



Comprehensive
Annual
Financial
Report
Year Ended
June 30, 2011



THOMPSON SCHOOL DISTRICT R2-J

Loveland, Berthoud, & Fort Collins Colorado

Comprehensive Annual Financial Report

For the Year Ended
June 30, 2011

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, 2011**

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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



November 22, 2011

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, 2011.

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, 2011.

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

The District's financial statements have been audited by Swanhorst & Company LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2011, 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, 2011, are fairly presented in conformity with US GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The District, reorganized in 1960, now comprised of 30 schools: five high schools, five middle schools, and twenty elementary schools. During 2006-07 the District added its' first charter school and in 2011-12 has opened another. All of the schools are located in the City of Loveland, City of Fort Collins or the Town of Berthoud in Northern Colorado. The geographic area of the District is 362 square miles located mainly in southern Larimer County. Student enrollment has steadily increased over the past two decades; but more recently has flattened; the Funded Pupil Count was 14,470 students for the 2010-11 school year. The District's Board of Education is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

The annual budget serves as the foundation of the District's financial planning and control. The District maintains extensive budgetary controls, to ensure compliance with legal requirements, Board of Education policies and District administration guidelines. The legal level of budgetary control is the fund level. The District's budget must be adopted by June 30 prior to the budget year, but may be revised for any reason 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 reappropriated 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.

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 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.

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.

State Funding. Because the General Fund revenues for public schools in Colorado are predominantly determined by the School Finance Act, total revenues will normally not fluctuate significantly.

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, 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 school funding in Colorado regardless of this amendment. The following funding reductions and/or significant rescissions have taken place thus far for the District.

Fiscal 2008-09 = \$490,000 rescission

Fiscal 2009-10 = \$1.9 MM funding cut + \$380,000 rescission

Fiscal 2010-11 = \$4.0 MM funding cut

Fiscal 2011-12 = \$4.8 MM funding cut

Fiscal 2012-13 = more proposed K-12 cuts per Governor Hickenlooper's preliminary proposed budget that will be debated and finalized in the coming months.

Clearly, as long as the state budget shortfalls continue, K-12 funding will continue in its current state of decline.

District General Fund Impact

The District has adopted a balanced response to the above referenced revenue losses for two consecutive years now.

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 two years the district has implemented budget cuts totaling \$7.5 MM. Over that same period inflation & intentional program investments (\$1.4 MM) and other mandatory increases (charter school support of \$3.6 MM) have mitigated those savings to a net of \$2.5 MM versus fiscal 2009-10 budgetary levels.

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. These savings are part of the *General Fund Budgetary Highlights* discussed in the Management's Discussion and Analysis section of this report.

Through years of 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 has authorized use of \$2 MM and \$7 MM respectively to support the continuance of important student academic program offerings.

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 during November 2011.

The District's current level of General Fund reserves will still provide some flexibility when balancing ongoing expenditure cuts to revenue reductions in 2012-13. Reserve balances however will 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 offset what is currently a \$7 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. However, recent state funding cuts have increased the likelihood of spending those reserves down to a level that could require cash flow support through the state's interest free loan program.

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

The District's share of pool premiums is determined using experience modifiers based on exposure information and actuarial modifiers based on utilization. The percentage contribution from each member district causes yearly changes based on these factors. The District benefits from the experience rating in the liability and property pools. Retention and excess costs amounts for 2010-11 are shown below for the Colorado Self Insurance Pool (CSDSIP):

	Pool/District Self-Insured Retention*	CSDSIP
Property Pool	\$2,000,000/\$5,000	\$1,000,000,000
Liability Pool	\$600,000/\$10,000 **	N/A

* Shown on a per claim or incident basis

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

Pension and Other Postemployment Benefits

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

The District, like other plan participants, is faced with statutory annual increases to the employer funded contributions of .9% per year through January of 2017 before rates level off at 20.15% at that point. These increases come at a time when state funding is declining creating increased budgetary pressures during the current economic downturn.

The District also contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature

The (SDTF) members of the District may voluntarily contribute to the Voluntary Investment Programs (401(k) Plan), an Internal Revenue Code Section 401(k) and 457 Deferred Compensation Plan, an Internal Revenue Code Section 457 plan. Both are defined contribution plans administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

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

Awards and Acknowledgements

The Government Finance Officers Association’s (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the twenty-second 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 thirteenth

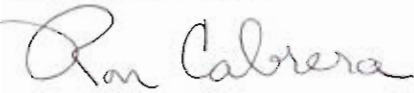
consecutive year that the District has received this award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized CAFR. This report satisfied both US GAAP and applicable legal requirements.

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, 2010

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.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



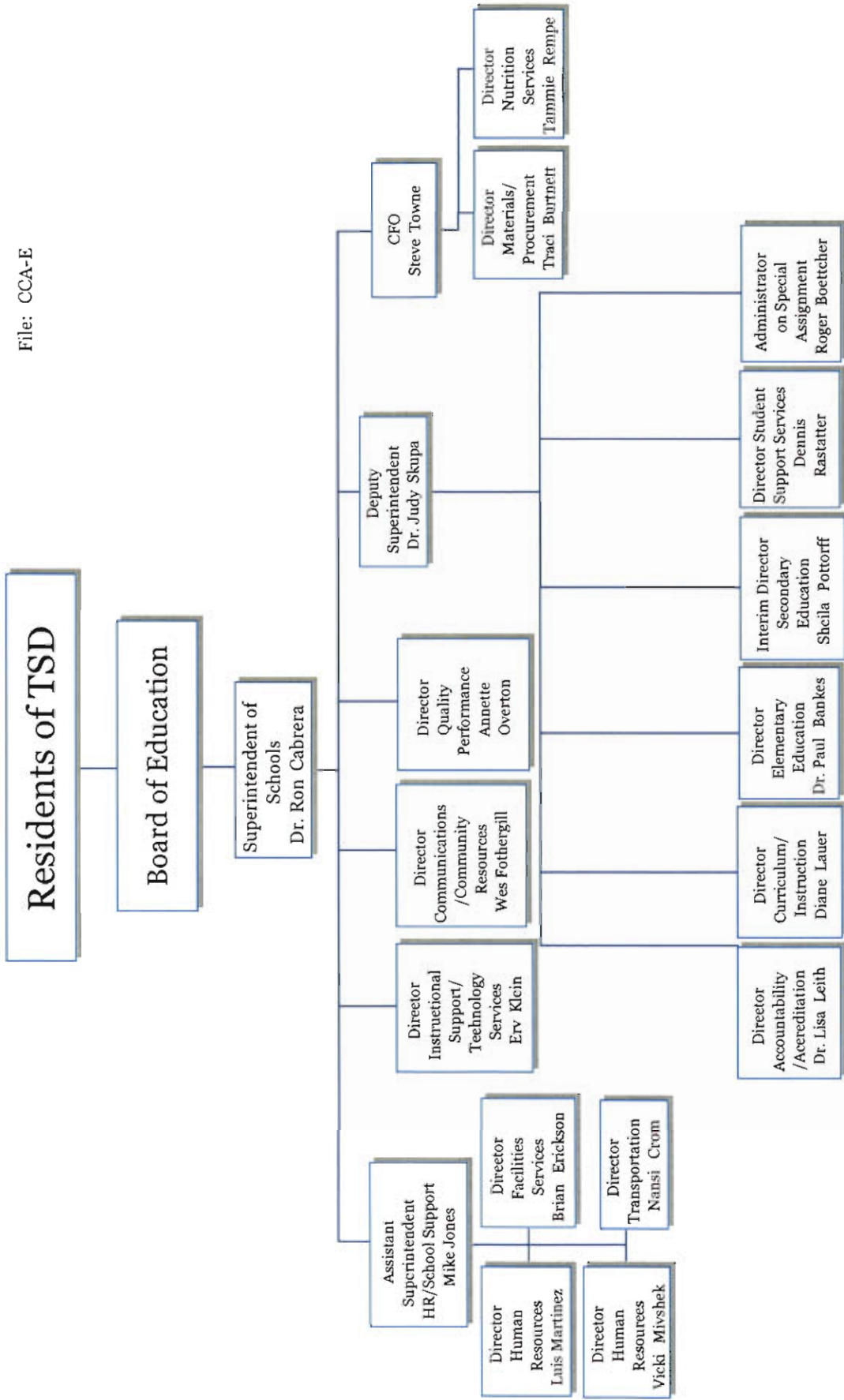
This Certificate of Excellence in Financial Reporting is presented to

THOMPSON R2-J SCHOOL DISTRICT
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2010

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



Updated September 23, 2010

Board of Education

Lola Johnson, Vice President	Term Expires 2011
Janice Marchman	Term Expires 2011
Sharon Olson, Secretary	Term Expires 2013
Leonard Sherman	Term Expires 2013
Lucille Steiner, President	Term Expires 2011
Karen Stockley, Treasurer	Term Expires 2011
Leslie Young	Term Expires 2011

Superintendent's Executive Staff

Dr. Ronald G. Cabrera	Superintendent
Michael Jones	Assistant Superintendent, HR/School Support
Dr. Judy Skupa	Deputy Superintendent
Stephen Towne	Executive Director, Business Services
Wesley Fothergill	Director of Communications and Community Resources
Erv Klein	Director of 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, 2011, 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 which represent 84 percent and 67 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for the New Vision Charter School, is based solely upon the report 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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, 2011, 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.

For the year ended June 30, 2011, the Thompson School District R2-J adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, 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.

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

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

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

Ewart & Company, LLC

November 22, 2011

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets increased by \$2,549,495 for the year ended June 30, 2011. The net increase was composed of the following elements:

Invested in Capital Assets, net of Related Debt	<u>\$ 2,354,765</u>
Restricted for:	
Debt Services	(8,779)
TABOR	23,697
Land & Land Improvements	53,860
Assigned for:	
Grants	288,532
Colorado Preschool	(11,673)
Unrestricted	<u>(150,907)</u>
Net Increase	<u>\$ 2,549,495</u>

Most significant among these is the growth of Invested in Capital Asset net of Related Debt. Within this component the Building Fund balance is spent down intentionally as the district moves closer to completion of the building projects associated with 2005 Bonds proceeds

- Total assets of governmental activities decreased by \$5,464,587 attributed to the following elements:

	Increase (Decrease)
Cash	<u>\$ (240,606)</u>
Receivables	(1,204,378)
Due from Other Governments	539,089
Bond Issuance Costs	(49,139)
Capital Assets, net of Accumulated Depreciation	<u>(4,509,553)</u>
Net Decrease	<u>\$ (5,464,587)</u>

The decrease in receivables was primarily due to the decrease in the year-end property tax receivable resulting from a stronger than usual year in property tax collections. Annual depreciation exceeded additions to capital assets for the year by \$4.4 million. Together, these two items explain the overall net decrease.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

- Total assets of business type activities increased by \$218,441 attributed to the following elements:

	Increase (Decrease)
Cash	\$ 222,104
Due from Other Governments	3,385
Inventory	5,640
Capital Assets, net of Accumulated Depreciation	(12,688)
Net Increase	\$ 218,441

The most significant variance was the increase was Cash due to the Nutrition Services program improved operating results.

- Total Liabilities of governmental activities decreased by \$7,825,623 due to the following items:

	Increase (Decrease)
Accounts Payable	\$ (925,142)
Accrued Salaries and Benefits	569,117
Retainage Payable	(487,871)
Accrued Interest Payable	(800)
Due to Other Governments	(101,773)
Liabilities due within one year	160,498
Liabilities due in more than one year	(7,039,652)
Net Decrease	\$ (7,825,623)

Accounts payable decreased due to the lesser amount of large bond related construction projects in-process as compared to the prior year. The decrease in long term liabilities is typical and reflects the annual principal payments made. Other changes in liabilities are minimal variations expected during the course of business.

- Governmental-activities general revenues accounted for \$120.4 million in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions, accounted for \$17.3 million or 13 percent of total revenues of \$137.7 million.
- The District had \$135.4 million in expenses related to governmental activities; only \$17.3 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$120.4 million were adequate to provide for these programs.
- Among major funds, the general fund had \$115.5 million in revenues and \$111.4 million in expenditures and transfers out. The general fund's fund balance increased to \$29.7 million from \$25.6 million.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

- Net assets for Enterprise funds increased over last year as a result of significant decrease in expenses.

Overview of the Financial Statements

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

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

- To assess the District's overall health, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

- *Fiduciary funds:* The District is the agent, or *fiduciary*, for assets that belong to others, such as the education memorial and student activities funds. The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes and the assets reported in these funds. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Total assets decreased \$5.2 million largely reflecting the decline of \$4.6 million in net Capital Assets brought about by annual depreciation. The District capitalized assets during the year of \$24.2 million compared to depreciation of \$7.7 million.

The District's *combined* net assets increased by \$2.5 million (2.79%) over the previous year to \$94.1 million. Most of this change in the District's financial position came from its governmental activities, the net assets of which increased \$2.4 million to \$92.9 million.

The Colorado Amendment X to the State Constitution (Taxpayer Bill of Rights (TABOR)) requires the district to establish certain reserves. These reserves are adjusted annually to 3% of applicable revenues or fiscal year spending. The Unrestricted, Unassigned Net Assets increased overall, mainly due to the increase in the General Fund's fund balance.

The net assets of the District's business-type activities increased \$0.02 million to \$1,190,833.

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Assets							
Current & Other Assets	\$ 68,401	\$ 69,307	\$ 1,103	\$ 0,872	\$ 69,504	\$ 70,179	\$ -0.96%
Capital Assets	173,703	178,262	0,374	0,387	174,077	178,649	-2.56%
Total Assets	242,104	247,569	1,477	1,259	243,581	248,828	-2.11%
Liabilities							
Other Liabilities	23,987	24,773	0,269	0,245	24,256	25,018	-3.05%
Long-Term Liabilities	125,218	132,258	0,017	0,011	125,235	132,269	-5.32%
Total Liabilities	149,205	157,031	0,286	0,256	149,491	157,287	-4.96%
Net Assets							
Invested in Capital net of related debt	54,767	52,399	0,374	0,387	55,141	52,786	4.46%
Restricted	21,066	20,718	0,059	0,062	21,125	20,780	1.66%
Unrestricted	17,066	17,421	0,758	0,553	17,824	17,974	-0.83%
Total Net Assets	\$ 92,899	\$ 90,538	\$ 1,191	\$ 1,002	\$ 94,090	\$ 91,540	\$ 2.79%

Table 2 shows the changes in net assets for fiscal year 2011 compared to 2010:

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

	Governmental Activities		Business-Type Activities		Total School District	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 3,061	\$ 1,325	\$ 1,824	\$ 1,952	\$ 4,885	\$ 3,277
Operating Grants & Contributions	14,228	14,717	2,613	2,467	16,841	17,184
General revenues						
Property taxes	58,972	59,700	-	-	58,972	59,700
State revenue	57,405	64,803	-	-	57,405	64,803
Other	4,122	0,550	-	-	4,122	0,550
Total Revenues	137,788	141,095	4,437	4,419	142,225	145,514
Expenses						
Instruction	72,447	72,939	-	-	72,447	72,939
Pupil & Instructional Services	20,595	22,688	-	-	20,595	22,688
Administration & Business	11,810	13,502	-	-	11,810	13,502
Maintenance & Operations	13,855	5,882	-	-	13,855	5,882
Transportation	5,293	12,243	-	-	5,293	12,243
Other	11,356	11,160	4,320	4,348	15,676	15,508
Total expenses	135,356	138,414	4,320	4,348	139,676	142,762
Transfers	(0,071)	(0,058)	0,071	0,058	-	-
Increase (decrease) in net assets	2,361	2,623	0,188	0,129	2,549	2,752
Net Assets - July 1	90,538	87,915	1,002	0,873	91,540	88,788
Net Assets - June 30	\$ 92,899	\$ 90,538	\$ 1,191	\$ 1,002	\$ 94,090	\$ 91,540

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2011

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 42 cents and 43 cents of every dollar raised respectively (Table 3). Another 10 percent came from state and federal grants for specific programs and the remainder from fees charged for services.

The District's expenses (73 percent) are predominantly related to instructing, caring for (pupil services) and transporting students (Table 4). The District's administrative and business activities accounted for 9 percent of total costs, while maintenance and other operations cost 18 percent.

Table 3

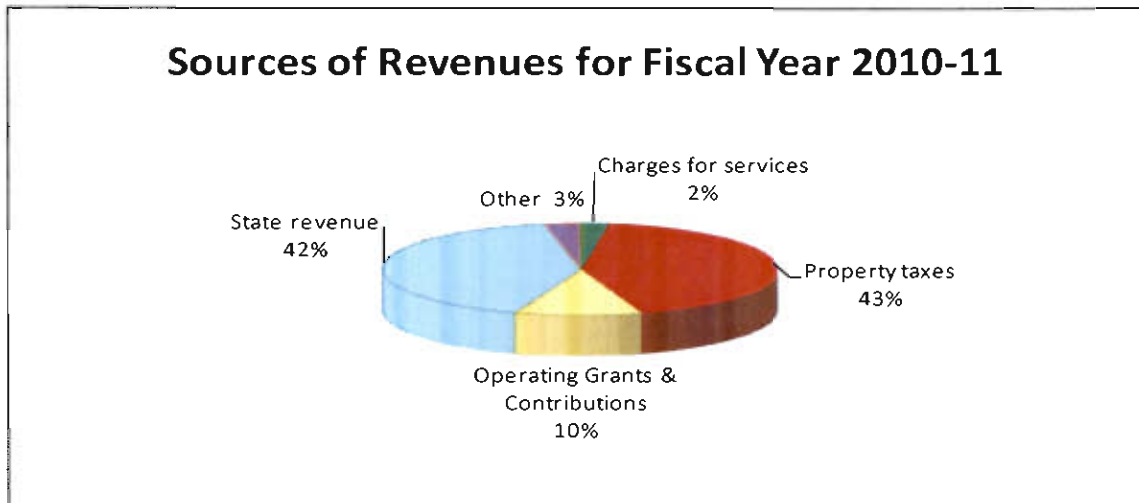
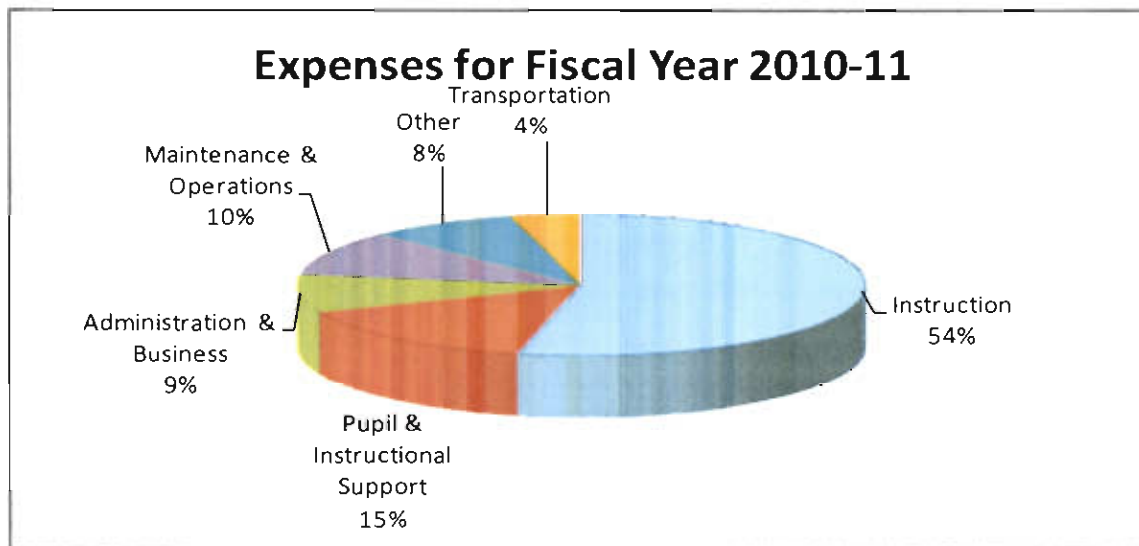


Table 4



**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$6,461 per funded pupil for 2010-11. The district's funded pupil count was 14,470. For the 2010-11 fiscal year the District continued to be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 66 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax. State law allows school districts to obtain an additional 25 percent of SFA program funding from local property taxes. This is accomplished by successfully passing a mill levy override ballot question.

