



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

December 28, 2012

2011-12 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

~ Don Begier, Chief Education Officer ~ ~ Brett Ridgway, Chief Business Officer
~ Monty Lammers, Falcon Area Innovation Zone Leader ~ ~ Sean Dorsey, Sand Creek Innovation Zone Leader
~ Robert Felice, POWER Innovation Zone Leader ~ ~ Kim McClelland, iConnect Innovation Leader ~

Falcon School District 49



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012*

*FALCON
SCHOOL DISTRICT 49
A Special Place for Everyone*

*Prepared by: Brett Ridgway
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 orange and brown building with a triangular roof. Below the building, the word "FALCON" is written in large, teal, sans-serif capital letters. Underneath "FALCON", the words "SCHOOL DISTRICT 49" are written in smaller, teal, sans-serif capital letters. At the bottom of the logo, the tagline "A Special Place for Everyone" is written in a small, italicized, grey font.

FALCON
SCHOOL DISTRICT 49
A Special Place for Everyone

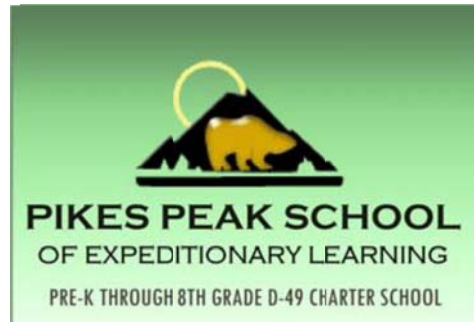
-District 49 Mission Statement

*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 Charter Schools



Our Coordinated Schools



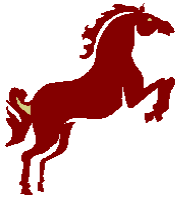
*Evans International
Elementary*



*Falcon
Elementary*



*Meridian Ranch
Elementary*



*Remington
Elementary*



*Ridgeview
Elementary*



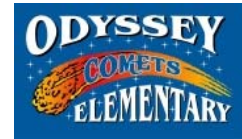
*Woodmen Hills
Elementary*



*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



FALCON SCHOOL DISTRICT 49
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

TABLE OF CONTENTS

Introductory Section

Transmittal Letter	5
Principal Officials	9
Organizational Chart	11

Financial Section

Independent Auditor's Report	12
Management's Discussion and Analysis	15

Basic Financial Statements

Government Wide Financial Statements

Statement of Net Assets	25
Statement of Activities	27

Fund Financial Statements

Balance Sheet – Governmental Funds	28
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	31
Statement of Net Assets – Proprietary Funds	32
Statement of Revenues, Expenditures and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Statement of Fiduciary Net Assets	35
Statement of Changes in Fiduciary Net Assets – Scholarship Fund	36
Notes to Financial Statements	37

FALCON SCHOOL DISTRICT 49
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

TABLE OF CONTENTS
(continued)

Financial Section (continued)

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	61
--	----

Combining and Individual Fund Financial Statements and Schedules

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Bond Redemption Fund	65
Combining Balance Sheet – Non-major Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	67
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Grants Fund	69
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Transportation Fund	70
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	71
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Building Fund	72
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Food Service Fund	73
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Health Insurance Fund	74
Schedule of Changes in Fiduciary Net Assets – Budget and Actual – Scholarship Fund	75
Statement of Changes in Assets and Liabilities Pupil Activity Agency Fund	76

FALCON SCHOOL DISTRICT 49
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

TABLE OF CONTENTS
(continued)

Financial Section (continued)

Combining and Individual Fund Financial Statements and Schedules (continued)

Schedule of Changes in Due to Student Organizations - Budget and Actual – Pupil Activity Agency Fund	77
Component Units – Combining Statement of Net Assets	78
Component Units – Combining Statement of Activities	79

Compliance Section

Single Audit

Schedule of Expenditures of Federal Awards	83
Notes to Schedule of Expenditures of Federal Awards	84
Independent Auditor's Report on Internal Control	86
Independent Auditor's Report on Compliance	88
Schedule of Findings and Questioned Costs	90

State Compliance

Independent Auditor's Report on Auditor's Integrity Report	94
Auditor's Integrity Report	95

Statistical Section 99

Financial Trends	100
Revenue Capacity	103
Debt Capacity	105
Economic and Demographic Information	107
Operating Information	109

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 49 Finance information resources.



