | (256,794) | 40,270 | (2,684,457) |
| Transportation | <u>(5,521,568)</u> | <u>(654,610)</u> | <u>105,706</u> | <u>(6,070,472)</u> |
| Total accumulated depreciation | <u>(62,985,380)</u> | <u>(3,887,983)</u> | <u>145,976</u> | <u>(66,727,387)</u> |
| Total capital assets, being depreciated, net | <u>86,087,184</u> | <u>10,139,753</u> | <u>-</u> | <u>96,226,937</u> |
| Governmental Activities Capital Assets, Net | <u>\$103,106,836</u> | <u>\$ 39,539,141</u> | <u>\$ (13,017,932)</u> | <u>\$ 129,628,045</u> |
| Business-Type Activities | | | | |
| Furniture and Equipment | \$ 2,516,971 | \$ - | \$ - | \$ 2,516,971 |
| Less Accumulated Depreciation | <u>(2,138,506)</u> | <u>(91,892)</u> | <u>-</u> | <u>(2,230,398)</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 378,465</u> | <u>\$ (91,892)</u> | <u>\$ -</u> | <u>\$ 286,573</u> |

Depreciation expense for the year ended June 30, 2007 was charged to the following governmental functions:

| | |
|-----------------------------|---------------------|
| Instruction | \$ 2,134,554 |
| Support: | |
| Pupil Services | 221,054 |
| Instructional Staff | 231,982 |
| General Administration | 31,739 |
| School Administration | 204,387 |
| Business Services | 32,305 |
| Maintenance/Operations | 599,978 |
| Pupil Transportation | 70,792 |
| Central Supporting Services | 317,202 |
| Community Services | <u>43,990</u> |
| Total | <u>\$ 3,887,983</u> |

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

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, 2007, are estimated to be \$9,215,900. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements. In addition, the District had a liability of \$146,037 for salaries and benefits related to work performed by hourly employees. This work was completed, but not paid at June 30, 2007.

NOTE (8) General Obligation Bonds Payable

On January 7, 1997, the District issued \$48,949,738 in general obligation bonds. The bond proceeds are being used for construction projects and bond issuance costs. The bond issue was comprised of two separate types of bonds. These bonds have different interest rates and payment due dates as shown in the tables below. The first and second tables identify each type of the 1996 bond issue. On July 29, 2003, the District issued \$25,660,000 in general obligation bonds. The bond proceeds were used to refund the Series 1996. The first 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, 2007. 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, 2007. On December 20, 2005, the District issued \$89,215,000 in general obligation bonds. Table 5 details the remaining principal and interest due on the 2005 bond issue as of June 30, 2007.

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

| <u>Year ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|---------------------|---------------------|---------------------|
| 2011 | \$ 3,271,194 | \$ 3,603,806 | \$ 6,875,000 |
| 2012 | 3,101,430 | 3,823,570 | 6,925,000 |
| 2013 | <u>2,912,113</u> | <u>4,002,886</u> | <u>6,915,000</u> |
| Totals | <u>\$ 9,284,737</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> |
|----------------------------|---------------------|------------------|---------------------|
| 2008 | <u>\$ 1,340,000</u> | <u>\$ 39,363</u> | <u>\$ 1,379,363</u> |

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

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> |
|----------------------------|----------------------|---------------------|---------------------|
| 2008 | \$ - | \$ 927,312 | \$ 927,312 |
| 2009 | 805,000 | 916,244 | 1,721,244 |
| 2010 | 875,000 | 892,050 | 1,767,050 |
| 2011 | - | 878,925 | 878,925 |
| 2012 | - | 878,925 | 878,925 |
| 2013 | - | 878,925 | 878,925 |
| 2014 | 4,315,000 | 779,269 | 5,094,269 |
| 2015 | 4,550,000 | 591,238 | 5,141,238 |
| 2016 | 4,760,000 | 383,862 | 5,143,862 |
| 2017 | 5,045,000 | 132,431 | 5,177,431 |
| Total | <u>\$ 20,350,000</u> | <u>\$ 7,259,181</u> | <u>\$27,609,181</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> |
|----------------------------|----------------------|---------------------|----------------------|
| 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>\$ 13,985,000</u> | <u>\$ 1,071,625</u> | <u>\$ 15,056,625</u> |

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Notes to Financial Statements
June 30, 2007

Table 5
Series 2005 Bonds
Interest Rate 4.00% to 5.00%

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|----------------------|
| 2008 | \$ - | \$ 4,431,600 | \$ 4,431,600 |
| 2009 | 100,000 | 4,429,600 | 4,529,600 |
| 2010 | 100,000 | 4,425,600 | 4,525,600 |
| 2011 | 105,000 | 4,421,500 | 4,526,500 |
| 2012 | 105,000 | 4,417,300 | 4,522,300 |
| 2013 | 130,000 | 4,412,600 | 4,542,600 |
| 2014 | 1,205,000 | 4,385,900 | 5,590,900 |
| 2015 | 1,300,000 | 4,335,150 | 5,635,150 |
| 2016 | 1,445,000 | 4,272,375 | 5,717,375 |
| 2017 | 1,600,000 | 4,196,250 | 5,796,250 |
| 2018 | 7,090,000 | 3,979,000 | 11,069,000 |
| 2019 | 7,570,000 | 3,612,500 | 11,182,500 |
| 2020 | 8,065,000 | 3,221,625 | 11,286,625 |
| 2021 | 8,600,000 | 2,805,000 | 11,405,000 |
| 2022 | 9,160,000 | 2,361,000 | 11,521,000 |
| 2023 | 9,750,000 | 1,888,250 | 11,638,250 |
| 2024 | 10,340,000 | 1,386,000 | 11,726,000 |
| 2025 | 10,990,000 | 852,750 | 11,842,750 |
| 2026 | <u>11,560,000</u> | <u>289,000</u> | <u>11,849,000</u> |
| Total | <u>\$89,215,000</u> | <u>\$64,123,000</u> | <u>\$153,338,000</u> |

NOTE (9) Certificates of Participation

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

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

The table below identifies the remaining principal and interest due on the 2004 COP issue as of June 30, 2007.

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June 30, 2007

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> |
|----------------------------|--------------------|--------------------|--------------------|
| 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>\$3,990,000</u> | <u>\$1,595,863</u> | <u>\$5,585,863</u> |

NOTE (10) Capital Leases

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

| <u>Equipment</u> | <u>Original Lease Amount</u> | <u>Remaining Principal</u> | <u>Annual Payment</u> |
|-------------------------|--------------------------------------|--------------------------------|---------------------------|
| 1) Performance Contract | <u>\$ 2,233,253</u> | <u>\$ 1,605,869</u> | <u>\$ 245,259</u> |

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

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, 2007:

| | July 1, 2006 | Additions | Deletions | June 30, 2007 | Amount Due in One Year |
|--|----------------------|---------------------|---------------------|----------------------|------------------------------|
| Governmental activities: | | | | | |
| General Obligation Bond | \$151,323,193 | \$ 714,891 | \$ 5,783,585 | \$146,254,499 | \$ 5,770,000 |
| Certificates of Participation | 4,160,000 | - | 170,000 | 3,990,000 | 175,000 |
| Capital Lease Obligations Payable | 1,768,368 | - | 162,499 | 1,605,869 | 170,104 |
| Compensated Absences * | 501,108 | 628,696 | 611,946 | 517,858 | 280,000 |
| Severance-Incentive Payable* | 8,890,568 | 1,623,367 | 2,748,625 | 7,765,310 | 2,471,850 |
| Governmental activities Long-term liabilities | <u>\$166,643,237</u> | <u>\$ 2,966,954</u> | <u>\$ 9,476,655</u> | <u>\$160,133,536</u> | <u>\$ 8,866,954</u> |
| Business-type activities: | | | | | |
| Compensated Absences | <u>\$ 7,427</u> | <u>\$ 10,635</u> | <u>\$ 8,647</u> | <u>\$ 9,415</u> | <u>\$ 4,500</u> |

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

(B) Annual Requirements

Listed below are the annual requirements to amortize all long-term debt at June 30, 2007:

| Year Ending June 30, | General Obligation Bonds | Capital Lease/COP Obligations | Compensated Absences | Severance Incentive Stipends | Total |
|--|--------------------------------|-------------------------------------|-------------------------|------------------------------------|----------------------|
| 2008 | \$ 11,756,775 | \$ 577,223 | \$ - | \$ 2,471,850 | \$ 14,805,848 |
| 2009 | 11,281,844 | 577,335 | - | 2,330,600 | 14,189,779 |
| 2010 | 11,299,775 | 576,629 | - | 1,578,685 | 13,455,089 |
| 2011 | 12,280,425 | 575,298 | - | 793,193 | 13,648,916 |
| 2012 | 12,326,225 | 578,223 | - | 487,304 | 13,391,752 |
| 2013-2017 | 55,632,997 | 2,376,843 | - | 143,180 | 58,153,020 |
| 2018-2022 | 56,464,125 | 1,632,920 | - | - | 58,097,045 |
| 2023-2026 | 47,056,000 | 653,462 | - | - | 47,709,462 |
| Due in accordance with District leave policies | - | - | 517,858 | - | 517,858 |
| Less amounts representing interest | <u>(83,923,429)</u> | <u>(1,952,064)</u> | <u>-</u> | <u>-</u> | <u>(85,875,493)</u> |
| Principal Due | <u>\$134,174,737</u> | <u>\$5,595,869</u> | <u>\$ 517,858</u> | <u>\$ 7,804,812</u> | <u>\$148,093,276</u> |

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

NOTE (12) Fund Balance

(A) Reserves/Designations

The District has reserved all or portions of the fund balance in several funds. The reserved fund balance represents the portion not available for expenditures or legally segregated for specific future use. Fund balances of \$12,939,805 have been reserved for future debt service payments. Other reserve balances are: Land Reserve Fund (\$419,862), Government Designated Purpose Grants Fund (\$1,008,847), Insurance (\$130,076) and the Colorado Preschool Program (\$110,582). Fund balance of \$9,375,572 has been designated for future mill levy override projects.

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 obligations 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, 2007 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.

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 10.65% (July 1, 2006 – December 31, 2006) and 11.15% (January 1, 2007 – June 30, 2007) of covered salary for fiscal year 2007. 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, 2007, 2006, and 2005 were \$7,370,568, \$6,923,289 and \$5,714,755 respectively equal to their required contributions for each year.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

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 2006-2007, 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, 2007, 2006, 2005 were \$671,347, \$665,262 and \$694,611, respectively, equal to their required contributions for each year.

NOTE (15) Risk Management

(A) Colorado School District Self Insurance Pool

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other districts to participate in the Colorado School 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 \$281,904,589 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 General 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.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

(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 2006-07 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 \$794,647 contribution to CBOCES during fiscal year 2006-07.

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

The District is also a member of the Larimer County Board of Cooperative Educational Services (LCBOCES), along with Poudre R-1 and Park School Districts. At one time, LCBOCES administered the Voc-Tech Center (Center) in Fort Collins, Colorado. The Center provides the vocational training for District students. At the current time, the LCBOCES retains title to the assets at the Voc-Tech Center, but has no day-to-day operations. On July 1, 1988, LCBOCES and the three related school districts contracted with the State of Colorado for the operation and management of the Center. Under these arrangements, the Center became a satellite campus of Front Range Community College and the name was changed to Front Range Community College/Larimer County Center. The District is not responsible for deficits, nor is the District entitled to operating surplus. The District has no moral or other responsibility for debt. The District's share of original contribution was 35.44 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 \$14,643 contribution to LCBOCES during fiscal year 2006-07.

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. On June 15, 2007 the balance of the defeased debt was paid in full.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2007

(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. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material affect on the financial statements of the District at June 30, 2007.

(D) 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, 2007, the District has complied with the requirements to establish emergency reserves that are recorded in the financial statements as a restricted fund balance.

NOTE (17) Restatement

During the year ended June 30, 2007, the District removed the Thompson Education Foundation as a blended component unit and began reporting the Foundation as a discretely presented component unit. The District also added the New Vision Charter School as a component unit during the fiscal year. Previously reported beginning net assets of the discretely presented component units of \$0 was increased by \$1,239,506.

