

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

**FINANCIAL STATEMENTS**

**June 30, 2009**

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**FALCON SCHOOL DISTRICT 49**  
**ROSTER OF SCHOOL OFFICIALS**  
**June 30, 2009**

**BOARD OF EDUCATION**

Anna Bartha	President
Dave Martin	Vice President
Kent Clawson	Secretary
Dave Stark	Treasurer
Mark Shook	Member

**SCHOOL OFFICIALS**

David Bond	Acting Superintendent
Joleen Schaake	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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Falcon School District 49 as of and for the year ended June 30, 2009, 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient appropriate audit evidence to support certain expenditures reported in the financial statements of the Rocky Mountain Classical Academy, a component unit of Falcon School District 49. The Rocky Mountain Classical Academy's financial statements are included in the Falcon School District 49's basic financial statements as a discretely presented component unit and represent 17 percent and 38 percent of the assets and revenues, respectively, of the aggregate discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to support certain expenditures of the Rocky Mountain Classical Academy, as described in the preceding paragraph, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the Falcon School District 49 as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Falcon School District 49 as of June 30, 2009, 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 financial statements of the Rocky Mountain Classical Academy, a component unit of Falcon School District 49, have been prepared assuming that the Rocky Mountain Classical Academy will continue as a going concern. The Rocky Mountain Classical Academy has suffered ongoing losses from operations and has a net asset deficiency that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 March 30, 2010, 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 financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



March 30, 2010



FALCON SCHOOL DISTRICT 49  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2009

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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, 2009.

### **Financial Highlights**

- The primary government has government-wide net assets totaling \$63,119,086 at the end of the current fiscal year.
- The general fund ending fund balance of \$22,156,857 maintained a fund balance to revenue ratio above 10% (per Board of Education Policy).
- Business-type activities reported unrestricted net assets of \$862,500 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

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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 grants fund, and the bond redemption 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 two proprietary funds. 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. Internal service funds are used to accumulate and allocate costs internally among the district's

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MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2009

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various functions. The district uses internal service funds to account for employee benefit programs for health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements

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.

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MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2009

### 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 \$64,401,810 at the close of the most recent fiscal year.

\$30,391,741 of net assets is invested in capital assets net of accumulated depreciation and related outstanding debt used to acquire those assets. 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 (36%) represents resources that are subject to external restriction on how they may be used. 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.

#### FALCON SCHOOL DISTRICT 49 NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>ASSETS</b>						
Current assets	\$ 50,317,113	\$ 56,354,654	\$ 886,448	\$ 1,009,711	\$ 51,203,561	\$ 57,364,365
Non current assets	1,876,865	2,032,558	190,339	100,141	2,067,204	2,132,699
Capital assets, net of depreciation	172,400,151	173,320,193	420,224	406,816	172,820,375	173,727,009
<b>Total assets</b>	<b>224,594,129</b>	<b>231,707,405</b>	<b>1,497,011</b>	<b>1,516,668</b>	<b>226,091,140</b>	<b>233,224,073</b>
<b>LIABILITIES</b>						
Current liabilities	18,738,196	15,033,224	138,501	80,081	18,876,697	15,113,305
Long-term liabilities	142,736,847	155,349,959	75,786	52,502	142,812,633	155,402,461
<b>Total liabilities</b>	<b>161,475,043</b>	<b>170,383,183</b>	<b>214,287</b>	<b>132,583</b>	<b>161,689,330</b>	<b>170,515,766</b>
<b>NET ASSETS</b>						
Invested in Capital Assets (Net of Related Debt)	29,971,517	29,439,037	420,224	406,816	30,391,741	29,845,853
Restricted for						
TABOR	3,000,000	2,700,000	-	-	3,000,000	2,700,000
Multi year obligations	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Debt Service	18,890,224	16,491,989	-	-	18,890,224	16,491,989
Construction	1,118,152	-	-	-	1,118,152	-
Capital purposes	-	911,324	-	-	-	911,324
Risk Management	89,982	89,240	-	-	89,982	89,240
Preschool	151,605	149,879	-	-	151,605	149,879
Unreserved	9,897,606	11,542,753	862,500	977,269	10,760,106	12,520,022
<b>TOTAL NET ASSETS</b>	<b>63,119,086</b>	<b>61,324,222</b>	<b>1,282,724</b>	<b>1,384,085</b>	<b>64,401,810</b>	<b>62,708,307</b>

FALCON SCHOOL DISTRICT 49  
MANAGEMENT DISCUSSION & ANALYSIS  
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Governmental activities increased the net assets of the District by \$1,794,864. Program revenues included \$2,277,094 in charges for services, and \$7,596,128 in operating grants and contributions. Over \$100 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 \$54,279,772 out of a total of \$108,813,198.

Business type activities (Nutritional Services) decreased net assets by (\$101,361). Program revenues included \$1,955,016 in charges for services and \$1,097,657 in operating grants and contributions. All expenditures of \$3,190,818 were for food services.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>REVENUES</b>						
Charges for service	2,277,094	1,902,977	1,955,016	1,950,550	4,232,110	3,853,527
Grants & contributions	7,596,128	15,294,622	1,097,657	821,234	8,693,785	16,115,856
<b>GENERAL REVENUES</b>						
Property Taxes	29,881,835	28,359,508	-	-	29,881,835	28,359,508
Specific ownership taxes	3,115,704	3,169,869	-	-	3,115,704	3,169,869
State equalization	66,905,895	59,948,169	-	-	66,905,895	59,948,169
Investment earnings	513,820	2,269,789	36,784	-	550,604	2,269,789
Miscellaneous revenues	317,586	1,901,364	-	-	317,586	1,901,364
<b>TOTAL REVENUES</b>	<u>110,608,062</u>	<u>112,846,298</u>	<u>3,089,457</u>	<u>2,771,784</u>	<u>113,697,519</u>	<u>115,618,082</u>
<b>EXPENDITURES</b>						
Instruction	54,279,772	48,416,643	-	-	54,279,772	48,416,643
Instructional Support	11,318,739	9,187,418	-	-	11,318,739	9,187,418
General administration	1,023,237	1,038,545	-	-	1,023,237	1,038,545
School administration	4,566,119	3,929,505	-	-	4,566,119	3,929,505
Business services	990,098	895,498	-	-	990,098	895,498
Maintenance & operations	9,302,769	8,725,131	-	-	9,302,769	8,725,131
Transportation	3,514,781	3,382,892	-	-	3,514,781	3,382,892
Central services	15,197,296	12,031,146	-	-	15,197,296	12,031,146
Other services	-	8,553	-	-	-	8,553
Interest expense	8,620,387	8,154,209	-	-	8,620,387	8,154,209
Food Service			3,190,818	2,778,049	3,190,818	2,778,049
<b>TOTAL EXPENDITURES</b>	<u>108,813,198</u>	<u>95,769,540</u>	<u>3,190,818</u>	<u>2,778,049</u>	<u>112,004,016</u>	<u>98,547,589</u>
Increase/(Decrease) in Net Assets	1,794,864	17,076,758	(101,361)	(6,265)	1,693,503	17,070,493
Beginning net Assets	61,324,222	44,247,464	1,384,085	1,390,350	62,708,307	45,637,814
<b>TOTAL NET ASSETS</b>	<u>63,119,086</u>	<u>61,324,222</u>	<u>1,282,724</u>	<u>1,384,085</u>	<u>64,401,810</u>	<u>62,708,307</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.

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MANAGEMENT DISCUSSION & ANALYSIS  
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As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$36,528,904.

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 \$9,432,871 while total fund balance is \$22,156,857. 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. Excluding Charter School remittances, unreserved fund balance represents 10.8% of total general fund expenditures, while total fund balance represents 25.5% of that same amount.

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 fund balance as of June 30, 2009 is \$9,138,708, which is entirely reserved for debt service. The fund balance represents coverage for 1.46 times the 2008-09 annual payments.

In 2008-2009, Falcon School District expended \$3,641,003 of local, state and federal grant funds, excluding charter school grant expenditures. Of these expenditures, \$368,192 were funds yet to be received from the granting authorities prior to the close of the fiscal year; being scheduled for receipt early in the 2009-2010 fiscal year. This grant accounts receivable balance was down by \$1,364,561 (79%) from 2007-08.

### **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 rapid growth for the last several years. The 2007-2008 to 2008-2009 growth was 7.1%

Some significant budget highlights include:

- Budgeted General Fund expenditures exceeded budgeted revenue by \$5,576,768. This represented an improvement of \$592,460 from the original budget shortfall. The decrease was added to accommodate additional funding to The District's four charter schools of \$2,256,861, offset by increased revenues from State Equalization funding of \$3,822,262 .
- Actual General Fund results for the 2008-2009 fiscal year showed expenses in excess of revenue by \$1,060,091, which was \$4,126,677 better than the final budget. The improvement came from reserve expenditures (\$3,998,828).
- 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.