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

December 28, 2012

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, 2012. 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

FALCON SCHOOL DISTRICT 49
CONSOLIDATED ANNUAL FINANCIAL REPORT
June 30, 2012

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, 2012 were as follows:

Tammy Harold
Chris Wright
Marie Lavere-Wright
Chuck Irons
Henry D. Allen Jr.

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 several years. Falcon School District had been categorized as a 'fast-growth' district for most of the 2000's. 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, 2012, 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, 2012

Of the growth experienced by all Colorado Springs-area school districts for the last ten years (approximately 11,000 students), Falcon School District has recognized 61% 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 18.1% (2,585.32 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 27.6% 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 9% range, which is up significantly from the 5% average earlier in the 2000's. 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 1,274 full-time equivalent employees (including non-teaching personnel). Of the Board's current employees, 776 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, 2012

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
Chief Business Officer

FALCON SCHOOL DISTRICT 49
CONSOLIDATED ANNUAL FINANCIAL REPORT
June 30, 2012

Elected Officials
Board of Education

Tammy Harold	President
Chris Wright	Vice President
Marie LaVere-Wright	Treasurer
Chuck Irons	Secretary
Henry D. Allen Jr.	Member

Administrative Officials

Becky Carter	Chief Education Officer
Brett Ridgway	Chief Business Officer & Assistant Treasurer
Don Begier	Executive Officer of Education Services
Mark Carara	Falcon Area Zone Innovation Leader
Sean Dorsey	Sand Creek Area Zone Innovation Leader
Robert Felice	POWER Zone Innovation Leader
Kim McClelland	iConnect Innovation Zone Leader
Amber Whetstine	School Improvement Coordinator
J. Lynn Mather	Director of Curriculum, Instruction, and Assessment
Dr. Steve Axford	Director of Special Services
Cindy Hardin	Director of Transportation
Monica Deines-Henderson, SNS	Director of Nutrition Services
Stephanie Meredith	Communications Specialist
Loretta Branham	Secretary to the Board



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, 2012, which collectively comprise the District'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 and Imagine Charter School at Indigo Ranch, which represent 38.2 percent, 31.5 percent, and 42.6 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 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, 2012, 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, 2012, 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, 2012

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

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, 2012.

Financial Highlights

- The Governmental Activities of the District had Net Assets totaling \$76,606,974 at the end of the current fiscal year, an increase of \$6,608,343 from the prior year.
- General Revenues for the Governmental Activities of the District totaled \$88,036,097, or 88.7% of all revenues. Program specific revenues in the form of charges for services and grants and contributions received accounted for \$11,171,612, or 11.3% of total revenues of \$99,207,709
- The ending fund balance of total General Funds was \$28,531,904. 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 \$93,713,471 which is down (-\$4,829,727; or -4.9%) from the prior year. The loss of one-time revenue from ARRA stabilization funds and Jobs Ed Bill revenue contributed a majority of the reduction.
- Total student count in the District increased 1.6% from the prior year, while the corresponding funded student count increased by 1.8% (256.5 student FTE). The component units' funded student count increased 2.8% (70.3 student FTE). The District's coordinated (non-charter) schools' funded student count increased 1.2% (186.2 student FTE).
- Business-type Activities reported Unrestricted Net Assets of \$956,987 in the Nutritional Service Fund, an increase of \$292,786 from the prior year, and \$231,465 better than budgeted. Excluding a \$621,903 positive variance in contingency spend, the residual budget variance was negative by -\$390,437. This was driven by a \$143,983 positive variance in total expenses (net of contingency & miscellaneous items); lower local sales revenue of (-\$94,439); lower non-operating revenue (primarily Federal and State Revenue subsidies) of (-\$439,981).

