

**FALCON SCHOOL DISTRICT 49**  
**Falcon, Colorado**

**Financial Statements**

**June 30, 2007**

**FALCON SCHOOL DISTRICT 49**  
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**FALCON SCHOOL DISTRICT 49**  
**ROSTER OF SCHOOL OFFICIALS**  
**June 30, 2007**

**BOARD OF EDUCATION**

Dave Martin	President
Dave Stark	Vice President
Amy McClelland	Secretary
Randall Brungardt	Treasurer
Anna Bartha	Member

**SCHOOL OFFICIALS**

Dr. Nancy Wright	Superintendent
Laine Gibson	Chief Financial Officer

## **FINANCIAL SECTION**



Board of Education  
Falcon School District 49  
Falcon, 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 Falcon School District 49, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Falcon School District 49, as listed in the table of contents. These financial statements are the responsibility of the Falcon School District 49'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 Rocky Mountain Classical Academy, which represent 28 percent and 37 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 Rocky Mountain Classical Academy, is based solely upon the report of other auditors.

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

In our opinion, based on our audit and the report of 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 Falcon School District 49, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, on our consideration of the Falcon School District 49's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District 49's basic financial statements. The combining and individual fund 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.

A handwritten signature in black ink, appearing to read "Swankert & Company, LLC". The signature is written in a cursive, flowing style.

January 22, 2008



## Management's Discussion and Analysis

As management of Falcon School District 49, we offer readers of the Falcon School District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007.

### Financial Highlights

- The primary government has government-wide net assets totaling \$42,399,890 at the end of the current fiscal year.
- The general fund ending fund balance of \$24,529,005 maintained a fund balance to revenue ratio above 10% (per Board of Education Policy).
- Business-type activities reported unrestricted net assets of \$964,274 in the Nutritional Service Fund.
- A Mill Levy Override was approved by the voters in the November 2005 election. The money from the override is to be used to pay back certificates of participation (which were sold in July 2006 and July 2007); the funds are to be used for construction projects. The projects were started before the certificates of participation were sold.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Falcon School District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information about all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, instructional support, general and school administration, business and central services, maintenance and operations, and transportation. The business-type activity of the District includes food service.

The government-wide financial statements include not only the District itself (known as the primary government), but also legally separate charter schools. Financial information for the charter schools are presented separately because the charter schools are financially accountable to the District and provide services to the District's students.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Falcon School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide fund financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Falcon School District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the bond redemption fund and the building fund because all are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Falcon School District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds.** Falcon School District maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Falcon School District's own programs. The two fiduciary funds utilized by the District are the Falcon Scholarship Fund and the Pupil Activity Fund. The accounting for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

The combining statements referred to earlier in connection with non-major governmental funds are presented after the notes to the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Falcon School District, assets exceeded liabilities by \$42,399,890 at the close of the most recent fiscal year.

\$10,016,089 of net assets is invested in capital assets net of accumulated depreciation and related outstanding debt used to acquire those assets. The 2006 amount was reduced on July 13, 2006 when the District sold certificates of participation to fund construction projects. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (39%) represents resources that are subject to external restriction on how they may be used. The 2006 deficit in unrestricted net assets was rectified when the District sold certificates of participation in July 2006. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. Last year the same would have been true if the certificates of participation had been sold before year end.

#### FALCON SCHOOL DISTRICT 49's NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>ASSETS</b>						
Current assets	\$ 48,804,028	\$ 22,182,345	\$ 1,085,740	\$ 898,548	\$ 49,889,768	\$ 23,080,893
Non current assets	1,531,531	429,250	-	-	1,531,531	429,250
Capital assets, net of depreciation	124,483,311	90,188,063	426,076	454,241	124,909,387	90,642,304
<b>Total assets</b>	<u>174,818,870</u>	<u>112,799,658</u>	<u>1,511,816</u>	<u>1,352,789</u>	<u>176,330,686</u>	<u>114,152,447</u>
<b>LIABILITIES</b>						
Current liabilities	14,163,986	16,441,017	73,121	34,867	14,237,107	16,475,884
Long-term liabilities	119,645,344	71,380,214	48,345	44,404	119,693,689	71,424,618
<b>Total liabilities</b>	<u>133,809,330</u>	<u>87,821,231</u>	<u>121,466</u>	<u>79,271</u>	<u>133,930,796</u>	<u>87,900,502</u>
<b>NET ASSETS</b>						
Invested in Capital Assets Net of Related Debt	9,590,013	19,921,205	426,076	454,241	10,016,089	20,375,446
Restricted for						
TABOR	2,300,000	2,100,000	-	-	2,300,000	2,100,000
Multi year obligations		553,000	-	-	-	553,000
Debt Service	13,631,624	11,782,770	-	-	13,631,624	11,782,770
Construction			-	-	-	-
Capital purposes	615,523	1,395,252	-	-	615,523	1,395,252
Risk Management	54,758	6,527	-	-	54,758	6,527
Preschool	69,386	-	-	-	69,386	-
Unreserved	14,748,236	(7,780,327)	964,274	819,277	15,712,510	(6,961,050)
<b>TOTAL NET ASSETS</b>	<u>41,009,540</u>	<u>27,978,427</u>	<u>1,390,350</u>	<u>1,273,518</u>	<u>42,399,890</u>	<u>29,251,945</u>

Governmental activities increased the net assets of the District by \$13,031,113. Program revenues included \$1,943,212 in charges for services and \$5,804,921 in operating grants and contributions. Over \$83 million was received in general revenues consisting of local property taxes, specific ownership taxes, and school finance act revenue. The majority of expenses were for instructional purposes which totaled \$42,710,638 out of a total of \$78,624,250.

Business type activities (Nutritional Services) increased net assets by \$116,832. Program revenues included \$1,774,399 in charges for services and \$711,835 in operating grants and contributions. All expenditures of \$2,369,402 were for food services.

**FALCON SCHOOL DISTRICT 49's Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>REVENUES</b>						
Charges for service	\$ 1,943,212	\$ 1,372,894	\$ 1,774,399	\$ 1,742,099	\$ 3,717,611	\$ 3,114,993
Operating grants & contributions	5,804,921	5,304,522	711,835	607,738	6,516,756	5,912,260
<b>GENERAL REVENUES</b>						
Property taxes	22,854,256	21,056,256	-	-	22,854,256	21,056,256
Specific ownership taxes	3,001,112	2,746,886	-	-	3,001,112	2,746,886
State equalization	55,487,866	45,807,614	-	-	55,487,866	45,807,614
Investment earnings	2,322,942	398,143	-	-	2,322,942	398,143
Miscellaneous revenues	241,054	558,102	-	-	241,054	558,102
<b>TOTAL REVENUES</b>	<u>91,655,363</u>	<u>77,244,417</u>	<u>2,486,234</u>	<u>2,349,837</u>	<u>94,141,597</u>	<u>79,594,254</u>
<b>EXPENDITURES</b>						
Instruction	42,710,638	38,277,390	-	-	42,710,638	38,277,390
Instructional support	6,975,835	7,176,243	-	-	6,975,835	7,176,243
General administration	756,959	758,452	-	-	756,959	758,452
School administration	3,915,349	3,873,135	-	-	3,915,349	3,873,135
Business services	773,325	655,736	-	-	773,325	655,736
Maintenance and operations	6,794,945	5,680,669	-	-	6,794,945	5,680,669
Transportation	2,766,031	3,165,751	-	-	2,766,031	3,165,751
Central services	8,685,156	3,893,008	-	-	8,685,156	3,893,008
Other services	299,874	4,464	-	-	299,874	4,464
Interest expense	4,946,138	3,411,318	-	-	4,946,138	3,411,318
Food Service	-	-	2,369,402	2,129,435	2,369,402	2,129,435
<b>TOTAL EXPENDITURES</b>	<u>78,624,250</u>	<u>66,896,166</u>	<u>2,369,402</u>	<u>2,129,435</u>	<u>80,993,652</u>	<u>69,025,601</u>
<b>Increase in Net Assets</b>	13,031,113	10,348,251	116,832	220,402	13,147,945	10,568,653
<b>Beginning Net Assets</b>	27,978,427	17,630,176	1,273,518	1,053,116	29,251,945	18,683,292
<b>TOTAL NET ASSETS</b>	<u>\$ 41,009,540</u>	<u>\$ 27,978,427</u>	<u>\$ 1,390,350</u>	<u>\$ 1,273,518</u>	<u>\$ 42,399,890</u>	<u>\$ 29,251,945</u>

## **Financial Analysis of the Governmental Funds**

As stated earlier, the Falcon School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$34,450,671.

The general fund is the chief operating fund of the District. At the end of the current fiscal year unreserved fund balance of the general fund was \$15,337,111 while total fund balance reached \$24,529,005. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.7% of total general fund expenditures, while total fund balance represents 34.7% of that same amount. \$2,425,132 of the increase is from the mill levy override that was passed in November 2005 to make payments on certificates of participation, which were issued in July 2006 and July 2007. The rest of the increase is a result of prudent financial planning and fiscal management. In the coming two years the district will open a replacement high school, a new high school, and an alternative program. All the operating costs of these new facilities must be paid from general fund operating dollars.

The Bond Redemption Fund remains in strong financial condition. The fund has an ample fund balance to make the December 1<sup>st</sup> principal and interest payments on the District's voter approved debt. The Bond Redemption Fund also includes the refinancing of over \$14 million in bonds.

### **General Fund Budgetary Highlights**

The District approves the original budget in June based on enrollment projections for the following school year. In October, after a better estimate of enrollment can be made, adjustments are made to the budget. The District has been experiencing 10% growth for the last several years. The current growth was 14.3%, of which 7.8% was in charter schools. The original budget was based on no growth and so an amended budget was passed with a \$15,204,534 increase in expenditures, which included charter schools and the increase for the 10% budget reduction taken in the prior year.