FALCON SCHOOL DISTRICT 49  
MANAGEMENT DISCUSSION & ANALYSIS  
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**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, 2009 amounts to \$172,400,151 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was 0.5%.

Major capital assets events during the current fiscal year included the conversion of Construction in Progress for Vista Ridge High School, the New Falcon High School Athletics Complex, and the remodeling of the Patriot Learning Center. No significant divestitures of assets were made in 2008-2009.

Addition of New Falcon High School

	Balance @ 6/30/2009	Balance @ 6/30/2008
<b>Governmental Activities</b>		
Land and Site Improvements	15,765,500	15,765,500
Buildings & Improvements	150,173,421	120,935,677
Equipment	6,461,230	5,068,537
Construction in Progress	-	31,550,479
Total capital assets, net	<u>172,400,151</u>	<u>173,320,193</u>
 <b>Business-Type Activities</b>		
Equipment	420,224	406,816
Total capital assets, net	<u>420,224</u>	<u>406,816</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 \$149,607,954. Of this amount, \$50,630,000 is general obligation bonds for which there is a mill levy assessment to pay the debt, \$4,679,865 for capital leases, \$89,465,000 in certificates of participation and \$665,820 for compensated absences.

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.

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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 \$50,630,000 or 7.7% of assessed value. The district's legal debt limit and debt margin is \$164,131,227 and \$113,507,227 respectively.

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

### **Economic Factors and 2008-2009 Budget**

- The local, state, and federal economies remain stagnate. The District's assessed value increased over 5.9% in 2008 from the prior year to a total of \$656,524,910, due to the normal lag in recognizing assessed valuations as a revenue budget driver. The change in assessed values will continue to moderate over the next few years.
- As a result of voters approving the November 2005 Mill Levy Override the district has engaged in a high volume of constructions projects, totaling over \$80.5 million. The majority of the new buildings and school expansions were constructed between 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 one of the fastest growing school district in the state, based on enrollment, on a percentage basis, for the last several years.
- The District continues to work with Charter Schools. The District had four charter schools during the current fiscal year.
- The District ended the 2008-2009 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.
- The District is made a strategic change in handling insurance benefits in the 2008-09 fiscal year by going to a self-funded insurance model. This strategy is more appropriate for businesses this size rather than using a fully-insured model as has been the past practice.

### **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, 2009

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	Charter
				Schools
<b>ASSETS</b>				
Cash and Investments	\$ 34,161,227	\$ 886,448	\$ 35,047,675	\$ 1,206,019
Restricted Cash and Investments	13,408,846	-	13,408,846	1,599,143
Receivables	2,747,040	-	2,747,040	120,106
Prepaid Expenses	-	-	-	19,578
Deposits	-	-	-	17,000
Inventories	-	190,339	190,339	-
Debt Issuance Costs	1,876,865	-	1,876,865	563,622
Capital Assets Not Being Depreciated	15,765,500	-	15,765,500	439,875
Capital Assets Being Depreciated, Net	156,634,651	420,224	157,054,875	14,377,989
Total Assets	<u>224,594,129</u>	<u>1,497,011</u>	<u>226,091,140</u>	<u>18,343,332</u>
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	1,134,424	9,357	1,143,781	618,687
Accrued Salaries and Benefits Payable	9,027,113	82,834	9,109,947	369,443
Deferred Revenues	1,216,725	46,310	1,263,035	218
Accrued Interest Payable	488,827	-	488,827	56,034
Long-term Liabilities				
Due or payable within one year	6,871,107	-	6,871,107	848,018
Due or payable after one year	142,736,847	75,786	142,812,633	17,137,634
Total Liabilities	<u>161,475,043</u>	<u>214,287</u>	<u>161,689,330</u>	<u>19,030,034</u>
<b>NET ASSETS</b>				
Invested in Capital Assets Net of Related Debt	29,971,517	420,224	30,391,741	(1,408,099)
Restricted for:				
TABOR (emergencies)	3,000,000	-	3,000,000	338,310
Debt Service	18,890,224	-	18,890,224	1,265,684
Capital Purposes	1,118,152	-	1,118,152	-
Repair and Replacement	-	-	-	25,628
Risk Management	89,982	-	89,982	-
Preschool	151,605	-	151,605	-
Instructional Supplies	-	-	-	18,028
Unrestricted	9,897,606	862,500	10,760,106	(926,253)
Total Net Assets	<u>\$ 63,119,086</u>	<u>\$ 1,282,724</u>	<u>\$ 64,401,810</u>	<u>\$ (686,702)</u>

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, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units Charter Schools
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
<b>Governmental Activities:</b>							
Instruction	\$ 54,279,772	\$ 621,648	\$ 5,503,677	\$ (48,154,447)	\$ -	\$ (48,154,447)	\$ -
Instructional Support	11,318,739	1,651,546	1,398,535	(8,268,658)	-	(8,268,658)	-
General Administration	1,023,237		-	(1,023,237)	-	(1,023,237)	-
School Administration	4,566,119	-	-	(4,566,119)	-	(4,566,119)	-
Business Services	990,098	-	-	(990,098)	-	(990,098)	-
Maintenance and Operations	9,302,769	-	-	(9,302,769)	-	(9,302,769)	-
Transportation	3,514,781	-	693,916	(2,820,865)	-	(2,820,865)	-
Central Services	15,197,296	3,900	-	(15,193,396)	-	(15,193,396)	-
Interest Expense	8,620,387	-	-	(8,620,387)	-	(8,620,387)	-
Total Governmental Activities	108,813,198	2,277,094	7,596,128	(98,939,976)	-	(98,939,976)	-
<b>Business-Type Activities:</b>							
Food Services	3,190,818	1,955,016	1,097,657	-	(138,145)	(138,145)	-
Total Business-Type Activities	3,190,818	1,955,016	1,097,657	-	(138,145)	(138,145)	-
<b>Total Primary Government</b>	<u>\$ 112,004,016</u>	<u>\$ 4,232,110</u>	<u>\$ 8,693,785</u>	<u>(98,939,976)</u>	<u>(138,145)</u>	<u>(99,078,121)</u>	<u>-</u>
<b>Component Units</b>	<u>\$ 12,351,621</u>	<u>\$ 287,247</u>	<u>\$ 55,061</u>				<u>(12,009,313)</u>
<b>General Revenues:</b>							
Property Taxes				29,881,835	-	29,881,835	-
Specific Ownership Taxes				3,115,704	-	3,115,704	-
State Equalization				66,905,895	-	66,905,895	-
Per Pupil Operating Revenue				-	-	-	10,260,274
Capital Construction Funding				-	-	-	169,100
Grants and Contributions not Restricted to Specific Programs				177,178	-	177,178	736,986
Investment Earnings				513,820	36,784	550,604	37,432
Miscellaneous				140,408	-	140,408	64,599
Total General Revenues				100,734,840	36,784	100,771,624	11,268,391
<b>Change in Net Assets</b>				1,794,864	(101,361)	1,693,503	(740,922)
<b>Net Assets, July 1</b>				61,324,222	1,384,085	62,708,307	54,220
<b>Net Assets, June 30</b>				\$ 63,119,086	\$ 1,282,724	\$ 64,401,810	\$ (686,702)

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

FALCON SCHOOL DISTRICT 49  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Bond Redemption	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 21,971,894	\$ 8,957,647	\$ 1,335,816	\$ 32,265,357
Restricted Cash and Investments	9,207,555	-	4,201,291	13,408,846
Property Tax Receivable	1,928,670	450,178	-	2,378,848
Accounts Receivable	-	-	368,192	368,192
Interfund Receivable	153,837	-	-	153,837
<b>TOTAL ASSETS</b>	<b>\$ 33,261,956</b>	<b>\$ 9,407,825</b>	<b>\$ 5,905,299</b>	<b>\$ 48,575,080</b>
<b>LIABILITIES &amp; FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 683,354	\$ -	\$ 165,300	\$ 848,654
Accrued Liabilities	115,284	-	-	115,284
Accrued Salaries and Benefits Payable	8,804,394	-	222,719	9,027,113
Interfund Payable	-	-	153,837	153,837
Deferred Revenue - Property Tax	828,196	269,117	-	1,097,313
Deferred Revenue - Forward Purchase Agreement	620,000	-	-	620,000
Deferred Revenue - Other	53,871	-	130,104	183,975
<b>TOTAL LIABILITIES</b>	<b>11,105,099</b>	<b>269,117</b>	<b>671,960</b>	<b>12,046,176</b>
<b>FUND BALANCE</b>				
Reserved for:				
TABOR (emergencies)	3,000,000	-	-	3,000,000
Debt Service	9,482,399	9,138,708	-	18,621,107
Capital Purposes	-	-	5,233,339	5,233,339
Risk Management	89,982	-	-	89,982
Preschool	151,605	-	-	151,605
Unreserved, Reported in General Fund	9,432,871	-	-	9,432,871
<b>TOTAL FUND BALANCE</b>	<b>22,156,857</b>	<b>9,138,708</b>	<b>5,233,339</b>	<b>36,528,904</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 33,261,956</b>	<b>\$ 9,407,825</b>	<b>\$ 5,905,299</b>	<b>\$ 48,575,080</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, 2009