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, 2012

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, 2012

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, 2012

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 \$77,844,782 at the close of the most recent fiscal year.

Of that amount, \$33,042,123 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 (37%) 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	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current assets	\$ 53,630,580	\$ 50,275,335	\$ 1,125,163	\$ 1,360,356	\$ 54,755,742	\$ 51,635,690
Non current assets	1,238,339	1,350,474	-	-	1,238,339	1,350,474
Capital assets, net of depreciation	161,770,303	165,105,573	280,821	342,141	162,051,124	165,447,714
Total assets	216,639,222	216,731,382	1,405,983	1,702,496	218,045,205	218,433,878
LIABILITIES						
Current liabilities	10,259,408	11,016,456	140,396	669,319	10,399,804	11,685,774
Long-term liabilities	129,772,840	135,716,295	27,780	26,835	129,800,620	135,743,130
Total liabilities	140,032,248	146,732,750	168,176	696,154	140,200,424	147,428,904
NET ASSETS						
Invested in Capital Assets (Net of Related Debt)	32,761,303	30,964,957	280,821	342,141	33,042,124	31,307,097
Restricted for						
TABOR	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Debt Service	26,484,622	24,434,480	-	-	26,484,622	24,434,480
Capital purposes	-	-	-	-	-	-
Risk Management	-	-	-	-	-	-
Preschool	54,159	47,014	-	-	54,159	47,014
Unrestricted	14,306,890	11,552,181	956,987	664,202	15,263,877	12,216,383
TOTAL NET ASSETS	\$ 76,606,974	\$ 69,998,631	\$ 1,237,808	\$ 1,006,342	\$ 77,844,782	\$ 71,004,974

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

Governmental activities increased the net assets of the District by \$6,608,343. Program revenues included \$3,059,473 in charges for services, and \$8,056,987 in operating grants and contributions. Over \$90.0 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 \$60,328,128 out of a total of \$92,599,366.

Business type activities (Nutritional Services) increased net assets by \$231,466. Program revenues included \$2,004,711 in charges for services and \$1,535,564 in operating grants and contributions. All expenditures of \$3,315,432 were for food services.

FALCON SCHOOL DISTRICT 49 - Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
PROGRAM REVENUES						
Charges for service	\$ 3,059,473	\$ 3,000,827	\$ 2,004,711	\$ 2,007,984	\$ 5,064,184	\$ 5,008,810
Operating Grants & contributions	8,056,987	13,020,420	1,535,564	1,435,406	9,592,551	14,455,825
Capital Grants & contributions	55,152	52,088	-	-	55,152	52,088
GENERAL REVENUES						
Property Taxes	27,181,450	28,713,973	-	-	27,181,450	28,713,973
Specific ownership taxes	2,476,004	2,467,992	-	-	2,476,004	2,467,992
State equalization	57,265,290	55,421,452	-	-	57,265,290	55,421,452
Investment earnings	63,377	71,398	6,621	8,194	69,998	79,592
Miscellaneous revenues	1,049,976	2,128,391	-	-	1,049,976	2,128,391
TOTAL REVENUES	99,207,709	104,876,541	3,546,897	3,451,584	102,754,606	108,328,125
EXPENSES						
Instruction	51,047,331	55,250,513	-	-	51,047,331	55,250,513
Instructional Support	9,280,797	10,863,328	-	-	9,280,797	10,863,328
General administration	1,359,590	1,341,594	-	-	1,359,590	1,341,594
School administration	6,485,114	5,167,267	-	-	6,485,114	5,167,267
Business services	1,096,779	952,950	-	-	1,096,779	952,950
Maintenance & operations	8,587,838	9,838,959	-	-	8,587,838	9,838,959
Transportation	3,335,732	4,194,855	-	-	3,335,732	4,194,855
Central services	4,267,903	4,653,050	-	-	4,267,903	4,653,050
Other services	660,506	763,517	-	-	660,506	763,517
Interest expense	6,477,776	6,884,387	-	-	6,477,776	6,884,387
Food Service			3,315,432	3,622,951	3,315,432	3,622,951
TOTAL EXPENSES	92,599,366	99,910,420	3,315,432	3,622,951	95,914,798	103,533,372
Change in Net Assets	6,608,343	4,966,120	231,465	(171,368)	6,839,809	4,794,753
Beginning net Assets	69,998,631	65,032,510	1,006,342	1,177,710	71,004,974	66,210,220
Prior Period Adjustment	-	-	-	-	-	-
TOTAL NET ASSETS	\$ 76,606,974	\$ 69,998,631	\$ 1,237,808	\$ 1,006,342	\$ 77,844,782	\$ 71,004,974