Some significant budget highlights include:

- Lease-purchase payments in the amount of approximately \$1,864,000 for the purchase of modulars and technology equipment.
- Administration continued the practice of voluntarily discussing wage and benefit conditions with employee group representatives. The outcome was overwhelmingly approved by the employees. Moreover, the agreement means D-49 should be able to continue to attract and retain the best teachers in the Pikes Peak area.

## Capital Assets and Debt Administration

**Capital assets.** The Falcon School District's investment in capital assets for governmental and business type activities as of June 30, 2007 amounts to \$124,909,387 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was 38%.

Major capital assets events during the current fiscal year included the following:

- Addition on Meridian Ranch Elementary
- Addition on Springs Ranch Elementary
- Addition on Skyview Middle
- Addition on Falcon High School

Construction in Progress:

- New Falcon High School
- Vista Ridge High School

### Investments in Capital Assets

#### Falcon School District 49 Capital Assets June 30, 2007

	Balance @ 6-30-07	Balance @ 6-30-06
<b>Governmental Activities:</b>		
Land and Site Improvements	\$ 3,335,336	\$ 3,335,336
Buildings & Improvements	83,373,551	67,507,300
Equipment	5,192,670	3,851,503
Construction in Progress	32,581,754	15,493,924
Total capital assets, net	<u>\$ 124,483,311</u>	<u>\$ 90,188,063</u>
<b>Business-type Activities:</b>		
Equipment	426,076	454,241
Total capital assets, net	<u>\$ 426,076</u>	<u>\$ 454,241</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

**Long-Term Debt.** At the end of the current fiscal year, the District had total long-term debt outstanding of \$119,645,344. Of this amount, \$55,305,000 is general obligation bonds for which there are a mill levy assessment to pay the debt, \$7,161,392 for capital leases, \$52,600,000 in certificates of participation and \$662,951 for compensated absences.

During the current fiscal year, the District refinanced some of its existing debt to take advantage of favorable interest rates. In November 2005, the taxpayers approved a mill levy override to pay for the construction of new facilities and additions to current facilities. The district sold certificates of participation in July 2006 and July 2007 to finance this construction and will pay the certificates back with the approved mill levy override.

The District maintains an A+ rating from Standard & Poor's and an A1 rating with Moody's Investors Services, Inc.

State Statutes limit the amount of the District's general obligation bonded debt to 25% of the assessed value of the District. At the end of the current fiscal year, the District had total general obligation bonded debt of \$55,305,000 or 10.96% of assessed value. The district's legal debt limit and debt margin is \$126,130,813 and \$70,825,813 respectively.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

### **Economic Factors and Next Year's Budget**

- The local, state, and federal economy had begun to improve, with continuing home sales and new commercial development in the District. The District's assessed value increased over 11.5% in 2006 from the prior year to a total of \$504,523,250.
- As a result of voters approving the November 2005 Mill Levy Override the district will engage in a high volume of constructions projects, totaling over \$80.5 million. The majority of this new buildings and school expansions will be constructed in 2005-2008.
- The District must continue to work proactively with developers, the City of Colorado Springs, and El Paso County to confront the enrollment growth issue. Falcon School District has been the fastest growing school district in the state, based on enrollment, on a percentage basis, for the last several years. American School & University magazine listed the District as the 4<sup>th</sup> fastest growing from 1995 to 2005 of District with enrollments of 10,000 to 20,000.
- The District continues to work with Charter Schools. The District had two charter schools open during the current fiscal year and has three additional charter schools approved for opening in 2008-2009 or 2009-2010 school years.
- The District ended the 2006-2007 school year with more than a 10% revenue to fund balance ratio, as mandated by school Board Policy. This equates to approximately one month of expenditures.

### **Requests for Information**

The financial report is designed to provide a general overview of Falcon School District's finances for those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, Falcon School District 49, 10850 E. Woodmen Road, Falcon, CO 80831

## **BASIC FINANCIAL STATEMENTS**



FALCON SCHOOL DISTRICT 49  
STATEMENT OF NET ASSETS  
June 30, 2007

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		Charter
				Schools
<b>ASSETS</b>				
Cash and Investments	\$ 29,979,630	\$ 845,541	\$ 30,825,171	\$ 985,025
Restricted Cash and Investments	16,663,121	-	16,663,121	955,519
Receivables	2,102,940	51,026	2,153,966	219,922
Prepays	58,337	-	58,337	12,971
Inventories	-	189,173	189,173	-
Debt Issuance Costs	1,531,531	-	1,531,531	323,420
Capital Assets Not Being Depreciated	35,917,090	-	35,917,090	-
Capital Assets Being Depreciated, Net	88,566,221	426,076	88,992,297	9,493,150
<b>Total Assets</b>	<b>174,818,870</b>	<b>1,511,816</b>	<b>176,330,686</b>	<b>11,990,007</b>
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	4,931,145	1,123	4,932,268	206,446
Retainage Payable	205,415	-	205,415	-
Accrued Salaries and Benefits Payable	7,793,164	71,998	7,865,162	310,703
Deferred Revenues	954,498	-	954,498	36,946
Accrued Interest Payable	279,764	-	279,764	20,416
Long-term Liabilities				
Due or payable within one year	5,112,913	-	5,112,913	286,566
Due or payable after one year	114,532,431	48,345	114,580,776	10,878,474
<b>Total Liabilities</b>	<b>133,809,330</b>	<b>121,466</b>	<b>133,930,796</b>	<b>11,739,551</b>
<b>NET ASSETS</b>				
Invested in Capital Assets Net of Related Debt	9,590,013	426,076	10,016,089	(1,257,583)
Restricted for:				
TABOR (emergencies)	2,300,000	-	2,300,000	179,436
Debt Service	13,631,624	-	13,631,624	848,900
Capital Purposes	615,523	-	615,523	-
Risk Management	54,758	-	54,758	-
Preschool	69,386	-	69,386	-
Unrestricted	14,748,236	964,274	15,712,510	479,703
<b>Total Net Assets</b>	<b>\$ 41,009,540</b>	<b>\$ 1,390,350</b>	<b>\$ 42,399,890</b>	<b>\$ 250,456</b>

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
<b>Governmental Activities:</b>							
Instruction	\$ 42,710,638	\$ 1,168,310	\$ 5,145,710	\$ (36,396,618)	\$ -	\$ (36,396,618)	\$ -
Instructional Support	6,975,835	774,902	-	(6,200,933)	-	(6,200,933)	-
General Administration	756,959	-	-	(756,959)	-	(756,959)	-
School Administration	3,915,349	-	-	(3,915,349)	-	(3,915,349)	-
Business Services	773,325	-	-	(773,325)	-	(773,325)	-
Maintenance and Operations	7,016,176	-	-	(7,016,176)	-	(7,016,176)	-
Transportation	2,766,031	-	659,211	(2,106,820)	-	(2,106,820)	-
Central Services	8,685,156	-	-	(8,685,156)	-	(8,685,156)	-
Other Services	299,874	-	-	(299,874)	-	(299,874)	-
Interest Expense	4,724,907	-	-	(4,724,907)	-	(4,724,907)	-
Total Governmental Activities	78,624,250	1,943,212	5,804,921	(70,876,117)	-	(70,876,117)	-
<b>Business-Type Activities:</b>							
Food Services	2,369,402	1,774,399	711,835	-	116,832	116,832	-
Total Business-Type Activities	2,369,402	1,774,399	711,835	-	116,832	116,832	-
<b>Total Primary Government</b>	<u>\$ 80,993,652</u>	<u>\$ 3,717,611</u>	<u>\$ 6,516,756</u>	<u>(70,876,117)</u>	<u>116,832</u>	<u>(70,759,285)</u>	<u>-</u>
<b>Component Units</b>	<u>\$ 6,912,063</u>	<u>\$ 265,107</u>	<u>\$ 310,421</u>				<u>(6,336,535)</u>
<b>General Revenues:</b>							
Property Taxes				22,854,256	-	22,854,256	-
Specific Ownership Taxes				3,001,112	-	3,001,112	-
State Equalization				55,487,866	-	55,487,866	-
Per Pupil Operating Revenue				-	-	-	5,718,238
Capital Construction Funding				-	-	-	192,317
Grants and Contributions not Restricted to Specific Programs				-	-	-	210,319
Investment Earnings				2,322,942	-	2,322,942	130,268
Miscellaneous				241,054	-	241,054	7,816
Total General Revenues				83,907,230	-	83,907,230	6,258,958
<b>Change in Net Assets</b>				13,031,113	116,832	13,147,945	(77,577)
<b>Net Assets, July 1</b>				27,978,427	1,273,518	29,251,945	328,033
<b>Net Assets, June 30</b>				\$ 41,009,540	\$ 1,390,350	\$ 42,399,890	\$ 250,456