<b>Total fund balances--governmental funds</b>	<b>\$ 36,528,904</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.	172,400,151
Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the governmental funds.	1,097,313
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.	(488,827)
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	\$ (52,160,356)
Certificates of Participation Payable	(91,580,465)
Capital leases payable	(4,679,865)
Debt issuance costs	1,876,865
Compensated absences	<u>(665,820)</u>
	(147,209,641)
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	<u>791,186</u>
<b>Total net assets--governmental activities</b>	<b><u><u>\$ 63,119,086</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, 2009

	General	Bond Redemption	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 25,527,726	\$ 7,291,475	\$ -	\$ 32,819,201
Intergovernmental	70,861,020	-	3,641,003	74,502,023
Interest	298,280	58,376	145,331	501,987
Other	2,277,094	-	317,586	2,594,680
Total Revenues	<u>98,964,120</u>	<u>7,349,851</u>	<u>4,103,920</u>	<u>110,417,891</u>
<b>EXPENDITURES</b>				
Current				
Instruction	46,375,497	-	2,055,446	48,430,943
Student Support	4,322,138	-	427,244	4,749,382
Instructional Staff	5,598,066	-	971,291	6,569,357
General Administration	864,452	-	-	864,452
School Administration	4,566,119	-	-	4,566,119
Business Services	990,098	-	-	990,098
Operations and Maintenance	9,095,707	-	179,552	9,275,259
Student Transportaion	3,393,178	-	-	3,393,178
Central Support	4,008,529	-	7,470	4,015,999
Other Support	56,796	-	-	56,796
Capital Outlay	658,962	-	6,044,327	6,703,289
Charter Schools	10,317,341	-	-	10,317,341
Debt Service				
Principal Retirement	1,495,000	2,520,000	1,147,490	5,162,490
Interest and Fiscal Charges	5,566,546	3,756,634	399,508	9,722,688
Total Expenditures	<u>97,308,429</u>	<u>6,276,634</u>	<u>11,232,328</u>	<u>114,817,391</u>
Excess of Revenues Over (Under) Expenditures	<u>1,655,691</u>	<u>1,073,217</u>	<u>(7,128,408)</u>	<u>(4,399,500)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	2,715,782	2,715,782
Transfers Out	(2,715,782)	-	-	(2,715,782)
Total Other Financing Sources (Uses)	<u>(2,715,782)</u>	<u>-</u>	<u>2,715,782</u>	<u>-</u>
Net Change in Fund Balances	(1,060,091)	1,073,217	(4,412,626)	(4,399,500)
Fund Balances, July 1	<u>23,216,948</u>	<u>8,065,491</u>	<u>9,645,965</u>	<u>40,928,404</u>
Fund Balances, June 30	<u>\$ 22,156,857</u>	<u>\$ 9,138,708</u>	<u>\$ 5,233,339</u>	<u>\$ 36,528,904</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, 2009

**Total net change in fund balances--governmental funds** \$ (4,399,500)

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	\$ 5,273,729	
Depreciation expense	<u>(6,193,771)</u>	(920,042)

Revenues that do not provide current financial resources are deferred in the governmental funds. This amount represents the change in deferred property taxes. 178,338

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	\$ 2,520,000	
GO Bond Registered Coupons payment	1,375,000	
Certificates of Participation principal payment	1,495,000	
Capital Lease principal payment	<u>1,147,490</u>	6,537,490

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. 37,122

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, refunding loss, and accreted interest. (465,514)

In the statement of activities, certain operating expenses -- compensated absences (sick leave) -- 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. 35,784

An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net assets of the internal service fund is reported with governmental activities in the statement of activities.

791,186

**Change in net assets of governmental activities** \$ 1,794,864

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

FALCON SCHOOL DISTRICT 49  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business Type Activities <u>Enterprise</u> Food Services	Governmental Activities <u>Internal Service</u> Health Insurance
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 886,448	\$ 1,895,870
Inventories	<u>190,339</u>	<u>-</u>
Total Current Assets	1,076,787	1,895,870
Noncurrent Assets		
Capital Assets, net of Accumulated Depreciation	<u>420,224</u>	<u>-</u>
Total Assets	<u>1,497,011</u>	<u>1,895,870</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	9,357	170,486
Accrued Salaries and Benefits Payable	82,834	-
Deferred Revenue	<u>46,310</u>	<u>412,750</u>
Total Current Liabilities	138,501	583,236
Noncurrent Liabilities		
Claims Payable	-	521,448
Compensated Absences Payable	<u>75,786</u>	<u>-</u>
Total Noncurrent Liabilities	75,786	521,448
Total Liabilities	<u>214,287</u>	<u>1,104,684</u>
<b>NET ASSETS</b>		
Invested in capital assets	420,224	-
Unrestricted	<u>862,500</u>	<u>791,186</u>
Total Net Assets	<u>\$ 1,282,724</u>	<u>\$ 791,186</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 FUNDS  
For the Year Ended June 30, 2009

	Business Type Activities	Governmental Activities
	Enterprise	Internal Service
	Food Services	Health Insurance
OPERATING REVENUES		
Charges for Services	\$ 1,955,016	\$ -
Premiums and Services	-	7,516,407
Total Operating Revenues	<u>1,955,016</u>	<u>7,516,407</u>
OPERATING EXPENSES		
Salaries	975,480	-
Employee Benefits	216,084	-
Purchased Services	154,165	6,737,054
Purchased Food	1,635,519	-
Other	136,887	-
Depreciation	72,683	-
Total Operating Expenses	<u>3,190,818</u>	<u>6,737,054</u>
OPERATING INCOME (LOSS)	<u>(1,235,802)</u>	<u>779,353</u>
NON-OPERATING REVENUES		
School Lunch and Breakfast Grants	877,371	-
Donated Commodities	173,118	-
State Grants	47,168	-
Interest	36,784	11,833
Total Non-Operating Revenues	<u>1,134,441</u>	<u>11,833</u>
Change in Net Assets	(101,361)	791,186
Net Assets, July 1	<u>1,384,085</u>	<u>-</u>
Net Assets, June 30	<u>\$ 1,282,724</u>	<u>\$ 791,186</u>

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

FALCON SCHOOL DISTRICT 49  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2009

	Business Type Activities <u>Enterprise</u> Food Services	Governmental Activities <u>Internal Service</u> Health Insurance
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 2,001,326	\$ 7,929,157
Payments for Premiums and Claims	-	(6,045,120)
Payments to Suppliers	(1,838,347)	-
Payments to Employees	(1,161,474)	-
Net Cash Provided (Used) by Operating Activities	<u>(998,495)</u>	<u>1,884,037</u>
Cash Flows from Non-capital Financing Activities		
Federal Reimbursements	939,686	-
State Reimbursements	47,344	-
Net Cash Provided by Non-Capital Financing Activities	<u>987,030</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Equipment	(86,091)	-
Net Cash Used by Capital and Related Financing Activities	<u>(86,091)</u>	<u>-</u>
Cash Flows from Investing Activities		
Interest Earned	36,784	11,833
Net Change in Cash and Cash Equivalents	(60,772)	1,895,870
Cash and Cash Equivalents, July 1	947,220	-
Cash and Cash Equivalents, June 30	<u>\$ 886,448</u>	<u>\$ 1,895,870</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (1,235,802)	\$ 779,353
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	72,683	-
Donated Commodities	173,118	-
Change in Inventories	(90,198)	-
Change in Accounts Payable	5,304	170,486
Change in Accrued Salaries and Benefits Payable	6,806	-
Change in Deferred Revenue	46,310	412,750
Change in Claims Payable	-	521,448
Change in Compensated Absences Payable	23,284	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (998,495)</u>	<u>\$ 1,884,037</u>
Non-cash Activities		
Donated Commodities	<u>\$ 173,118</u>	<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, 2009

	<u>Trust</u> <u>Scholarship</u>	<u>Agency</u> <u>Pupil Activity</u>
ASSETS		
Cash and Investments	\$ 10,555	\$ 893,153
Total Assets	<u>10,555</u>	<u>893,153</u>
LIABILITIES		
Due to Student Organizations	<u>-</u>	<u>893,153</u>
Total Liabilities	<u>-</u>	<u>893,153</u>
NET ASSETS		
Held in Trust for Scholarship Recipients	<u>10,555</u>	<u>-</u>
Total Net Assets	<u><u>\$ 10,555</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, 2009

	<u>Scholarship</u>
ADDITIONS	
Fundraising Activities	<u>\$          434</u>
DEDUCTIONS	
Scholarships Awarded	<u>          2,500</u>
Change in Net Assets	(2,066)
Net Assets, July 1	<u>         12,621</u>
Net Assets, June 30	<u><u>         \$     10,555</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, 2009**

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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 13,616 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, and The Imagine Classical Academy. The four 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 is such that exclusion would cause the District's financial statements to be incomplete. 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, 2009**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**A. Reporting Entity** (Continued)

Pikes Pike School of Expeditionary Learning  
11925 Antlers Ridge Drive  
Falcon, 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

The Imagine Classical Academy  
6464 Peterson Road  
Colorado Springs, Colorado 80923

**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, 2009**

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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, except for grants which have a longer period of availability. 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, 2009**

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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.

