



Comprehensive Annual Financial Report

Year Ended

June 30, 2012

THOMPSON SCHOOL DISTRICT R2-J

Loveland, Berthoud, & Fort Collins Colorado

Comprehensive Annual Financial Report

For the Year Ended
June 30, 2012

Prepared by the
Financial Services Department

Chief Financial Officer
Stephen Towne

Manager of Accounting and Reporting
Luke Gonzales

**Thompson School District R2-J
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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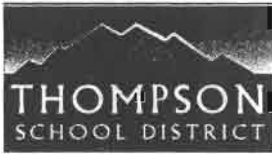
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INTRODUCTORY SECTION

Contents:

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



December 12, 2012

**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, 2012.

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, 2012.

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. All disclosures necessary to enable the reader to gain an understanding of Thompson School District financial activities have been included.

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, 2012, 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, 2012, 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 Thompson School District is the 16th largest school district in Colorado, encompassing 362 square miles in northern Colorado. The District includes the cities of Loveland, Berthoud and the southern part of Fort Collins as well as parts of Larimer, Weld and Boulder counties.

Serving students pre-K through 12th grade, the district has 12 early childhood centers, 20 elementary schools, five middle schools, five high schools and two charter schools. The facilities range in age from 2 to 96 years old, with the average facility age being 33 years. Funded Pupil Count for the 2011-2012 school year was 14,673 students with similar projections for 2012-13 at 14,753.

District schools offer a number of educational options including: International Baccalaureate (IB) and pre-IB programs; a Science, Technology, Engineering & Mathematics (STEM) focus at one high school and two elementary schools; Core Knowledge programs; the Loveland area Integrated School of the Arts (LISA), K-12; and Advanced Placement programs. Also available is the Loveland/Berthoud Enrichment Access Program (LEAP), which supports parents who choose to school their children at home or outside a public setting. The district's TCAP scores are consistently above state averages. The district-wide graduating class of 2012 earned over \$13 million in scholarships

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 the superintendent, significantly influences operations, and is primarily accountable for fiscal matters. The District's Board is also empowered to levy a property tax on both real and personal properties located within its statutory boundaries.

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 no later than January 31 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 re-appropriated as part of the following year's budget. Unspent discretionary budgets at year-end may also be 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. 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.

Component units of the district as reported in this document include the two district charter schools. The charter's revenues from per pupil funding are included in district revenues and the transfer of those monies to the charters are considered district expenditures, even while the charters are a separate entity under the control and direction of their own respective governing boards. The District board maintains oversight responsibility. The Thompson Education Foundation is also a component unit reported here. Its funding is independent of the district with expenditures directed by its board to support education within the District.

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. The District has been negatively impacted by the region's loss of technology jobs in the past several years. In addition, the current national and statewide recession has had a predictable impact on the local area as well. The District remains the largest employer in Loveland and Berthoud.

There are seeds of optimism for new growth including the potential of bringing new business to the community through the ACE technology manufacturing park. Local retail sales opportunities remain poised for growth as well once economic recovery begins. The intersection of Interstate 25 & US Highway 34, an area of recent significant growth and considerable future promise for the region is located within the District.

State Funding. Because the General Fund revenues for public schools in Colorado are predominantly determined by the School Finance Act (SFA), total revenues will normally not fluctuate significantly with stable enrollment such as the District has experienced in recent years.

School districts are also subject to the provisions of an amendment to Article X, Section 20 of the State Constitution called the TABOR Amendment (Taxpayers 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 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 beyond.

In November 2000, Colorado voters approved an amendment to the State Constitution intended to establish minimum funding levels for public schools for 2001-2002 through 2010-2011. Known as Amendment 23, this mandate established a state level financial reserve intended to pay for K-12 funding growth of inflation plus 1% annually for the 10 year time period.

Beginning in 08/09 however, a significant state and national economic downturn has negatively impacted state budget revenues and local property values both of which fund the School Finance Act. As a result the state legislature introduced the "negative factor" into the school finance formula which has underfunded the SFA formula for three years and reduced per pupil funding the last two years. For the

District, per pupil funding cuts have reduced revenues by \$10.3 million annually with an additional \$3 million of inflation adjustments foregone.

Fiscal 2012-13 projects flat funding versus 2011-12 for Colorado school districts halting any immediate further erosion. Preliminary state budget planning suggests that fiscal 2013-14 might even fund inflation for school districts. But the outlook for the district, the state, and beyond remains cautionary in regard to economic recovery and school district funding.

District Response to State Funding Cuts

The District has adopted a balanced response to the above referenced revenue losses for three consecutive years now by using strategic expense reductions in combination with prudent use of district General Fund reserves.

Implementing an updated budget process with increased levels of stakeholder and community participation and input the District has attempted to maintain or improve service levels to its student populations in critical areas while responsibly reducing expenditure budgets in response to the funding reductions.

Over three years the district has implemented net budget cuts totaling \$8.2 MM even while paying for inflationary and strategic program investments. The opening of a new charter school in 2011-12 mitigates those savings by \$4.0 MM.

In addition to the budget reductions District budget managers also returned in 2010-11 one-time savings versus budget of more than \$4 MM in previously authorized expenditures accumulated over time.

Through consistent conservative fiscal management the District has been able to generate reserves available in part to help mitigate the impact of the recent funding cuts. During fiscal 2010-11 & 2011-12 the board authorized use of \$2 MM and \$7.25 MM respectively to support the continuance of important student academic program offerings. For fiscal 2012-13 that on-going need to use reserves has been reduced to just under \$3.3MM.

In addition to expense reductions and prudent use of reserves, the District requested authorization from local taxpayers for temporary (12 years) increased local funding of \$12.8 MM annually designed to mitigate on a longer term level the impact of state funding cuts. Voters rejected that request in November 2011.

The District's current level of General Fund reserves still provides flexibility when balancing ongoing expenditure cuts to revenue reductions in 2012-13. Reserve balances however may reach a level where they can longer provide that support. Ultimately, the District will need to see a sufficient combination of state funding rebound, increased local support, and deeper expenditure reductions to completely eliminate the \$3.3 MM annual imbalance.

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 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 in the Colorado Government Liquid Assets Trust (ColoTrust), a-AAA rated investment pool.

While district expenditures tend to be fairly consistent throughout the year, its revenue cycle reflects that of local property taxes for approximately 1/3 of its School Finance Act revenues. Those property tax

revenues are collected mostly during the latter part of the fiscal year. The district currently maintains sufficient internal reserves, which prevent any cash flow concerns. Longer term spending of those reserves could eventually create cash flows requiring the use of the state's interest-free loan program.

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, 2011. This was the twenty-third 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 fourteenth 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. Ron Cabrera
Superintendent of Schools



Stephen Towne
Chief Financial Officer



Luke Gonzales
Manager of Accounting & Reporting

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Thompson R2-J School District
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

THOMPSON R2-J SCHOOL DISTRICT

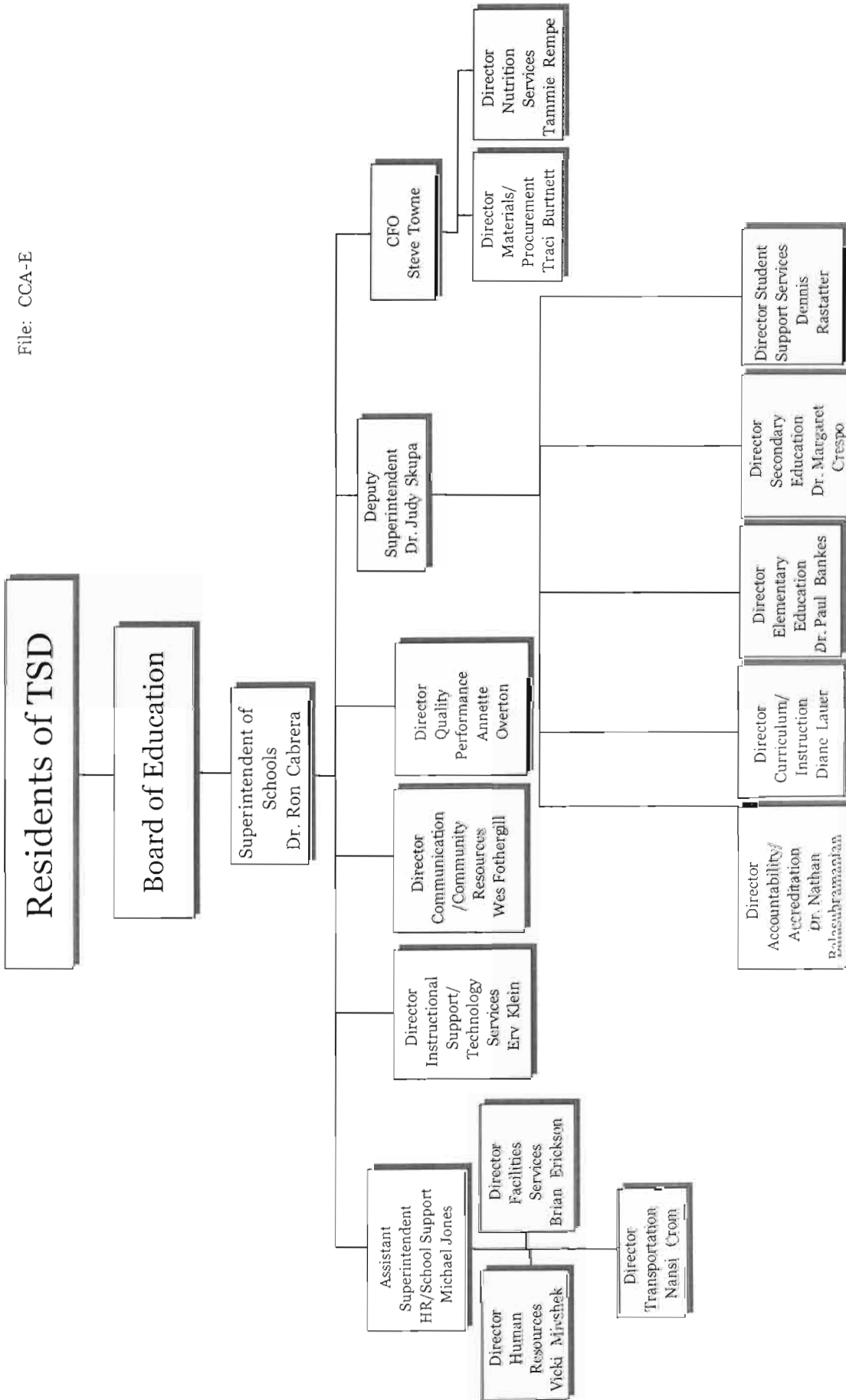
For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2011

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



Board of Education

Lola Johnson	Term Expires 2015
Bob Kerrigan	Term Expires 2015
Janice Marchman, Vice President	Term Expires 2013
Denise Montagu	Term Expires 2015
Sharon Olson, President	Term Expires 2013
Leonard Sherman, Treasurer	Term Expires 2013
Leslie Young, Secretary	Term Expires 2015

Superintendent's Executive Staff

Dr. Ronald G. Cabrera	Superintendent
Michael Jones	Assistant Superintendent, HR/School Support
Dr. Judy Skupa	Deputy Superintendent
Stephen Towne	Chief Financial Officer
Wesley Fothergill	Director of Communications and Community Resources
Erv Klein	Director of Instructional Support/Technology Services
Annette Overton	Director of Quality Performance
Shana Garcia	Executive Assistant to Superintendent/BOE Secretary

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

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).

Management’s Discussion and Analysis:

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

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, 2012, 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 did not audit the financial statements of the New Vision Charter School and the Loveland Classical Schools, which represent 86 percent and 94 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the New Vision Charter School and the Loveland Classical Schools, is based solely upon the reports of the other auditors.

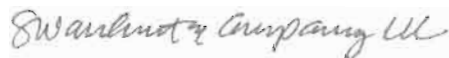
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, 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 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thompson School District R2-J's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.



December 12, 2012

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2012

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, 2012. 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 2012 are as follows:

- The District's government-wide net assets decreased approximately \$2.4 million during the fiscal year ended June 30, 2012. This planned decrease is primarily due to continued expenditure of 2005 bond proceeds, and using a portion of General Fund Reserves to mitigate continued school finance per pupil revenue decreases.
- Overall, government-wide revenues were down approximately \$4.9 million reflecting the school finance per pupil funding decrease that began in 2010-11 and continued further in 2011-12.
- Though the district strategically reduced General Fund expenditures in many areas in response to the state funding cuts, overall District expenses were still essentially flat. The strategic expense reductions were offset by increases to PERA pension costs, health insurance premiums, and new expenses to support the opening of the District's second charter school.
- Included within the overall net assets change is a decrease to business type activities net assets of approximately \$48,000 reflecting Nutrition Services revenue shortfalls resulting from snow days and unbudgeted in-service days.
- In March of 2012 the District refunded \$84.7 million of outstanding general obligation bonds. The transaction will reduce the debt service cash outlay over the remaining life of the bonds by \$5.63 million and result in an economic gain of \$4.78 million after adjusting for the time value of money.

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2012

Overview of the Financial Statements

The annual report consists of five parts.

1. Introduction - including pertinent organization profile information.
2. Management's Discussion & Analysis - including analysis of current year results & recent trends.
3. Basic Financial Statements - including government-wide and fund financials formats with associated Notes to the Financial Statements.
4. Supplementary Information - including Budget to Actual comparisons.
5. Statistical - providing broader relevant contextual information.

The *basic financial statements* include two different kinds of statements that present different views of the District.

1. Government-wide financial statements
2. Fund financial statements

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

1. The *statement of net assets* includes all of the District's assets and liabilities.
2. The *statement of activities* reports all of the current year's revenues and expenses regardless of when cash is received or paid.

Both government-wide statements report *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. To assess the District's overall health one needs to consider additional non-financial factors such as enrollment trends, changes in the District's property tax base and the condition of school buildings and other facilities.

In each of the government-wide financial statements the District's activities are divided into two distinct kinds of activities:

1. Governmental activities: Most of the District's basic services are included here such as instruction, support services, maintenance and operations, pupil transportation and administration.
2. 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.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012**

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 long-term debt) or to show that it is properly using certain revenues (such as federal grants). The District's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental Funds:** Most of the District's basic services are included in governmental funds which generally focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year end available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps 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, a reconciling schedule follows the governmental funds statements to help explain the relationship (or differences) between them.
2. **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 government-wide statements. The District's enterprise fund (one type of proprietary fund) is used to present the same functions as its business-type activities but provide more detail and additional information such as cash flows.
3. **Fiduciary Funds:** The District is agent, or fiduciary, for assets that belong to others such as the education memorial and student activities funds. The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2012

Analysis of Government-wide Financial Statements

State equalization, property taxes, and operating grants & contributions are the district's primary revenue sources overall as shown in Chart 1 below.

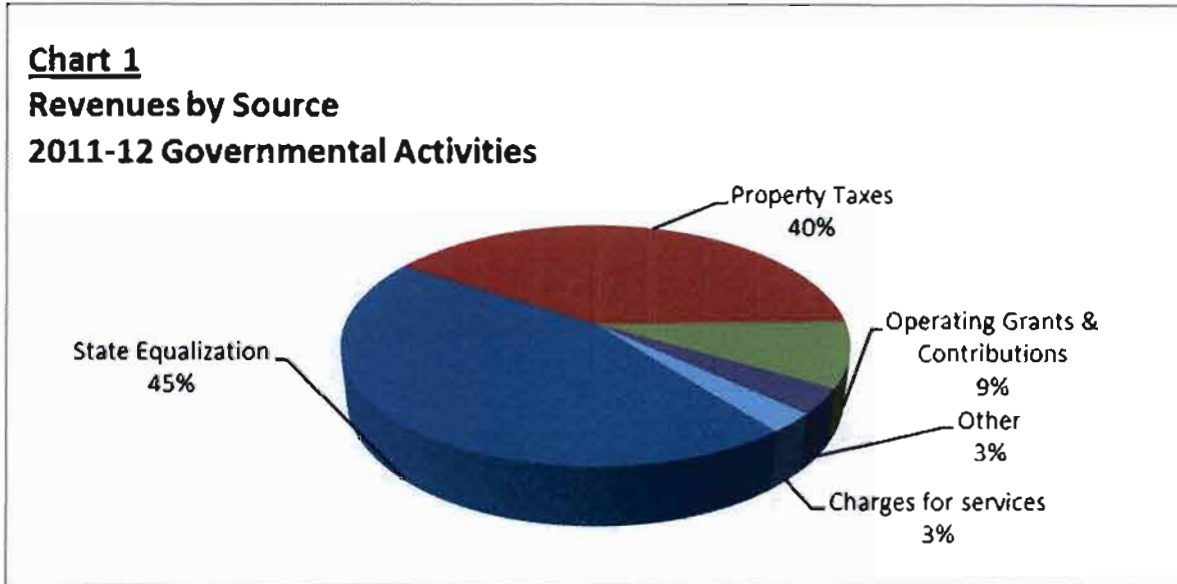
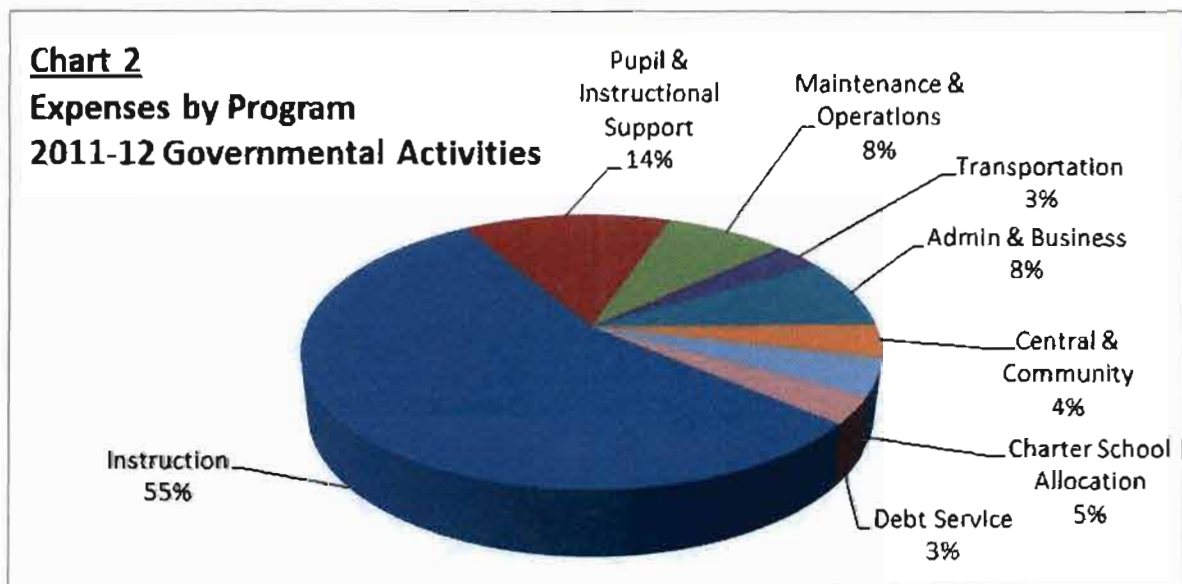


Chart 2 below presents the District's expenditures by major categories with direct instruction, and pupil and instructional support type expenditures receiving the greatest emphasis as expected.



**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012**

Chart 1 – Revenues by Source: 2011-12 Governmental Activities

- In fiscal 2011-12 the state supplied approximately two-thirds of school finance act funding for the District and statewide through equalization. These same monies are approximately 45% of total District revenues, and across districts statewide comprise more than 40% of the state's general fund expenditures budget. In recent years, as state revenues have been impacted by the recession, school finance funding has similarly been affected. School Finance Act monies are recorded in the District's General Fund.
- Local property taxes comprise about a third of the District's School Finance Act. In addition, the District collects property taxes through two different voter approved overrides to support particular General Fund services and an additional levy is used to fund the annual principal and interest payments of the District's bonded debt. Collectively property taxes are 40% of total governmental activities revenues.
- 9% of District revenues came from operating grants in 2012. Most significant among them are the Federal IDEA, Title and Head Start grants.
- The District charges a fee for certain supplemental services or programs such as full-day kindergarten, certain elective classes, and use of district run aquatics facilities.

Chart 2 – Expenditures by Category: 2011-12 Governmental Activities

- Classroom teacher salaries & benefits, curriculum, textbooks and instructional supplies and materials are the foundation of student instruction. They comprise the largest category of expenditure for the organization.
- The District spends another 14% of its expenditures in support of students and the staff that instruct them. Examples include counselors and instructional coaches.
- Maintenance and operation costs for the 30 different school sites and other district properties are 8% of District expenditures. Utility costs, maintenance and repairs are included here.
- Administration and business expenditures are primarily the school building principals, assistant principals, school secretaries and their related expenditures. It also includes the superintendent, board of education and staff and related expenditures to manage and oversee financial operations of the organization.
- 100% of the per pupil revenues derived from students enrolled in District charter schools are categorized as expenditures of the district when those monies flow to the charters for their expenditure.