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	<b>General</b>	<b>Bond Redemption</b>	<b>Building</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Investments	\$ 22,699,527	\$ 6,545,749	\$ -	\$ 734,354	\$ 29,979,630
Restricted Cash and Investments	6,767,750	-	9,895,371	-	16,663,121
Property Tax Receivable	795,761	259,788	-	-	1,055,549
Accounts Receivable	238,660	-	-	808,731	1,047,391
Prepays	-	58,337	-	-	58,337
Due From Other Funds	3,556,174	-	-	-	3,556,174
<b>TOTAL ASSETS</b>	<b>\$ 34,057,872</b>	<b>\$ 6,863,874</b>	<b>\$ 9,895,371</b>	<b>\$ 1,543,085</b>	<b>\$ 52,360,202</b>
<b>LIABILITIES &amp; FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 490,290	\$ -	4,158,649	\$ 195,017	\$ 4,843,956
Retainage Payable	-	-	205,415	-	205,415
Accrued Salaries and Benefits Payable	7,724,922	-	-	68,242	7,793,164
Compensated Absences Payable	87,189	-	-	-	87,189
Due To Other Funds	-	-	2,973,743	582,431	3,556,174
Deferred Revenue - Property Tax	353,840	115,295	-	-	469,135
Deferred Revenue - Forward Purchase Agreement	797,145	-	-	-	797,145
Deferred Revenue - Other	75,481	-	-	81,872	157,353
<b>TOTAL LIABILITIES</b>	<b>9,528,867</b>	<b>115,295</b>	<b>7,337,807</b>	<b>927,562</b>	<b>17,909,531</b>
<b>FUND BALANCE</b>					
Reserved for:					
Prepays	-	58,337	-	-	58,337
TABOR (emergencies)	2,300,000	-	-	-	2,300,000
Debt Service	6,767,750	6,690,242	-	-	13,457,992
Capital Purposes	-	-	2,557,564	615,523	3,173,087
Risk Management	54,758	-	-	-	54,758
Preschool	69,386	-	-	-	69,386
Unreserved	15,337,111	-	-	-	15,337,111
<b>TOTAL FUND BALANCE</b>	<b>24,529,005</b>	<b>6,748,579</b>	<b>2,557,564</b>	<b>615,523</b>	<b>34,450,671</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 34,057,872</b>	<b>\$ 6,863,874</b>	<b>\$ 9,895,371</b>	<b>\$ 1,543,085</b>	<b>\$ 52,360,202</b>

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007

<b>Total fund balances--governmental funds</b>	<b>\$ 34,450,671</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	124,483,311
Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the governmental funds.	469,135
Other liabilities associated with long-term debt, such as accrued interest payable, are not recorded in the governmental funds but recorded as a liability in the statement of net assets.	(279,764)
Long-term liabilities, including bonds payable and bond issuance costs, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
GO Bonds payable	\$ (57,994,656)
Certificates of Participation Payable	(53,826,345)
Capital leases payable	(7,161,392)
Debt issuance costs	1,531,531
Compensated absences	<u>(662,951)</u>
	<u>(118,113,813)</u>
<b>Total net assets--governmental activities</b>	<b><u><u>\$ 41,009,540</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	Bond Redemption	Building	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 20,208,382	\$ 5,611,743	\$ -	\$ -	\$ 25,820,125
Intergovernmental	58,586,880	-	-	2,705,907	61,292,787
Interest	723,565	179,084	1,380,273	40,020	2,322,942
Other	1,943,212	-	-	241,054	2,184,266
Total Revenues	<u>81,462,039</u>	<u>5,790,827</u>	<u>1,380,273</u>	<u>2,986,981</u>	<u>91,620,120</u>
<b>EXPENDITURES</b>					
Current					
Instruction	36,616,790	-	-	2,705,907	39,322,697
Student Support	4,287,990	-	-	-	4,287,990
Instructional Staff	2,687,845	-	-	-	2,687,845
General Administration	681,508	-	-	-	681,508
School Administration	3,915,349	-	-	-	3,915,349
Business Services	773,325	-	-	-	773,325
Operations and Maintenance	6,271,310	-	-	-	6,271,310
Student Transportaion	3,076,834	-	-	-	3,076,834
Central Support	3,086,293	-	-	-	3,086,293
Other Support	299,874	-	-	-	299,874
Capital Outlay	50,091	-	36,940,853	1,103,248	38,094,192
Charter Schools	5,718,529	-	-	-	5,718,529
Debt Service					
Principal Retirement	800,000	1,790,000	-	1,864,565	4,454,565
Interest and Fiscal Charges	2,402,425	3,826,289	-	464,378	6,693,092
Debt Issuance Costs	-	159,811	1,039,980	-	1,199,791
Total Expenditures	<u>70,668,163</u>	<u>5,776,100</u>	<u>37,980,833</u>	<u>6,138,098</u>	<u>120,563,194</u>
Excess of Revenues Over (Under) Expenditures	<u>10,793,876</u>	<u>14,727</u>	<u>(36,600,560)</u>	<u>(3,151,117)</u>	<u>(28,943,074)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Issued	-	14,062,217	53,400,000	-	67,462,217
Debt Premium	-	354,710	1,290,889	-	1,645,599
Payment to Escrow Agent	-	(14,257,116)	-	-	(14,257,116)
Transfers In	740,000	-	-	2,371,388	3,111,388
Transfers Out	(2,371,388)	(740,000)	-	-	(3,111,388)
Total Other Financing Sources (Uses)	<u>(1,631,388)</u>	<u>(580,189)</u>	<u>54,690,889</u>	<u>2,371,388</u>	<u>54,850,700</u>
Net Change in Fund Balances	9,162,488	(565,462)	18,090,329	(779,729)	25,907,626
Fund Balances (Deficit), July 1	<u>15,366,517</u>	<u>7,314,041</u>	<u>(15,532,765)</u>	<u>1,395,252</u>	<u>8,543,045</u>
Fund Balances, June 30	<u>\$ 24,529,005</u>	<u>\$ 6,748,579</u>	<u>\$ 2,557,564</u>	<u>\$ 615,523</u>	<u>\$ 34,450,671</u>

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007

**Total net change in fund balances--governmental funds** **\$ 25,907,626**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets eligible for capitalization is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, less retirements, exceeded depreciation in the period.

Capital outlays	\$ 38,308,687	
Depreciation expense	<u>(4,013,439)</u>	34,295,248

Revenues that do not provide current financial resources are deferred in the governmental funds. This amount represents the change in deferred property taxes. 35,243

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, but the issuance adds to long-term liabilities in the statement of net assets.

Debt Proceeds and Registered Coupons	\$ (67,462,217)	
Debt Premium	(1,645,599)	
Debt Issuance Costs	1,199,791	
Payment to Escrow Agent	<u>14,257,116</u>	(53,650,909)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

GO Bond principal payment	\$ 1,790,000	
GO Bond Registered Coupons payment	1,328,987	
Certificates of Participation principal payment	800,000	
Capital Lease principal payment	<u>1,864,565</u>	5,783,552

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change in accrued interest reported in the statement of activities. (44,155)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt related items.

Amortization of GO Bond issuance costs, premiums, and refunding loss	683,353
--	---------

In the statement of activities, certain operating expenses -- compensated absences (sick leave), 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 amount represents the net effect of compensated absences payable on the statement of activities.

21,155

**Change in net assets of governmental activities** **\$ 13,031,113**

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2007

	<u>Business Type Activities Food Services</u>
<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 845,541
Accounts Receivable	51,026
Inventories	<u>189,173</u>
Total Current Assets	1,085,740
Noncurrent Assets	
Capital assets	
Equipment, net of Accumulated Depreciation	<u>426,076</u>
Total Assets	<u>1,511,816</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	1,123
Accrued Salaries and Benefits Payable	<u>71,998</u>
Total Current Liabilities	73,121
Noncurrent Liabilities	
Compensated Absences Payable	<u>48,345</u>
Total Liabilities	<u>121,466</u>
<b>NET ASSETS</b>	
Invested in capital assets	426,076
Unrestricted	<u>964,274</u>
Total Net Assets	<u>\$ 1,390,350</u>

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
For the Year Ended June 30, 2007

	<b>Business Type Activities</b>
	<b>Food Services</b>
OPERATING REVENUES	
Local Sources	\$ 1,774,399
Total Operating Revenues	<u>1,774,399</u>
OPERATING EXPENSES	
Salaries	783,375
Employee Benefits	156,610
Purchased Services	123,575
Purchased Food	1,192,616
Other	50,513
Depreciation	62,713
Total Operating Expenses	<u>2,369,402</u>
OPERATING INCOME (LOSS)	<u>(595,003)</u>
NON-OPERATING REVENUES	
School Lunch and Breakfast	581,803
Donated Commodities	103,408
State Match	26,624
Total Non-Operating Revenues	<u>711,835</u>
Change in Net Assets	116,832
Net Assets, July 1	<u>1,273,518</u>
Net Assets, June 30	<u><u>\$ 1,390,350</u></u>

The accompanying notes are an integral part of the basic financial statements.



FALCON SCHOOL DISTRICT 49  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2007

	<b><u>Business Type Activities Food Services</u></b>
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 1,774,399
Payments to Suppliers	(1,356,381)
Payments to Employees	<u>(888,458)</u>
Net Cash Used by Operating Activities	<u>(470,440)</u>
Cash Flows from Non-capital Financing Activities	
Payments To Other Funds	(895,798)
National School Lunch and Breakfast	643,946
State Reimbursements	<u>26,624</u>
Net Cash Used by Non-Capital Financing Activities	<u>(225,228)</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Equipment	<u>(34,548)</u>
Net Cash Used by Non-Capital Financing Activities	<u>(34,548)</u>
Net Decrease in Cash and Cash Equivalents	(730,216)
Cash and Cash Equivalents, July 1	<u>1,575,757</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 845,541</u></u>
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities	
Operating Loss	\$ (595,003)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation Expense	62,713
Donated Commodities	103,408
Change in Inventories	(83,753)
Change in Accounts Payable	(9,332)
Change in Accrued Salaries and Benefits Payable	47,586
Change in Compensated Absences Payable	<u>3,941</u>
Net Cash Used by Operating Activities	<u><u>\$ (470,440)</u></u>

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2007

	<u>Trust</u> <u>Scholarship</u>	<u>Agency</u> <u>Pupil Activity</u>
ASSETS		
Cash and Investments	\$ 2,115	\$ 941,199
Total Assets	<u>2,115</u>	<u>941,199</u>
LIABILITIES		
Due to Student Organizations	<u>-</u>	<u>941,199</u>
Total Liabilities	<u>-</u>	<u>941,199</u>
NET ASSETS		
Held in Trust for Scholarship Recipients	<u>2,115</u>	<u>-</u>
Total Net Assets	<u><u>\$ 2,115</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the basic financial statements.