In the fund financial statements, the District reports the following non-major enterprise fund.

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

In addition, the District reports the following fund types:

Health Insurance Fund – an internal service fund that accounts for the self-insured health plan the District provides to employees.

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, 2009**

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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, 2009**

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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>
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.

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 and Certificates of Participation are serviced from revenues of the General Fund and Capital Reserve Fund. The long-term accumulated unpaid compensated absences are serviced from revenues primarily of the General Fund.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 1:     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize the face amount of debt issued 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. Upon termination of employment from the District, an employee will be compensated for all accrued vacation time at their current rate of pay.

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

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 1:     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Personal Leave (Continued)

The District has recorded a liability for unpaid compensated absences owed to retired teachers in the accompanying financial statements of the General Fund for those amounts that are 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

Property taxes attach as an enforceable lien on property on January 1. 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. For example, property taxes paid in calendar 2009 were certified in December 2008 and were available for collection on January 1, 2009.

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.

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.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2009, the District had the following cash and investments:

Cash on Hand	\$ 740
Deposits	1,592,180
Investments	<u>47,767,309</u>
Total	<b><u>\$ 49,360,229</u></b>

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

General Cash and Investments	\$ 35,047,675
Restricted Cash and Investments	13,408,846
Fiduciary Funds	<u>903,708</u>
Total	<b><u>\$ 49,360,229</u></b>

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all local government entities 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, 2009, the District had bank deposits of \$1,632,921, collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

At June 30, 2009, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Market Value</b>
Local Government Investment Pool COLOTRUST	N/A	\$ 28,875,059
JP Morgan U.S. Government Money Market Fund	N/A	5,950,010
Federated Gov't Obligation Money Market Fund	N/A	5,934,299
UMB Bank Prime Money Market Fund	N/A	4,322,263
HSBC Financial Corp. Commercial Paper	12/01/09	1,950,535
GE Capital Commercial Paper	12/01/09	<u>735,143</u>
Total		<b><u>\$ 47,767,309</u></b>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 2: CASH AND INVESTMENTS** (Continued)

Investments (Continued)

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

The District has invested \$28,875,059 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 Colorado Division of Securities 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. 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. State statutes generally limit other investments to original maturities of five 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, 2009, the District's investment in HSBC Financial Corp. Commercial Paper was rated A-1 by Standard & Poor's and P1 by Moody's Investors. At June 30, 2009, the District's investment in GE Capital Commercial Paper was rated A-1+ by Standard & Poor's and P1 by Moody's Investors.

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, 2009, the District's investment in the JP Morgan U.S. Government Money Market Fund, the Federated Government Obligation Money Market Fund, and the UMB Bank Prime Money Market Fund were rated AAAm by Standard & Poor's.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

Restricted Cash and Investments

Cash and investments of \$13,408,846, representing unspent bond proceeds of \$4,201,291 and mill levy override funds of \$9,207,555, have been restricted for equipment, building improvements and debt service in the General and Building Funds.

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balances 6/30/08	Additions	Deletions	Balances 6/30/09
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 15,765,500	\$ -	\$ -	\$ 15,765,500
Construction in process	31,550,479	-	31,550,479	-
Total capital assets not being depreciated	47,315,979	-	31,550,479	15,765,500
Capital assets being depreciated:				
Buildings and improvements	146,298,260	34,058,201	-	180,356,461
Equipment	10,046,979	2,766,007	-	12,812,986
Total capital assets being depreciated	156,345,239	36,824,208	-	193,169,447
Less accumulated depreciation for:				
Buildings and improvements	25,362,583	4,820,457	-	30,183,040
Equipment	4,978,442	1,373,314	-	6,351,756
Total accumulated depreciation	30,341,025	6,193,771	-	36,534,796
Total capital assets being depreciated, net	126,004,214	30,630,437	-	156,634,651
Governmental Activities capital assets, net	<b>\$ 173,320,193</b>	<b>\$ 30,630,437</b>	<b>\$ 31,550,479</b>	<b>\$172,400,151</b>
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Equipment	\$ 956,916	\$ 86,091	\$ -	\$ 1,043,007
Less accumulated depreciation for:				
Equipment	550,100	72,683	-	622,783
Business-type Activities capital assets, net	<b>\$ 406,816</b>	<b>\$ 13,408</b>	<b>\$ -</b>	<b>\$ 420,224</b>



**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 3: CAPITAL ASSETS** (Continued)

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

Governmental Activities:

Instruction	\$ 5,884,613
General Administration	158,785
Operation and Maintenance	27,510
Student Transportation	121,603
Business	1,260
	<hr/>
Total Depreciation Expense – Governmental Activities	<u><u>\$ 6,193,771</u></u>

Business – Type Activities:

Food Services	<u><u>\$ 72,683</u></u>
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**NOTE 4: INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS**

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Grants	General	<u><u>\$ 153,837</u></u>

Interfund Receivables and Payables

During the year, the General Fund covered operating expenditures for the Grants Fund. The interfund 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 \$298 per funded pupil out of the general program for insurance and capital expenditures. During the year ended June 30, 2009, the General Fund transferred \$2,715,782 to the Capital Reserve Fund to partially comply with this statute.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 5: LONG TERM LIABILITIES**

Long-term debt activity for the year ended June 30, 2009 was as follows:

	Balances 06/30/08	Additions	Deletions	Balances 06/30/09	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 53,150,000	\$ -	\$ 2,520,000	\$ 50,630,000	\$ 2,695,000
Registered Coupons	3,717,316	-	1,069,990	2,647,326	1,069,996
Accreted Interest	691,848	242,877	305,010	629,715	360,004
Bond Premiums	1,978,327	-	184,617	1,793,710	-
Loss on Refunding	(3,902,782)	-	(362,387)	(3,540,395)	-
 Total	 55,634,709	 242,877	 3,717,230	 52,160,356	 4,125,000
 Certificates of Participation	 90,960,000	 -	 1,495,000	 89,465,000	 1,630,000
COP Premium	2,226,291	-	110,826	2,115,465	-
Capital Lease Obligations	5,827,355	-	1,147,490	4,679,865	1,116,107
Compensated Absences	701,604	-	35,784	665,820	-
Claims Payable	-	521,448	-	521,448	-
 Total Governmental Activities	 <b>\$ 155,349,959</b>	 <b>\$ 764,325</b>	 <b>\$ 6,506,330</b>	 <b>\$ 149,607,954</b>	 <b>\$ 6,871,107</b>
 <b>Business-type Activities</b>					
Compensated Absences	\$ 52,502	\$ 23,284	\$ -	\$ 75,786	\$ -

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 5: LONG TERM LIABILITIES (Continued)**

\$12,675,000, 2006B General Obligation Refunding Bonds interest due semi-annually with rates ranging from 4.0% to 5.0%, principal due annually through 2018 in payments of \$400,000 to \$1,820,000. \$ 12,675,000

\$23,315,000, 2006 General Obligation Refunding Bonds interest due semi-annually with rates ranging from 3.55% to 5.0%, principal due annually through 2021 in payments of \$1,800,000 to \$2,855,000. 23,315,000

\$10,660,000, 2002 General Obligation Refunding Bonds interest due semi-annually with rates ranging from 2.40% to 5.0%, principal due annually through 2015 in payments of \$10,000 to \$1,795,000. 10,630,000

\$28,000,000, 2002 General Obligation Bonds interest due semi-annually with rates ranging from 3.50% to 5.75%, principal due annually through 2021 in payments of \$5,000 to \$2,920,000. 3,210,000

\$15,700,000, 1999 General Obligation Refunding and Improvement Bonds interest due semi-annually with rates ranging from 3.25% to 6.0%, principal due annually through 2018 in payments of \$25,000 to \$1,840,000. 800,000

Total general obligation bonded debt \$ 50,630,000

\$1,387,217 registered coupons, in conjunction with Series 2006B G.O. Refunding Bonds, yielding between 3.65% to 3.8% due annually through 2010 in amounts of \$165,000 to \$705,000. \$ 751,763

\$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 \$125,000 to \$475,000. 426,444

\$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 \$145,000 to \$350,000. 268,023

\$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. 1,201,096

Total registered coupons 2,647,326

Accrued interest on registered coupons 629,715

Total \$ 53,907,041

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**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
2010	\$ 2,695,000	\$ 2,240,818	\$ 4,935,818
2011	2,850,000	2,119,806	4,969,806
2012	4,000,000	1,969,906	5,969,906
2013	4,655,000	1,778,706	6,433,706
2014	5,050,000	1,568,681	6,618,681
2015 - 2019	23,195,000	4,559,797	27,754,797
2020 - 2022	8,185,000	618,863	8,803,863
Total	<b>\$ 50,630,000</b>	<b>\$ 14,856,577</b>	<b>\$ 65,486,577</b>

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.

