



*10850 East Woodmen Road • Falcon, CO 80831
Tel: 719-495-1100 • Fax: 719-494-8900*

January 26, 2012

2010-11 Fiscal Year Comprehensive Annual Financial Report

The following pages have been prepared for your use and perusal by the Falcon School District Finance Department. We hope you find this information, along with the other information posted on the district website useful in understanding the business patterns of the district. This file is intended to print double sided. If you print it single sided, there will be several blank pages that would be unnecessary to retain.

Additional information and/or interpretations of data presented herein may be acquired by contacting the district's Finance Department at 719-495-1100 and placing a proper Colorado Open Records Act information request.

Sincerely,

Brett Ridgway

Chief Business Officer

*~ Becky Carter, Chief Education Officer ~ ~ Brett Ridgway CPA, Chief Business Officer
~ Mark Carara, Falcon Area Innovation Zone Leader ~ ~ Sean Dorsey, Sand Creek Innovation Zone Leader
~ Robert Felice, Vista Ridge Innovation Zone Leader ~ ~ Kim McClelland, iConnect Innovation Leader ~*

Falcon School District 49



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

El Paso County School District 49

El Paso County, Colorado

also known as:

Falcon School District 49

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2011

*Prepared by: Brett Ridgway, CPA
Chief Business Officer*

*To prepare students, in a safe
and caring environment; to be
successful, competent and
productive citizens in a global
society.*

The logo for Falcon School District 49 is centered behind the text. It features a stylized brown building with a triangular roof and two vertical pillars. A green outline of a mountain range is visible behind the building. Below the building, the word "FALCON" is written in a green, sans-serif font. Underneath that, "SCHOOL DISTRICT 49" is written in a blue, sans-serif font. At the bottom, the tagline "A Special Place for Everyone" is written in a smaller, italicized, grey font.

FALCON
SCHOOL DISTRICT 49
A Special Place for Everyone

-District 49 Mission Statement

*The board members are dedicated
to providing leadership and
direction in cooperation with the
community, schools, and governing
officials to meet the District's
mission.*



*Falcon School District 49
-Board of Education Purpose*

Our Traditional Schools



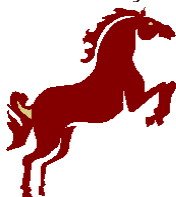
*Evans International
Elementary*



*Falcon
Elementary*



*Meridian Ranch
Elementary*



*Remington
Elementary*



*Ridgeview
Elementary*



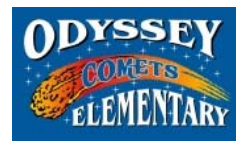
*Woodmen Hills
Elementary*



*Springs Ranch
Elementary*



*Stetson
Elementary*



*Odyssey
Elementary*



Falcon Middle



Horizon Middle



*Skyview Eagles
Skyview Middle*



Falcon High School



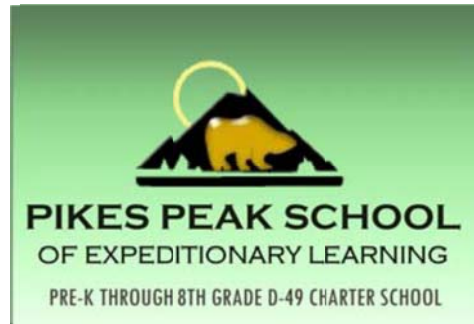
Sand Creek High School



Vista Ridge High School



Our Charter Schools



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Sources Note: *Unless otherwise noted, the information in these schedules is derived from prior years' CAFR's, Colorado Department of Education Information, and/or internal FSD Finance information resources.*



10850 East Woodmen Road • Falcon, CO 80831
Tel: 719-495-1100 • Fax: 719-494-8922

December 28, 2011

Patrons of the District
Board of Education

The Business Office is please to submit to you the Comprehensive Annual Financial Report (CAFR, aka Audit Report) of Falcon School District 49 for the fiscal year ended June 30, 2011. This report was prepared by the District Business Office and includes the unqualified opinion of our independent auditors, Hoelting & Company, Inc. of Colorado Springs. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. The CAFR conforms to Generally Accepted Accounting Principles (GAAP) applicable to government entities.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

There are printed copies of the report available in the District Business Office, and the report will be posted on the District's website along with prior years' audit reports for consumption by any interested parties.

This report includes all funds of the District. The District provides a full range of traditional and non-traditional educational programs and services. These include elementary and secondary curriculum offerings at the general, college preparatory, alternative, and special education programs and facilities.

In addition to providing these general, coordinated, activities, the District receives pass-through funding for four charter schools located within the District boundaries. The charter schools involved are The Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, Rocky Mountain Classical Academy, and The Imagine Classical Academy at Indigo Ranch. Each organization is a separate and distinct entity, reviewed by their own, separately engaged, independent auditor. The financial results of these four charter schools are included in this report only as Component Units, meaning that their results

Brett Ridgway CPA, Chief Business Officer
bridgway@d49.org 719.495.1100

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are not aggregated with the coordinated schools, but instead shown alongside the District's consolidated view in the Government-wide financial statements. In addition, there is a consolidating schedule of the Component Units presented in the Financial Section, within the 'Combining and Individual Fund Financial Statements and Schedules' group.

Organization of the District

The Board of Education of Falcon School District 49 is a five member body corporate with perpetual existence as defined by Article 32 of Title 22, of the Colorado Revised Statutes. The Board serves as the taxing authority, contracting body and policy maker for the District and ensures that all other general laws of the State of Colorado are followed in the expenditure of the District's tax dollar and approves the annual appropriation resolution and annual mill levy certification.

The Board members on June 30, 2011 were as follows:

Dave Martin
Chris Wright
Andy Holloman
Tammy Harold
Rusty Moomey

The District is operated by two senior officials, The Chief Education Officer (CEO) and the Chief Business Officer (CBO). The CEO is the highest ranking employee of the District, an officer of the corporation, and is directly responsible to the Board for all educational aspects of the District. Becky Carter was named CEO effective March 2011. The Chief Business Officer (CBO) of the District is also an officer of the corporation, is directly responsible to the Board for all business aspects of the District, and is the Assistant Treasurer of the corporation - along with the Board Treasurer. The CBO is responsible for maintaining all financial records, issuing all payments, maintaining custody of all District funds and assets, and investing available funds as allowed by Colorado Law. Brett Ridgway was named CBO effective June 2011, as a promotion from his previous position as Director of Finance where he had served since February 2009.

Economic Condition and Outlook

National, State, and Local economic conditions have been recessed for the past three years. Falcon School District had been categorized as a 'fast-growth' district for most of this century. However, district facilities have struggled to keep up with the demand for additional space to handle the increased enrollment. The growth reached the point in 2001-2004 that adequate bonding capacity did not exist and the District entered into a strategy of issuing Certificates of Participation, whose payments were funded by a mill levy override, simply to fund the desperately needed construction projects. The override was approved in November 2005 and the certificates were then issued in 2006 and 2007. The related capital projects were performed in 2007-2009, with some residual activity in 2010 and 2011. As of June 30, 2011, the bonding capacity of the District has 'caught up' somewhat to the enrollment to where there is now approximately \$121mm of capacity to address capital needs.



FALCON SCHOOL DISTRICT 49
CONSOLIDATED ANNUAL FINANCIAL REPORT
June 30, 2011

Of the growth experienced by all Colorado Springs-area school districts for the last ten years (approximately 12,000 students), Falcon School District has recognized 67% of the increase. Physically, the District is 133 square miles, with 20 miles alone on its north-south axis. With large tracts of land in the District still available for development, potential growth could eventually lead to a district that is easily three to four times the size it is now, in terms of student count.

In this regard, the District has been fortunate that four charter schools have been started in the District since 2006 and, as a result, have provided some relief to the capacity issues. This has followed a trend in Colorado school districts with the increasing prevalence of charter schools throughout the state. In the 2001 school year, there were no active charters in Falcon School District, and statewide only 3.3% of students (22,934) were educated in charter schools. In the 2009-10 school year, that number had more than doubled to 7.5% (56,631) of students in the state. Falcon School District has gone from no active charters to being in the top five with 16.7% (2,259.7 student FTE) of District students housed in our four charter schools. A better view will focus only on PK-8 students since most charter schools do not offer high school. In those grades, charters hold 22.2% of district students. With each charter school also nearing their respective capacities, these crowding issues will persist and continue to worsen as the district grows unless capital projects are embraced by the constituents of the District.

In the larger view of the economy, the Colorado Springs area has been typically affected by the international recession. Local area unemployment now sits in the 8% range, which is up significantly from the 5% average of the first nine years of the decade. Colorado Springs has typically experienced unemployment at about one-half of one percent above the state average; and that pattern has held for the last ten years. Colorado Springs has a large military presence, but with a relatively small industrial and manufacturing presence, local economic growth will continue to be driven by the service sector.

Employee Relations

The Board employs 1,381 full-time equivalent employees (including non-teaching personnel). Of the Board's current employees, 736 are certificated by the Colorado Department of Education serving as classroom teachers, education specialists and administrators, all of whom have at least a bachelor's degree.

Financial Information

The District's accounting process is organized on a 'modified accrual' basis of 'fund accounting' methodology that is prescribed by Financial Policies and Procedures Advisory Committee (FPP) – a committee of the Colorado Department of Education (CDE), facilitated by the Department's Public School Finance Unit. The CDE maintains a website with several pieces of information relevant to school districts at www.cde.state.co.us/index_finance.htm.

Each fund is a distinct, self-balancing entity. Modified Accrual accounting differs from GAAP as promulgated by the Governmental Accounting Standards Board (GASB), as more fully described in the notes to the financial statements. The management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the

FALCON SCHOOL DISTRICT 49
CONSOLIDATED ANNUAL FINANCIAL REPORT
June 30, 2011

preparation of financial statements in conformity with GAAP. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control process should not exceed the benefits likely to be derived from its implementation.

As a recipient of federal and state financial assistance, the District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the District and a formal review by the District's contracted independent auditor in what is known as a 'Single Audit' review. Single Audit reviews focus on Federal grant dollars. The Auditor's Single Audit review is included in this report.

The District maintains its accounts, appropriations and other financial records in accordance with the procedures established by Colorado Revised Statutes. The objective of these budgetary controls is to ensure compliance with those legal requirements and the appropriations approved by the Board of Education. Activities of all funds, including charter schools, are included in the annual appropriation resolution. Falcon School District maintains an encumbrance accounting system as one technique of accomplishing budgetary control, in addition to a monthly reporting process to the Board and each department and school building administration.

The District maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for vehicle fleet liability, general liability, and property loss are purchased on an annually contracted basis. In addition, employee health insurance is provided by a self-insured plan administered by CIGNA Corporation in conjunction with Citibank, NA. Other employee benefit insurance options are provided by various vendors as selected on an annual basis.

Acknowledgements

This version of the Consolidated Annual Financial Report represents a big milestone for Falcon School District's Finance office. Preparing this report internally has been a goal of the department for the last two years and signifies a tangible and visible result of the improved processes that have been established during that time. We appreciate the support we have received from our Independent Auditors, Hoelting & Company, Inc. of Colorado Springs, as well as the Administration, Staff, and Board of District 49. We appreciate the opportunity to serve the District, and look forward to assisting our 'customers' with the opportunities and challenges of public education that lie ahead.