The Risk Management Fund (a previously reported Internal Services Fund) was closed and is now reported in the General Fund. Previously reported net assets in the General Fund at June 30, 2006 were \$13,955,266 and were increased by \$149,869 for a total of \$14,105,135.

REQUIRED SUPPLEMENTARY INFORMATION

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

GENERAL FUND

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

**Thompson School District R2-J
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Taxes | | | | |
| Local Property- School Finance Act | \$ 25,726,212 | \$ 25,726,212 | \$ 25,853,095 | \$ 126,883 |
| Local Property- Mill Levy Override | 7,500,000 | 12,298,460 | 12,058,082 | (240,378) |
| Specific Ownership | 4,019,979 | 4,019,979 | 3,873,082 | (146,897) |
| Specific Ownership - Mill Levy Override | 800,000 | 800,000 | 705,116 | (94,884) |
| Intergovernmental | | | | |
| Equalization Entitlements | 57,181,459 | 57,181,459 | 57,847,052 | 665,593 |
| Special Education | 2,449,751 | 2,449,751 | 2,631,603 | 181,852 |
| Vocational Education | 247,000 | 247,000 | 414,245 | 167,245 |
| Transportation | 722,756 | 722,756 | 789,892 | 67,136 |
| Other | 5,299 | 5,299 | 23,858 | 18,559 |
| Investment Earnings | 275,000 | 275,000 | 771,133 | 496,133 |
| Investment Earnings - Mill Levy | 75,000 | 75,000 | 212,938 | 137,938 |
| Other | 667,344 | 667,344 | 890,634 | 223,290 |
| TOTAL REVENUE | 99,669,800 | 104,468,260 | 106,070,730 | 1,602,470 |
| TOTAL EXPENDITURES | 92,437,688 | 93,218,721 | 89,201,334 | 4,017,387 |
| Excess revenues over expenditures | 7,232,112 | 11,249,539 | 16,869,396 | 5,619,857 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out: | | | | |
| Interscholastic Athletic & Activity Fund | (1,303,748) | (1,303,748) | (1,303,748) | - |
| Governmental Designated-Purpose Grants Fund | (1,644,770) | (1,644,770) | (1,643,770) | 1,000 |
| Severance Incentive Fund | (2,660,000) | (2,660,000) | (2,660,000) | - |
| Fee Supported Programs Fund | (361,782) | (361,782) | (324,826) | 36,956 |
| Capital Reserve Fund | (3,659,059) | (3,659,059) | (3,659,059) | - |
| Total Other Financing Sources (Uses) | (9,629,359) | (9,629,359) | (9,591,403) | 37,956 |
| Net Change in Fund Balance | \$ (2,397,247) | \$ 1,620,180 | 7,277,993 | \$ 5,657,813 |
| Fund Balance - Beginning of Year | | | <u>14,105,135</u> | |
| Fund Balance - End of Year | | | <u>\$ 21,383,128</u> | |

See independent auditor's report

**Thompson School District R2-J
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>Actual</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Salaries and Benefits | \$ 48,668,277 | \$ 48,913,958 | \$ 45,921,132 | \$ 2,992,826 |
| Purchased Services | 2,068,672 | 2,068,672 | 1,980,418 | 88,254 |
| Supplies and Materials | 3,103,154 | 3,148,154 | 2,653,029 | 495,125 |
| Other | 104,138 | 104,138 | 87,684 | 16,454 |
| Total Instruction | 53,944,241 | 54,234,922 | 50,642,263 | 3,592,659 |
| Supporting Services | | | | |
| Pupil Personnel | 4,946,342 | 5,436,694 | 5,863,264 | (426,570) |
| Instructional Staff | 6,290,062 | 6,290,062 | 6,010,584 | 279,478 |
| General Administration | 795,327 | 795,327 | 656,942 | 138,385 |
| School Administration | 6,421,173 | 6,421,173 | 6,497,331 | (76,158) |
| Business Services | 1,612,290 | 1,612,290 | 1,641,808 | (29,518) |
| Maintenance/Operations | 9,468,681 | 9,468,681 | 9,284,425 | 184,256 |
| Transportation | 3,078,566 | 3,078,566 | 3,126,953 | (48,387) |
| Central Supporting Services | 3,293,754 | 3,293,754 | 2,804,069 | 489,685 |
| Community Service | 3,219 | 3,219 | 3,322 | (103) |
| Charter School | 1,803,000 | 1,803,000 | 1,868,346 | (65,346) |
| Total Supporting Services | 37,712,414 | 38,202,766 | 37,757,044 | 445,722 |
| Capital Outlay | 781,033 | 781,033 | 802,027 | (20,994) |
| TOTAL EXPENDITURES | \$ 92,437,688 | \$ 93,218,721 | \$ 89,201,334 | \$ 4,017,387 |

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, 2007**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------------|---------------------|---|
| | Original | Budget | | |
| Revenue | | | | |
| Intergovernmental | | | | |
| Federal Sources | \$ 7,189,377 | \$ 7,189,377 | \$ 5,773,687 | \$ (1,415,690) |
| State/Local Sources | 650,000 | 650,000 | 1,817,974 | 1,167,974 |
| Investment Earnings | - | - | 23,928 | 23,928 |
| TOTAL REVENUE | 7,839,377 | 7,839,377 | 7,615,589 | (223,788) |
| Expenditures | | | | |
| Instruction | | | | |
| Salaries and Benefits | 6,241,348 | 6,241,348 | 5,457,958 | 783,390 |
| Purchased Services | 227,719 | 227,719 | 185,368 | 42,351 |
| Supplies and Materials | 329,882 | 329,882 | 207,362 | 122,520 |
| Capital Outlay | 120,866 | 120,866 | 15,026 | 105,840 |
| Other Expenditures | 14,853 | 14,853 | 8,289 | 6,564 |
| Total Instruction | 6,934,668 | 6,934,668 | 5,874,003 | 1,060,665 |
| Support Services | | | | |
| Pupil Services | 1,484,582 | 1,484,582 | 1,484,582 | - |
| Instructional Staff | 625,507 | 625,507 | 628,078 | (2,571) |
| School Administration | 203,397 | 203,397 | 202,062 | 1,335 |
| Maintenance/Operations | 19,480 | 19,480 | 310,756 | (291,276) |
| Pupil Transportation | 10,000 | 10,000 | - | 10,000 |
| Community Services | 112,501 | 112,501 | 89,972 | 22,529 |
| Total Support Services | 2,455,467 | 2,455,467 | 2,715,450 | (259,983) |
| Total Expenditures | 9,390,135 | 9,390,135 | 8,589,453 | 800,682 |
| Excess Revenues Over/(Under) Expenditures | (1,550,758) | (1,550,758) | (973,864) | 576,894 |
| Other Financing Sources (Uses) | | | | |
| Operating Transfer In | 1,644,770 | 1,644,770 | 1,643,770 | (1,000) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | \$ 94,012 | \$ 94,012 | 669,906 | \$ 575,894 |
| Fund Balances - Beginning of Year | | | 443,511 | |
| Fund Balances - End of Year | | | \$ 1,113,417 | |

See independent auditor's report

Thompson School District R2-J
Notes to Required Supplementary Information
June 30, 2007

Budgets and Budgetary Accounting

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

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

Thompson School District R2-J
Notes to Required Supplementary Information
June 30, 2007

The Severance Fund was overspent by \$16,552. This funds' appropriations (which include expenditures plus reserves) are greater than expenditures; therefore, the District believes that the over expenditure of the budget is not 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.

DEBT SERVICE FUND

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

**Thompson School District R2-J
Bond Redemption Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budget Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--------------------------------|--------------------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Taxes | \$ 11,500,000 | \$ 11,500,000 | \$ 11,811,769 | \$ 311,769 |
| Investment Earnings | <u>225,000</u> | <u>225,000</u> | <u>516,054</u> | <u>291,054</u> |
| TOTAL REVENUE | 11,725,000 | 11,725,000 | 12,327,823 | 602,823 |
| Expenditures | | | | |
| Other Charges | 5,000 | 5,000 | 600 | 4,400 |
| Debt Service: | | | | |
| Principal retirement | 5,460,000 | 5,460,000 | 5,460,000 | - |
| Interest and Fiscal Charges | <u>6,315,407</u> | <u>6,315,407</u> | <u>6,278,834</u> | <u>36,573</u> |
| TOTAL EXPENDITURES | <u>11,780,407</u> | <u>11,780,407</u> | <u>11,739,434</u> | <u>40,973</u> |
| Excess revenues over (under) expenditures | (55,407) | (55,407) | 588,389 | 643,796 |
| Other Financing (Uses) | | | | |
| Transfer Out | (130,000) | (130,000) | (130,000) | - |
| Net Change in Fund Balance | <u><u>(185,407)</u></u> | <u><u>(185,407)</u></u> | 458,389 | <u><u>643,796</u></u> |
| Fund Balance - Beginning of Year | | | <u>12,481,416</u> | |
| Fund Balance - End of Year | | | <u><u>\$ 12,939,805</u></u> | |

See independent auditor's report

CAPITAL PROJECTS FUND

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

**Thompson School District R2-J
Building Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budget Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Investment Earnings | \$ 3,001,000 | \$ 3,001,000 | \$ 3,678,216 | \$ 677,216 |
| TOTAL REVENUES | 3,001,000 | 3,001,000 | 3,678,216 | 677,216 |
| Expenditures | | | | |
| Project Administration | 322,771 | 322,771 | 299,513 | 23,258 |
| New or Addition to Schools | 41,048,338 | 41,048,338 | 12,241,589 | 28,806,749 |
| MVHS Pool Addition | - | - | 17,935 | (17,935) |
| Maintenance Projects | 9,556,135 | 9,556,135 | 13,195,197 | (3,639,062) |
| Technology Projects | 2,841,125 | 2,841,125 | 996,468 | 1,844,657 |
| TOTAL EXPENDITURES | 53,768,369 | 53,768,369 | 26,750,702 | 27,017,667 |
| Excess revenues over (under) expenditures | (50,767,369) | (50,767,369) | (23,072,486) | 27,694,883 |
| Net Change in Fund Balance | \$ (50,767,369) | \$ (50,767,369) | (23,072,486) | \$ 27,694,883 |
| Fund Balance - Beginning of the Year | | | <u>87,992,852</u> | |
| Fund Balance - End of the Year | | | <u>\$ 64,920,366</u> | |

See independent auditor's report

NON-MAJOR FUNDS

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

The District has the following Non-major Funds:

Capital Reserve Fund

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

Land Reserve Fund

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

Severance Incentive Fund

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

Interscholastic Athletic and Activity Fund

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

Fee Supported Programs Fund

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

Building Corporation Debt Service

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

**Thompson School District R2-J
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

| | <u>Capital Reserve</u> | <u>Land Reserve</u> | <u>Severance Incentive</u> | <u>Interscholastic Athletic & Activity</u> |
|---|----------------------------|--------------------------|--------------------------------|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 2,021,929 | \$ 442,585 | \$ 148,204 | \$ 84,878 |
| Receivables | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u><u>\$ 2,021,929</u></u> | <u><u>\$ 442,585</u></u> | <u><u>\$ 148,204</u></u> | <u><u>\$ 84,878</u></u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 160,422 | \$ - | \$ - | \$ 729 |
| Accrued Salaries and Benefits | - | - | - | - |
| Total Liabilities | 160,422 | - | - | 729 |
| Fund Balances | | | | |
| Reserve for TABOR | - | 22,723 | 79,926 | 39,176 |
| Reserve for Other Purposes | - | 419,862 | - | - |
| Unreserved, Reported in Special Revenue Funds | <u>1,861,507</u> | <u>-</u> | <u>68,278</u> | <u>44,973</u> |
| Total Fund Balances | <u>1,861,507</u> | <u>442,585</u> | <u>148,204</u> | <u>84,149</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 2,021,929</u></u> | <u><u>\$ 442,585</u></u> | <u><u>\$ 148,204</u></u> | <u><u>\$ 84,878</u></u> |