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

Annual revenues from this override are no longer sufficient to cover the inflationary increases associated with the specific objectives of this override. The Board of Education has chosen to allocate other ongoing general fund revenues to cover the differences rather than cutting specific items from the objectives at this time.

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

This particular override allows for maximum annual revenue of \$6,540,000 in property taxes with annual mills levied not exceeding 4.15 in any year. For 2010-2011 revenues from this mill levy were just over \$5.7 million. With current district tax rolls flat or in slight retreat this override will not reach its annual revenue maximum until assessed valuations resume sustained growth for several years. Currently, annual expenditures are slightly in excess of annual revenues but sustained for now by sufficient fund reserves.

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

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

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

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$ 72.447	\$ 72.939	\$ 60.065	\$ 60.942
Pupil & Instructional Services	20.595	22.688	18.412	20.594
Administration & Business	11.810	13.502	11.592	13.296
Maintenance & Operations	13.855	5.882	13.793	5.822
Transportation	5.293	12.243	7.231	11.200
Other	11.356	11.160	6.974	10.518
Total expenses	\$ 135.356	\$ 138.414	\$ 118.067	\$ 122.372

The cost of all *governmental* activities this year was \$135.4 million.

- Some of the cost was financed by the users of the District's programs (\$3.1 million).
- The federal and state government subsidized certain programs with grants and contributions (\$14.2 million).
- Most of the District's costs (\$118.1 million), however, were financed by State and District taxpayers.
- A portion of governmental activities was financed with \$57.4 million in state equalization from the School Finance Act of 1994 (SFA) and \$55.1 million in property taxes, (\$29.7 million from the SFA, \$12.9 from the 1999 and 2006 voter approved mill levy overrides; and \$12.5 million raised to repay the District's annual payment on Bonded debt.)

Business-Type Activities

Business-type activities of the district are limited to the nutritional services fund. This program had revenues of \$4.4 million and expenses of \$4.3 million. Business-type activities receive no support from tax revenue.

Financial Analysis of the District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$139.2 million and expenditures of \$137.7 million. The general funds' fund balance increased by \$4.2 million due to improved performance versus budget discussed in detail in the budgetary highlights section immediately below.

Thompson School District R2-J Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2011

General Fund Budgetary Highlights

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

Total revenues for 10/11 were \$2.8 MM more than budget.

- \$1.2 MM is from property taxes, as past due collections from prior years (\$3.9MM) exceeded new delinquencies for the current assessment year (\$2.7MM).
- Equalization exceeded budget by \$420k as the legislature approved supplemental PPR funding after the district's board had made its final budget amendments in January.
- Specific ownership tax collections continue to trend downward. Though down \$205k versus last year collections still exceeded budget estimates by \$206k.
- The district received a 1-time unplanned dividend from its health insurance provider of \$372k, \$330k in unbudgeted high cost special education reimbursements, and \$119k in unplanned national forest monies.

Actual expenditures were \$7.9 MM below budget.

- Schools and departments are traditionally allowed to carry over certain unused dollars from previous years. The 10/11 budget included \$4.03 MM of such monies. The district's board however never released those monies for expenditure due to the continuing revenue declines of the school Finance Act resulting in savings versus budget of that entire amount.
- During February of 2011 the district through detailed research determined that certain budget projection practices were overly conservative, overstating some benefit costs. District expectations of \$1.2 MM savings versus budget in this area are confirmed by the actual results and budget practices going forward have been modified as a result.
- Also in February 2011 district research revealed that certain FTE were not being spent as budgeted. That research indicated the district would likely save approximately \$1 MM versus budget in this area as a result. Actual results indicate savings of \$1.2 MM and the district is creating tracking tools to help improve budget precision in this area for the future.
- For 10/11 schools and departments in some cases were able to save monies against budget that may be authorized for expenditure during 11/12. Those monies total approximately \$1.1 MM. The remaining \$400k in savings is not under consideration for such treatment.

Capital Assets and Debt Administration

By the end of 2011, the District had invested \$173.4 million in land, buildings, equipment, and transportation vehicles, \$173.0 million, of which was in governmental activities. Table 6 shows a comparison of fiscal years 2011 and 2010:

**Thompson School District R2-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011**

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

	Governmental Activities		Business-Type Activities		Total School District	
	2011	2010	2011	2010	2011	2010
Land	\$ 14.811	\$ 14.811	\$ -	\$ -	\$ 14.811	\$ 14.811
Land Improvements	0.100	-	-	-	0.100	-
Water Rights	1.130	1.050	-	-	1.130	1.050
Construction in Progress	2.095	21.194	-	-	2.095	21.194
Buildings	148.532	134.522	-	-	148.532	134.522
Equipment	3.318	2.972	0.374	0.387	3.692	3.359
Transportation	3.030	2.976	-	-	3.030	2.976
Totals	\$ 173.016	\$ 177.525	\$ 0.374	\$ 0.387	\$ 173.390	\$ 177.912

Construction in Progress decreased as a result of the projects at Berthoud High School, Loveland High School Swimming Pool, Ponderosa Elementary, and the Transportation Facility being completed. Along with the in-process projects at Coyote Ridge Elementary School, Lincoln Early Childhood Center, Berthoud Elementary School, Ivy Stockwell Elementary School, and Berthoud High School.

It is important to note that without significant new investment in capital assets the existing net values will decrease due to annual depreciation. New investments are most significant when the district has bond proceeds available. With most bond proceeds building projects complete, and General Fund monies tight, the District has minimal new investment monies available for capital assets.

Additional information on the District's capital assets can be found in Note 5 of the Notes to Financial Statements report, page 37.

Long-Term Debt

At year-end, the District had \$128.2 million in bonds, certificates of participation and capital leases payable, \$7.4 million due within one year (Table 7).

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

	Governmental Activities 2011	Governmental Activities 2010
General Obligation Bonds	\$ 124.096	\$ 130.638
Certificates of Participation	3.260	3.450
Capital Lease Obligation Payable	0.876	1.071
Total	\$ 128.232	\$ 135.159

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, 2011**

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:

- With a significant economic downturn across the state and across the nation, the state budget for Colorado has suffered tremendously. The district suffered a rescission of \$2.3 MM of School Finance Act monies during 09/10, and funding cuts of \$4.0 MM, and another \$4.8 MM in 10/11 & 11/12 respectively. It appears likely that K-12 funding in Colorado will step back yet again for 12/13.
- One-time federal stimulus monies that helped dampen the impact are no longer available as of September 2011.
- The district has reduced expenditures since the funding crisis began during 09/10. Additionally the district has relied upon its General Fund reserves to help mitigate classroom impact including planned spend downs of \$2.0 MM in 10/11 & \$7.2 MM for 11/12. There remain reserves available to similarly help mitigate program cuts in 12/13. But resources are limited and may not be sufficient to avoid further program cuts altogether.
- The district asked local voters for replacement funding through a mill levy override during the fall of 2011. The measure was defeated but could well be re-introduced during the next election.

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, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Investments	\$ 61,703,583	\$ 746,612	\$ 62,450,195	\$ 1,932,536
Restricted Cash and Cash Equivalents	-	-	-	546,798
Receivables	4,008,980	-	4,008,980	1,757
Prepaid Expense	-	-	-	555,000
Due from Other Governments	2,688,074	80,990	2,769,064	-
Inventory	-	274,958	274,958	-
Total Current Assets	68,400,637	1,102,560	69,503,197	3,036,091
Noncurrent Assets				
Bond Issuance Costs, (net of Accumulated Amortization)	687,961	-	687,961	159,309
Capital Assets (net of Accumulated Depreciation - where applicable):				
Land	14,810,666	-	14,810,666	-
Water Rights	1,130,500	-	1,130,500	-
Construction in Progress	2,095,092	-	2,095,092	-
Land Improvements	99,938	-	99,938	-
Buildings	148,531,714	-	148,531,714	3,491,772
Equipment	3,318,139	374,404	3,692,543	-
Transportation	3,029,622	-	3,029,622	-
Total Noncurrent Assets	173,703,632	374,404	174,078,036	3,651,081
Total Assets	242,104,269	1,476,964	243,581,233	6,687,172
LIABILITIES				
Current Liabilities				
Accounts Payable	1,035,168	49,368	1,084,536	9,032
Accrued Salaries and Benefits	12,905,648	141,748	13,047,396	95,234
Retainage Payable	37,501	-	37,501	-
Accrued Interest Payable	231,356	-	231,356	81,465
Due to Other Governments	140,127	-	140,127	-
Unearned Revenue	-	73,702	73,702	-
Current Portion of Long-Term Debt	9,637,456	4,500	9,641,956	53,586
Total Current Liabilities	23,987,256	269,318	24,256,574	239,317
Noncurrent Liabilities				
Loan Payable	-	-	-	4,749,785
Bonds Payable	117,066,273	-	117,066,273	-
Certificates of Participation	3,060,000	-	3,060,000	-
Capital Lease Obligations	671,925	-	671,925	-
Compensated Absences	221,274	16,813	238,087	-
Early Retirement Stipends	4,198,660	-	4,198,660	-
Total Noncurrent Liabilities	125,218,133	16,813	125,234,946	4,749,785
Total Liabilities	149,205,389	286,131	149,491,520	4,989,102
Net Assets				
Invested in Capital Assets, net of Related Debt	54,766,501	374,404	55,140,905	(1,311,599)
Restricted for:				
Debt Service	14,655,009	-	14,655,009	483,386
TABOR	4,675,374	59,057	4,734,431	100,072
Repairs and Replacements	-	-	-	63,412
Land and Land Improvements	1,026,589	-	1,026,589	-
Grants	585,938	-	585,938	-
Colorado Preschool Program	123,674	-	123,674	-
Unrestricted	17,065,795	757,372	17,823,167	2,362,799
Total Net Assets	\$ 92,898,880	\$ 1,190,833	\$ 94,089,713	\$ 1,698,070

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues		
Expenses	Charges for Service	Operating Grants and Contributions	
Primary Government			
Government Activities			
Total Instruction	\$ 72,447,458	\$ 1,655,641	\$ 10,727,209
Support Services			
Pupil Services	9,614,206	-	1,488,166
Instructional Staff	10,981,248	90,403	605,148
General Administration	1,097,871	-	-
School Administration	8,478,267	-	203,494
Business Services	2,233,389	14,529	-
Maintenance/Operations	13,854,509	-	61,165
Pupil Transportation	5,292,524	-	1,061,995
Central Supporting Services	3,934,697	1,299,973	-
Community Services	1,443,698	-	80,615
Interest on Long-term Debt	5,977,903	-	-
Total Support Services	62,908,312	1,404,905	3,500,585
Total Governmental Activities	135,355,770	3,060,546	14,227,794
Business-Type Activities			
Nutritional Services	4,320,056	1,824,212	2,612,312
Total Business-Type Activities	4,320,056	1,824,212	2,612,312
Total School District	139,675,826	4,884,758	16,840,106
Component Units			
Charter School	2,903,688	55,426	-
Thompson Education Foundation	1,369,086	-	1,319,368
	\$ 4,272,774	\$ 55,426	\$ 1,319,368

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
Transfer

Total General Revenues and Transfers

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
(60,064,609)	-	(60,064,609)	-
(8,126,040)	-	(8,126,040)	-
(10,285,696)	-	(10,285,696)	-
(1,097,871)	-	(1,097,871)	-
(8,274,772)	-	(8,274,772)	-
(2,218,860)	-	(2,218,860)	-
(13,793,344)	-	(13,793,344)	-
(4,230,528)	-	(4,230,528)	-
(2,634,725)	-	(2,634,725)	-
(1,363,083)	-	(1,363,083)	-
(5,977,903)	-	(5,977,903)	-
(58,002,822)	-	(58,002,822)	-
(118,067,431)	-	(118,067,431)	-
-	116,468	116,468	-
-	116,468	116,468	-
(118,067,431)	116,468	(117,950,963)	-
-	-	-	(2,848,262)
-	-	-	(49,718)
-	-	-	(2,897,980)
29,728,007	-	29,728,007	-
12,857,383	-	12,857,383	-
12,532,757	-	12,532,757	-
3,853,468	-	3,853,468	-
57,404,922	-	57,404,922	-
242,816	-	242,816	-
107,407	598	108,005	105,537
3,773,100	-	3,773,100	41,072
-	-	-	2,783,331
(71,392)	71,392	-	-
120,428,468	71,990	120,500,458	2,929,940
2,361,037	188,458	2,549,495	31,960
90,537,843	1,002,375	91,540,218	1,666,110
\$ 92,898,880	\$ 1,190,833	\$ 94,089,713	\$ 1,698,070

Thompson School District R2-J
Balance Sheet
Governmental Funds
June 30, 2011

	General	Government Designated- Purpose Grants	Bond Redemption	Building
ASSETS				
Cash and Investments	\$ 40,631,809	\$ -	\$ 13,550,065	\$ 2,746,175
Receivables	3,240,172	-	768,808	-
Due from Other Governments	-	2,688,074	-	-
Due from Other Funds	179,851	-	-	-
Total Assets	\$ 44,051,832	\$ 2,688,074	\$ 14,318,873	\$ 2,746,175
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 670,620	\$ 25,196	\$ -	\$ 86,553
Accrued Salaries and Benefits	11,538,584	1,267,048	-	-
Due to Other Government	-	140,127	-	-
Due to Other Funds	-	179,851	-	-
Deferred Revenue	2,115,608	455,743	551,823	-
Retainage Payable	-	-	-	-
Total Liabilities	14,324,812	2,067,965	551,823	86,553
Fund Balances				
Restricted for:				
TABOR	4,633,872	34,171	-	-
Debt Services	-	-	13,767,050	-
Capital Projects	-	-	-	2,659,622
Land & Land Improvements	-	-	-	-
Grants	-	585,938	-	-
Preschool	123,674	-	-	-
Assigned for:				
Student Specific Programs	-	-	-	-
Capital Projects	-	-	-	-
Unrestricted, Unassigned	24,969,474	-	-	-
Total Fund Balances	29,727,020	620,109	13,767,050	2,659,622
Total Liabilities and Fund Balances	\$ 44,051,832	\$ 2,688,074	\$ 14,318,873	\$ 2,746,175