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2012

Table 1
Condensed Statement of Net Assets
in millions

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011-2012
	2012	2011	2012	2011	2012	2011	
Assets							
Current & Other Assets	\$ 65,755	\$ 69,089	\$ 1,157	\$ 1,103	\$ 66,912	\$ 70,192	\$ -4.7%
Capital Assets	166,193	173,015	0,302	0,374	166,495	173,389	-4.0%
Total Assets	231,948	242,104	1,459	1,477	233,407	243,581	-4.2%
Liabilities							
Other Liabilities	24,403	23,987	0,295	0,269	24,698	24,256	1.8%
Long-Term Liabilities	116,996	125,218	0,021	0,017	117,017	125,235	-6.6%
Total Liabilities	141,398	149,205	0,317	0,286	141,715	149,491	-5.2%
Net Assets							
Invested in Capital net of related debt	50,837	54,767	0,302	0,374	51,139	55,141	-7.3%
Restricted	21,090	21,066	0,054	0,059	21,145	21,125	0.1%
Unrestricted	18,623	17,066	0,786	0,758	19,409	17,824	8.9%
Total Net Assets	\$ 90,550	\$ 92,899	\$ 1,143	\$ 1,191	\$ 91,692	\$ 94,090	\$ -2.5%

Table 2
Changes in Net Assets from Operating Results
in millions

	Governmental Activities		Business-Type Activities		Total School District	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 3,522	\$ 3,061	\$ 1,741	\$ 1,824	\$ 5,263	\$ 4,885
Operating Grants & Contributions	11,691	14,228	2,617	2,612	14,308	16,840
General revenues						
Property taxes	53,900	55,118	-	-	53,900	55,118
State revenue	59,316	57,405	-	-	59,316	57,405
Other	4,533	7,977	0,001	0,001	4,534	7,977
Total Revenues	132,962	137,788	4,358	4,437	137,320	142,225
Expenses						
Instruction	74,817	72,754	-	-	74,817	72,754
Pupil & Instructional Support	18,711	19,704	-	-	18,711	19,704
Administration & Business	10,917	11,293	-	-	10,917	11,293
Maintenance & Operations	10,971	12,532	-	-	10,971	12,532
Transportation	4,370	4,303	-	-	4,370	4,303
Central & Community	5,291	6,045	-	-	5,291	6,045
Interest on Long-Term Debt	4,406	5,978	4,406	4,320	8,812	10,298
Charter School Allocation	5,828	2,747	-	-	5,828	2,747
Total expenses	135,311	135,356	4,406	4,320	139,717	139,676
Transfers	-	(0,071)	-	0,071	-	-
Increase (decrease) in net assets	(2,349)	2,361	(0,048)	0,188	(2,397)	2,549
Net Assets - July 1	92,899	90,538	1,191	1,002	94,090	91,540
Net Assets - June 30	\$ 90,550	\$ 92,899	\$ 1,143	\$ 1,191	\$ 91,693	\$ 94,090

Costs for the prior year are presented in an updated format to match the more precise allocation method of the current year.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012**

The condensed Statement of Net Assets (Table 1 on previous page) is supported by the following additional analysis.

- The decrease in total current & other assets shown above is largely explained by a planned excess of expenses over revenues of \$2.5 million. This occurred in the Building Fund where remaining 2005 bond proceeds continue to be expended in support of District capital needs. The General Fund expended \$1.1 million of reserves to help mitigate the impact of a second year of revenue declines due to reduced State School Finance Act funding.
- Total capital assets, shown net of depreciation, decreased by approximately \$7 million reflecting excess annual depreciation \$7.7 million over new investment for the year of \$1.3 million. The District also disposed of buses and other properties no longer suitable for use within the District with a book value of approximately \$400,000.
- The total decrease in liabilities is primarily a result of annual debt service on the district's long-term debt.
- Business-type activities net assets, like the government-wide activities, experienced a small decrease to net assets (\$48k) because of an excess of expenses over revenues. Revenues fell short of plan in part due snow days and unbudgeted in-service days.

The condensed Changes in Net Assets from Operating Results (Table 2 on previous page) is supported by the following additional analysis.

- Governmental activities revenue decreased by approximately \$4.8 million. This decrease is primarily driven by lower School Finance Act per pupil revenue allotments across the state. Grants revenues declined with the expiration of federal stimulus monies in place for all of 2011.
- The District levied fewer property taxes in 2012 primarily because of a decrease in local assessed valuations and stable mill levies for the School Finance Act and the 2006 local voter-approved override.
- Expenses overall reflect very little change, almost flat with the prior year. But the opening of the District's second charter school results in an approximate \$3 million increase to that category. Additionally, spending on instruction also increased by \$2 million. To keep total expenses flat, the District reduced spending in several other categories.

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2012

Analysis of Fund Financial Statements

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal and state requirements. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. These funds are accounted for using the modified accrual basis of accounting.

Governmental Funds

FY 2012 financial results show governmental fund balances in total having declined from \$51.2 million to \$49.3 million by year end. The Building Fund, recipient of bond sale proceeds, has been steadily spending down these proceeds on District capital needs in accordance with legal guidelines, since receiving those proceeds in December 2005. For FY 2012, that spending was \$1.8 million leaving just \$824,000 remaining. The General Fund also spent down reserves in the amount of \$1.1 million. All other governmental funds show small net increases in fund balance for the year.

Proprietary Funds

The District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets in the Nutrition Services Fund were approximately \$800,000 at June 30, 2012. The decrease in net assets for the year (approximately \$48,000) was primarily the result of lost revenues for unplanned snow days and school in-service days.

General Fund Budgetary Highlights

The District began the year with a General Fund budget that included expenses in excess of revenues by \$7.26 million. In setting budget the Board moved cautiously to balance reserves use with strategic expenditure reductions in response to declining School Finance Act revenues of FY 2011 and FY 2012. A strong reserves position and conservative fiscal planning were keys to this strategy.

Mid-year, several budget adjustments of a net favorable impact were approved by the Board. Total budgeted revenue improvement of \$2.16 million was approved, the key elements of which are listed below.

- Growth in enrollment (\$1.35 million)
- Specific ownership tax collections (\$350,000)
- Sale of a District facility (\$500,000)

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012**

Expenses of the General Fund budget were increased by about \$150,000 in total. But within that net change several cost savings allowed for strategic re-investment. A summary list is provided below.

- Unspent staff vacancies and other salary & benefit savings provided funding for a one-time voluntary exit incentive expected to yield \$1.4 million in annual savings beginning in the FY 2013 budget.
- Utilities cost savings, charter school enrollment adjustments (\$250,000) and out of district special education services contracts (\$100,000) were other key expense reduction adjustments.
- Savings shown above funded budgetary increases to science curriculum (\$325,000), special education support (\$270,000) unemployment insurance, bus fuel, and carryover expenditures for school sites.

Budgeted transfers were reduced on a one-time basis (Grants by \$500,000 & Aquatics about \$200,000) as reserves in those receiving funds were sufficient to cover all obligations. In total the final budget improved by \$2.7 million dollars.

Actual performance against budget saw improvement as well. Revenues exceed the adjusted targets by almost \$.9 million with tax collections (property \$.64 million, specific ownership \$.1 million) comprising most of that improvement.

Expenditures were below final budget by \$2.5 million of which \$770,000 (curriculum, school site budgets and volunteer registration) will be carried forward for expenditure in FY 2013 reducing true savings to approximately \$1.7 million. Most significant within that total are salaries & benefits (\$400,000), extra duty contracts (\$200,000), unemployment insurance (\$180,000), facilities maintenance (\$180,000) and allowances for certain charter school credits (\$130,000).

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012**

Capital Assets

By the end of 2012, the District had invested \$166.5 million in land, buildings, equipment and transportation vehicles, \$166.2 million of which was in governmental activities. Table 3 provides a comparison of fiscal years 2012 and 2011.

**Table 3
Capital Assets at June 30, 2012
(Net of Depreciation, in Millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011-2012
	2012	2011	2012	2011	2012	2011	
Land	\$ 14.811	\$ 14.811	\$ -	\$ -	\$ 14.811	\$ 14.811	0.0%
Land Improvements	0.095	0.100	-	-	0.095	0.100	-5.3%
Water Rights	1.291	1.130	-	-	1.291	1.130	14.3%
Construction in Progress	-	2.095	-	-	-	2.095	-100.0%
Buildings	144.877	148.532	-	-	144.877	148.532	-2.5%
Equipment	2.710	3.318	0.302	0.374	3.012	3.692	-18.4%
Transportation	2.411	3.030	-	-	2.411	3.030	-20.4%
Totals	\$ 166.193	\$ 173.016	\$ 0.302	\$ 0.374	\$ 166.495	\$ 173.390	-4.0%

Depreciation of \$7.7 million on governmental activities assets was greater than the new investments net of disposals for the year of \$.89 million. This yields an overall decrease in net value of \$6.8 million. Similarly, the net value of business-type capital assets decreased by \$.072 million, the cost of depreciation on those assets for the year.

Debt Administration

At year-end, the District had \$120 million in bonds, certificates of participation, and capital leases payable. Of this total, \$7.9 million is due within one year.

**Table 4
Outstanding Debt at June 30, 2012
(in Millions)**

	Governmental Activities 2012	Governmental Activities 2011
General Obligation Bonds	\$ 116.327	\$ 124.096
Certificates of Participation	3.060	3.260
Capital Lease Obligation Payable	0.672	0.876
Total	\$ 120.059	\$ 128.232

Additional information on the District's long-term debt can be found in Notes 7 through 10 of this report.

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2012

Factors Bearing on the District's Future

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

- Fluctuations in student enrollment impact the primary revenue source for District General Fund operations, the School Finance Act. Enrollment has been stable for several years and is reasonably expected to remain so in the near future.
- Under state law, the District may contract with individuals and organizations for the operation of schools referred to as "charter schools," within the District. For purposes of the School Finance Act, pupils enrolled in charters within the District are included in the pupil enrollment of the District. Such charter schools are financed primarily from the associated per pupil revenues received under the School Finance Act. The District is required to pay its charters 100% of per pupil revenue for each pupil enrolled in the charter, less administrative and purchased services costs where applicable. The addition of new charter schools or expansion of existing charter schools could negatively impact the District's finances.
- The District continues to monitor national and state economic trends and their potential impact on the Colorado state budget. Funding for school districts in Colorado is approximately 40% of the State's budget and as a result State budget struggles can impact school districts as evidenced by per pupil funding cuts of the past two years. Funding for 2012-13 looks to have stabilized at 2011-12 levels. The governor's initial budget proposal for 2013-14 includes per pupil revenues adjusted upward for inflation estimates of 2.2%.
- The Public Employees Retirement Association (PERA) of Colorado, the pension plan that covers all District employees, will increase employer contribution rates by .9 percent per year through January 2018, culminating at 20.15%. The increase in contribution rates was enacted by the state legislature and the PERA board in order to increase pension plan funding levels in relation to actuarial calculations. The annual rate increases will be a key item in future District budget development discussions.
- Rising healthcare costs are expected to continue. The District's Joint Insurance Committee will continue to analyze, discuss and recommend all appropriate means of controlling this significant District cost.
- The District's General Fund Budget for fiscal 2013 includes expenditures in excess of revenues by almost \$3.3 million. The District continues to balance prudent use of available reserves against further cost reductions in response to School Finance Act per pupil revenue reductions of the past two years.
- The District expects to expend the remainder of the 2005 bond issue proceeds, as accounted for in the Building Fund, by the end of fiscal 2013. The proceeds have successfully provided for significant capital projects and maintenance across the District for the last eight years. With increased General Fund pressures impacting its support for

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012**

capital projects the District has begun analysis of upcoming capital project needs and potential financial strategies to meet them.

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

Thompson School District R2-J
Statement of Net Assets
As of June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Investments	\$ 60,319,589	\$ 832,394	\$ 61,151,983	\$ 2,220,427
Restricted Cash and Cash Equivalents	-	-	-	763,690
Receivables:	3,212,981	-	3,212,981	12,812
Grants Receivable	1,466,971	61,962	1,528,933	18,099
Prepaid Expense	-	-	-	79,710
Facility Advance Payment	-	-	-	540,000
Inventory	-	262,883	262,883	-
Total Current Assets	64,999,541	1,157,239	66,156,780	3,634,738
Noncurrent Assets				
Bond Issuance Costs, (net of Accumulated Amortization)	755,184	-	755,184	151,157
Capital Assets (net of Accumulated Depreciation - where applicable):				
Land	14,810,666	-	14,810,666	400,000
Water Rights	1,291,168	-	1,291,168	-
Land Improvements	94,678	-	94,678	-
Buildings	144,876,546	-	144,876,546	3,128,573
Equipment	2,709,557	302,113	3,011,670	-
Transportation	2,410,561	-	2,410,561	-
Total Noncurrent Assets	166,948,360	302,113	167,250,473	3,679,730
Total Assets	231,947,901	1,459,352	233,407,253	7,314,468
LIABILITIES				
Current Liabilities				
Accounts Payable	1,116,019	29,218	1,145,237	78,529
Retainage Payable	50,645	-	50,645	-
Accrued Salaries and Benefits	12,386,141	186,180	12,572,321	196,633
Accrued Interest Payable	208,546	-	208,546	81,465
Due to Other Governments	317,022	-	317,022	-
Unearned Revenue	-	75,211	75,211	46,312
Current Portion of Long-Term Debt	10,324,309	4,500	10,328,809	148,872
Total Current Liabilities	24,402,682	295,109	24,697,791	551,811
Noncurrent Liabilities				
Loan Payable	-	-	-	4,675,000
Bonds Payable	108,881,723	-	108,881,723	-
Certificates of Participation	2,860,000	-	2,860,000	-
Capital Lease Obligations	458,112	-	458,112	81,788
Compensated Absences	227,880	21,482	249,362	-
Early Retirement Stipends	4,567,844	-	4,567,844	-
Total Noncurrent Liabilities	116,995,559	21,482	117,017,041	4,756,788
Total Liabilities	141,398,241	316,591	141,714,832	5,308,599
Net Assets				
Invested in Capital Assets, net of Related Debt	50,836,568	302,113	51,138,681	(1,221,212)
Restricted for:				
Debt Service	14,653,486	-	14,653,486	489,282
TABOR	4,209,825	54,384	4,264,209	196,541
Land and Land Improvements	1,250,514	-	1,250,514	-
Grants	796,131	-	796,131	-
Colorado Preschool Program	180,177	-	180,177	-
Facility Advance Payment	-	-	-	540,000
Repairs and Replacements	-	-	-	81,750
Unrestricted	18,622,959	786,264	19,409,223	1,919,508
Total Net Assets	\$ 90,549,660	\$ 1,142,761	\$ 91,692,421	\$ 2,005,869

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Activities
For the Year Ended June 30, 2012

	Expenses	Charges for Service	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities				
Instruction	\$ 74,816,653	\$ 1,905,524	\$ 8,703,317	\$ -
Support Services				
Pupil Services	8,248,122	-	1,269,767	-
Instructional Staff	10,462,675	101,048	516,557	-
General Administration	1,282,987	-	-	-
School Administration	7,718,718	-	173,704	-
Business Services	1,915,333	16,722	-	-
Maintenance/Operations	10,971,086	-	52,211	-
Pupil Transportation	4,369,625	-	906,524	-
Central Supporting Services	4,471,462	1,496,176	-	-
Community Services	819,985	-	68,813	-
Total Support Services	50,259,993	1,616,946	2,987,576	-
Charter School Allocation	5,827,930	-	-	-
Interest on Long-term Debt	4,406,590	-	-	-
Total Governmental Activities	135,311,166	3,522,470	11,690,893	-
Business-Type Activities				
Nutritional Services	4,406,054	1,740,697	2,616,658	-
Total Business-Type Activities	4,406,054	1,740,697	2,616,658	-
Total Primary Government	139,717,220	5,263,167	14,307,551	-
Component Units				
New Vision Charter School	3,030,089	153,603	36,766	-
Loveland Classical Schools	3,086,671	8,339	195,000	39,906
Thompson Education Foundation	461,329	1,480	350,397	-
	\$ 6,578,089	\$ 163,422	\$ 582,163	\$ 39,906

General Revenues

Property taxes levied for:
 General Purposes
 Mill Levy Override
 Debt Services
Specific Ownership Taxes levied for:
 General Purposes
Equalization Entitlement
Payment in Lieu of Land Dedication
Interest and Investment Earnings
Grants and Contributions not
 Restricted to Specific Programs
Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement

Net (Expenses) Revenues
And Changes in Net Assets

Governmental Activities	Business-Type Activities	Total	Component Units
(64,207,812)	-	(64,207,812)	-
(6,978,355)	-	(6,978,355)	-
(9,842,070)	-	(9,842,070)	-
(1,282,987)	-	(1,282,987)	-
(7,545,014)	-	(7,545,014)	-
(1,898,611)	-	(1,898,611)	-
(10,918,875)	-	(10,918,875)	-
(3,463,101)	-	(3,463,101)	-
(2,975,286)	-	(2,975,286)	-
(751,172)	-	(751,172)	-
(45,655,471)	-	(45,655,471)	-
(5,827,930)	-	(5,827,930)	-
(4,406,590)	-	(4,406,590)	-
(120,097,803)	-	(120,097,803)	-
-	(48,699)	(48,699)	-
-	(48,699)	(48,699)	-
(120,097,803)	(48,699)	(120,146,502)	-
-	-	-	(2,839,720)
-	-	-	(2,843,426)
-	-	-	(109,452)
-	-	-	(5,792,598)
28,679,943	-	28,679,943	-
12,884,073	-	12,884,073	-
12,335,606	-	12,335,606	-
3,887,262	-	3,887,262	-
59,316,022	-	59,316,022	-
387,558	-	387,558	-
72,712	627	73,339	32,638
89,399	-	89,399	19,585
96,008	-	96,008	6,048,102
117,748,583	627	117,749,210	6,100,325
(2,349,220)	(48,072)	(2,397,292)	307,727
92,898,880	1,190,833	94,089,713	1,698,142
\$ 90,549,660	\$ 1,142,761	\$ 91,692,421	\$ 2,005,869

Thompson School District R2-J
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Government Designated- Purpose Grants</u>	<u>Bond Redemption</u>	<u>Building</u>
ASSETS				
Cash and Investments	\$ 39,300,438	\$ 936,519	\$ 13,891,567	\$ 866,034
Accounts Receivable	2,578,652	-	634,329	-
Grants Receivable	-	1,466,971	-	-
Total Assets	<u>\$ 41,879,090</u>	<u>\$ 2,403,490</u>	<u>\$ 14,525,896</u>	<u>\$ 866,034</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 734,701	\$ 156,902	\$ -	\$ 36,151
Retainage Payable	-	21,777	-	5,571
Accrued Salaries and Benefits	11,147,143	1,074,620	-	-
Due to Other Governments	-	317,022	-	-
Deferred Revenue	1,378,484	-	409,724	-
Total Liabilities	<u>13,260,328</u>	<u>1,570,321</u>	<u>409,724</u>	<u>41,722</u>
Fund Balances				
Restricted for:				
TABOR	4,161,119	37,038	-	-
Debt Services	-	-	14,116,172	-
Capital Projects	-	-	-	824,312
Land & Land Improvements	-	-	-	-
Grants	-	796,131	-	-
Preschool	180,177	-	-	-
Committed to: Student Specific Programs	-	-	-	-
Assigned to: Capital Projects	-	-	-	-
Unassigned	24,277,466	-	-	-
Total Fund Balances	<u>28,618,762</u>	<u>833,169</u>	<u>14,116,172</u>	<u>824,312</u>
Total Liabilities and Fund Balances	<u>\$ 41,879,090</u>	<u>\$ 2,403,490</u>	<u>\$ 14,525,896</u>	<u>\$ 866,034</u>