Sincerely,

Brett Ridgway, CPA
Chief Business Officer



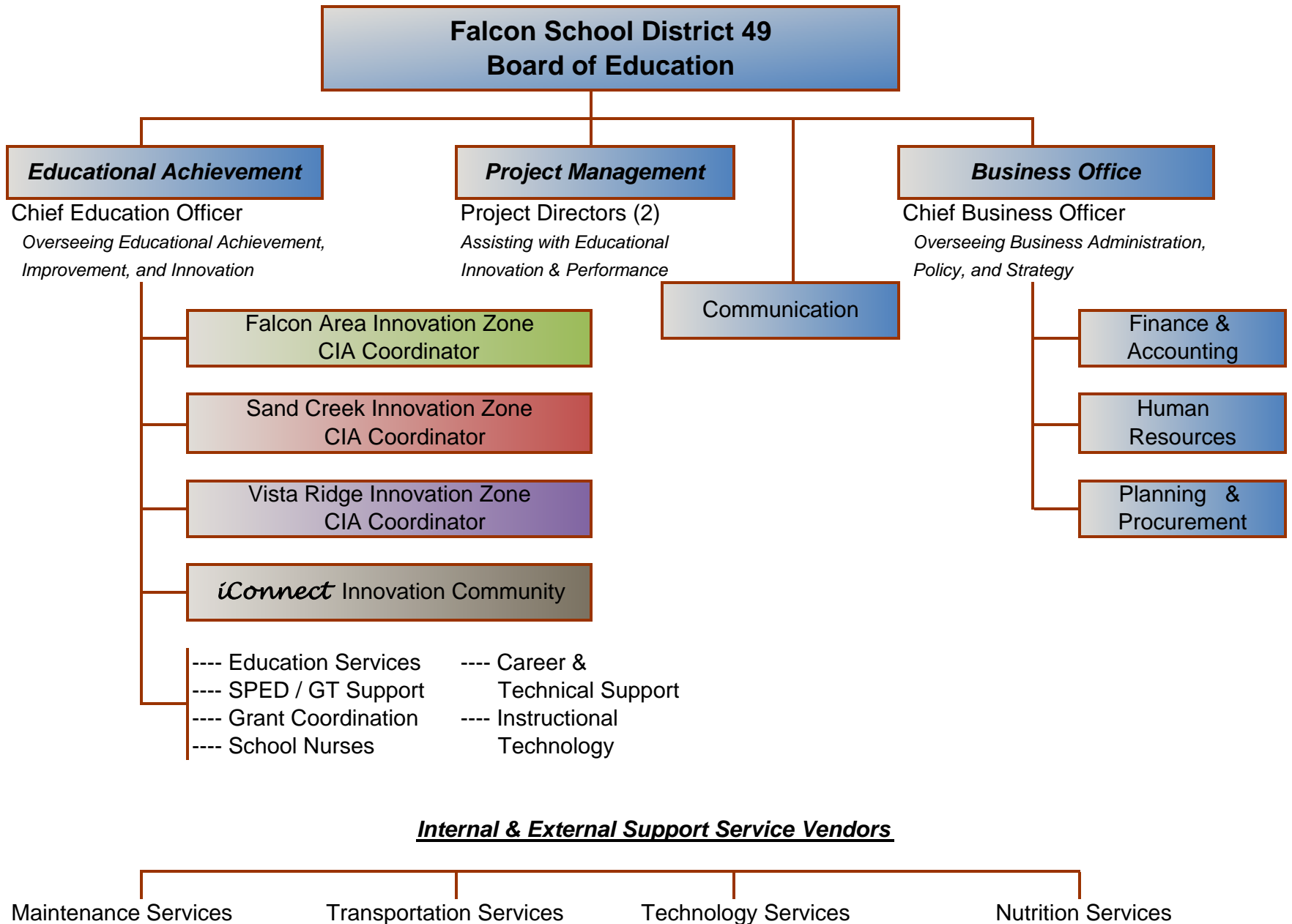
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Elected Officials
Board of Education

Dave Martin	President
Chris Wright	Vice President
Andy Holloman	Treasurer
Tammy Harold	Secretary
Rusty Moomey	Member

Administrative Officials

Dr. Brad J. Schoeppey	Superintendent
Dr. Mary E. Guinn	Deputy Superintendent
Brett Ridgway, CPA	Chief Business Officer & Assistant Treasurer
Mary Jones	Director of PK-12 Education
Chris Trask	Director of Curriculum, Instruction, and Assessment
Phil Compton	Director of Pupil Services
Ralph Albertson	Director of Special Services
Cindy Hardin	Director of Transportation
Marian Nall	Director of Facilities
Monica Deines-Henderson, SNS	Director of Nutrition Services
Stephanie Meredith	Communications Specialist
Loretta Branham	Secretary to the Board



Internal & External Service Vendorss will undergo regular evaluation and benchmarking for cost/benefit performance measurement



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Falcon School District 49
Colorado Springs, Colorado

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 Falcon School District 49, as of and for the year ended June 30, 2011, which collectively comprise the D's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Falcon School District 49's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, and Imagine Charter School at Indigo Ranch, which represent 93.7 percent, 85.6 percent, and 69.4 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as those reports relate to the amounts included for Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, and Imagine Charter School at Indigo Ranch, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Falcon School District 49, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District 49's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 28, 2011

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

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, 2011.

Financial Highlights

- The Governmental Activities of the District had Net Assets totaling \$69,998,631 at the end of the current fiscal year, an increase of \$4,966,121 from the prior year.
- General Revenues for the Governmental Activities of the District totaled \$88,803,207, or 84.7% of all revenues. Program specific revenues in the form of charges for services and grants and contributions received accounted for \$16,073,334, or 15.3% of total revenues of \$104,876,541
- The ending fund balance of total General Funds was \$25,214,948. The General Fund portion maintained a fund balance to revenue ratio above 10% (15%), which is required by Falcon School District Board of Education Policy.
- General Funds' Revenue, including the Component Unit share (Charter Schools – net of services), totaled \$98,543,198 which is essentially flat (+\$705,843; or +0.7%) from the prior year. One-time revenue related to the settlement of Mold litigation contributed \$1,602,500, leaving a net reduction of regular revenue of \$896,657 that was primarily generated from lower state revenues..
- Total student count in the District increased 2.2% from the prior year, while the corresponding funded student count increased by 2.4% (329.9 student FTE). The component units' funded student count increased 11.3% (255.5 student FTE). The District's coordinated (non-charter) schools' funded student count increased 1.1% (74.4 student FTE).
- Business-type Activities reported Unrestricted Net Assets of \$664,201 in the Nutritional Service Fund, a decrease of \$171,368 from the prior year, but \$666,338 better than budgeted. Excluding a \$342,092 positive variance in contingency spend, the residual budget variance was still positive by \$324,246. This was driven by a \$215,266 positive variance in total expenses (net of contingency & miscellaneous items); higher local sales revenue of \$53,942; and higher non-operating revenue (primarily Federal and State Revenue subsidies) of \$55,038.

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.

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

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

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

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

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

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

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

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

The Falcon School District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the 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 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

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 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.

Discretely Presented Component Units. These are operations for which the District has financial accountability, but they have certain independent qualities as well. All are considered major component units.

The District's four component units are:

- Pikes Peak School of Expeditionary Learning
- Banning Lewis Ranch Academy
- Rocky Mountain Classical Academy
- The Imagine Classical Academy

Complete financial statements of the individual component units can be obtained from their respective administrative offices as well as their individual websites. Addresses and other information about the District's component units are presented in the notes to the financial statements.

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of changes in a government's financial position over time. In the case of Falcon School District, Primary Government Assets exceeded Liabilities by \$71,004,974 at the close of the most recent fiscal year.

Of that amount, \$31,139,844 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 (40%) 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	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current assets	\$ 50,275,335	\$ 50,598,649	\$ 1,360,356	\$ 998,939	\$ 51,635,690	\$ 51,597,587
Non current assets	1,350,474	1,481,013	-	-	1,350,474	1,481,013
Capital assets, net of depreciation	165,105,573	168,881,772	342,141	378,298	165,447,714	169,260,070
Total assets	216,731,382	220,961,434	1,702,496	1,377,237	218,433,878	222,338,670
LIABILITIES						
Current liabilities	11,016,456	20,837,449	669,319	123,740	11,685,774	20,961,189
Long-term liabilities	135,716,295	135,091,475	26,835	75,786	135,743,130	135,167,261
Total liabilities	146,732,750	155,928,924	696,154	199,527	147,428,904	156,128,450
	-	-	-	-		
NET ASSETS						
Invested in Capital Assets (Net of Related Debt)	30,964,957	28,864,346	342,141	378,298	31,307,097	29,242,643
Restricted for						
TABOR	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Debt Service	24,434,480	21,569,397	-	-	24,434,480	21,569,397
Capital purposes	-	2,009,801	-	-	-	2,009,801
Risk Management	-	113,089	-	-	-	113,089
Preschool	47,014	73,157	-	-	47,014	73,157
Unrestricted	11,552,181	9,402,720	664,202	799,412	12,216,383	10,202,133
TOTAL NET ASSETS	\$ 69,998,631	\$ 65,032,510	\$ 1,006,342	\$ 1,177,710	\$ 71,004,974	\$ 66,210,220

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

Governmental activities increased the net assets of the District by \$4,966,121. Program revenues included \$3,000,827 in charges for services, and \$13,020,420 in operating grants and contributions. Over \$88.8 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 \$66,511,061 out of a total of \$99,910,420.

Business type activities (Nutritional Services) decreased net assets by (\$171,368). Program revenues included \$2,007,984 in charges for services and \$1,435,406 in operating grants and contributions. All expenditures of \$3,622,951 were for food services.

	2011	2010	2011	2010	2011	2010
PROGRAM REVENUES						
Charges for service	\$ 3,000,827	\$ 2,895,574	\$ 2,007,984	\$ 1,920,802	\$ 5,008,810	\$ 4,816,376
Operating Grants & contributions	13,020,420	9,319,463	1,435,406	1,252,180	14,455,825	10,571,643
Capital Grants & contributions	52,088	121,411	-	-	52,088	121,411
GENERAL REVENUES						
Property Taxes	28,713,973	28,958,125	-	-	28,713,973	28,958,125
Specific ownership taxes	2,467,992	2,607,142	-	-	2,467,992	2,607,142
State equalization	55,421,452	60,892,967	-	-	55,421,452	60,892,967
Investment earnings	71,398	105,569	8,194	17,287	79,592	122,856
Miscellaneous revenues	2,128,391	289,318	-	-	2,128,391	289,318
TOTAL REVENUES	104,876,541	105,189,569	3,451,584	3,190,268	108,328,125	108,379,837
EXPENSES						
Instruction	55,250,513	56,308,428	-	-	55,250,513	56,308,428
Instructional Support	10,863,328	11,383,658	-	-	10,863,328	11,383,658
General administration	1,341,594	1,214,774	-	-	1,341,594	1,214,774
School administration	5,167,267	4,770,419	-	-	5,167,267	4,770,419
Business services	952,950	1,124,267	-	-	952,950	1,124,267
Maintenance & operations	9,838,959	11,777,305	-	-	9,838,959	11,777,305
Transportation	4,194,855	3,544,900	-	-	4,194,855	3,544,900
Central services	4,653,050	4,700,995	-	-	4,653,050	4,700,995
Other services	763,517	1,464,623	-	-	763,517	1,464,623
Interest expense	6,884,387	6,966,032	-	-	6,884,387	6,966,032
Food Service			3,622,951	3,295,282	3,622,951	3,295,282
TOTAL EXPENSES	99,910,420	103,255,402	3,622,951	3,295,282	103,533,372	106,550,683
Change in Net Assets	4,966,120	1,934,166	(171,368)	(105,013)	4,794,753	1,829,154
Beginning net Assets	65,032,510	63,119,086	1,177,710	1,282,723	66,210,220	64,401,809
Prior Period Adjustment	-	(20,743)	-	-	-	(20,743)
TOTAL NET ASSETS	\$ 69,998,631	\$ 65,032,510	\$ 1,006,342	\$ 1,177,710	\$ 71,004,973	\$ 66,210,220

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$37,908,597.

The general fund is the chief operating fund of the District. At the end of the current fiscal year unassigned fund balance of the general fund was \$4,291,762 while total fund balance is \$25,214,948. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Excluding Charter School remittances, unassigned fund balance represents 10.7% of total general fund expenditures, while total fund balance represents 28.4% of that same amount.

The Bond Redemption Fund remains in strong financial condition. The fund has an ample fund balance to make the December 1st principal and interest payments on the District's voter approved debt. The fund balance as of June 30, 2011 is \$12,005,340, which is entirely reserved for debt service. The fund balance represents coverage for 1.86 times the 2010-11 annual payments.

In 2010-11, Falcon School District expended \$5,174,055 of local, state and federal grant funds, excluding charter school grant expenditures. Of these expenditures, \$1,323,916 represent funds yet to be received from the individual granting authorities prior to the close of the fiscal year; and are scheduled for receipt early in the 2011-12 fiscal year.

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 rapid growth the District experienced for most of 2000's has slowed in the last couple of years. The 2009-10 to 2010-2011 growth was 2.4%

Some significant budget highlights include:

- The final (Amended) budget showed decreased revenue of \$978,664 from the original (Adopted) budget. The revenue changes were added to accommodate, among other things, an improved estimate for Property Tax Revenue (lowered by \$245,105), additional Federal funding from Impact Aid, School to Work Alliance program (SWAP) and Military Reserve Officer Training Corps (ROTC) of \$610,000; offset by lower overall State Equalization payments of \$3,720,020. The final budget had expense increases of \$1,252,092 driven primarily by a \$756,326 increase in the restructuring expense budget and a \$446,061 increase in interest expense.
- Actual General Fund results for the 2010-11 fiscal year showed revenue in excess of expenses by \$3,650,285, which was \$8,885,739 better than the final budget. The improvement came from lower actual spend in debt service by \$5,391,149; lower spends in Instructional Services of \$1,124,290,

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

and Facilities Acquisition of \$858,375, and lower spends of \$574,844 in Student and Staff Support Services.

Capital Assets and Debt Administration

Capital assets. The Falcon School District's investment in capital assets for governmental activities as of June 30, 2011 amounts to \$165,447,714 (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 2.2%. No significant divestitures of assets were made in 2009-2010.