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, 2011**

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>																																																																																																																																																																													
<table border="0" style="width: 100%;"> <tr><td style="width: 15%;">\$</td><td style="width: 15%; text-align: right;">4,775,534</td><td style="width: 15%;">\$</td><td style="width: 15%; text-align: right;">61,703,583</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">4,008,980</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">2,688,074</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">179,851</td></tr> <tr><td colspan="4"><hr/></td></tr> <tr><td>\$</td><td style="text-align: right;">4,775,534</td><td>\$</td><td style="text-align: right;">68,580,488</td></tr> </table>	\$	4,775,534	\$	61,703,583		-		4,008,980		-		2,688,074		-		179,851	<hr/>				\$	4,775,534	\$	68,580,488	<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Total Fund Balance - Governmental Funds \$ 51,159,019</p> <p>Capital assets used in governmental activities are not financial resources & therefore are not reported as assets in governmental funds.</p> <table border="0" style="width: 100%;"> <tr><td style="width: 15%;">The cost of capital assets is</td><td style="width: 15%;"></td><td style="width: 15%; text-align: right;">262,835,917</td><td style="width: 15%;"></td></tr> <tr><td>Accumulated depreciation is</td><td></td><td style="text-align: right;"><u>(89,820,246)</u></td><td style="text-align: right;">173,015,671</td></tr> </table> <p>Revenues that do not provide current financial resources are deferred in the governmental funds but are recognized in the governmental-wide financial statements. This amount represents property tax and grant receivables not available at year-end. 3,123,174</p> <p>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 in the funds. Long-term liabilities at year end consist of:</p> <table border="0" style="width: 100%;"> <tr><td style="width: 15%;"></td><td style="width: 15%;"></td><td style="width: 15%;"></td><td style="width: 15%;"></td></tr> <tr><td></td><td></td><td style="text-align: right;">Accrued Interest Payable</td><td style="text-align: right;">(231,356)</td></tr> <tr><td></td><td></td><td style="text-align: right;">Bonds Payable</td><td style="text-align: right;">(113,593,544)</td></tr> <tr><td></td><td></td><td style="text-align: right;">Bond Issuance Costs</td><td style="text-align: right;">687,961</td></tr> <tr><td></td><td></td><td style="text-align: right;">Loss on Reissuance Cost</td><td style="text-align: right;">1,212,856</td></tr> <tr><td></td><td></td><td style="text-align: right;">Premium on Bond Financing</td><td style="text-align: right;">(4,391,925)</td></tr> <tr><td></td><td></td><td style="text-align: right;">Deferred Interest</td><td style="text-align: right;">(7,323,660)</td></tr> <tr><td></td><td></td><td style="text-align: right;">Capital Lease Obligations</td><td style="text-align: right;">(876,179)</td></tr> <tr><td></td><td></td><td style="text-align: right;">Certificates of Participation</td><td style="text-align: right;">(3,260,000)</td></tr> <tr><td></td><td></td><td style="text-align: right;">Compensated Absences</td><td style="text-align: right;">(501,274)</td></tr> <tr><td></td><td></td><td style="text-align: right;">Early Retirement Stipends</td><td style="text-align: right;"><u>(6,121,862)</u></td></tr> <tr><td></td><td></td><td></td><td style="text-align: right;">(134,398,984)</td></tr> </table> <p>Total Net Assets - Governmental Activities \$ 92,898,880</p>	The cost of capital assets is		262,835,917		Accumulated depreciation is		<u>(89,820,246)</u>	173,015,671							Accrued Interest Payable	(231,356)			Bonds Payable	(113,593,544)			Bond Issuance Costs	687,961			Loss on Reissuance Cost	1,212,856			Premium on Bond Financing	(4,391,925)			Deferred Interest	(7,323,660)			Capital Lease Obligations	(876,179)			Certificates of Participation	(3,260,000)			Compensated Absences	(501,274)			Early Retirement Stipends	<u>(6,121,862)</u>				(134,398,984)	<table border="0" style="width: 100%;"> <tr><td style="width: 15%;">\$</td><td style="width: 15%; text-align: right;">252,799</td><td style="width: 15%;">\$</td><td style="width: 15%; text-align: right;">1,035,168</td></tr> <tr><td></td><td style="text-align: right;">100,016</td><td></td><td style="text-align: right;">12,905,648</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">140,127</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">179,851</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">3,123,174</td></tr> <tr><td></td><td style="text-align: right;">37,501</td><td></td><td style="text-align: right;">37,501</td></tr> <tr><td colspan="4"><hr/></td></tr> <tr><td></td><td style="text-align: right;">390,316</td><td></td><td style="text-align: right;">17,421,469</td></tr> <tr><td colspan="4"><hr/></td></tr> <tr><td></td><td style="text-align: right;">7,331</td><td></td><td style="text-align: right;">4,675,374</td></tr> <tr><td></td><td style="text-align: right;">336,136</td><td></td><td style="text-align: right;">14,103,186</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">2,659,622</td></tr> <tr><td></td><td style="text-align: right;">1,026,589</td><td></td><td style="text-align: right;">1,026,589</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">585,938</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">123,674</td></tr> <tr><td colspan="4"><hr/></td></tr> <tr><td></td><td style="text-align: right;">1,340,998</td><td></td><td style="text-align: right;">1,340,998</td></tr> <tr><td></td><td style="text-align: right;">1,674,164</td><td></td><td style="text-align: right;">1,674,164</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">24,969,474</td></tr> <tr><td colspan="4"><hr/></td></tr> <tr><td></td><td style="text-align: right;">4,385,218</td><td></td><td style="text-align: right;">51,159,019</td></tr> <tr><td colspan="4"><hr/></td></tr> <tr><td>\$</td><td style="text-align: right;">4,775,534</td><td>\$</td><td style="text-align: right;">68,580,488</td></tr> </table>	\$	252,799	\$	1,035,168		100,016		12,905,648		-		140,127		-		179,851		-		3,123,174		37,501		37,501	<hr/>					390,316		17,421,469	<hr/>					7,331		4,675,374		336,136		14,103,186		-		2,659,622		1,026,589		1,026,589		-		585,938		-		123,674	<hr/>					1,340,998		1,340,998		1,674,164		1,674,164		-		24,969,474	<hr/>					4,385,218		51,159,019	<hr/>				\$	4,775,534	\$	68,580,488
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Thompson School District R2-J
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Government Designated- Purpose Grants</u>	<u>Bond Redemption</u>	<u>Building</u>
Revenue				
Taxes	\$ 48,312,413	\$ -	\$ 12,532,757	\$ -
Intergovernmental	67,162,981	9,310,733	-	-
Investment earnings	53,806	1,445	25,731	4,621
Other	-	-	-	-
TOTAL REVENUE	<u>115,529,200</u>	<u>9,312,178</u>	<u>12,558,488</u>	<u>4,621</u>
Expenditures				
Current				
Instruction				
Salaries and Benefits	57,407,598	5,041,392	-	-
Purchased Services	1,459,570	134,396	-	-
Supplies and Materials	1,913,136	395,578	-	-
Equipment	718,591	82,380	-	-
Other Expenditures	119,936	-	-	-
Total Instruction	<u>61,618,831</u>	<u>5,653,746</u>	<u>-</u>	<u>-</u>
Support Services				
Pupil Services	6,956,284	2,164,949	-	-
Instructional Staff	8,561,414	1,140,849	-	-
General Administration	764,778	-	-	275,701
School Administration	7,508,858	527,109	-	-
Business Services	2,067,520	-	-	-
Maintenance/Operations	10,203,833	100,767	-	1,151,527
Pupil Transportation	3,528,424	11,206	-	-
Central Supporting Services	2,654,360	-	-	-
Community Services	510,356	88,703	-	-
Capital Projects	-	-	-	1,609,301
Charter School	2,747,307	-	-	-
Debt Service - Principal	-	-	3,376,194	-
Debt Service - Interest	-	-	8,904,231	-
Total Support Services	<u>45,503,134</u>	<u>4,033,583</u>	<u>12,280,425</u>	<u>3,036,529</u>
TOTAL EXPENDITURES	<u>107,121,965</u>	<u>9,687,329</u>	<u>12,280,425</u>	<u>3,036,529</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	8,407,235	(375,151)	278,063	(3,031,908)
Other Financing Sources (Uses)				
Transfers In	-	649,346	-	-
Transfers Out	(4,234,946)	-	-	-
Total Other Financing Sources (Uses)	<u>(4,234,946)</u>	<u>649,346</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,172,289	274,195	278,063	(3,031,908)
Fund Balances - Beginning of the Year	<u>25,554,731</u>	<u>345,914</u>	<u>13,488,987</u>	<u>5,691,530</u>
Fund Balances - End of the Year	<u>\$ 29,727,020</u>	<u>\$ 620,109</u>	<u>\$ 13,767,050</u>	<u>\$ 2,659,622</u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances with the Statement of Activities
For The Year Ended June 30, 2011

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>			
\$	-	\$ 60,845,170	Amounts reported for governmental activities in the statement of activities are different because:		
	-	76,473,714			
	21,804	107,407	Total net change in fund balances - governmental funds	\$	1,457,586
	<u>1,779,721</u>	<u>1,779,721</u>	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.		
	<u>1,801,525</u>	<u>139,206,012</u>			
	575,859	63,024,849	Depreciation expense	(7,652,292)	
	167,697	1,761,663	Capital Outlays	<u>3,142,739</u>	(4,509,553)
	215,218	2,523,932	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.		
	134,632	935,603			
	<u>21,949</u>	<u>141,885</u>			(1,417,812)
	1,115,355	68,387,932	In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid \$1,855,244 were less than the amounts earned (\$1,911,261) by (\$56,017). Vacation used \$751,901 was more than the amounts earned (\$742,887) by \$9,014.		(47,003)
	14,705	9,135,938			
	866,068	10,568,331	Repayment of bonded principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. Repayment of bond Principal \$3,376,194, accrued interest on 1996 bonds (\$633,825) and payments of accrued interest on 1996 Bonds \$3,603,806, Bond Issuance Costs, amortization (\$49,139), amortization of Premium and Loss on refunding of \$194,861 and change in accrued interest payable, \$800		
	-	1,040,479			
	59,685	8,095,652			
	89,346	2,156,866			
	912,307	12,368,434			
	792,291	4,331,921			
	448,138	3,102,498			
	748,985	1,348,044			
	-	1,609,301			
	-	2,747,307			
	385,122	3,761,316			
	<u>190,176</u>	<u>9,094,407</u>			6,492,697
	<u>4,506,823</u>	<u>69,360,494</u>	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		
	5,622,178	137,748,426			
	(3,820,653)	1,457,586	Principal Payment of Debt		<u>385,122</u>
	3,585,600	4,234,946	Change in net assets of governmental activities	\$	<u><u>2,361,037</u></u>
	-	(4,234,946)			
	<u>3,585,600</u>	<u>-</u>			
	(235,053)	1,457,586			
	<u>4,620,271</u>	<u>49,701,433</u>			
\$	<u><u>4,385,218</u></u>	<u><u>51,159,019</u></u>			

Thompson School District R2-J
Statement of Net Assets
Proprietary Fund
June 30, 2011

		Nutrition Services Fund
ASSETS		
Current Assets		
Cash and Investments	\$	746,612
Due from Other Governments		80,990
Inventory		274,958
Total current assets		1,102,560
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation		374,404
TOTAL ASSETS		1,476,964
LIABILITIES		
Current Liabilities		
Accounts Payable		49,368
Accrued Salaries and Benefits		141,748
Deferred Revenue		73,702
Current portion of Compensated Absences		4,500
Total Current Liabilities		269,318
Noncurrent Liabilities		
Compensated Absences		16,813
Total Noncurrent Liabilities		16,813
Total Liabilities		286,131
NET ASSETS		
Invested in Capital Assets		374,404
Restricted for TABOR		59,057
Unrestricted		757,372
Total Net Assets	\$	1,190,833

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, 2011

	<u>Nutrition Services Fund</u>
Operating Revenue	
Food Sales and Catering Sales	\$ <u>1,824,212</u>
TOTAL OPERATING REVENUE	<u>1,824,212</u>
Operating Expenses	
Salaries and Benefits	2,060,603
Purchased Services	82,575
Supplies and Materials	2,092,798
Depreciation	<u>84,080</u>
TOTAL OPERATING EXPENSES	<u>4,320,056</u>
Operating Loss	<u>(2,495,844)</u>
Non-Operating Revenue	
Federal Aid:	
USDA Reimbursements	2,363,410
Donated Commodities	176,542
State Categorical Reimbursement	72,360
Interest Earnings	<u>598</u>
TOTAL NON-OPERATING REVENUE	<u>2,612,910</u>
Net Loss Before Capital Contributions	117,066
Capital Contributions	<u>71,392</u>
Change in Net Assets	188,458
Net Assets	
Beginning of the Year	<u>1,002,375</u>
Net Assets	
End of the Year	<u>\$ <u>1,190,833</u></u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2011

	<u>Nutrition Services Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,828,348
Cash Payments to Suppliers for Goods and Services	(1,992,196)
Cash Payments to Employees for Services	<u>(2,047,031)</u>
Net Cash Used by Operating Activities	<u>(2,210,879)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from Federal Government	2,360,024
Cash Received from State	<u>72,360</u>
Net Cash Provided by Non-capital Financing Activities	<u>2,432,384</u>
Cash Flows from Investing Activities	
Interest Received	<u>598</u>
Net Increase in Cash and Cash Equivalents	222,104
Cash and Cash Equivalents at the Beginning of the Year	<u>524,508</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 746,612</u>

The accompanying notes are an integral part of this statement

**Thompson School District R2-J
Reconciliation of Operating Loss To
Net Cash Used by Operating Activities
For the Year Ended June 30, 2011**

		<u>Nutrition Services Fund</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$	(2,495,844)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		84,080
USDA Commodities Food Used		176,542
Changes in Assets and Liabilities		
Increase (Decrease) in Accounts Payable		12,275
Increase (Decrease) in Accrued Salaries		7,609
Decrease (Increase) in Inventory		(5,640)
Increase (Decrease) in Compensated Absences		5,963
Increase (Decrease) in Deferred Revenue		4,136
		<hr/>
Net Cash Used by Operating Activities	\$	<u>(2,210,879)</u>
Non-cash Investing, Capital and Financing Activities		
Federal Aid:		
Donated Commodities	\$	176,542
Capital Assets Contributed by Other Funds		71,392
		<hr/>
Total Non-cash Investing, Capital and Financing Activities	\$	<u>247,934</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, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>1,114,507</u>
TOTAL ASSETS	<u><u>1,114,507</u></u>
LIABILITIES	
Liabilities	
Accounts Payable	35,137
Accrued Salaries and Benefits	1,093
Undistributed Monies	<u>1,078,277</u>
TOTAL LIABILITIES	<u><u>\$ 1,114,507</u></u>

The accompanying notes are an integral part of this statement

Thompson School District R2-J
Notes to Financial Statements
June 30, 2011

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 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.

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(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, extracurricular athletic and other pupil activities, payment of severance incentives and insurance transactions.

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

Bond Redemption Fund – The 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
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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

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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 for which we use 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, 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.

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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 and repurchase agreements. Earnings from investments are allocated to each fund based upon that fund's share of the investment. Investments are stated at fair value. The District generally holds investments until maturity.

(F) Short-term Interfund Receivables/Payables

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

(G) Inventories

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

(H) Capital Assets

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

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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.

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

(I) Compensated Absences and Severance Incentive Benefit Amounts

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or 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 30 accrued days, acquired prior to the end of the 1993 fiscal year. However, under the severance bonus plan, adopted in fiscal year 1993, teachers could choose a severance plan that would allow payment for all sick leave earned at one-half the substitute teacher daily rate up to a combined total of 120 days. For classified staff, unused sick leave is exchanged at the rate of one-half day for every day earned up to 120 days beyond the 30 accrued days, acquired prior to the end of the 1994 fiscal year.

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

During fiscal year 1993, the District initiated a severance bonus plan. Certified, classified and administrative personnel could choose from a number of options and payment plans when terminating from the District. Currently, payments under the severance plan are scheduled through fiscal year 2017. 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

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accumulated leave benefits. Therefore, the entire unpaid liability for early retirement and sick leave paid upon retirement for governmental funds is reported on the government-wide financial statements. Amounts for sick leave to be paid with the severance and early retirement bonus are included in severance incentive stipends payable. The compensated absences balance is the accrual for active employees. The amounts recorded as liabilities for all compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

(J) Accrued Liabilities and Long-Term Obligations

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

(K) 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 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 has given management 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.

(L) Net Assets

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

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

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(M) Interfund Transactions

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

NOTE (2) Cash and Investments

(A) Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. At June 30, 2011 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, 2011, the District had deposits of \$5,099,465 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

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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 – 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.

Local government investment pools – At June 30, 2011, the District had \$59,417,571 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	AAA	\$ 8,442	\$ -	-	\$ -	\$ 8,442	\$ 8,442
Money Market Funds	AAA/Aaa	338,135	-	-	338,135	-	338,135
Local Government Investment Pool	AAAm	59,417,571	-	-	-	59,417,571	59,417,571
Corporate Bonds	BBB/AA+	-	135,436	192,937	328,373	-	328,373
Commercial Paper	A1	336,136	-	-	-	336,136	336,136
U.S. Agency Securities	AAA	-	80,444	54,038	134,482	-	134,482
Municipal Bonds	AAA/A	-	-	102,455	102,455	-	102,455
		<u>\$ 60,100,284</u>	<u>\$ 215,880</u>	<u>\$ 349,430</u>	<u>\$ 903,445</u>	<u>\$ 59,762,149</u>	<u>\$ 60,665,594</u>

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

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

Cash on Hand	\$ 1,336
Cash and Deposits	3,975,041
Investments	60,665,594
Total	<u>\$ 64,641,971</u>
<u>Statement of Net Assets:</u>	
Primary Government Cash and Investments	\$ 62,450,195
Thompson Education Foundation Cash and Investments	1,077,269
Fiduciary Funds Cash and Investments	1,114,507
Total	<u>\$ 64,641,971</u>

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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.

Receivables at June 30, 2011 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	\$ 3,223,563
Accounts receivable - other	<u>16,609</u>
	3,240,172
Special Revenue Funds	
Grants receivable	2,688,074
Debt Service Fund	
Property taxes - current and delinquent	<u>768,808</u>
Total Governmental Fund Receivables	4,008,980
Food Services Fund	
Grants receivable	<u>80,990</u>
Total Primary Government Receivables	<u>\$ 6,778,044</u>

NOTE (4) Interfund Balances / Transfers

The General Fund temporarily covered the negative cash balance of the Government Designated-Purpose Grants Fund in the amount of \$179,851.

Interfund transfers at June 30, 2011, were composed of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:		
Government Designated-Purpose Grants	General	\$ <u>649,346</u>
	Sub-total	649,346
Non-Major Funds:		
Fee Supported Programs	General	431,026
Capital Projects	General	<u>3,154,574</u>
	Sub-total	<u>3,585,600</u>
	Total	<u>\$ 4,234,946</u>

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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 PPR and the balance are for matching programs. The General Fund transfers monies to the Capital Projects Fund for certain capital outlay.

NOTE (5) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Capital Assets July 1, 2010	Additions	Deletions / Transfers	Capital Assets June 30, 2011
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 14,810,666	\$ -	\$ -	\$ 14,810,666
Water Rights	1,050,000	80,500	-	1,130,500
Construction in Progress	21,193,974	1,876,850	(20,975,732)	2,095,092
Total capital assets, not being depreciated	<u>37,054,640</u>	<u>1,957,350</u>	<u>(20,975,732)</u>	<u>18,036,258</u>
Capital assets, being depreciated:				
Land Improvements	-	105,198	-	105,198
Buildings	204,438,976	20,024,805	-	224,463,781
Equipment	7,331,700	1,254,095	-	8,585,795
Transportation	10,915,717	777,023	(47,855)	11,644,885
Total capital assets, being depreciated	<u>222,686,393</u>	<u>22,161,121</u>	<u>(47,855)</u>	<u>244,799,659</u>
Less accumulated depreciation for:				
Land Improvements	-	(5,260)	-	(5,260)
Buildings	(69,916,647)	(6,015,420)	-	(75,932,067)
Equipment	(4,359,354)	(908,302)	-	(5,267,656)
Transportation	(7,939,808)	(723,310)	47,855	(8,615,263)
Total accumulated depreciation	<u>(82,215,809)</u>	<u>(7,652,292)</u>	<u>47,855</u>	<u>(89,820,246)</u>
Total capital assets, being depreciated, net	<u>140,470,584</u>	<u>14,508,829</u>	<u>-</u>	<u>154,979,413</u>
Governmental Activities Capital Assets, Net	<u>\$ 177,525,224</u>	<u>\$ 16,466,179</u>	<u>\$ (20,975,732)</u>	<u>\$ 173,015,671</u>
Business-Type Activities				
Furniture and Equipment	\$ 2,883,251	\$ 71,392	\$ -	\$ 2,954,643
Less Accumulated Depreciation	<u>(2,496,159)</u>	<u>(84,080)</u>	<u>-</u>	<u>(2,580,239)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 387,092</u>	<u>\$ (12,688)</u>	<u>\$ -</u>	<u>\$ 374,404</u>

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Depreciation expense for the year ended June 30, 2011 was charged to the following governmental functions:

Instruction	4,208,761
Support Services	
Pupil Services	478,268
Instructional Staff	459,138
General Administration	57,392
School Administration	382,615
Business Services	76,523
Maintenance/Operations	1,486,075
Pupil Transportation	178,298
Central Supporting Services	229,569
Community Services	95,654
Total	<u>7,652,292</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, 2011, are estimated to be \$13,047,396. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE (7) General Obligation Bonds Payable

On July 29, 2003, the District issued \$25,660,000 in general obligation bonds. The bond proceeds were used to refund the Series 1996. The first table is the remaining principal and interest due from the portion of the 1996 Series Bonds, which were not refunded. The second table identifies the remaining principal and interest due on the 2003 bond issue as of June 30, 2011. On December 20, 2005, the District issued \$89,215,000 in general obligation bonds. Table 3 details the remaining principal and interest due on the 2005 bond issue as of June 30, 2011.