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, 2012

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>																																																										
<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">\$ 5,325,031</td> <td style="width: 15%;">\$ 60,319,589</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">3,212,981</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">1,466,971</td> <td colspan="3"></td> </tr> <tr> <td style="border-top: 1px solid black; text-align: center;">\$ 5,325,031</td> <td style="border-top: 1px solid black; text-align: center;">\$ 64,999,541</td> <td colspan="3"></td> </tr> </table>	\$ 5,325,031	\$ 60,319,589				-	3,212,981				-	1,466,971				\$ 5,325,031	\$ 64,999,541					Amounts reported for governmental activities in the statement of net assets are different because:																																					
\$ 5,325,031	\$ 60,319,589																																																										
-	3,212,981																																																										
-	1,466,971																																																										
\$ 5,325,031	\$ 64,999,541																																																										
		Total Fund Balance - Governmental Funds	\$	49,341,506																																																							
		Capital assets used in governmental activities are not financial resources & therefore are not reported as assets in governmental funds.																																																									
		The cost of capital assets is	263,036,816																																																								
		Accumulated depreciation is	(96,843,640)	166,193,176																																																							
		Revenues that do not provide current financial resources are deferred in the governmental funds but are recognized in the government-wide financial statements. This amount represents property tax receivable not available at year-end.		1,788,208																																																							
		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:																																																									
<table border="0" style="width: 100%;"> <tr> <td style="width: 15%; text-align: center;">375,940</td> <td style="width: 15%; text-align: center;">15,658,035</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">11,668</td> <td style="text-align: center;">4,209,825</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">336,136</td> <td style="text-align: center;">14,452,308</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">824,312</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">1,250,514</td> <td style="text-align: center;">1,250,514</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">796,131</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">180,177</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">1,359,266</td> <td style="text-align: center;">1,359,266</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">1,991,507</td> <td style="text-align: center;">1,991,507</td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">24,277,466</td> <td colspan="3"></td> </tr> <tr> <td style="border-top: 1px solid black; text-align: center;">4,949,091</td> <td style="border-top: 1px solid black; text-align: center;">49,341,506</td> <td colspan="3"></td> </tr> </table>	375,940	15,658,035				11,668	4,209,825				336,136	14,452,308				-	824,312				1,250,514	1,250,514				-	796,131				-	180,177				1,359,266	1,359,266				1,991,507	1,991,507				-	24,277,466				4,949,091	49,341,506					Accrued Interest Payable	(208,546)	
375,940	15,658,035																																																										
11,668	4,209,825																																																										
336,136	14,452,308																																																										
-	824,312																																																										
1,250,514	1,250,514																																																										
-	796,131																																																										
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1,359,266	1,359,266																																																										
1,991,507	1,991,507																																																										
-	24,277,466																																																										
4,949,091	49,341,506																																																										
		Bonds Payable	(110,402,114)																																																								
		Bond Issuance Costs	755,184																																																								
		Loss on Reissuance Cost	13,309,367																																																								
		Premium on Bond Financing	(15,356,248)																																																								
		Deferred Interest	(3,877,728)																																																								
		Capital Lease Obligations	(671,925)																																																								
		Certificates of Participation	(3,060,000)																																																								
		Compensated Absences	(507,880)																																																								
		Early Retirement Stipends	(6,753,240)	(126,773,230)																																																							
		Total Net Assets - Governmental Activities	\$	90,549,660																																																							
\$ 5,325,031	\$ 64,999,541																																																										

Thompson School District R2-J
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Government Designated- Purpose Grants	Bond Redemption	Building
Revenue				
Taxes	\$ 46,188,403	\$ -	\$ 12,477,704	\$ -
Intergovernmental	65,462,217	8,479,715	-	-
Investment earnings	35,277	1,371	15,273	2,176
Other	-	-	-	-
TOTAL REVENUE	111,685,897	8,481,086	12,492,977	2,176
Expenditures				
Current				
Instruction				
Salaries and Benefits	57,286,625	4,643,886	-	-
Purchased Services	1,677,842	121,882	-	-
Supplies and Materials	1,649,739	200,384	-	-
Equipment	602,807	158,651	-	-
Other Expenditures	63,384	523	-	-
Total Instruction	61,280,397	5,125,326	-	-
Support Services				
Pupil Services	7,033,557	1,215,273	-	-
Instructional Staff	8,463,441	1,273,507	-	-
General Administration	1,018,092	-	-	264,895
School Administration	7,297,415	355,200	-	-
Business Services	1,908,848	-	-	-
Maintenance/Operations	10,318,952	293,131	-	604,973
Pupil Transportation	3,729,359	8,439	-	-
Central Supporting Services	3,264,272	-	-	-
Community Services	8,475	58,889	-	-
Total Support Services	43,042,411	3,204,439	-	869,868
Capital Projects	-	-	-	967,618
Charter School Allocation	5,827,930	-	-	-
Debt Service - Principal	-	-	3,206,430	-
Debt Service - Interest	-	-	7,879,058	-
Bond Issuance Cost	-	-	740,029	-
TOTAL EXPENDITURES	110,150,738	8,329,765	11,825,517	1,837,486
Excess (Deficiency) of Revenues Over/(Under) Expenditures	1,535,159	151,321	667,460	(1,835,310)
Other Financing Sources (Uses)				
Proceeds from Bond Issuance	-	-	84,740,000	-
Premium on Bond Issuance	-	-	14,761,217	-
Payment to Escrow Agent	-	-	(99,819,555)	-
Transfers In	-	61,739	-	-
Transfers Out	(2,643,417)	-	-	-
Total Other Financing Sources (Uses)	(2,643,417)	61,739	(318,338)	-
Net Change in Fund Balances	(1,108,258)	213,060	349,122	(1,835,310)
Fund Balances - Beginning of the Year	29,727,020	620,109	13,767,050	2,659,622
Fund Balances - End of the Year	\$ 28,618,762	\$ 833,169	\$ 14,116,172	\$ 824,312

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, 2012

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>			
\$	-	\$ 58,666,107	Amounts reported for governmental activities in the statement of activities are different because:		
	-	73,941,932	Total net change in fund balances - governmental funds	\$	(1,817,513)
	18,615	72,712	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 an annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and loss on disposal exceeded capital outlay in the current year.		
	<u>2,034,322</u>	<u>2,034,322</u>	Depreciation expense	(7,713,016)	
	<u>2,052,937</u>	<u>134,715,073</u>	Loss on Disposal	(418,160)	
			Capital Outlay	<u>1,308,681</u>	(6,822,495)
	686,041	62,616,552	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the changes in property taxes and grants not available at year-end		(1,334,966)
	76,449	1,876,173	In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (severance incentive) - 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 \$1,979,819 were less than the amounts earned (\$2,611,296) by (\$631,477). Vacation used \$733,756 was less than the amounts earned (\$740,362) by (\$6,606).		(638,083)
	145,679	1,995,802	Repayments of bonds are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.		3,206,430
	135,870	897,328	Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: debt issued (\$84,740,000), payment to escrow agent \$99,819,555, bond premiums (\$14,761,217), debt issuance costs \$740,029, amortization of debt issuance cost (\$51,651), bond premiums \$620,988, deferred amounts on refunding (\$443,293), accrued interest (\$377,637), interest paid \$3,823,569 and change in accrued interest payable \$22,810.		4,653,153
	28,962	92,869	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.		
	<u>1,073,001</u>	<u>67,478,724</u>	Principal Payment of COP's	200,000	
	18,689	8,267,519	Principal Payment of Capital Lease	<u>204,254</u>	
	775,552	10,512,500	Change in net assets of governmental activities	\$	<u>(2,349,220)</u>
	-	1,282,987			
	66,103	7,718,718			
	6,485	1,915,333			
	542,416	11,759,472			
	-	3,737,798			
	256,953	3,521,225			
	753,320	820,684			
	<u>2,419,518</u>	<u>49,536,236</u>			
	-	967,618			
	-	5,827,930			
	404,254	3,610,684			
	173,969	8,053,027			
	-	740,029			
	<u>4,070,742</u>	<u>136,214,248</u>			
	(2,017,805)	(1,499,175)			
	-	84,740,000			
	-	14,761,217			
	-	(99,819,555)			
	2,581,678	2,643,417			
	-	(2,643,417)			
	<u>2,581,678</u>	<u>(318,338)</u>			
	563,873	(1,817,513)			
	<u>4,385,218</u>	<u>51,159,019</u>			
\$	<u>4,949,091</u>	<u>\$ 49,341,506</u>			

Thompson School District R2-J
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Nutrition Services Fund
ASSETS	
Current Assets	
Cash and Investments	\$ 832,394
Grants Receivable	61,962
Inventory	262,883
Total current assets	1,157,239
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	302,113
TOTAL ASSETS	1,459,352
LIABILITIES	
Current Liabilities	
Accounts Payable	29,218
Accrued Salaries and Benefits	186,180
Unearned Revenue	75,211
Current portion of Compensated Absences	4,500
Total Current Liabilities	295,109
Noncurrent Liabilities	
Compensated Absences	21,482
Total Noncurrent Liabilities	21,482
Total Liabilities	316,591
NET ASSETS	
Invested in Capital Assets	302,113
Restricted for TABOR	54,384
Unrestricted	786,264
Total Net Assets	\$ 1,142,761

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, 2012

	Nutrition Services Fund
Operating Revenue	
Food Sales and Catering Sales	\$ 1,740,697
TOTAL OPERATING REVENUE	1,740,697
Operating Expenses	
Salaries and Benefits	2,252,615
Purchased Services	70,632
Supplies and Materials	2,000,487
Equipment	10,029
Depreciation	72,291
TOTAL OPERATING EXPENSES	4,406,054
Operating Loss	(2,665,357)
Non-Operating Revenue	
Federal Aid:	
USDA Reimbursements	2,415,060
Donated Commodities	130,117
State Categorical Reimbursement	71,481
Interest Earnings	627
TOTAL NON-OPERATING REVENUE	2,617,285
Change in Net Assets	(48,072)
Net Assets	
Beginning of the Year	1,190,833
Net Assets	
End of the Year	\$ 1,142,761

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, 2012**

		<u>Nutrition Services Fund</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$	1,742,206
Cash Payments to Suppliers for Goods and Services		(1,959,106)
Cash Payments to Employees for Services		<u>(2,203,514)</u>
Net Cash Used by Operating Activities		<u>(2,420,414)</u>
Cash Flows from Noncapital Financing Activities		
Cash Received from Federal Government		2,434,088
Cash Received from State		<u>71,481</u>
Net Cash Provided by Non-capital Financing Activities		<u>2,505,569</u>
Cash Flows from Investing Activities		
Interest Received		<u>627</u>
Net Increase in Cash and Cash Equivalents		85,782
Cash and Cash Equivalents at the Beginning of the Year		<u>746,612</u>
Cash and Cash Equivalents at the End of the Year	\$	<u><u>832,394</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$	(2,665,357)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		72,291
USDA Commodities Food Used		130,117
Changes in Assets and Liabilities		
Decrease (Increase) in Inventory		12,075
Increase (Decrease) in Accounts Payable		(20,150)
Increase (Decrease) in Accrued Salaries and Benefits		44,432
Increase (Decrease) in Unearned Revenue		1,509
Increase (Decrease) in Compensated Absences		<u>4,669</u>
Net Cash Used by Operating Activities	\$	<u><u>(2,420,414)</u></u>
Non-cash Investing, Capital and Financing Activities		
Federal Aid:		
Donated Commodities	\$	<u>130,117</u>
Total Non-cash Investing, Capital and Financing Activities	\$	<u><u>130,117</u></u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Fiduciary Assets and Liabilities
As of June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,267,683
Accounts Receivable	<u>77</u>
TOTAL ASSETS	\$ <u><u>1,267,760</u></u>
LIABILITIES	
Liabilities	
Accounts Payable	\$ 26,470
Accrued Salaries and Benefits	7,225
Undistributed Monies	<u>1,234,065</u>
TOTAL LIABILITIES	\$ <u><u>1,267,760</u></u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

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 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, 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 has no financial activity other than debt payments included in the District's Capital Projects Fund. Therefore, the corporation is not separately presented in the financial statements. The Corporation does not publish individual component unit financial statements.

Discrete Component Units:

The District includes the New Vision Charter School, Loveland Classical Schools and Thompson Education Foundation, which is a nonprofit entity, (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. New Vision Charter School issues separate financial statements, which can be obtained at the school, 2366 E. 1st Street, Loveland, CO 80537. Loveland Classical Schools issues separate financial statements, which can be obtained at the school, 3835 14th Street Southwest, Loveland, CO 80537. Thompson Education Foundation does not issue separate financial statements.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

(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 restricted or committed 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, certain extracurricular athletic and other pupil activities.

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 Bond Redemption Fund is a debt service 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 – This fund accounts for the debt proceeds to be used to construct, renovate and equip capital facilities.

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.

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

results of operations. The District has two agency funds, The Education Memorial Fund and Interscholastic Athletic and Activity Fund.

(C) Basis of Presentation

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

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

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

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

(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 except for Grants which is ninety days.

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, special ownership taxes collected within 30 days after year-end, interest, tuition, grants and student fees.

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

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

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 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, money market funds 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. 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) 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, and as expense when used.

(G) Capital Assets

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

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

All reported capital assets are depreciated with the exception of land, water rights & construction-in-progress. 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

(H) 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 payment at separation of employment. 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 45 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 40 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. Currently, payments under the severance plan are scheduled through fiscal year 2018. The severance plan is structured to comply with the legal requirements of Title X of the Colorado Constitution (also known as the Tabor Amendment). The District budgets the subsequent year's available resources for severance, severance incentive and eligible accumulated leave benefits. Therefore, the entire unpaid liability for early retirement and sick leave paid upon retirement for governmental funds is reported on the government-wide financial statements. Amounts for sick leave to be paid with the severance and early retirement bonus are included in severance incentive stipends payable. The compensated absences balance is the accrual for active employees. The amounts recorded as liabilities for all compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

(I) Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. 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. 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.

(J) Fund Balance

In the fund financial statements, fund balance is restricted when constraints placed on the use of resources are externally imposed.

In the fund financial statements, governmental funds report committed fund balances when the Board of Education commits resources for the specific purpose through passage of a resolution. In the fund statements, assigned fund balance is reported when the Board of Education intends to use resources for a specific purpose but without a formal action. The Board of Education through resolution has given the superintendent or their designee the authority to assign these fund balances. The District has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the District uses restricted fund balances first, followed by assigned and unassigned balances.

(K) 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 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.

(L) 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.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

NOTE (2) Cash and Investments

(A) Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. At June 30, 2012 the State regulatory commissioners had indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2012, the District had deposits of \$4,969,757 collateralized with securities held by the financial institutions' agents, but not in the District's name.

(B) Investments

The District is required to comply with State statutes, which specify investment instruments meeting defined rating, maturity, custodial 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

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statute generally limits investments to a maturity of five years from date of purchase.

Credit Risk – State statutes limit investments in U.S. Agency securities and commercial paper to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO.

Concentration of Credit Risk – Except for corporate securities, State statutes generally do not limit the amount the district may invest in a single issuer.

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

Local government investment pools – At June 30, 2012, the District had \$58,967,204 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). The pool is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the pool. ColoTrust operates in conformity with the Securities and Exchange Commissions Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. The pool is rated AAAM by Standard and Poor’s. Investments of the pool are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

Investment Type	Rating	Investment Maturities (In Years)			Thompson	All	Fair Value
		Less than 1	1 - 3	3 +	Ed. Fnd.	Other Funds	
Money Market Funds	AAAm	\$ 8,531	\$ -	-	\$ -	\$ 8,531	\$ 8,531
Money Market Funds	AAAm	354,646	-	-	354,646	-	354,646
Local Government Investment Pool	AAAm	58,967,204	-	-	-	58,967,204	58,967,204
Corporate Bonds	BBB-/AA+	51,297	133,332	142,156	326,785	-	326,785
Commercial Paper	A1	336,049	-	-	-	336,049	336,049
U.S. Agency Securities	AA+	50,928	26,587	57,705	135,220	-	135,220
Municipal Bonds	AA-/AAA	-	-	109,697	109,697	-	109,697
		<u>\$ 59,768,655</u>	<u>\$ 159,919</u>	<u>\$ 309,558</u>	<u>\$ 926,348</u>	<u>\$ 59,311,784</u>	<u>\$ 60,238,132</u>

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

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

Cash on Hand	\$ 806
Cash and Deposits	3,210,644
Investments	<u>60,238,132</u>
Total	<u>\$ 63,449,582</u>
Statement of Net Assets:	
Primary Government Cash and Investments	\$ 61,151,983
Thompson Education Foundation Cash and Investments	1,029,916
Fiduciary Funds Cash and Investments	<u>1,267,683</u>
Total	<u>\$ 63,449,582</u>

NOTE (3) Receivables

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

Receivables at June 30, 2012 consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

General Fund

Property taxes - current and delinquent	\$ 2,461,540
Accounts receivable - other	<u>117,112</u>
	2,578,652

Debt Service Fund

Property taxes - current and delinquent	<u>634,329</u>
 Total Primary Government Receivables	 <u>\$ 3,212,981</u>

NOTE (4) Interfund Balances / Transfers

Interfund transfers at June 30, 2012, were composed of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:			
Government Designated-Purpose Grants	General		\$ <u>61,739</u>
Non-Major Funds:			
Fee Supported Programs	General		199,600
Capital Projects	General		<u>2,382,078</u>
	Sub-total		<u>2,581,678</u>
	Total		<u>\$ 2,643,417</u>

The General Fund routinely subsidizes programs of the Fee Supported Fund. The General Fund also transfers monies to the Grants Fund, which the majority of the monies are for Early Childhood Special Education and the balance are for matching programs. The General Fund transfers monies to the Capital Projects Fund for certain capital outlay.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

NOTE (5) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Capital Assets July 1, 2011	Additions	Deletions / Transfers	Capital Assets June 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 14,810,666	\$ -	\$ -	\$ 14,810,666
Water Rights	1,130,500	160,668	-	1,291,168
Construction in Progress	2,095,092	893,875	(2,988,967)	-
Total capital assets, not being depreciated	<u>18,036,258</u>	<u>1,054,543</u>	<u>(2,988,967)</u>	<u>16,101,834</u>
Capital assets, being depreciated:				
Land Improvements	105,198		-	105,198
Buildings	224,463,781	2,921,927	(824,072)	226,561,636
Equipment	8,585,795	254,138	-	8,839,933
Transportation	11,644,885	67,040	(283,710)	11,428,215
Total capital assets, being depreciated	<u>244,799,659</u>	<u>3,243,105</u>	<u>(1,107,782)</u>	<u>246,934,982</u>
Less accumulated depreciation for:				
Land Improvements	(5,260)	(5,260)	-	(10,520)
Buildings	(75,932,067)	(6,177,182)	424,159	(81,685,090)
Equipment	(5,267,656)	(862,720)	-	(6,130,376)
Transportation	(8,615,263)	(667,854)	265,463	(9,017,654)
Total accumulated depreciation	<u>(89,820,246)</u>	<u>(7,713,016)</u>	<u>689,622</u>	<u>(96,843,640)</u>
Total capital assets, being depreciated, net	<u>154,979,413</u>	<u>(4,469,911)</u>	<u>(418,160)</u>	<u>150,091,342</u>
Governmental Activities Capital Assets, Net	<u>\$ 173,015,671</u>	<u>\$ (3,415,368)</u>	<u>\$ (3,407,127)</u>	<u>\$ 166,193,176</u>
Business-Type Activities				
Furniture and Equipment	\$ 2,954,643	\$ -	\$ -	\$ 2,954,643
Less Accumulated Depreciation	<u>(2,580,239)</u>	<u>(72,291)</u>	<u>-</u>	<u>(2,652,530)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 374,404</u>	<u>\$ (72,291)</u>	<u>\$ -</u>	<u>\$ 302,113</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

Depreciation expense for the year ended June 30, 2012 was charged to the following governmental functions:

Instruction	4,242,158
Support Services	
Pupil Services	482,064
Instructional Staff	462,781
General Administration	57,848
School Administration	385,651
Business Services	77,130
Maintenance/Operations	1,497,868
Pupil Transportation	179,713
Central Supporting Services	231,390
Community Services	96,413
Total	<u>7,713,016</u>

NOTE (6) 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, 2012, are estimated to be \$12,572,321. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE (7) General Obligation Bonds Payable

In March 2012 the District entered into an arrangement to issue new bonds (the 2012 bonds) for the purpose of refunding bonds previously issued. The District issued \$84,740,000 of bonds, proceeds of which were deposited with an escrow agent to affect an in-substance defeasance of \$84,725,000 of the 2005 bonds (which are outstanding at June 30, 2012 but are considered defeased, and are not included in these financial statements).

\$84,740,000 General Obligation Refunding Bonds, Series 2012, were issued to refund a portion of the General Obligation Bonds, Series 2005. The refunding resulted in an accounting loss of \$12,539,804. The district decreased its aggregate debt service payments by approximately \$6,689,386 and incurred an economic gain of approximately \$4,779,614. Principal payments are due annually on December 15, through 2025. Interest payments are due semi-annually on June 15, and December 15.