	Balance @ 6/30/2011	Balance @ 6/30/2010
Governmental Activities		
Land and Site Improvements	16,329,346	15,976,122
Buildings & Improvements	141,491,340	145,533,267
Equipment	7,284,887	7,372,383
Construction in Progress	-	-
Total capital assets, net	<u>165,105,573</u>	<u>168,881,772</u>
Business-Type Activities		
Equipment	<u>342,141</u>	<u>378,298</u>
Total capital assets, net	<u>342,141</u>	<u>378,298</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's total outstanding long-term debt was \$135,743,130. Of this amount, \$45,085,000 is general obligation bonds for which there is a mill levy assessment to pay the debt, \$2,791,410 for capital leases, \$86,090,000 in certificates of participation and \$966,931 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 the aforementioned 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 tax revenue.

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
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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 \$45,085,000 or 6.8% of assessed value. The district's legal debt limit and debt margin is \$166,052,285 and \$120,967,285 respectively.

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

Economic Factors and 2010-2011 Budget

- The local, state, and federal economies remain stagnate. This was seen in the bi-annual valuation of the District's assessed value, which decreased over 5.6% in 2010 from the prior year to a total of \$703,938,280. It is normal for there to be a lag in recognizing changes in assessed valuations relative to market values. The length of this recession has allowed there to be one correction in assessed value already with another likely to come in mid-2012.
- As a result of voters approving the November 2005 Mill Levy Override the district 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 districts 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 and is exploring opportunities for a charter high school as well.
- The District ended the 2010-11 school year with more than a 10% revenue to fund balance ratio, as mandated by School Board Policy. The 10% target equates to approximately one month of expenditures.

Requests for Information

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



FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

FALCON SCHOOL DISTRICT 49
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	Charter
				Schools
ASSETS				
Cash and Cash Equivalents	\$ 21,627,037	\$ 1,056,305	\$ 22,683,342	\$ 3,082,847
Receivables	2,987,458	133,571	3,121,029	7,805
Internal Balances	479,495	(479,495)	0	
Prepaid Expenses	-	-	0	28,706
Inventories	-	170,479	170,479	-
Restricted Cash and Cash Equivalents	25,181,345	-	25,181,345	1,553,375
Debt Issuance Costs	1,350,474	-	1,350,474	508,481
Capital Assets Not Being Depreciated	16,329,346	-	16,329,346	-
Capital Assets Being Depreciated, Net	148,776,227	342,141	149,118,368	14,180,502
Total Assets	216,731,382	1,223,001	217,954,383	19,361,716
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,619,910	30,358	1,650,268	287,268
Accrued Salaries and Benefits Payable	8,521,790	97,169	8,618,959	430,399
Unearned Revenue	527,063	62,297	589,360	-
Accrued Interest Payable	347,693	-	347,693	54,592
Long-term Liabilities	-	-	-	-
Due or payable within one year	7,389,205	-	7,389,205	743,451
Due or payable after one year	128,327,090	26,835	128,353,925	16,060,158
Total Liabilities	146,732,751.00	216,659.00	146,949,410	17,575,868
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	30,964,957	342,141	31,307,098	(1,414,045)
Restricted for:				
TABOR (emergencies)	3,000,000	-	3,000,000	504,171
Debt Service	24,434,480	-	24,434,480	1,247,955
Repair and Replacement	-	-	0	94,919
Preschool	47,014	-	47,014	-
Unrestricted	11,552,180	664,201	12,216,381	1,352,848
Total Net Assets	\$ 69,998,631	\$ 1,006,342	\$ 71,004,973	\$ 1,785,848

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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	Total	Charter Schools
Primary Government								
Governmental Activities:								
Instruction	\$ 55,647,733	\$ 641,917	\$ 8,319,977	\$ 52,088	\$ (46,633,751)	\$ -	\$ (46,633,751)	\$ -
Instructional Support	10,863,328	2,079,468	3,896,471	-	(4,887,389)	-	(4,887,389)	-
General Administration	1,341,594	-	-	-	(1,341,594)	-	(1,341,594)	-
School Administration	5,167,267	-	-	-	(5,167,267)	-	(5,167,267)	-
Business Services	952,951	19,856	-	-	(933,095)	-	(933,095)	-
Maintenance and Operations	9,838,959	-	-	-	(9,838,959)	-	(9,838,959)	-
Transportation	4,194,855	-	803,972	-	(3,390,883)	-	(3,390,883)	-
Central Services	4,653,050	259,586	-	-	(4,393,464)	-	(4,393,464)	-
Other Services	526,899	-	-	-	(526,899)	-	(526,899)	-
Interest Expense	6,723,785	-	-	-	(6,723,785)	-	(6,723,785)	-
Total Governmental Activities	99,910,421	3,000,827	13,020,420	52,088	(83,837,086)	-	(83,837,086)	-
Business-Type Activities:								
Enterprise Nutrition Services	3,622,951	2,007,984	1,435,405	-	-	(179,562)	(179,562)	-
Total Business-Type Activities	3,622,951	2,007,984	1,435,405	-	-	(179,562)	(179,562)	-
Total Primary Government	\$ 103,533,372	\$ 5,008,811	\$ 14,455,825	\$ 52,088	(83,837,086)	(179,562)	(84,016,648)	-
Component Units	\$ 16,191,367	\$ 678,153	\$ 185,825	\$ 226,499				(15,100,890)
General Revenues:								
Property Taxes					28,713,973	-	28,713,973	3,217,445
Specific Ownership Taxes					2,467,992	-	2,467,992	420,712
State Equalization					55,421,452	-	55,421,452	12,615,481
Investment Earnings					71,399	8,194	79,593	16,139
Miscellaneous					2,128,391	-	2,128,391	361,959
Total General Revenues					88,803,207	8,194	88,811,401	16,631,736
Change in Net Assets					4,966,121	(171,368)	4,794,753	1,530,846
Net Assets, July 1					65,032,510	1,177,710	66,210,220	255,003
Net Assets, June 30					\$ 69,998,631	\$ 1,006,342	\$ 71,004,973	\$ 1,785,849

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

FALCON SCHOOL DISTRICT 49
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Bond Redemption	Grant	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 20,328,060	\$ 0	\$ 0	\$ 246,815	\$ 20,574,875
Property Tax Receivable	1,293,126	338,806	-	-	1,631,932
Accounts Receivable	31,610	-	1,323,916	-	1,355,526
Interfund Receivable	1,900,519	-	-	-	1,900,519
Restricted Cash and Cash Equivalents	12,657,718	11,888,656	26,223	608,749	25,181,346
TOTAL ASSETS	\$ 36,211,033	\$ 12,227,462	\$ 1,350,139	\$ 855,564	\$ 50,644,198
LIABILITIES & FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 619,371	\$ 0	\$ 8,653	\$ 167,255	\$ 795,279
Accrued Liabilities	-	-	-	-	-
Accrued Salaries and Benefits Payable	8,297,397	-	224,393	-	8,521,790
Interfund Payable	893,411	-	1,090,870	-	1,984,281
Def Revenue - Property Tax	685,066	222,122	-	-	907,188
Def Revenue - Forward Purchase Agreement	442,857	-	-	-	442,857
Def Revenue - Other	57,983	-	26,223	-	84,206
TOTAL LIABILITIES	10,996,085	222,122	1,350,139	167,255	12,735,601
FUND BALANCE					
Restricted for:					
TABOR (emergencies)	3,000,000	-	-	-	3,000,000
Debt Service	12,429,140	12,005,340	-	-	24,434,480
Preschool	47,014	-	-	-	47,014
Committed for:					
Capital Purposes	49,351	-	-	688,309	737,660
Risk Management	220,246	-	-	-	220,246
Contingencies	5,177,435	-	-	-	5,177,435
Unassigned	4,291,762	-	-	-	4,291,762
TOTAL FUND BALANCE	25,214,948	12,005,340	0	688,309	37,908,597
TOTAL LIABILITIES and FUND BALANCE	\$ 36,211,033	\$ 12,227,462	\$ 1,350,139	\$ 855,564	\$ 50,644,198

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, 2011

Total fund balances--governmental funds		\$ 37,908,597
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.		165,105,573
Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the governmental funds.		
	Deferred Property Tax Revenue \$ 907,188	
	Unamortized Debt Issuance Costs <u>1,350,474</u>	2,257,662
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.		(347,693)
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:		
	General Obligation Bonds Payable \$ (45,085,000)	
	Registered Coupons Payable (650,000)	
	Certificates of Participation Payable (86,090,000)	
	Capital leases payable (2,791,410)	
	Unamortized Discounts (3,171,937)	
	Unamortized Refunding Losses 3,038,983	
	Compensated absences <u>(966,931)</u>	(135,716,295)
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>790,787</u>
Total net assets--governmental activities		<u><u>\$ 69,998,631</u></u>

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, 2011

	General	Bond Redemption	Grants	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Sources	\$ 28,607,848	\$ 7,856,716	\$ 207,520	\$ 88,699	\$ 36,760,783
State Sources	58,612,468	-	250,001	-	58,862,469
Federal Sources	4,655,349	-	4,716,534	-	9,371,883
Total Revenues	<u>91,875,665</u>	<u>7,856,716</u>	<u>5,174,055</u>	<u>88,699</u>	<u>104,995,135</u>
EXPENDITURES					
Current					
Instruction	46,403,638	-	3,153,382	-	49,557,020
Student Support	4,318,588	-	492,350	-	4,810,938
Instructional Staff	4,464,197	-	1,477,028	-	5,941,225
General Administration	1,306,347	-	-	-	1,306,347
School Administration	5,167,267	-	-	-	5,167,267
Business Services	941,134	-	-	-	941,134
Operations and Maintenance	9,270,224	-	-	-	9,270,224
Student Transportaion	3,991,265	-	-	-	3,991,265
Central Support	3,823,857	-	7,219	-	3,831,076
Other Support	999,353	-	-	-	999,353
Facilities Acquisition & Construction	709,865	-	-	1,810,635	2,520,500
Debt Service					
Principal Retirement	3,384,864	4,330,000	-	-	7,714,864
Interest and Fiscal Charges	4,468,895	2,136,879	44,076	-	6,649,850
Total Expenditures	<u>89,249,494</u>	<u>6,466,879</u>	<u>5,174,055</u>	<u>1,810,635</u>	<u>102,701,063</u>
Revenues Over (Under) Expenditures	<u>2,626,171</u>	<u>1,389,837</u>	<u>0</u>	<u>(1,721,936)</u>	<u>2,294,072</u>
OTHER FINANCING SOURCES (USES)					
Capital Lease Proceeds	418,452	-	-	-	418,452
Transfers In	605,662	-	-	-	605,662
Transfers Out	-	-	-	(605,662)	(605,662)
Total Other Financing Sources (Uses)	<u>1,024,114</u>	<u>0</u>	<u>0</u>	<u>(605,662)</u>	<u>418,452</u>
Net Change in Fund Balances	3,650,285	1,389,837	0	(2,327,598)	2,712,524
Fund Balances, July 1	<u>21,564,663</u>	<u>10,615,503</u>	<u>0</u>	<u>3,015,907</u>	<u>35,196,073</u>
Fund Balances, June 30	<u>\$ 25,214,948</u>	<u>\$ 12,005,340</u>	<u>\$ 0</u>	<u>\$ 688,309</u>	<u>\$ 37,908,597</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, 2011

Total net change in fund balances--governmental funds \$ 2,712,524

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, exceeded depreciation in the period.

Fixed Asset Additions	\$	3,088,928	
Depreciation expense		<u>(6,865,127)</u>	(3,776,199)

Some of the capital assets acquired this year were financed with a capital lease. The amount financed by the lease is reported in the governmental funds as a source of financing.