In August 2007, the District issued \$39,725,000 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 4.00% 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
2010	\$ 1,630,000	\$ 4,332,044	\$ 5,962,044
2011	1,745,000	4,261,262	6,006,262
2012	1,875,000	4,184,337	6,059,337
2013	2,045,000	4,101,037	6,146,037
2014	2,225,000	4,005,574	6,230,574
2015 - 2019	14,295,000	18,236,581	32,531,581
2020 - 2024	20,935,000	13,935,345	34,870,345
2025 - 2029	29,755,000	7,626,491	37,381,491
2030 - 2031	14,960,000	735,325	15,695,325
Total	<b>\$ 89,465,000</b>	<b>\$ 61,417,996</b>	<b>\$ 150,882,996</b>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 5: LONG TERM LIABILITIES** (Continued)

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 8.5%. Capital assets of \$10,148,147 have been capitalized under these leases.

Capital lease obligations at June 30, 2009, are comprised of the following:

	Balances 06/30/08	Additions	Deletions	Balances 06/30/09	Principal Due Within One Year
2006 Modular Lease (\$1,199,071)	\$ 812,657	\$ -	\$ 119,926	\$ 692,731	\$ 125,743
2006 Equipment Lease (\$933,000)	87,016	-	87,016	-	-
2004 Equipment Leases (\$1,764,134)	795,969	-	191,626	604,343	200,077
2002 Equipment Lease (\$734,942)	336,857	-	78,242	258,615	82,095
2002 Land and Modular Leases (4,500,000)	2,706,610	-	327,317	2,379,293	344,726
2000 Modular Lease (\$2,011,857)	1,088,246	-	343,363	744,883	363,466
Total	<b>\$ 5,827,355</b>	<b>\$ -</b>	<b>\$ 1,147,490</b>	<b>\$ 4,679,865</b>	<b>\$ 1,116,107</b>

Future debt service requirements for the capital lease agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	647,247	86,057	733,304
2014	379,958	53,634	433,592
2015 – 2017	655,096	64,394	719,490
Total	<b>\$ 4,679,865</b>	<b>\$ 750,173</b>	<b>\$ 5,430,038</b>

Defeased Debt

In 2006, the District defeased \$35,880,000 of the General Obligation Bonds, Series 1999A, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The outstanding balance of all defeased debt at June 30, 2009 was \$35,880,000.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 6: DEFINED BENEFIT PENSION PLAN**

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

PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 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%. The School's contribution rate for calendar years 2007, 2008 and 2009 was 11.15%, 12.05% and 12.95% of covered payroll, respectively. A portion of the District's contribution (1.02% of covered payroll) is allocated for the Health Care Trust Fund (See Note 7). The District's contributions to the SDTF for the years ending June 30, 2009, 2008 and 2007 were \$6,842,323, \$5,538,988 and \$4,585,471, 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 Colorado PERA 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 payroll 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, 2009, 2008 and 2007 were \$558,246, \$489,754 and \$428,994, respectively, equal to their required contributions.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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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; injuries to employees; natural disasters; errors or omissions; or acts of God. The District accounts for and finances its risk activities in the General and Health Insurance Internal Service Funds.

The District purchases commercial insurance for property, liability, and workers compensation risks of loss. Under the District's employee health plan, the District provides coverage for up to a maximum of \$250,000 per employee for each calendar year.

Claims liabilities are reported in the government-wide financial statements and the internal service fund if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in claims payable for the employee health plan were as follows:

Claims Payable, June 30, 2008	\$ -
Claims Incurred and Adjustments	6,737,054
Payments	<u>(6,215,606)</u>
Net Claims Payable at June 30, 2009	<u><b>\$ 521,448</b></u>

**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, 2009, 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.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 9: COMMITMENTS AND CONTINGENCIES** (Continued)

TABOR Amendment (Continued)

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.

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, 2009, the District reserved \$3,000,000 in the General Fund for this purpose.

Litigation

The District was involved in litigation related to a construction project. On December 24, 2009, the court ruled that the District is required to pay \$117,872 to the construction contractor.

**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.



**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 10: FORWARD AND DELIVERY INVESTMENT AGREEMENT** (Continued)

The amount received under this agreement is being amortized over the term of the agreement for GAAP purposes, rather than in full in the fiscal 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 balance treated as deferred revenue as of and for the year ended June 30, 2009:

	<u>Revenue Recognized</u>	<u>Balance (Deferred Revenue)</u>
Fiscal Year Ending June 30, 2009	\$ 88,573	\$ 620,000

## **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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
<u>Local Sources:</u>				
Property Taxes	\$ 22,724,318	\$ 22,497,474	\$ 22,393,168	\$ (104,306)
Specific Ownership Taxes	3,040,000	3,097,017	3,115,704	18,687
Earnings on Investments	820,000	820,000	298,280	(521,720)
Delinquent Taxes and Interest	-	-	18,854	18,854
Tuition	623,272	623,272	621,648	(1,624)
Other	1,419,874	1,419,874	1,655,446	235,572
<u>State Sources:</u>				
Equalization	63,515,516	67,337,778	66,905,895	(431,883)
Transportation	742,152	742,152	693,916	(48,236)
Vocational Education	200,000	200,000	221,117	21,117
Special Education	1,606,224	1,606,224	1,942,963	336,739
ELPA	16,000	16,000	31,471	15,471
Gifted and Talented	108,970	108,970	114,784	5,814
ROTC	-	-	116,290	116,290
<u>Federal Sources:</u>				
Impact Aid	350,000	350,000	834,584	484,584
Other	100,000	100,000	-	(100,000)
Total Revenues	95,266,326	98,918,761	98,964,120	45,359
EXPENDITURES				
<u>Instructional</u>	45,587,815	46,892,310	46,375,497	516,813
<u>Support Services</u>				
Student Support	4,275,939	4,563,228	4,322,138	241,090
Instructional Staff	5,229,593	5,417,575	5,598,066	(180,491)
General Administration	785,773	776,373	864,452	(88,079)
School Administration	4,778,309	4,778,309	4,566,119	212,190
Business Services	952,436	988,236	990,098	(1,862)
Operations and Maintenance	9,317,762	9,521,061	9,095,707	425,354
Student Transportation	3,342,276	3,337,876	3,393,178	(55,302)
Central Support	4,449,318	4,423,851	4,008,529	415,322
Other Support	6,000	6,000	56,796	(50,796)
Facilities Acquisition/Construction	1,112,103	467,103	658,962	(191,859)
Charter Schools	8,056,036	10,312,897	10,317,341	(4,444)
Debt Service				
Principal Retirement	1,495,000	1,495,000	1,495,000	-
Interest and Fiscal Charges	4,411,100	4,411,100	5,566,546	(1,155,446)
Total Support Services	48,211,645	50,498,609	50,932,932	(434,323)
Reserves	4,564,865	3,998,828	-	3,998,828
Total Expenditures	98,364,325	101,389,747	97,308,429	4,081,318
Revenues Over Expenditures	(3,097,999)	(2,470,986)	1,655,691	4,126,677
Other Financing Sources (Uses)				
Transfers Out	(3,071,229)	(3,105,782)	(2,715,782)	390,000
Total Other Financing Sources (Uses)	(3,071,229)	(3,105,782)	(2,715,782)	390,000
Net Change in Fund Balance	(6,169,228)	(5,576,768)	(1,060,091)	4,516,677
Fund Balance, July 1	26,495,020	23,056,149	23,216,948	160,799
Fund Balance, June 30	\$ 20,325,792	\$ 17,479,381	\$ 22,156,857	\$ 4,677,476

See the accompanying Independent Auditors' Report.

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2009**

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

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles, except the enterprise fund, which budgets on a non-GAAP basis for accounting purposes. Capital outlay is budgeted as an expenditure while depreciation is not.

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

- Prior to June 1, management 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.
- Public notices are released to obtain taxpayer comments.
- Prior to June 30, the budget is legally enacted through passage of a resolution.
- 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.

All appropriations lapse at the end of each fiscal year.

Legal Compliance

For the year ended June 30, 2009, the Grants Fund and Scholarship Fund expenditures exceeded the budgeted amounts by \$141,003 and \$1,500, respectively. These may be violations of State statute.