On July 29, 2003, the District issued \$25,660,000 in general obligation bonds. The bond proceeds were used to refund the Series 1996. The first table is the remaining principal and interest due from the portion of the 1996 Series Bonds, which were not refunded. Principal and interest payments are due annually on December 15, through 2012. The second table identifies the remaining principal and interest due on the 2003 bond issue as of June 30, 2012. Principal payments are due annually on December 15, through 2016. Interest payments are due semi-annually on June 15, and December 15.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

On December 20, 2005, the District issued \$89,215,000 in general obligation bonds. Table three details the remaining principal and interest due on the 2005 bond subsequent to the 2012 refunding issue. Principal payments are due annually on December 15, through 2015. Interest payments are due semi-annually on June 15, and December 15. Table four represents the principal and interest due on the 2012 Bonds as of June 30, 2012.

Table 1

Series 1996 Deferred Interest
Interest Rate 5.4% to 5.5%
Principal and Interest December 15

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,912,114	\$ 4,002,886	\$ 6,915,000
Totals	\$ 2,912,114	\$ 4,002,886	\$ 6,915,000

Table 2

Series 2003A Refunding Bonds
Interest Rate 2.75% to 5.25%
Principal December 15 – Interest June 15, December 15

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	383,863	5,143,863
2017	<u>5,045,000</u>	<u>132,431</u>	<u>5,177,431</u>
Total	\$ 18,670,000	\$ 2,765,725	\$ 21,435,725

Table 3

Series 2005 Bonds
Interest Rate 4.00% to 5.00%
Principal December 15 – Interest June 15, December 15

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 130,000	176,350	\$ 306,350
2014	1,205,000	149,650	1,354,650
2015	1,300,000	98,900	1,398,900
2016	<u>1,445,000</u>	<u>36,125</u>	<u>1,481,125</u>
Total	\$ 4,080,000	\$ 461,025	\$ 4,541,025

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

Table 4
Series 2012 Bonds
Interest Rate 2.00% to 5.00%
Principal December 15 – Interest June 15, December 15

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 400,000	\$ 3,712,000	\$ 4,112,000
2014	100,000	3,707,000	3,807,000
2015	100,000	3,705,000	3,805,000
2016	100,000	3,703,000	3,803,000
2017	1,700,000	3,689,250	5,389,250
2018	7,135,000	3,506,300	10,641,300
2019	7,605,000	3,145,975	10,750,975
2020	8,105,000	2,759,975	10,864,975
2021	8,625,000	2,353,975	10,978,975
2022	9,180,000	1,938,350	11,118,350
2023	9,725,000	1,574,819	11,299,819
2024	10,140,000	1,213,987	11,353,987
2025	10,675,000	784,344	11,459,344
2026	<u>11,150,000</u>	<u>278,750</u>	<u>11,428,750</u>
Total	<u>\$ 84,740,000</u>	<u>\$ 36,072,725</u>	<u>\$ 120,812,725</u>

NOTE (8) 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 Projects Fund. Principal payments are due annually on December 1, through 2023. Interest payments are due semi-annually on June 1, and December 1.

The table below identifies the remaining principal and interest due on the 2004 COP issue as of June 30, 2012.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

Table 1

Series 2004 Certificates of Participation
Interest Rate 1.85% to 4.50%
Principal December 1 – Interest June 1, December 1

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,060,000</u>	<u>\$ 867,450</u>	<u>\$ 3,927,450</u>

NOTE (9) Capital Leases

Year ended June 30,

2013	245,259
2014	245,259
2015	245,259
Amount Representing Interest	<u>(63,852)</u>
Present Value of Minimum Lease Payments	<u>\$671,925</u>

The district has a lease with Sun Trust Leasing Corporation, which was entered into on September 15, 2002 for the original amount of \$2,233,253. Twelve annual payments of \$245,259 began on July 1, 2003 through July 1, 2014. 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 Projects 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, 2012

NOTE (10) 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, 2012:

	June 30, 2011	Additions	Deletions	June 30, 2012	Amount Due in One Year
Governmental activities:					
Bonds Payable (principal)	\$ 113,593,544	\$ 84,740,000	\$ 87,931,430	\$ 110,402,114	\$ 3,442,114
Premium Bond Refinancing '12	-	14,761,217	283,870	14,477,347	-
Premium Bond Issuance '05	3,517,306	-	3,367,255	150,051	-
Premium Bond Issuance '03	874,619	-	145,769	728,850	-
Bond Reissuance Loss '12	-	(12,539,804)	(241,150)	(12,298,654)	-
Bond Reissuance Loss '03	(1,212,856)	-	(202,143)	(1,010,713)	-
Accrued Interest 1996	7,323,660	377,637	3,823,569	3,877,728	4,002,886
Certificates of Participation	3,260,000	-	200,000	3,060,000	200,000
Capital Lease Obligations Payable	876,179	-	204,254	671,925	213,813
Compensated Absences*	501,274	740,362	733,756	507,880	280,000
Severance-Incentive Payable*	6,121,863	2,611,296	1,979,819	6,753,340	2,185,496
Total	<u>\$ 134,855,589</u>	<u>\$ 90,690,708</u>	<u>\$ 98,226,429</u>	<u>\$ 127,319,868</u>	<u>\$ 10,324,309</u>
Business-type activities:					
Compensated Absences	<u>\$ 21,313</u>	<u>\$ 17,744</u>	<u>\$ 13,075</u>	<u>\$ 25,982</u>	<u>\$ 4,500</u>

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

(B) Annual Requirements

Listed below are the annual requirements to amortize all long-term debt at June 30, 2012:

Year Ending June 30,	General Obligation Bonds	Capital Lease/COP Obligations	Compensated Absences	Severance Incentive Stipends	Total
2013	\$ 12,212,275	\$ 570,973	\$ -	\$ 2,185,496	\$ 14,968,744
2014	10,255,919	573,588	-	1,779,789	12,609,296
2015	10,345,138	575,165	-	1,218,799	12,139,102
2016	10,427,988	330,769	-	899,375	11,658,132
2017	10,566,681	326,351	-	621,892	11,514,924
2018-2022	54,354,574	1,632,919	-	47,989	56,035,482
2023-2026	45,541,900	653,462	-	-	46,195,362
Due in accordance with District leave policies	-	-	507,880	-	507,880
Less amounts representing interest	<u>(43,302,361)</u>	<u>(931,302)</u>	<u>-</u>	<u>-</u>	<u>(44,233,663)</u>
Principal Due	<u>\$110,402,114</u>	<u>\$3,731,925</u>	<u>\$ 507,880</u>	<u>\$ 6,753,340</u>	<u>\$121,395,259</u>

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

NOTE (11) Defined Benefit Pension Plan

(A) Plan Description

The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). SDTF provides retirement and disability, annual increases and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for SDTF. That report may be obtained by writing to PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

(B) Funding Policy

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 was 8%. The District's contribution rate for calendar years 2012, 2011, and 2010 was 15.65%, 14.75%, and 13.85% of covered salaries, respectively. A portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 12). The District's contributions to SDTF for the years ending June 30, 2012, 2011, and 2010 were \$11,307,259, \$10,953,425 and \$10,297,588, respectively, equal to their required contributions for each year.

NOTE (12) 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, 1301 Pennsylvania 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% 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 apportionment to HCTF for the years ending June 30, 2012, 2011, 2010 was \$758,615, \$780,937, and \$782,270, respectively, equal to the required amounts.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

NOTE (13) Risk Management

Colorado School District Self Insurance Pool

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

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

The District's contribution to CSDSIP is funded by premium contributions through a transfer from the General Fund to the Capital Reserve Fund. The fund is also used to cover the purchase of commercial insurance for workers' compensation coverage and other types of coverage not provided in the pool agreement; to partially fund salaries and other service costs for risk management and loss control (deductibles, security contracts, medical evaluation, controlled substance and alcohol testing, etc.). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Complete financial statements for CSDSIP can be obtained from CSDSIP, 6857 South Spruce Street, Centennial, Colorado 80112.

NOTE (14) Commitments and Contingencies

(A) Litigation

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

(B) Grants and State Funding

The District participates in a number of Federal and State assisted grant programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District at June 30, 2012.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2012

(C) TABOR Amendment

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

In November 2000, voter approval was given to the District to remove the restriction on growth in revenue effective beginning the fiscal year ended June 30, 2000. At June 30, 2012, the District has complied with the requirements to establish emergency reserves that are recorded in the financial statements as a restricted fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

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

GENERAL FUND

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

**Thompson School District R2-J
General Fund - 10
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	<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	\$ 30,284,285	\$ 28,576,361	\$ 29,259,082	\$ 682,721
Local Property- Mill Levy Override	13,087,970	13,087,970	13,042,059	(45,911)
Specific Ownership	3,534,826	3,784,414	3,887,262	102,848
Intergovernmental				
Equalization Entitlements	56,215,236	59,349,418	59,316,022	(33,396)
Special Education	2,821,816	2,705,979	2,672,906	(33,073)
Vocational Education	478,275	478,275	482,041	3,766
Transportation	903,055	903,055	953,060	50,005
Other Federal Grants	-	89,399	162,482	73,083
Charter School Chargebacks	713,185	713,185	730,892	17,707
Other	574,650	1,088,819	1,144,814	55,995
Investment Earnings	19,000	19,000	35,277	16,277
TOTAL REVENUE	108,632,298	110,795,875	111,685,897	890,022
TOTAL EXPENDITURES	112,507,588	112,661,859	110,150,738	2,511,121
Excess revenues over expenditures	(3,875,290)	(1,865,984)	1,535,159	3,401,143
Other Financing Sources (Uses)				
Transfers Out:				
Governmental Designated-Purpose				
Grants Fund	(669,308)	(61,739)	(61,739)	-
Fee Supported Programs Fund	(329,456)	(207,600)	(199,600)	8,000
Capital Reserve Fund	(2,382,078)	(2,382,078)	(2,382,078)	-
Total Other Financing Sources (Uses)	(3,380,842)	(2,651,417)	(2,643,417)	8,000
Net Change in Fund Balance	\$ (7,256,132)	\$ (4,517,401)	(1,108,258)	\$ 3,409,143
Fund Balance - Beginning of Year			29,727,020	
Fund Balance - End of Year			\$ 28,618,762	

See independent auditors' report

**Thompson School District R2-J
General Fund - 10
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction:				
Salaries and Benefits	\$ 59,383,481	\$ 57,616,143	\$ 57,286,625	\$ 329,518
Purchased Services	1,894,786	1,820,675	1,677,842	142,833
Supplies and Materials	2,204,323	2,498,520	1,649,739	848,781
Other	54,949	54,949	63,384	(8,435)
Total Instruction	63,537,539	61,990,287	60,677,590	1,312,697
Supporting Services				
Pupil Services	5,416,930	7,262,359	7,033,557	228,802
Instructional Staff	8,304,787	8,532,848	8,463,441	69,407
General Administration	844,224	841,282	1,018,092	(176,810)
School Administration	7,487,014	7,450,562	7,297,415	153,147
Business Services	2,030,092	2,021,002	1,908,848	112,154
Maintenance/Operations	11,286,148	10,883,378	10,318,952	564,426
Pupil Transportation	3,833,192	3,914,538	3,729,359	185,179
Central Supporting Services	3,389,002	3,639,768	3,264,272	375,496
Community Services	-	-	8,475	(8,475)
Total Supporting Services	42,591,389	44,545,737	43,042,411	1,503,326
Capital Outlay	296,427	296,427	602,807	(306,380)
Charter School Allocation	6,082,233	5,829,408	5,827,930	1,478
TOTAL EXPENDITURES	\$ 112,507,588	\$ 112,661,859	\$ 110,150,738	\$ 2,511,121

See independent auditors' report

GOVERNMENT DESIGNATED PURPOSE GRANTS FUND

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

Thompson School District
Government Designated Purpose Grants Fund - 22 & 28
Budgetary Comparison Schedule
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Budget		
Revenue				
Intergovernmental				
Federal Sources	\$ 6,149,061	\$ 6,298,061	\$ 7,308,207	\$ 1,010,146
State/Local Sources	614,241	1,590,975	1,171,508	(419,467)
Investment Earnings	-	-	1,371	1,371
TOTAL REVENUE	6,763,302	7,889,036	8,481,086	592,050
Expenditures				
Instruction				
Salaries and Benefits	4,195,620	4,241,440	4,643,886	(402,446)
Purchased Services	79,365	81,477	121,882	(40,405)
Supplies and Materials	188,879	192,619	200,384	(7,765)
Equipment	11,977	12,977	158,651	(145,674)
Other Expenditures	143,146	143,146	523	142,623
Total Instruction	4,618,987	4,671,659	5,125,326	(453,667)
Support Services				
Pupil Services	1,519,044	1,769,044	1,215,273	553,771
Instructional Staff	708,871	1,233,785	1,273,507	(39,722)
School Administration	384,386	390,406	355,200	35,206
Maintenance/Operations	12,087	304,215	293,131	11,084
Pupil Transportation	125,000	125,000	8,439	116,561
Community Services	64,235	64,235	58,889	5,346
Total Support Services	2,813,623	3,886,685	3,204,439	682,246
Total Expenditures	7,432,610	8,558,344	8,329,765	228,579
Excess Revenues Over/(Under) Expenditures	(669,308)	(669,308)	151,321	820,629
Other Financing Sources (Uses)				
Transfer In	669,308	169,308	61,739	(107,569)
Net Change in Fund Balance	\$ -	\$ (500,000)	213,060	\$ 713,060
Fund Balances - Beginning of Year			620,109	
Fund Balances - End of Year			\$ 833,169	

See independent auditors' report

Thompson School District R2-J
Notes to Required Supplementary Information
June 30, 2011

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 Fund. The Nutritional Services Fund budgets for capital outlay and not for depreciation expense.
- 6) Appropriations lapse at year-end.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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

DEBT SERVICE FUND

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

**Thompson School District R2-J
Bond Redemption Fund - 31
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Local Property Taxes	\$ 12,339,125	\$ 12,339,125	\$ 12,477,704	\$ 138,579
Investment Earnings	5,000	5,000	15,273	10,273
TOTAL REVENUE	12,344,125	12,344,125	12,492,977	148,852
Expenditures				
Debt Service:				
Principal retirement	3,206,430	3,206,430	3,206,430	-
Interest and Fiscal Charges	9,124,795	9,124,795	7,879,058	1,245,737
Bond Issuance Cost	-	-	740,029	(740,029)
TOTAL EXPENDITURES	12,331,225	12,331,225	11,825,517	505,708
Excess revenues over (under) expenditures	12,900	12,900	667,460	654,560
Other Financing Sources (Uses)				
Proceeds from Bond Issuance	-	-	84,740,000	84,740,000
Premium on Bond Issuance	-	-	14,761,217	14,761,217
Payment to Escrow Agent	-	-	(99,819,555)	(99,819,555)
Total Other Financing Sources (Uses)	-	-	(318,338)	(318,338)
Net Change in Fund Balance	\$ 12,900	\$ 12,900	349,122	\$ 336,222
Fund Balance - Beginning of Year			13,767,050	
Fund Balance - End of Year			\$ 14,116,172	

See independent auditors' report

CAPITAL PROJECTS FUND

The Building Fund accounts for the debt proceeds to be used to construct, renovate and equip capital facilities.

**Thompson School District R2-J
Building Fund - 41
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Investment Earnings	\$ 2,000	\$ 2,000	\$ 2,176	\$ 176
Expenditures				
Project Administration	214,277	214,277	264,895	(50,618)
Maintenance Projects	1,132,941	1,132,941	604,973	527,968
New or Addition to Schools	1,173,291	1,173,291	967,618	205,673
TOTAL EXPENDITURES	<u>2,520,509</u>	<u>2,520,509</u>	<u>1,837,486</u>	<u>683,023</u>
Net Change in Fund Balance	<u>\$ (2,518,509)</u>	<u>\$ (2,518,509)</u>	(1,835,310)	<u>\$ 683,199</u>
Fund Balance - Beginning of the Year			<u>2,659,622</u>	
Fund Balance - End of the Year			<u>\$ 824,312</u>	

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NON-MAJOR FUNDS

The District has the following Non-major Funds:

Land Reserve Fund

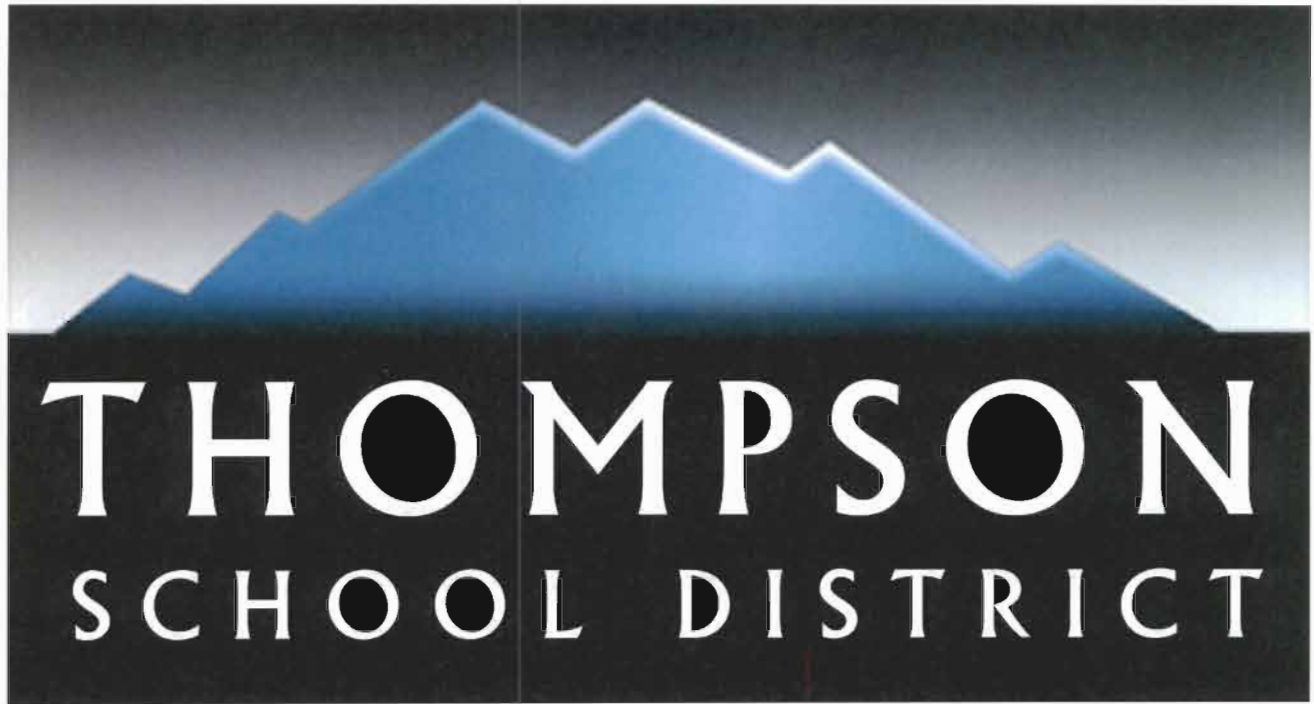
This fund is provided to maintain a separate accounting for cash in lieu of land dedication assessed on newly constructed homes that have an impact on the District's financial resources. This revenue is to provide facilities for learning due to the increased amount of student population.

Fee Supported Programs Fund

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

Capital Projects Fund

This fund is used to fund ongoing capital needs such as site acquisitions, building additions, equipment purchases and technology. Funding is provided by a transfer from the General Fund.