FALCON SCHOOL DISTRICT 49  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
SCHOLARSHIP FUND  
For the Year Ended June 30, 2007

	<u>Scholarship</u>
ADDITIONS	
Fundraising Activities	<u>\$ 450</u>
Total Additions	<u>450</u>
Change in Net Assets	450
Net Assets, July 1	<u>1,665</u>
Net Assets, June 30	<u><u>\$ 2,115</u></u>

The accompanying notes are an integral part of the basic financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Falcon School District 49, Falcon, Colorado (the District) have been prepared in conformity with Generally Accepted Accounting Principals (GAAP) as established by the Government Accounting Standards Board (GASB).

Falcon School District No. 49 of El Paso County was organized by a vote of qualified electorate during 1889, under the provisions of Colorado Law.

The District operates under an elected Board of Education with five members and provides educational services to approximately 10,500 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Falcon School District Number 49. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**A.    Reporting Entity**

Governmental Accounting Standards describe the financial reporting entity as a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

These financial statements present the District and its component units, the Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, Rocky Mountain Classical Academy. The three charter schools are presented as discretely presented component units and are presented in a separate column in the district-wide financial statements to emphasize that they are legally separate from the District.

*Discretely Presented Component Units.* The charter schools educate children within the District's jurisdiction. A parent group elects members of its governing board. The charter schools provide services primarily to students within the District and are dependent upon the District for the majority of funding. In addition, the nature and significance of the charter schools' relationship with the District are such that exclusion would cause the District's financial statements to be incomplete, although they are considered non-major for financial reporting purposes. Separate financial statements for the charter schools may be obtained by contacting the schools at the following addresses:

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A.    Reporting Entity (continued)**

Pikes Pike School of Expeditionary Learning  
5450 Meridian Road  
Peyton, Colorado 80831

Banning Lewis Ranch Academy  
7094 Cottonwood Tree Drive  
Colorado Springs, Colorado 80927

Rocky Mountain Classical Academy  
1710 Piros Drive  
Colorado Springs, Colorado 80915

**B.    Government-Wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the District is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C.      Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund uses the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Property taxes, specific ownership taxes, grants and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when due and expected to be liquidated with expendable available financial resources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund’s ongoing operations. The principal operating revenues of the District’s proprietary fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C.    Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

In the fund financial statements, the District reports the following major governmental funds:

General Fund – the general operating fund of the District - used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.

Bond Redemption Debt Service Fund – used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.

Building Capital Projects Fund – used to account for the financing, construction and renovation of new and existing District facilities.

In the fund financial statements, the District reports the following nonmajor enterprise fund.

Food Service Enterprise Fund - accounts for the financial activities associated with the District's school lunch and breakfast program.

Additionally, the District reports the following fiduciary fund types:

Private-Purpose Trust Fund - account for the activities of various scholarship accounts. The District holds all resources in a purely custodial capacity.

Agency Fund - is used to account for resources used to support each school's student and fundraising activities. The District holds all resources in a purely custodial capacity.



**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D.    Assets, Liabilities and Fund Balances / Net Assets**

Cash and Investments

The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District. All investments are reported at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification.

For the Statement of Cash Flows, cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased or subject to withdrawal are considered to be cash and cash equivalents.

Receivables

Property taxes levied but not yet collected are identified as property taxes receivable, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in proprietary funds.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D.    Assets, Liabilities and Fund Balances / Net Assets (continued)**

Capital Assets (continued)

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets as follows:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	40
Building improvements	20
Equipment - office	10
Equipment - technology	5
Equipment - vehicles	10

Depreciation of all capital assets is charged as an expense against operations in the government-wide and proprietary fund financial statements.

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 nine to ten months. The accrued compensation is reflected as a liability in the accompanying financial statements.

Deferred Revenues

Deferred revenues include grant funds that have been collected but the corresponding expenditures have not been incurred. Property taxes earned but not available are also recorded as deferred revenue in the fund financial statements.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D.    Assets, Liabilities and Fund Balances / Net Assets (continued)**

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Debt premiums and issuance costs are deferred and amortized over the life of the debt using the straight-line method. The District's general obligation bonds are serviced from property taxes and other revenues of the Bond Redemption Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and Capital Reserve Fund. The long-term accumulated unpaid compensated absences are serviced from property taxes and other revenues by the respective fund.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences

Compensated absences include the following items:

Sick Leave Payable

Employees accrue 10-12 days of sick leave each year dependent upon their contract basis. Sick leave may be accumulated up to a maximum of 120 days. An employee will be reimbursed one-half of the current substitute rate or one half of his/her base daily pay per classification of any unused sick leave days beyond the 120 days annually.

Upon retirement (15 years or more in the District or eligible for PERA retirement with at least 5 years of services in the District) an employee will be reimbursed at the current substitute rate of pay for their classification, up to a maximum of 120 days.

Vacation Payable

Under the District's policies certain employees earn vacation pay of 10-20 days, based on longevity of service. All unused/accrued vacation is vested at June 30, each year.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D.    Assets, Liabilities and Fund Balances / Net Assets (continued)**

Personal Leave

A Teacher or an Employee who works 30 hours or more per week may be absent for two days per year for the purpose of personal leave. Personal days which are not used during the school year may be added to the employee's sick leave days or be reimbursed at the current substitute rate of pay.

Compensated absences are reported in the government-wide financial statements. Also, compensated absences are recognized as current salary costs when accrued in the proprietary fund types and when paid in the governmental fund types.

The District has recorded a liability for unpaid compensated absences owed to retired teachers in the accompanying financial statements of the General Fund because the compensated absences liability was due and payable at year end.

Net Assets / Fund Balances

In the government-wide financial statements and the proprietary fund in the fund financial statements, net assets are restricted when constraints placed on the assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**E.    Revenues and Expenditures / Expenses**

Property Taxes

Mill levy rates are certified by the Board of Education to the county commissioners and treasurer by December 15<sup>th</sup> each year. Property taxes payable are based on certified mill levies. Property taxes are levied in arrears and attach as a lien on property on January 1. For example, property taxes paid in calendar 2007 were certified in December 2006 and were available for collection on January 1, 2007.

Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. The County bills property owners and collects property taxes for all taxing districts in the County. The property tax receipts collected by the County are generally remitted to the District in the subsequent month.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E.      Revenues and Expenditures / Expenses (continued)**

Specific Ownership Taxes

The county treasurer collects specific ownership taxes on motor vehicles and other personal property. The tax receipts collected by the county treasurer are remitted to the District in the subsequent month. Specific ownership taxes are recorded as receivables and revenue when collected by the County.

**NOTE 2**      **CASH AND INVESTMENTS**

At June 30, 2007, the District had the following cash and investments:

Cash on Hand	\$        590
Deposits	(2,000,650)
Investments	<u>50,431,666</u>
Total	<b><u>\$ 48,431,606</u></b>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 30,825,171
Restricted Cash and Investments	16,663,121
Fiduciary Funds	<u>943,314</u>
Total	<b><u>\$ 48,431,606</u></b>

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 Statute. The State regulatory commissioners regulate the eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2007 the District had bank deposits of \$1,810,192, collateralized with securities held by the financial institutions' agents but not in the District's name.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 2**      **CASH AND INVESTMENTS (continued)**

Investments

At June 30, 2007, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Local Government Investment Pool COLOTRUST	N/A	\$30,428,973
JP Morgan U.S. Government Money Market Fund	N/A	4,229,417
UMB Bank Prime Money Market Fund	N/A	3,878,985
Federated Gov't Obligation Money Market Fund	N/A	9,820,628
GE Capital Commercial Paper	11/30/07	<u>2,073,663</u>
Total		<b><u>\$50,431,666</u></b>

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 2**      **CASH AND INVESTMENTS (continued)**

Investments (continued)

The District has invested \$30,428,973 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an “AAAm” (Standard and Poor’s) rated investment vehicle established by state statute for local government entities in Colorado to pool funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the pool. COLOTRUST operates similarly to a money market fund as all funds are available without limitations on a daily basis and each share is equal in value to \$1.00. The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Subsequently, all securities owned by COLOTRUST are held by the Federal Reserve Bank in an account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the participating governments. Investments of COLOTRUST are limited to those allowed by State Statute.

*Interest Rate Risk* – State statutes limit investments in commercial paper to an original maturity of no greater than three years.

*Credit Risk* – State statutes limit investments in commercial paper to those that carry at least two credit ratings issued by nationally recognized statistical rating organizations (“NRSROs”) and must not be rated below A1, P1, or F1. At June 30, 2007, the District’s investment in GE Capital Commercial Paper was rated A1 by Standard & Poor’s and P1 by Moody’s Investor Services.

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO. At June 30, 2007, the District’s investment in the JP Morgan U.S. Government Money Market Fund, the Federated Government Obligation Money Market Fund, the UMB Bank Prime Money Market Fund were rated AAAm by Standard & Poor’s and AAA by Moody’s Investor Services.