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

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 \$41,834,867.

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 \$4,850,061 while total fund balance is \$28,531,904. 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 5.7% of total general fund expenditures, while total fund balance represents 33.5% of that same amount.

The Bond Redemption Fund remains in strong financial condition. The fund has an ample fund balance to make the December 1st principal and interest payments on the District's voter approved debt. The fund balance as of June 30, 2012 is \$12,945,231, which is entirely reserved for debt service. The fund balance represents coverage for 1.99 times the 2011-12 annual payments.

In 2011-12, Falcon School District expended \$3,421,284 of local, state and federal grant funds, excluding charter school grant expenditures. Of these expenditures, \$443,219 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 2012-13 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 2010-11 to 2011-2012 growth was 1.8%

Some significant budget highlights include:

- The final (Amended) budget showed increased revenue of \$1,025,245 from the original (Adopted) budget. The revenue changes were added to accommodate, among other things, an improved estimates for State Equalization Revenue (increased by \$576,095), Local Property Tax Revenue (increased by \$409,400). The final budget had expense increases of \$3,619,351 driven primarily by a \$1,635,472 increase in the Instructional Support Staff and a \$1,543,688 increase in Facilities Acquisition related to Falcon Virtual Academy..
- Actual General Funds results for the 2011-12 fiscal year showed revenue in excess of expenses by \$3,316,955, which was \$5,206,057 better than the final budget. The improvement came from lower actual spend in debt service by \$1,214,335; lower spends in Operations Maintenance of \$913,917, and Facilities Acquisition of \$745,701, and lower spends of \$1,187,082 in General Administration and

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

Central Support Services. Revenue was better than budget due to donations received from Falcon Community Builders for Classrooms (FCBC) totaling \$926,820 and improved collections of Delinquent Taxes and Interest from El Paso County.

Capital Assets and Debt Administration

Capital assets. The Falcon School District's investment in capital assets for governmental activities as of June 30, 2012 amounts to \$161,770,303 (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 2.0%. No significant divestitures of assets were made in 2011-2012.

	Balance @ 6/30/2012	Balance @ 6/30/2011
Governmental Activities		
Land and Site Improvements	17,331,743	16,329,346
Buildings & Improvements	138,420,123	141,491,340
Equipment	6,018,437	7,284,887
Construction in Progress	-	-
Total capital assets, net	<u>161,770,303</u>	<u>165,105,573</u>

Business-Type Activities

Equipment	<u>280,821</u>	<u>342,141</u>
Total capital assets, net	<u>280,821</u>	<u>342,141</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 \$129,800,622. Of this amount, \$41,085,000 is general obligation bonds for which there is a mill levy assessment to pay the debt, \$3,333,903 for capital leases, \$84,215,000 in certificates of participation and \$791,620 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

FALCON SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

July 2007 to finance this construction and will pay the certificates back with the approved mill levy override tax revenue.

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 \$41,085,000 or 6.2% of assessed value. The district's legal debt limit and debt margin is \$164,623,545 and \$123,538,545 respectively.