See independent auditor's report

| <u>Fee Supported Programs</u> | <u>Building Corporation Debt Service</u> | <u>Total Nonmajor Governmental Funds</u> |
|---------------------------------------|--|--|
| \$ 865,246 | \$ 336,136 | \$ 3,898,978 |
| 5,922 | - | 5,922 |
| <u>\$ 871,168</u> | <u>\$ 336,136</u> | <u>\$ 3,904,900</u> |
| | | |
| \$ 19,432 | - | \$ 180,583 |
| 67,795 | - | 67,795 |
| 87,227 | - | 248,378 |
| 48,390 | - | 190,215 |
| - | 336,136 | 755,998 |
| 735,551 | - | 2,710,309 |
| <u>783,941</u> | <u>336,136</u> | <u>3,656,522</u> |
| <u>\$ 871,168</u> | <u>\$ 336,136</u> | <u>\$ 3,904,900</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, 2007

| | <u>Capital Reserve</u> | <u>Land Reserve</u> | <u>Severance Incentive</u> | <u>Interscholastic Athletic & Activity</u> |
|--|----------------------------|--------------------------|--------------------------------|--|
| Revenue | | | | |
| Investment earnings | \$ 15,390 | \$ 23,739 | \$ 4,210 | \$ 2,132 |
| Other | - | 733,693 | - | - |
| TOTAL REVENUES | 15,390 | 757,432 | 4,210 | 2,132 |
| Expenditures | | | | |
| Instruction | | | | |
| Salaries and Benefits | - | - | 2,061,911 | 1,243,305 |
| Purchased Services | 39,504 | - | - | 2,163 |
| Supplies and Materials | - | - | - | 1,063 |
| Capital Outlay | 359,348 | 3,946,964 | - | - |
| Other Expenditures | - | - | - | 8,542 |
| Total Instruction | <u>398,852</u> | <u>3,946,964</u> | <u>2,061,911</u> | <u>1,255,073</u> |
| Support Services | | | | |
| Pupil Services | - | - | - | - |
| Instructional Staff | 1,053,679 | - | - | - |
| General Administration | 124,985 | - | - | - |
| School Administration | - | - | - | 37,076 |
| Business Services | - | - | - | - |
| Maintenance/Operations | 905,670 | - | - | - |
| Pupil Transportation | 23,031 | - | - | - |
| Central Supporting Services | 20,680 | 124,981 | 686,715 | - |
| Community Services | - | - | - | - |
| Principal | 162,499 | - | - | - |
| Interest | 82,760 | - | - | - |
| Total Support Services | <u>2,373,304</u> | <u>124,981</u> | <u>686,715</u> | <u>37,076</u> |
| TOTAL EXPENDITURES | <u>2,772,156</u> | <u>4,071,945</u> | <u>2,748,626</u> | <u>1,292,149</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (2,756,766) | (3,314,513) | (2,744,416) | (1,290,017) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 3,789,059 | - | 2,660,000 | 1,303,748 |
| Transfers out | (323,168) | - | - | - |
| Total Other Financing Sources (Uses) | <u>3,465,891</u> | <u>-</u> | <u>2,660,000</u> | <u>1,303,748</u> |
| Net Change in Fund Balances | 709,125 | (3,314,513) | (84,416) | 13,731 |
| Fund Balances - Beginning of the Year | <u>1,152,382</u> | <u>3,757,098</u> | <u>232,620</u> | <u>70,418</u> |
| Fund Balances - End of the Year | <u>\$ 1,861,507</u> | <u>\$ 442,585</u> | <u>\$ 148,204</u> | <u>\$ 84,149</u> |

See independent auditor's report

| <u>Fee Supported Programs</u> | <u>Building Corporation Debt Service</u> | <u>Total Nonmajor Governmental Funds</u> |
|---------------------------------------|--|--|
| \$ 1,631 | \$ - | \$ 47,102 |
| <u>1,286,538</u> | <u>-</u> | <u>2,020,231</u> |
| 1,288,169 | - | 2,067,333 |
| 412,667 | - | 3,717,883 |
| 23,479 | - | 65,146 |
| 299,861 | - | 300,924 |
| 6,878 | - | 4,313,190 |
| 21,796 | - | 30,338 |
| <u>764,681</u> | <u>-</u> | <u>8,427,481</u> |
| 1,357 | - | 1,357 |
| 20,163 | - | 1,073,842 |
| - | - | 124,985 |
| 58,612 | - | 95,688 |
| 32,209 | - | 32,209 |
| 519 | - | 906,189 |
| - | - | 23,031 |
| - | - | 832,376 |
| 556,855 | - | 556,855 |
| - | 170,000 | 332,499 |
| - | 153,168 | 235,928 |
| <u>669,715</u> | <u>323,168</u> | <u>4,214,959</u> |
| <u>1,434,396</u> | <u>323,168</u> | <u>12,642,440</u> |
| (146,227) | (323,168) | (10,575,107) |
| 324,826 | 323,168 | 8,400,801 |
| - | - | (323,168) |
| <u>324,826</u> | <u>323,168</u> | <u>8,077,633</u> |
| 178,599 | - | (2,497,474) |
| <u>605,342</u> | <u>336,136</u> | <u>6,153,996</u> |
| <u>\$ 783,941</u> | <u>\$ 336,136</u> | <u>\$ 3,656,522</u> |

**Thompson School District R2-J
Capital Reserve Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Investment Earnings | \$ 10,000 | \$ 10,000 | \$ 15,390 | \$ 5,390 |
| TOTAL REVENUE | 10,000 | 10,000 | 15,390 | 5,390 |
| Expenditures | | | | |
| Instruction | | | | |
| Purchased Services | 44,992 | 44,992 | 39,504 | 5,488 |
| Equipment | 509,786 | 509,786 | 359,348 | 150,438 |
| Total Instruction | 554,778 | 554,778 | 398,852 | 155,926 |
| Support Services | | | | |
| Instructional Staff | 1,108,200 | 1,108,200 | 1,053,679 | 54,521 |
| General Administration | 125,000 | 125,000 | 124,985 | 15 |
| Maintenance/Operations | 1,392,751 | 1,392,751 | 905,670 | 487,081 |
| Pupil Transportation | 441,480 | 441,480 | 23,031 | 418,449 |
| Central Supporting Services | 686,062 | 686,062 | 20,680 | 665,382 |
| Principal Payments | 162,499 | 162,499 | 162,499 | - |
| Interest Payments | 82,760 | 82,760 | 82,760 | - |
| Total Support Services | 3,998,752 | 3,998,752 | 2,373,304 | 1,625,448 |
| TOTAL EXPENDITURES | 4,553,530 | 4,553,530 | 2,772,156 | 1,781,374 |
| Excess revenues over (under) expenditures | (4,543,530) | (4,543,530) | (2,756,766) | 1,786,764 |
| Other Financing Sources (Uses) | | | | |
| Transfer In | 3,789,059 | 3,789,059 | 3,789,059 | - |
| Transfer Out | (331,000) | (331,000) | (323,168) | 7,832 |
| Total Other Financing Sources (Uses) | 3,458,059 | 3,458,059 | 3,465,891 | 7,832 |
| Net Change in Fund Balance | \$ (1,085,471) | \$ (1,085,471) | 709,125 | \$ 1,794,596 |
| Fund Balance - Beginning of Year | | | 1,152,382 | |
| Fund Balance - End of Year | | | \$ 1,861,507 | |

See independent auditor's report

**Thompson School District R2-J
Land Reserve Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Investment Earnings | \$ 5,000 | \$ 5,000 | \$ 23,739 | \$ 18,739 |
| Payments in lieu of Land Dedication | 949,800 | 949,800 | 733,693 | (216,107) |
| TOTAL REVENUE | 954,800 | 954,800 | 757,432 | (197,368) |
| Expenditures | | | | |
| Instruction | | | | |
| Capital Outlay | 4,757,700 | 4,757,700 | 3,946,964 | 810,736 |
| Support Services | | | | |
| Central Supporting Services | - | - | 124,981 | (124,981) |
| TOTAL EXPENDITURES | 4,757,700 | 4,757,700 | 4,071,945 | 685,755 |
| Net Change in Fund Balance | <u>\$ (3,802,900)</u> | <u>\$ (3,802,900)</u> | (3,314,513) | <u>\$ 488,387</u> |
| Fund Balance - Beginning of Year | | | <u>3,757,098</u> | |
| Fund Balance - End of Year | | | <u>\$ 442,585</u> | |

See independent auditor's report

**Thompson School District R2-J
Severance Incentive Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Investment Earnings | \$ - | \$ - | \$ 4,210 | \$ 4,210 |
| TOTAL REVENUE | - | - | 4,210 | 4,210 |
| Expenditures | | | | |
| Instruction | | | | |
| Salaries and Benefits | 2,060,000 | 2,060,000 | 2,061,911 | (1,911) |
| Total Instruction | 2,060,000 | 2,060,000 | 2,061,911 | (1,911) |
| Support Services | | | | |
| Central Supporting Services | 672,074 | 672,074 | 686,715 | (14,641) |
| Total Support Services | 672,074 | 672,074 | 686,715 | (14,641) |
| TOTAL EXPENDITURES | 2,732,074 | 2,732,074 | 2,748,626 | (16,552) |
| Excess revenues over (under) expenditures | (2,732,074) | (2,732,074) | (2,744,416) | (12,342) |
| Other Financing Sources (Uses) | | | | |
| Transfer in | 2,660,000 | 2,660,000 | 2,660,000 | - |
| Net Change in Fund Balance | \$ (72,074) | \$ (72,074) | (84,416) | \$ (12,342) |
| Fund Balance - Beginning of Year | | | 232,620 | |
| Fund Balance - End of Year | | | \$ 148,204 | |

See independent auditor's report

**Thompson School District R2-J
Interscholastic Athletic and Activity Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------|-------------|---|
| | Original | Final | | |
| Revenue | | | | |
| Investment Earnings | \$ - | \$ - | \$ 2,132 | \$ 2,132 |
| TOTAL REVENUE | - | - | 2,132 | 2,132 |
| Expenditures | | | | |
| Instruction | | | | |
| Salaries and Benefits | 1,271,745 | 1,271,745 | 1,243,305 | 28,440 |
| Purchased Services | 5,880 | 5,880 | 2,163 | 3,717 |
| Supplies and Materials | - | - | 1,063 | (1,063) |
| Other Expenditures | 31,000 | 31,000 | 8,542 | 22,458 |
| Total Instruction | 1,308,625 | 1,308,625 | 1,255,073 | 53,552 |
| Support Services | | | | |
| School Administration | 36,900 | 36,900 | 37,076 | (176) |
| Total Support Services | 36,900 | 36,900 | 37,076 | (176) |
| TOTAL EXPENDITURES | 1,345,525 | 1,345,525 | 1,292,149 | 53,376 |
| Excess of Revenues Over (Under) Expenditures | (1,345,525) | (1,345,525) | (1,290,017) | 55,508 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 1,303,748 | 1,303,748 | 1,303,748 | - |
| Net Change in Fund Balance | \$ (41,777) | \$ (41,777) | 13,731 | \$ 55,508 |
| Fund Balance Beginning of the Year | | | 70,418 | |
| Fund Balance End of The Year | | | \$ 84,149 | |

See independent auditor's report

**Thompson School District R2-J
Fee Supported Programs Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Charges for Services | \$ 1,200,000 | \$ 1,200,000 | \$ 1,286,538 | \$ 86,538 |
| Investment Earnings | - | - | 1,631 | 1,631 |
| TOTAL REVENUE | 1,200,000 | 1,200,000 | 1,288,169 | 88,169 |
| Expenditures | | | | |
| Instruction | | | | |
| Salaries and Benefits | 466,031 | 466,031 | 412,667 | 53,364 |
| Purchased Services | 130,000 | 130,000 | 23,479 | 106,521 |
| Supplies and Materials | 310,000 | 310,000 | 299,861 | 10,139 |
| Equipment | - | - | 6,878 | (6,878) |
| Other Expenditures | - | - | 21,796 | (21,796) |
| Total Instruction | 906,031 | 906,031 | 764,681 | 141,350 |
| Support Services | | | | |
| Pupil Services | - | - | 1,357 | (1,357) |
| Instructional Staff | - | - | 20,163 | (20,163) |
| School Administration | 100,000 | 100,000 | 58,612 | 41,388 |
| Business Services | 35,000 | 35,000 | 32,209 | 2,791 |
| Maintenance/Operations | - | - | 519 | (519) |
| Community Services | 580,212 | 580,212 | 556,855 | 23,357 |
| Total Support Services | 715,212 | 715,212 | 669,715 | 45,497 |
| TOTAL EXPENDITURES | 1,621,243 | 1,621,243 | 1,434,396 | 186,847 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | (421,243) | (421,243) | (146,227) | 275,016 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 361,782 | 361,782 | 324,826 | (36,956) |
| Net Change in Fund Balance | \$ (59,461) | \$ (59,461) | 178,599 | \$ 238,060 |
| Fund Balance - Beginning of the Year | | | 605,342 | |
| Fund Balance - End of the Year | | | \$ 783,941 | |