Restricted Cash and Investments

Cash and investments of \$16,663,121, representing unspent bond proceeds (\$9,895,371) and mill levy override funds (\$6,767,750), have been restricted for equipment, building improvements and debt service in the General and Building Funds.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 3**      **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balances 06-30-06	Additions	Deletions	Balances 06-30-07
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land and site improvements	\$ 3,335,336	\$ -	\$ -	\$ 3,335,336
Construction in process	15,493,924	30,470,429	13,382,599	32,581,754
Total capital assets not being depreciated	18,829,260	30,470,429	13,382,599	35,917,090
Capital assets being depreciated:				
Buildings and improvements	85,471,314	19,078,901	-	104,550,215
Equipment	7,401,209	2,141,956	-	9,543,165
Total capital assets being depreciated	92,872,523	21,220,857	-	114,093,380
Less accumulated depreciation for:				
Buildings and improvements	17,964,014	3,212,650	-	21,176,664
Equipment	3,549,706	800,789	-	4,350,495
Total accumulated depreciation	21,513,720	4,013,439	-	25,527,159
Total capital assets being depreciated, net	71,358,803	17,207,418	-	88,566,221
Governmental Activities capital assets, net	<u>\$ 90,188,063</u>	<u>\$ 47,677,847</u>	<u>\$ 13,382,599</u>	<u>\$ 124,483,311</u>
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Equipment	\$ 876,563	\$ 34,548	\$ -	\$ 911,111
Less accumulated depreciation for:				
Equipment	422,322	62,713	-	485,035
Business-type Activities capital assets, net	<u>\$ 454,241</u>	<u>\$ (28,165)</u>	<u>\$ -</u>	<u>\$ 426,076</u>



**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 3**      **CAPITAL ASSETS (continued)**

Depreciation expense was charged to programs of the District as follows:

Governmental Activities:

Instruction	\$ 3,409,096
General Administration	75,451
Operation and Maintenance	40,575
Student Transportation	488,002
Business	<u>315</u>
 Total Depreciation Expense –Governmental Activities	 <u>\$ 4,013,439</u>

Business - Type Activities:

Food Services	<u>\$ 62,713</u>
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**NOTE 4**      **INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS**

Due From	Due to	Amount
Grants	General	\$ 582,431
Building	General	<u>2,973,743</u>
 Total		 <u>\$ 3,556,174</u>

Interfund Receivables and Payables

During the year, the General Fund covered operating expenditures for the Grants Fund, and capital outlay expenditures for the Building fund. Balances are routinely cleared as a matter of practice. These amounts are expected to be paid back within one year.

Transfers

The District is required to allocate \$279 per funded pupil for insurance and capital expenditures. During the year ended June 30, 2007, the General Fund transferred \$2,371,388 to the Capital Reserve Fund to partially comply with this statute. Also, the Bond Redemption Fund transferred \$740,000 of prior year's specific ownership taxes to the General Fund.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 5**      **LONG TERM LIABILITIES**

Long-term debt activity for the year ended June 30, 2007 was as follows:

	Balances 06-30-06	Additions	Deletions	Balances 06-30-07	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 57,095,000	\$ 12,675,000	\$ 14,465,000	\$ 55,305,000	\$ 2,155,000
Registered Coupons	4,464,033	1,387,217	1,328,987	4,522,263	646,357
Accrued Interest	306,526	94,251	121,013	279,764	265,848
Bond Premiums	2,880,466	354,710	1,072,232	2,162,944	-
Loss on Refunding	(3,075,874)	(1,582,116)	(382,675)	(4,275,315)	-
Total	61,670,151	12,929,062	16,604,557	57,994,656	3,067,205
Certificates of Participation	-	53,400,000	800,000	52,600,000	715,000
COP Premium	-	1,290,889	64,544	1,226,345	-
Capital Lease Obligations	9,025,957	-	1,864,565	7,161,392	1,330,708
Compensated Absences	684,106	-	21,155	662,951	-
Total Governmental Activities	\$ 71,380,214	\$ 67,619,951	\$ 19,354,821	\$119,645,344	\$ 5,112,913
<b>Business-type Activities</b>					
Compensated Absences	\$ 44,404	\$ 3,941	\$ -	\$ 48,345	\$ -

Compensated absences of the governmental activities are expected to be liquidated with revenues of the General Fund.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 5**      **LONG TERM LIABILITIES (continued)**

<u>\$12,675,000, 2006B General Obligation Refunding Bonds</u> interest due semi-annually with rates ranging from 3.55% to 5.00%, principal due annually through 2018 in payments of \$400,000 to \$1,820,000.	\$ 12,675,000
<u>\$23,315,000, 2006 General Obligation Refunding Bonds</u> interest due semi-annually with rates ranging from 3.55% to 5.00%, principal due annually through 2021 in payments of \$463,306 to \$2,855,000.	23,315,000
<u>\$10,660,000, 2002 General Obligation Refunding Bonds</u> interest due semi-annually with rates ranging from 2.40% to 4.20%, principal due annually through 2015 in payments of \$10,000 to \$1,795,000.	10,650,000
<u>\$27,990,000, 2002 General Obligation Bonds</u> interest due semi-annually with rates ranging from 4.00% to 5.75%, principal due annually through 2021 in payments of \$5,000 to \$2,920,000.	4,385,000
<u>\$15,700,000, 1999 General Obligation Bonds</u> interest due semi-annually with rates ranging from 3.25% to 6.0%, principal due annually through 2018 in payments of \$45,000 to \$1,840,000.	2,000,000
<u>\$15,800,000, 1996 General Obligation Bonds</u> interest due semi-annually with rates ranging from 4.0% to 6.5%, principal due annually through 2015 in payments of \$100,000 to \$1,790,000.	2,280,000
Total general obligation bonded debt	<u>\$ 55,305,000</u>
\$1,387,217 registered coupons, in conjunction with Series 2006 G.O. Refunding Bonds, yielding between 3.65% to 3.8% due annually through 2010 in amounts of \$325,000 to \$705,000.	\$ 1,063,173
\$1,134,477 registered coupons, in conjunction with Series 2006 G.O. Refunding Bonds, yielding between 3.55% to 4% due annually through 2012 in amounts of \$130,000 to \$475,000.	671,171
\$1,402,335 registered coupons, in conjunction with Series 2002 G.O. Refunding Bonds, yielding between 1.75% to 3.80% payments due annually through 2009 in amounts of \$156,570 to \$268,023.	516,760
\$3,190,366 registered coupons, in conjunction with Series 2002 G.O. Bonds, yielding between 3.00% to 4.92%, payments due annually through 2011 in amounts of \$125,000 to \$930,000.	2,271,160
Total registered coupons	<u>\$ 4,522,263</u>
Accrued interest on registered coupons	<u>\$ 279,764</u>
Total	<u>\$ 60,107,027</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 5**      **LONG TERM LIABILITIES (continued)**

Following is a summary of debt service requirements to maturity for all bond issues:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 2,155,000	\$ 2,486,526	\$ 4,641,526
2009	2,520,000	2,366,833	4,886,833
2010	2,695,000	2,240,819	4,935,819
2011	2,850,000	2,119,806	4,969,806
2012	4,000,000	1,936,781	5,936,781
2013 – 2017	24,485,000	6,696,906	31,181,906
2018 – 2022	16,600,000	1,658,163	18,258,163
Total	\$ 55,305,000	\$ 19,505,834	\$ 74,810,834

**Certificates of Participation**

In July 2006, the District issued \$53,400,000 Certificates of Participation. Principal payments are due annually on December 15 and interest payments are due on June 15 and December 15, through December 2030. Interest accrues at rates ranging from 4.25% to 5.00%. Proceeds of the Certificates were used to finance the construction of new schools and renovations and additions to existing schools. Future debt service requirements of the Certificates of Participation are as follows.

Year Ending June 30,	Principal	Interest	Total
2008	\$ 715,000	\$ 2,572,225	\$ 3,287,225
2009	795,000	2,540,138	3,335,138
2010	880,000	2,504,544	3,384,544
2011	970,000	2,465,231	3,435,231
2012	1,060,000	2,422,094	3,482,094
2013 – 2017	6,915,000	11,258,831	18,173,831
2018 – 2022	10,310,000	9,174,469	19,484,469
2023 – 2027	14,850,000	6,052,097	20,902,097
2028 – 2031	16,105,000	1,686,431	17,791,431
Total	\$ 52,600,000	\$ 40,676,060	\$ 93,276,060

**Capital Leases**

The District has entered into capital lease agreements to purchase property, portable buildings and equipment. The lease terms range from five to fifteen years with annual interest rates from 4.0% to 7.0%. Capital assets of \$11,920,388 have been capitalized under these leases.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 5**      **LONG TERM LIABILITIES (continued)**

Capital lease obligations at June 30, 2007, are comprised of the following:

	Balances 06-30-06	Additions	Deletions	Balances 06-30-07	Due Within One Year
2006 Modular Lease (\$1,199,071)	\$ 1,039,731	\$ -	\$ 112,695	\$ 927,036	\$ 114,379
2006 Equipment Lease (\$933,000)	783,756	-	528,730	255,026	168,011
2004 Equipment Leases (\$1,764,134)	1,352,032	-	374,478	977,554	181,586
2002 Equipment Lease (\$734,942)	482,495	-	71,069	411,426	74,569
2002 Land and Modular Leases (4,500,000)	3,312,492	-	295,093	3,017,399	310,787
2001 Equipment Leases (\$1,273,347)	333,075	-	176,070	157,005	157,005
2000 Modular Lease (\$2,011,857)	1,722,376	-	306,430	1,415,946	324,371
Total	<u>\$ 9,025,957</u>	<u>\$ -</u>	<u>\$ 1,864,565</u>	<u>\$ 7,161,392</u>	<u>\$ 1,330,708</u>

Future debt service requirements for the Capital Lease agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,330,708	\$ 370,236	\$ 1,700,944
2009	1,047,023	299,355	1,346,378
2010	1,116,107	241,651	1,357,758
2011	1,174,692	183,066	1,357,758
2012	706,765	121,371	828,136
2013 – 2017	1,786,097	204,085	1,990,182
Total	<u>\$ 7,161,392</u>	<u>\$ 1,419,764</u>	<u>\$ 8,581,156</u>

**Defeased Debt**

During the year ended June 30, 2007, the District partially refunded the General Obligation Bonds, Series 1999A. The net proceeds of the refunding were deposited in an irrevocable trust to provide for all future debt service payments on existing bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. Although the advance refunding resulted in an accounting loss of \$1,582,116, the District reduced its aggregate debt service payments by approximately \$470,000 and obtained an economic gain of approximately \$380,000. In past years, the District refunded additional bonds. The outstanding balance of all defeased debt at June 30, 2007, was \$35,880,000.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 6**      **DEFINED BENEFIT PENSION PLAN**

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

PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CSSDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

*Funding Policy* – Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of the plan members and the District are established under Title 24, Article 51, and Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the District was 10.65% of covered salary from July 1, 2006 through December 31, 2006, and 11.15% thereafter. A portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (See Note 7). The District's contributions to CSSDTF for the years ending June 30, 2007, 2006, and 2005 were \$4,585,471, \$4,107,597 and \$3,642,999 respectively, equal to the required contributions.