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

Economic Factors and 2011-2012 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 6.5% in 2011 from the prior year to a total of \$658,494,180. 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 potential to come in mid-2013.
- 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 2011-12 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, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		Charter
				Schools
ASSETS				
Cash and Cash Equivalents	\$ 25,542,230	\$ 780,284	\$ 26,322,514	\$ 4,301,073
Receivables	1,960,984	147,225	2,108,209	8,695
Internal Balances	(53,857)	-	(53,857)	
Prepaid Expenses	-	-	-	87,160
Inventories	-	197,654	197,654	-
Restricted Cash and Cash Equivalents	26,181,223	-	26,181,223	1,508,991
Debt Issuance Costs	1,238,339	-	1,238,339	480,912
Capital Assets Not Being Depreciated	17,331,743	-	17,331,743	-
Capital Assets Being Depreciated, Net	144,438,560	280,820	144,719,380	13,788,969
Total Assets	216,639,222	1,405,983	218,045,205	20,175,800
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,338,740	38,368	1,377,108	302,376
Accrued Salaries and Benefits Payable	7,926,702	65,166	7,991,868	410,310
Unearned Revenue	664,647	36,861	701,508	-
Accrued Interest Payable	329,319	-	329,319	53,484
Long-term Liabilities				
Due or payable within one year	7,822,713	-	7,822,713	544,437
Due or payable after one year	121,950,127	27,780	121,977,907	15,007,426
Total Liabilities	140,032,248	168,175	140,200,423	16,318,033
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	32,761,303	280,820	33,042,123	(1,515,972)
Restricted for:				
TABOR (emergencies)	3,000,000	-	3,000,000	514,553
Debt Service	26,484,622	-	26,484,622	1,287,350
Repair and Replacement	-	-	-	155,824
Preschool	54,159	-	54,159	-
Unrestricted	14,306,890	956,988	15,263,878	3,416,012
Total Net Assets	\$ 76,606,974	\$ 1,237,808	\$ 77,844,782	\$ 3,857,767

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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	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	\$ 51,047,331	\$ 641,917	\$ 7,018,706	\$ 55,152	\$ (43,331,556)	\$ -	\$ (43,331,556)	\$ -
Instructional Support	9,280,797	1,868,766	231,585	-	(7,180,446)	-	(7,180,446)	-
General Administration	1,359,590	-	-	-	(1,359,590)	-	(1,359,590)	-
School Administration	6,485,114	-	-	-	(6,485,114)	-	(6,485,114)	-
Business Services	1,096,779	8,012	-	-	(1,088,767)	-	(1,088,767)	-
Maintenance and Operations	8,587,838	-	-	-	(8,587,838)	-	(8,587,838)	-
Transportation	3,335,732	-	806,696	-	(2,529,036)	-	(2,529,036)	-
Central Services	4,267,903	540,778	-	-	(3,727,125)	-	(3,727,125)	-
Other Services	660,506	-	-	-	(660,506)	-	(660,506)	-
Interest Expense	6,477,776	-	-	-	(6,477,776)	-	(6,477,776)	-
Total Governmental Activities	<u>92,599,366</u>	<u>3,059,473</u>	<u>8,056,987</u>	<u>55,152</u>	<u>(81,427,754)</u>	<u>-</u>	<u>(81,427,754)</u>	<u>-</u>
Business-Type Activities:								
Enterprise Nutrition Services	<u>3,315,431</u>	<u>2,004,711</u>	<u>1,535,564</u>	<u>-</u>	<u>-</u>	<u>224,844</u>	<u>224,844</u>	<u>-</u>
Total Business-Type Activities	<u>3,315,431</u>	<u>2,004,711</u>	<u>1,535,564</u>	<u>-</u>	<u>-</u>	<u>224,844</u>	<u>224,844</u>	<u>-</u>
Total Primary Government	<u>\$ 95,914,797</u>	<u>\$ 5,064,184</u>	<u>\$ 9,592,551</u>	<u>\$ 55,152</u>	<u>(81,427,754)</u>	<u>224,844</u>	<u>(81,202,910)</u>	<u>-</u>
Component Units	<u>\$ 16,306,224</u>	<u>\$ 888,590</u>	<u>\$ 128,035</u>	<u>\$ 204,167</u>				<u>(15,085,432)</u>
General Revenues:								
Property Taxes					27,181,450	-	27,181,450	2,958,989
Specific Ownership Taxes					2,476,004	-	2,476,004	397,475
State Equalization					57,265,290	-	57,265,290	12,510,007
Investment Earnings					63,377	6,621	69,998	16,471
Miscellaneous					1,049,976	-	1,049,976	759,408
Total General Revenues					<u>88,036,097</u>	<u>6,621</u>	<u>88,042,718</u>	<u>16,642,350</u>
Change in Net Assets					<u>6,608,343</u>	<u>231,465</u>	<u>6,839,808</u>	<u>1,556,918</u>
Net Assets, July 1					69,998,632	1,006,342	71,004,974	1,785,849
Prior period adjustments					<u>-</u>	<u>-</u>	<u>-</u>	<u>515,000</u>
Net Assets, July 1, As Restated					<u>69,998,632</u>	<u>1,006,342</u>	<u>71,004,974</u>	<u>2,300,849</u>
Net Assets, June 30					<u>\$ 76,606,974</u>	<u>\$ 1,237,808</u>	<u>\$ 77,844,782</u>	<u>\$ 3,857,767</u>