See independent auditor's report

ENTERPRISE FUND

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

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

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

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

**Thompson School District R2-J
Nutrition Services Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|--------------|--------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Operating Revenue | | | | |
| Food Sales | \$ 2,255,155 | \$ 2,255,155 | \$ 2,136,774 | \$ (118,381) |
| TOTAL OPERATING REVENUE | 2,255,155 | 2,255,155 | 2,136,774 | (118,381) |
| Operating Expenses | | | | |
| Salaries and Benefits | 1,662,709 | 1,662,709 | 1,658,779 | 3,930 |
| Purchased Services | 133,243 | 133,243 | 91,990 | 41,253 |
| Supplies and Materials | 1,831,583 | 1,831,583 | 1,831,099 | 484 |
| Other | 35,000 | 35,000 | 7,580 | 27,420 |
| TOTAL OPERATING EXPENSES | 3,662,535 | 3,662,535 | 3,589,448 | 73,087 |
| Operating Income (Loss) | (1,407,380) | (1,407,380) | (1,452,674) | (45,294) |
| Non-Operating Revenue (Expenses) | | | | |
| Federal Aid: | | | | |
| USDA Reimbursements | 1,238,550 | 1,238,550 | 1,347,467 | 108,917 |
| Commodities | 130,000 | 130,000 | 164,068 | 34,068 |
| State Categorical Reimbursement | 41,000 | 41,000 | 42,489 | 1,489 |
| Interest Earnings | - | - | 4,587 | 4,587 |
| Other Revenue | 15,000 | 15,000 | - | (15,000) |
| TOTAL NON-OPERATING REVENUE | 1,424,550 | 1,424,550 | 1,558,611 | 134,061 |
| Change in Net Assets | \$ 17,170 | \$ 17,170 | 105,937 | \$ 88,767 |
| Less: Depreciation Expense | | | (91,892) | |
| Change in Net Assets | | | 14,045 | |
| Net Assets - Beginning of the Year | | | 949,024 | |
| Net Assets - End of the Year | | | \$ 963,069 | |
| 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, 2007

| | <u>Educational Memorial</u> | <u>Interscholastic Athletic and Activity</u> | <u>Totals</u> |
|-------------------------------|---------------------------------|--|---------------------|
| ASSETS | | | |
| Cash and Investments | \$ 96,815 | \$ 967,555 | \$ 1,064,370 |
| TOTAL ASSETS | <u>\$ 96,815</u> | <u>\$ 967,555</u> | <u>\$ 1,064,370</u> |
| LIABILITIES | | | |
| Accounts Payable | - | 20,312 | 20,312 |
| Accrued Salaries and Benefits | - | 635 | 635 |
| Undistributed Monies | <u>96,815</u> | <u>946,608</u> | <u>1,043,423</u> |
| TOTAL LIABILITES | <u>\$ 96,815</u> | <u>\$ 967,555</u> | <u>\$ 1,064,370</u> |

See independent auditor's report

Thompson School District R2-J
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The year Ended June 30, 2007

| | <u>Balance</u> <u>June 30, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2007</u> |
|---|--|---------------------|---------------------|--|
| <u>Educational Memorial</u> | | | | |
| Assets | | | | |
| Cash and Investments | \$ 88,654 | \$ 63,046 | \$ 54,885 | \$ 96,815 |
| Liabilities | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| Undistributed Monies | 88,654 | 63,046 | 54,885 | 96,815 |
| Total Liabilities | \$ 88,654 | \$ 63,046 | \$ 54,885 | \$ 96,815 |
| <u>Interscholastic Athletic and Activity</u> | | | | |
| Assets | | | | |
| Cash and Investments | \$ 987,191 | \$ 2,804,196 | \$ 2,823,832 | \$ 967,555 |
| Liabilities | | | | |
| Accounts Payable | \$ 24,280 | \$ - | \$ 3,968 | \$ 20,312 |
| Accrued Salaries and Benefits | 1,361 | - | 726 | 635 |
| Undistributed Monies | 961,550 | 2,804,196 | 2,819,138 | 946,608 |
| Total Liabilities | \$ 987,191 | \$ 2,804,196 | \$ 2,823,832 | \$ 967,555 |
| <u>Combined</u> | | | | |
| Assets | | | | |
| Cash and Investments | \$ 1,075,845 | \$ 2,867,242 | \$ 2,878,717 | \$ 1,064,370 |
| Liabilities | | | | |
| Accounts Payable | \$ 24,280 | \$ - | \$ 3,968 | \$ 20,312 |
| Accrued Salaries and Benefits | 1,361 | - | 726 | 635 |
| Undistributed Monies | 1,050,204 | 2,867,242 | 2,874,023 | 1,043,423 |
| Total Liabilities | \$ 1,075,845 | \$ 2,867,242 | \$ 2,878,717 | \$ 1,064,370 |

See independent auditor's report

**Thompson School District R2-J
Education Memorial Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|---------------------------|---------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Additions | | | | |
| Investment Earnings | \$ 1,500 | \$ 1,500 | \$ 33,046 | \$ 31,546 |
| Other Revenue | <u>33,000</u> | <u>33,000</u> | <u>30,000</u> | <u>(3,000)</u> |
| Total Additions | 34,500 | 34,500 | 63,046 | 28,546 |
| Deductions | | | | |
| Other Trust exp | <u>75,000</u> | <u>75,000</u> | <u>54,885</u> | <u>20,115</u> |
| Total Deductions | <u>75,000</u> | <u>75,000</u> | <u>54,885</u> | <u>20,115</u> |
| Change in Undistributed Monies | <u><u>\$ (40,500)</u></u> | <u><u>\$ (40,500)</u></u> | 8,161 | <u><u>\$ 48,661</u></u> |
| Undistributed Monies - Beginning of Year | | | 88,654 | |
| Undistributed Monies - End of Year | | | <u><u>\$ 96,815</u></u> | |

See independent auditor's report

**Thompson School District R2-J
Interscholastic Athletic and Activity Fund
Budgetary Comparison Schedules
Year Ended June 30, 2007**

| | <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 | \$ 2,705,000 | \$ 2,768,980 | \$ 63,980 |
| Investment Earnings | - | - | 35,216 | 35,216 |
| Total Additions | 2,400,000 | 2,705,000 | 2,804,196 | 99,196 |
| Deductions | | | | |
| Athletic Expenditures | 850,000 | 850,000 | 826,878 | 23,122 |
| Pupil Activity Expenditures | 1,800,000 | 2,105,000 | 1,992,260 | 112,740 |
| Total Deductions | 2,650,000 | 2,955,000 | 2,819,138 | 135,862 |
| Change in Undistributed Monies | \$ <u>(250,000)</u> | \$ <u>(250,000)</u> | (14,942) | \$ <u>235,058</u> |
| Undistributed Monies Beginning of the Year | | | 961,550 | |
| Undistributed Monies End of The Year | | | <u>\$ 946,608</u> | |

See independent auditor's report

Thompson School District R2-J
Combining Statement of Net Assets
Component Units
As of June 30, 2007

| | New Vision Charter School | Thompson Education Foundation | Total Component Units |
|---|--------------------------------------|--|--------------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 371,181 | \$ 955,314 | \$ 1,326,495 |
| Receivables | 676 | - | 676 |
| Prepaid Expense | 26,833 | - | 26,833 |
| Due from Other Governments | 142,754 | - | 142,754 |
| Inventory | - | - | - |
| | 541,444 | 955,314 | 1,496,758 |
| Total Assets | | | |
| LIABILITIES | | | |
| Accounts Payable | 23,495 | - | 23,495 |
| Payroll Withholding Payable | 11,105 | - | 11,105 |
| Accrued Salaries and Benefits | 51,383 | - | 51,383 |
| | 85,983 | - | 85,983 |
| Total Liabilities | | | |
| NET ASSETS | | | |
| Restricted for TABOR | 70,734 | - | 70,734 |
| Unrestricted | 384,727 | 955,314 | 1,340,041 |
| | 455,461 | 955,314 | 1,410,775 |
| Total Net Assets | | | |
| Total Liabilities and Net Assets | \$ 541,444 | \$ 955,314 | \$ 1,496,758 |

See independent auditor's report

Thompson School District R2-J
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2007

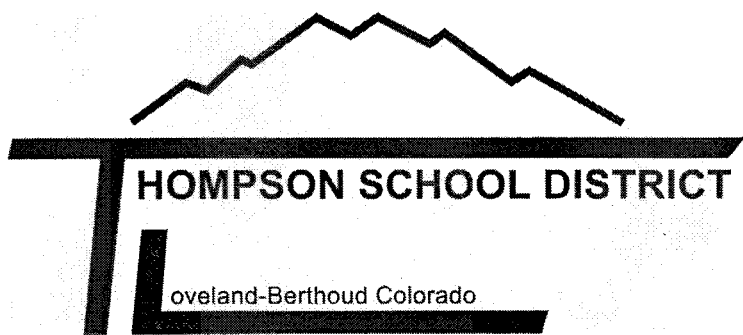
| | <u>New Vision Charter School</u> | <u>Thompson Education Foundation</u> | <u>Total Component Units</u> |
|------------------------------------|--------------------------------------|--|--------------------------------------|
| Expenses | | | |
| Instruction | | | |
| Salaries and Benefits | \$ 752,778 | \$ - | \$ 752,778 |
| Purchased Services | 253,872 | - | 253,872 |
| Supplies and Materials | 211,190 | - | 211,190 |
| Equipment | 9,852 | - | 9,852 |
| Other | 530 | - | 530 |
| | <u>1,228,222</u> | <u>-</u> | <u>1,228,222</u> |
| Total Instruction | | | |
| Support Services | | | |
| Pupil Services | 299,957 | - | 299,957 |
| Instructional Staff | 9,258 | - | 9,258 |
| General Administration | 52,869 | - | 52,869 |
| School Administration | 210,836 | - | 210,836 |
| Business Services | 27,724 | - | 27,724 |
| Maintenance/Operations | 46,797 | - | 46,797 |
| Central Supporting Services | 240,660 | - | 240,660 |
| Community Services | 1,063 | 815,370 | 816,433 |
| | <u>889,164</u> | <u>815,370</u> | <u>1,704,534</u> |
| Total Support Services | | | |
| Total Expenses | | | |
| | <u>2,117,386</u> | <u>815,370</u> | <u>2,932,756</u> |
| Program Revenues | | | |
| Charges for Services | 47,980 | - | 47,980 |
| Operating Grants and Contributions | 297,990 | 681,340 | 979,330 |
| | <u>345,970</u> | <u>681,340</u> | <u>1,027,310</u> |
| Total Program Revenues | | | |
| General Revenues | | | |
| Per Pupil Revenues | 1,868,346 | - | 1,868,346 |
| Investment Income | - | 64,876 | 64,876 |
| Miscellaneous | 143,493 | - | 143,493 |
| | <u>2,011,839</u> | <u>64,876</u> | <u>2,076,715</u> |
| Total General Revenues | | | |
| Changes in Net Assets | | | |
| | 240,423 | (69,154) | 171,269 |
| Net Assets - Beginning | <u>215,038</u> | <u>1,024,468</u> | <u>1,239,506</u> |
| Net Assets - Ending | <u>\$ 455,461</u> | <u>\$ 955,314</u> | <u>\$ 1,410,775</u> |

See independent auditor's report

STATISTICAL SECTION

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

| <u>Contents</u> | <u>Pages</u> |
|--|---------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. | 78-85 |
| Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue sources. | 86-89 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. | 90-93 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. | 94-95 |
| Operating Information These schedules contain personnel and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. | 96-99 |



HOMPSON SCHOOL DISTRICT

Loveland-Berthoud Colorado

Thompson School District R2-J

Schedule of Net Assets

Last Six Years

(Accrual basis of accounting)

(Unaudited)