**NOTE 7**      **POSTEMPLOYMENT HEALTH-CARE BENEFITS**

*Plan Description* – The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment HealthCare plan administered by PERA. The HCTF provides a HealthCare premium subsidy to PERA participating benefits 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 at 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 800-759-PERA (7372).

*Funding Policy* – The District was 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, and 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 Colorado Revised Statutes, as amended. The District's contributions to HCTF for the years ending June 30, 2007, 2006, and 2005 were \$428,994, \$397,718 and \$367,079 respectively, equal to their required contributions.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 8**      **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 9**      **COMMITMENTS AND CONTINGENCIES**

Claims and Judgments

The District participates in a number of Federal and State programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

TABOR Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

On November 7, 2001 the registered voters approved a ballot resolution authorizing the District to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**NOTE 9**      **COMMITMENTS AND CONTINGENCIES (continued)**

TABOR Amendment (continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of qualifying expenditures. As of June 30, 2007 the District reserved \$2,300,000 in the General Fund for this purpose.

**NOTE 10**      **FORWARD AND DELIVERY INVESTMENT AGREEMENT**

In December 2002, the District's General Fund received payment of \$1,240,000 pursuant to a forward delivery agreement. In exchange for this amount, the District agreed to make payments into a bank trust account (Bank One Trust Company) from its Debt Service Fund revenue for subsequent purchases of investment securities from a third party (JP Morgan Chase Bank). The securities mature at such times as are required for meeting the District's debt service payment obligations over the fourteen-year contract period. Should the District terminate the agreement, it would be obligated to repay a portion of the \$1,240,000 received to compensate for loss of economic benefits based on market conditions existent at the time the agreement is dissolved.

The amount received under this agreement is being amortized over the term of the agreement for GAAP purposes, rather than in full in the year ended June 30, 2003, with the unamortized balance reflected as deferred revenue. The following GAAP-basis schedule shows the amounts of revenue recognized and the remaining balances treated as deferred revenue as of and for the year ended June 30, 2007:

	<b><u>Revenue Recognized</u></b>	<b><u>Balance (Deferred Revenue)</u></b>
Fiscal Year Ending June 30, 2007	\$ 88,571	\$ 797,145

**NOTE 11**      **SUBSEQUENT EVENT**

During August 2007, the District issued \$39,725,000 Certificates of Participation. The proceeds of which will be used for the purpose of financing the construction of new schools and renovation and additions to existing schools.



**REQUIRED SUPPLEMENTARY INFORMATION**

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
<u>Local Sources:</u>				
Property Taxes	\$ 11,293,217	\$ 18,392,224	\$ 17,289,502	\$ (1,102,722)
Specific Ownership Taxes	1,927,698	2,800,000	3,001,112	201,112
Earnings on Investments	115,000	500,000	723,565	223,565
Delinquent Taxes and Interest	-	-	(82,232)	(82,232)
Tuition	-	290,000	1,168,310	878,310
Other	275,000	305,215	774,902	469,687
<u>State Sources:</u>				
Equalization	46,333,857	54,850,229	55,487,866	637,637
Transportation	665,000	665,000	659,211	(5,789)
Vocational Education	46,894	46,894	279,042	232,148
Special Education	695,000	1,507,284	1,507,920	636
ELPA	7,000	7,000	15,054	8,054
Gifted and Talented	62,500	62,500	103,918	41,418
Medicaid	75,000	55,000	213,697	158,697
ROTC	-	-	83,913	83,913
<u>Federal Sources:</u>				
Impact Aid	230,000	230,000	236,259	6,259
Other	55,000	55,000	-	(55,000)
Total Revenues	61,781,166	79,766,346	81,462,039	1,695,693
EXPENDITURES				
<u>Instructional</u>	35,805,242	38,408,993	36,616,790	1,792,203
<u>Support Services</u>				
Student Support	4,253,297	4,408,516	4,287,990	120,526
Instructional Staff	2,688,918	2,716,003	2,687,845	28,158
General Administration	564,073	796,323	681,508	114,815
School Administration	3,881,332	3,992,032	3,915,349	76,683
Business Services	780,050	917,495	773,325	144,170
Operations and Maintenance	6,225,658	6,431,899	6,271,310	160,589
Student Transportation	2,941,581	2,956,045	3,076,834	(120,789)
Central Support	3,362,415	3,560,151	3,086,293	473,858
Other Support	5,400	331,090	299,874	31,216
Facilities Acquisition/Construction	-	1,000	50,091	(49,091)
Charter Schools	-	6,681,682	5,718,529	963,153
Debt Service				-
Principal Retirement	-	800,000	800,000	-
Interest and Fiscal Charges	14,462	3,287,500	2,402,425	885,075
Total Support Services	24,717,186	36,879,736	34,051,373	2,828,363
Reserves	1,173,667	1,611,900	-	1,611,900
Total Expenditures	61,696,095	76,900,629	70,668,163	6,232,466
Revenues Over Expenditure:	85,071	2,865,717	10,793,876	7,928,159
Other Financing Sources (Uses)				
Transfers In	-	-	740,000	740,000
Transfers Out	(2,762,845)	(3,167,969)	(2,371,388)	796,581
Total Other Financing Sources (Uses)	(2,762,845)	(3,167,969)	(1,631,388)	1,536,581
Net Change in Fund Balance	(2,677,774)	(302,252)	9,162,488	9,464,740
Fund Balance, July 1	\$ 10,390,993	\$ 14,817,602	\$ 15,366,517	548,915
Fund Balance, June 30	\$ 7,713,219	\$ 14,515,350	\$ 24,529,005	\$ 10,013,655

See the accompanying Independent Auditors' Report.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2007**

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**NOTE 1**      **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles, except the proprietary fund type, which budgets on a non-GAAP basis for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Superintendent is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

All appropriations lapse at the end of each fiscal year.

Legal Compliance

For the year ended June 30, 2007, the Bond Redemption Fund expenditures exceeded the budgeted amounts by \$129,100 because actual debt service expenditures exceeded management's expectations.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

Capital Reserve Fund – This fund is authorized by Colorado School Law and is funded by allocated revenues from the General Fund. It is used to fund ongoing capital needs such as site acquisition, building additions and equipment purchases.

Governmental Designated – Purpose Grants Fund – This fund is provided to maintain a separate accounting for federal and state grant funded programs.

### **Capital Projects Fund**

Capital Projects Funds account for financial resources created by the issuance of bonded indebtedness to be used for major Capital Projects.

Capital Reserve Project Fund – This fund is to account for City and County impact fees in lieu of land dedication. The resources are to be used for the acquisition or construction of major capital facilities.

FALCON SCHOOL DISTRICT 49  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	Special Revenue		Capital Projects	Total Nonmajor
	Capital Reserve	Grants	Capital Reserve	Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 138,006	\$ -	\$ 596,348	\$ 734,354
Accounts Receivable	-	808,731	-	808,731
TOTAL ASSETS	<u>\$ 138,006</u>	<u>\$ 808,731</u>	<u>\$ 596,348</u>	<u>\$ 1,543,085</u>
<b>LIABILITIES &amp; FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	118,831	76,186	-	195,017
Accrued Salaries and Benefits Payable	-	68,242	-	68,242
Due To Other Funds	-	582,431	-	582,431
Deferred Revenue - Other	-	81,872	-	81,872
TOTAL LIABILITIES	<u>118,831</u>	<u>808,731</u>	<u>-</u>	<u>927,562</u>
<b>FUND BALANCE</b>				
Reserved for Capital Purposes	19,175	-	596,348	615,523
Total Reserved Fund Balance	<u>19,175</u>	<u>-</u>	<u>596,348</u>	<u>615,523</u>
TOTAL FUND BALANCE	<u>19,175</u>	<u>-</u>	<u>596,348</u>	<u>615,523</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 138,006</u>	<u>\$ 808,731</u>	<u>\$ 596,348</u>	<u>\$ 1,543,085</u>

See the accompanying Independent Auditors' Report.

FALCON SCHOOL DISTRICT 49  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007

	Special Revenue		Capital Projects	Total Nonmajor
	Capital Reserve	Grants	Capital Reserve	Governmental
				Funds
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 2,705,907	\$ -	\$ 2,705,907
Interest	40,020	-	-	40,020
Other	58,337	-	182,717	241,054
Total Revenues	<u>98,357</u>	<u>2,705,907</u>	<u>182,717</u>	<u>2,986,981</u>
<b>EXPENDITURES</b>				
Current				
Instruction	-	2,705,907	-	2,705,907
Capital Outlay	1,014,368	-	88,880	1,103,248
Debt Service				
Principal Retirements	1,864,565	-	-	1,864,565
Interest and Fiscal Charges	464,378	-	-	464,378
Total Expenditures	<u>3,343,311</u>	<u>2,705,907</u>	<u>88,880</u>	<u>6,138,098</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,244,954)</u>	<u>-</u>	<u>93,837</u>	<u>(3,151,117)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	2,371,388	-	-	2,371,388
Total Other Financing Sources	<u>2,371,388</u>	<u>-</u>	<u>-</u>	<u>2,371,388</u>
Net Change in Fund Balance	(873,566)	-	93,837	(779,729)
Fund Balance, July 1	<u>892,741</u>	<u>-</u>	<u>502,511</u>	<u>1,395,252</u>
Fund Balance, June 30	<u>\$ 19,175</u>	<u>\$ -</u>	<u>\$ 596,348</u>	<u>\$ 615,523</u>

See the accompanying Independent Auditors' Report.