**Thompson School District R2-J
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

	Land Reserve	Fee Supported Programs	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,262,182	\$ 1,559,594	\$ 2,503,255	\$ 5,325,031
Total Assets	\$ 1,262,182	\$ 1,559,594	\$ 2,503,255	\$ 5,325,031
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ 35,950	\$ 152,315	\$ 188,265
Retainage Payable	-	-	23,297	23,297
Accrued Salaries and Benefits	-	164,378	-	164,378
Total Liabilities	-	200,328	175,612	375,940
Fund Balances				
Restricted for TABOR	11,668	-	-	11,668
Restricted for Debt Service	-	-	336,136	336,136
Restricted for Land & Land Improvements	1,250,514	-	-	1,250,514
Committed to Student Specific Programs	-	1,359,266	-	1,359,266
Assigned to Capital Projects	-	-	1,991,507	1,991,507
Total Fund Balances	1,262,182	1,359,266	2,327,643	4,949,091
Total Liabilities and Fund Balances	\$ 1,262,182	\$ 1,559,594	\$ 2,503,255	\$ 5,325,031

See independent auditors' report

Thompson School District R2-J
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Land Reserve</u>	<u>Fee Supported Programs</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenue				
Investment earnings	\$ 1,372	\$ 1,514	\$ 15,729	\$ 18,615
Other	387,558	1,603,261	43,503	2,034,322
TOTAL REVENUES	388,930	1,604,775	59,232	2,052,937
Expenditures				
Instruction				
Salaries and Benefits	-	686,041	-	686,041
Purchased Services	-	26,764	49,685	76,449
Supplies and Materials	-	145,353	326	145,679
Equipment	-	8,546	127,324	135,870
Other Expenditures	-	28,962	-	28,962
Total Instruction	-	895,666	177,335	1,073,001
Support Services				
Pupil Services	-	18,689	-	18,689
Instructional Staff	-	45,844	729,708	775,552
School Administration	-	66,103	-	66,103
Business Services	-	6,485	-	6,485
Maintenance/Operations	-	-	542,416	542,416
Central Supporting Services	160,668	-	96,285	256,953
Community Services	-	753,320	-	753,320
Debt Service - Principal	-	-	404,254	404,254
Debt Service - Interest	-	-	173,969	173,969
Total Support Services	160,668	890,441	1,946,632	2,997,741
TOTAL EXPENDITURES	160,668	1,786,107	2,123,967	4,070,742
Excess (Deficiency) of Revenues Over Expenditures	228,262	(181,332)	(2,064,735)	(2,017,805)
Other Financing Sources (Uses)				
Transfers in	-	199,600	2,382,078	2,581,678
Net Change in Fund Balances	228,262	18,268	317,343	563,873
Fund Balances - Beginning of the Year	1,033,920	1,340,998	2,010,300	4,385,218
Fund Balances - End of the Year	\$ 1,262,182	\$ 1,359,266	\$ 2,327,643	\$ 4,949,091

See independent auditors' report

Thompson School District R2-J
Land Reserve Fund - 27
Budgetary Comparison Schedule
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Investment Earnings	\$ 1,600	\$ 1,600	\$ 1,372	\$ (228)
Payments in lieu of Land Dedication	202,000	202,000	387,558	185,558
TOTAL REVENUE	203,600	203,600	388,930	185,330
Expenditures				
Support Services				
Central Supporting Services	1,075,000	1,075,000	160,668	914,332
TOTAL EXPENDITURES	1,075,000	1,075,000	160,668	914,332
Net Change in Fund Balance	\$ (871,400)	\$ (871,400)	228,262	\$ 1,099,662
Fund Balance - Beginning of Year			1,033,920	
Fund Balance - End of Year			\$ 1,262,182	

See independent auditors' report

**Thompson School District R2-J
Fee Supported Programs Fund - 29
Budgetary Comparison Schedule
Year Ended June 30, 2012**

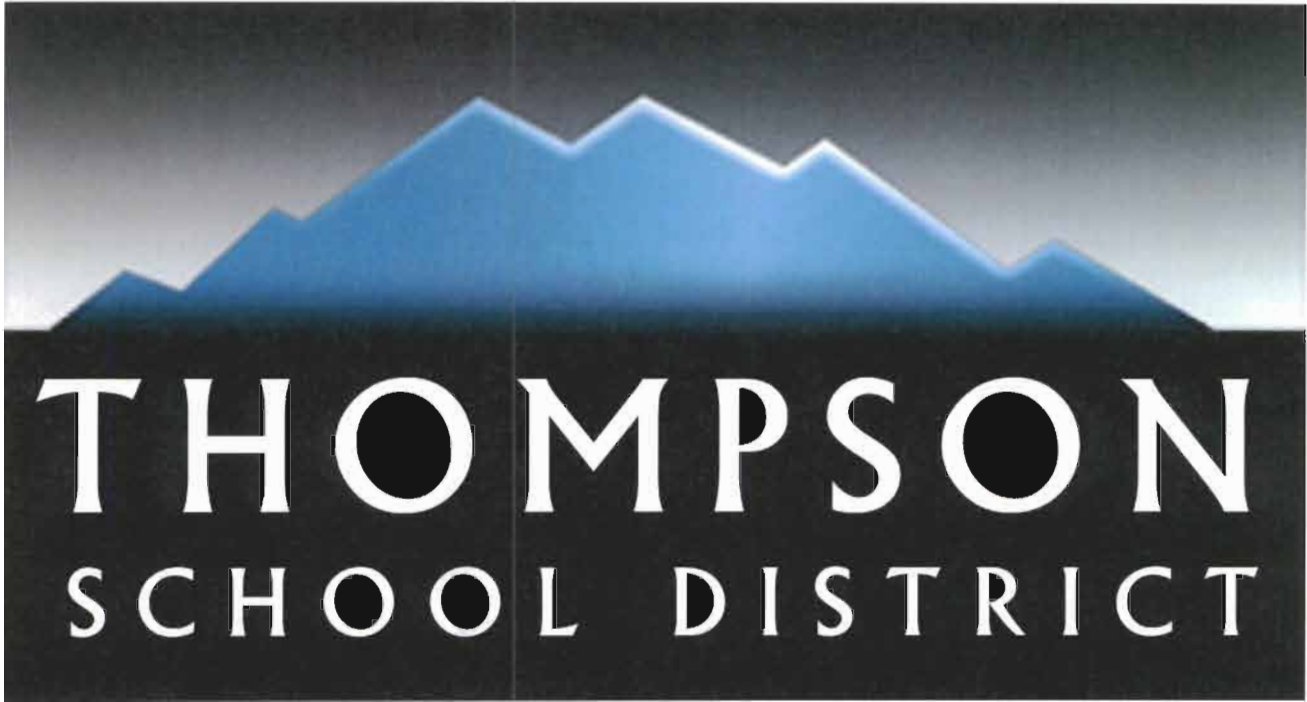
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Charges for Services	\$ 1,525,450	\$ 1,525,450	\$ 1,603,261	\$ 77,811
Investment Earnings	-	-	1,514	1,514
TOTAL REVENUE	<u>1,525,450</u>	<u>1,525,450</u>	<u>1,604,775</u>	<u>79,325</u>
Expenditures				
Instruction				
Salaries and Benefits	636,100	636,100	686,041	(49,941)
Purchased Services	13,500	13,500	26,764	(13,264)
Supplies and Materials	203,350	203,350	145,353	57,997
Equipment	13,535	13,535	8,546	4,989
Other Expenditures	-	-	28,962	(28,962)
Total Instruction	<u>866,485</u>	<u>866,485</u>	<u>895,666</u>	<u>(29,181)</u>
Support Services				
Pupil Services	-	-	18,689	(18,689)
Instructional Staff	-	-	45,844	(45,844)
School Administration	78,200	78,200	66,103	12,097
Business Services	17,000	17,000	6,485	10,515
Community Services	<u>885,735</u>	<u>885,735</u>	<u>753,320</u>	<u>132,415</u>
Total Support Services	<u>980,935</u>	<u>980,935</u>	<u>890,441</u>	<u>90,494</u>
TOTAL EXPENDITURES	<u>1,847,420</u>	<u>1,847,420</u>	<u>1,786,107</u>	<u>61,313</u>
Excess of Revenues Over (Under) Expenditures	(321,970)	(321,970)	(181,332)	140,638
Other Financing Sources (Uses)				
Transfers In	<u>329,456</u>	<u>207,600</u>	<u>199,600</u>	<u>(8,000)</u>
Net Change in Fund Balance	<u>\$ 7,486</u>	<u>\$ (114,370)</u>	18,268	<u>\$ 132,638</u>
Fund Balance - Beginning of the Year			<u>1,340,998</u>	
Fund Balance - End of the Year			<u>\$ 1,359,266</u>	

See independent auditors' report

**Thompson School District R2-J
Capital Projects Fund - 43
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Investment Earnings	\$ -	\$ -	\$ 15,729	\$ 15,729
Other	-	-	43,503	43,503
TOTAL REVENUE	-	-	59,232	59,232
Expenditures				
Instruction				
Purchased Services	-	-	49,685	(49,685)
Supplies and Materials	-	-	326	(326)
Equipment	58,100	58,100	127,324	(69,224)
Total Instruction	58,100	58,100	177,335	(119,235)
Support Services				
Instructional Staff	725,000	725,000	729,708	(4,708)
Maintenance/Operations	931,212	931,212	542,416	388,796
Pupil Transportation	275,000	275,000	-	275,000
Central Supporting Services	80,000	80,000	96,285	(16,285)
Principal Payments	404,254	404,254	404,254	-
Interest Payments	177,141	177,141	173,969	3,172
Total Support Services	2,592,607	2,592,607	1,946,632	645,975
TOTAL EXPENDITURES	2,650,707	2,650,707	2,123,967	526,740
Excess revenues over (under) expenditures	(2,650,707)	(2,650,707)	(2,064,735)	585,972
Other Financing Sources (Uses)				
Transfer In	2,382,078	2,382,078	2,382,078	-
Net Change in Fund Balance	\$ (268,629)	\$ (268,629)	317,343	\$ 585,972
Fund Balance - Beginning of Year			2,010,300	
Fund Balance - End of Year			\$ 2,327,643	

See independent auditors' 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 - 51
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenue				
Food Sales and Catering Sales	\$ 1,943,518	\$ 1,893,518	\$ 1,740,697	\$ (152,821)
TOTAL OPERATING REVENUE	1,943,518	1,893,518	1,740,697	(152,821)
Operating Expenses				
Salaries and Benefits	2,514,288	2,514,288	2,252,615	261,673
Purchased Services	88,622	88,622	70,632	17,990
Supplies and Materials	2,025,560	2,025,560	2,000,187	25,073
Equipment	17,000	17,000	10,029	6,971
TOTAL OPERATING EXPENSES	4,645,470	4,645,470	4,333,763	311,707
Operating Income (Loss)	(2,701,952)	(2,751,952)	(2,593,066)	158,886
Non-Operating Revenue (Expenses)				
Federal Aid:				
USDA Reimbursements	2,523,304	2,523,304	2,415,060	(108,244)
Commodities	220,000	220,000	130,117	(89,883)
State Categorical Reimbursement	43,648	43,648	71,481	27,833
Interest Earnings	-	-	627	627
TOTAL NON-OPERATING REVENUE	2,786,952	2,786,952	2,617,285	(169,667)
Change in Net Assets, Budgetary Basis	\$ 85,000	\$ 35,000	24,219	\$ (10,781)
Less: Depreciation Expense			(72,291)	
Change in Net Assets, GAAP Basis			(48,072)	
Net Assets - Beginning of the Year			1,190,833	
Net Assets - End of the Year			<u>\$ 1,142,761</u>	
See independent auditors' 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, 2012

	Education Memorial	Interscholastic Athletic and Activity	Totals
ASSETS			
Cash and Investments	\$ 78,568	\$ 1,189,115	\$ 1,267,683
Accounts Receivable	-	77	77
TOTAL ASSETS	\$ 78,568	\$ 1,189,192	\$ 1,267,760
LIABILITIES			
Accounts Payable	\$ -	\$ 26,470	\$ 26,470
Accrued Salaries and Benefits	-	7,225	7,225
Undistributed Monies	78,568	1,155,497	1,234,065
TOTAL LIABILITES	\$ 78,568	\$ 1,189,192	\$ 1,267,760

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, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<u>Education Memorial</u>				
Assets				
Cash and Investments	\$ 74,677	\$ 55,004	\$ 51,113	\$ 78,568
Liabilities				
Accounts Payable	\$ 5,085	\$ -	\$ 5,085	\$ -
Undistributed Monies	69,592	60,089	51,113	78,568
Total Liabilities	\$ 74,677	\$ 60,089	\$ 56,198	\$ 78,568
<u>Interscholastic Athletic and Activity</u>				
Assets				
Cash and Investments	\$ 1,039,830	\$ 2,650,525	\$ 2,501,240	\$ 1,189,115
Accounts Receivable	-	77	-	77
Total Assets	\$ 1,039,830	\$ 2,650,602	\$ 2,501,240	\$ 1,189,192
Liabilities				
Accounts Payable	\$ 30,052	\$ -	\$ 3,582	\$ 26,470
Accrued Salaries and Benefits	1,093	6,132	-	7,225
Undistributed Monies	1,008,685	2,644,393	2,497,581	1,155,497
Total Liabilities	\$ 1,039,830	\$ 2,650,525	\$ 2,501,163	\$ 1,189,192
<u>Combined</u>				
Assets				
Cash and Investments	\$ 1,114,507	\$ 2,705,529	\$ 2,552,353	\$ 1,267,683
Accounts Receivable	-	77	-	77
Total Assets	\$ 1,114,507	\$ 2,705,606	\$ 2,552,353	\$ 1,267,760
Liabilities				
Accounts Payable	\$ 35,137	\$ -	\$ 8,667	\$ 26,470
Accrued Salaries and Benefits	1,093	6,132	-	7,225
Undistributed Monies	1,078,277	2,704,482	2,548,694	1,234,065
Total Liabilities	\$ 1,114,507	\$ 2,710,614	\$ 2,557,361	\$ 1,267,760

See independent auditors' report

Thompson School District R2-J
 Education Memorial Fund - 72
 Budgetary Comparison Schedule
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Additions				
Investment Earnings	\$ 100	\$ 100	\$ 89	\$ (11)
Other Revenue	60,000	60,000	60,000	-
Total Additions	60,100	60,100	60,089	(11)
Deductions				
Other Trust Expense	69,550	69,550	51,113	18,437
Total Deductions	69,550	69,550	51,113	18,437
Change in Undistributed Monies	\$ (9,450)	\$ (9,450)	8,976	\$ 18,426
Undistributed Monies - Beginning of Year			69,592	
Undistributed Monies - End of Year			\$ 78,568	

See independent auditors' report

**Thompson School District R2-J
Interscholastic Athletic and Activity Fund - 74
Budgetary Comparison Schedules
Year Ended June 30, 2012**

	<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	\$ 2,671,056	\$ 2,671,056	\$ 2,643,870	\$ (27,186)
Investment Earnings	2,076	2,076	523	(1,553)
Total Additions	<u>2,673,132</u>	<u>2,673,132</u>	<u>2,644,393</u>	<u>(28,739)</u>
Deductions				
Athletic Expenditures	905,413	905,413	831,850	73,563
Pupil Activity Expenditures	<u>1,901,528</u>	<u>1,901,528</u>	<u>1,665,731</u>	<u>235,797</u>
Total Deductions	<u>2,806,941</u>	<u>2,806,941</u>	<u>2,497,581</u>	<u>309,360</u>
Change in Undistributed Monies	<u>\$ (133,809)</u>	<u>\$ (133,809)</u>	146,812	<u>\$ 280,621</u>
Undistributed Monies Beginning of the Year			1,008,685	
Undistributed Monies End of The Year			<u>\$ 1,155,497</u>	

See independent auditors' report

COMPONENT UNITS

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

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

Thompson School District R2-J
Combining Statement of Net Assets
Component Units
As of June 30, 2012

	New Vision Charter School	Loveland Classical Schools	Thompson Education Foundation	Total Component Units
ASSETS				
Cash and Investments	\$ 877,011	\$ 313,500	\$ 1,029,916	\$ 2,220,427
Restricted Cash and Cash Equivalents	571,032	192,658	-	763,690
Accounts Receivable	5,796	7,016	-	12,812
Grants Receivable	-	18,099	-	18,099
Prepaid Expense	8,283	71,427	-	79,710
Facility Advance Payment	540,000	-	-	540,000
Debt Issuance Costs, Net of Accumulated Amortization	151,157	-	-	151,157
Capital Assets, Not Being Depreciated: Land	400,000	-	-	400,000
Capital Assets, Net of Accumulated Depreciation	3,012,525	116,048	-	3,128,573
Total Assets	\$ 5,565,804	\$ 718,748	\$ 1,029,916	\$ 7,314,468
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 28,626	\$ 15,917	\$ 33,986	\$ 78,529
Accrued Salaries and Benefits	101,646	94,987	-	196,633
Accrued Interest Payable	81,465	-	-	81,465
Unearned Revenue	875	45,437	-	46,312
Total Current Liabilities	212,612	156,341	33,986	402,939
Noncurrent Liabilities				
Due Within One Year	74,785	74,087	-	148,872
Due in More Than One Year	4,675,000	81,788	-	4,756,788
Total Noncurrent Liabilities	4,749,785	155,875	-	4,905,660
Total Liabilities	4,962,397	312,216	33,986	5,308,599
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(1,337,260)	116,048	-	(1,221,212)
Restricted for Facility Advance Payment	540,000	-	-	540,000
Restricted for Debt Service	489,282	-	-	489,282
Restricted for Repairs and Replacement	81,750	-	-	81,750
Restricted for Emergencies	90,541	106,000	-	196,541
Unrestricted	739,094	184,484	995,930	1,919,508
Total Net Assets	603,407	406,532	995,930	2,005,869
Total Liabilities and Net Assets	\$ 5,565,804	\$ 718,748	\$ 1,029,916	\$ 7,314,468

See independent auditors' report

Thompson School District R2-J
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2012

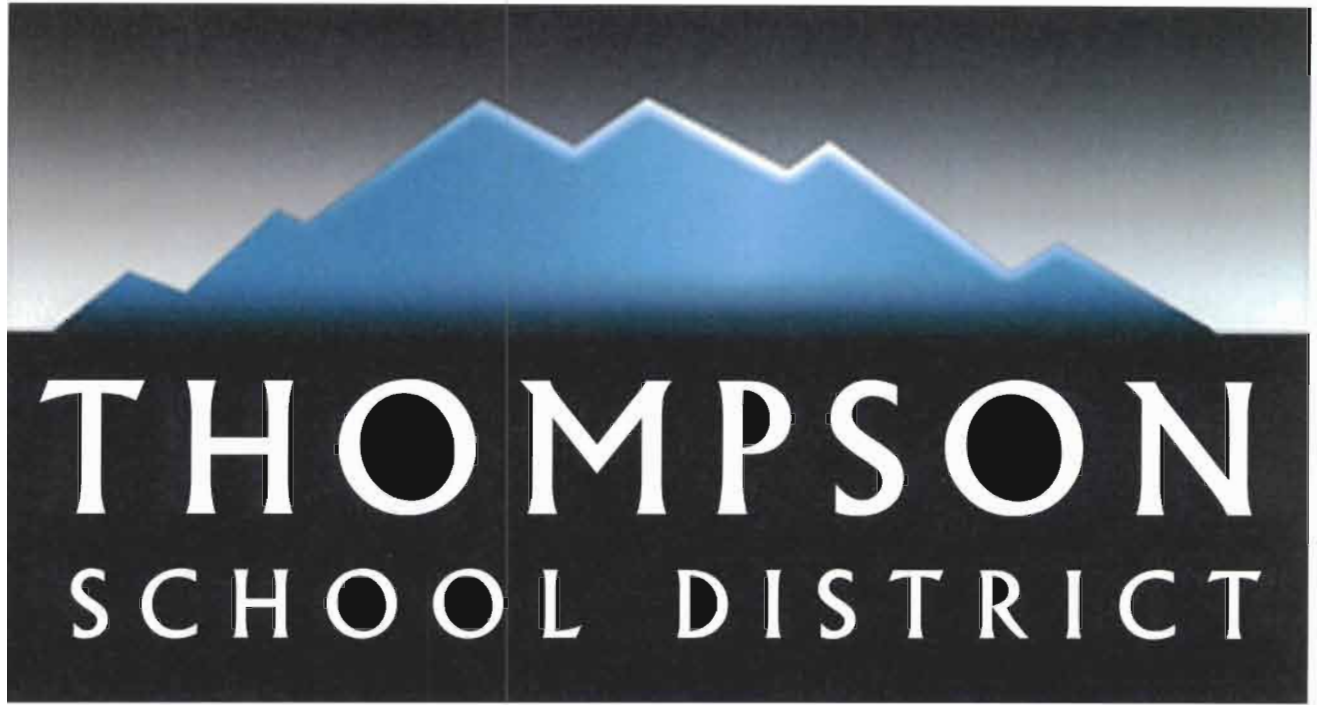
	New Vision Charter School	Loveland Classical Schools	Thompson Education Foundation	Total Component Units
Expenses				
Total Instruction	\$ 1,663,491	\$ 1,768,906	\$ -	\$ 3,432,397
Total Support Services	1,033,496	1,299,574	461,329	2,794,399
Interest Expense	333,102	18,191	-	351,293
Total Expenses	3,030,089	3,086,671	461,329	6,578,089
Program Revenues				
Charges for Services	153,603	8,339	1,480	163,422
Operating Grants and Contributions	36,766	195,000	350,397	582,163
Capital Grants and Contributions	-	39,906	-	39,906
Total Program Revenues	190,369	243,245	351,877	785,491
General Revenues				
Per Pupil Revenues	2,754,710	3,073,220	-	5,827,930
Investment Income	807	-	31,831	32,638
Contributions not Restricted to Specific Programs	-	19,585	-	19,585
Miscellaneous	63,019	157,153	-	220,172
Total General Revenues	2,818,536	3,249,958	31,831	6,100,325
Changes in Net Assets	(21,184)	406,532	(77,621)	307,727
Net Assets - Beginning, As Restated	624,591	-	1,073,551	1,698,142
Net Assets - Ending	\$ 603,407	\$ 406,532	\$ 995,930	\$ 2,005,869

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.	74-83
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue sources.	84-88
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.	89-92
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.	93-94
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.	95-99