FALCON SCHOOL DISTRICT 49
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Bond Redemption	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 23,883,668	\$ -	\$ 668,113	\$ 24,551,781
Property Tax Receivable	1,216,730	301,033	-	1,517,763
Accounts Receivable	-	-	443,219	443,219
Interfund Receivable	279,797	-	119,062	398,859
Restricted Cash and Cash Equivalents	13,396,000	12,785,224	-	26,181,224
TOTAL ASSETS	\$ 38,776,195	\$ 13,086,257	\$ 1,230,394	\$ 53,092,846
LIABILITIES & FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 637,072	\$ -	\$ 121,667	\$ 758,739
Accrued Salaries and Benefits	7,765,865	-	160,837	7,926,702
Interfund Payable	1,051,488	-	279,797	1,331,285
Def Revenue - Property Tax	435,580	141,026	-	576,606
Def Revenue - Forward Purchase Agreement	354,286	-	-	354,286
Def Revenue - Other	-	-	310,361	310,361
TOTAL LIABILITIES	10,244,291	141,026	872,662	11,257,979
FUND BALANCE				
Restricted for:				
TABOR (emergencies)	3,000,000	-	-	3,000,000
Debt Service	13,539,391	12,945,231	-	26,484,622
Preschool	54,159	-	-	54,159
Committed for:				
Capital Purposes	2,373,881	-	324,458	2,698,339
Transportation	-	-	33,274	33,274
Risk Management	286,598	-	-	286,598
Contingencies	4,427,814	-	-	4,427,814
Unassigned	4,850,061	-	-	4,850,061
TOTAL FUND BALANCE	28,531,904	12,945,231	357,732	41,834,867
TOTAL LIABILITIES and FUND BALANCE	\$ 38,776,195	\$ 13,086,257	\$ 1,230,394	\$ 53,092,846

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, 2012

Total fund balances--governmental funds		\$ 41,834,867
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.		161,770,303
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 \$ 576,606	
	Unamortized Debt Issuance Costs <u>1,238,339</u>	1,814,945
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.		(329,319)
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 \$ (41,085,000)	
	Registered Coupons Payable (130,000)	
	Certificates of Participation Payable (84,215,000)	
	Capital leases payable (3,333,903)	
	Unamortized Premiums (2,872,827)	
	Unamortized Refunding Losses 2,627,729	
	Compensated absences <u>(763,840)</u>	(129,772,841)
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>1,289,019</u>
Total net assets--governmental activities		<u><u>\$ 76,606,974</u></u>