## **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.

Grants Fund – This fund is used to account for revenues and expenditures of specific local, state, and federal grant awards.

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.

### **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.

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

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

FALCON SCHOOL DISTRICT 49  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue		Capital Projects		Total Nonmajor
	Grants	Capital Reserve	Capital Reserve	Building	Governmental
					Funds
<b>ASSETS</b>					
Cash and Investments	\$ 191,121	\$ 643,659	\$ 501,036	\$ -	\$ 1,335,816
Restricted Cash and Investments	-	-	-	4,201,291	4,201,291
Accounts Receivable	368,192	-	-	-	368,192
TOTAL ASSETS	<u>\$ 559,313</u>	<u>\$ 643,659</u>	<u>\$ 501,036</u>	<u>\$ 4,201,291</u>	<u>\$ 5,905,299</u>
<b>LIABILITIES &amp; FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 52,653	\$ 4,561	\$ 21,982	\$ 86,104	\$ 165,300
Accrued Salaries and Benefits	222,719	-	-	-	222,719
Interfund Payable	153,837	-	-	-	153,837
Deferred Revenue	130,104	-	-	-	130,104
TOTAL LIABILITIES	<u>559,313</u>	<u>4,561</u>	<u>21,982</u>	<u>86,104</u>	<u>671,960</u>
<b>FUND BALANCE</b>					
Reserved for Capital Purposes	-	639,098	479,054	4,115,187	5,233,339
Total Reserved Fund Balance	<u>-</u>	<u>639,098</u>	<u>479,054</u>	<u>4,115,187</u>	<u>5,233,339</u>
TOTAL FUND BALANCE	<u>-</u>	<u>639,098</u>	<u>479,054</u>	<u>4,115,187</u>	<u>5,233,339</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 559,313</u>	<u>\$ 643,659</u>	<u>\$ 501,036</u>	<u>\$ 4,201,291</u>	<u>\$ 5,905,299</u>

See the accompanying Independent Auditors' Report.



FALCON SCHOOL DISTRICT 49  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Grants	Capital Reserve	Capital Reserve	Building	
<b>REVENUES</b>					
Intergovernmental	\$ 3,641,003	\$ -	\$ -	\$ -	\$ 3,641,003
Interest	-	-	-	145,331	145,331
Other	-	78,988	61,420	177,178	317,586
Total Revenues	<u>3,641,003</u>	<u>78,988</u>	<u>61,420</u>	<u>322,509</u>	<u>4,103,920</u>
<b>EXPENDITURES</b>					
Current					
Instruction	2,055,446	-	-	-	2,055,446
Student Support	427,244	-	-	-	427,244
Instructional Staff	971,291	-	-	-	971,291
Operations and Maintenance	179,552	-	-	-	179,552
Central Support	7,470	-	-	-	7,470
Capital Outlay	-	959,634	142,730	4,941,963	6,044,327
Debt Service					
Principal Retirements	-	1,147,490	-	-	1,147,490
Interest and Fiscal Charges	-	399,508	-	-	399,508
Total Expenditures	<u>3,641,003</u>	<u>2,506,632</u>	<u>142,730</u>	<u>4,941,963</u>	<u>11,232,328</u>
Excess of Revenues Over (Under) Expenditures	-	(2,427,644)	(81,310)	(4,619,454)	(7,128,408)
<b>OTHER FINANCING SOURCES</b>					
Transfers In	-	2,715,782	-	-	2,715,782
Net Change in Fund Balance	-	288,138	(81,310)	(4,619,454)	(4,412,626)
Fund Balance, July 1	-	350,960	560,364	8,734,641	9,645,965
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 639,098</u>	<u>\$ 479,054</u>	<u>\$ 4,115,187</u>	<u>\$ 5,233,339</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, 2009

	Original And Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Local Sources	\$ -	\$ 176,348	\$ 176,348
State Sources	-	456,345	456,345
Federal Sources	3,500,000	3,008,310	(491,690)
Total Revenues	<u>3,500,000</u>	<u>3,641,003</u>	<u>141,003</u>
EXPENDITURES			
Salaries	1,090,000	1,622,359	(532,359)
Benefits	250,000	343,911	(93,911)
Purchased Services	1,250,000	1,134,225	115,775
Supplies	600,000	345,545	254,455
Property and Equipment	300,000	153,527	146,473
Other	10,000	41,436	(31,436)
Total Expenditures	<u>3,500,000</u>	<u>3,641,003</u>	<u>(141,003)</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Other	\$ 62,000	\$ 62,000	\$ 78,988	\$ 16,988
EXPENDITURES				
Capital Outlay				
Buildings	1,175,200	1,175,200	959,634	215,566
Debt service				
Principal Retirements	1,596,845	1,596,845	1,147,490	449,355
Interest and Fiscal Charges	-	-	399,508	(399,508)
Total Expenditures	<u>2,772,045</u>	<u>2,772,045</u>	<u>2,506,632</u>	<u>265,413</u>
Excess of Revenues Over (Under) Expenditures	(2,710,045)	(2,710,045)	(2,427,644)	282,401
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>2,671,229</u>	<u>2,715,782</u>	<u>2,715,782</u>	<u>-</u>
Net Change in Fund Balance	(38,816)	5,737	288,138	282,401
Fund Balance, July 1	<u>331,614</u>	<u>350,959</u>	<u>350,960</u>	<u>1</u>
Fund Balance, June 30	<u>\$ 292,798</u>	<u>\$ 356,696</u>	<u>\$ 639,098</u>	<u>\$ 282,402</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  
BOND REDEMPTION FUND  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Property Taxes	\$ 6,272,104	\$ 7,213,738	\$ 7,291,475	\$ 77,737
Interest	150,000	150,000	58,376	(91,624)
Total Revenues	<u>6,422,104</u>	<u>7,363,738</u>	<u>7,349,851</u>	<u>(13,887)</u>
EXPENDITURES				
Debt Service				
Principal Retirement	3,520,000	4,520,000	2,520,000	2,000,000
Interest and Fiscal Charges	3,751,833	3,751,833	3,756,634	(4,801)
Total Expenditures	<u>7,271,833</u>	<u>8,271,833</u>	<u>6,276,634</u>	<u>1,995,199</u>
Net Change in Fund Balance	(849,729)	(908,095)	1,073,217	1,981,312
Fund Balance, July 1	<u>6,410,625</u>	<u>6,410,625</u>	<u>8,065,491</u>	<u>1,654,866</u>
Fund Balance, June 30	<u>\$ 5,560,896</u>	<u>\$ 5,502,530</u>	<u>\$ 9,138,708</u>	<u>\$ 3,636,178</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Fees in Lieu of Land	\$ 50,000	\$ 50,000	\$ 61,420	\$ 11,420
EXPENDITURES				
Capital Outlay	400,000	400,000	142,730	257,270
Net Change in Fund Balance	(350,000)	(350,000)	(81,310)	268,690
Fund Balance, July 1	609,578	560,364	560,364	-
Fund Balance, June 30	<u>\$ 259,578</u>	<u>\$ 210,364</u>	<u>\$ 479,054</u>	<u>\$ 268,690</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Interest	\$ 200,000	\$ 200,000	\$ 145,331	\$ (54,669)
Other	177,178	177,178	177,178	-
Total Revenues	<u>377,178</u>	<u>377,178</u>	<u>322,509</u>	<u>(54,669)</u>
EXPENDITURES				
Capital Outlay				
Buildings	7,722,416	7,722,416	4,941,963	2,780,453
Contingency	500,000	500,000	-	500,000
Total Expenditures	<u>8,222,416</u>	<u>8,222,416</u>	<u>4,941,963</u>	<u>3,280,453</u>
Net Change in Fund Balance	(7,845,238)	(7,845,238)	(4,619,454)	3,225,784
Fund Balance, July 1	<u>7,845,238</u>	<u>8,734,640</u>	<u>8,734,641</u>	<u>1</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 889,402</u>	<u>\$ 4,115,187</u>	<u>\$ 3,225,785</u>