THOMPSON
SCHOOL DISTRICT

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 15,941,849	\$ 21,077,951	\$ 28,158,995	\$ 34,936,956
Restricted	27,854,128	20,577,871	20,147,743	21,873,077
Unassigned	5,261,814	3,680,860	2,624,964	4,190,887
Total Governmental Activities Net Assets	\$ 49,057,791	\$ 45,336,682	\$ 50,931,702	\$ 61,000,920
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	\$ 663,779	\$ 558,228	\$ 469,579	\$ 378,465
Restricted	71,200	69,964	67,967	69,313
Unassigned	30,959	208,535	300,456	501,246
Total Business-type Activities Net Assets	\$ 765,938	\$ 836,727	\$ 838,002	\$ 949,024
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 16,605,628	\$ 21,636,179	\$ 28,628,574	\$ 35,315,421
Restricted	27,925,328	20,647,835	20,215,711	21,942,390
Unrestricted	5,292,773	3,889,395	2,925,420	4,692,133
Total Primary Government Net Assets	\$ 49,823,729	\$ 46,173,409	\$ 51,769,705	\$ 61,949,944

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	43,686,008	\$ 47,022,288	\$ 50,272,273	\$ 52,399,048	\$ 54,766,501	\$ 50,836,568
	19,230,832	19,710,398	20,344,714	20,717,458	21,066,584	21,090,133
	13,201,584	15,333,817	17,297,596	17,421,337	17,065,795	18,622,959
\$	<u>76,118,424</u>	<u>\$ 82,066,503</u>	<u>\$ 87,914,582</u>	<u>\$ 90,537,843</u>	<u>\$ 92,898,880</u>	<u>\$ 90,549,660</u>
\$	286,573	\$ 192,657	\$ 400,578	\$ 387,092	\$ 374,404	\$ 302,113
	65,516	65,286	69,152	62,547	59,057	54,384
	610,980	396,484	403,158	552,736	757,372	786,264
\$	<u>963,069</u>	<u>\$ 654,427</u>	<u>\$ 872,888</u>	<u>\$ 1,002,375</u>	<u>\$ 1,190,833</u>	<u>\$ 1,142,761</u>
\$	43,972,581	\$ 47,214,945	\$ 50,672,851	\$ 52,786,140	\$ 55,140,905	\$ 51,138,681
	19,296,348	19,775,684	20,413,865	20,780,005	21,125,641	21,144,517
	13,812,564	15,730,301	17,700,754	17,974,073	17,823,167	19,409,223
\$	<u>77,081,493</u>	<u>\$ 82,720,929</u>	<u>\$ 88,787,470</u>	<u>\$ 91,540,218</u>	<u>\$ 94,089,713</u>	<u>\$ 91,692,421</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental Activities:				
Total Instruction	\$ 61,344,975	\$ 63,177,736	\$ 63,012,325	\$ 62,223,449
Support Services				
Pupil Services	6,924,508	6,612,481	6,948,277	7,227,057
Instructional Staff	8,072,644	7,828,193	7,540,045	7,749,997
General Administration	535,449	750,238	919,514	925,276
School Administration	6,590,527	6,641,734	6,863,529	7,026,788
Business Services	1,559,503	1,632,314	1,641,331	1,693,037
Maintenance/Operations	13,953,782	10,901,991	9,942,999	12,039,281
Pupil Transportation	2,464,000	3,032,800	2,916,150	2,718,558
Central Supporting Services	3,827,622	5,066,225	3,928,544	2,778,997
Community Services	936,233	1,325,831	1,152,881	1,210,399
Total Support Services	<u>44,864,268</u>	<u>43,791,807</u>	<u>41,853,270</u>	<u>43,369,390</u>
Charter School Allocation	-	-	-	-
Interest on Long-term Debt	6,610,993	8,632,902	3,393,072	4,521,000
Total Governmental Activities Expenses	<u>112,820,236</u>	<u>115,602,445</u>	<u>108,258,667</u>	<u>110,113,839</u>
Business-type Activities:				
Nutritional Services	3,581,246	3,503,514	3,582,130	3,630,472
Total Primary Government Expenses	<u>\$ 116,401,482</u>	<u>\$ 119,105,959</u>	<u>\$ 111,840,797</u>	<u>\$ 113,744,311</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Instruction	\$ 820,969	\$ 815,357	\$ 888,085	\$ 927,887
Support Services				
Pupil Services	1,839	1,211	1,372	2,420
Instructional Staff	-	-	-	30,216
General Administration	63,095	51,517	58,367	-
School Administration	23,012	25,596	28,999	41,068
Business Services	918	901	1,024	37,191
Maintenance Operations	-	-	-	352
Central Supporting Services	299,557	531,279	601,923	460,476
Operating Grants and Contributions	9,845,561	9,376,242	9,543,859	9,824,094
Capital Grants and Contributions	666,222	28,970	94,556	6,731
Total Governmental Activities Program Revenues	<u>11,721,173</u>	<u>10,831,073</u>	<u>11,218,185</u>	<u>11,330,435</u>
Business-type Activities:				
Nutritional Services	3,452,585	3,573,607	3,581,938	3,738,322
Total Primary Government Program Revenues	<u>\$ 15,173,758</u>	<u>\$ 14,404,680</u>	<u>\$ 14,800,123</u>	<u>\$ 15,068,757</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (101,099,063)	\$ (104,771,372)	\$ (97,040,482)	\$ (98,783,404)
Business-type Activities	(128,661)	70,093	(192)	107,850
Total Primary Government Net Expense	<u>\$ (101,227,724)</u>	<u>\$ (104,701,279)</u>	<u>\$ (97,040,674)</u>	<u>\$ (98,675,554)</u>

Continued on next page

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	<u>66,529,238</u>	<u>67,834,944</u>	<u>69,893,811</u>	<u>72,938,988</u>	<u>72,447,458</u>	<u>74,816,653</u>
	7,570,257	8,717,227	8,823,141	10,866,456	9,614,206	8,248,122
	7,944,486	10,425,291	10,651,345	11,821,157	10,981,248	10,462,675
	1,113,179	1,213,567	1,097,462	1,123,991	1,097,871	1,282,987
	6,999,468	8,046,845	8,196,106	8,790,952	8,478,267	7,718,718
	1,706,322	1,785,422	2,286,161	3,587,229	2,233,389	1,915,333
	6,188,899	11,122,270	13,799,484	12,242,873	13,854,509	10,971,086
	3,220,776	4,012,223	4,153,388	5,882,278	5,292,524	4,369,625
	8,767,469	7,592,656	3,979,589	4,045,434	3,934,697	4,471,462
	694,139	785,524	831,718	925,487	1,443,698	819,985
	<u>44,204,995</u>	<u>53,701,025</u>	<u>53,818,393</u>	<u>59,285,857</u>	<u>56,930,409</u>	<u>50,259,993</u>
	-	-	-	-	2,747,307	5,827,930
	6,088,520	6,759,440	6,679,897	6,188,909	5,977,903	4,406,590
	<u>116,822,753</u>	<u>128,295,409</u>	<u>130,392,101</u>	<u>138,413,754</u>	<u>138,103,077</u>	<u>135,311,166</u>
	3,681,340	4,170,018	4,011,436	4,348,417	4,320,056	4,406,654
\$	<u>120,504,093</u>	<u>132,465,428</u>	<u>134,403,537</u>	<u>142,762,171</u>	<u>139,673,826</u>	<u>139,717,220</u>
\$	945,121	715,218	827,452	716,533	1,655,641	1,905,524
	1,188	-	-	-	-	-
	17,647	39,678	45,904	39,125	90,403	104,048
	-	-	-	-	-	-
	51,298	54,347	63,338	-	-	-
	28,190	21,366	24,719	6,288	14,529	16,722
	454	-	-	-	-	-
	487,370	482,762	558,519	562,606	1,299,973	1,496,176
	11,584,333	10,766,875	12,656,371	14,717,024	14,227,794	11,690,893
	427,774	-	-	-	-	-
	<u>13,543,375</u>	<u>12,080,646</u>	<u>14,176,303</u>	<u>16,041,576</u>	<u>17,288,340</u>	<u>15,213,363</u>
	3,690,798	3,857,119	3,925,487	4,419,110	4,436,524	4,357,355
\$	<u>17,234,173</u>	<u>15,937,765</u>	<u>18,101,790</u>	<u>20,460,686</u>	<u>21,724,864</u>	<u>19,570,718</u>
\$	(103,279,378)	(116,214,763)	(116,215,798)	(122,372,178)	(118,067,431)	(120,097,803)
	9,458	(312,900)	(85,949)	70,693	116,468	(48,699)
\$	<u>(103,269,920)</u>	<u>(116,527,663)</u>	<u>(116,301,747)</u>	<u>(122,301,485)</u>	<u>(117,950,963)</u>	<u>(120,146,502)</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues				
Governmental Activities:				
Property Taxes Levied For:				
General Purpose	\$ 25,457,040	\$ 26,556,635	\$ 24,432,966	\$ 25,704,275
Mill Levy Override	7,459,483	7,454,021	7,463,272	7,480,274
Debt Services	11,932,524	12,509,394	10,195,101	11,607,605
Specific Ownership Taxes Levied For:				
General Purpose	3,821,176	4,008,797	3,866,971	3,608,215
Mill Levy Override	788,540	803,842	784,202	843,186
Intergovernmental:				
Equalization	51,539,947	53,208,893	53,573,154	54,738,055
Payments in Lieu of Land Dedication	981,415	876,004	831,031	927,293
Interest and Investment Earnings	507,403	372,367	758,603	3,264,484
Grants and Contributions not Restricted to Specific Programs	-	-	-	-
Gain on Sale of Capital Asset	-	-	415,401	-
Miscellaneous	1,130,516	264,545	314,801	679,235
Transfer	-	-	-	-
Total Governmental Activities	<u>103,618,044</u>	<u>106,054,498</u>	<u>102,635,502</u>	<u>108,852,622</u>
Business-type Activities:				
Interest and Investment Earnings	842	696	1,468	3,171
Miscellaneous	2,252	-	-	-
Transfer	-	-	-	-
Total Business-type Activities	<u>3,094</u>	<u>696</u>	<u>1,468</u>	<u>3,171</u>
Total Primary Government	<u>\$ 103,621,138</u>	<u>\$ 106,055,194</u>	<u>\$ 102,636,970</u>	<u>\$ 108,855,793</u>
Change in Net Assets				
Governmental Activities	\$ 2,518,981	\$ 1,283,126	\$ 5,595,020	\$ 10,069,218
Business-type Activities	(125,567)	70,789	1,276	111,021
Total Primary Government	<u>\$ 2,393,414</u>	<u>\$ 1,353,915</u>	<u>\$ 5,596,296</u>	<u>\$ 10,180,239</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	26,228,693	\$ 28,363,669	\$ 30,242,965	\$ 30,378,658	\$ 29,728,007	\$ 28,679,943
	12,058,082	12,456,986	12,774,017	13,209,662	12,857,383	12,884,073
	11,811,769	11,119,912	11,265,715	12,053,521	12,532,757	12,335,606
	3,873,082	4,271,504	4,339,660	4,058,837	3,853,468	3,887,262
	705,116	687,375	-	-	-	-
	57,847,052	59,874,117	62,255,043	64,803,052	57,404,922	59,316,022
	733,693	499,858	313,552	232,579	242,816	387,558
	5,249,371	4,071,983	1,175,751	317,332	107,407	72,712
	-	-	-	-	3,773,100	89,399
	-	-	-	-	-	-
	914,492	817,438	-	-	-	96,008
	-	-	-	(58,202)	(71,392)	-
	<u>119,421,350</u>	<u>122,162,842</u>	<u>122,366,703</u>	<u>124,995,439</u>	<u>120,428,468</u>	<u>117,748,583</u>
	4,587	4,258	1,584	592	598	627
	-	-	-	-	-	-
	-	-	-	58,202	71,392	-
	<u>4,587</u>	<u>4,258</u>	<u>1,584</u>	<u>58,794</u>	<u>71,990</u>	<u>627</u>
\$	<u>119,425,937</u>	<u>122,167,099</u>	<u>122,368,287</u>	<u>125,054,233</u>	<u>120,500,458</u>	<u>117,749,210</u>
\$	16,141,972	\$ 5,948,079	\$ 5,848,079	\$ 2,623,261	\$ 2,361,037	\$ (2,349,220)
	14,045	(308,642)	218,461	129,487	188,458	(48,072)
\$	<u>16,156,017</u>	<u>5,639,436</u>	<u>6,066,540</u>	<u>2,752,748</u>	<u>2,549,495</u>	<u>(2,397,292)</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Restricted	\$ 3,417,314	\$ 3,899,450	\$ 4,230,904	\$ 3,644,088
Unassigned	9,143,617	8,930,981	8,375,509	10,311,178
Total General Fund	<u>12,560,931</u>	<u>12,830,431</u>	<u>12,606,413</u>	<u>13,955,266</u>
All Other Governmental Funds				
Restricted	24,408,997	16,645,409	15,881,936	106,197,107
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,943,489	1,456,610	1,719,568	1,899,136
Total All Other Governmental Funds	<u>27,352,486</u>	<u>18,102,019</u>	<u>17,601,504</u>	<u>108,096,243</u>
Total Governmental Funds	<u>\$ 39,913,417</u>	<u>\$ 30,932,450</u>	<u>\$ 30,207,917</u>	<u>\$ 122,051,509</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	3,599,242	\$ 4,517,882	\$ 4,821,889	\$ 4,727,990	\$ 4,757,546	\$ 4,341,296
	<u>17,783,886</u>	<u>18,808,539</u>	<u>19,294,606</u>	<u>20,530,456</u>	<u>24,969,474</u>	<u>24,277,466</u>
	<u>21,383,128</u>	<u>23,326,421</u>	<u>24,116,495</u>	<u>25,258,446</u>	<u>29,727,020</u>	<u>28,618,762</u>
	79,919,801	52,872,901	33,834,519	20,842,333	18,416,837	17,371,971
	-	-	-	-	-	1,359,266
	-	-	-	-	3,015,162	1,991,507
	<u>2,710,309</u>	<u>2,975,899</u>	<u>3,255,332</u>	<u>3,600,654</u>	<u>-</u>	<u>-</u>
	<u>82,630,110</u>	<u>55,848,800</u>	<u>37,089,851</u>	<u>24,442,987</u>	<u>21,431,999</u>	<u>20,722,744</u>
\$	<u>104,013,238</u>	<u>\$ 79,175,221</u>	<u>\$ 61,206,346</u>	<u>\$ 49,701,433</u>	<u>\$ 51,159,019</u>	<u>\$ 49,341,506</u>

Thompson School District R2-J

Schedule of Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified accrual accounting)

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Taxes	\$ 48,677,114	\$ 49,314,672	\$ 47,881,408	\$ 49,085,270
Intergovernmental	60,939,434	62,003,232	62,832,803	64,307,404
Investment Earnings	507,060	371,980	757,768	3,262,834
Other	4,797,990	3,206,253	3,041,789	3,608,178
Total Revenues	<u>114,921,598</u>	<u>114,896,137</u>	<u>114,513,768</u>	<u>120,263,686</u>
Expenditures				
Current:				
Instruction				
Salaries and Benefits	52,742,724	54,271,472	55,316,035	54,622,983
Purchased Services	1,903,506	2,076,288	2,221,777	2,182,801
Supplies and Materials	3,414,106	3,210,706	3,122,051	2,746,923
Other	194,785	231,676	122,580	132,878
Supporting Services				
Pupil Services	6,633,916	6,321,785	6,761,203	7,021,698
Instructional Staff	7,760,087	7,516,507	7,444,139	7,564,297
General Administration	512,979	5,821,374	896,903	925,216
School Administration	6,313,951	6,349,752	6,680,383	6,827,099
Business Services	2,119,057	2,660,555	2,709,954	2,244,847
Maintenance/Operations	14,129,970	10,434,325	10,080,023	11,697,226
Pupil Transportation	2,731,259	3,323,739	3,041,299	3,437,655
Central Supporting Services	2,802,815	3,565,282	2,542,102	2,824,053
Community Services	1,527,067	1,283,364	1,112,527	1,175,910
Capital Projects	1,073,283	879,514	882,134	8,064,632
Charter School Allocation	-	-	-	-
Debt Service:				
Principal	1,695,035	14,685,732	10,225,047	5,668,988
Interest	6,715,422	6,023,451	2,495,545	4,539,810
Bond Issuance Costs	-	-	258,618	982,798
Total Expenditures	<u>112,269,962</u>	<u>128,655,522</u>	<u>115,912,320</u>	<u>122,659,814</u>
Excess (deficiency) of Revenues over Expenditures	<u>2,651,636</u>	<u>(13,759,385)</u>	<u>(1,398,552)</u>	<u>(2,396,128)</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	3,220,113	4,485,000	-	-
Proceeds from Bond Issuance	-	25,660,000	22,215,000	89,215,000
Premium on Bond Issuance	-	2,040,771	1,320,212	5,024,720
Payment to Escrow Agent	-	(27,407,353)	(23,276,594)	-
Proceeds from Sale of Capital Assets	-	-	415,401	-
Transfers In	9,127,797	10,311,254	9,332,428	10,177,062
Transfers Out	(9,127,797)	(10,311,254)	(9,332,428)	(10,177,062)
Total Other Financing Sources (Uses)	<u>3,220,113</u>	<u>4,778,418</u>	<u>674,019</u>	<u>94,239,720</u>
Net Change to Fund Balance	<u>\$ 5,871,749</u>	<u>\$ (8,980,967)</u>	<u>\$ (724,533)</u>	<u>\$ 91,843,592</u>
Debt Service as a Percentage of				
Non-Capital Expenditures	7.56%	16.21%	11.06%	8.91%

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	54,301,144	\$ 56,727,661	\$ 57,546,346	\$ 58,780,951	\$ 60,845,170	\$ 58,666,107
	69,298,311	70,640,991	73,912,330	78,751,910	76,473,714	73,941,932
	5,249,371	4,071,983	1,175,751	317,332	107,407	72,712
	2,910,865	2,631,068	2,832,568	1,574,546	1,779,721	2,034,322
	<u>131,759,691</u>	<u>134,071,703</u>	<u>135,466,995</u>	<u>139,424,739</u>	<u>139,206,012</u>	<u>134,715,073</u>
	55,096,973	59,207,799	61,456,412	63,192,919	63,024,849	62,616,552
	2,230,932	2,062,371	1,830,410	2,264,059	1,761,663	1,876,173
	3,161,315	3,312,954	3,295,393	3,194,067	2,523,932	1,995,802
	126,311	133,708	128,767	125,206	141,885	92,869
	7,349,203	8,477,310	8,532,676	10,469,008	9,135,938	8,267,519
	7,712,504	10,230,511	10,426,810	11,516,102	10,568,331	10,512,500
	1,081,439	1,179,122	1,055,759	1,057,750	1,040,479	1,282,987
	6,795,081	7,825,018	7,927,542	8,459,745	8,095,652	7,718,718
	1,674,017	1,750,356	2,243,707	3,520,988	2,156,866	1,915,333
	23,696,567	20,064,310	17,325,065	10,809,066	12,368,434	11,759,472
	3,149,984	3,935,390	4,060,367	4,557,453	4,331,921	3,737,798
	3,637,045	3,874,845	3,754,589	3,485,465	3,102,498	3,521,225
	650,149	737,782	773,917	859,246	1,348,044	820,684
	18,386,234	21,550,163	16,014,388	13,015,598	2,544,904	1,864,946
	1,868,346	2,257,196	2,722,161	2,764,792	2,747,307	5,827,930
	5,787,500	6,115,104	5,933,065	6,231,399	3,761,316	3,610,684
	6,519,762	6,195,782	5,954,842	5,406,789	9,094,407	8,053,027
	-	-	-	-	-	740,029
	<u>148,923,362</u>	<u>158,909,721</u>	<u>153,435,869</u>	<u>150,929,652</u>	<u>137,748,426</u>	<u>136,214,248</u>
	<u>(17,163,671)</u>	<u>(24,838,018)</u>	<u>(17,968,874)</u>	<u>(11,504,913)</u>	<u>1,457,586</u>	<u>(1,499,175)</u>
	-	-	-	-	-	-
	-	-	-	-	-	84,740,000
	-	-	-	-	-	14,761,217
	-	-	-	-	-	(99,819,555)
	-	-	-	-	-	-
	10,044,571	10,256,580	9,386,336	9,024,938	4,234,946	2,643,417
	<u>(10,044,571)</u>	<u>(10,256,580)</u>	<u>(9,386,336)</u>	<u>(9,024,938)</u>	<u>(4,234,946)</u>	<u>(2,643,417)</u>
	-	-	-	-	-	(318,338)
\$	<u><u>(17,163,671)</u></u>	<u><u>(24,838,018)</u></u>	<u><u>(17,968,874)</u></u>	<u><u>(11,504,913)</u></u>	<u><u>1,457,586</u></u>	<u><u>(1,817,513)</u></u>
	9.43%	8.96%	8.65%	8.44%	9.55%	8.65%