FALCON SCHOOL DISTRICT 49
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>General</u>	<u>Bond Redemption</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources	\$ 26,411,196	\$ 7,453,867	\$ 527,682	\$ 34,392,745
State Sources	60,271,837		554,579	60,826,416
Federal Sources	1,161,418		3,156,572	4,317,990
Total Revenues	<u>87,844,451</u>	<u>7,453,867</u>	<u>4,238,833</u>	<u>99,537,151</u>
EXPENDITURES				
Current				
Instruction	45,153,396	-	2,259,824	47,413,220
Student Support	3,834,537	-	193,552	4,028,089
Instructional Staff	4,369,141	-	863,914	5,233,055
General Administration	835,118	-	-	835,118
School Administration	6,473,916	-	10,879	6,484,795
Business Services	1,089,047	-	-	1,089,047
Operations and Maintenance	8,356,372	-	88,231	8,444,603
Student Transportaion	1,894,412	-	1,253,219	3,147,631
Central Support	3,950,860	-	25,665	3,976,525
Other Support	263,405	-	-	263,405
Facilities Acquisition & Construction	1,399,913	-	441,864	1,841,777
Debt Service				
Principal Retirement	3,065,472	4,520,000	-	7,585,472
Interest and Fiscal Charges	4,372,800	1,993,976	-	6,366,776
Total Expenditures	<u>85,058,389</u>	<u>6,513,976</u>	<u>5,137,148</u>	<u>96,709,513</u>
Revenues Over (Under) Expenditures	<u>2,786,062</u>	<u>939,891</u>	<u>(898,315)</u>	<u>2,827,638</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	1,731,193	-	-	1,731,193
Transfers In	-	-	567,738	567,738
Transfers Out	(1,200,299)	-	-	(1,200,299)
Total Other Financing Sources (Uses)	<u>530,894</u>	<u>-</u>	<u>567,738</u>	<u>1,098,632</u>
Net Change in Fund Balances	3,316,956	939,891	(330,577)	3,926,270
Fund Balances, July 1	<u>25,214,948</u>	<u>12,005,340</u>	<u>688,309</u>	<u>37,908,597</u>
Fund Balances, June 30	<u>\$ 28,531,904</u>	<u>\$ 12,945,231</u>	<u>\$ 357,732</u>	<u>\$ 41,834,867</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, 2012

Total net change in fund balances--governmental funds **\$ 3,926,270**

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	\$	3,272,981	
Depreciation expense		<u>(6,608,250)</u>	(3,335,269)

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. (1,731,193)

Revenues that do not provide current financial resources are deferred in the governmental funds. This amount represents the change in deferred property taxes. (330,582)

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	\$	4,000,000	
GO Bond Registered Coupons payment		520,000	
Certificates of Participation principal payment		1,875,000	
Capital Lease principal payment		<u>1,188,700</u>	7,583,700

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. 18,374

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 (224,278)

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. 498,230

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. 203,091

Change in net assets of governmental activities **\$ 6,608,343**

FALCON SCHOOL DISTRICT 49
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business Type Activities	
	Enterprise	Internal Svc
	Food Services	Health Insurance
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 780,284	\$ 990,449
Accounts Receivable	147,225	-
Interfund Receivable	-	878,569
Inventories	197,654	-
Total Current Assets	1,125,163	1,869,018
Noncurrent Assets		
Capital assets		
Equipment, net of Accumulated Depreciation	280,820	-
Total Assets	1,405,983	1,869,018
LIABILITIES		
Current Liabilities		
Accounts Payable	38,368	580,000
Accrued Salaries and Benefits Payable	65,166	-
Deferred Revenue	36,861	-
Total Current Liabilities	140,395	580,000
Noncurrent Liabilities		
Compensated Absences Payable	27,780	-
Total Liabilities	168,175	580,000
NET ASSETS		
Invested in capital assets	280,820	
Unrestricted	956,988	1,289,018
Total Net Assets	\$ 1,237,808	\$ 1,289,018