On the other hand, capital lease proceeds are not revenue in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. This amount represents the long-term portion of the capital lease payable. (418,453)

Revenues that do not provide current financial resources are deferred in the

governmental funds. This amount represents the change in deferred property taxes. (118,593)

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	\$	2,850,000	
GO Bond Registered Coupons payment		1,480,000	
Certificates of Participation principal payment		1,745,000	
Capital Lease principal payment		<u>1,683,947</u>	7,758,947

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. 13,019

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

Amortization of GO Bond issuance costs, premiums, and refunding loss (193,169)

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. (739,114)

In the statement of activities, certain operating expenses -- compensated absences (sick leave), special termination benefits (early retirement)--are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). This amount represents the net effect of compensated absences payable on the statement of activities. (272,841)

Change in net assets of governmental activities \$ 4,966,121

FALCON SCHOOL DISTRICT 49
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business Type Activities	
	Enterprise	Internal Svc
	Food Services	Health Insurance
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,056,305	\$ 1,052,162
Accounts Receivable	133,571	-
Interfund Receivable	-	883,685
Inventories	170,479	-
Total Current Assets	1,360,355	1,935,847
Noncurrent Assets		
Capital assets		
Equipment, net of Accumulated Depreciation	342,141	0
Total Assets	1,702,496	1,935,847
LIABILITIES		
Current Liabilities		
Accounts Payable	30,358	824,630
Accrued Salaries and Benefits Payable	97,169	
Interfund Payable	479,495	320,429
Deferred Revenue	62,297	0
Total Current Liabilities	669,319	1,145,059
Noncurrent Liabilities		
Compensated Absences Payable	26,835	0
Total Liabilities	696,154	1,145,059
NET ASSETS		
Invested in capital assets	342,141	
Designated		790,788
Unrestricted	664,201	-
Total Net Assets	\$ 1,006,342	\$ 790,788

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, 2011

	Business Type Activities	
	Enterprise	Internal Svc
	Food	Health
	Services	Insurance
OPERATING REVENUES		
Local Sources	\$ 2,007,984	\$ 7,469,078
Total Operating Revenues	<u>2,007,984</u>	<u>7,469,078</u>
OPERATING EXPENSES		
Salaries	1,140,918	
Employee Benefits	285,577	
Purchased Services	158,362	8,208,192
Purchased Food	1,760,576	
Other	210,101	
Depreciation	67,418	
Total Operating Expenses	<u>3,622,952</u>	<u>8,208,192</u>
OPERATING INCOME (LOSS)	<u>(1,614,968)</u>	<u>(739,114)</u>
NON-OPERATING REVENUES		
Interest Income	8,195	-
School Lunch and Breakfast	1,163,964	-
Donated Commodities	219,058	-
Start Smart	3,960	-
K-2 Reduced	11,474	-
State Match	36,949	-
Total Non-Operating Revenues	<u>1,443,600</u>	<u>-</u>
Change in Net Assets	- (171,368)	(739,114)
Net Assets, July 1	<u>1,177,710</u>	<u>1,529,902</u>
Net Assets, June 30	<u>\$ 1,006,342</u>	<u>\$ 790,788</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, 2011

	Business Type Activities	
	Enterprise	Internal Svc
	Food	Health
	Services	Insurance
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 2,016,164	\$ 7,607,066
Payments for Claims	0	(7,798,562)
Payments to Suppliers	(1,876,158)	0
Payments to Employees	(962,671)	0
Net Cash Provided/(Used) by Operating Activities	(822,665)	(191,496)
Cash Flows from Non-capital Financing Activities		
National School Lunch and Breakfast	1,146,429	0
National School Lunch and Breakfast Receivables Collected	0	0
State Reimbursements	52,383	0
Net Cash Provided/(Used) by Non-Capital Financing Activities	1,198,812	0
Cash Flows from Capital and Related Financing Activities		
Capitalized Purchase of Equipment	(31,261)	0
Net Cash Used by Non-Capital Financing Activities	(31,261)	0
Cash Flows from Investing Activities		
Interest Earned	8,194	0
Net Increase/(Decrease) in Cash and Cash Equivalents	353,080	(191,496)
Cash and Cash Equivalents, July 1	703,225	1,243,658
Cash and Cash Equivalents, June 30	\$ 1,056,305	\$ 1,052,162
Reconciliation of Operating Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities		
Operating Income / (Loss)	\$ (1,614,968)	\$ (739,114)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities		
Depreciation Expense	\$ 67,418	\$ 0
Donated Commodities	219,058	0
Change in Inventories	9,199.00	-
Change in Interfund Receivable		(182,440.00)
Change in Interfund Payable	479,495.00	320,429.00
Change in Accounts Payable	24,624.00	409,629.00
Change in Accrued Salaries and Benefits Payable	33,279.00	-
Change in Deferred Revenue	8,181.00	-
Change in Compensated Absences Payable	(48,951.00)	-
Net Cash Provided/(Used) by Operating Activities	\$ (822,665)	\$ (191,496)

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	<u>Trust</u> <u>Scholarship</u>	<u>Agency</u> <u>Pupil Activity</u>
ASSETS		
Cash and Cash Equivalents	\$ 9,331	\$ 952,456
Total Assets	<u>9,331</u>	<u>952,456</u>
LIABILITIES		
Due to Student Organizations	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>
NET ASSETS		
Held for Student Organizations	0	952,456
Held in Trust for Scholarship Recipients	<u>9,331</u>	<u>0</u>
Total Net Assets	<u><u>\$ 9,331</u></u>	<u><u>\$ 952,456</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
For the Year Ended June 30, 2011

	<u>Trust</u>
	<u>Scholarship</u>
ADDITIONS	
Fundraising Activities	\$ 223
DELETIONS	
Disbursements	120
Change in Net Assets	103
Net Assets, July 1	9,228
Net Assets, June 30	\$ 9,331

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 Principles (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 14,717 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, 2011

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

A. Reporting Entity (continued)

Pikes Pike School of Expeditionary Learning
11925 Antler's Ridge Drive
Peyton, Colorado 80831

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

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

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, 2011

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all tax revenues.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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.

Grants Fund – used to account for all resources that are either received in advance, or pledged for reimbursement according to stipulations provided from various local, state and federal granting authorities.

Additionally, the District reports the following major proprietary fund:

Food Service Fund – acting and accounted for as an enterprise fund, it is used to account for all activity related to the District's Food Service program for students and staff.

Enterprise Funds – Account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, including depreciation and indirect costs) of providing goods or services to the students or general public on a continuing basis are financed by charges for services or products.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

Additionally, the District also reports the following fund types:

Special Revenue Funds – Account for the proceeds from special revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purpose.

Capital Project Funds – Account for financial resources used to acquire or construct major capital facilities, sites, and equipment. Capital projects funds are designated to account for acquisition or construction of capital outlay assets which are not acquired directly by the General Fund, special revenue funds, or enterprise funds.

Internal Service Funds – Account for School District operations that provide goods or services within the District.

Fiduciary Funds – Used to report any trust arrangement under which the principal and/or income benefit individuals or organizations and the funds are not used as part of the operations of the District.

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.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either 'due to/from other funds' (i.e. the current portion of interfund loans) or 'advances to/from other funds' (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as 'due to/from other funds'.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Nutrition 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.

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.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

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.

Personal Leave

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

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

Net Assets / Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

E. Revenues and Expenditures / Expenses

Property Taxes

Mill levy rates are certified by the Board of Education to the county commissioners and treasurer by December 15th each year. Property taxes payable are based on certified mill levies. Property taxes are levied in arrears and attach as a lien on property on January 1. For example, property taxes paid in calendar 2011 were certified in December 2010 and were available for collection on January 1, 2011.

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.

NOTE 2 **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.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 **CASH AND INVESTMENTS**

At June 30, 2011, the District had the following cash and investments:

Cash on Hand	\$ 500
Deposits	5,482,782
Investments	43,343,192
Total	<u><u>\$ 48,826,474</u></u>

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

Cash and Cash Equivalents	\$ 22,683,342
Restricted Cash and Cash Equivalents	25,181,345
Fiduciary Funds	961,787
Total	<u><u>\$ 48,826,474</u></u>

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. The carrying amount of the District's deposits at June 30, 2011 was \$5,482,782 and the bank balances were \$5,979,561. Of the bank balances, \$1,000,000 was covered by federal deposit insurance and the balance was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

Investments

At June 30, 2011, the District had the following investments:

Investment	Maturity	Fair Market Value
Local Government Investment Pool COLOTRUST	N/A	\$29,038,797
Fidelity Investments Government Portfolio Fund	N/A	2,160,685
JP Morgan US Govt Money Market	N/A	8,646,527
Federated Govt Obligation Money Market	N/A	572,183
Ford Credit Commercial Paper	12/01/2011	2,925,000
Total		<u><u>\$ 43,343,192</u></u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 **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 \$29,038,797 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, 2011, the District's investment in Ford Motor Credit Commercial Paper was rated A1+ by Standard & Poor's and P1 by Moody's Investor Services.

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO. At June 30, 2011, the District's investment in the JP Morgan U.S. Government Money Market Fund, the Fidelity Investments Government Portfolio Fund, and the Federated Government Obligation Money Market Fund were all rated AAAm by Standard & Poor's.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 **CASH AND INVESTMENTS (continued)**

Restricted Cash and Investments

Cash and investments of \$25,181,345, representing unspent bond proceeds of \$608,748, reserves for debt service of \$11,888,656, and mill levy override funds of \$12,274,098, and other reserves of \$409,843 have been restricted for equipment, building improvements and debt service in the General, Bond Redemption, and Building Funds.

NOTE 4 **RECEIVABLES & DEFERRED REVENUE**

Receivable activity for the year ended June 30, 2011 was as follows:

	Balances 06-30-2010	Net Change	Balances 06-30-2011
Governmental Activities			
General Revenue Receivables			
Property Taxes Receivable	\$ 1,987,647	\$ (355,715)	\$ 1,631,932
Component Unit Receivable	17,581	14,029	31,610
State Equalization Adjustment Receivable	2,567	(2,567)	0
Total General Revenue Receivables	2,007,795	(344,253)	1,663,542
Program Revenue Receivables:			
Federal Sourced Grants	1,351,870	(27,954)	1,323,916
Total Program Revenue Receivables	1,351,870	(27,954)	1,323,916
Governmental Activities Receivables	\$ 3,359,665	\$ (372,207)	\$ 2,987,458
Business-type Activities			
Program Revenue Receivables:			
State Sourced Grants	\$ 1,542	\$ 373	\$ 1,915
Federal Sourced Grants	114,494	17,162	131,656
Total Program Revenue Receivables	116,036	17,535	133,571
Business-type Activities Receivables	\$ 116,036	\$ 17,535	\$ 133,571

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	Unavailable	Unearned	Total
Property tax receivable	\$ 907,188	\$ 0	\$ 907,188
Forward Delivery Agreement (see note 11)	0	442,857	442,857
Full Day Kindergarten Parent Deposits	0	57,983	57,983
Operating Grants & Contributions	0	26,223	26,223
Total Governmental Activities Deferred/Unearned Revenue	\$ 907,188	\$ 527,063	\$ 1,434,251

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balances 06-30-2010	Additions	Deletions	Balances 06-30-2011
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 15,765,500	\$ 0	\$ 0	\$ 15,765,500
Construction in process	210,622	353,224	0	563,846
Total capital assets not being depreciated	15,976,122	353,224	0	16,329,346
Capital assets being depreciated:				
Buildings and improvements	180,584,085	867,686	0	181,451,771
Equipment	15,276,771	1,868,018	0	17,144,789
Total capital assets being depreciated	195,860,856	2,735,704	0	198,596,560
Less accumulated depreciation for:				
Buildings and improvements	35,050,818	4,909,613	0	39,960,431
Equipment	7,904,388	1,955,514	0	9,859,902
Total accumulated depreciation	42,955,206	6,865,127	0	49,820,333
Total capital assets being depreciated, net	152,905,650	(4,129,423)	0	148,776,227
Governmental Activities capital assets, net	\$ 168,881,772	\$ (3,776,199)	\$ 0	\$ 165,105,573
Business-type Activities				
Capital assets being depreciated:				
Equipment	\$ 1,070,696	\$ 31,261	\$ 0	\$ 1,101,956
Less accumulated depreciation for:				
Equipment	692,398	67,418	0	759,816
Business-type Activities capital assets, net	\$ 378,298	\$ (36,157)	\$ 0	\$ 342,141

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 **CAPITAL ASSETS (continued)**

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

Governmental Activities:

Instruction	\$ 5,836,267
General Administration	51,287
Operation and Maintenance	37,161
Student Transportation	203,590
Support Services	735,562
Business	1,260

Total Depreciation Expense – Governmental Activities	\$ 6,865,127
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Business – Type Activities:

Food Services	\$ 67,418
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NOTE 6 **INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS**

Interfund Receivable	Interfund Payable	Amount
General fund	Grants fund	\$ 1,090,870
General fund	Food Services fund	479,495
Health Insurance fund	General fund	563,256

Interfund Receivables and Payables

During the year, the General Fund covered operating expenditures for the Grants Fund for programs that are funded in arrears. The interfund balances are routinely cleared as a matter of practice. In addition, payroll cycles fund the Health Insurance Internal Service Fund. Payroll accruals include amounts that are due to the Health Insurance Internal Service Fund and are reflected as such on the year-end financial statements. These amounts are remitted within the first sixty days of the subsequent fiscal year.