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

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	3,101,430	3,823,570	6,925,000
2013	<u>2,912,114</u>	<u>4,002,886</u>	<u>6,915,000</u>
Totals	<u>\$ 6,013,544</u>	<u>\$ 7,826,456</u>	<u>\$13,840,000</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 878,925	\$ 878,925
2013	-	878,925	878,925
2014	4,315,000	779,269	5,094,269
2015	4,550,000	591,238	5,141,238
2016	4,760,000	383,862	5,143,862
2017	<u>5,045,000</u>	<u>132,431</u>	<u>5,177,431</u>
Total	<u>\$ 18,670,000</u>	<u>\$ 3,644,650</u>	<u>\$22,314,650</u>

Table 3
Series 2005 Bonds
Interest Rate 4.00% to 5.00%

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 105,000	\$ 4,417,300	\$ 4,522,300
2013	130,000	4,412,600	4,542,600
2014	1,205,000	4,385,900	5,590,900
2015	1,300,000	4,335,150	5,635,150
2016	1,445,000	4,272,375	5,717,375
2017	1,600,000	4,196,250	5,796,250
2018	7,090,000	3,979,000	11,069,000
2019	7,570,000	3,612,500	11,182,500
2020	8,065,000	3,221,625	11,286,625
2021	8,600,000	2,805,000	11,405,000
2022	9,160,000	2,361,000	11,521,000
2023	9,750,000	1,888,250	11,638,250
2024	10,340,000	1,386,000	11,726,000
2025	10,990,000	852,750	11,842,750
2026	<u>11,560,000</u>	<u>289,000</u>	<u>11,849,000</u>
Total	<u>\$88,910,000</u>	<u>\$46,414,700</u>	<u>\$135,324,700</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.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2011

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

The table below identifies the remaining principal and interest due on the 2004 COP issue as of June 30, 2011.

Table 1
Series 2004 Certificates of Participation
Interest Rate 1.85% to 4.50%

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 200,000	132,964	\$ 332,964
2013	200,000	125,714	325,714
2014	210,000	118,329	328,329
2015	220,000	109,906	329,906
2016	230,000	100,769	330,769
2017	235,000	91,351	326,351
2018	245,000	81,174	326,174
2019	255,000	70,460	325,460
2020	270,000	59,300	329,300
2021	280,000	47,335	327,335
2022	290,000	34,650	324,650
2023	305,000	21,262	326,262
2024	<u>320,000</u>	<u>7,200</u>	<u>327,200</u>
Total	<u>\$3,260,000</u>	<u>\$1,000,414</u>	<u>\$4,260,414</u>

NOTE (9) Capital Leases

<u>Year Ending</u> <u>June 30,</u>	
2012	\$ 245,259
2013	245,259
2014	245,259
2015	245,259
Amounts Representing Interest	<u>(104,857)</u>
Present Value of Minimum Lease Payments	<u>\$ 876,179</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, 2011

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, 2011:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>	<u>Amount Due in One Year</u>
Governmental activities:					
Bonds Payable (principal)	\$ 116,969,738	\$ -	\$ 3,376,194	\$ 113,593,544	\$ 3,206,431
Premium Bond Issuance '05	3,768,541	-	251,235	3,517,306	-
Premium Bond Issuance '03	1,020,388	-	145,769	874,619	-
Bond Reissuance Loss '03	(1,414,999)	-	(202,143)	(1,212,856)	-
Accrued Interest 1996	10,293,642	633,824	3,603,806	7,323,660	3,823,570
Certificates of Participation	3,450,000	-	190,000	3,260,000	200,000
Capital Lease Obligations Payable	1,071,301	-	195,122	876,179	204,254
Compensated Absences*	510,288	742,887	751,901	501,274	280,000
Severance-Incentive Payable*	6,065,845	1,911,262	1,855,244	6,121,863	1,923,201
Total	\$ 141,734,744	\$ 3,287,973	\$ 10,167,128	\$ 134,855,589	\$ 9,637,456
Business-type activities:					
Compensated Absences	\$ 15,350	\$ 14,384	\$ 8,421	\$ 21,313	\$ 4,500

* 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, 2011:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	<u>Capital Lease/COP Obligations</u>	<u>Compensated Absences</u>	<u>Severance Incentive Stipends</u>	<u>Total</u>
2012	\$ 12,326,225	\$ 578,223	\$ -	\$ 1,923,201	\$ 14,827,649
2013	12,336,525	570,972	-	1,621,490	14,528,987
2014	10,685,169	573,587	-	1,160,811	12,419,567
2015	10,776,388	575,164	-	779,528	12,131,080
2016	10,861,238	330,769	-	462,999	11,655,006
2017-2021	55,916,805	1,634,621	-	173,834	57,725,260
2022-2026	58,577,000	978,113	-	-	59,555,113
Due in accordance with District leave policies	-	-	501,274	-	501,274
Less amounts representing interest	(57,885,806)	(1,105,270)	-	-	(58,991,076)
Principal Due	\$113,593,544	\$4,136,179	\$ 501,274	\$ 6,121,863	\$124,352,860

Thompson School District R2-J
Notes to Financial Statements
June 30, 2011

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 2009, 2010 and 2011 was 12.95%, 13.85% and 14.75% 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, 2011, 2010, and 2009 were \$10,953,425, \$10,297,588 and \$9,398,654, 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, 2011, 2010, 2009 was \$780,937, \$782,270, and \$766,240 respectively.

Thompson School District R2-J
Notes to Financial Statements
June 30, 2011

NOTE (13) Risk Management

(A) Colorado School District Self Insurance Pool

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

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

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

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

The District participates in the Centennial Board of Cooperative Educational Services (CBOCES), along with St. Vrain, Park and several smaller districts in Weld County. CBOCES provides data processing services, teacher education, provides research and development for member's districts. The District is not responsible for deficits nor is the District entitled to operating surplus. The District has no moral or other responsibility for debt. The amount contributed is based upon the number of students enrolled in each district. During the 2010-11 fiscal year, the contribution was approximately 6% for administrative, operations and support provided by CBOCES. Complete financial statements can be obtained from CBOCES, 2020 Clubhouse Drive, Greeley, CO 80634.

The District made a \$117,069 contribution to CBOCES during fiscal year 2010-11.

NOTE (14) Commitments and Contingencies

(A) Litigation

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

Thompson School District R2-J
Notes to Financial Statements
June 30, 2011

(B) Grants and State Funding

The District participates in a number of Federal and State assisted grant programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material affect on the financial statements of the District at June 30, 2011.

(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, 2011, the District has complied with the requirements to establish emergency reserves that are recorded in the financial statements as a restricted fund balance.

NOTE (15) Reclassification

For the year ended June 30, 2011, the School adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Severance Incentive Fund, and Interscholastic Athletic & Activity Fund were merged with the General Fund and the Thompson School Facilities Corporation Fund was merged with the Capital Projects Fund for reporting purposes, as follows.

	General	Severance Incentive	Athletic & Activity	Total
Fund Balances June 30, 2010 as originally stated	\$ 25,258,446	\$ 186,167	\$ 110,118	\$ 25,554,731
Merger	296,285	(186,167)	(110,118)	-
Fund Balances June 30, 2010 as restated	\$ 25,554,731	\$ -	\$ -	\$ 25,554,731

	Capital Projects	Thompson School Facilities Corporation	Total
Fund Balances June 30, 2010 as originally stated	\$ 2,161,879	\$ 336,136	\$ 2,498,015
Merger	336,136	(336,136)	-
Fund Balances June 30, 2010 as restated	\$ 2,498,015	\$ -	\$ 2,498,015

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, 2011**

	<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	\$ 30,228,419	\$ 30,107,713	\$ 31,039,495	\$ 931,782
Local Property- Mill Levy Override	13,170,517	13,170,517	13,419,450	248,933
Specific Ownership	3,855,767	3,647,174	3,853,468	206,294
Intergovernmental				
Equalization Entitlements	60,823,714	56,985,336	57,404,922	419,586
Special Education	2,656,359	2,656,359	2,945,718	289,359
Vocational Education	475,000	475,000	511,729	36,729
Transportation	834,068	834,068	972,871	138,803
Other Federal Grants	-	3,816,946	3,892,585	75,639
Other	962,000	962,000	1,435,156	473,156
Investment Earnings	75,250	75,250	53,806	(21,444)
TOTAL REVENUE	<u>113,081,094</u>	<u>112,730,363</u>	<u>115,529,200</u>	<u>2,798,837</u>
TOTAL EXPENDITURES	<u>114,221,808</u>	<u>115,025,871</u>	<u>107,121,965</u>	<u>7,903,906</u>
Excess revenues over expenditures	(1,140,714)	(2,295,508)	8,407,235	10,702,743
Other Financing Sources (Uses)				
Transfers Out:				
Governmental Designated-Purpose				
Grants Fund	(658,606)	(658,606)	(649,346)	9,260
Fee Supported Programs Fund	(431,026)	(431,026)	(431,026)	-
Capital Reserve Fund	(3,154,574)	(3,154,574)	(3,154,574)	-
Total Other Financing Sources (Uses)	<u>(4,244,206)</u>	<u>(4,244,206)</u>	<u>(4,234,946)</u>	<u>9,260</u>
Net Change in Fund Balance	<u>\$ (5,384,920)</u>	<u>\$ (6,539,714)</u>	4,172,289	<u>\$ 10,712,003</u>
Fund Balance - Beginning of Year			<u>25,554,731</u>	
Fund Balance - End of Year			<u>\$ 29,727,020</u>	
See independent auditor's report				

**Thompson School District R2-J
General Fund - 10
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instruction:				
Salaries and Benefits	\$ 61,122,773	\$ 61,128,706	\$ 57,407,598	\$ 3,721,108
Purchased Services	2,013,341	2,250,405	1,459,570	790,835
Supplies and Materials	3,590,975	3,854,714	1,913,136	1,941,578
Other	119,975	119,975	119,936	39
Total Instruction	66,847,064	67,353,800	60,900,240	6,453,560
Supporting Services				
Pupil Services	5,325,243	5,308,415	6,956,284	(1,647,869)
Instructional Staff	9,925,597	9,697,565	8,561,414	1,136,151
General Administration	942,467	1,007,344	764,778	242,566
School Administration	7,825,393	7,938,795	7,508,858	429,937
Business Services	2,467,703	2,436,041	2,067,520	368,521
Maintenance/Operations	11,020,442	11,195,622	10,203,833	991,789
Pupil Transportation	3,690,532	3,690,532	3,528,424	162,108
Central Supporting Services	3,119,318	3,318,708	2,654,360	664,348
Community Services	-	-	510,356	(510,356)
Charter School	2,757,390	2,757,390	2,747,307	10,083
Total Supporting Services	47,074,085	47,350,412	45,503,134	1,847,279
Capital Outlay	300,659	321,659	718,591	(396,932)
TOTAL EXPENDITURES	<u>\$ 114,221,808</u>	<u>\$ 115,025,871</u>	<u>\$ 107,121,965</u>	<u>\$ 7,903,906</u>

See independent auditor's 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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Budget		
Revenue				
Intergovernmental				
Federal Sources	\$ 8,548,546	\$ 8,548,546	\$ 8,822,493	\$ 273,947
State/Local Sources	636,984	636,984	488,240	(148,744)
Investment Earnings	-	-	1,445	1,445
TOTAL REVENUE	9,185,530	9,185,530	9,312,178	126,648
Expenditures				
Instruction				
Salaries and Benefits	4,668,930	4,668,930	5,041,392	(372,462)
Purchased Services	105,516	105,516	134,396	(28,880)
Supplies and Materials	299,671	299,671	395,578	(95,907)
Equipment	58,652	58,652	82,380	(23,728)
Other Expenditures	178,186	178,186	-	178,186
Total Instruction	5,310,955	5,310,955	5,653,746	(342,791)
Support Services				
Pupil Services	2,940,158	2,940,158	2,164,949	775,209
Instructional Staff	939,850	939,850	1,140,849	(200,999)
School Administration	526,549	526,549	527,109	(560)
Maintenance/Operations	12,877	12,877	100,767	(87,890)
Pupil Transportation	22,591	22,591	11,206	11,385
Community Services	91,156	91,156	88,703	2,453
Total Support Services	4,533,181	4,533,181	4,033,583	499,598
Total Expenditures	9,844,136	9,844,136	9,687,329	156,807
Excess Revenues Over/(Under) Expenditures	(658,606)	(658,606)	(375,151)	283,455
Other Financing Sources (Uses)				
Transfer In	658,606	658,606	649,346	(9,260)
Net Change in Fund Balance	\$ -	\$ -	274,195	\$ 274,195
Fund Balances - Beginning of Year			345,914	
Fund Balances - End of Year			\$ 620,109	

See independent auditor's 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. 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, 2011**

	<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	\$ 12,328,325	\$ 12,328,325	\$ 12,532,757	\$ 204,432
Investment Earnings	<u>5,000</u>	<u>5,000</u>	<u>25,731</u>	<u>20,731</u>
TOTAL REVENUE	12,333,325	12,333,325	12,558,488	225,163
Expenditures				
Other Charges	5,000	5,000	-	5,000
Debt Service:				
Principal retirement	3,376,194	3,376,194	3,376,194	-
Interest and Fiseal Charges	<u>8,904,231</u>	<u>8,904,231</u>	<u>8,904,231</u>	<u>-</u>
TOTAL EXPENDITURES	<u>12,285,425</u>	<u>12,285,425</u>	<u>12,280,425</u>	<u>5,000</u>
Net Change in Fund Balance	<u>\$ 47,900</u>	<u>\$ 47,900</u>	278,063	<u>\$ 230,163</u>
Fund Balance - Beginning of Year			<u>13,488,987</u>	
Fund Balance - End of Year			<u>\$ 13,767,050</u>	
See independent auditor's 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, 2011**

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Investment Earnings	\$ 6,500	\$ 6,500	\$ 4,621	\$ (1,879)
Expenditures				
Project Administration	314,500	314,500	275,701	38,799
New or Addition to Schools	2,659,175	2,659,175	1,579,973	1,079,202
Maintenance Projects	4,423,197	4,423,197	1,151,527	3,271,670
Technology Projects	60,090	60,090	29,328	30,762
Arbitrage Obligation	49,000	49,000	-	49,000
TOTAL EXPENDITURES	7,505,962	7,505,962	3,036,529	4,469,433
Net Change in Fund Balance	\$ (7,499,462)	\$ (7,499,462)	(3,031,908)	\$ 4,467,554
Fund Balance - Beginning of the Year			5,691,530	
Fund Balance - End of the Year			\$ 2,659,622	

See independent auditor's report

NON-MAJOR FUNDS

The District has the following Non-major Funds:

Land Reserve Fund

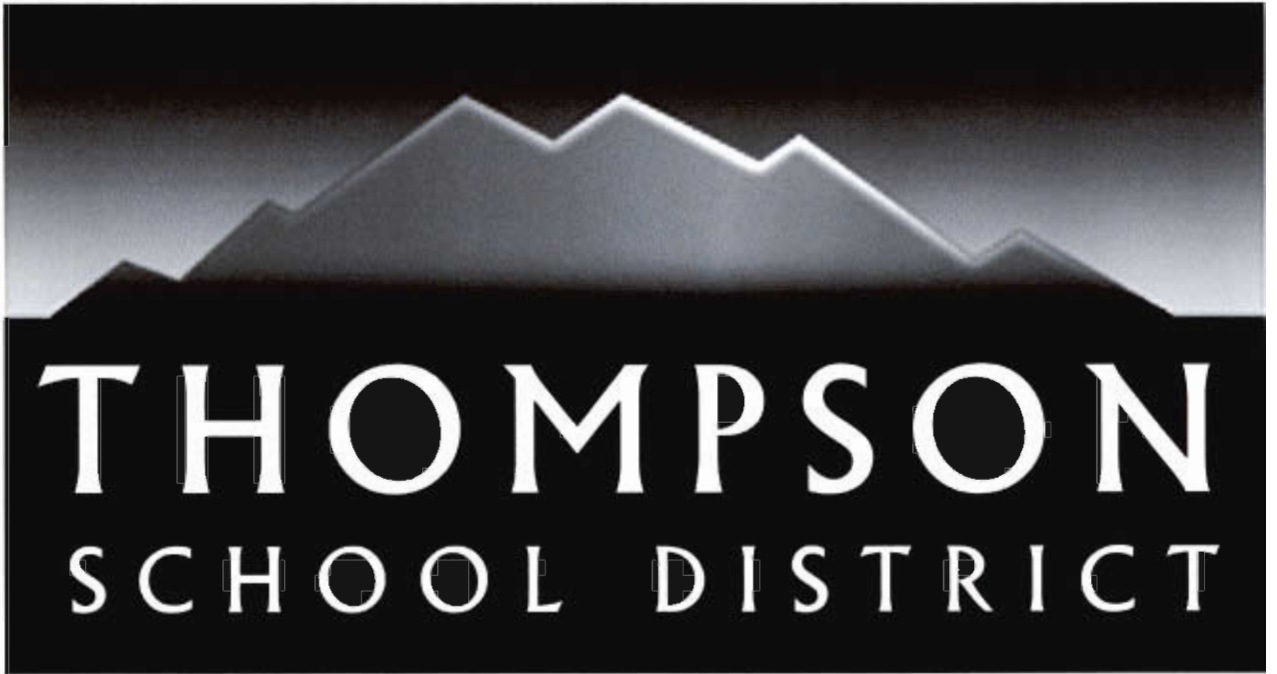
This fund is provided to maintain a separate accounting for cash in lieu of land dedication assessed on newly constructed homes that have an impact on the District's financial resources. This revenue is to provide facilities for learning due to the increased amount of student population.