Thompson School District R2-J

**Assessed Value and Estimated Value of Taxable Property in Larimer County
(Unaudited)**

<u>Year Ended December 31</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Agricultural</u>	<u>Natural Resources Oil & Gas, & Utilities</u>
2002	1,549,649,830	803,155,060	105,173,350	19,693,910	79,068,070
2003	1,627,889,490	826,707,590	109,967,760	19,856,750	94,106,880
2004	1,702,909,960	915,101,040	111,710,270	15,291,010	88,390,920
2005	1,765,704,970	935,712,490	113,792,070	15,556,060	81,237,808
2006	1,913,606,420	1,042,005,600	111,003,590	16,403,560	86,809,902
2007	1,998,127,240	1,087,444,240	111,954,530	17,243,500	87,703,917
2008	2,113,390,350	1,310,626,770	119,666,640	18,747,970	101,024,495
2009	2,160,609,780	1,384,794,970	121,315,930	18,988,750	102,501,701
2010	2,203,793,580	1,477,270,670	124,621,590	18,228,540	108,573,195
2011	2,221,615,320	1,454,920,090	123,671,010	17,961,360	106,991,638

From 2002 to 2011, 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:

	<u>Assessment Percentage</u>	<u>Base Year</u>
2002	9.15%	2001 appraised value
2003	9.15%	2001 appraised value
2004	7.96%	2003 appraised value
2005	7.96%	2003 appraised value
2006	7.96%	2005 appraised value
2007	7.96%	2005 appraised value
2008	7.96%	2007 appraised value
2009	7.96%	2007 appraised value
2010	7.96%	2009 appraised value
2011	7.96%	2009 appraised value

Source: Larimer County Assessor's Office - Larimer County December 31, 2011 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>
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	22.683	29,349,798,804	11.77%
282,913,948	3,585,387,375	1,177,190,260	22.552	30,575,411,815	11.73%
322,040,632	3,985,496,857	1,204,106,620	22.556	33,005,669,705	12.08%
333,629,268	4,121,840,399	1,179,516,220	22.537	33,906,203,149	12.16%
331,309,312	4,263,796,887	1,185,391,810	22.577	34,789,308,674	12.26%
310,757,045	4,235,916,463	1,194,372,080	22.666	34,855,606,211	12.15%

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

Last Year Collection Year	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011	2011 2012
School District										
General Fund	27,141	25,858	25,304	22,985	22,523	22,558	22,472	22,456	22,767	22,637
Mill Levy Override	8,195	7,687	7,383	6,755	10,636	10,078	9,834	9,719	9,72	10,018
Debt Services	13,126	13,126	10,000	10,510	10,298	9,021	8,668	9,120	9,156	9,655
School District Total	48,462	46,671	42,687	40,250	43,457	41,657	40,974	41,295	41,643	42,310
Larimer County	22,461	22,560	22,517	22,341	22,410	22,414	22,395	22,435	22,524	22,472
Town of Berthoud	6,673	6,673	6,409	6,664	10,735	11,551	9,162	9,630	9,737	9,720
City of Fort Collins	-	-	-	9,797	9,797	9,797	9,797	9,797	9,797	9,797
City of Loveland	9,564	9,564	9,564	9,564	9,564	9,564	9,564	9,564	9,564	9,564
Town of Windsor	-	-	-	12,030	12,030	12,030	12,030	12,030	12,030	12,030
Town of Johnstown	-	-	-	23,9347	23,947	23,947	23,947	23,947	23,947	23,947
Johnstown Fire Protection District	-	-	-	-	8,796	9,478	9,524	9,464	9,517	9,486
Berthoud Fire Protection District	8,128	8,128	15,274	15,274	15,274	15,274	15,274	15,274	15,274	15,274
Loveland Fire District	6,674	6,674	5,808	5,808	5,808	5,808	5,808	5,808	5,939	5,808
Poudre Valley Fire District	-	-	-	9,301	9,301	9,301	9,301	9,301	10,595	10,595
Windsor-Severance Fire District	-	-	-	4,944	4,944	4,944	6,119	6,684	7,894	7,904
Lyons Fire District	-	-	-	7,148	7,193	7,196	5,531	6,325	8,325	7,435
Pinewood Lake Fire District	-	-	-	6,446	5,944	6,373	6,373	6,271	6,271	6,271
Health District of Northern Larimer Co.	-	-	-	2,167	2,167	2,167	2,167	2,167	2,167	2,167
Thompson Valley Hospital District	1,564	1,564	1,519	1,509	1,492	1,471	1,716	2,093	1,899	1,716
Larimer County P.I.D. No. 27	-	-	-	-	56,695	55,946	55,946	56,844	56,844	6,379
Larimer County P.I.D. No. 35	-	-	-	-	104,222	29,208	29,208	7,082	7,044	6,439
Larimer County P.I.D. No. 36	-	-	-	-	13,485	13,580	13,580	13,580	13,580	13,580
Larimer Pest Control	0,124	0,124	0,142	0,142	0,142	0,142	0,142	0,142	0,142	0,142
Larimer County G.I.D. No. 8 Namaqua Hills	-	-	-	-	8,145	8,382	8,382	8,382	8,382	8,382
Loveland General Improvement District	-	-	2,684	2,684	2,684	2,684	2,676	2,684	2,684	2,684
Estes Valley Recreation and Park	-	-	-	1,331	1,472	1,404	2,393	2,311	2,339	2,425
West Loveland Recreation District	5,557	5,557	-	-	-	-	-	-	-	-
South Fort Collins Sanitation District	-	-	-	-	0,500	0,500	0,487	0,500	0,500	0,500
Fort Collins - Loveland Water District	-	-	-	-	1,500	1,500	1,500	1,500	1,500	1,500
Poudre River Public Library District	-	-	-	-	3,000	3,000	3,000	3,000	3,000	3,000
North Carter Lake Water District	-	-	-	-	10,756	10,225	10,750	8,783	9,400	10,000
No. Colorado Water Conservancy District	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Spring Canyon Water and Sanitation	-	-	-	2,966	3,118	3,000	3,050	2,811	2,853	3,229
West Loveland Water and Sanitation	12,382	12,382	-	-	-	-	-	-	-	-
Thompson Crossing Metropolitan No. 2	-	-	-	-	20,000	20,000	20,000	20,000	20,000	20,000
Van De Water Metropolitan District No. 2	-	-	-	45,980	45,980	45,980	45,980	45,980	45,980	45,980
Van De Water Metropolitan District No. 3	-	-	-	-	45,980	40,000	40,000	40,000	40,000	40,000
Windsor Highlands Metropolitan No. 3	-	-	-	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Windsor Highlands Metropolitan No. 4	-	-	-	-	35,000	35,000	35,000	35,000	35,000	35,000
Centerra Metropolitan District No. 2	-	-	-	35,000	35,000	35,000	42,600	42,600	42,600	42,600
Waterfall Metropolitan District	-	-	-	45,979	45,979	45,979	45,979	45,979	45,979	45,979
Loveland Place Metropolitan District	-	-	55,000	55,000	50,000	-	-	-	-	-
Loveland Midtown Metropolitan No. 1	-	-	-	-	40,000	40,000	40,000	40,000	40,000	40,000
Larimer County P.I.D. No. 31	-	-	-	-	137,932	121,967	31,384	24,814	24,192	12,128
Thompson Crossing Metropolitan No. 4	-	-	-	-	76,000	60,000	60,000	60,000	60,000	72,475
Highpointe Vista Metropolitan No. 2	-	-	-	-	26,000	32,000	35,000	35,000	35,000	35,000
Deer Meadows Metropolitan District	-	-	-	-	40,000	45,000	45,000	60,000	60,000	60,000
Thompson Rivers Park & Rec. District	-	-	-	-	3,594	3,594	3,594	3,594	3,594	3,594
Thompson Crossing Metropolitan No. 3	-	-	-	-	60,000	60,000	60,000	60,000	60,000	72,475
Thompson Crossing Metropolitan No. 5	-	-	-	-	60,000	60,000	60,000	60,000	60,000	72,475
Thompson Crossing Metropolitan No. 6	-	-	-	-	60,000	60,000	60,000	60,000	60,000	72,475
Johnstown North Metropolitan No. 1	-	-	-	-	20,000	25,000	25,000	25,000	25,000	25,000
Johnstown North Metropolitan No. 2	-	-	-	-	20,000	25,000	25,000	25,000	25,000	25,000
Johnstown North Metropolitan No. 3	-	-	-	-	20,000	25,000	25,000	25,000	25,000	25,000
Centerra Metropolitan District No. 2 Bond	-	-	-	-	-	-	6,655	6,655	6,655	6,550
Centerra Metropolitan District No. 3	-	-	-	-	-	-	5,000	5,000	5,000	5,000
Windsor Highlands Metropolitan No. 1	-	-	-	-	-	-	30,000	30,000	30,000	30,000
Windsor Highlands Metropolitan No. 2	-	-	-	-	-	-	35,000	35,000	35,000	35,000
Windsor Highlands Metropolitan No. 5	-	-	-	-	-	-	35,000	35,000	35,000	35,000
Berthoud Community Library	-	-	-	-	-	-	2,400	2,400	2,400	2,400
Larimer County P.I.D. No. 39	-	-	-	-	-	-	-	9,988	9,988	9,988
Larimer County P.I.D. No. 49	-	-	-	-	-	-	-	16,762	16,762	16,762
Centerra Metropolitan District No. Res Debt	-	-	-	-	-	-	-	35,000	35,000	35,000
Centerra Metropolitan District No. 5	-	-	-	-	-	-	-	15,000	15,000	15,000
Lakeview Metropolitan District	-	-	-	-	-	-	-	50,000	60,000	60,000
Waterfall Metropolitan District No. 1	-	-	-	-	-	-	-	22,500	45,000	45,000
Windsor Highlands Metropolitan No. 6	-	-	-	-	-	-	-	35,000	35,000	35,000

Source: Larimer County Assessor's Office

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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
G and I VI Promenade LLC	\$ 21,677,500	1	1.70%	\$ -	-	-
Wal-Mart Stores East, LP	19,006,450	2	1.49%	13,055,100	2	1.43%
Centerra	16,055,970	3	1.26%	-	-	-
Qwest Corporation	11,444,400	4	0.90%	10,439,100	4	1.14%
Public Service Company of Colorado	10,187,330	5	0.80%	2,508,700	10	0.27%
MCR-MOB LLC	7,696,600	6	0.60%	-	-	-
John Q. Hammons Hotels	6,940,570	7	0.54%	-	-	-
Craig Realty Group-Loveland, LLC	5,800,150	8	0.45%	-	-	-
Crop Production Services, Incorporated	5,252,300	9	0.41%	-	-	-
Praxair Incorporated	4,761,120	10	0.37%	-	-	-
Agilent Technologies, Incorporated	-	-	-	19,151,400	1	2.09%
Loveland Factory Shops LP	-	-	-	11,211,300	3	1.23%
Teledyne Industries	-	-	-	5,866,500	5	0.64%
Quebecor World Incorporated	-	-	-	4,998,800	6	0.55%
Orchard Shopping Center Partnership	-	-	-	3,147,800	7	0.34%
Hach Company	-	-	-	2,712,300	8	0.30%
Woodward Governor Company	-	-	-	2,546,900	9	0.28%
	<u>\$ 108,822,390</u>		<u>8.51%</u>	<u>\$ 75,637,900</u>		<u>8.26%</u>
Total assessed valuation	<u>\$ 1,278,012,549</u>			<u>\$ 915,165,300</u>		

Source: Larimer County Assessor's Office

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

Assessment Year	Year Ended June 30	Taxes Levied for the Year	Collected within the Year of the Levy		Delinquent Tax Collections	Total Collection to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2003	44,350,741	43,951,584	99.1%	115,814	44,067,398	99.4%
2003	2004	45,538,078	41,697,349	91.6%	2,804,684	44,502,033	97.7%
2004	2005	43,364,000	40,824,746	94.1%	2,405,489	43,230,235	99.7%
2005	2006	44,687,055	42,349,495	94.8%	2,284,374	44,633,869	99.9%
2006	2007	50,247,390	45,011,862	89.6%	4,711,084	49,722,946	99.0%
2007	2008	52,699,335	49,269,711	93.5%	2,499,071	51,768,782	98.2%
2008	2009	54,064,757	49,664,648	91.9%	3,542,038	53,206,686	98.4%
2009	2010	55,613,207	50,735,191	91.2%	3,986,923	54,722,114	98.4%
2010	2011	56,072,249	52,371,429	93.4%	4,620,273	56,991,702	101.6%
2011	2012	54,072,711	51,303,145	94.9%	3,475,700	54,778,845	101.3%

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)
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	139,634,736	4,160,000	1,768,368	145,563,104	7.39%	2,352
2007	134,174,737	3,990,000	1,605,869	139,770,606	6.63%	2,181
2008	128,404,737	3,815,000	1,435,765	133,655,502	5.92%	2,031
2009	122,829,737	3,635,000	1,257,700	127,722,437	5.33%	1,971
2010	116,969,737	3,450,000	1,071,301	121,491,038	4.93%	1,846
2011	113,593,544	3,260,000	876,179	117,729,723	4.73%	1,768
2012	110,402,113	3,060,000	671,925	114,134,038	4.46%	1,688

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	Gross Bonded Debt	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Due to Assessed Value (1)	Net Bonded Debt per Capita
2003	75,168,738	17,499,748	57,668,990	6.30%	1,008
2004	70,461,009	11,431,587	59,029,422	6.05%	989
2005	61,802,167	9,885,779	51,916,388	5.11%	864
2006	139,634,736	12,481,416	127,153,320	11.45%	2,054
2007	134,174,737	12,939,805	121,234,932	10.49%	1,891
2008	128,404,737	12,481,784	115,922,953	9.16%	1,762
2009	122,829,737	12,465,223	110,364,514	8.36%	1,703
2010	116,969,737	13,488,987	103,480,750	7.68%	1,573
2011	113,593,544	13,767,050	99,826,494	7.41%	1,499
2012	110,402,113	14,116,172	96,285,941	7.53%	1,424

Source: Larimer County Assessor's Office
(1) Assessed Value is \$1,278,012,549 for 2011.

Thompson School District R2-J
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2012
 (Unaudited)

	<u>General Obligation Long-Term Debt Outstanding</u>	<u>Percent Applicable to the District (1)</u>	<u>Net Direct and Overlapping Debt</u>
Direct Debt:			
Thompson School District R2-J	\$ 110,402,113	100.00%	\$ 110,402,113
Overlapping Debt:			
Town of Berthoud	6,836,363	100.00%	6,836,363
Berthoud Fire District	980,000	31.43%	308,014
Total Overlapping Debt	<u>7,816,363</u>		<u>7,144,377</u>
Total	<u>\$ 118,218,476</u>		<u>\$ 117,546,490</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, 2012
 Last Ten Years
 (Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value	\$ 915,165,300	\$ 975,725,363	\$ 1,015,859,632	\$ 1,110,237,568	\$ 1,156,255,387	\$ 1,265,077,530	\$ 1,319,489,370	\$ 1,346,729,792	\$ 1,346,498,784	\$ 1,278,012,549
Debt limit (20% of assessed valuation)	\$ 183,033,060	\$ 195,145,073	\$ 203,171,924	\$ 222,047,474	\$ 231,251,077	\$ 253,015,506	\$ 263,897,874	\$ 269,345,958	\$ 269,299,757	\$ 255,602,510
Total net debt applicable to limit	67,113,738	66,024,736	55,529,738	139,634,736	134,174,737	140,947,294	135,763,599	116,969,737	113,593,544	110,402,113
Legal debt margin	\$ 115,919,322	\$ 129,120,337	\$ 147,642,186	\$ 82,412,738	\$ 97,076,340	\$ 112,068,212	\$ 128,134,275	\$ 152,376,221	\$ 155,706,213	\$ 145,200,397
Total net debt applicable to the limit as a percentage of debt limit	36.67%	33.83%	27.33%	62.89%	58.02%	55.71%	51.45%	43.43%	42.18%	43.19%

Notes:
 Under state finance law, the outstanding general obligation debt should not exceed 20 percent of total assessed property value.

Source: Larimer County Assessor's Office
 District Financial Records

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Thompson School District R2-J	2,406	1	6.83%	2,005	1	7.03%
Medical Center of the Rockies	1,000	2	2.84%	-		-
Hach Company	900	3	2.56%	640	7	2.24%
Wal-Mart Distribution Center	899	4	2.55%	1,000	3	3.50%
McKee Medical Center	850	5	2.41%	900	4	3.15%
Wal-Mart Super Center	835	6	2.37%	500	8	1.75%
Woodward Governor Co	800	7	2.27%	-		-
City of Loveland	700	8	1.99%	667	6	2.34%
Agilent Technologies	400	9	1.14%	1,450	2	5.08%
LPR Construction	350	10	0.99%	-		-
Group Publishing	-		-	270	10	0.95%
Hewlett-Packard	-		0.00%	730	5	2.56%
Teledyne Water Pik	-		-	400	9	1.40%
Total	9,140		25.95%	8,562		30.01%
Total City Employment	35,220			28,532		

Sources: City of Loveland December 31, 2011 Comprehensive Annual Financial Report
Larimer County Workforce
Northern Colorado Economic Development Corporation

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

Fiscal Year	Population (thousands)	Personal Income (millions)	County Per Capita Income (b) (thousands)	Median Age	Unemployment Percentage (a)
2002	57.2	1,670.20	29.2	33.4	4.7
2003	59.7	1,802.90	30.2	34.0	5.1
2004	60.1	1,887.10	31.4	34.4	4.7
2005	61.9	1,968.40	31.8	36.0	4.5
2006	64.1	2,108.90	32.9	33.9	3.9
2007	65.8	2,256.90	34.3	33.2	3.4
2008	64.8	2,394.75	37.0	35.9	4.2
2009	65.8	2,466.25	37.5	36.9	7.1
2010	66.6	2,487.66	37.4	36.9	7.4
2011	67.6	2,557.54	37.8	35.3	6.9

Note: The Unemployment Percentage for 2008 was unavailable at the time of 2008 CAFR publication, so the most recent figure at the time (2007; 3.4%) was used. This data has now been updated to the subsequently documented 2008 figure of 4.2%.