Transfers

During the year ended June 30, 2011, the Capital Reserve Fund transferred its remaining fund balance of \$605,662 to the General Fund to reflect the consolidation of these two funds according to Colorado Department of Education guidelines.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 **LONG TERM LIABILITIES**

Long-term debt activity for the year ended June 30, 2011 was as follows:

	Balances 06/30/10	Additions	Deletions	Balances 06/30/10	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 47,935,000	\$ -	\$ 2,850,000	\$ 45,085,000	\$ 4,000,000
Registered Coupons	2,130,000	-	1,480,000	650,000	520,000
Bond Premium Accretion	1,502,759	-	252,151	1,250,608	-
Loss on Refunding	(3,449,830)	-	(410,847)	(3,038,983)	-
Total	48,117,929	-	4,171,304	43,946,625	4,520,000
Certificates of Participation	87,835,000	-	1,745,000	86,090,000	1,875,000
COP Premium & Accretion	2,017,396	-	96,067	1,921,329	-
Capital Lease Obligations	4,056,903	418,453	1,683,946	2,791,410	994,186
Compensated Absences	694,090	272,841	-	966,931	-
Total Governmental Activities	\$142,721,318	\$540,687	\$ 7,545,740	\$135,716,295	\$ 7,389,186
Business-type Activities					
Compensated Absences	\$ 75,786	\$ -	\$ 48,951	\$ 26,835	\$ -

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 **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. \$ 12,275,000

\$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. 8,170,000

\$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. 1,325,000

Total general obligation bonded debt \$ 45,085,000

\$1,260,000 registered coupons, in conjunction with Series 2006 G.O. Refunding Bonds for \$1,134,477 cash, yielding between 3.55% to 4.00% due annually through 2012 in amounts of \$125,000 to \$130,000. 255,000

\$4,330,000 registered coupons, in conjunction with Series 2002 G.O. Bonds for \$3,190,366 cash, yielding between 3.00% to 4.92%, payments due annually through 2011 in amounts of \$125,000 to \$930,000. 395,000

Total registered coupons \$ 650,000

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 **LONG TERM LIABILITIES (continued)**

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

Fiscal Year(s) As of June 30	Principal	Interest	Total
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	5,305,000	1,344,882	6,649,882
2016	5,550,000	1,108,903	6,658,903
2017-2021	17,670,000	2,655,000	20,325,500
2022	2,855,000	71,375	2,926,375
Total	\$ 45,085,000	\$ 10,497,953	\$ 55,582,953

Certificates of Participation

In July 2006, the District issued \$53,400,000 in 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 in 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:

Fiscal Year(s) As of June 30	Principal	Interest	Total
2012	1,875,000	4,184,337	6,059,337
2013	2,045,000	4,101,038	6,146,038
2014	2,225,000	4,005,575	6,230,575
2015	2,425,000	3,900,313	6,325,313
2016	2,625,000	3,789,406	6,414,406
2017-2021	16,705,000	16,731,250	33,436,250
2022-2026	24,180,000	11,681,719	35,861,719
2027-2031	34,010,000	5,164,084	39,174,084
Total	\$ 86,090,000	\$ 53,557,722	\$ 139,647,722

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 **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 \$12,593,412 have been capitalized under these leases.

Capital lease obligations at June 30, 2011, are comprised of the following:

		Balances 06/30/10	Principal Additions	Principal Deletions	Balances 06/30/11	Principal Due Within One Year
2011 Equipment Leases	(\$ 418,453)	\$ 0	\$418,453	\$ 129,375	\$ 289,078	\$ 119,509
2008 Equipment Leases	(1,512,265)	613,087	-	373,667	239,420	161,339
2006 Modular Leases	(2,132,071)	566,987	-	131,841	435,146	138,236
2004 Equipment Leases	(1,764,134)	404,265	-	200,077	195,362	95,773
2002 Equipment Lease	(734,942)	176,519	-	86,138	90,380	90,380
2002 Land and Modular Leases	(4,500,000)	1,911,299	-	369,318	1,541,981	388,948
2001 Modular Lease	(1,950,000)	384,747	-	384,747	0	0
Total	(\$13,011,865)	\$ 4,056,903	\$418,453	\$ 1,683,946	\$ 2,791,410	\$ 994,186

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

Year Ending June 30,	Principal	Interest	Total
2012	994,186	143,368	1,137,554
2013	853,709	93,589	947,298
2014	440,301	49,584	489,885
2015	247,587	26,665	274,252
2016	255,627	13,674	274,251
Total	\$ 2,791,410	\$ 326,880	\$ 3,123,240

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 **LONG TERM LIABILITIES (continued)**

Defeased Debt

In 2006, the District defeased \$12,675,000 of General Obligation Bonds, Series 1999A and \$23,205,000 of General Obligation Bonds, Series 2002, by placing the proceeds of new bonds in a 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, 2011 was \$35,880,000.

NOTE 8 **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, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy – The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of the plan members and the District are established under Title 24, Article 51, and Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the District was 10.15% of covered salary. A portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (See Note 9). The District is also required to pay an amortization equalization disbursement (AED) equal to 2.60 percent of the total payroll for the calendar year 2011, which is up from 2.20 percent in calendar 2010 and 1.70 percent in calendar 2009, and 1.40 percent in calendar 2008. Additionally, the District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 2.00 percent of the total payroll for the calendar year 2011, which is up from 1.50 percent of the total payroll for the calendar year 2010, 1.00 percent in calendar 2009 and 0.50 percent in calendar 2008. If the District hires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however no member contributions are required. The District's contributions to the SDTF for the years ending June 30, 2011, 2010, and 2009 were \$6,889,902, \$6,734,797, and \$6,284,077 respectively; equal to the required contributions.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 **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 online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy – The District was required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, and Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The District's contributions to HCTF for the years ending June 30, 2011, 2010, and 2009 were \$535,836, \$559,547, and \$558,246 respectively; equal to the required contributions.

NOTE 10 **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District 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 worker's 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. Settlements have not exceeded premiums for each of the past two fiscal years.

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.

Net Claims Payable as of 6/30/2010	\$ 415,000
+ Claims Presented 7/1/2010 – 6/30/2011:	7,380,828
- Claims Paid 7/1/2010 – 6/30/2011:	6,971,198
Net Claims Payable as of 6/30/2011	<u>\$ 824,630</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 **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. The District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

TABOR Amendment

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

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

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

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, 2011 the District reserved \$3,000,000 in the General Fund for this purpose.

The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations to the amendment's language in order to determine its compliance.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 **FORWARD AND DELIVERY INVESTMENT AGREEMENT**

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

The amount received under this agreement is being amortized over the term of the agreement for GAAP purposes, rather than in full in the 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, 2011:

	Revenue <u>Recognized</u>	Deferred <u>Revenue</u>
Fiscal Year Ending June 30, 2011	\$ 88,572	\$ 442,857

NOTE 13 **SUBSEQUENT EVENTS**

In July 2011, the District received a donation commitment from the Falcon Community Builders for Classrooms organization (FCBC) to supplement capital expenditure plans for the 2011-12 fiscal year. This commitment, proposed at up to \$1 million, will subsidize the capital plan for 2011-12, with the requirement that the plan include replacing the natural turf at Vista Ridge High School with an artificial turf option, as well as lights for the field. The District Board of Education accepted the donation commitment, and the terms of its granting in July 2011.



FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

FALCON SCHOOL DISTRICT 49
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
<u>Local Sources:</u>				
Property Taxes	\$ 21,214,098	\$ 21,053,908	\$ 21,014,628	\$ (39,280)
Specific Ownership Taxes	2,654,148	2,572,233	2,467,992	(104,241)
Earnings on Investments	87,785	65,000	47,325	(17,675)
Delinquent Taxes and Interest	37,000	34,000	(16,371)	(50,371)
Tuition	735,000	735,000	641,917	(93,083)
Other	1,597,060	4,032,630	4,452,357	419,727
Total Local Source Revenue	26,325,091	28,492,771	28,607,848	115,077
<u>State Sources:</u>				
Equalization	62,448,852	58,728,832	55,421,452	(3,307,380)
Transportation	725,000	725,000	803,972	78,972
Vocational Education	0	0	0	0
Special Education	1,964,287	1,929,542	2,197,340	267,798
ELPA	60,000	58,421	58,421	0
Gifted and Talented	125,000	125,000	131,283	6,283
Total State Source Revenue	65,323,139	61,566,795	58,612,468	(2,954,327)
<u>Federal Sources:</u>				
School to Work Alliance Program	60,000	82,000	3,657,668	3,575,668
Impact Aid	0	500,000	846,994	346,994
ROTC	240,000	328,000	150,687	(177,313)
Total Federal Source Revenue	300,000	910,000	4,655,349	3,745,349
Total Revenues	91,948,230	90,969,566	91,875,665	906,099
EXPENDITURES				
<u>Instructional</u>	48,296,587	47,109,475	45,985,186	1,124,289
<u>Support Services</u>				
Student Support	4,130,654	4,541,382	4,318,588	222,794
Instructional Staff	4,940,149	4,816,247	4,464,197	352,050
General Administration	1,095,320	1,188,445	1,306,347	(117,902)
School Administration	4,387,694	5,097,555	5,167,267	(69,712)
Business Services	1,014,615	1,031,078	941,134	89,944
Operations and Maintenance	9,224,460	9,346,792	9,270,224	76,568
Student Transportation	3,572,631	3,537,270	3,991,265	(453,995)
Central Support	3,754,696	3,961,303	3,823,857	137,446
Other Support	6,000	762,326	999,355	(237,029)
Facilities Acquisition/Construction	1,731,275	1,568,240	709,865	858,375
Debt Service				
Principal Retirement	1,745,000	1,745,000	3,384,864	(1,639,864)
Interest and Fiscal Charges	11,053,847	11,499,907	4,468,893	7,031,014
Total Support Services	46,656,341	49,095,545	42,845,856	6,249,689
Reserves	0	0	0	0
Total Expenditures	94,952,928	96,205,020	88,831,042	7,373,978
Revenues Over Expenditures	(3,004,698)	(5,235,454)	3,044,623	8,280,077
Other Financing Sources (Uses)				
Transfers In / (Out)	0	0	605,662	605,662
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 605,662	605,662
Net Change in Fund Balance	(3,004,698)	(5,235,454)	3,650,285	8,885,739
Fund Balance, July 1	20,831,232	22,170,325	21,564,663	(605,662)
Fund Balance, June 30	\$ 17,826,534	\$ 16,934,871	\$ 25,214,948	\$ 8,280,077

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Local Sources	\$ 75,000	\$ 183,784	\$ 207,520	\$ 23,736
State Sources	325,000	256,905	250,001	(6,904)
Federal Sources	6,600,000	10,559,311	4,716,534	(5,842,777)
TOTAL REVENUES	7,000,000	11,000,000	5,174,055	(5,825,945)
EXPENDITURES				
Salaries	2,590,000	6,853,164	1,973,171	4,879,993
Benefits	725,200	823,577	451,124	372,453
Purchased Services	1,634,800	1,644,255	1,567,043	77,212
Supplies	990,000	922,853	455,740	467,113
Property and Equipment	1,000,000	616,280	580,947	35,333
Other	60,000	139,871	146,030	(6,159)
TOTAL EXPENDITURES	7,000,000	11,000,000	5,174,055	5,825,945
NET CHANGE IN FUND BALANCE	0	0	0	0
Fund Balance, July 1	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, June 30	\$ 0	\$ 0	\$ 0	\$ 0

See the accompanying Independent Auditors' Report.