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, 2011

	Land Reserve	Fee Supported Programs	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,033,920	\$ 1,465,765	\$ 2,275,849	\$ 4,775,534
Total Assets	\$ 1,033,920	\$ 1,465,765	\$ 2,275,849	\$ 4,775,534
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ 24,751	\$ 228,048	\$ 252,799
Retainage Payable	-	-	37,501	37,501
Accrued Salaries and Benefits	-	100,016	-	100,016
Total Liabilities	-	124,767	265,549	390,316
Fund Balances				
Restricted for TABOR	7,331	-	-	7,331
Restricted for Debt Service	-	-	336,136	336,136
Restricted for Land & Land Improvements	1,026,589	-	-	1,026,589
Assigned for Student Specific Programs	-	1,340,998	-	1,340,998
Assigned for Capital Projects	-	-	1,674,164	1,674,164
Total Fund Balances	1,033,920	1,340,998	2,010,300	4,385,218
Total Liabilities and Fund Balances	\$ 1,033,920	\$ 1,465,765	\$ 2,275,849	\$ 4,775,534

See independent auditor's 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, 2011

	<u>Land Reserve</u>	<u>Fee Supported Programs</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenue				
Investment earnings	\$ 1,535	\$ 1,707	\$ 18,562	\$ 21,804
Other	242,816	1,520,077	16,828	1,779,721
TOTAL REVENUES	244,351	1,521,784	35,390	1,801,525
Expenditures				
Instruction				
Salaries and Benefits	-	575,859	-	575,859
Purchased Services	-	16,559	151,138	167,697
Supplies and Materials	-	180,707	34,511	215,218
Equipment	-	15,861	118,771	134,632
Other Expenditures	-	21,949	-	21,949
Total Instruction	-	810,935	304,420	1,115,355
Support Services				
Pupil Services	-	14,705	-	14,705
Instructional Staff	-	30,646	835,422	866,068
School Administration	-	59,685	-	59,685
Business Services	-	89,346	-	89,346
Maintenance/Operations	-	-	912,307	912,307
Pupil Transportation	-	-	792,291	792,291
Central Supporting Services	190,197	-	257,941	448,138
Community Services	-	748,985	-	748,985
Debt Service - Principal	-	-	385,122	385,122
Debt Service - Interest	-	-	190,176	190,176
Total Support Services	190,197	943,367	3,373,259	4,506,823
TOTAL EXPENDITURES	190,197	1,754,302	3,677,679	5,622,178
Excess (Deficiency) of Revenues Over Expenditures	54,154	(232,518)	(3,642,289)	(3,820,653)
Other Financing Sources (Uses)				
Transfers in	-	431,026	3,154,574	3,585,600
Net Change in Fund Balances	54,154	198,508	(487,715)	(235,053)
Fund Balances - Beginning of the Year	979,766	1,142,490	2,498,015	4,620,271
Fund Balances - End of the Year	\$ 1,033,920	\$ 1,340,998	\$ 2,010,300	\$ 4,385,218

See independent auditor's report

Thompson School District R2-J
Land Reserve Fund - 27
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Investment Earnings	\$ 1,500	\$ 1,500	\$ 1,535	\$ 35
Payments in lieu of Land Dedication	<u>191,000</u>	<u>191,000</u>	<u>242,816</u>	<u>51,816</u>
TOTAL REVENUE	192,500	192,500	244,351	51,851
Expenditures				
Support Services				
Central Supporting Services	<u>1,113,000</u>	<u>1,113,000</u>	<u>190,197</u>	<u>922,803</u>
TOTAL EXPENDITURES	<u>1,113,000</u>	<u>1,113,000</u>	<u>190,197</u>	<u>922,803</u>
Net Change in Fund Balance	<u>\$ (920,500)</u>	<u>\$ (920,500)</u>	54,154	<u>\$ 974,654</u>
Fund Balance - Beginning of Year			<u>979,766</u>	
Fund Balance - End of Year			<u>\$ 1,033,920</u>	

See independent auditor's report

**Thompson School District R2-J
Fee Supported Programs Fund - 29
Budgetary Comparison Schedule
Year Ended June 30, 2011**

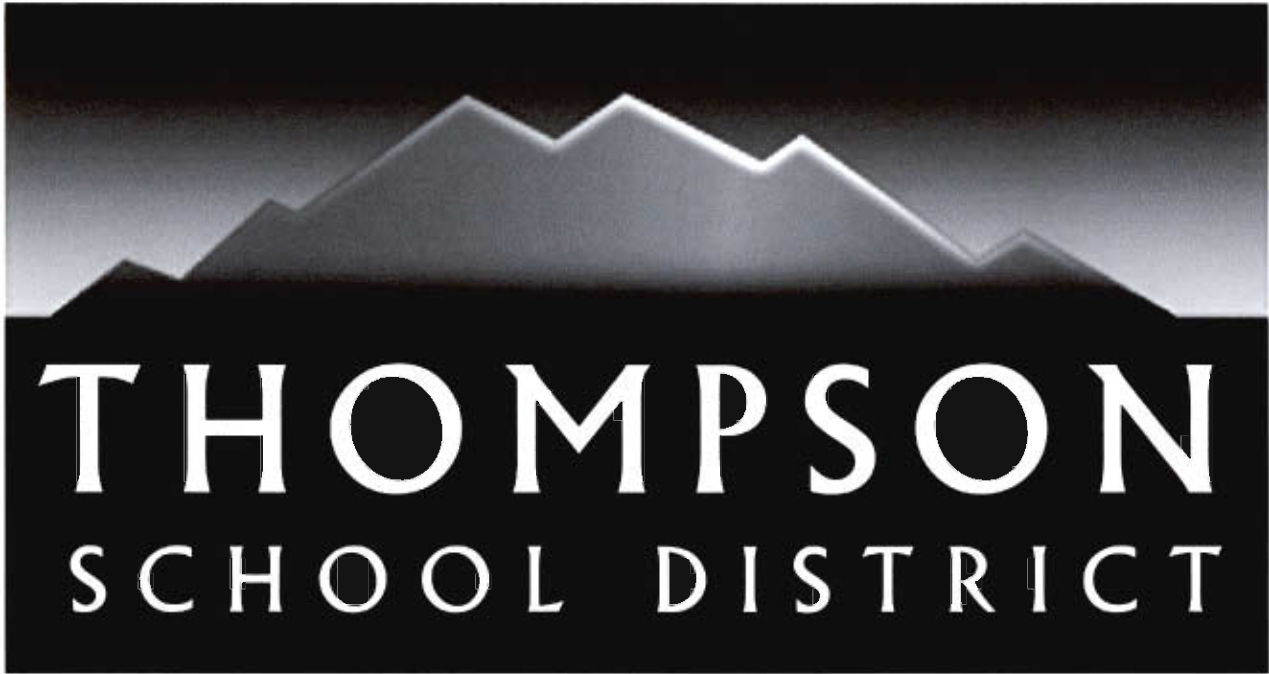
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Charges for Services	\$ 1,554,100	\$ 1,554,100	\$ 1,520,077	\$ (34,023)
Investment Earnings	-	-	1,707	1,707
TOTAL REVENUE	<u>1,554,100</u>	<u>1,554,100</u>	<u>1,521,784</u>	<u>(32,316)</u>
Expenditures				
Instruction				
Salaries and Benefits	666,710	666,710	575,859	90,851
Purchased Services	15,500	15,500	16,559	(1,059)
Supplies and Materials	252,095	252,095	180,707	71,388
Equipment	48,535	81,035	15,861	65,174
Other Expenditures	-	-	21,949	(21,949)
Total Instruction	<u>982,840</u>	<u>1,015,340</u>	<u>810,935</u>	<u>204,405</u>
Support Services				
Pupil Services	-	-	14,705	(14,705)
Instructional Staff	-	-	30,646	(30,646)
School Administration	78,200	78,200	59,685	18,515
Business Services	156,000	156,000	89,346	66,654
Community Services	<u>845,912</u>	<u>845,912</u>	<u>748,985</u>	<u>96,927</u>
Total Support Services	<u>1,080,112</u>	<u>1,080,112</u>	<u>943,367</u>	<u>136,745</u>
TOTAL EXPENDITURES	<u>2,062,952</u>	<u>2,095,452</u>	<u>1,754,302</u>	<u>341,150</u>
Excess of Revenues Over (Under) Expenditures	(508,852)	(541,352)	(232,518)	308,834
Other Financing Sources (Uses)				
Transfers In	<u>431,026</u>	<u>431,026</u>	<u>431,026</u>	-
Net Change in Fund Balance	<u>\$ (77,826)</u>	<u>\$ (110,326)</u>	198,508	<u>\$ 308,834</u>
Fund Balance - Beginning of the Year			<u>1,142,490</u>	
Fund Balance - End of the Year			<u>\$ 1,340,998</u>	

See independent auditor's report

**Thompson School District R2-J
Capital Projects Fund - 43
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Investment Earnings	\$ -	\$ -	\$ 18,562	\$ 18,562
Other	-	-	16,828	16,828
TOTAL REVENUE	-	-	35,390	35,390
Expenditures				
Instruction				
Purchased Services	-	-	151,138	(151,138)
Supplies and Materials	-	-	34,511	(34,511)
Equipment	147,000	147,000	118,771	28,229
Total Instruction	147,000	147,000	304,420	(157,420)
Support Services				
Instructional Staff	800,315	800,315	835,422	(35,107)
Maintenance/Operations	2,961,750	2,961,750	912,307	2,049,443
Pupil Transportation	325,000	325,000	792,291	(467,291)
Central Supporting Services	568,500	568,500	257,941	310,559
Principal Payments	162,499	162,499	385,122	(222,623)
Interest Payments	82,760	82,760	190,176	(107,416)
Total Support Services	4,900,824	4,900,824	3,373,259	1,527,565
TOTAL EXPENDITURES	5,047,824	5,047,824	3,677,679	1,370,145
Excess revenues over (under) expenditures	(5,047,824)	(5,047,824)	(3,642,289)	1,405,535
Other Financing Sources (Uses)				
Transfer In	4,179,574	4,179,574	3,154,574	(1,025,000)
Transfer Out	(1,025,000)	(1,025,000)	-	1,025,000
Total Other Financing Sources (Uses)	3,154,574	3,154,574	3,154,574	-
Net Change in Fund Balance	\$ (1,893,250)	\$ (1,893,250)	(487,715)	\$ 1,405,535
Fund Balance - Beginning of Year			2,498,015	
Fund Balance - End of Year			\$ 2,010,300	

See independent auditor's report



ENTERPRISE FUND

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

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

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

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

Thompson School District R2-J
Nutrition Services Fund - 51
Budgetary Comparison Schedule
Year Euded June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenue				
Food Sales and Catering Sales	\$ 2,124,661	\$ 2,124,661	\$ 1,824,212	\$ (300,449)
TOTAL OPERATING REVENUE	2,124,661	2,124,661	1,824,212	(300,449)
Operating Expenses				
Salaries and Benefits	2,289,150	2,289,150	2,060,603	228,547
Purchased Services	88,000	88,000	82,575	5,425
Supplies and Materials	2,089,000	2,089,000	2,077,857	11,143
Equipment	15,000	15,000	14,941	59
Other	112,500	112,500	-	112,500
TOTAL OPERATING EXPENSES	4,593,650	4,593,650	4,235,976	357,674
Operating Income (Loss)	(2,468,989)	(2,468,989)	(2,411,764)	57,225
Non-Operating Revenue (Expenses)				
Federal Aid:				
USDA Reimbursements	2,300,000	2,300,000	2,363,410	63,410
Commodities	211,000	211,000	176,542	(34,458)
State Categorical Reimbursement	40,000	40,000	72,360	32,360
Interest Earnings	-	-	598	598
TOTAL NON-OPERATING REVENUE	2,551,000	2,551,000	2,612,910	61,910
Change in Net Assets, Budgetary Basis	\$ 82,011	\$ 82,011	201,146	\$ 119,135
Less: Depreciation Expense			(84,080)	
Capital Contributions			71,392	
Change in Net Assets, GAAP Basis			188,458	
Net Assets - Beginning of the Year			1,002,375	
Net Assets - End of the Year			\$ 1,190,833	
See independent auditor's report				

FIDUCIARY FUND TYPE

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

Thompson School District R2-J
Combining Statement of Fiduciary Net Assets
June 30, 2011

	Education Memorial	Interscholastic Athletic and Activity	Totals
ASSETS			
Cash and Investments	\$ 74,677	\$ 1,039,830	\$ 1,114,507
TOTAL ASSETS	<u>\$ 74,677</u>	<u>\$ 1,039,830</u>	<u>\$ 1,114,507</u>
LIABILITIES			
Accounts Payable	5,085	30,052	35,137
Accrued Salaries and Benefits	-	1,093	1,093
Undistributed Monies	69,592	1,008,685	1,078,277
TOTAL LIABILITES	<u>\$ 74,677</u>	<u>\$ 1,039,830</u>	<u>\$ 1,114,507</u>

See independent auditor's report

Thompson School District R2-J
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Education Memorial</u>				
Assets				
Cash and Investments	\$ 67,379	\$ 60,413	\$ 53,115	\$ 74,677
Liabilities				
Accounts Payable	\$ -	\$ 5,085	\$ -	\$ 5,085
Undistributed Monies	67,379	60,413	58,200	69,592
Total Liabilities	\$ 67,379	\$ 65,498	\$ 58,200	\$ 74,677
<u>Interscholastic Athletic and Activity</u>				
Assets				
Cash and Investments	\$ 1,008,914	\$ 2,723,130	\$ 2,692,214	\$ 1,039,830
Liabilities				
Accounts Payable	\$ 58,204	\$ -	\$ 28,152	\$ 30,052
Accrued Salaries and Benefits	190	903	-	1,093
Undistributed Monies	950,520	2,722,227	2,664,062	1,008,685
Total Liabilities	\$ 1,008,914	\$ 2,723,130	\$ 2,692,214	\$ 1,039,830
<u>Combined</u>				
Assets				
Cash and Investments	\$ 1,076,293	\$ 2,783,543	\$ 2,745,329	\$ 1,114,507
Liabilities				
Accounts Payable	\$ 58,204	\$ 5,085	\$ 28,152	\$ 35,137
Accrued Salaries and Benefits	190	903	-	1,093
Undistributed Monies	1,017,899	2,782,640	2,722,262	1,078,277
Total Liabilities	\$ 1,076,293	\$ 2,788,628	\$ 2,750,414	\$ 1,114,507

See independent auditor's report

**Thompson School District R2-J
Education Memorial Fund - 72
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Additions				
Investment Earnings	\$ 200	\$ 200	\$ -	\$ (200)
Other Revenue	<u>35,000</u>	<u>35,000</u>	<u>60,413</u>	<u>25,413</u>
Total Additions	35,200	35,200	60,413	25,213
Deductions				
Other Trust Expense	<u>84,250</u>	<u>84,250</u>	<u>58,200</u>	<u>26,050</u>
Total Deductions	<u>84,250</u>	<u>84,250</u>	<u>58,200</u>	<u>26,050</u>
Change in Undistributed Monies	<u>\$ (49,050)</u>	<u>\$ (49,050)</u>	2,213	<u>\$ 51,263</u>
Undistributed Monies - Beginning of Year			67,379	
Undistributed Monies - End of Year			<u>\$ 69,592</u>	

See independent auditor's report

**Thompson School District R2-J
Interscholastic Athletic and Activity Fund - 74
Budgetary Comparison Schedules
Year Ended June 30, 2011**

	<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	\$ 2,835,000	\$ 2,835,000	\$ 2,721,419	\$ (113,581)
Investment Earnings	<u>300</u>	<u>300</u>	<u>1,043</u>	<u>743</u>
Total Additions	2,835,300	2,835,300	2,722,462	(112,838)
Deductions				
Athletic Expenditures	962,100	962,100	855,200	106,900
Pupil Activity Expenditures	<u>1,918,150</u>	<u>1,918,150</u>	<u>1,809,097</u>	<u>109,053</u>
Total Deductions	<u>2,880,250</u>	<u>2,880,250</u>	<u>2,664,297</u>	<u>215,953</u>
Change in Undistributed Monies	<u>\$ (44,950)</u>	<u>\$ (44,950)</u>	58,165	<u>\$ 103,115</u>
Undistributed Monies Beginning of the Year			950,520	
Undistributed Monies End of The Year			<u>\$ 1,008,685</u>	

See independent auditor's report

COMPONENT UNITS

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

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

**Thompson School District R2-J
Combining Statement of Net Assets
Component Units
As of June 30, 2011**

	New Vision Charter School	Thompson Education Foundation	Total Component Units
ASSETS			
Cash and Investments	\$ 855,267	\$ 1,077,269	\$ 1,932,536
Restricted Cash and Cash Equivalents	546,798	-	546,798
Receivables	1,757	-	1,757
Prepaid Expense	555,000	-	555,000
Debt Issuance Costs, Net of Accumulated Depreciation	159,309	-	159,309
Capital Assets, Net of Accumulated Depreciation	3,491,772	-	3,491,772
Total Assets	\$ 5,609,903	\$ 1,077,269	\$ 6,687,172
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 5,314	\$ 3,718	\$ 9,032
Accrued Salaries and Benefits	95,234	-	95,234
Accrued Interest Payable	81,465	-	81,465
Total Current Liabilities	182,013	3,718	185,731
Noncurrent Liabilities			
Due Within One Year	53,586	-	53,586
Due in More Than One Year	4,749,785	-	4,749,785
Total Noncurrent Liabilities	4,803,371	-	4,803,371
Total Liabilities	4,985,384	3,718	4,989,102
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(1,311,599)	-	(1,311,599)
Restricted for Debt Service	483,386	-	483,386
Restricted for Repairs and Replacement	63,412	-	63,412
Restricted for Emergencies	100,072	-	100,072
Unrestricted	1,289,248	1,073,551	2,362,799
Total Net Assets	624,519	1,073,551	1,698,070
Total Liabilities and Net Assets	\$ 5,609,903	\$ 1,077,269	\$ 6,687,172

See independent auditor's report

Thompson School District R2-J
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2011

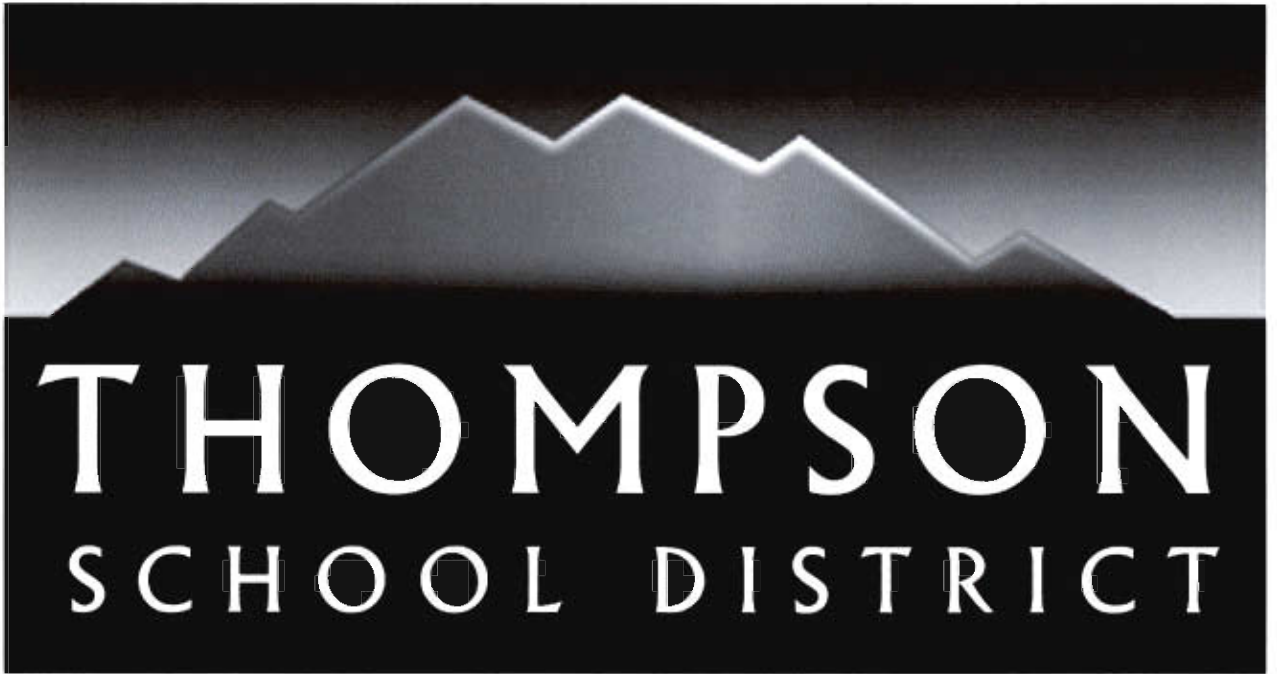
	<u>New Vision Charter School</u>	<u>Thompson Education Foundation</u>	<u>Total Component Units</u>
Expenses			
Total Instruction	\$ 1,669,693	\$ -	\$ 1,669,693
Total Support Services	897,667	1,369,086	2,266,753
Interest Expense	<u>336,328</u>	<u>-</u>	<u>336,328</u>
Total Expenses	<u>2,903,688</u>	<u>1,369,086</u>	<u>4,272,774</u>
Program Revenues			
Charges for Services	55,426	-	55,426
Operating Grants and Contributions	<u>-</u>	<u>1,319,368</u>	<u>1,319,368</u>
Total Program Revenues	<u>55,426</u>	<u>1,319,368</u>	<u>1,374,794</u>
General Revenues			
Per Pupil Revenues	2,747,307	-	2,747,307
Grants and Contributions not Restricted to Specific Programs	41,072	-	41,072
Investment Income	1,253	104,284	105,537
Miscellaneous	<u>36,024</u>	<u>-</u>	<u>36,024</u>
Total General Revenues	<u>2,825,656</u>	<u>104,284</u>	<u>2,929,940</u>
Changes in Net Assets	(22,606)	54,566	31,960
Net Assets - Beginning, As Restated	<u>647,125</u>	<u>1,018,985</u>	<u>1,666,110</u>
Net Assets - Ending	<u>\$ 624,519</u>	<u>\$ 1,073,551</u>	<u>\$ 1,698,070</u>