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
OPERATING REVENUES				
Local Sources				
Charges for Services	\$ 2,017,815	\$ 2,017,815	\$ 1,955,016	\$ (62,799)
Total Operating Revenues	<u>2,017,815</u>	<u>2,017,815</u>	<u>1,955,016</u>	<u>(62,799)</u>
OPERATING EXPENSES				
Salaries	819,735	819,735	975,480	(155,745)
Employee Benefits	179,777	179,777	216,084	(36,307)
Purchased Services	116,000	116,000	154,165	(38,165)
Purchased Food	1,500,000	1,500,000	1,635,519	(135,519)
Other	138,750	138,750	136,887	1,863
Indirect Costs	25,000	25,000	-	25,000
Equipment Replacement	32,000	32,000	86,091	(54,091)
Depreciation	76,215	76,215	72,683	3,532
Contingency	586,416	586,416	-	586,416
Total Operating Expenses	<u>3,473,893</u>	<u>3,473,893</u>	<u>3,276,909</u>	<u>196,984</u>
Operating Income (Loss)	<u>(1,456,078)</u>	<u>(1,456,078)</u>	<u>(1,321,893)</u>	<u>134,185</u>
NON-OPERATING REVENUES				
Federal Sources				
School Lunch and Breakfast Grants	682,645	682,645	877,371	194,726
Donated Commodities	130,064	130,064	173,118	43,054
State Grants	50,000	50,000	47,168	(2,832)
Interest	-	-	36,784	36,784
Total Non-operating Revenues	<u>862,709</u>	<u>862,709</u>	<u>1,134,441</u>	<u>234,948</u>
Change in Net Assets, Budgetary Basis	(593,369)	(593,369)	(187,452)	405,917
ADJUSTMENTS TO GAAP BASIS				
Equipment Replacement	<u>32,000</u>	<u>32,000</u>	<u>86,091</u>	<u>54,091</u>
Change in Net Assets, GAAP Basis	(561,369)	(561,369)	(101,361)	460,008
Net Assets, July 1	<u>800,214</u>	<u>1,344,791</u>	<u>1,384,085</u>	<u>39,294</u>
Net Assets, June 30	<u>\$ 238,845</u>	<u>\$ 783,422</u>	<u>\$ 1,282,724</u>	<u>\$ 499,302</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  
HEALTH INSURANCE FUND  
For the Year Ended June 30, 2009

	Original And Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Premiums and Services	\$ 7,150,000	\$ 7,516,407	\$ 366,407
Interest	100,000	11,833	(88,167)
Total Revenues	<u>7,250,000</u>	<u>7,528,240</u>	<u>278,240</u>
EXPENSES			
Purchased Services	6,500,000	6,737,054	(237,054)
Contingency	750,000	-	750,000
Total Expenses	<u>7,250,000</u>	<u>6,737,054</u>	<u>512,946</u>
Change in Net Assets	-	791,186	791,186
Net Assets, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, June 30	<u>\$ -</u>	<u>\$ 791,186</u>	<u>\$ 791,186</u>

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS				
Fundraising Activities	\$ 388	\$ 388	\$ 434	\$ 46
DEDUCTIONS				
Scholarships Awarded	1,000	1,000	2,500	(1,500)
Change in Net Assets	(612)	(612)	(2,066)	(1,454)
Net Assets, July 1	1,553	12,621	12,621	-
Net Assets, June 30	<u>\$ 941</u>	<u>\$ 12,009</u>	<u>\$ 10,555</u>	<u>\$ (1,454)</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, 2009

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
ASSETS				
Cash and Investments	\$ 855,873	\$ 2,901,009	\$ 2,863,729	\$ 893,153
TOTAL ASSETS	<u>\$ 855,873</u>	<u>\$ 2,901,009</u>	<u>\$ 2,863,729</u>	<u>\$ 893,153</u>
LIABILITIES				
Due to Student Organizations	\$ 855,873	\$ 2,901,009	\$ 2,863,729	\$ 893,153
TOTAL LIABILITIES	<u>\$ 855,873</u>	<u>\$ 2,901,009</u>	<u>\$ 2,863,729</u>	<u>\$ 893,153</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS				
Pupil Activities	\$ 4,415,000	\$ 4,415,000	\$ 2,901,009	\$ (1,513,991)
DEDUCTIONS				
Pupil Activities	4,415,000	4,415,000	2,863,729	1,551,271
Change in Due to Student Organizations	-	-	37,280	37,280
Due to Student Organizations, July 1	971,201	855,872	855,873	1
Due to Student Organizations, June 30	<u>\$ 971,201</u>	<u>\$ 855,872</u>	<u>\$ 893,153</u>	<u>\$ 37,281</u>

See the accompanying Independent Auditors' Report.

FALCON SHOOOL DISTRICT 49  
 COMPONENT UNITS  
 COMBINING STATEMENT OF NET ASSETS  
 June 30, 2009

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
<b>ASSETS</b>					
Cash and Investments	\$ 229,374	\$ 585,469	\$ 190,640	\$ 200,536	\$ 1,206,019
Restricted Cash and Investments	767,684	831,459	-	-	1,599,143
Receivables	44,047	32,855	-	43,204	120,106
Prepaid Expenses	-	19,578	-	-	19,578
Deposits	-	-	17,000	-	17,000
Debt Issuance Costs	275,974	219,309	68,339	-	563,622
Capital Assets Not Being Depreciated	439,875	-	-	-	439,875
Capital Assets Being Depreciated, Net	5,138,731	6,365,134	2,874,124	-	14,377,989
TOTAL ASSETS	<u>6,895,685</u>	<u>8,053,804</u>	<u>3,150,103</u>	<u>243,740</u>	<u>18,343,332</u>
<b>LIABILITIES</b>					
Accounts Payable and Other Current Liabilities	57,584	251,651	190,125	119,327	618,687
Accrued Salaries & Benefits Payable	77,063	137,725	154,655	-	369,443
Deferred Revenues	218	-	-	-	218
Accrued Interest Payable	35,885	20,149	-	-	56,034
Long-term Liabilities					
Due or payable within one year	75,000	127,901	587,696	57,421	848,018
Due or payable after one year	6,425,000	7,785,000	2,326,724	600,910	17,137,634
TOTAL LIABILITIES	<u>6,670,750</u>	<u>8,322,426</u>	<u>3,259,200</u>	<u>777,658</u>	<u>19,030,034</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	(453,695)	(1,332,447)	378,043	-	(1,408,099)
Restricted for Emergencies	50,000	113,310	136,000	39,000	338,310
Restricted for Debt Service	530,937	734,747	-	-	1,265,684
Restricted for Repair and Replacement	-	25,628	-	-	25,628
Restricted for Instructional Supplies	-	-	-	18,028	18,028
Unrestricted	97,693	190,140	(623,140)	(590,946)	(926,253)
TOTAL NET ASSETS	<u>\$ 224,935</u>	<u>\$ (268,622)</u>	<u>\$ (109,097)</u>	<u>\$ (533,918)</u>	<u>\$ (686,702)</u>

See the accompanying Independent Auditors' Report.

FALCON SHOOOL DISTRICT 49  
 COMPONENT UNITS  
 COMBINING STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2009

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
<b>EXPENSES</b>					
Instruction	\$ 995,255	\$ 2,014,321	\$ 4,288,446	\$ 440,508	\$ 7,738,530
Supporting Services	778,252	1,956,993	-	1,630,577	4,365,822
Interest and Fiscal Charges	-	11,410	235,859	-	247,269
<b>TOTAL EXPENSES</b>	<u>1,773,507</u>	<u>3,982,724</u>	<u>4,524,305</u>	<u>2,071,085</u>	<u>12,351,621</u>
<b>PROGRAM REVENUES</b>					
Charges for Services	70,348	43,288	130,821	42,790	287,247
Operating Grants and Contributions	8,889	3,044	40,758	2,370	55,061
<b>TOTAL PROGRAM REVENUES</b>	<u>79,237</u>	<u>46,332</u>	<u>171,579</u>	<u>45,160</u>	<u>342,308</u>
<b>NET EXPENSE (REVENUE)</b>	<u>(1,694,270)</u>	<u>(3,936,392)</u>	<u>(4,352,726)</u>	<u>(2,025,925)</u>	<u>(12,009,313)</u>
<b>GENERAL REVENUES</b>					
Per Pupil Revenue	1,514,100	3,699,828	3,901,316	1,145,030	10,260,274
Capital Construction Funding	24,954	60,977	64,298	18,871	169,100
Grants and Contributions not Restricted to Specific Programs	-	192,129	219,791	325,066	736,986
Investment Earnings	17,868	18,475	1,089	-	37,432
Miscellaneous	-	59,868	1,691	3,040	64,599
<b>TOTAL GENERAL REVENUES</b>	<u>1,556,922</u>	<u>4,031,277</u>	<u>4,188,185</u>	<u>1,492,007</u>	<u>11,268,391</u>
<b>CHANGE IN NET ASSETS</b>	<u>(137,348)</u>	<u>94,885</u>	<u>(164,541)</u>	<u>(533,918)</u>	<u>(740,922)</u>
<b>NET ASSETS, Beginning</b>	<u>362,283</u>	<u>(363,507)</u>	<u>55,444</u>	<u>-</u>	<u>54,220</u>
<b>NET ASSETS, Ending</b>	<u>\$ 224,935</u>	<u>\$ (268,622)</u>	<u>\$ (109,097)</u>	<u>\$ (533,918)</u>	<u>\$ (686,702)</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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Falcon School District 49 as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the Falcon School District 49, and have issued our report thereon dated March 30, 2010. We issued a qualified opinion on the financial statements of the aggregate discretely presented component units. Except as discussed in our opinion on the financial statements of the aggregate discretely presented component units, 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.