FINANCIAL SECTION

COMBINING AND INDIVIDUAL

FUND FINANCIAL STATEMENTS & SCHEDULES

FALCON SCHOOL DISTRICT 49
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Capital Reserve	Building	Capital Reserve	
ASSETS				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 246,815	\$ 246,815
Restricted Cash and Cash Equivalents	0	608,748	0	608,748
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 608,748</u>	<u>\$ 246,815</u>	<u>\$ 855,563</u>
LIABILITIES & FUND BALANCE				
LIABILITIES				
Accounts Payable	0	167,254	0	167,254
TOTAL LIABILITIES	<u>0</u>	<u>167,254</u>	<u>0</u>	<u>167,254</u>
FUND BALANCE				
Committed for:				
Capital Projects	0	441,494	246,815	688,309
TOTAL FUND BALANCE	<u>0</u>	<u>441,494</u>	<u>246,815</u>	<u>688,309</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 0</u>	<u>\$ 608,748</u>	<u>\$ 246,815</u>	<u>\$ 855,563</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, 2011

	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Capital Reserve	Building	Capital Reserve	
REVENUES				
Local Sources	\$ 0	\$ 1,666	\$ 87,032	\$ 88,698
State Sources	0	0	0	0
Federal Sources	0	0	0	0
Total Revenues	<u>0</u>	<u>1,666</u>	<u>87,032</u>	<u>88,698</u>
EXPENDITURES				
Current				
Instruction	0	0	0	0
Student Support	0	0	0	0
Instructional Staff	0	0	0	0
Business Services	0	0	0	0
Operations and Maintenance	0	0	0	0
Central Support	0	0	0	0
Facilities Acquisition & Construction	0	1,569,973	240,661	1,810,634
Debt Service				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	<u>0</u>	<u>1,569,973</u>	<u>240,661</u>	<u>1,810,634</u>
Revenues Over (Under) Expenditures	<u>0</u>	<u>(1,568,307)</u>	<u>(153,629)</u>	<u>(1,721,936)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	0
Transfers Out	(605,662)	0	0	(605,662)
Total Other Financing Sources (Uses)	<u>(605,662)</u>	<u>0</u>	<u>0</u>	<u>(605,662)</u>
Net Change in Fund Balances	(605,662)	(1,568,307)	(153,629)	(2,327,598)
Fund Balances, July 1	<u>605,662</u>	<u>2,009,801</u>	<u>400,444</u>	<u>3,015,907</u>
Fund Balances, June 30	<u>\$ 0</u>	<u>\$ 441,494</u>	<u>\$ 246,815</u>	<u>\$ 688,309</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Property Taxes	\$ 7,764,025	\$ 7,724,705	\$ 7,834,309	\$ 109,604
Interest	40,000	40,000	22,407	(17,593)
Total Revenues	<u>7,804,025</u>	<u>7,764,705</u>	<u>7,856,716</u>	<u>92,011</u>
EXPENDITURES				
Debt Service				
Principal Retirement	4,850,000	5,983,401	4,330,000	1,653,401
Interest and Fiscal Charges	<u>3,614,807</u>	<u>2,497,906</u>	<u>2,136,879</u>	<u>361,027</u>
Total Expenditures	<u>8,464,807</u>	<u>8,481,307</u>	<u>6,466,879</u>	<u>2,014,428</u>
Net Change in Fund Balance	(660,782)	(716,602)	1,389,837	2,106,439
Fund Balance, July 1	<u>10,484,466</u>	<u>10,615,503</u>	<u>10,615,503</u>	<u>0</u>
Fund Balance, June 30	<u>\$ 9,823,684</u>	<u>\$ 9,898,901</u>	<u>\$ 12,005,340</u>	<u>\$ 2,106,439</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Fees in Lieu of Land	\$ 75,000	\$ 75,000	\$ 52,088	\$ (22,912)
Other	15,000	15,000	34,944	19,944
Total Revenues	90,000	90,000	87,032	(2,968)
EXPENDITURES				
Facilities Acquisition & Construction	373,170	490,443	240,661	249,782
Total Expenditures	373,170	490,443	240,661	249,782
Net Change in Fund Balance	(283,170)	(400,443)	(153,629)	246,814.00
Fund Balance, July 1	283,170	400,443	400,444	1
Fund Balance, June 30	\$ 0	\$ 0	\$ 246,815	\$ 246,815

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Interest	\$ 10,000	\$ 5,000	\$ 1,666	\$ (3,334)
Other	0	0	0	0
Total Revenues	10,000	5,000	1,666	(3,334.00)
EXPENDITURES				
Facilities Acquisition & Construction	1,101,983	2,014,801	1,569,973	444,828
Contingency	0	0	0	0
Total Expenditures	1,101,983	2,014,801	1,569,973	444,828
Excess of Revenues Over (Under) Expenditures	(1,091,983)	(2,009,801)	(1,568,307)	441,494
OTHER FINANCING SOURCES				
Debt Issued	0	0	0	0
Transfers In	0	0	0	0
Total Other Financing Sources	0	0	0	0
Net Change in Fund Balance	(1,091,983)	(2,009,801)	(1,568,307)	441,494
Fund Balance, July 1	1,091,983	2,009,801	2,009,801	0
Fund Balance, June 30	\$ 0	\$ 0	\$ 441,494	\$ 441,494

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
OPERATING REVENUES				
Local Sources				
Charges for Services	<u>\$ 2,004,042</u>	<u>\$ 1,954,042</u>	<u>\$ 2,007,984</u>	<u>\$ 53,942</u>
Total Operating Revenues	<u>\$ 2,004,042</u>	<u>\$ 1,954,042</u>	<u>\$ 2,007,984</u>	<u>\$ 53,942</u>
OPERATING EXPENSES				
Salaries	929,624	1,090,667	1,140,918	(50,251)
Employee Benefits	299,673	299,673	285,577	14,096
Purchased Services	127,500	256,500	158,362	98,138
Purchased Food	1,783,430	1,783,430	1,760,576	22,854
Other Supplies	143,667	143,667	164,862	(21,195)
Indirect Costs	55,000	55,000	-	55,000
Equipment Replacement	120,000	120,000	32,174	87,826
Depreciation	76,215	76,215	67,418	8,797
Contingency / Other	<u>535,200</u>	<u>355,157</u>	<u>13,065</u>	<u>342,092</u>
Total operating expenses	<u>4,070,309</u>	<u>4,180,309</u>	<u>3,622,952</u>	<u>557,357</u>
Operating Income (Loss)	<u>(2,066,267)</u>	<u>(2,226,267)</u>	<u>(1,614,968)</u>	<u>611,299</u>
NON-OPERATING REVENUES				
Federal Sources				
School Lunch and Breakfast Program	1,013,169	1,113,169	1,163,964	50,795
Donated Commodities	178,430	178,430	219,058	40,628
State Sources				
Start Smart	4,450	4,450	3,960	(490)
K-2 Reduced	10,513	10,513	11,474	961
State Match	-	-	36,949	36,949
Interest	<u>62,500</u>	<u>82,000</u>	<u>8,195</u>	<u>(73,805)</u>
Total Non-operating Revenues	<u>1,269,062</u>	<u>1,388,562</u>	<u>1,443,600</u>	<u>55,038</u>
Change in net assets	<u>(797,205)</u>	<u>(837,705)</u>	<u>(171,368)</u>	<u>666,337</u>
Net Assets, July 1	<u>\$ 1,273,305</u>	<u>\$ 1,177,709</u>	<u>\$ 1,177,710</u>	<u>\$ 1.00</u>
Net Assets, June 30	<u>\$ 476,100</u>	<u>\$ 340,004</u>	<u>\$ 1,006,342</u>	<u>\$ 666,338</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Interest	\$ 2,500	\$ 2,500	\$ 1,799	\$ (701)
Premiums & Employer Contributions	6,800,215	7,880,000	7,467,279	(412,721)
Total Revenues	6,802,715	7,882,500	7,469,078	(413,422)
EXPENDITURES				
Purchased Medical Svc & Supplies	5,853,439	7,377,341	6,971,880	405,461
Purchased Mgmt Services	1,285,060	1,285,060	1,236,312	48,748
Contingency	750,000	750,000	-	750,000
Total Expenditures	7,888,499	9,412,401	8,208,192	1,204,209
Net Change in Fund Balance	(1,085,784)	(1,529,901)	(739,114)	790,787
Fund Balance, July 1	1,085,784	1,529,901	1,529,902	1
Fund Balance, June 30	\$ 0	\$ 0	\$ 790,788	\$ 790,788

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS				
Fundraising Activities	\$ 434	\$ 282	\$ 223	\$ (59.00)
DEDUCTIONS				
Scholarships Awarded	11,303	9,399	120	9,279
Change in Net Assets	(10,869)	(9,117)	103	9,220
Net Assets, July 1	10,869	9,228	9,228	-
Net Assets, June 30	\$ 0	\$ 111	\$ 9,331	\$ 9,220
			-	

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, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS				
Cash and Cash Equivalents	\$ 918,804	\$ 2,586,114	\$ 2,552,536	\$ 952,382
TOTAL ASSETS	<u>\$ 918,804</u>	<u>\$ 2,586,114</u>	<u>\$ 2,552,536</u>	<u>\$ 952,382</u>
LIABILITIES				
Accounts Payable	\$ 0	\$ 5,558	\$ 0	\$ 5,558
Due to Student Organizations	918,804	2,580,556	2,552,536	946,824
TOTAL LIABILITIES	<u>\$ 918,804</u>	<u>\$ 2,586,114</u>	<u>\$ 2,552,536</u>	<u>\$ 952,382</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS				
Pupil Activities	\$ 3,515,000	\$ 3,515,000	\$ 2,580,556	\$ (934,444)
DEDUCTIONS				
Pupil Activities	\$ 3,465,000	\$ 3,910,000	\$ 2,552,536	\$ 1,357,464
Change in Due to Student Organizations	\$ 50,000	\$ (395,000)	\$ 28,020	\$ 423,020
Due to Student Organizations, July 1	\$ 481,902	\$ 918,804	\$ 918,804	\$ 0
Due to Student Organizations, June 30	\$ 531,902	\$ 523,804	\$ 946,824	\$ 423,020

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See the accompanying Independent Auditors' Report.

FALCON SHOOOL DISTRICT 49
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
June 30, 2011

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
ASSETS					
Cash and Cash Equivalents	\$ 664,672	\$ 1,572,229	\$ 437,690	\$ 408,256	\$ 3,082,847
Accounts Receivable	5,252	2,553	-	-	7,805
Prepaid Expense	-	3,206	25,500	-	28,706
Restricted Cash and Cash Equivalents	604,989	793,386	155,000	-	1,553,375
Debt Issuance Costs	256,606	203,062	48,813	-	508,481
Capital Assets, Net of Accumulated Depreciation	5,471,716	5,946,306	2,762,480	-	14,180,502
TOTAL ASSETS	7,003,235	8,520,742	3,429,483	408,256	19,361,716
LIABILITIES					
Accounts Payable and Other Current Liabilities	26,192	47,000	7,250	114,727	195,169
Accrued Liabilities	30,289	12,450	49,360	-	92,099
Accrued Salaries & Benefits Payable	89,727	156,518	184,154	-	430,399
Accrued Interest Payable	35,030	19,562	-	-	54,592
Long-term Liabilities	-	-	-	-	-
Due or payable within one year	85,000	125,000	426,365	107,086	743,451
Due or payable after one year	6,260,000	7,540,000	1,751,864	508,294	16,060,158
TOTAL LIABILITIES	6,526,238	7,900,530	2,418,993	730,107	17,575,868
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	(616,678)	(1,517,754)	720,387	-	(1,414,045)
Restricted for Emergencies	75,000	127,486	168,685	133,000	504,171
Restricted for Debt Service	555,484	692,471	-	-	1,247,955
Restricted for Repair and Replacement	19,169	75,750	-	-	94,919
Unrestricted	444,022	1,242,259	121,418	(454,851)	1,352,848
TOTAL NET ASSETS	\$ 476,997	\$ 620,212	\$ 1,010,490	\$ (321,851)	\$ 1,785,848

See the accompanying Independent Auditors' Report.

FALCON SHOOOL DISTRICT 49
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
EXPENSES					
Instruction	\$ 1,414,065	\$ 2,141,780	\$ 3,434,940	\$ 1,893,956	\$ 8,884,741
Supporting Services	992,261	1,980,541	1,701,393	2,632,430	7,306,625
Interest and Fiscal Charges					-
TOTAL EXPENSES	<u>2,406,326</u>	<u>4,122,321</u>	<u>5,136,333</u>	<u>4,526,386</u>	<u>16,191,366</u>
PROGRAM REVENUES					
Charges for Services	35,414	138,208	321,451	183,080	678,153
Operating Grants and Contributions	7,412	14,412	40,426	123,575	185,825
Capital Grants and Contributions	<u>32,528</u>	<u>61,283</u>	<u>74,035</u>	<u>58,653</u>	<u>226,499</u>
TOTAL PROGRAM REVENUES	<u>75,354</u>	<u>213,903</u>	<u>435,912</u>	<u>365,308</u>	<u>1,090,477</u>
NET EXPENSE (REVENUE)	<u>(2,330,972)</u>	<u>(3,908,418)</u>	<u>(4,700,421)</u>	<u>(4,161,078)</u>	<u>(15,100,889)</u>
GENERAL REVENUES					
Per Pupil Operating Revenue	2,333,523	4,397,813	5,313,178	4,209,124	16,253,638
Investment Earnings	16,055	-	-	84	16,139
Miscellaneous	<u>113,059</u>	<u>7,051</u>	<u>48,843</u>	<u>193,004</u>	<u>361,957</u>
TOTAL GENERAL REVENUES	<u>2,462,637</u>	<u>4,404,864</u>	<u>5,362,021</u>	<u>4,402,212</u>	<u>16,631,734</u>
CHANGE IN NET ASSETS	131,665	496,446	661,600	241,134	1,530,845
NET ASSETS, Beginning	<u>345,332</u>	<u>123,766</u>	<u>348,890</u>	<u>(562,985)</u>	<u>255,003</u>
NET ASSETS, Ending	<u>\$ 476,997</u>	<u>\$ 620,212</u>	<u>\$ 1,010,490</u>	<u>\$ (321,851)</u>	<u>\$ 1,785,848</u>

See the accompanying Independent Auditors' Report.