See independent auditor's report

STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	82-91
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue sources.	92-96
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.	97-100
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.	101-102
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.	103-107



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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 16,953,856	\$ 15,941,849	\$ 21,077,951	\$ 28,158,995
Restricted	23,423,807	27,854,128	20,577,871	20,147,743
Unrestricted, Unassigned	6,161,147	5,261,814	3,680,860	2,624,964
Total Governmental Activities Net Assets	<u>\$ 46,538,810</u>	<u>\$ 49,057,791</u>	<u>\$ 45,336,682</u>	<u>\$ 50,931,702</u>
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	\$ 782,714	\$ 663,779	\$ 558,228	\$ 469,579
Restricted	68,791	71,200	69,964	67,967
Unrestricted, Unassigned	40,000	30,959	208,535	300,456
Total Business-type Activities Net Assets	<u>\$ 891,505</u>	<u>\$ 765,938</u>	<u>\$ 836,727</u>	<u>\$ 838,002</u>
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 17,736,570	\$ 16,605,628	\$ 21,636,179	\$ 28,628,574
Restricted	23,492,598	27,925,328	20,647,835	20,215,711
Unrestricted	6,201,147	5,292,773	3,889,395	2,925,420
Total Primary Government Net Assets	<u>\$ 47,430,315</u>	<u>\$ 49,823,729</u>	<u>\$ 46,173,409</u>	<u>\$ 51,769,705</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	34,936,956	\$ 43,686,008	\$ 47,022,288	\$ 50,272,273	\$ 52,399,048	\$ 54,766,501
	21,873,077	19,230,832	19,710,398	20,344,714	20,717,458	21,066,584
	4,190,887	13,201,584	15,333,817	17,297,596	17,421,337	17,065,795
\$	<u>61,000,920</u>	<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>
\$	378,465	\$ 286,573	\$ 192,657	\$ 400,578	\$ 387,092	\$ 374,404
	69,313	65,516	65,286	69,152	62,547	59,057
	501,246	610,980	396,484	403,158	552,736	757,372
\$	<u>949,024</u>	<u>\$ 963,069</u>	<u>\$ 654,427</u>	<u>\$ 872,888</u>	<u>\$ 1,002,375</u>	<u>\$ 1,190,833</u>
\$	35,315,421	\$ 43,972,581	\$ 47,214,945	\$ 50,672,851	\$ 52,786,140	\$ 55,140,905
	21,942,390	19,296,348	19,775,684	20,413,865	20,780,005	21,125,641
	4,692,133	13,812,564	15,730,301	17,700,754	17,974,073	17,823,167
\$	<u>61,949,944</u>	<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>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses				
Governmental Activities:				
Total Instruction	\$ 57,510,303	\$ 61,344,975	\$ 63,177,736	\$ 63,012,325
Support Services				
Pupil Services	6,395,337	6,924,508	6,612,481	6,948,277
Instructional Staff	6,488,963	8,072,644	7,828,193	7,540,045
General Administration	636,396	535,449	750,238	919,514
School Administration	6,092,669	6,590,527	6,641,734	6,863,529
Business Services	1,340,104	1,559,503	1,632,314	1,641,331
Maintenance/Operations	9,416,543	13,953,782	10,901,991	9,942,999
Pupil Transportation	1,682,457	2,464,000	3,032,800	2,916,150
Central Supporting Services	3,746,070	3,827,622	5,066,225	3,928,544
Community Services	406,469	936,233	1,325,831	1,152,881
Interest on Long-term Debt	5,909,556	6,610,993	8,632,902	3,393,072
Total Support Services	<u>42,114,564</u>	<u>51,475,261</u>	<u>52,424,709</u>	<u>45,246,342</u>
Total Governmental Activities Expenses	<u>99,624,867</u>	<u>112,820,236</u>	<u>115,602,445</u>	<u>108,258,667</u>
Business-type Activities:				
Nutritional Services	<u>3,521,504</u>	<u>3,581,246</u>	<u>3,503,514</u>	<u>3,582,130</u>
Total Primary Government Expenses	<u>\$ 103,146,371</u>	<u>\$ 116,401,482</u>	<u>\$ 119,105,959</u>	<u>\$ 111,840,797</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Instruction	\$ 723,969	\$ 820,969	\$ 815,357	\$ 888,085
Support Services				
Pupil Services	313	1,839	1,211	1,372
Instructional Staff	-	-	-	-
General Administration	59,218	63,095	51,517	58,367
School Administration	13,853	23,012	25,596	28,999
Business Services	782	918	901	1,024
Maintenance Operations	-	-	-	-
Central Supporting Services	243,033	299,557	531,279	601,923
Operating Grants and Contributions	9,030,381	9,845,561	9,376,242	9,543,859
Capital Grants and Contributions	149,055	666,222	28,970	94,556
Total Governmental Activities Program Revenues	<u>10,220,604</u>	<u>11,721,173</u>	<u>10,831,073</u>	<u>11,218,185</u>
Business-type Activities:				
Nutritional Services	<u>3,393,021</u>	<u>3,452,585</u>	<u>3,573,607</u>	<u>3,581,938</u>
Total Primary Government Program Revenues	<u>\$ 13,613,625</u>	<u>\$ 15,173,758</u>	<u>\$ 14,404,680</u>	<u>\$ 14,800,123</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (89,404,263)	\$ (101,099,063)	\$ (104,771,372)	\$ (97,040,482)
Business-type Activities	<u>(128,483)</u>	<u>(128,661)</u>	<u>70,093</u>	<u>(192)</u>
Total Primary Government Net Expense	<u>\$ (89,532,746)</u>	<u>\$ (101,227,724)</u>	<u>\$ (104,701,279)</u>	<u>\$ (97,040,674)</u>

Continued on next page

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	<u>62,223,449</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>
	7,227,057	7,570,257	8,717,227	8,823,141	10,866,456	9,614,206
	7,749,997	7,944,486	10,425,291	10,651,345	11,821,157	10,981,248
	925,276	1,113,179	1,213,567	1,097,462	1,123,991	1,097,871
	7,026,788	6,999,468	8,046,845	8,196,106	8,790,952	8,478,267
	1,693,037	1,706,322	1,785,422	2,286,161	3,587,229	2,233,389
	12,039,281	6,188,899	11,122,270	13,799,484	12,242,873	13,854,509
	2,718,558	3,220,776	4,012,223	4,153,388	5,882,278	5,292,524
	2,778,997	8,767,469	7,592,656	3,979,589	4,045,434	3,934,697
	1,210,399	694,139	785,524	831,718	925,487	1,443,698
	4,521,000	6,088,520	6,759,440	6,679,897	6,188,909	5,977,903
	<u>47,890,390</u>	<u>50,293,515</u>	<u>60,460,465</u>	<u>60,498,290</u>	<u>65,474,766</u>	<u>62,908,312</u>
	<u>110,113,839</u>	<u>116,822,753</u>	<u>128,295,409</u>	<u>130,392,101</u>	<u>138,413,754</u>	<u>135,355,770</u>
	3,630,472	3,681,340	4,170,018	4,011,436	4,348,417	4,320,056
\$	<u>113,744,311</u>	<u>\$ 120,504,093</u>	<u>\$ 132,465,428</u>	<u>\$ 134,403,537</u>	<u>\$ 142,762,171</u>	<u>\$ 139,675,826</u>
\$	927,887	\$ 945,121	\$ 715,218	\$ 827,452	\$ 716,533	\$ 1,655,641
	2,420	1,188	-	-	-	-
	30,216	17,647	39,678	45,904	39,125	90,403
	-	-	-	-	-	-
	41,068	51,298	54,747	63,338	-	-
	37,191	28,190	21,366	24,719	6,288	14,529
	352	454	-	-	-	-
	460,476	487,370	482,762	558,519	562,606	1,299,973
	9,824,094	11,584,333	10,766,875	12,656,371	14,717,024	14,227,794
	6,731	427,774	-	-	-	-
	<u>11,330,435</u>	<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>
	3,738,322	3,690,798	3,857,119	3,925,487	4,419,110	4,436,524
\$	<u>15,068,757</u>	<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>
\$	(98,783,404)	\$ (103,279,378)	\$ (116,214,763)	\$ (116,215,798)	\$ (122,372,178)	\$ (118,067,431)
	107,850	9,458	(312,900)	(85,949)	70,693	116,468
\$	<u>(98,675,554)</u>	<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>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Revenues				
Governmental Activities:				
Property Taxes Levied For:				
General Purpose	\$ 23,608,076	\$ 25,457,040	\$ 26,556,635	\$ 24,432,966
Mill Levy Override	7,240,226	7,459,483	7,454,021	7,463,272
Debt Services	11,216,909	11,932,524	12,509,394	10,195,101
Specific Ownership Taxes Levied For:				
General Purpose	3,939,999	3,821,176	4,008,797	3,866,971
Mill Levy Override	786,518	788,540	803,842	784,202
Intergovernmental				
Equalization	47,140,244	51,539,947	53,208,893	53,573,154
Payments in Lieu of Land Dedication	838,416	981,415	876,004	831,031
Interest and Investment Earnings	1,182,788	507,403	372,367	758,603
Grants and Contributions not Restricted to Specific Programs	-	-	-	-
Gain on Sale of Capital Asset	-	-	-	415,401
Miscellaneous	933,051	1,130,516	264,545	314,801
Transfer	-	-	-	-
Total Governmental Activities	<u>96,886,227</u>	<u>103,618,044</u>	<u>106,054,498</u>	<u>102,635,502</u>
Business-type Activities:				
Interest and Investment Earnings	950	842	696	1,468
Miscellaneous	1,164	2,252	-	-
Transfer	-	-	-	-
Total Business-type Activities	<u>2,114</u>	<u>3,094</u>	<u>696</u>	<u>1,468</u>
Total Primary Government	<u>\$ 96,888,341</u>	<u>\$ 103,621,138</u>	<u>\$ 106,055,194</u>	<u>\$ 102,636,970</u>
Change in Net Assets				
Governmental Activities	\$ 7,481,964	\$ 2,518,981	\$ 1,283,126	\$ 5,595,020
Business-type Activities	(126,369)	(125,567)	70,789	1,276
Total Primary Government	<u>\$ 7,355,595</u>	<u>\$ 2,393,414</u>	<u>\$ 1,353,915</u>	<u>\$ 5,596,296</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	25,704,275	\$ 26,228,693	\$ 28,363,669	\$ 30,242,965	\$ 30,378,658	\$ 29,728,007
	7,480,274	12,058,082	12,456,986	12,774,017	13,209,662	12,857,383
	11,607,605	11,811,769	11,119,912	11,265,715	12,053,521	12,532,757
	3,608,215	3,873,082	4,271,504	4,339,660	4,058,837	3,853,468
	843,186	705,116	687,375	-	-	-
	54,738,055	57,847,052	59,874,117	62,255,043	64,803,052	57,404,922
	927,293	733,693	499,858	313,552	232,579	242,816
	3,264,484	5,249,371	4,071,983	1,175,751	317,332	107,407
	-	-	-	-	-	3,773,100
	-	-	-	-	-	-
	679,235	914,492	817,438	-	-	-
	-	-	-	-	(58,202)	(71,392)
	<u>108,852,622</u>	<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>
	3,171	4,587	4,258	1,584	592	598
	-	-	-	-	-	-
	-	-	-	-	58,202	71,392
	<u>3,171</u>	<u>4,587</u>	<u>4,258</u>	<u>1,584</u>	<u>58,794</u>	<u>71,990</u>
\$	<u>108,855,793</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>
\$	10,069,218	\$ 16,141,972	\$ 5,948,079	\$ 5,848,079	\$ 2,623,261	\$ 2,361,037
	111,021	14,045	(308,642)	218,461	129,487	188,458
\$	<u>10,180,239</u>	<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>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Restricted	\$ 3,477,354	\$ 3,417,314	\$ 3,899,450	\$ 4,230,904
Unrestricted, Unassigned	<u>7,502,040</u>	<u>9,143,617</u>	<u>8,930,981</u>	<u>8,375,509</u>
Total General Fund	<u>10,979,394</u>	<u>12,560,931</u>	<u>12,830,431</u>	<u>12,606,413</u>
All Other Governmental Funds				
Restricted	19,931,437	24,408,997	16,645,409	15,881,936
Assigned	-	-	-	-
Unrestricted, Unassigned	<u>3,130,837</u>	<u>2,943,489</u>	<u>1,456,610</u>	<u>1,719,568</u>
Total All Other Governmental Funds	<u>23,062,274</u>	<u>27,352,486</u>	<u>18,102,019</u>	<u>17,601,504</u>
Total Governmental Funds	<u>\$ 34,041,668</u>	<u>\$ 39,913,417</u>	<u>\$ 30,932,450</u>	<u>\$ 30,207,917</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	3,644,088	\$ 3,599,242	\$ 4,517,882	\$ 4,821,889	\$ 4,727,990	\$ 4,757,546
	10,311,178	17,783,886	18,808,539	19,294,606	20,530,456	24,969,474
	<u>13,955,266</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>
	106,197,107	79,919,801	52,872,901	33,834,519	20,842,333	18,416,837
	-	-	-	-	-	3,015,162
	1,899,136	2,710,309	2,975,899	3,255,332	3,600,654	-
	<u>108,096,243</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>122,051,509</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>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Taxes	\$ 46,791,728	\$ 48,677,114	\$ 49,314,672	\$ 47,881,408
Intergovernmental	56,119,346	60,939,434	62,003,232	62,832,803
Investment Earnings	1,182,235	507,060	371,980	757,768
Other	4,370,368	4,797,990	3,206,253	3,041,789
Total Revenues	<u>108,463,677</u>	<u>114,921,598</u>	<u>114,896,137</u>	<u>114,513,768</u>
Expenditures				
Current:				
Instruction				
Salaries and Benefits	49,530,112	52,742,724	54,271,472	55,316,035
Purchased Services	1,692,550	1,903,506	2,076,288	2,221,777
Supplies and Materials	3,312,747	3,414,106	3,210,706	3,122,051
Other	211,137	194,785	231,676	122,580
Supporting Services				
Pupil Services	6,173,161	6,633,916	6,321,785	6,761,203
Instructional Staff	6,266,194	7,760,087	7,516,507	7,444,139
General Administration	612,976	512,979	5,821,374	896,903
School Administration	5,869,595	6,313,951	6,349,752	6,680,383
Business Services	1,787,754	2,119,057	2,660,555	2,709,954
Maintenance/Operations	9,177,770	14,129,970	10,434,325	10,080,023
Pupil Transportation	2,621,154	2,731,259	3,323,739	3,041,299
Central Supporting Services	3,090,305	2,802,815	3,565,282	2,542,102
Community Services	1,751,460	1,527,067	1,283,364	1,112,527
Capital Projects	5,246,376	1,073,283	879,514	882,134
Charter School	-	-	-	-
Bond Issuance Costs	-	-	-	258,618
Debt Service:				
Principal	1,923,000	1,695,035	14,685,732	10,225,047
Interest	5,907,560	6,715,422	6,023,451	2,495,545
Total Expenditures	<u>105,173,851</u>	<u>112,269,962</u>	<u>128,655,522</u>	<u>115,912,320</u>
Excess (deficiency) of Revenues over Expenditures	<u>3,289,826</u>	<u>2,651,636</u>	<u>(13,759,385)</u>	<u>(1,398,552)</u>
Other Financing Sources (Uses)				
Transfers In	7,773,529	9,127,797	10,311,254	9,332,428
Transfers Out	(7,773,529)	(9,127,797)	(10,311,254)	(9,332,428)
Proceeds from Capital Lease	220,939	3,220,113	4,485,000	-
Issuance of Debt	-	-	25,660,000	22,215,000
Transfer to Bond Escrow	-	-	(27,407,353)	(23,276,594)
Premium on Bond Financing	-	-	2,040,771	1,320,212
Proceeds from Sale of Capital Assets	-	-	-	415,401
Total Other Financing Sources (Uses)	<u>220,939</u>	<u>3,220,113</u>	<u>4,778,418</u>	<u>674,019</u>
Net Change to Fund Balance	<u>\$ 3,510,765</u>	<u>\$ 5,871,749</u>	<u>\$ (8,980,967)</u>	<u>\$ (724,533)</u>
Debt Service as a Percentage of				
Non-Capital Expenditures	7.84%	7.56%	16.21%	11.06%