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

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

| <u>2005</u> | <u>2006</u> | <u>2007</u> |
|----------------------|----------------------|----------------------|
| \$ 28,158,995 | \$ 34,936,956 | \$ 43,686,008 |
| 20,147,743 | 21,873,077 | 19,230,832 |
| 2,624,964 | 4,190,887 | 13,201,584 |
| <u>\$ 50,931,702</u> | <u>\$ 61,000,920</u> | <u>\$ 76,118,424</u> |
| | | |
| \$ 469,579 | \$ 378,465 | \$ 286,573 |
| 67,967 | 69,313 | 65,516 |
| 300,456 | 501,246 | 610,980 |
| <u>\$ 838,002</u> | <u>\$ 949,024</u> | <u>\$ 963,069</u> |
| | | |
| \$ 28,628,574 | \$ 35,315,421 | \$ 43,972,581 |
| 20,215,711 | 21,942,390 | 19,296,348 |
| 2,925,420 | 4,692,133 | 13,812,564 |
| <u>\$ 51,769,705</u> | <u>\$ 61,949,944</u> | <u>\$ 77,081,493</u> |

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

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Expenses | | | | | | |
| Governmental Activities: | | | | | | |
| Instruction | | | | | | |
| Salaries and Benefits | \$ 51,376,252 | \$ 55,053,064 | \$ 56,767,053 | \$ 56,974,652 | \$ 56,309,900 | \$ 56,958,027 |
| Purchased Services | 1,755,485 | 1,986,887 | 2,171,762 | 2,283,706 | 2,246,775 | 2,298,036 |
| Supplies and Materials | 3,435,828 | 3,563,658 | 3,358,345 | 3,170,412 | 2,827,116 | 3,256,403 |
| Capital Outlay | 724,507 | 538,049 | 638,247 | 456,262 | 702,815 | 3,886,662 |
| Other | 218,231 | 203,317 | 242,329 | 127,293 | 136,843 | 130,110 |
| Total Instruction | <u>57,510,303</u> | <u>61,344,975</u> | <u>63,177,736</u> | <u>63,012,325</u> | <u>62,223,449</u> | <u>66,529,238</u> |
| Support Services | | | | | | |
| Pupil Services | 6,395,337 | 6,924,508 | 6,612,481 | 6,948,277 | 7,227,057 | 7,570,257 |
| Instructional Staff | 6,488,963 | 8,072,644 | 7,828,193 | 7,540,045 | 7,749,997 | 7,944,486 |
| General Administration | 636,396 | 535,449 | 750,238 | 919,514 | 925,276 | 1,113,179 |
| School Administration | 6,092,669 | 6,590,527 | 6,641,734 | 6,863,529 | 7,026,788 | 6,999,468 |
| Business Services | 1,340,104 | 1,559,503 | 1,632,314 | 1,641,331 | 1,693,037 | 1,706,322 |
| Maintenance/Operations | 9,416,543 | 13,953,782 | 10,901,991 | 9,942,999 | 12,039,281 | 6,188,899 |
| Pupil Transporting | 1,682,457 | 2,464,000 | 3,032,800 | 2,916,150 | 2,718,558 | 3,220,776 |
| Central Supporting Services | 3,746,070 | 3,827,622 | 5,066,225 | 3,928,544 | 2,778,997 | 8,767,469 |
| Community Services | 406,469 | 936,233 | 1,325,831 | 1,152,881 | 1,210,399 | 694,139 |
| Interest on Long-term Debt | 5,909,556 | 6,610,993 | 8,632,902 | 3,393,072 | 4,521,000 | 6,088,520 |
| Depreciation - unallocated | - | - | - | - | - | - |
| Total Support Services | <u>42,114,564</u> | <u>51,475,261</u> | <u>52,424,709</u> | <u>45,246,342</u> | <u>47,890,390</u> | <u>50,293,515</u> |
| Total Governmental Activities Expenses | <u>99,624,867</u> | <u>112,820,236</u> | <u>115,602,445</u> | <u>108,258,667</u> | <u>110,113,839</u> | <u>116,822,753</u> |
| Business-type Activities: | | | | | | |
| Nutritional Services | | | | | | |
| Total Primary Government Expenses | \$ 3,521,504 | \$ 3,581,246 | \$ 3,503,514 | \$ 3,582,130 | \$ 3,630,472 | \$ 3,681,340 |
| Total Business-type Activities Expenses | <u>103,146,371</u> | <u>116,401,482</u> | <u>119,105,959</u> | <u>111,840,797</u> | <u>113,744,311</u> | <u>120,504,093</u> |
| Program Revenues | | | | | | |
| Governmental Activities: | | | | | | |
| Charges for Services | \$ 1,041,168 | \$ 1,209,390 | \$ 1,425,861 | \$ 1,579,770 | \$ 1,499,610 | \$ 1,531,268 |
| Operating Grants and Contributions | 9,030,381 | 9,845,561 | 9,376,242 | 9,543,859 | 9,824,094 | 11,584,333 |
| Capital Grants and Contributions | 149,055 | 666,222 | 28,970 | 94,556 | 6,731 | 427,774 |
| Total Governmental Activities Program Revenues | <u>10,220,604</u> | <u>11,721,173</u> | <u>10,831,073</u> | <u>11,218,185</u> | <u>11,330,435</u> | <u>13,543,375</u> |

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

| | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Reserved | \$ 2,394,909 | \$ 3,260,231 | \$ 8,198,098 | \$ 3,178,711 |
| Unreserved | 797,185 | (36,645) | (1,062,544) | 5,491,267 |
| Total General Fund | <u>3,192,094</u> | <u>3,223,586</u> | <u>7,135,554</u> | <u>8,669,978</u> |
| All Other Governmental Funds | | | | |
| Reserved | 37,528,935 | 25,432,905 | 14,398,566 | 17,309,323 |
| Unreserved: | | | | |
| Undesignated, reported in: | | | | |
| Special Revenue Funds | <u>2,835,563</u> | <u>1,960,867</u> | <u>2,395,153</u> | <u>2,841,666</u> |
| Total All Other Governmental Funds | <u>40,364,498</u> | <u>27,393,772</u> | <u>16,793,719</u> | <u>20,150,989</u> |
| Total Governmental Funds | <u>\$ 43,556,592</u> | <u>\$ 30,617,358</u> | <u>\$ 23,929,273</u> | <u>\$ 28,820,967</u> |

| <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| \$ 3,477,354 | \$ 3,417,314 | \$ 3,899,450 | \$ 4,230,904 | \$ 3,644,088 | \$ 3,599,242 |
| 7,502,040 | 9,143,617 | 8,930,981 | 8,375,509 | 10,311,178 | 17,783,886 |
| <u>10,979,394</u> | <u>12,560,931</u> | <u>12,830,431</u> | <u>12,606,413</u> | <u>13,955,266</u> | <u>21,383,128</u> |
| 19,931,437 | 24,408,997 | 16,645,409 | 15,881,936 | 106,197,107 | 79,919,801 |
| 3,130,837 | 2,943,489 | 1,456,610 | 1,719,568 | 1,899,136 | 2,710,309 |
| <u>23,062,274</u> | <u>27,352,486</u> | <u>18,102,019</u> | <u>17,601,504</u> | <u>108,096,243</u> | <u>82,630,110</u> |
| \$ <u><u>34,041,668</u></u> | \$ <u><u>39,913,417</u></u> | \$ <u><u>30,932,450</u></u> | \$ <u><u>30,207,917</u></u> | \$ <u><u>122,051,509</u></u> | \$ <u><u>104,013,238</u></u> |

Thompson School District R2-J

Schedule of Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified accrual accounting)

(Unaudited)

| | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|---|------------------------|------------------------|-----------------------|---------------------|
| Revenues | | | | |
| Taxes | \$ 30,197,750 | \$ 31,638,866 | \$ 38,985,473 | \$ 42,646,848 |
| Intergovernmental | 43,861,531 | 45,705,301 | 47,329,392 | 51,062,293 |
| Investment Earnings | 2,917,664 | 2,258,933 | 1,462,685 | 1,333,774 |
| Other | 3,070,583 | 3,365,237 | 4,579,418 | 4,918,352 |
| Total Revenues | <u>80,047,528</u> | <u>82,968,337</u> | <u>92,356,968</u> | <u>99,961,267</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 38,896,831 | 44,188,714 | 46,821,196 | |
| Salaries and Benefits | - | - | - | 46,698,517 |
| Purchased Services | - | - | - | 1,619,408 |
| Supplies and Materials | - | - | - | 2,986,064 |
| Other | 3,234,482 | 1,414,343 | 675,374 | 153,292 |
| Supporting Services | 23,727,975 | 24,182,352 | 25,757,306 | |
| Pupil Services | - | - | - | 5,343,667 |
| Instructional Staff | - | - | - | 5,646,503 |
| General Administration | - | - | - | 537,760 |
| School Administration | - | - | - | 5,537,666 |
| Business Services | - | - | - | 1,177,047 |
| Maintenance/Operations | - | - | - | 8,694,689 |
| Pupil Transportation | - | - | - | 2,715,761 |
| Central Supporting Services | - | - | - | 2,897,292 |
| Community Services | - | - | - | 305,054 |
| Capital Projects | 19,788,206 | 18,333,720 | 18,586,373 | 3,208,192 |
| Charter School | - | - | - | - |
| Bond Issuance Costs | - | - | - | - |
| Debt Service: | | | | |
| Principal | 2,428,209 | 2,609,511 | 2,628,398 | 1,710,000 |
| Interest | 5,066,874 | 5,106,757 | 5,175,677 | 5,838,662 |
| Total Expenditures | <u>93,142,577</u> | <u>95,835,397</u> | <u>99,644,324</u> | <u>95,069,574</u> |
| Excess (deficiency) of Revenues over Expenditures | <u>(13,095,049)</u> | <u>(12,867,060)</u> | <u>(7,287,356)</u> | <u>4,891,693</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 5,145,349 | 5,646,782 | 6,803,417 | 7,265,234 |
| Transfers Out | (5,145,349) | (5,646,782) | (6,803,417) | (7,265,234) |
| Proceeds from Capital Lease | 1,000,000 | - | 1,250,000 | - |
| Issuance of Debt | - | - | - | - |
| Transfer to Bond Escrow | - | - | - | - |
| Premium on Bond Financing | - | - | - | - |
| Proceeds from Sale of Capital Assets | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>1,000,000</u> | <u>-</u> | <u>1,250,000</u> | <u>-</u> |
| Net Change to Fund Balance | <u>\$ (12,095,049)</u> | <u>\$ (12,867,060)</u> | <u>\$ (6,037,356)</u> | <u>\$ 4,891,693</u> |
| | | | | |
| Debt Service as a Percentage of | | | | |
| Non-Capital Expenditures | 10.22% | 9.96% | 9.63% | 8.22% |