COMPLIANCE SECTION

SINGLE AUDIT

FALCON SCHOOL DISTRICT 49
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through Colorado Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	4555	\$ 1,297,707
School Breakfast Program	10.553	4553	85,316
Total U.S. Department of Agriculture			<u>1,383,023</u>
U.S. Department of Defense			
Direct Programs			
Reserve Officer Training Corps (ROTC)	12.XXX	9001	151,346
AIM (Achievement in Math)	12.556	7556	685,596
Impact Aid	12.558	9005	186,302
Total Department of Defense			<u>1,023,244</u>
U.S. Department of Education			
Direct Programs			
Impact Aid	84.041	4041	660,691
K-12 STEM (Science, Technology, Engineering, Math)	84.215	6215	93,626
			<u>754,317</u>
Passed Through Colorado Department of Education			
<i>Title I, Part A Cluster</i>			
No Child Left Behind, Title I, Part A	84.010	4010	461,923
ARRA - Title I, Part A Funds	84.389	4389	85,825
Total Title I, Part A Cluster			<u>547,748</u>
<i>SPED Cluster</i>			
Special Education: Grants to States IDEA Part B	84.027	4027	1,853,414
Special Education: Preschool Grants	84.173	4173	26,817
ARRA - IDEA, Part B	84.391	4391	875,446
ARRA - IDEA, Preschool	84.392	4392	64,682
Total SPED Cluster			<u>2,820,359</u>
<i>Educational Technology Cluster</i>			
No Child Left Behind, Title II, Part D	84.318	4318	1,478
ARRA - Title II-D Ed-Tech	84.386	4386	(364)
Total Educational Technology Cluster			<u>\$ 1,114</u>

See the accompanying Independent Auditor's Report



FALCON SCHOOL DISTRICT 49
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>State Fiscal Stabilization Fund Cluster</i>			
ARRA - State Fiscal Stabilization Fund	84.394	4394	\$ 1,014,787
<i>Total State Fiscal Stabilization Fund Cluster</i>			<u>1,014,787</u>
Safe and Drug Free, Title IV, Part A	84.186	4186	4,630
Charter school Start-up, Title V, Part B	84.282	6282	40,236
English Language Learners, Title III, Part A	84.365	4365, 7365	54,397
Quality Teacher, Title II, Part A	84.367	4367	148,422
School Improvement Grant, Title I, Part A	84.377	4377	89,266
ARRA - Education Jobs Fund Program	84.410	4410	2,642,882
Passed through Colorado Community College System			
Vocational Education - Carl Perkins	84.048	4048	37,961
Passed through Colorado Department of Human Services			
School to Work Alliance Program (SWAP)	84.126	6126	<u>83,978</u>
Total U.S. Department of Education			<u>8,240,097</u>
Total Federal Awards			<u>\$ 10,646,364</u>

See the accompanying Independent Auditor's Report



FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards, which includes the federal grant activity of Falcon School District 49, is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of Falcon School District 49's district-wide financial statements for the year ended June 30, 2011.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. ROTC does not have a CFDA number, so the Federal CFDA number on the Schedule of Expenditures of Federal Awards identifies the Department followed by "x's".

NOTE 3 **SUBRECIPIENT**

Of the federal expenditures presented in the schedule, Falcon School District 49 allocated federal awards to subrecipients as follows:

<u>Program Name (CFDA # - Pass Through #)</u>	<u>Amount Provided to Subrecipients</u>
USDE Impact Aid (84.041 – 4041)	\$ 104,850

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)

NOTE 4 **FEDERAL GRANT RECEIVABLES**

The vast majority of federal grant programs are funded in arrears, meaning that the awarded entity must first incur expenses in a prescribed manner so that those expenditures are eligible for reimbursement by the Federal Grantor/Pass-Through Grantor. As a result, it is common that the expenditures displayed on the Schedule of Federal Awards have not yet been fully funded as of the close of the fiscal year. The unfunded amounts are recorded as receivables on the District's Statement of Net Assets with the corresponding revenue recorded in the Statement of Activities.

Aggregate Federal Grant Receivables, by Federal Grantor as of June 30, 2011:

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Receivable</u>
US Department of Education	
Direct Programs	\$ 8,891
via Colorado Department of Education	985,061
via Colorado Community College System	38,849
via Colorado Department of Human Services	12,132
 US Department of Defense	
Direct Programs	243,961
 US Department of Agriculture	
via Colorado Department of Education	<u>131,656</u>
 Total	 <u><u>\$ 1,420,550</u></u>

All Receivables are expected to be received and cleared within sixty days of the fiscal year end.



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*

To the Board of Education
Falcon School District 49
Colorado Springs, Colorado

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 Falcon School District 49, as of and for the year ended June 30, 2011, which collectively comprise Falcon School District 49's basic financial statements and have issued our report thereon dated December 28, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, and Imagine Charter School at Indigo Ranch as described in our report on the District's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as reported in item number 2011-1, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain other matters that we reported to management of Falcon School District 49 in a separate letter dated December 28, 2011.

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

This report is intended solely for the information and use of management, Board of Education, others within the entity, the Colorado State Auditor, and 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. However, this report is a matter of public record and its distribution is not limited.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 28, 2011



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

To the Board of Education
Falcon School District 49
Colorado Springs, Colorado

Compliance

We have audited Falcon School District 49's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Falcon School District 49's major federal programs for the year ended June 30, 2011. Falcon School District 49's major federal programs are identified in the summary of auditor's 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 Falcon School District 49's management. Our responsibility is to express an opinion on 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 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 Falcon School District 49's compliance with those requirements.

In our opinion, Falcon School District 49 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 28, 2011.

Internal Control Over Compliance

Management of 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 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 to determine the auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Falcon School District 49's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Board of Education, others within the entity, Colorado State Auditor, 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.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 28, 2011

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2011

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) 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 weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ☐ yes ☒ none reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 84.010 & 84.389	Title I, Part A Cluster
CFDA 84.027, 84.173, 84.391 & 84.392	Special Education Cluster
CFDA 84.041	Impact Aid
CFDA 84.367	Improving Teacher Quality State Grants
CFDA 84.394	State Fiscal Stabilization Fund Cluster
CFDA 84.410	Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs? \$319,402

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

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2011

Section II—Financial Statement Findings

2011-1 Bank Reconciliation Procedures

Criteria: General ledger cash balances should be reconciled to bank balances and outstanding items should be routinely updated. Bank reconciliations should be performed in a timely manner to ensure financial records are accurate and complete. Reconciliations should be performed by a knowledgeable staff member independent of the recording function and should be reviewed by management.

Condition: Standard bank reconciliations were not performed during the year, resulting in a lack of audit evidence of reconciliations being performed. Rather, district personnel review banking activity in lieu of such reconciliation.

Context: This finding was noted during testing of control over cash accounts.

Effect: Ineffective control over cash.

Cause: Lack of availability of staff.

Recommendation: Bank reconciliations should be processed within the accounting system within two weeks of the end of each month. Most accounting software programs provide a way to reconcile within the system, which can provide greater control over the reconciliation process by eliminating the opportunity to alter the data actually recorded in the general ledger. Also, this usually saves time performing the reconciliations. We highly recommend the District begin using the bank reconciliation feature of the accounting system if there is one available.

Management response: Management will consider allocating additional resources to the bank reconciliation function.

Section III—Federal Award Findings

None reported.

FALCON SCHOOL DISTRICT 49
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the Falcon School District 49 Schedule of Findings and Questioned Costs for the year ended June 30, 2010. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2011 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Program/ Cluster Title</u>	<u>Finding</u>	<u>Status of Finding</u>
2010-2	84.010 & 84.389	Title I, Part A Cluster	Documentation of Employee Time & Effort	Corrective Action Taken
2010-2	84.027, 84.173, 84.391 & 84.392	Special Education Cluster	Documentation of Employee Time & Effort	Corrective Action Taken



COMPLIANCE SECTION

STATE COMPLIANCE



**INDEPENDENT AUDITORS' REPORT ON COLORADO SCHOOL
DISTRICT/BOCES AUDITOR'S INTEGRITY REPORT**

To the Board of Education
Falcon School District 49
Colorado Springs, Colorado

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 Falcon School District 49, as of and for the year ended June 30, 2011, which collectively comprise Falcon School District 49's basic financial statements and have issued our report thereon dated December 28, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. Other auditors audited the financial statements of Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, and Imagine Charter School at Indigo Ranch as described in our report on the District's financial statements.

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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. 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 financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is 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.

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 28, 2011

12/29/2011
02:14 PM

Colorado Department of Education
Fiscal Year 2010-2011
Colorado School District/BOCES
Auditor's Integrity Report

EL PASO FALCON 49
District Code: 1110

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources -	0001 - 0999 Total Expenditures & Other Uses =	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
-----	-----	-----	-----	-----
Governmental				
10 General Fund	21,378,417	92,202,375	88,633,103	24,947,689
18 Risk Mgmt Sub-Fund of General Fund	113,089	295,219	188,062	220,246
19 Colorado Preschool Program Fund	73,157	402,186	428,330	47,014
Subtotal	21,564,663	92,899,780	89,249,495	25,214,948
11 Charter School Fund	1,300,396	17,711,054	16,451,728	2,559,722
20,26-29 Special Revenue Fund	0	207,519	207,519	0
21 Capital Reserve Spec Revenue Fund	605,662	-605,662	0	0
22 Govt Designated-Purpose Grants Fund	-0	4,966,535	4,966,535	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	10,615,503	7,856,716	6,466,878	12,005,340
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	2,009,801	1,666	1,569,974	441,494
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	400,444	87,032	240,662	246,815
TOTALS	36,496,469	123,124,641	119,152,791	40,468,320
Proprietary				
51 Food Service Fund	1,177,710	3,451,584	3,622,951	1,006,342
50 Other Enterprise Funds	-993,158	1,121,284	1,220,259	-1,092,132
64 (63) Risk-Related Activity Fund	1,529,902	969,674	1,708,789	790,788
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	1,714,454	5,542,542	6,551,999	704,997
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	9,228	223	120	9,331
74 Pupil Activity Agency Fund	961,140	2,641,909	2,597,590	1,005,458
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	970,368	2,642,131	2,597,710	1,014,789

*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: fd1110.14c

Program: fdrdh.sqr

File: fd1110.dhc

FINAL



STATISTICAL SECTION

FALCON SCHOOL DISTRICT 49
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2011

STATISTICAL REPORTS

This part of the District's CAFR presents historical and peripheral information to the reader to provide greater context for understanding what the financial statements, note disclosures, required supplementary information, combining and individual fund financial statements, single audit, and the auditor's integrity report provide on their own.

Contents

Financial Trends	106
<i>Provides trend information to see changes in financial position over time.</i>	
Revenue Capacity	109
<i>Provides trend information to see changes in assessed valuation & mill levy rates over time.</i>	
Debt Capacity	111
<i>Provides trend information regarding the District's long term debt recognized and available.</i>	
Economic & Demographic Information	113
<i>Provides trend information regarding unemployment and Colorado Springs area student count</i>	
Other Information	115
<i>Provides trend information regarding General Fund per pupil spending at various levels</i>	



Falcon School District 49
CAFR Statisticals - Financial Trends
As Reported, as of June 30 by year

Net Assets by Component

	2010	2009	2008	2007	2006	2005	2004	2003	
Invested in Capital Assets, Net of Related Debt	28,864,346	29,971,517	29,439,037	9,590,013	19,921,205	4,428,699	6,435,862	2,883,315	
Restricted for:									<i>Statement of Net</i>
TABOR (emergencies)	3,000,000	3,000,000	2,700,000	2,300,000	2,100,000	1,850,000	1,626,000	1,400,600	
Debt Service	21,569,397	18,890,224	16,491,989	13,631,624	12,335,770	6,121,871	5,466,900	5,182,092	<i>Assets not</i>
Capital Purposes	2,009,801	1,118,152	911,324	615,523	1,395,252	625,924	163,914	4,189,967	
Risk Management	113,089	89,982	89,240	54,758	6,527	16,738	2,439	1,000	<i>introduced until</i>
Preschool	73,157	151,605	149,879	69,386	-	-	-	-	
Unrestricted	9,402,720	9,897,606	11,542,753	14,748,236	(7,780,327)	4,586,944	617,089	(3,360,939)	<i>2003</i>
Total	65,032,510	63,119,086	61,324,222	41,009,540	27,978,427	17,630,176	14,312,204	10,296,035	