(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, 2011 Comprehensive Annual Financial Report

Thompson School District R2-J
 Number of Employees by Function
 June 30, 2012
 (Unaudited)

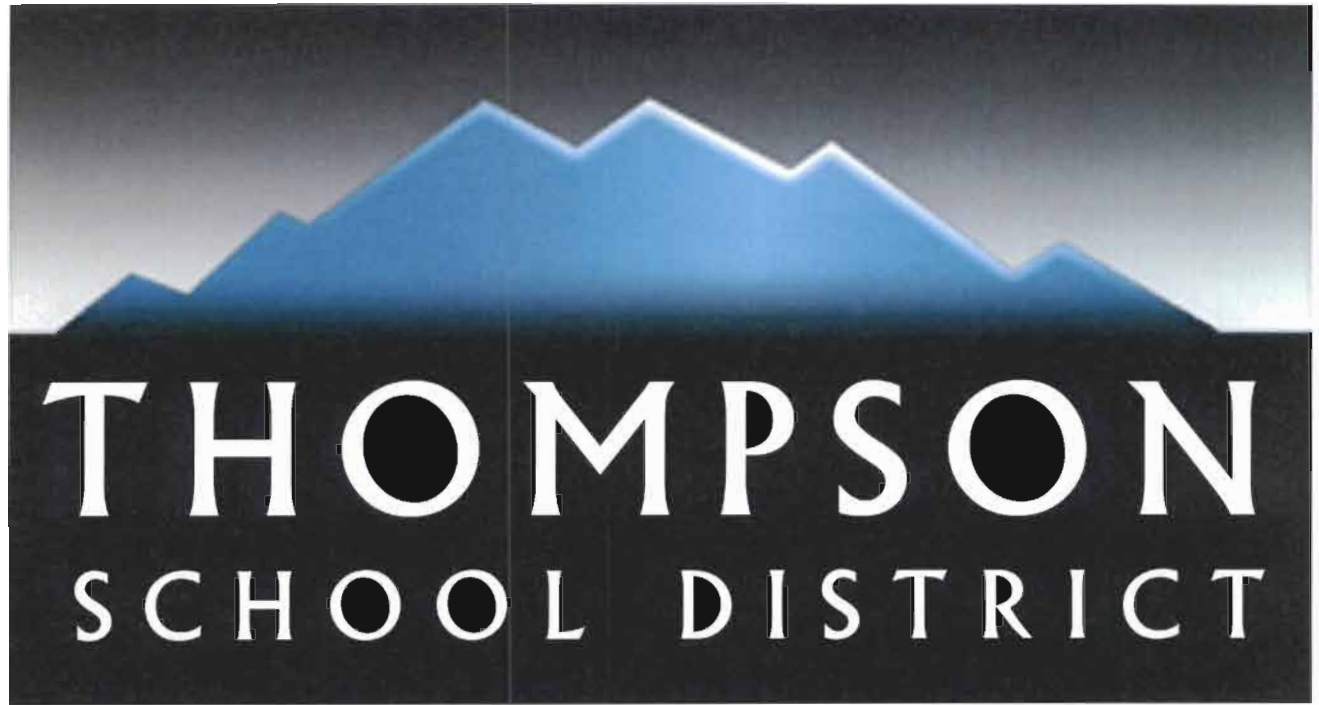
<u>Employees: (Full and Part Time Positions)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Administration										
Instructional Central Office Administrators	10	10	10	10	12	12	12	9	11	10
Principals & Asst. Principals	35	35	45	45	42	46	47	49	47	45
Support Central Office Administrators	5	5	10	10	11	11	11	12	11	10
Teaching Staff										
Teachers	850	850	1,015	985	995	1024	1031	1037	972	906
Substitute Teachers	255	255	380	350	304	375	254	408	438	391
Guidance Counselors	25	25	45	40	45	43	44	43	39	37
Media Specialist	10	10	10	10	9	9	9	9	9	9
Teacher Aides	175	175	170	180	198	187	195	212	166	172
Support Services										
Nurses, Psychologists, and Social Workers	20	20	30	30	35	31	35	32	30	29
Pupil Transportation	100	100	115	125	112	118	125	128	114	99
Personnel Services	10	10	10	10	9	12	12	11	9	9
Operations and Maintenance	165	165	150	155	153	160	173	164	162	156
Fiscal Services and Data Processing	5	5	10	10	9	15	14	16	16	16
School Building Clerical	120	120	140	140	130	141	147	148	137	125
Other Professional Support Staff	45	45	145	130	122	152	152	156	134	124
Other Clerical Support	30	30	35	30	31	31	30	31	26	22
Food Services	150	150	115	115	105	112	117	115	86	74
Total	2,010	2,010	2,435	2,375	2,322	2,479	2,408	2,580	2,407	2,234

Source: Thompson School District Human Resources Department

Thompson School District R2-J
 Operating Indicators
 June 30, 2012
 (Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Funding per Student	\$ 5,441	\$ 5,595	\$ 5,721	\$ 5,798	\$ 5,988	\$ 6,279	\$ 6,530	\$ 6,714	\$ 6,461	\$ 6,140
Funded Pupil Count	14,495.0	14,445.5	14,352.5	14,304.6	14,402.0	14,419.5	14,486.4	14,491.7	14,469.9	14,672.9
Total Funding per School Finance Act	\$ 78,867,295	\$ 80,822,573	\$ 82,110,653	\$ 82,938,071	\$ 86,239,176	\$ 90,540,041	\$ 94,596,192	\$ 97,297,274	\$ 93,490,024	\$ 90,091,606

Source: Thompson School District Finance Department



THOMPSON
SCHOOL DISTRICT

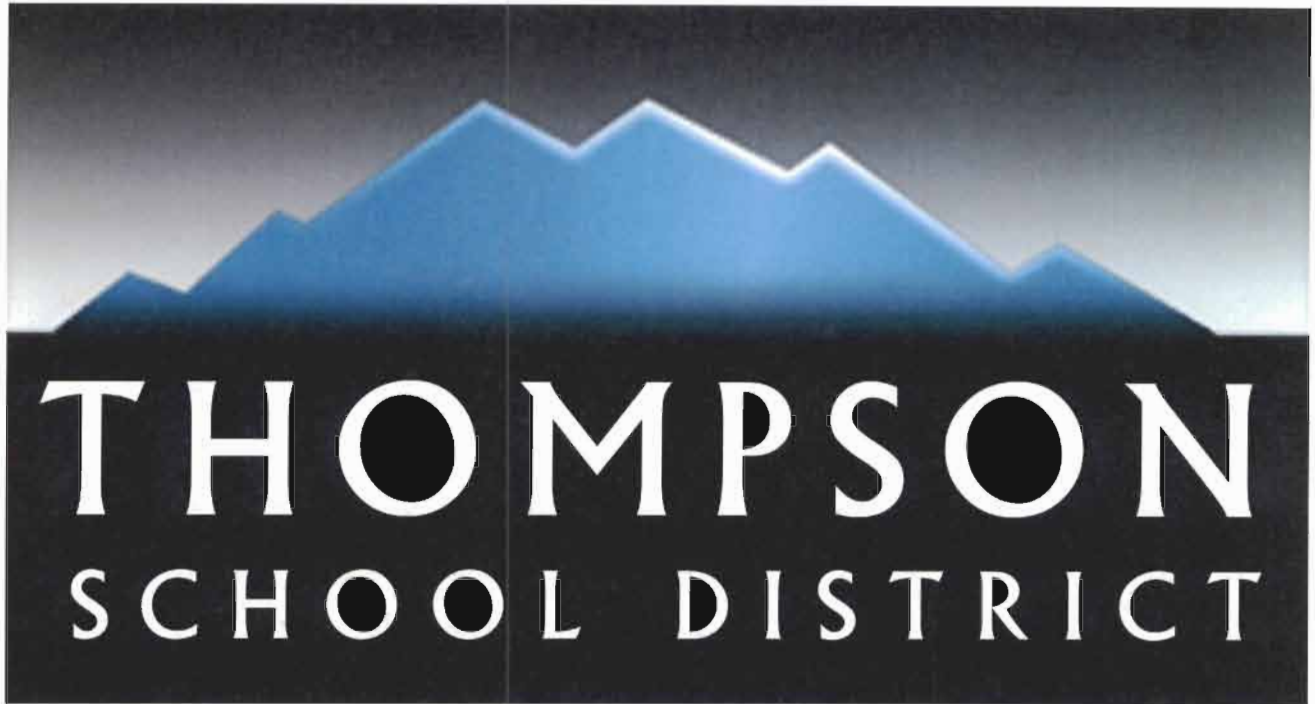
Thompson School District R2-J
 School Building Information
 June 30, 2012
 (Unaudited)

<u>Schools</u>	<u>Sq. Ft.</u>	<u>Capacity</u>	<u>Enrollment History by Fiscal Year</u>					
			<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Elementary Schools								
Berthoud	50,050	480	378	432	419	453	424	404
BF Kitchen	33,800	280	217	250	215	207	194	185
Big Thompson	29,100	255	185	206	183	178	192	200
Currie Martin	33,350	280	281	304	317	343	322	299
Centennial	57,750	530	399	417	418	409	343	319
Cottonwood Plains	57,400	530	416	426	433	458	555	517
Coyote Ridge	58,300	375	341	347	295	270	-	-
Garfield	34,900	300	276	258	294	280	261	271
Ivy Stockwell	36,050	355	317	334	334	314	342	363
Laurene Edmondson	32,650	280	211	227	246	248	289	302
Lincoln	40,500	355	223	249	366	353	393	391
Mary Blair	49,150	480	435	423	487	472	496	471
Monroe	51,050	505	330	305	352	394	393	420
Namaqua	51,550	505	372	396	480	471	509	516
Ponderosa	71,500	550	431	370	-	-	-	-
Sarah Milner	36,700	405	307	312	328	344	336	366
Stansberry	31,800	280	223	243	253	245	241	216
Truscott	45,700	330	281	302	284	273	282	285
Van Buren	32,800	300	199	212	274	241	269	266
Winona	65,500	550	418	440	435	424	407	364
Middle Schools								
Bill Reed	146,500	900	660	650	618	622	604	612
Conrad Ball	96,100	810	642	646	621	640	703	783
Lucile Erwin	115,500	900	850	874	854	881	836	736
Turner	72,750	770	465	407	421	413	426	434
Walt Clark	96,850	900	530	574	586	643	683	708
High Schools								
Berthoud	143,100	990	609	615	615	630	656	675
Ferguson	43,000	185	122	124	122	104	99	102
Loveland	211,250	1,500	1,438	1,479	1,595	1,604	1,596	1,578
Mountain View	252,300	1,475	1,072	1,047	1,065	1,090	1,141	1,126
Thompson Valley	218,000	1,475	1,252	1,272	1,318	1,418	1,406	1,113
Totals	2,294,950	17,830	13,880	14,141	14,228	14,422	14,398	14,322

Source: Thompson School District Master Plans

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
404	415	406	399
233	244	260	279
212	211	224	231
307	285	281	265
343	409	362	340
529	485	463	464
-	-	-	-
246	253	247	298
376	359	365	365
310	304	315	320
431	327	306	308
461	445	433	444
409	430	411	441
603	580	591	626
-	-	-	-
345	353	381	405
235	246	273	288
267	207	209	220
272	271	286	280
382	411	396	359
645	697	693	727
794	784	809	781
800	801	801	782
437	467	495	508
770	789	753	756
673	681	704	689
97	105	94	102
1,536	1,493	1,477	1,464
1,179	1,195	1,221	1,147
1,477	1,435	1,425	1,503
<u>14,773</u>	<u>14,682</u>	<u>14,681</u>	<u>14,791</u>

COMPLIANCE SECTION



THOMPSON
SCHOOL DISTRICT



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and 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, 2012, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated December 12, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the New Vision Charter School and the Loveland Classical Schools, as described in our report on the Thompson School District R2-J's financial statements. The financial statements of the New Vision Charter School and the Loveland Classical Schools were not audited in accordance with *Government Auditing Standards*.

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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Thompson School District R2-J's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the Thompson School District R2-J's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

A handwritten signature in cursive script that reads "Swanburt & Company, LLC". The signature is written in dark ink on a light-colored background.

December 12, 2012



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the Thompson School District R2-J's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Thompson School District R2-J is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the Thompson School District R2-J's internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.



December 12, 2012

THOMPSON SCHOOL DISTRICT R2-J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

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

yes no

Identification of major programs:

- 10.553 School Breakfast Program
- 10.555 National School Lunch Program
- 10.559 Summer Food Service Program for Children

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

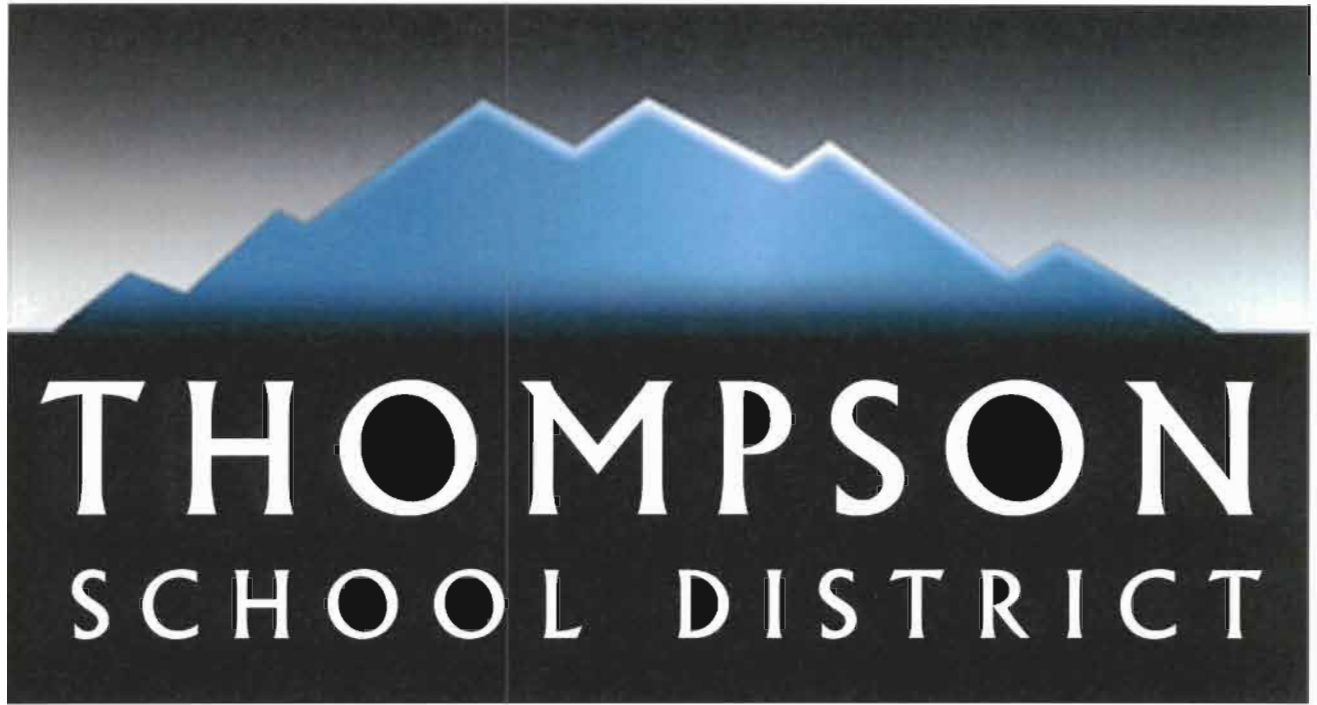
Auditee qualified as low-risk auditee? yes no

Financial Statement Findings

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

Federal Awards Findings and Questioned Costs

The audit of federal awards did not disclose 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.



THOMPSON
SCHOOL DISTRICT



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Thompson School District R2-J, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated December 12, 2012, which contained an unqualified opinion on those financial statements. The financial statements are the responsibility of the Thompson School District R2-J's management. Our responsibility is to express opinions on the financial statements based on our audit. We did not audit the financial statements of the New Vision Charter School and the Loveland Classical Schools, which represent 86 percent and 94 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the New Vision Charter School and the Loveland Classical Schools, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 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 and the reports of the other auditors provide 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 financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

December 12, 2012

Thompson School District R2-J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

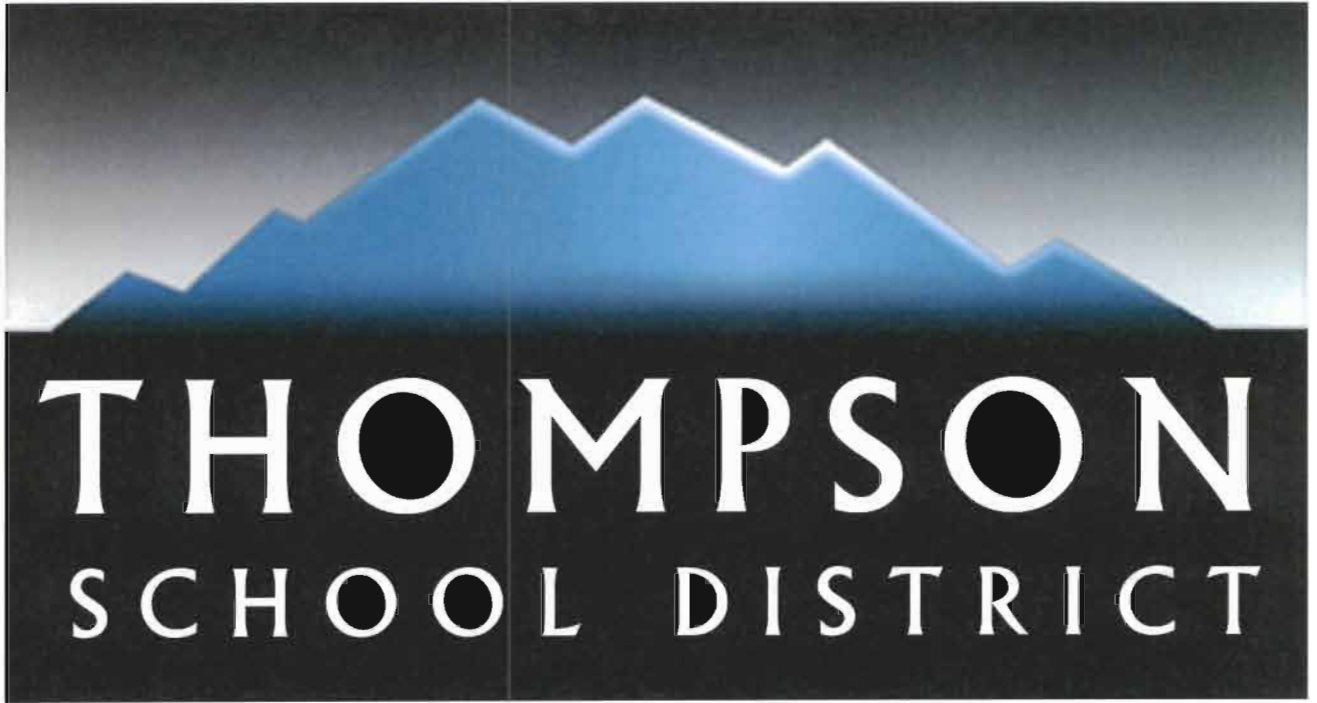
Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA Number	Grant Expenditures
U.S. Department of Education		
Passed Through State Department of Education		
Title I	84.010	\$ 1,582,923
ARRA Title I	84.389	115,281
Special Education	84.027	2,909,883
ARRA Special Education	84.391	46,800
Special Education Preschool	84.173	77,495
Improving Teacher Quality	84.367	417,292
Education Technology	84.318	1,311
ARRA Education Technology	84.386	16,666
English Language Acquisition	84.365	52,914
Education Jobs Fund	84.410	89,399
Race to the Top	84.413	1,317
Special Education State Personnel Development	84.323	9,719
Twenty-First Century Community Learning Centers	84.287	10,810
Charter Schools	84.282	195,000
Passed Through State Department of Human Services		
Vocational Rehabilitation	84.126	115,135
Passed Through State Department of Public Safety		
Safe and Drug Free Schools and Communities	84.186	18,834
Passed Through State Community Colleges System:		
Career and Technical Education	84.048	83,648
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>5,744,427</u>
U.S. Department of Agriculture		
Passed through State Department of Human Services:		
Food Donation	10.555	130,117
Passed Through State Department of Education:		
School Breakfast Program	10.553	553,069
National School Lunch Program	10.555	1,722,889
Summer Food Service Program for Children	10.559	120,191
Team Nutrition	10.574	5,811
Passed Through State Department of Public Health & Environment:		
Child and Adult Care Food Program	10.558	18,911
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>2,550,988</u>
U.S. Department of Health and Human Services		
Direct Program		
Head Start	93.600	<u>1,003,113</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 9,298,528</u>

See independent auditors' report

Thompson School District R2-J
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012

Note (1) Basic Presentation

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 of presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.





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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Thompson School District R2-J, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated December 12, 2012, which contained an unqualified opinion on those financial statements. The financial statements are the responsibility of the Thompson School District R2-J's management. Our responsibility is to express opinions on the financial statements based on our audit. We did not audit the financial statements of the New Vision Charter School and the Loveland Classical Schools, which represent 86 percent and 94 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the New Vision Charter School and the Loveland Classical Schools, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and the reports of the other auditors provide 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 financial statements as a whole. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the auditor's integrity report is fairly stated in all material respects in relation to the financial statements as a whole.

December 12, 2012



cde Colorado Department of Education

Automated Data Exchange View Report

12/19/2012
11:12 AM

Colorado Department of Education
Fiscal Year 2011-2012
Colorado School District/BOCES
Auditor's Integrity Report

LARIMER THOMPSON R2-J
District Code: 1560

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources -	0001 - 0999 Total Expenditures & Other Uses =	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	29,391,325	101,595,891	102,814,972	28,172,244
18 Risk Mgmt Sub-Fund of General Fund	212,021	1,087,526	1,033,205	266,342
19 Colorado Preschool Program Fund	123,674	531,132	474,629	180,177
Subtotal	29,727,020	103,214,549	104,322,807	28,618,762
11 Charter School Fund	625,725	7,112,148	6,686,940	1,050,932
20,26-29 Special Revenue Fund	3,373,297	3,401,424	3,397,576	3,377,144
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	-378,271	7,334,707	6,878,964	77,472
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override Transportation Fund	0	0	0	0
31 Bond Redemption Fund	13,767,050	111,994,195	111,645,073	14,116,172
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	2,659,621	2,176	1,837,486	824,312
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	2,010,300	2,441,311	2,123,967	2,327,643
TOTALS	51,784,742	235,500,509	236,892,813	50,392,438
Proprietary				
51 Food Service Fund	1,190,832	4,357,981	4,406,051	1,142,762
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	1,190,832	4,357,981	4,406,051	1,142,762
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	69,592	60,089	51,113	78,568
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	1,008,685	2,644,394	2,497,581	1,155,497
79 GASB 34: Permanent Fund	0	0	0	0
85 Foundations	1,073,551	383,708	461,329	995,930
TOTALS	2,151,828	3,088,190	3,010,023	2,229,995

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