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

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|----|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
| \$ | 46,791,728 | \$ 48,677,114 | \$ 49,314,672 | \$ 47,881,408 | \$ 49,085,270 | \$ 54,301,144 |
| | 56,119,346 | 60,939,434 | 62,003,232 | 62,832,803 | 64,307,404 | 69,298,311 |
| | 1,182,235 | 507,060 | 371,980 | 757,768 | 3,262,834 | 5,249,371 |
| | 4,370,368 | 4,797,990 | 3,206,253 | 3,041,789 | 3,608,178 | 2,910,865 |
| | <u>108,463,677</u> | <u>114,921,598</u> | <u>114,896,137</u> | <u>114,513,768</u> | <u>120,263,686</u> | <u>131,759,691</u> |
| | 49,530,112 | 52,742,724 | 54,271,472 | 55,316,035 | 54,622,983 | 55,096,973 |
| | 1,692,550 | 1,903,506 | 2,076,288 | 2,221,777 | 2,182,801 | 2,230,932 |
| | 3,312,747 | 3,414,106 | 3,210,706 | 3,122,051 | 2,746,923 | 3,161,315 |
| | 211,137 | 194,785 | 231,676 | 122,580 | 132,878 | 126,311 |
| | 6,173,161 | 6,633,916 | 6,321,785 | 6,761,203 | 7,021,698 | 7,349,203 |
| | 6,266,194 | 7,760,087 | 7,516,507 | 7,444,139 | 7,564,297 | 7,712,504 |
| | 612,976 | 512,979 | 5,821,374 | 896,903 | 925,216 | 1,081,439 |
| | 5,869,595 | 6,313,951 | 6,349,752 | 6,680,383 | 6,827,099 | 6,795,081 |
| | 1,787,754 | 2,119,057 | 2,660,555 | 2,709,954 | 2,244,847 | 1,674,017 |
| | 9,177,770 | 14,129,970 | 10,434,325 | 10,080,023 | 11,697,226 | 23,696,567 |
| | 2,621,154 | 2,731,259 | 3,323,739 | 3,041,299 | 3,437,655 | 3,149,984 |
| | 3,090,305 | 2,802,815 | 3,565,282 | 2,542,102 | 2,824,053 | 3,637,045 |
| | 1,751,460 | 1,527,067 | 1,283,364 | 1,112,527 | 1,175,910 | 650,149 |
| | 5,246,376 | 1,073,283 | 879,514 | 882,134 | 8,064,632 | 18,386,234 |
| | - | - | - | - | - | 1,868,346 |
| | - | - | - | 258,618 | 982,798 | - |
| | 1,923,000 | 1,695,035 | 14,685,732 | 10,225,047 | 5,668,988 | 5,787,500 |
| | 5,907,560 | 6,715,422 | 6,023,451 | 2,495,545 | 4,539,810 | 6,519,762 |
| | <u>105,173,851</u> | <u>112,269,962</u> | <u>128,655,522</u> | <u>115,912,320</u> | <u>122,659,814</u> | <u>148,923,362</u> |
| | <u>3,289,826</u> | <u>2,651,636</u> | <u>(13,759,385)</u> | <u>(1,398,552)</u> | <u>(2,396,128)</u> | <u>(17,163,671)</u> |
| | 7,773,529 | 9,127,797 | 10,311,254 | 9,332,428 | 10,177,062 | 10,944,571 |
| | (7,773,529) | (9,127,797) | (10,311,254) | (9,332,428) | (10,177,062) | (10,944,571) |
| | 220,939 | 3,220,113 | 4,485,000 | - | - | - |
| | - | - | 25,660,000 | 22,215,000 | 89,215,000 | - |
| | - | - | (27,407,353) | (23,276,594) | - | - |
| | - | - | 2,040,771 | 1,320,212 | 5,024,720 | - |
| | - | - | - | 415,401 | - | - |
| | <u>220,939</u> | <u>3,220,113</u> | <u>4,778,418</u> | <u>674,019</u> | <u>94,239,720</u> | <u>-</u> |
| \$ | <u>3,510,765</u> | <u>5,871,749</u> | <u>(8,980,967)</u> | <u>(724,533)</u> | <u>91,843,592</u> | <u>(17,163,671)</u> |
| | 7.84% | 7.56% | 16.21% | 11.06% | 8.91% | 9.43% |

Thompson School District R2-J

Assessed Value and Estimated Value of Taxable Property

(Unaudited)

| Year Ended December 31, | Residential Property | Commercial Property | Industrial Property | Agricultural | Natural Resources Oil & Gas, & Utilities |
|------------------------------------|---------------------------------|--------------------------------|--------------------------------|---------------------|---|
| 1997 | \$ 940,053,500 | \$ 419,810,770 | \$ 74,570,690 | \$ 37,476,460 | \$ 60,576,810 |
| 1998 | 1,010,695,020 | 483,174,800 | 76,900,510 | 39,391,050 | 64,301,320 |
| 1999 | 1,050,518,500 | 503,429,610 | 79,385,520 | 41,028,630 | 65,586,800 |
| 2000 | 1,221,485,100 | 624,936,370 | 81,224,490 | 19,665,180 | 73,533,880 |
| 2001 | 1,288,723,030 | 650,552,360 | 96,424,380 | 19,555,940 | 75,664,210 |
| 2002 | 1,549,649,830 | 803,155,060 | 105,173,350 | 19,693,910 | 79,068,070 |
| 2003 | 1,627,889,490 | 826,707,590 | 109,967,760 | 19,856,750 | 94,106,880 |
| 2004 | 1,702,909,960 | 915,101,040 | 111,710,270 | 15,291,010 | 88,390,920 |
| 2005 | 1,765,704,970 | 935,712,490 | 113,792,070 | 15,556,060 | 81,237,808 |
| 2006 | 1,913,606,420 | 1,042,005,600 | 111,003,590 | 16,403,560 | 86,809,902 |

From 1997 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:

| | Assessment Percentage | Base Year |
|------|----------------------------------|----------------------|
| 1997 | 10.36% | 1995 appraised value |
| 1998 | 10.36% | 1997 appraised value |
| 1999 | 9.74% | 1997 appraised value |
| 2000 | 9.74% | 1999 appraised value |
| 2001 | 9.74% | 1999 appraised value |
| 2002 | 9.15% | 2001 appraised value |
| 2003 | 9.15% | 2001 appraised value |
| 2004 | 7.96% | 2003 appraised value |
| 2005 | 7.96% | 2004 appraised value |
| 2006 | 7.96% | 2005 appraised value |

Source: Larimer County Assessor's Office - Larimer County December 31, 2006 Comprehensive Annual Financial Report

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

| <u>Personal Property</u> | <u>Total Taxable Assessed Value</u> | <u>Tax Exempt Property</u> | <u>Total Direct Tax Rate</u> | <u>Estimated Actual Taxable Value</u> | <u>Assessed Value as a Percentage of Actual Value</u> |
|------------------------------|---|--------------------------------|----------------------------------|---|---|
| \$ 212,072,160 | \$ 1,744,560,390 | \$ 942,291,280 | 21.574 | \$ 12,425,634,996 | 14.04% |
| 242,016,260 | 1,916,478,960 | 954,523,100 | 21.025 | 13,500,138,482 | 14.20% |
| 249,985,710 | 1,989,934,770 | 959,164,640 | 21.417 | 14,024,977,331 | 14.19% |
| 303,920,650 | 2,324,765,670 | 1,030,163,860 | 21.798 | 16,345,330,543 | 14.22% |
| 299,078,820 | 2,429,998,740 | 1,014,089,890 | 21.756 | 18,019,838,182 | 13.49% |
| 292,583,570 | 2,849,323,790 | 934,372,150 | 22.603 | 21,417,698,061 | 13.30% |
| 280,954,090 | 2,959,482,560 | 883,309,680 | 22.563 | 22,382,842,209 | 13.22% |
| 274,798,890 | 3,108,202,090 | 965,980,430 | 22.565 | 26,239,176,137 | 11.85% |
| 273,690,849 | 3,185,694,247 | 509,850,250 | 22.659 | 27,078,737,989 | 11.76% |
| 283,537,320 | 3,453,366,392 | 1,056,157,790 | 22.552 | 29,349,798,804 | 11.77% |

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 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Collection Year | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| School District | | | | | | | | | | |
| General Fund | 34.954 | 34.948 | 31.170 | 31.460 | 27.542 | 27.141 | 25.858 | 25.304 | 22.985 | 22.523 |
| Mill Levy Override | - | - | 8.500 | 8.500 | 8.500 | 8.195 | 7.687 | 7.383 | 6.755 | 10.636 |
| Debt Services | 13.126 | 13.126 | 13.126 | 13.126 | 13.126 | 13.126 | 13.126 | 10.000 | 10.510 | 10.298 |
| School District Total | 48.080 | 48.074 | 52.796 | 53.086 | 49.168 | 48.462 | 46.671 | 42.687 | 40.250 | 43.457 |
| Larimer County | 21.620 | 21.293 | 21.293 | 21.656 | 21.614 | 22.461 | 22.560 | 22.517 | 22.541 | 22.410 |
| Town of Berthoud | 7.047 | 6.673 | 6.673 | 6.673 | 6.673 | 6.673 | 6.673 | 6.409 | 6.664 | 10.735 |
| City of Fort Collins | - | - | - | - | - | - | - | - | 9.797 | 9.797 |
| City of Loveland | 8.634 | 8.997 | 8.997 | 9.564 | 9.564 | 9.564 | 9.564 | 9.564 | 9.564 | 9.564 |
| Town of Windsor | - | - | - | - | - | - | - | - | 12.030 | 12.030 |
| Town of Johnstown | - | - | - | - | - | - | - | - | 23.9347 | 23.947 |
| Johnstown Fire Protection District | - | - | - | - | - | - | - | - | - | 8.796 |
| Berthoud Fire Protection District | 8.128 | 8.128 | 8.128 | 8.128 | 8.128 | 8.128 | 8.128 | 15.274 | 15.274 | 15.274 |
| Loveland Fire District | 6.682 | 6.674 | 6.674 | 6.674 | 6.674 | 6.674 | 6.674 | 5.808 | 5.808 | 5.808 |
| Poudre Valley Fire District | - | - | - | - | - | - | - | - | 9.301 | 9.301 |
| Windsor-Severance Fire District | - | - | - | - | - | - | - | - | 4.944 | 4.944 |
| Lyons Fire District | - | - | - | - | - | - | - | - | 7.148 | 7.193 |
| Pinewood Lake Fire District | - | - | - | - | - | - | - | - | 6.446 | 5.944 |
| Health District of Northern Larimer Co. | - | - | - | - | - | - | - | - | 2.167 | 2.167 |
| Thompson Valley Hospital District | 1.702 | 1.712 | 1.712 | 1.673 | 1.669 | 1.564 | 1.564 | 1.519 | 1.509 | 1.492 |
| Larimer County P.I.D. No. 27 | - | - | - | - | - | - | - | - | - | 56.695 |
| Larimer County P.I.D. No. 35 | - | - | - | - | - | - | - | - | - | 104.222 |
| Larimer County P.I.D. No. 36 | - | - | - | - | - | - | - | - | - | 13.485 |
| Larimer Pest Control | 0.136 | 0.124 | 0.124 | 0.124 | 0.124 | 0.124 | 0.124 | 0.142 | 0.142 | 0.142 |
| Larimer County G.I.D. No. 8 Namaqua Hills | - | - | - | - | - | - | - | - | - | 8.145 |
| Loveland Downtown Dev. Auth | 4.190 | 5.000 | 5.000 | 5.000 | - | - | - | - | - | 0.000 |
| Loveland General Improvement District | 2.112 | 2.684 | 2.684 | 2.684 | 2.684 | - | - | 2.684 | 2.684 | 2.684 |
| Estes Valley Park Recreation | - | - | - | - | - | - | - | - | 1.331 | 1.472 |
| West Loveland Recreation District | 5.167 | 5.557 | 5.557 | 5.557 | 5.557 | 5.557 | 5.557 | - | - | 0.000 |
| South Fort Collins Sanitation District | - | - | - | - | - | - | - | - | - | 0.500 |
| Fort Collins - Loveland Water District | - | - | - | - | - | - | - | - | - | 1.500 |
| Fort Collins Regional Library District | - | - | - | - | - | - | - | - | - | 3.000 |
| North Carter Lake Water District | - | - | - | - | - | - | - | - | - | 10.756 |
| No. Colorado Water Conservancy District | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| Spring Canyon Water and Sanitation | - | - | - | - | - | - | - | - | 2.966 | 3.118 |
| West Loveland Water and Sanitation | 12.382 | 12.382 | 12.382 | 12.382 | 12.382 | 12.382 | 12.382 | - | - | - |
| Thompson Crossing Metropolitan No. 2 | - | - | - | - | - | - | - | - | - | 20.000 |
| Van De Water Metropolitan District No. 2 | - | - | - | - | - | - | - | - | 45.980 | 45.980 |
| Van De Water Metropolitan District No. 3 | - | - | - | - | - | - | - | - | - | 45.980 |
| Windsor Highlands Metropolitan No. 3 | - | - | - | - | - | - | - | - | 30.000 | 35.000 |
| Windsor Highlands Metropolitan No. 4 | - | - | - | - | - | - | - | - | - | 35.000 |
| Centerra Metropolitan District No. 2 | - | - | - | - | - | - | - | - | 35.000 | 35.000 |
| Waterfront Metropolitan District | - | - | - | - | - | - | - | - | 45.979 | 45.979 |
| Lincoln Place Metropolitan District | - | - | - | - | - | - | - | 55.000 | 55.000 | 50.000 |
| Loveland Midtown Metropolitan No. 1 | - | - | - | - | - | - | - | - | - | 40.000 |
| Larimer County P.I.D. No. 31 | - | - | - | - | - | - | - | - | - | 137.932 |
| Thompson Crossing Metropolitan No. 4 | - | - | - | - | - | - | - | - | - | 76.000 |
| Highpointe Vista Metropolitan No. 2 | - | - | - | - | - | - | - | - | - | 26.000 |
| Deer Meadows Metropolitan District | - | - | - | - | - | - | - | - | - | 40.000 |
| Thompson Rivers Park & Rec. District | - | - | - | - | - | - | - | - | - | 3.594 |