Fund Balance by Component

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Restricted for:										
TABOR (emergencies)	3,000,000	3,000,000	2,700,000	2,300,000	2,100,000	1,850,000	1,626,000	1,400,600	1,187,200	958,300
Debt Service	21,569,397	18,621,107	16,266,326	13,516,329	12,335,770	6,121,871	5,466,900	5,456,305	2,867,474	2,380,473
Capital Purposes	2,009,801	5,233,339	9,645,965	3,173,087	1,395,252	625,924	163,914	4,189,967	21,351,898	464,584
Risk Management	113,089	89,982	89,240	54,758	6,527	16,738	2,439	1,000		
Preschool	73,157	151,605	149,879	69,386	-	-	-	-		
Unrestricted	9,402,720	9,432,871	12,076,994	15,337,111	(7,294,504)	5,213,953	2,263,078	1,917,124	2,487,329	4,980,717
Total	36,168,164	36,528,904	40,928,404	34,450,671	8,543,045	13,828,486	9,522,331	12,964,996	27,893,901	8,784,074

Cash, Investment & Receivable Balances

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Cash & Investments	45,995,326	45,674,203	52,928,160	46,642,751	19,318,797	19,064,500	16,681,197	22,082,609	37,420,217	17,447,040
External Receivables	3,359,665	2,747,040	3,426,494	2,102,940	1,967,750	1,380,606	939,159	1,334,963	1,110,284	594,428
	49,354,991	48,421,243	56,354,654	48,745,691	21,286,547	20,445,106	17,620,356	23,417,572	38,530,501	18,041,468



Falcon School District 49
CAFR Statisticals - Financial Trends
As Reported, as of June 30 by year

General Funds Revenue, Expense & Fund Balance Walk

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenue	92,037,568	98,964,120	90,143,535	81,462,039	67,685,106	58,558,230	50,136,489	43,507,849	36,522,222	30,525,656
Expense	(89,626,080)	(97,308,429)	(88,884,590)	(70,668,163)	(57,862,083)	(53,127,595)	(46,955,600)	(41,110,225)	(33,780,156)	(28,058,164)
Net Transfers	(2,722,344)	(2,715,782)	(2,571,002)	(1,631,388)	(2,343,197)	(2,100,000)	(3,093,800)	(2,743,932)	(2,025,604)	(1,588,477)
Net Change in Fund Balance	(310,856)	(1,060,091)	(1,312,057)	9,162,488	7,479,826	3,330,635	87,089	(346,308)	716,462	879,015
Prior Period Adjustments	(281,338)	-	-	-	-	2,439	-	-	-	-
Fund Balance July 1	21,875,519	23,216,948	24,529,005	15,366,517	7,886,691	4,553,617	4,464,089	4,810,397	4,093,935	3,214,920
Fund Balance June 30	21,564,663	22,156,857	23,216,948	24,529,005	15,366,517	7,886,691	4,551,178	4,464,089	4,810,397	4,093,935

Property Tax Revenue	17,111,775	16,057,943	15,165,276	12,340,134	11,061,786	10,410,273	9,105,135	8,073,270	7,098,864	6,008,281
	19%	16%	17%	15%	16%	18%	18%	19%	19%	20%
10 Year CAGR *	12.3%									
Other Local Revenue	9,870,708	12,045,157	11,811,888	10,535,025	7,926,629	3,299,944	1,038,533	1,481,371	2,354,906	2,343,269
	11%	12%	13%	13%	12%	6%	2%	3%	6%	8%
Total Local Revenue	26,982,483	28,103,100	26,977,164	22,875,159	18,988,415	13,710,217	10,143,668	9,554,641	9,453,770	8,351,550
	29%	28%	30%	28%	28%	23%	20%	22%	26%	27%
10 Year CAGR *	13.9%									
State Revenue	64,158,404	70,026,436	62,764,992	58,350,351	48,535,792	44,597,128	38,132,169	32,957,718	26,966,983	22,039,171
	70%	71%	70%	72%	72%	76%	76%	76%	74%	72%
10 Year CAGR *	12.6%									
Federal Revenue	896,681	834,584	401,379	236,529	160,899	250,885	1,860,652	995,490	101,469	134,935
	1%	1%	0%	0%	0%	0%	4%	2%	0%	0%

* CAGR = Compounded Annual Growth Rate



Falcon School District 49
CAFR Statisticals - Revenue Capacity
As Reported, as of June 30 by year

District Assessed Valuation and Mill Levy Components

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net Assessed Valuation	699,610,580	656,524,910	620,028,470	504,523,250	452,258,300	360,878,890	315,635,430	274,881,510	241,704,580	189,733,200
10 Year CAGR *	15.6%									
Total Program Mills	24.459	24.459	24.459	24.459	24.459	28.847	28.847	29.370	29.370	31.667
Voter Approved Override Mills (1)	9.800	9.800	9.800	9.800	9.802	0	0	0	0	0
Abatement Mills	0.101	0.203	0.324	0.076	0.093	0.124	0.228	0.124	0.031	0.089
Bond Redemption Mills	11.212	11.212	11.212	11.212	12.494	14.310	15.500	16.930	18.121	16.014
Total Mill Levy	45.572	45.674	45.795	45.547	46.848	43.281	44.575	46.424	47.522	47.770

Total Program Revenue	17,111,775	16,057,943	15,165,276	12,340,134	11,061,786	10,410,273	9,105,135	8,073,270	7,098,864	6,008,281
-----------------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------

10 Year CAGR * 12.3%

Funded Pupil Count (FTE)	13,698.0	12,984.3	12,221.5	11,580.5	10,132.5	9,544.5	8,324.5	7,512.0	6,596.5	5,779.0
Year over Year	5.5%	6.2%	5.5%	14.3%	6.2%	14.7%	10.8%	13.9%	14.1%	
10 Year CAGR *	10.1%									

Per Pupil Program Revenue	1,249	1,237	1,241	1,066	1,092	1,091	1,094	1,075	1,076	1,040
10 Year CAGR *	2.1%									
Inflation 10 Year CAGR *	2.3%									

* CAGR = Compounded Annual Growth Rate

(1) 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 issued to fund construction projects around the District.



Falcon School District 49
CAFR Statisticals - Debt Capacity
As Reported, as of June 30 by year

District Capital Asset Related Long Term Debt Components

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Obliga- tion Bonds	47,935,000	50,630,000	53,150,000	55,305,000	57,095,000	58,410,000	63,538,514	64,743,169	64,315,366	33,960,000
Certificates of Participation (1)	87,835,000	89,465,000	90,960,000	52,600,000	0	0	0	0	0	0
Certificates of Participation (2)	0	0	0	0	0	0	250,000	480,000	705,000	915,000
Capital Lease Obligations	4,056,903	5,560,259	5,827,355	7,161,392	9,025,957	8,325,497	8,134,096	8,751,561	8,504,762	6,032,905
	139,826,903	145,655,259	149,937,355	115,066,392	66,120,957	66,735,497	71,922,610	73,974,730	73,525,128	40,907,905
Net Assessed Valuation	699,610,580	656,524,910	620,028,470	504,523,250	452,258,300	360,878,890	315,635,430	274,881,510	241,704,580	189,733,200
General Obliga- tion Debt Capacity (25% of A.V.)	174,902,645	164,131,228	155,007,118	126,130,813	113,064,575	90,219,723	78,908,858	68,720,378	60,426,145	47,433,300
General Obliga- tion Debt Margin	126,967,645	113,501,228	101,857,118	70,825,813	55,969,575	31,809,723	15,370,344	3,977,209	(3,889,221)	13,473,300

(1) 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 sold in 2006 & 2007, which were issued to fund construction projects around the District.

(2) Certificates of participation were issued to fund a lease purchase arrangement with the Falcon District 49 Building Authority which built the building with the certificate proceeds.



Falcon School District 49
CAFR Statisticals - Economic/Demographic Trends

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<u>Employment & Unemployment Data</u>										
<u>Colorado Springs - El Paso County</u>										
Laborforce	297,720	301,433	301,040	299,102	292,088	285,917	280,648	274,928	269,181	265,291
10 Year CAGR *		1.3%								
Employment	272,888	284,315	287,768	285,013	276,399	269,372	263,037	258,047	257,797	257,560
10 Year CAGR *		0.6%								
Unemployment	24,832	17,118	13,272	14,089	15,689	16,545	17,611	16,881	11,384	7,731
Unemployment Rate(%)	8.3	5.7	4.4	4.7	5.4	5.8	6.3	6.1	4.2	2.9
vs. Colorado	(0.6)	(0.8)	(0.5)	(0.3)	(0.3)	(0.2)	(0.2)	(0.4)	(0.4)	(0.2)
<u>State of Colorado</u>										
Laborforce	2,701,026	2,727,616	2,695,834	2,653,333	2,588,382	2,535,421	2,492,340	2,442,734	2,395,264	2,364,990
10 Year CAGR *		1.5%								
Employment	2,492,540	2,595,252	2,591,404	2,537,289	2,455,773	2,392,952	2,339,532	2,304,109	2,303,494	2,300,192
10 Year CAGR *		0.9%								
Unemployment	208,486	132,364	104,430	116,044	132,609	142,469	152,808	138,625	91,770	64,798
Unemployment Rate(%)	7.7	4.9	3.9	4.4	5.1	5.6	6.1	5.7	3.8	2.7

Source: State of Colorado - Department of Labor & Employment

Colorado Springs Area Student Counts

Total Area Students	98,821	96,302	95,489	95,045	93,615	92,467	91,019	89,803	88,863	86,803
10 Year CAGR *		1.5%								
Ratio to CoSprg Laborforce	3.01	3.13	3.15	3.15	3.12	3.09	3.08	3.06	3.03	3.06
Falcon 49 Count	13,698	12,984	12,222	11,581	10,133	9,545	8,325	7,512	6,597	5,779
% CoSprng Total	13.9%	13.5%	12.8%	12.2%	10.8%	10.3%	9.1%	8.4%	7.4%	6.7%
10 Year CAGR *		10.1%								
All Other Area District:	85,123	83,318	83,267	83,464	83,482	82,922	82,694	82,291	82,266	81,024
10 Year CAGR *		0.5%								

* CAGR = Compounded Annual Growth Rate



Falcon School District 49

CAFR Statisticals - Operating Information

As Reported, as of June 30 by year

General Fund Costs per Funded Pupil

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Funded Pupil Count (FTE)	13,698.0	12,984.3	12,221.5	11,580.5	10,132.5	9,544.5	8,324.5	7,512.0	6,596.5	5,779.0
Instructional Expense	48,229,169	46,375,497	44,188,864	36,616,790	32,946,165	30,746,653	27,776,862	24,488,415	20,005,833	16,144,272
Percent Total Spend	53.8%	47.7%	49.7%	51.8%	56.9%	57.9%	59.2%	59.6%	59.2%	57.5%
10 Year CAGR *		12.9%								
spend per pupil	3,521	3,572	3,616	3,162	3,252	3,221	3,337	3,260	3,033	2,794
10 Year CAGR *		2.6%								
<u>Selected Support Services</u>										
Student	4,609,799	4,322,138	4,329,951	4,287,990	4,277,273	3,826,072	3,504,936	3,015,085	2,489,453	1,969,010
spend per pupil	337	333	354	370	422	401	421	401	377	341
Instructional	4,699,691	5,598,066	3,588,686	2,687,845	2,898,970	2,260,942	2,018,990	1,714,725	1,419,314	1,347,123
spend per pupil	343	431	294	232	286	237	243	228	215	233
School Admin	4,812,253	4,566,119	3,929,505	3,915,349	3,873,135	3,316,018	2,919,711	2,740,929	2,234,091	1,989,433
spend per pupil	351	352	322	338	382	347	351	365	339	344
Transportation	3,439,361	3,393,178	3,311,034	3,076,834	2,687,933	2,691,641	2,324,726	2,021,726	1,623,539	1,392,100
spend per pupil	251	261	271	266	265	282	279	269	246	241
Subtotal	17,561,104	17,879,501	15,159,176	13,968,018	13,737,311	12,094,673	10,768,363	9,492,465	7,766,397	6,697,666
Percent Total Spend	19.6%	18.4%	17.1%	19.8%	23.7%	22.8%	22.9%	23.1%	23.0%	23.9%
spend per pupil	1,282	1,377	1,240	1,206	1,356	1,267	1,294	1,264	1,177	1,159
All Other Spends	23,835,807	33,053,431	29,536,550	20,083,355	11,178,607	10,286,269	8,410,375	7,129,345	6,007,926	5,216,226
Percent Total Spend	26.6%	34.0%	33.2%	28.4%	19.3%	19.4%	17.9%	17.3%	17.8%	18.6%
	1,740	2,546	2,417	1,734	1,103	1,078	1,010	949	911	903
Total Spend	89,626,080	97,308,429	88,884,590	70,668,163	57,862,083	53,127,595	46,955,600	41,110,225	33,780,156	28,058,164
	6,543	7,494	7,273	6,102	5,711	5,566	5,641	5,473	5,121	4,855

* CAGR = Compounded Annual Growth Rate



Falcon School District 49

A Special Place for Everyone