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	49,085,270	\$ 54,301,144	\$ 56,727,661	\$ 57,546,346	\$ 58,780,951	\$ 60,845,170
	64,307,404	69,298,311	70,640,991	73,912,330	78,751,910	76,473,714
	3,262,834	5,249,371	4,071,983	1,175,751	317,332	107,407
	3,608,178	2,910,865	2,631,068	2,832,568	1,574,546	1,779,721
	<u>120,263,686</u>	<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>
	54,622,983	55,096,973	59,207,799	61,456,412	63,192,919	63,024,849
	2,182,801	2,230,932	2,062,371	1,830,410	2,264,059	1,761,663
	2,746,923	3,161,315	3,312,954	3,295,393	3,194,067	2,523,932
	132,878	126,311	133,708	128,767	125,206	141,885
	7,021,698	7,349,203	8,477,310	8,532,676	10,469,008	9,135,938
	7,564,297	7,712,504	10,230,511	10,426,810	11,516,102	10,568,331
	925,216	1,081,439	1,179,122	1,055,759	1,057,750	1,040,479
	6,827,099	6,795,081	7,825,018	7,927,542	8,459,745	8,095,652
	2,244,847	1,674,017	1,750,356	2,243,707	3,520,988	2,156,866
	11,697,226	23,696,567	20,064,310	17,325,065	10,809,066	12,368,434
	3,437,655	3,149,984	3,935,390	4,060,367	4,557,453	4,331,921
	2,824,053	3,637,045	3,874,845	3,754,589	3,485,465	3,102,498
	1,175,910	650,149	737,782	773,917	859,246	1,348,044
	8,064,632	18,386,234	21,550,163	16,014,388	13,015,598	2,544,904
	-	1,868,346	2,257,196	2,722,161	2,764,792	2,747,307
	982,798	-	-	-	-	-
	5,668,988	5,787,500	6,115,104	5,933,065	6,231,399	3,761,316
	4,539,810	6,519,762	6,195,782	5,954,842	5,406,789	9,094,407
	<u>122,659,814</u>	<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>(2,396,128)</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>
	10,177,062	10,044,571	10,256,580	9,386,336	9,024,938	4,234,946
	(10,177,062)	(10,044,571)	(10,256,580)	(9,386,336)	(9,024,938)	(4,234,946)
	-	-	-	-	-	-
	89,215,000	-	-	-	-	-
	-	-	-	-	-	-
	5,024,720	-	-	-	-	-
	-	-	-	-	-	-
	<u>94,239,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>91,843,592</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>
	8.91%	9.43%	8.96%	8.65%	8.44%	9.55%

Thompson School District R2-J
Assessed Value and Estimated Value of Taxable Property
(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>
2001	1,288,723,030	650,552,360	96,424,380	19,555,940	75,664,210
2002	1,549,649,830	803,155,060	105,173,350	19,693,910	79,068,070
2003	1,627,889,490	826,707,590	109,967,760	19,856,750	94,106,880
2004	1,702,909,960	915,101,040	111,710,270	15,291,010	88,390,920
2005	1,765,704,970	935,712,490	113,792,070	15,556,060	81,237,808
2006	1,913,606,420	1,042,005,600	111,003,590	16,403,560	86,809,902
2007	1,998,127,240	1,087,444,240	111,954,530	17,243,500	87,703,917
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

From 2001 to 2010, 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>
2001	9.74%	1999 appraised value
2002	9.15%	2001 appraised value
2003	9.15%	2001 appraised value
2004	7.96%	2003 appraised value
2005	7.96%	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

Source: Larimer County Assessor's Office - Larimer County December 31 2010 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>
299,078,820	2,429,998,740	1,014,089,890	49.168	18,019,838,182	13.49%
292,583,570	2,849,323,790	934,372,150	48.462	21,417,698,061	13.30%
280,954,090	2,959,482,560	883,309,680	46.671	22,382,842,209	13.22%
274,798,890	3,108,202,090	965,980,430	42.687	26,239,176,137	11.85%
273,690,849	3,185,694,247	509,850,250	40.250	27,078,737,989	11.76%
283,537,320	3,453,366,392	1,056,157,790	43.457	29,349,798,804	11.77%
282,913,948	3,585,387,375	1,177,190,260	41.657	30,575,411,815	11.73%
322,040,632	3,985,496,857	1,204,106,620	40.974	33,005,669,705	12.08%
333,629,268	4,121,840,399	1,179,516,220	41.295	33,906,203,149	12.16%
331,309,312	4,263,796,887	1,185,391,810	41.643	34,789,308,674	12.26%

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	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011
School District										
General Fund	27.542	27.141	25.858	25.304	22.985	22.523	32.438	32.194	32.079	32.080
Mill Levy Override	8.500	8.195	7.687	7.383	6.755	10.636	0.198	0.112	0.096	0.407
Debt Services	13.126	13.126	13.126	10.000	10.510	10.298	9.021	8.668	9.120	9.156
School District Total	49.168	48.462	46.671	42.687	40.250	43.457	41.657	40.974	41.295	41.643
Larimer County	21.614	22.461	22.560	22.517	22.541	22.410	22.414	22.395	22.435	22.524
Town of Berthoud	6.673	6.673	6.673	6.409	6.664	10.735	11.551	9.162	9.630	9.737
City of Fort Collins	-	-	-	-	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
Town of Johnstown	-	-	-	-	23.9347	23.947	23.947	23.947	23.947	23.947
Johnstown Fire Protection District	-	-	-	-	-	8.796	9.478	9.524	9.464	9.517
Berthoud Fire Protection District	8.128	8.128	8.128	15.274	15.274	15.274	15.274	15.274	15.274	15.274
Loveland Fire District	6.674	6.674	6.674	5.808	5.808	5.808	5.808	5.808	5.808	5.939
Poudre Valley Fire District	-	-	-	-	9.301	9.301	9.301	9.301	9.301	10.595
Windsor-Severance Fire District	-	-	-	-	4.944	4.944	4.944	6.119	6.684	7.894
Lyons Fire District	-	-	-	-	7.148	7.193	7.196	5.531	6.325	8.325
Pinewood Lake Fire District	-	-	-	-	6.446	5.944	6.373	6.373	6.271	6.271
Health District of Northern Larimer Co.	-	-	-	-	2.167	2.167	2.167	2.167	2.167	2.167
Thompson Valley Hospital District	1.669	1.564	1.564	1.519	1.509	1.492	1.471	1.716	2.093	1.899
Larimer County P.I.D. No. 27	-	-	-	-	-	56.695	55.946	55.946	56.844	56.844
Larimer County P.I.D. No. 35	-	-	-	-	-	104.222	29.208	29.208	7.082	7.044
Larimer County P.I.D. No. 36	-	-	-	-	-	13.485	13.580	13.580	13.580	13.580
Larimer Pest Control	0.124	0.124	0.124	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
Loveland General Improvement District	2.684	-	-	2.684	2.684	2.684	2.684	2.676	2.684	2.684
Estes Valley Recreation and Park	-	-	-	-	1.331	1.472	1.404	2.393	2.311	2.339
West Loveland Recreation District	5.557	5.557	5.557	-	-	-	-	-	-	-
South Fort Collins Sanitation District	-	-	-	-	-	0.500	0.500	0.487	0.500	0.500
Fort Collins - Loveland Water District	-	-	-	-	-	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
North Carter Lake Water District	-	-	-	-	-	10.756	10.225	10.750	8.783	9.400
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
West Loveland Water and Sanitation	12.382	12.382	12.382	-	-	-	-	-	-	-
Thompson Crossing Metropolitan No. 2	-	-	-	-	-	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
Van De Water Metropolitan District No. 3	-	-	-	-	-	45.980	40.000	40.000	40.000	40.000
Windsor Highlands Metropolitan No. 3	-	-	-	-	30.000	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
Centerra Metropolitan District No. 2	-	-	-	-	35.000	35.000	52.600	42.600	42.600	42.600
Waterfront Metropolitan District	-	-	-	-	45.979	45.979	45.979	45.979	45.979	45.979
Lincoln Place Metropolitan District	-	-	-	55.000	55.000	50.000	-	-	-	-
Loveland Midtown Metropolitan No. 1	-	-	-	-	-	40.000	40.000	40.000	40.000	40.000
Larimer County P.I.D. No. 31	-	-	-	-	-	137.932	121.967	31.384	24.314	24.192
Thompson Crossing Metropolitan No. 4	-	-	-	-	-	76.000	60.000	60.000	60.000	60.000
Highpointe Vista Metropolitan No. 2	-	-	-	-	-	26.000	32.000	35.000	35.000	35.000
Deer Meadows Metropolitan District	-	-	-	-	-	40.000	45.000	45.000	60.000	60.000
Thompson Rivers Park & Rec. District	-	-	-	-	-	3.594	3.594	3.594	3.594	3.594
Thompson Crossing Metropolitan No. 3	-	-	-	-	-	-	60.000	60.000	60.000	60.000
Thompson Crossing Metropolitan No. 5	-	-	-	-	-	-	60.000	60.000	60.000	60.000
Thompson Crossing Metropolitan No. 6	-	-	-	-	-	-	60.000	60.000	60.000	60.000
Johnstown North Metropolitan No. 1	-	-	-	-	-	-	20.000	25.000	25.000	25.000
Johnstown North Metropolitan No. 2	-	-	-	-	-	-	20.000	25.000	25.000	25.000
Johnstown North Metropolitan No. 3	-	-	-	-	-	-	20.000	25.000	25.000	25.000
Centerra Metropolitan District No. 2 Bond	-	-	-	-	-	-	-	6.655	6.655	6.655
Centerra Metropolitan District No. 3	-	-	-	-	-	-	-	5.000	5.000	5.000
Windsor Highlands Metropolitan No. 1	-	-	-	-	-	-	-	30.000	30.000	30.000
Windsor Highlands Metropolitan No. 2	-	-	-	-	-	-	-	35.000	35.000	35.000
Windsor Highlands Metropolitan No. 5	-	-	-	-	-	-	-	35.000	35.000	35.000
Berthoud Community Library	-	-	-	-	-	-	-	2.400	2.400	2.400
Larimer County P.I.D. No. 39	-	-	-	-	-	-	-	-	-	9.988
Larimer County P.I.D. No. 49	-	-	-	-	-	-	-	-	-	16.762
Centerra Metropolitan District No. Res Debt	-	-	-	-	-	-	-	-	-	35.000
Centerra Metropolitan District No. 5	-	-	-	-	-	-	-	-	-	15.000
Lakeview Metropolitan District	-	-	-	-	-	-	-	-	-	50.000
Waterfall Metropolitan District No. 1	-	-	-	-	-	-	-	-	-	22.500
Windsor Highlands Metropolitan No. 6	-	-	-	-	-	-	-	-	-	35.000

Source: Larimer County Assessor's Office

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

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
CLC REO, LLC	\$ 24,927,400	1	0.58%	\$ -		-
Wal-Mart Stores East, LP	13,617,010	2	0.32%	8,296,290	3	0.96%
Qwest Corporation	11,373,600	3	0.27%	7,432,800	4	-
Agilent Technologies, Incorporated	9,407,280	4	0.22%	18,321,200	1	2.12%
Public Service Company of Colorado	9,040,380	5	0.21%	2,555,870	9	0.30%
Craig Realty Group-Loveland, LLC	8,018,500	6	0.19%	-		-
MCR-MOB LLC	7,394,480	7	0.17%	-		-
John Q. Hammons Hotels	6,940,570	8	0.16%	-		-
Praxair Incorporated	5,268,420	9	0.12%	-		-
Hach Company	4,543,980	10	0.11%	2,886,590	8	0.33%
Quebecor World Incorporated	-		-	6,024,300	5	0.70%
Loveland Factory Shops LP	-		-	11,641,000	2	1.35%
Woodward Governor Company	-		-	2,546,950	10	0.30%
Teledyne Industries	-		-	3,992,390	6	0.46%
Orchard Shopping Center Partnership	-		-	3,534,870	7	0.41%
	<u>\$ 100,531,620</u>		<u>2.36%</u>	<u>\$ 67,232,260</u>		<u>6.93%</u>
Total assessed valuation	<u>\$ 4,263,796,887</u>			<u>\$ 862,347,980</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 (1)	Collected within the Year of the Levy		Delinquent Tax Collections	Total Collection to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2001	2002	42,399,981	42,065,211	99.2%	37,970	42,103,181	99.3%
2002	2003	44,143,219	44,067,398	99.8%	(321,468)	43,745,930	99.1%
2003	2004	45,329,848	44,502,033	98.2%	555,836	45,057,869	99.4%
2004	2005	43,366,318	43,230,235	99.7%	(210,848)	43,019,387	99.2%
2005	2006	44,331,015	44,262,935	99.8%	(463,892)	43,799,043	98.8%
2006	2007	50,059,218	47,530,029	94.9%	650,755	48,180,784	96.2%
2007	2008	55,222,130	51,940,567	94.1%	13,102	51,953,669	94.1%
2008	2009	57,074,070	54,282,697	95.1%	104,872	54,387,569	95.3%
2009	2010	58,927,888	55,641,841	94.4%	153,895	55,795,736	94.7%
2010	2011	59,466,956	55,118,147	92.7%	987,023	56,105,170	94.3%

Notes:

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

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)
2002	76,597,738	-	1,875,058	78,472,796	4.81%	1,453
2003	75,168,738	-	4,829,136	79,997,874	4.79%	1,399
2004	70,461,009	4,485,000	2,667,404	77,613,413	4.30%	1,300
2005	61,802,167	4,325,000	2,162,357	68,289,524	3.62%	1,136
2006	151,323,193	4,160,000	1,768,368	157,251,561	7.99%	2,540
2007	146,254,499	3,990,000	1,605,869	151,850,368	7.20%	2,369
2008	128,404,737	3,815,000	1,435,765	133,655,502	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

Notes: Details regarding the District's outstanding debt can be found in the Notes to the Financial 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)

<u>Year Ended December 31</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Due to Assessed Value (1)</u>	<u>Net Bonded Debt per Capita</u>
2002	76,597,738	13,572,046	63,025,692	7.31%	661
2003	75,168,738	17,499,748	57,668,990	6.30%	644
2004	70,461,009	11,431,587	59,029,422	6.05%	632
2005	61,802,167	9,885,779	51,916,388	5.09%	538
2006	151,323,193	12,481,416	138,841,777	12.51%	2,072
2007	146,254,499	12,939,805	133,314,694	11.53%	2,080
2008	128,404,737	12,481,784	115,922,953	3.23%	1,762
2009	122,829,737	12,465,223	110,364,514	2.77%	1,703
2010	116,969,737	13,488,987	103,480,750	2.51%	1,573
2011	113,593,544	13,767,050	99,826,494	2.34%	1,499

Source: Larimer County Assessor's Office

(1) Assessed Value is \$4,263,796,887 for 2010.

Thompson School District R2-J
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2011
 (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	\$ 113,593,544	100.00%	\$ 113,593,544
Overlapping Debt:			
Town of Berthoud	6,707,734	100.00%	6,707,734
Berthoud Fire District	<u>1,080,730</u>	31.43%	<u>339,673</u>
Total Overlapping Debt	7,788,464		7,047,407
Total	<u>\$ 121,382,008</u>		<u>\$ 120,640,951</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, 2011
 Last Ten Years
 (Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed value	\$ 862,347,980	\$ 915,165,300	\$ 975,725,363	\$ 1,015,859,622	\$ 1,110,237,368	\$ 1,156,255,387	\$ 3,585,387,375	\$ 3,985,496,857	\$ 4,121,840,399	\$ 4,263,796,887
Debt limit (20% of assessed valuation)	\$ 172,469,596	\$ 183,033,060	\$ 195,145,073	\$ 203,171,924	\$ 222,047,474	\$ 231,251,077	\$ 717,077,475	\$ 797,099,371	\$ 824,368,080	\$ 852,759,377
Total net debt applicable to limit	76,597,738	75,168,738	70,461,009	61,802,167	151,323,193	146,254,499	128,404,737	122,829,737	116,969,737	113,593,544
Legal debt margin	\$ 95,871,858	\$ 107,864,322	\$ 124,684,064	\$ 141,369,757	\$ 70,724,281	\$ 84,996,578	\$ 588,672,738	\$ 674,269,634	\$ 707,398,343	\$ 739,165,833
Total net debt applicable to the limit as a percentage of debt limit	44.41%	41.07%	36.11%	30.42%	68.15%	63.24%	17.91%	15.41%	14.19%	13.32%

Note:

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

Source: Litchfield County Assessor's Office
 District Financial Records

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Thompson School District R2-J	2,616	1	8.30%	1,850	1	6.60%
Medical Center of the Rockies	953	2	3.02%	-	-	-
McKee Medical Center	940	3	2.98%	900	4	3.21%
Wal-Mart Distribution Center	851	4	2.70%	1,000	3	3.57%
Wal-Mart Super Center	785	5	2.49%	500	8	1.78%
Hach Company	741	6	2.35%	640	7	2.28%
City of Loveland	639	7	2.03%	667	6	2.38%
US Engineering	466	8	1.48%	-	-	-
Agilent Technologies	384	9	1.22%	1,450	2	5.17%
Hewlett-Packard	349	10	1.11%	730	5	2.60%
Group Publishing	-	-	-	270	10	0.96%
Teledyne Water Pik	-	-	-	400	9	1.43%
Total	8,724		27.68%	8,407		29.98%
Total City Employment	31,532			28,025		

(a) The number for 2011 was not available; therefore, the 2010 was used.

Source: City of Loveland December 31, 2010 Comprehensive Annual Financial Report

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)
2001	54.0	1,630.80	30.2	33.3	4.1
2002	57.2	1,670.20	29.2	33.4	4.8
2003	59.7	1,802.90	30.2	34.0	5.2
2004	60.1	1,887.10	31.4	34.4	5.3
2005	61.9	1,968.40	31.8	36.0	4.1
2006	64.1	2,108.90	32.9	33.9	3.5
2007	65.8	2,256.90	34.3	33.2	3.4
2008	64.8	2,394.75	37.0	35.9	4.3
2009	65.8	2,466.25	37.5	36.9	6.2
2010	66.6	2,487.66	37.4	36.9	6.5

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 4.3%.