Source: Larimer County Assessor's Office

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

| Taxpayer | 2007 | | | 1998 | | |
|---------------------------------------|-------------------------|------|------------------------------------|------------------------|------|------------------------------------|
| | Taxable Assessed Value | Rank | Percentage of Total Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Assessed Value |
| Centerra Lifestyle Center, LLC | \$ 17,339,800 | 1 | 1.51% | \$ | | |
| Wal-Mart Stores East, LP | 11,815,270 | 2 | 1.03% | | | |
| Agilent Technologies, Incorporated | 10,364,950 | 3 | 0.90% | | | |
| Qwest Corporation | 8,683,800 | 4 | 0.76% | | | |
| Public Service Company of Colorado | 8,344,270 | 5 | 0.73% | 4,623,330 | 7 | 0.82% |
| Craig Realty Group - Loveland, LLC | 8,018,500 | 6 | 0.70% | | | |
| Taft Carlisle, LLC | 3,739,560 | 7 | 0.33% | | | |
| Waterbury Orchards, LLC | 3,683,020 | 8 | 0.32% | | | |
| Water Pik Incorporated | 3,184,560 | 9 | 0.28% | | | |
| Comcast of Colorado II LLC | 3,052,860 | 10 | 0.27% | | | |
| Hewlett Packard | - | - | - | 17,941,930 | 1 | 3.19% |
| Wal-Mart Properties, Inc. | - | - | - | 10,893,500 | 2 | 1.94% |
| Loveland Factory Shops, LP | - | - | - | 8,298,430 | 3 | 1.48% |
| U.S. West Communications | - | - | - | 8,285,500 | 4 | 1.47% |
| Woodward Governor Company | - | - | - | 7,236,850 | 5 | 1.29% |
| Hach Company | - | - | - | 4,628,810 | 6 | 0.82% |
| Teledyne Industries | - | - | - | 3,510,620 | 8 | 0.62% |
| Orchards Investors | - | - | - | 1,624,020 | 9 | 0.29% |
| One Directory Place Limited Liability | - | - | - | 1,566,000 | 10 | 0.28% |
| | <u>\$ 78,226,590</u> | | <u>6.83%</u> | <u>\$ 68,608,990</u> | | <u>12.20%</u> |
| Total assessed valuation | <u>\$ 1,145,954,307</u> | | | <u>\$ 562,263,220</u> | | |

Source: Larimer County Assessor's Office

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

| Year Ended June 30, | Taxes Levied for the Year (1) | Collected within the Year of the Levy | | Total Collection to Date | |
|---------------------|-------------------------------|---------------------------------------|--------------------|--------------------------|--------------------|
| | | Amount | Percentage of Levy | Amount (2) | Percentage of Levy |
| 1998 | \$ 27,123,578 | \$ 27,134,138 | 100.0% | \$ 26,960,837 | 99.4% |
| 1999 | 27,362,716 | 28,273,729 | 103.3% | 27,280,628 | 99.7% |
| 2000 | 35,714,316 | 34,910,900 | 97.8% | 35,500,030 | 99.4% |
| 2001 | 37,797,337 | 38,116,403 | 100.8% | 37,532,756 | 99.3% |
| 2002 | 42,399,981 | 42,065,211 | 99.2% | 42,103,181 | 99.3% |
| 2003 | 44,143,219 | 44,067,398 | 99.8% | 43,745,930 | 99.1% |
| 2004 | 45,329,848 | 44,502,033 | 98.2% | 45,057,869 | 99.4% |
| 2005 | 43,366,318 | 43,230,235 | 99.7% | 43,019,387 | 99.2% |
| 2006 | 44,331,015 | 44,262,935 | 99.8% | 43,799,043 | 98.8% |
| 2007 | 50,059,218 | 47,530,029 | 94.9% | 48,180,784 | 96.2% |

Notes:

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

Source: Larimer County Assessor's Office

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

| Year | General Obligation Bonds | Certificate of Participation Bonds | Capital Leases | Total Government | Percentage of Personal Income (1) | Per Capita (1) |
|------|--------------------------------|--|----------------|---------------------|---|-------------------|
| 1998 | \$ 84,537,738 | \$ - | \$ 1,751,910 | \$ 86,289,648 | 7.32% | \$ 1,888 |
| 1999 | 82,446,738 | - | 1,215,026 | 83,661,764 | 6.44% | 1,776 |
| 2000 | 80,230,738 | - | 2,052,628 | 82,283,366 | 5.99% | 1,700 |
| 2001 | 78,520,738 | - | 1,839,066 | 80,359,804 | 5.44% | 1,588 |
| 2002 | 76,597,738 | - | 1,875,058 | 78,472,796 | 4.81% | 1,453 |
| 2003 | 75,168,738 | - | 4,829,136 | 79,997,874 | 4.79% | 1,399 |
| 2004 | 70,461,009 | 4,485,000 | 2,667,404 | 77,613,413 | 4.30% | 1,300 |
| 2005 | 61,802,167 | 4,325,000 | 2,162,357 | 68,289,524 | 3.62% | 1,136 |
| 2006 | 151,323,193 | 4,160,000 | 1,768,368 | 157,251,561 | 7.99% | 2,540 |
| 2007 | 146,254,499 | 3,990,000 | 1,605,869 | 151,850,368 | 7.20% | 2,369 |

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

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

Thompson School District R2-J

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years
(Unaudited)

| Year Ended December 31, | Gross Bonded Debt | Debt Service Funds Available | Net Bonded Debt | Ratio of Net Bonded Due to Assessed Value (1) | Net Bonded Debt per Capita |
|----------------------------|----------------------|------------------------------------|--------------------|--|----------------------------------|
| 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% | 538 |
| 2006 | 151,323,193 | 12,481,416 | 138,841,777 | 12.51% | 2,072 |
| 2007 | 146,254,499 | 12,939,805 | 133,314,694 | 11.53% | 2,080 |

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

(1) Assessed Value is \$1,156,255,387 for 2007.

Thompson School District R2-J
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2007
 (Unaudited)

| | General Obligation Long-Term Debt Outstanding | Percent Applicable to the District (1) | Net Direct and Overlapping Debt |
|-------------------------------|--|---|--|
| Thompson School District R2-J | \$ 146,254,499 | 100.00% | \$ 146,254,499 |
| Town of Berthoud | 8,464,372 | 100.00% | 8,464,372 |
| Berthoud Fire District | 1,702,509 | 31.43% | 535,099 |
| Total | <u>\$ 156,421,380</u> | | <u>\$ 155,253,970</u> |

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

Thompson School District R2-J
Computation of Legal Debt Margin
June 30, 2007
(Unaudited)

| | | |
|--|----------------|-------------------------|
| Assessed Value | | \$ <u>1,156,255,387</u> |
| Debt Limit (20% of Assessed Valuation) | | 231,251,077 |
| Total Bonded Debt | \$ 146,254,499 | |
| Total Amount Applicable to Debt Limit | | <u>146,254,499</u> |
| Legal Debt Margin | | <u>\$ 84,996,578</u> |

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

| Employer | 2007 | | | 1998 | | |
|-------------------------------|-------------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Thompson School District R2-J | 2,376 | 1 | 7.32% | 1,660 | 2 | 6.26% |
| Promenade Shops at Centerra | 1,800 | 2 | 5.55% | - | - | - |
| Wal-Mart Distribution Center | 1,087 | 3 | 3.35% | 1,000 | 3 | 3.77% |
| McKee Medical Center | 950 | 4 | 2.93% | 775 | 4 | 2.92% |
| Medical Center of the Rockies | 800 | 5 | 2.47% | - | - | - |
| Hach Company | 794 | 6 | 2.45% | 551 | 6 | 2.08% |
| City of Loveland | 700 | 7 | 2.16% | 572 | 5 | 2.16% |
| Wal-Mart Super Center | 415 | 8 | 1.28% | - | - | - |
| Kroll Factual Data | 354 | 9 | 1.09% | - | - | - |
| The Outlets at Loveland | 343 | 10 | 1.06% | - | - | - |
| Hewlett-Packard | - | - | - | 2,400 | 1 | 9.06% |
| Woodward Governor | - | - | - | 525 | 7 | 1.98% |
| Merix-Loveland | - | - | - | 357 | 8 | 1.35% |
| Summit Crest Homes | - | - | - | 260 | 9 | 0.98% |
| Teledyne Water Pik | - | - | - | 250 | 10 | 0.94% |
| Total | 32,439 (a) | | 29.65% | 26,504 | | 31.50% |

(a) The number for 2007 was not available, therefore, the 2006 number was used

Source: Loveland Chamber of Commerce, City of Loveland, Larimer County Workforce and Northern Colorado Economic Development Corporation

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

| Fiscal Year | Population <i>(thousands)</i> | Personal Income <i>(millions)</i> | County Per Capita Income (b) <i>(thousands)</i> | Median Age | Unemployment Percentage (a) |
|--------------------|---|---|---|-----------------------------|--|
| 1997 | 45.7 | \$ 1,179.10 | 25.8 | 33.3 | 3.2 |
| 1998 | 47.1 | 1,300.00 | 27.6 | 33.6 | 3.8 |
| 1999 | 48.4 | 1,374.60 | 28.4 | 33.8 | 3.1 |
| 2000 | 50.6 | 1,477.50 | 29.2 | 34.1 | 2.9 |
| 2001 | 54.0 | 1,630.80 | 30.2 | 33.3 | 4.1 |
| 2002 | 57.2 | 1,670.20 | 29.2 | 33.4 | 4.8 |
| 2003 | 59.7 | 1,802.90 | 30.2 | 34.0 | 5.2 |
| 2004 | 60.1 | 1,887.10 | 31.4 | 34.4 | 5.3 |
| 2005 | 61.9 | 1,968.40 | 31.8 | 36.0 | 4.1 |
| 2006 | 64.1 | 2,108.90 | 32.9 | 33.9 | 3.5 |

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

(b) Larimer County, separate City statistics not available

Source: City of Loveland December 31, 2006 Comprehensive Annual Financial Report

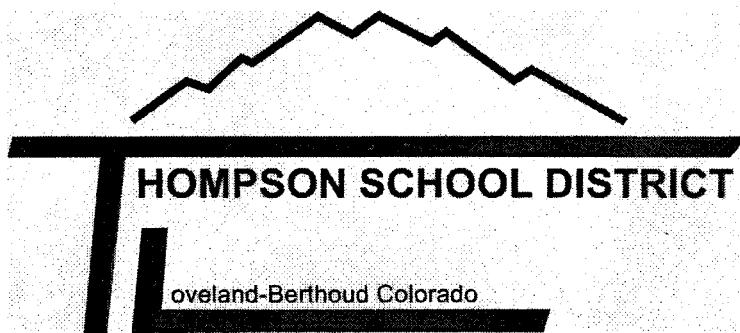
Thompson School District R2-J
 Number of Employees by Function
 June 30, 2007
 (Unaudited)

| <u>Employees: (Full and Part Time Positions)</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Administration | | | | | | | | | | |
| Instructional Central Office Administrators | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 12 |
| Principals & Asst. Principals | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 45 | 45 | 42 |
| Support Central Office Administrators | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 10 | 10 | 11 |
| Teaching Staff | | | | | | | | | | |
| Teachers | 800 | 845 | 845 | 845 | 845 | 850 | 850 | 1,015 | 985 | 995 |
| Substitute Teachers | 280 | 255 | 255 | 255 | 255 | 255 | 255 | 380 | 350 | 304 |
| Guidance Counselors | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 45 | 40 | 45 |
| Media Specialist | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 9 |
| Teacher Aides | 155 | 175 | 175 | 175 | 175 | 175 | 175 | 170 | 180 | 198 |
| Support Services | | | | | | | | | | |
| Nurses, Psychologists, and Social Workers | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 30 | 30 | 35 |
| Pupil Transportation | 95 | 100 | 100 | 100 | 100 | 100 | 100 | 115 | 125 | 112 |
| Personnel Services | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 9 |
| Operations and Maintenance | 155 | 165 | 165 | 165 | 165 | 165 | 165 | 150 | 155 | 153 |
| Fiscal Services and Data Processing | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 10 | 10 | 9 |
| School Building Clerical | 125 | 120 | 120 | 120 | 120 | 120 | 120 | 140 | 140 | 130 |
| Other Professional Support Staff | 35 | 45 | 45 | 45 | 45 | 45 | 45 | 145 | 130 | 122 |
| Other Clerical Support | 35 | 30 | 30 | 30 | 30 | 30 | 30 | 35 | 30 | 31 |
| Food Services | 130 | 150 | 150 | 150 | 150 | 150 | 150 | 115 | 115 | 105 |
| Total | 1,930 | 2,005 | 2,005 | 2,005 | 2,005 | 2,010 | 2,010 | 2,435 | 2,375 | 2,322 |