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
CAPITAL RESERVE FUND  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Interest	\$ 52,000	\$ 52,000	\$ 40,020	\$ (11,980)
Other	250,000	250,000	58,337	(191,663)
Total Revenue	<u>302,000</u>	<u>302,000</u>	<u>98,357</u>	<u>(203,643)</u>
EXPENDITURES				
Capital Outlay:				
Buildings	1,195,000	1,545,000	1,014,368	530,632
Total Capital Outlay	<u>1,195,000</u>	<u>1,545,000</u>	<u>1,014,368</u>	<u>530,632</u>
Debt service				
Principal Retirements	1,776,523	1,776,523	1,864,565	(88,042)
Interest and Fiscal Charges	-	-	464,378	(464,378)
Appropriated Reserves	89,146	89,146	-	89,146
Total Expenditures	<u>3,060,669</u>	<u>3,410,669</u>	<u>3,343,311</u>	<u>67,358</u>
Excess of Revenues Over (Under) Expenditures	(2,758,669)	(3,108,669)	(3,244,954)	(136,285)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>2,240,000</u>	<u>2,363,130</u>	<u>2,371,388</u>	<u>8,258</u>
Net Change in Fund Balance	(518,669)	(745,539)	(873,566)	(128,027)
Fund Balance, July 1	<u>634,191</u>	<u>892,822</u>	<u>892,741</u>	<u>(81)</u>
Fund Balance, June 30	<u>\$ 115,522</u>	<u>\$ 147,283</u>	<u>\$ 19,175</u>	<u>\$ (128,108)</u>

See the accompanying Independent Auditors' Report.



FALCON SCHOOL DISTRICT 49  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
GRANTS FUND  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Local Sources	\$ 40,000	\$ 40,000	\$ 1,058	\$ (38,942)
State Sources	216,903	216,903	585,457	368,554
Federal Sources	1,965,532	4,743,097	2,119,392	(2,623,705)
 TOTAL REVENUES	 2,222,435	 5,000,000	 2,705,907	 (2,294,093)
EXPENDITURES				
Instruction	2,222,435	5,000,000	2,705,907	2,294,093
 TOTAL EXPENDITURES	 2,222,435	 5,000,000	 2,705,907	 2,294,093
 NET CHANGE IN FUND BALANCE	 -	 -	 -	 -
 Fund Balance, July 1	 -	 -	 -	 -
 Fund Balance, June 30	 \$ -	 \$ -	 \$ -	 \$ -

See the accompanying Independent Auditors' Report.

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
BOND REDEMPTION FUND  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Property Taxes	\$ 4,433,139	\$ 4,433,139	\$ 5,611,743	\$ 1,178,604
Specific Ownership Taxes	700,000	700,000	-	(700,000)
Interest	40,000	40,000	179,084	139,084
Total Revenues	<u>5,173,139</u>	<u>5,173,139</u>	<u>5,790,827</u>	<u>617,688</u>
EXPENDITURES				
Debt Service				
Principal Retirement	1,425,000	1,925,000	1,790,000	135,000
Interest and Fiscal Charges	3,459,108	3,459,108	3,826,289	(367,181)
Debt Issuance Costs	-	160,149	159,811	338
Contingency	168,723	168,723	-	168,723
Total Expenditures	<u>5,052,831</u>	<u>5,712,980</u>	<u>5,776,100</u>	<u>(63,120)</u>
Excess of Revenues Over (Under) Expenditures	<u>120,308</u>	<u>(539,841)</u>	<u>14,727</u>	<u>554,568</u>
OTHER FINANCING SOURCES (USES)				
Debt Issued	-	14,351,285	14,062,217	(289,068)
Debt Premium	-	-	354,710	354,710
Payment to Escrow Agent	-	(14,191,136)	(14,257,116)	(65,980)
Transfers Out	(740,000)	(740,000)	(740,000)	-
Total Other Financing Sources (Uses)	<u>(740,000)</u>	<u>(579,851)</u>	<u>(580,189)</u>	<u>(338)</u>
Net Change in Fund Balance	(619,692)	(1,119,692)	(565,462)	554,230
Fund Balance, July 1	<u>5,595,947</u>	<u>6,910,769</u>	<u>7,314,041</u>	<u>403,272</u>
Fund Balance, June 30	<u>\$ 4,976,255</u>	<u>\$ 5,791,077</u>	<u>\$ 6,748,579</u>	<u>\$ 957,502</u>

See the accompanying Independent Auditors' Report.

FALCON SHOOOL DISTRICT 49  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Fees in Lieu of Land	\$ 338,896	\$ 182,717	\$ (156,179)
EXPENDITURES			
Capital Outlay	338,896	88,880	250,016
Total Expenditures	<u>338,896</u>	<u>88,880</u>	<u>250,016</u>
Net Change in Fund Balance	-	93,837	93,837
Fund Balance, July 1	<u>1,000</u>	<u>502,511</u>	<u>501,511</u>
Fund Balance, June 30	<u>\$ 1,000</u>	<u>\$ 596,348</u>	<u>\$ 595,348</u>

See the accompanying Independent Auditors' Report.

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
BUILDING FUND  
For the Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Interest	\$ 1,090,364	\$ 1,380,273	\$ 289,909
EXPENDITURES			
Debt service			
Debt Issuance Costs	-	1,039,980	(1,039,980)
Capital Outlay:			
Buildings	69,045,984	36,940,853	32,105,131
TABOR Reserves	2,071,380	-	2,071,380
Total Expenditures	71,117,364	37,980,833	33,136,531
Excess of Revenues Over (Under) Expenditures	(70,027,000)	(36,600,560)	33,426,440
OTHER FINANCING SOURCES			
Debt Issued	35,500,000	53,400,000	17,900,000
Debt Premium	-	1,290,889	1,290,889
Total Other Financing Sources	35,500,000	54,690,889	19,190,889
Net Change in Fund Balance	(34,527,000)	18,090,329	52,617,329
Fund Balance, July 1	34,527,000	(15,532,765)	(50,059,765)
Fund Balance, June 30	\$ -	\$ 2,557,564	\$ 2,557,564

See the accompanying Independent Auditors' Report.

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON - GAAP BASIS) AND ACTUAL  
FOOD SERVICE FUND  
For the Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
OPERATING REVENUES			
Local Sources			
Charges for Services	\$ 1,772,487	\$ 1,774,399	\$ 1,912
Total Operating Revenues	1,772,487	1,774,399	1,912
OPERATING EXPENSES			
Salaries	738,218	783,375	(45,157)
Employee Benefits	136,502	156,610	(20,108)
Purchased Services	59,781	123,575	(63,794)
Purchased Food	1,315,295	1,192,616	122,679
Other	57,842	50,513	7,329
Indirect Costs	25,000	-	25,000
Equipment Replacement	53,550	34,548	19,002
Depreciation	66,592	62,713	3,879
Contingency	73,583	-	73,583
Total operating expenses	2,526,363	2,403,950	122,413
Operating Income (Loss)	(753,876)	(629,551)	124,325
NON-OPERATING REVENUES			
Federal Sources			
School Lunch and Breakfast Program	503,982	581,803	77,821
Donated Commodities	73,151	103,408	30,257
State Match	28,245	26,624	(1,621)
Total Non-operating Revenues	605,378	711,835	106,457
Change in net assets, Budgetary Basis	\$ (148,498)	82,284	\$ 230,782
ADJUSTMENTS TO GAAP BASIS			
Equipment Replacement		34,548	
Change in net assets, GAAP Basis		116,832	
Net Assets, July 1		1,273,518	
Net Assets, June 30		\$ 1,390,350	

See the accompanying Independent Auditors' Report.

FALCON SHOOOL DISTRICT 49  
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS  
BUDGET (GAAP BASIS) AND ACTUAL  
SCHOLARSHIP FUND  
For the Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS			
Fundraising Activities	\$ 408	\$ 450	\$ 42
DEDUCTIONS			
Scholarships Awarded	1,000	-	1,000
Change in Net Assets	(592)	450	1,042
Net Assets, July 1	665	1,665	1,000
Net Assets, June 30	<u>\$ 73</u>	<u>\$ 2,115</u>	<u>\$ 2,042</u>

See the accompanying Independent Auditors' Report.

FALCON SCHOOL DISTRICT 49  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
PUPIL ACTIVITY AGENCY FUND  
For the Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
ASSETS				
Cash and Investments	\$ 698,662	\$ 2,695,840	\$ 2,453,303	\$ 941,199
TOTAL ASSETS	<u>\$ 698,662</u>	<u>\$ 2,695,840</u>	<u>\$ 2,453,303</u>	<u>\$ 941,199</u>
LIABILITIES				
Due to Student Organizations	\$ 698,662	\$ 2,695,840	\$ 2,453,303	\$ 941,199
TOTAL LIABILITIES	<u>\$ 698,662</u>	<u>\$ 2,695,840</u>	<u>\$ 2,453,303</u>	<u>\$ 941,199</u>

See the accompanying Independent Auditors' Report.

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF CHANGES IN DUE TO STUDENT ORGANIZATIONS  
BUDGET (GAAP BASIS) AND ACTUAL  
PUPIL ACTIVITY AGENCY FUND  
For the Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS			
Pupil Activities	\$ 2,296,140	\$ 2,695,840	\$ 399,700
DEDUCTIONS			
Pupil Activities	2,672,696	2,453,303	219,393
Change in Due to Student Organizations	(376,556)	242,537	619,093
Due to Student Organizations, July 1	698,662	698,662	-
Due to Student Organizations, June 30	<u>\$ 322,106</u>	<u>\$ 941,199</u>	<u>\$ 619,093</u>

See the accompanying Independent Auditors' Report.