- (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, 2010 Comprehensive Annual Financial Report

Thompson School District R2-J
 Number of Employees by Function
 June 30, 2011
 (Unaudited)

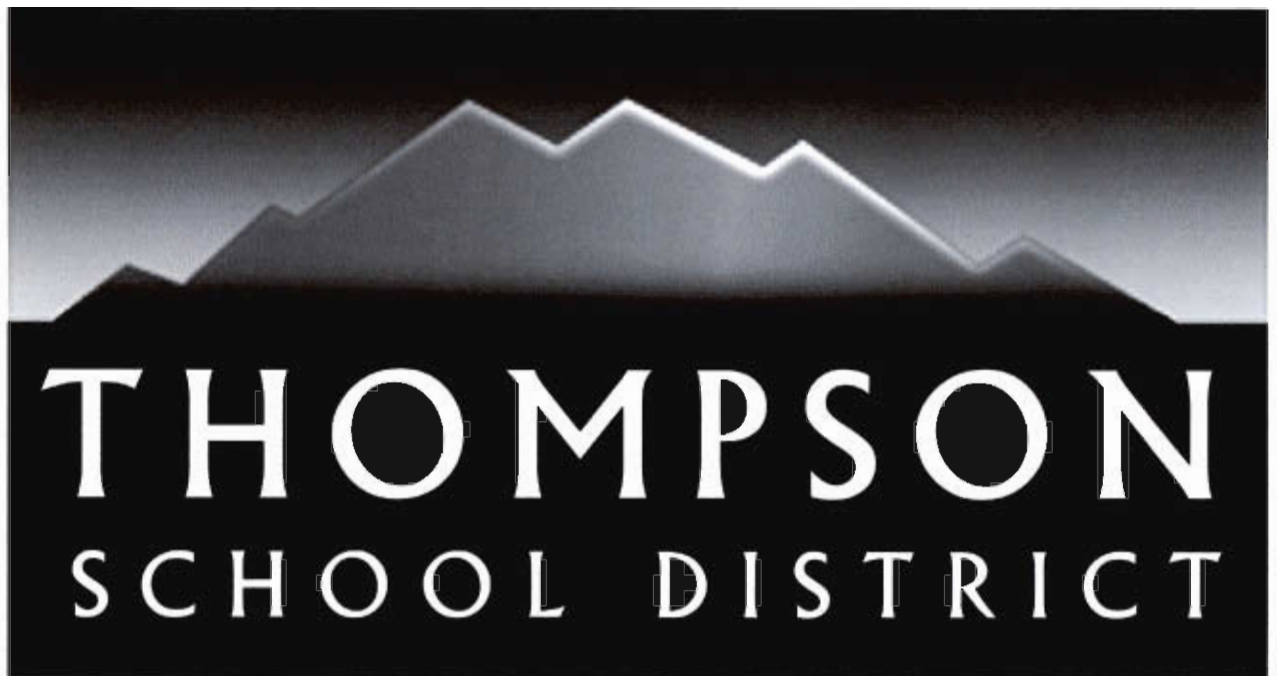
<u>Employees: (Full and Part Time Positions)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Administration										
Instructional Central Office Administrators	10	10	10	10	10	12	12	12	9	11
Principals & Asst. Principals	35	35	35	45	45	42	46	47	49	47
Support Central Office Administrators	5	5	5	10	10	11	11	11	12	11
Teaching Staff										
Teachers	845	850	850	1,015	985	995	1024	1031	1037	972
Substitute Teachers	255	255	255	380	350	304	375	254	408	438
Guidance Counselors	25	25	25	45	40	45	43	44	43	39
Media Specialist	10	10	10	10	10	9	9	9	9	9
Teacher Aides	175	175	175	170	180	198	187	195	212	166
Support Services										
Nurses, Psychologists, and Social Workers	20	20	20	30	30	35	31	35	32	30
Pupil Transportation	100	100	100	115	125	112	118	125	128	114
Personnel Services	10	10	10	10	10	9	12	12	11	9
Operations and Maintenance	165	165	165	150	155	153	160	173	164	162
Fiscal Services and Data Processing	5	5	5	10	10	9	15	14	16	16
School Building Clerical	120	120	120	140	140	130	141	147	148	137
Other Professional Support Staff	45	45	45	145	130	122	152	152	156	134
Other Clerical Support	30	30	30	35	30	31	31	30	31	26
Food Services	150	150	150	115	115	105	112	117	115	86
Total	2,005	2,010	2,010	2,435	2,375	2,322	2,479	2,408	2,580	2,407

Source: Thompson School District Human Resources Department

Thompson School District R2-J
 Operating Indicators
 June 30, 2011
 (Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Funding per Student	\$ 5,103	\$ 5,441	\$ 5,595	\$ 5,721	\$ 5,798	\$ 5,988	\$ 6,279	\$ 6,530	\$ 6,714	\$ 6,461
Funded Pupil Count	14,335.0	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
Total Funding per School Finance Act	\$ 73,151,505	\$ 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

Source: Thompson School District Finance Department



THOMPSON
SCHOOL DISTRICT

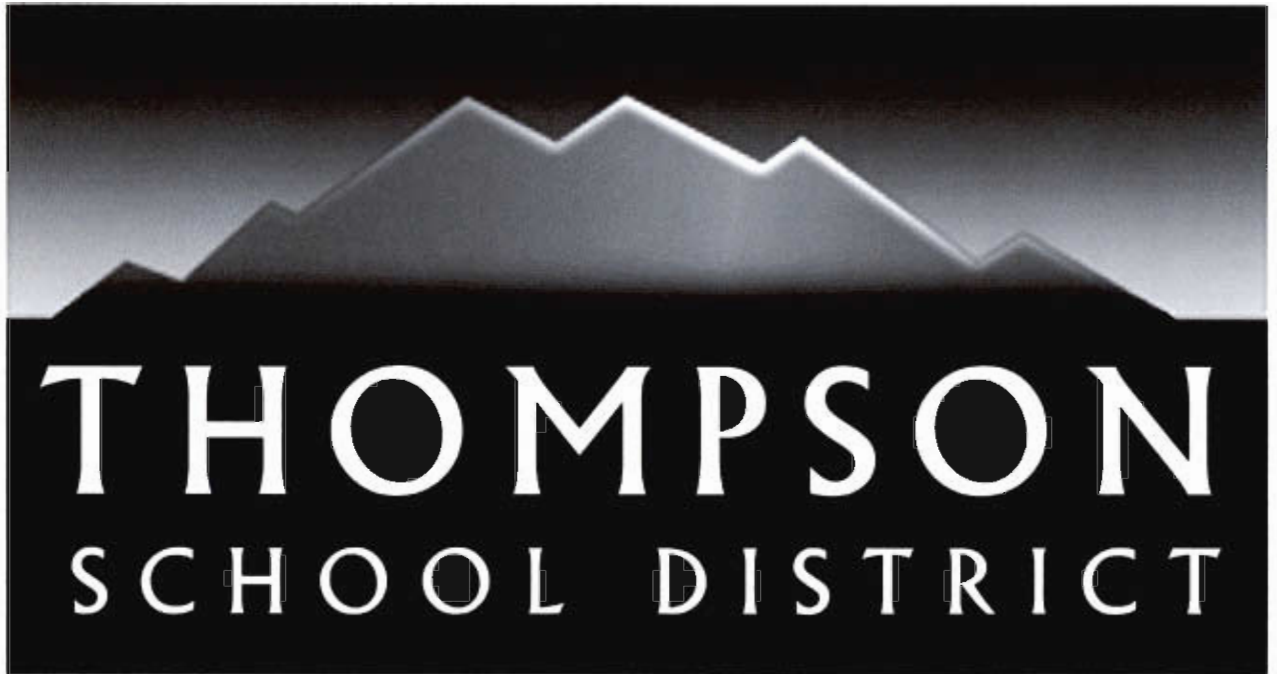
Thompson School District R2-J
School Building Information
 June 30, 2011
 (Unaudited)

<u>Schools</u>	<u>Sq. Ft.</u>	<u>Capacity</u>	<u>Enrollment History by Fiscal Year</u>					
			<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Elementary Schools								
Berthoud	50,050	550	432	419	453	424	404	404
BF Kitchen	33,800	250	250	215	207	194	185	233
Big Thompson	29,100	240	206	183	178	192	200	212
Carrie Martin	33,350	310	304	317	343	322	299	307
Centennial	57,750	535	417	418	409	343	319	343
Cottonwood Plains	57,400	450	426	433	458	555	517	529
Coyote Ridge	53,500	330	347	295	270	-	-	-
Garfield	34,900	305	258	294	280	261	271	246
Ivy Stockwell	36,050	350	334	334	314	342	363	376
Laurene Edmondson	32,650	315	227	246	248	289	302	310
Lincoln	40,500	360	249	366	353	393	391	431
Mary Blair	48,150	475	423	487	472	496	471	461
Monroe	51,050	365	305	352	394	393	420	409
Namaqua	51,550	460	396	480	471	509	516	603
Ponderosa	71,500	550	370	-	-	-	-	-
Sarah Milner	36,700	390	312	328	344	336	366	345
Stansberry	31,800	235	243	253	245	241	216	235
Truscott	45,700	275	302	284	273	282	285	267
Van Buren	32,800	305	212	274	241	269	266	272
Winona	65,500	550	440	435	424	407	364	382
Middle Schools								
Bill Reed	146,500	900	650	618	622	604	612	645
Conrad Ball	96,100	810	646	621	640	703	783	794
Lucile Erwin	115,500	900	874	854	881	836	736	800
Turner	72,750	770	407	421	413	426	434	437
Walt Clark	96,850	900	574	586	643	683	708	770
High Schools								
Berthoud	129,200	990	615	615	630	656	675	673
Ferguson	43,000	185	124	122	104	99	102	97
Loveland	204,300	1,500	1,479	1,595	1,604	1,596	1,578	1,536
Mountain View	252,300	1,475	1,047	1,065	1,090	1,141	1,126	1,179
Thompson Valley	218,000	1,475	1,272	1,318	1,418	1,406	1,413	1,477
Totals	2,268,300	17,505	14,141	14,228	14,422	14,398	14,322	14,773

Source: Thompson School District Master Plans

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
415	406	399	415
244	260	279	275
211	224	231	257
285	281	265	258
409	362	340	335
485	463	464	469
-	-	-	-
253	247	298	295
359	365	365	385
304	315	320	311
327	306	308	300
445	433	444	451
430	411	441	387
580	591	626	649
-	-	-	-
353	381	405	463
246	273	288	314
207	209	220	222
271	286	280	285
411	396	359	322
697	693	727	707
784	809	781	764
801	801	782	777
467	495	508	504
789	753	756	741
681	704	689	685
105	94	102	112
1,493	1,477	1,464	1,467
1,195	1,221	1,147	965
1,435	1,425	1,503	1,536
<u>14,682</u>	<u>14,681</u>	<u>14,791</u>	<u>14,651</u>

COMPLIANCE SECTION





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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and 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, 2011, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated November 22, 2011. 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, as described in our report on the Thompson School District R2-J's financial statements. The financial statements of the New Vision Charter School 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*.

We noted certain matters that we reported to management and the Board of Education of the Thompson School District R2-J in a separate letter dated November 22, 2011.

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.

Swankart & Company LLC

November 22, 2011



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, 2011. 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, 2011.

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.

Swanberg & Company LLC

November 22, 2011

THOMPSON SCHOOL DISTRICT R2-J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

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:

84.010 Title I	84.391 ARRA - Special Education
84.389 ARRA - Title I	84.392 ARRA - Special Education Preschool
84.027 Special Education	84.394 ARRA - State Fiscal Stabilization Fund
84.173 Special Education Preschool	84.410 Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs: \$439,125

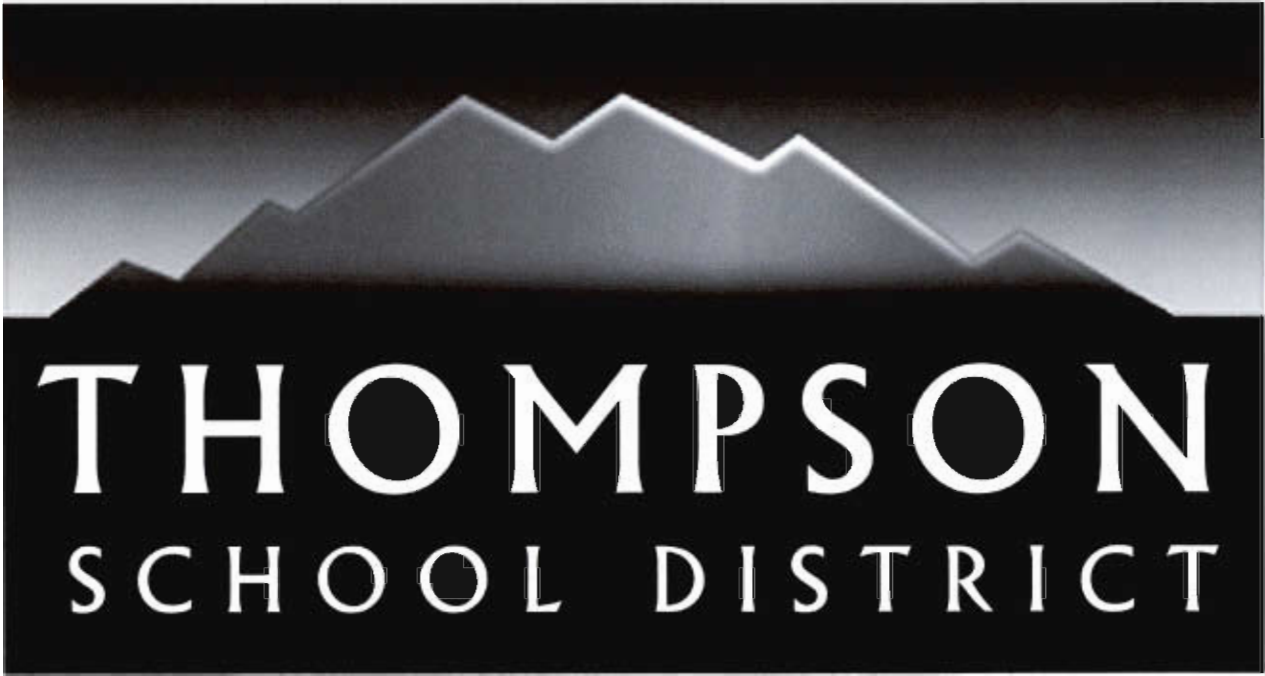
Auditee qualified as low-risk auditee? _____ yes no

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 as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated November 22, 2011. 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 which represent 84 percent and 67 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for the New Vision Charter School, is based solely upon the report 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

November 22, 2011

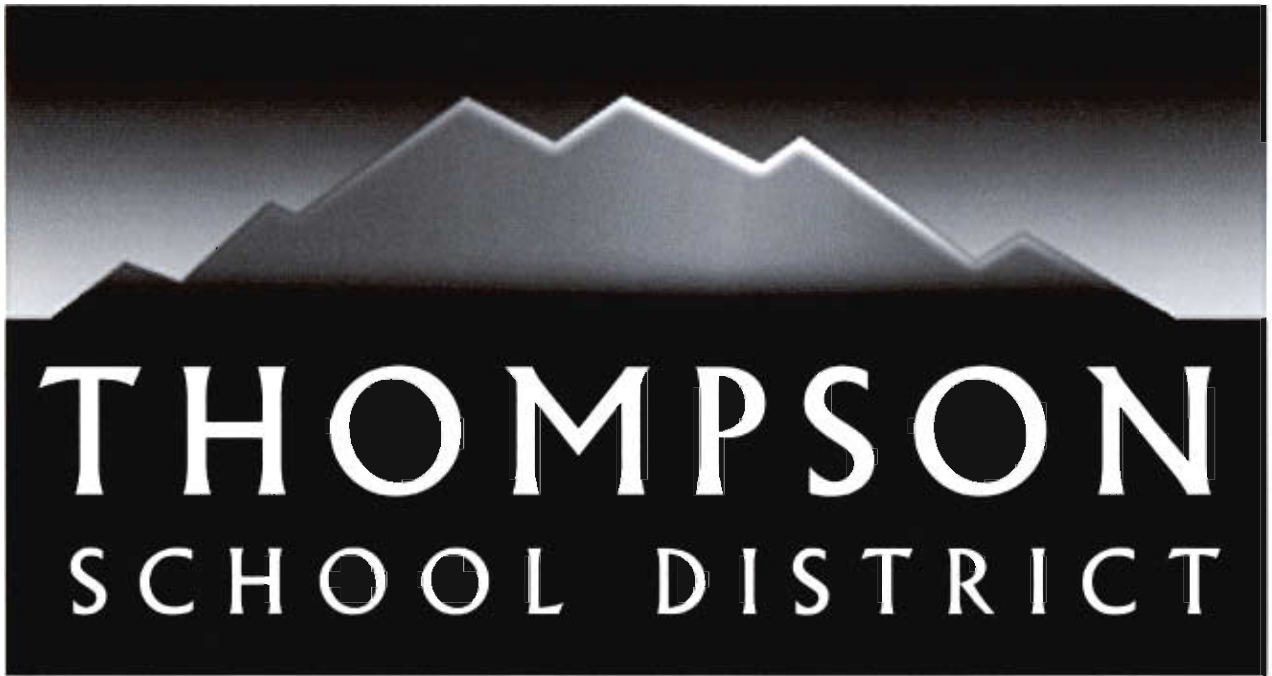
Thompson School District R2-J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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	\$ 1,686,342
ARRA Title I	84.389	521,194
Special Education	84.027	2,453,802
ARRA Special Education	84.391	1,725,377
Special Education Preschool	84.173	84,851
ARRA Special Education Preschool	84.392	52,481
Improving Teacher Quality	84.367	492,537
Education Technology	84.318	29,442
English Language Acquisition	84.365	49,431
Advanced Placement Program	84.330	668
Education Jobs Fund	84.410	2,726,288
ARRA State Fiscal Stabilization Fund	84.394	1,046,812
Passed Through State Department of Human Services		
Vocational Rehabilitation	84.126	104,341
Passed Through State Community Colleges System:		
Career and Technical Education	84.048	91,123
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>11,064,689</u>
U.S. Department of Agriculture		
Passed through State Department of Human Services:		
Food Donation	10.555	176,542
Passed Through State Department of Education:		
School Breakfast Program	10.553	489,259
National School Lunch Program	10.555	1,739,115
Summer Food Service Program for Children	10.559	118,940
Passed Through State Department of Public Health & Environment:		
Child and Adult Care Food Program	10.558	16,096
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>2,539,952</u>
U.S. Department of Health and Human Services		
Direct Program		
Head Start	93.600	1,008,044
ARRA Head Start	93.708	24,806
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>1,032,850</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 14,637,491</u>

Thompson School District R2-J
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2011

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 as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Thompson School District R2-J, and have issued our report thereon dated November 22, 2011. 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 which represent 84 percent and 67 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for the New Vision Charter School, is based solely upon the report 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report 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 basic financial statements. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 22, 2011



Colorado Department of Education

Automated Data Exchange View Report

11/29/2011
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Colorado Department of Education
Fiscal Year 2010-2011
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 Expenditures & Other Uses =	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	24,948,609	107,238,929	102,796,213	29,391,325
18 Risk Mgmt Sub-Fund of General Fund	174,490	1,048,938	1,011,407	212,021
19 Colorado Preschool Program Fund	135,347	555,364	567,037	123,674
Subtotal	25,258,446	108,843,231	104,374,657	29,727,020
11 Charter School Fund	647,529	3,316,370	3,338,175	625,725
20,26-29 Special Revenue Fund	3,327,435	3,050,139	3,004,277	3,373,297
21 Capital Reserve Spec Revenue Fund	2,161,879	-2,161,879	0	0
22 Govt Designated-Purpose Grants Fund	-673,098	8,922,379	8,627,531	-378,270
23 Pupil Activity Special Revenue Fund	110,118	-110,118	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	13,825,123	12,222,352	12,280,425	13,767,050
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	5,691,530	4,621	3,036,530	2,659,621
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	5,687,979	3,677,679	2,010,300
TOTALS	50,348,963	139,775,074	138,339,295	51,784,742
Proprietary				
51 Food Service Fund	1,002,374	4,508,514	4,320,056	1,190,832
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	1,002,374	4,508,514	4,320,056	1,190,832
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	67,379	60,413	58,200	69,592
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	950,520	2,722,462	2,664,297	1,008,685
79 GASB 34:Permanent Fund Foundations	0	0	0	0
85 Foundations	1,018,985	1,423,652	1,369,086	1,073,551
TOTALS	2,036,864	4,206,527	4,091,583	2,151,828

*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.