Our consideration of the Falcon School District 49's internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2009-1 to be significant deficiencies in internal control over financial reporting.



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 the Falcon School District 49's 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described in item 2009-1 to be material weaknesses.

### **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*.

The Falcon School District 49's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the Falcon School District 49's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the Board of Education and management of the Falcon School District 49 in a separate letter dated March 30, 2010.

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.



March 30, 2010



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, 2009. 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, 2009.

**Internal Control Over Compliance**

The management of the Falcon School District 49 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Falcon School District 49's internal control over compliance with the 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 the Falcon School District 49's 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.

*Swain & Company, LLC*

March 30, 2010

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: qualified for the aggregate discretely presented component units, unqualified for the governmental activities, business-type activities, each major fund and the aggregate remaining fund information

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

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

Type of 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 ☐ no

Identification of major programs:

10.553 School Breakfast Program  
10.555 National School Lunch Program  
84.027 Special Education  
84.173 Special Education - Preschool  
84.391 ARRA - Special Education, Recovery Act

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

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**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.

(Continued)

FALCON SCHOOL DISTRICT 49  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009

**Financial Statement Findings**

**2009-1 Financial Reporting**

Criteria	The District is responsible to implement internal controls designed to ensure that financial information is accurate and timely. In addition, the District must be able to accept responsibility for its financial statements and the related footnotes.
Condition	The District does not have adequate internal controls in place to prepare financial statements in a timely manner, and in accordance with generally accepted accounting principles (GAAP). Monitoring procedures are inadequate to identify and correct errors in a timely manner.
Context	We proposed significant adjustments to the District's financial records as a result of our audit procedures, and management provided several adjustments to the financial records after our initial audit work was complete to report financial information in accordance with the chart of accounts required by State statutes. In addition, the District was unable to complete its preparation of the financial statements, which we ultimately completed.
Effect	The District was unable to complete the audit process within the deadlines established by State statutes. The risk of misstatements in the District's financial statements is significantly increased when internal controls are inadequate and personnel lack the appropriate skills and knowledge.
Cause	The District has relied on the independent auditor to prepare the financial statements and footnotes. District personnel lack the appropriate expertise to consistently apply generally accepted accounting principles in recording certain financial transactions, primarily nonroutine transactions, and in preparing financial statements. In addition, the District does not have in place adequate supervision of the financial reporting process.
Recommendation	We recommend that the District establish appropriate policies and procedures to allow for the preparation of financial statements in a timely manner, in accordance with GAAP, and in compliance with State statutes. These procedures should include oversight by a person with the suitable skills, knowledge, and experience to oversee the preparation of, and accept responsibility for, the financial statements.

**Views of Responsible Officials and Planned Corrective Actions**

See the accompanying corrective action plan.

FALCON SCHOOL DISTRICT 49  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2009

We the Financial Management of Falcon School District 49 appreciate the feedback from our auditors in regard to this audit. In direct response to the tangible issues and recommendations contained in this finding, we do plan to focus formal training efforts to increase our understanding the reporting standards. We also would clarify that financial reporting, such as that seen in this audit report, is separate from the regular management reporting that is and has been completed on a monthly basis for some time now. The last 12-15 months that current Financial Management leadership has been in place has provided a good baseline of knowledge that we will continue to build upon to improve the both the financial and managerial reporting processes in the future. The guidance of our auditors during this time has also proved valuable in increasing our understanding of their philosophy in regard to financial reporting.

We also feel that all findings, including this one, need to be viewed with a perspective of the effort that has been directed toward rebuilding the entire accounting process during the past twelve months. Many processes have been reengineered down to the lowest levels and the results of those efforts were seen in the uneventful period of interim and final fieldwork associated with the 2008-09 audit. It is true that the continuing redesign efforts found additional process corrections that were necessary after audit fieldwork had been completed. Those process corrections led to accounting adjustments that we felt were necessary even though they had not been detected as part of the audit process to that point. We appreciate the auditors' willingness to accept those post-fieldwork adjustments to our books and incorporate them in the final audit report.

Now that many of the fundamental processes have been rebuilt to improve accuracy, levels of detail, and timeliness, we will also be able to shift our reengineering efforts to improve late-cycle reporting processes. With a focus on improving initial accuracy, timeliness, and completeness of these reports, we will design a process that will include additional internal reviews and control procedures. This endeavor, like our previous efforts in baseline processes, is intended to give Falcon School District a model organization for finance and accounting support services. With increasing complexities coming from new reporting requirements and unprecedented budget constraints, we see these improvements as necessary to provide the data and information that District Administration, Local, State, and Federal reporting agencies, and District Constituents will require moving forward.

We believe that the staff in place has the baseline training, knowledge, experience, and dedication to continue the reengineering efforts necessary at Falcon School District. Additional training in financial reporting will only improve that standing. We believe that very soon the entire financial cycle will be a model for school district finance in terms of financial, management and statistical reporting.

FALCON SCHOOL DISTRICT 49  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2009

**2008-1** Financial Reporting

The District has not completely implemented the corrective action plan. See 2009-1.

**2008-2** Grants Internal Controls

Corrective action was taken regarding this prior audit finding.



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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Falcon School District 49 as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the Falcon School District 49, and have issued our report thereon dated March 30, 2010. We issued a qualified opinion on the financial statements of the aggregate discretely presented component units. 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.

Except as discussed in our opinion on the financial statements of the aggregate discretely presented component units, 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.

March 30, 2010



FALCON SCHOOL DISTRICT 49  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2009

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Education</b>		
Direct Programs		
Impact Aid	84.041	\$ 834,584
Safe and Drug-Free Schools and Communities - National Programs	84.184	159,913
Passed Through Colorado Department of Education		
Title I	84.010	419,611
Special Education	84.027	1,577,931
Special Education - Preschool	84.173	31,418
Safe and Drug-Free Schools and Communities - State Programs	84.186	22,427
Innovative Programs	84.298	4,920
Education Technology	84.318	5,979
English Language Acquisition	84.365	34,002
Improving Teacher Quality	84.367	140,902
ARRA - Special Education, Recovery Act	84.391	503,220
Passed Through Colorado Community College System		
Career and Technical Education	84.048	24,701
Passed Through Colorado Department of Human Services		
Vocational Rehabilitation	84.126	83,286
Total U.S. Department of Education		<u>3,842,894</u>
<b>U.S. Department of Agriculture</b>		
Passed Through Colorado Department of Human Services		
Donated Commodities	10.555	173,118
Passed Through Colorado Department of Education		
School Breakfast Program	10.553	65,989
National School Lunch Program	10.555	811,382
Total U.S. Department of Agriculture		<u>1,050,489</u>
<b>Total Federal Awards</b>		<u><u>\$ 4,893,383</u></u>

See the accompanying Independent Auditors' Report.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2009**

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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.

## **STATE COMPLIANCE**

Auditor's Integrity Report.



Swanhorst & Company LLC

Certified Public Accountants

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Falcon School District 49 as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the Falcon School District 49, and have issued our report thereon dated March 30, 2010. We issued a qualified opinion on the financial statements of the aggregate discretely presented component units. 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.

Except as discussed in our opinion on the financial statements of the aggregate discretely presented component units, 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*

March 30, 2010

03/28/2010  
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Colorado Department of Education  
Fiscal Year 2008-2009  
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
<b>Governmental</b>				
10 General Fund	22,992,347	84,911,892	85,988,967	21,915,271
18 Risk Mgmt Sub-Fund of General Fund	89,240	691,388	690,646	89,982
19 Colorado Preschool Program Fund	135,361	327,714	311,470	151,605
Subtotal	23,216,948	85,930,994	86,991,083	22,156,859
11 Charter School Fund	339,903	11,551,348	11,470,899	420,352
20,26-29 Special Revenue Fund	0	176,347	176,347	0
21 Capital Reserve Spec Revenue Fund	360,768	3,684,870	3,406,540	639,098
22 Govt Designated-Purpose Grants Fund	-0	3,633,078	3,633,078	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	8,065,490	7,349,851	6,276,634	9,138,708
41 Building Fund	8,734,641	322,509	4,941,964	4,115,186
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	560,364	61,420	142,731	479,054
TOTALS	41,278,114	112,710,417	117,039,276	36,949,256
<b>Proprietary</b>				
51 Food Service Fund	1,384,084	3,089,924	3,191,284	1,282,724
50 Other Enterprise Funds	-734,098	925,144	1,069,353	-878,307
64 (63) Risk-Related Activity Fund	0	833,201	42,015	791,187
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	649,986	4,848,269	4,302,651	1,195,604
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	12,621	434	2,500	10,555
74 Pupil Activity Agency Fund	869,881	2,938,288	2,888,570	919,598
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	882,501	2,938,722	2,891,070	930,153

\*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: fd1110.51c

Program: fdrdh.sqr

File: fd1110.dhc

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