FALCON SHOOl DISTRICT 49  
 COMPONENT UNITS  
 COMBINING STATEMENT OF NET ASSETS  
 June 30, 2007

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	Total
<b>ASSETS</b>				
Cash and Investments	\$ 365,057	\$ 478,566	\$ 141,402	\$ 985,025
Restricted Cash and Investments	-	955,519	-	955,519
Accounts Receivable	80,242	109,366	30,314	219,922
Prepays	-	12,971	-	12,971
Debt Issuance Costs	-	235,555	87,865	323,420
Capital Assets, Net of Accumulated Depreciation	-	6,454,866	3,038,284	9,493,150
<b>TOTAL ASSETS</b>	<b>445,299</b>	<b>8,246,843</b>	<b>3,297,865</b>	<b>11,990,007</b>
<b>LIABILITIES</b>				
Accounts Payable	7,647	53,201	145,598	206,446
Accrued Salaries & Benefits Payable	94,775	111,608	104,320	310,703
Deferred Revenues	425	36,521	-	36,946
Accrued Interest Payable	-	20,416	-	20,416
Long-term Liabilities				
Due or payable within one year	-	88,792	197,774	286,566
Due or payable after one year	-	8,116,360	2,762,114	10,878,474
<b>TOTAL LIABILITIES</b>	<b>102,847</b>	<b>8,426,898</b>	<b>3,209,806</b>	<b>11,739,551</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	-	(1,335,979)	78,396	(1,257,583)
Restricted for Emergencies	31,477	82,159	65,800	179,436
Restricted for Debt Service	-	848,900	-	848,900
Unrestricted	310,975	224,865	(56,137)	479,703
<b>TOTAL NET ASSETS</b>	<b>\$ 342,452</b>	<b>\$ (180,055)</b>	<b>\$ 88,059</b>	<b>\$ 250,456</b>

See the accompanying Independent Auditors' Report.

FALCON SHOOOL DISTRICT 49  
 COMPONENT UNITS  
 COMBINING STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2007

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	Total
<b>EXPENSES</b>				
Instruction	\$ 632,042	\$ 1,573,770	\$ 1,387,217	\$ 3,593,029
Supporting Services	380,793	1,137,579	891,079	2,409,451
Interest and Fiscal Charges	-	774,975	134,608	909,583
	<u>1,012,835</u>	<u>3,486,324</u>	<u>2,412,904</u>	<u>6,912,063</u>
<b>TOTAL EXPENSES</b>				
	<u>1,012,835</u>	<u>3,486,324</u>	<u>2,412,904</u>	<u>6,912,063</u>
<b>PROGRAM REVENUES</b>				
Charges for Services	63,441	156,526	45,140	265,107
Operating Grants and Contributions	3,754	-	306,667	310,421
	<u>67,195</u>	<u>156,526</u>	<u>351,807</u>	<u>575,528</u>
<b>TOTAL PROGRAM REVENUES</b>				
	<u>67,195</u>	<u>156,526</u>	<u>351,807</u>	<u>575,528</u>
<b>NET EXPENSE (REVENUE)</b>	<u>(945,640)</u>	<u>(3,329,798)</u>	<u>(2,061,097)</u>	<u>(6,336,535)</u>
<b>GENERAL REVENUES</b>				
Per Pupil Operating Revenue	915,157	2,727,528	2,075,553	5,718,238
Capital Construction Funding	30,779	91,733	69,805	192,317
Grants and Contributions not Restricted to Specific Programs	-	210,319	-	210,319
Investment Earnings	14,073	116,195	-	130,268
Miscellaneous	50	3,968	3,798	7,816
	<u>960,059</u>	<u>3,149,743</u>	<u>2,149,156</u>	<u>6,258,958</u>
<b>TOTAL GENERAL REVENUES</b>				
	<u>960,059</u>	<u>3,149,743</u>	<u>2,149,156</u>	<u>6,258,958</u>
<b>CHANGE IN NET ASSETS</b>	14,419	(180,055)	88,059	(77,577)
<b>NET ASSETS, Beginning</b>	<u>328,033</u>	<u>-</u>	<u>-</u>	<u>328,033</u>
<b>NET ASSETS, Ending</b>	<u>\$ 342,452</u>	<u>\$ (180,055)</u>	<u>\$ 88,059</u>	<u>\$ 250,456</u>

See the accompanying Independent Auditors' Report.

## **COMPLIANCE SECTION**

**SINGLE AUDIT**

Board of Education  
Falcon School District 49  
Falcon, 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 Falcon School District 49, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Falcon School District 49, and have issued our report thereon dated January 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Falcon School District 49'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 Falcon School District 49's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Falcon School District 49's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Falcon School District 49's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Falcon School District 49's financial statements that is more than inconsequential will not be prevented or detected by the Falcon School District 49's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Falcon School District 49's internal control.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Falcon School District 49's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Swankert & Company, LLC". The signature is written in a cursive, flowing style.

January 22, 2008

Board of Education  
Falcon School District 49  
Falcon, Colorado

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

**Compliance**

We have audited the compliance of the Falcon School District 49 with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Falcon School District 49'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 Falcon School District 49's management. Our responsibility is to express an opinion on the Falcon School District 49'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 Falcon School District 49'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 Falcon School District 49's compliance with those requirements.

In our opinion, the Falcon School District 49 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of the Falcon School District 49 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Falcon School District 49's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Falcon School District 49's internal control over compliance.

A control deficiency in the Falcon School District 49's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Falcon School District 49's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Falcon School District 49's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Falcon School District 49's internal control.

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

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

*Swadlow & Company LLC*

January 22, 2008



**FALCON SCHOOL DISTRICT 49**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2007**

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      x   no

*Federal Awards*

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

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

\_\_\_\_\_ yes      x   no

Identification of major programs:

10.553 School Breakfast Program  
10.555 National School Lunch Program  
84.010 Title I

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

Auditee qualified as low-risk auditee?

  x   yes    \_\_\_\_\_ no

**Financial Statement Findings**

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

**Federal Awards Findings and Questioned Costs**

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

Board of Education  
Falcon School District 49  
Falcon, 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 Falcon School District 49, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Falcon School District 49, and have issued our report thereon dated January 22, 2008. These financial statements are the responsibility of the Falcon School District 49's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District 49'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*

January 22, 2008

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Education</b>		
Direct Programs		
Impact Aid	84.041	\$ 236,259
Passed Through Colorado Department of Education		
Title I	84.010	360,414
Special Education	84.027	1,348,716
Special Education - Preschool	84.173	45,207
Safe and Drug-Free Schools and Communities	84.186	18,851
Education Technology	84.318	480
Advanced Placement Program	84.330	676
Improving Teacher Quality	84.367	131,874
Innovative Programs	84.298	12,252
Hurricane Education Recovery	84.938	31,975
Passed Through Colorado Community College System		
Vocational Education	84.048	20,948
Tech-Prep Education	84.243	30,276
Passed Through Colorado Department of Human Services		
Vocational Rehabilitation	84.126	103,882
Passed Through Lewis Palmer School District		
English Language Acquisition	84.365	13,841
Total U.S. Department of Education		<u>2,355,651</u>
<b>U.S. Department of Agriculture</b>		
Passed Through Colorado Department of Human Services		
Food Donation	10.550	103,408
Passed Through Colorado Department of Education		
School Breakfast Program	10.553	13,964
National School Lunch Program	10.555	567,839
Total U.S. Department of Agriculture		<u>685,211</u>
<b>Total Federal Awards</b>		<u>\$ 3,040,862</u>

See the accompanying Independent Auditors' Report.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2007**

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**NOTE 1**      **BASIS OF PRESENTATION**

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

**NOTE 2**      **FOOD DONATION**

Non-monetary assistance is reported in the schedule at fair market value of the commodities received.

## **STATE COMPLIANCE**

Auditor's Integrity Report.

Board of Education  
Falcon School District 49  
Falcon, 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 Falcon School District 49, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Falcon School District 49, and have issued our report thereon dated January 22, 2008. These financial statements are the responsibility of the Falcon School District 49's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District 49's basic financial statements. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Swanhorst & Company LLC*

January 22, 2008

02/12/2008  
09:30 AM

Colorado Department of Education  
Fiscal Year 2006-2007  
Colorado School District/BOCES  
Auditor's Integrity Report

EL PASO FALCON 49  
District Code: 1110

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001 - 0999 Total Expenditures & Other Uses	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
-----	-----	-----	-----	-----
Governmental				
10 General Fund	15,359,991	73,274,286	64,229,416	24,404,861
18 Risk Mgmt Sub-Fund of General Fund	6,527	632,546	584,315	54,758
19 Colorado Preschool Program Fund	0	205,287	135,900	69,387
Subtotal	15,366,519	74,112,119	64,949,631	24,529,006
11 Charter School Fund	328,033	6,091,268	5,990,601	428,700
20 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	892,741	2,674,513	3,435,044	132,211
22 Govt Designated-Purpose Grants Fund	-0	2,916,224	2,916,224	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	7,314,041	22,803,369	23,338,479	6,778,931
41 Building Fund	-15,532,764	56,071,162	37,980,834	2,557,564
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	502,511	182,717	88,880	596,348
TOTALS	8,871,080	164,851,373	138,699,693	35,022,760
Proprietary				
51 Food Service Fund	1,273,517	2,563,977	2,447,145	1,390,350
50 Other Enterprise Funds	0	199,942	746,742	-546,800
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	1,273,517	2,763,919	3,193,887	843,549
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	1,665	450	0	2,115
74 Pupil Activity Agency Fund	698,661	2,733,141	2,481,580	950,221
85 Foundations	0	0	0	0
TOTALS	700,325	2,733,591	2,481,580	952,337

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

From submitted data file: fd1110.35c

Program: fdrdh.sqr

File: fd1110.dhc

FINAL