Source: Thompson School District Human Resources Department

Thompson School District R2-J
Operating Indicators
June 30, 2007
(Unaudited)

| | <u>2003</u> | | <u>2004</u> | | <u>2005</u> | | <u>2006</u> | | <u>2007</u> |
|--------------------------------------|--------------------------|----|--------------------------|----|--------------------------|----|--------------------------|----|--------------------------|
| Funding per Student | \$ 5,441 | \$ | 5,595 | \$ | 5,721 | \$ | 5,798 | \$ | 5,988 |
| Funded Pupil Count | <u>14,495.0</u> | | <u>14,445.5</u> | | <u>14,352.5</u> | | <u>14,304.6</u> | | <u>14,402.0</u> |
| Total Funding per School Finance Act | <u><u>78,867,295</u></u> | | <u><u>80,822,573</u></u> | | <u><u>82,110,653</u></u> | | <u><u>82,938,071</u></u> | | <u><u>86,239,176</u></u> |



Thompson School District R2-J
School Building Information
June 30, 2007
(Unaudited)

| <u>Schools</u> | <u>Sq. Ft.</u> | <u>Capacity</u> | <u>Enrollment History by Fiscal Year</u> | | | | | | |
|---------------------------|------------------|-----------------|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | | | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
| Elementary Schools | | | | | | | | | |
| Berthoud | 52,300 | 550 | 404 | 404 | 415 | 406 | 399 | 415 | 458 |
| BF Kitchen | 33,700 | 310 | 185 | 233 | 244 | 260 | 279 | 275 | 282 |
| Big Thompson | 32,400 | 255 | 200 | 212 | 211 | 224 | 231 | 257 | 267 |
| Carrie Martin | 32,400 | 315 | 299 | 307 | 285 | 281 | 265 | 258 | 239 |
| Centennial | 30,000 | 295 | 319 | 343 | 409 | 362 | 340 | 335 | 328 |
| Cottonwood Plains | 57,400 | 580 | 517 | 529 | 485 | 463 | 464 | 469 | 457 |
| Garfield | 34,700 | 355 | 271 | 246 | 253 | 247 | 298 | 295 | 321 |
| Ivy Stockwell | 36,000 | 425 | 363 | 376 | 359 | 365 | 365 | 385 | 393 |
| Laurene Edmondson | 32,600 | 320 | 302 | 310 | 304 | 315 | 320 | 311 | 309 |
| Lincoln | 38,100 | 380 | 391 | 431 | 327 | 306 | 308 | 300 | 290 |
| Mary Blair | 49,300 | 545 | 471 | 461 | 445 | 433 | 444 | 451 | 471 |
| Monroe | 51,100 | 550 | 420 | 409 | 430 | 411 | 441 | 387 | 388 |
| Namaqua | 51,200 | 590 | 516 | 603 | 580 | 591 | 626 | 649 | 625 |
| Sarah Milner | 35,800 | 420 | 366 | 345 | 353 | 381 | 405 | 463 | 474 |
| Stansberry | 31,400 | 245 | 216 | 235 | 246 | 273 | 288 | 314 | 340 |
| Truscott | 45,700 | 290 | 285 | 267 | 207 | 209 | 220 | 222 | 218 |
| Van Buren | 32,200 | 295 | 266 | 272 | 271 | 286 | 280 | 285 | 261 |
| Winona | 33,000 | 345 | 364 | 382 | 411 | 396 | 359 | 322 | 273 |
| Middle Schools | | | | | | | | | |
| Bill Reed | 128,800 | 925 | 612 | 645 | 697 | 693 | 727 | 707 | 714 |
| Conrad Ball | 96,100 | 750 | 783 | 794 | 784 | 809 | 781 | 764 | 749 |
| Lucile Erwin | 112,500 | 1,015 | 736 | 800 | 801 | 801 | 782 | 777 | 777 |
| Turner | 70,800 | 575 | 434 | 437 | 467 | 495 | 508 | 504 | 493 |
| Walt Clark | 104,300 | 870 | 708 | 770 | 789 | 753 | 756 | 741 | 811 |
| High Schools | | | | | | | | | |
| Berthoud | 129,800 | 780 | 675 | 673 | 681 | 704 | 689 | 685 | 667 |
| Ferguson | 10,200 | 100 | 102 | 97 | 105 | 94 | 102 | 112 | 120 |
| Loveland | 191,380 | 1,365 | 1,578 | 1,536 | 1,493 | 1,477 | 1,464 | 1,467 | 1,554 |
| Mountain View | 156,100 | 1,070 | 1,126 | 1,179 | 1,195 | 1,221 | 1,147 | 965 | 718 |
| Thompson Valley | 215,400 | 1,310 | 1,413 | 1,477 | 1,435 | 1,425 | 1,503 | 1,536 | 1,585 |
| Totals | 1,924,680 | 15,825 | 14,322 | 14,773 | 14,682 | 14,681 | 14,791 | 14,651 | 14,582 |

| <u>2000</u> | <u>1999</u> | <u>1998</u> |
|-------------|-------------|-------------|
|-------------|-------------|-------------|

| | | |
|-----|-----|-----|
| 452 | 452 | 447 |
| 256 | 277 | 277 |
| 290 | 289 | 294 |
| 231 | 246 | 288 |
| 283 | 280 | 282 |
| 437 | 410 | 359 |
| 329 | 319 | 322 |
| 390 | 397 | 391 |
| 296 | 307 | 291 |
| 292 | 304 | 322 |
| 468 | 520 | 493 |
| 392 | 399 | 405 |
| 598 | 568 | 550 |
| 454 | 467 | 440 |
| 349 | 355 | 346 |
| 223 | 197 | 212 |
| 279 | 289 | 301 |
| 247 | 250 | 262 |

| | | |
|-----|-----|-------|
| 695 | 704 | 1,054 |
| 721 | 672 | 955 |
| 774 | 735 | N/A |
| 494 | 486 | 501 |
| 751 | 797 | 868 |

| | | |
|-------|-------|-------|
| 659 | 663 | 630 |
| 140 | 116 | 131 |
| 1,842 | 1,910 | 1,876 |
| N/A | N/A | N/A |
| 1,812 | 1,663 | 1,702 |

| | | |
|--------|--------|--------|
| 14,154 | 14,072 | 13,999 |
|--------|--------|--------|

COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate discretely presented component units and remaining fund information of the Thompson School District R2-J, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated November 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Thompson School District R2-J's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Thompson School District R2-J's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Thompson School District R2-J's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Thompson School District R2-J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Seward & Company, LLC

November 12, 2007



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

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

Compliance

We have audited the compliance of the Thompson School District R2-J with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Thompson School District R2-J's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Thompson School District R2-J's management. Our responsibility is to express an opinion on the Thompson School District R2-J's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Thompson School District R2-J's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Thompson School District R2-J's compliance with those requirements.

In our opinion, the Thompson School District R2-J complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Thompson School District R2-J is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Thompson School District R2-J's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Thompson School District R2-J's internal control over compliance.

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

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

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

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



November 12, 2007

Thompson School District R2-J
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no

- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes x no

- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

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

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

_____ yes x no

Identification of major programs:

- 84.010 Title I
- 84.367 Improving Teacher Quality
- 93.600 Head Start

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

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

Financial Statement Findings

The audit of the financial statements did not disclose significant deficiencies 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 significant deficiencies 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 governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Thompson School District R2-J, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated November 12, 2007. 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.

November 12, 2007

Thompson School District R2-J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

| Federal Grantor/Pass - Through Grantor Program Title | Federal CFDA Number | Accrued (Deferred) Revenue June 30, 2006 | Grant Receipt | Grant Expenditures | Accrued (Deferred) Revenue June 30, 2007 |
|---|---------------------------|--|---------------------|-----------------------|--|
| U.S. Department of Education | | | | | |
| Passed Through State Department of Education | | | | | |
| Title I | 84.010 | \$ 381,801 | \$ 1,237,373 | \$ 1,288,224 | \$ 432,652 |
| Comprehensive School Reform Demonstration | 84.332 | (674) | - | 3,059 | 2,385 |
| Migrant Education | 84.011 | 19,448 | 36,800 | 42,346 | 24,994 |
| Special Education | 84.027 | 693,354 | 2,774,439 | 2,529,316 | 448,231 |
| Special Education Preschool | 84.173 | 20,516 | 82,351 | 83,576 | 21,741 |
| Improving Teacher Quality | 84.367 | 137,829 | 403,206 | 403,211 | 137,834 |
| Innovative Education | 84.298 | 13,129 | 31,183 | 25,590 | 7,536 |
| Safe and Drug Free Schools | 84.186 | 18,436 | 44,280 | 38,539 | 12,695 |
| Education Technology | 84.318 | 22,477 | 23,751 | 10,901 | 9,627 |
| English Language Acquisition | 84.365 | 31,551 | 74,769 | 72,042 | 28,824 |
| Hurricane Education Recovery | 84.938 | 1,755 | 58 | (1,697) | - |
| Charter Schools | 84.282 | - | 155,236 | 297,990 | 142,754 |
| Passed Through State Department of Human Services | | | | | |
| Vocational Rehabilitation | 84.126 | 11,258 | 87,577 | 105,833 | 29,514 |
| Passed Through State Community Colleges System: | | | | | |
| Vocational Education | 84.048 | 16,045 | 79,182 | 115,004 | 51,867 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | <u>1,366,925</u> | <u>5,030,205</u> | <u>5,013,934</u> | <u>1,350,654</u> |
| U.S. Department of Agriculture | | | | | |
| Passed through State Department of Human Services: | | | | | |
| Food Donation | 10.550 | - | 164,068 | 164,068 | - |
| Passed Through State Department of Education: | | | | | |
| School Breakfast Program | 10.553 | 21,284 | 216,891 | 195,607 | - |
| National School Lunch | 10.555 | 112,220 | 1,230,393 | 1,118,173 | - |
| Summer Food Service Program for Children | 10.559 | 19,597 | 33,424 | 33,687 | 19,860 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | <u>153,101</u> | <u>1,644,776</u> | <u>1,511,535</u> | <u>19,860</u> |
| U.S. Department of Labor | | | | | |
| Passed through Denver Metro Chamber of Commerce: | | | | | |
| WIA Pilots, Demonstrations, and Research Projects | 17.261 | - | - | 29,908 | 29,908 |
| | | - | - | 29,908 | 29,908 |
| U.S. Department of Health and Human Services | | | | | |
| Direct Program | | | | | |
| Head Start | 93.600 | 141,718 | 867,509 | 893,383 | 167,592 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | <u>141,718</u> | <u>867,509</u> | <u>893,383</u> | <u>167,592</u> |
| Corporation for Nutritional and Community Service | | | | | |
| Passed Through State Department of Education | | | | | |
| Learn and Serve America | 94.004 | (3,342) | 7,700 | 9,672 | (1,370) |
| TOTAL U.S. DEPARTMENT OF VETERAN AFFAIRS | | <u>(3,342)</u> | <u>7,700</u> | <u>9,672</u> | <u>(1,370)</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | <u>\$ 1,658,402</u> | <u>\$ 7,550,190</u> | <u>\$ 7,458,432</u> | <u>\$ 1,566,644</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.