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, 2012

	Business Type Activities	
	Enterprise	Internal Svc
	Food Services	Health Insurance
OPERATING REVENUES		
Local Sources	\$ 2,004,711	\$ 6,354,630
Total Operating Revenues	<u>2,004,711</u>	<u>6,354,630</u>
OPERATING EXPENSES		
Salaries	1,069,546	
Employee Benefits	283,860	
Purchased Services	154,006	6,490,100
Purchased Food	1,599,927	
Other	146,772	
Depreciation	61,320	
Total Operating Expenses	<u>3,315,431</u>	<u>6,490,100</u>
OPERATING INCOME (LOSS)	<u>(1,310,720)</u>	<u>(135,470)</u>
NON-OPERATING REVENUES		
Interest Income	6,622	1,139
School Lunch and Breakfast	1,257,253	
Donated Commodities	223,083	
Start Smart	4,072	
K-2 Reduced	10,966	
State Match	40,190	
Total Non-Operating Revenues	<u>1,542,186</u>	<u>1,139</u>
Income before Transfers	231,466	(134,331)
Transfers In		<u>632,561</u>
Change in Net Assets	231,466	498,230
Net Assets, July 1	<u>1,006,342</u>	<u>790,788</u>
Net Assets, June 30	<u>\$ 1,237,808</u>	<u>\$ 1,289,018</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, 2012

	Business Type Activities	
	Enterprise	Internal Svc
	Food	Health
	Services	Insurance
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 1,979,275	\$ 6,039,317
Payments for Claims		(6,734,730)
Payments to Suppliers	(1,699,030)	
Payments to Employees	(1,863,960)	-
Net Cash Provided/(Used) by Operating Activities	(1,583,715)	(695,413)
Cash Flows from Non-capital Financing Activities		
National School Lunch and Breakfast	1,245,845	-
State Reimbursements	55,228	-
Net Cash Provided/(Used) by Non-Capital Financing Activities	1,301,073	-
Cash Flows from Capital and Related Financing Activities		
Transfer In	-	632,561
Net Cash Used by Non-Capital Financing Activities	-	632,561
Cash Flows from Investing Activities		
Interest Earned	6,621	1,139
Net Increase/(Decrease) in Cash and Cash Equivalents	(276,021)	(61,713)
Cash and Cash Equivalents, July 1	1,056,305	1,052,162
Cash and Cash Equivalents, June 30	<u>\$ 780,284</u>	<u>\$ 990,449</u>
Reconciliation of Operating Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities		
Operating Income / (Loss)	\$ (1,310,720)	\$ (135,470)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities		
Depreciation Expense	61,320	-
Donated Commodities	223,083	-
Change in Inventories	(29,420)	-
Change in Interfund Receivable	-	5,116
Change in Interfund Payable	(479,495)	(320,429)
Change in Accounts Payable	8,012	(244,630)
Change in Accrued Salaries and Benefits Payable	(32,003)	-
Change in Deferred Revenue	(25,436)	-
Change in Compensated Absences Payable	944	-
Net Cash Provided/(Used) by Operating Activities	<u>\$ (1,583,715)</u>	<u>\$ (695,413)</u>

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	<u>Trust</u> <u>Scholarship</u>	<u>Agency</u> <u>Pupil Activity</u>
ASSETS		
Cash and Cash Equivalents	\$ 9,002	\$ 940,941
Interfund Receivable	28	53,828
Total Assets	<u>9,030</u>	<u>994,769</u>
LIABILITIES		
Accounts Payable	<u>-</u>	<u>7,460</u>
Total Liabilities	<u>-</u>	<u>7,460</u>
NET ASSETS		
Held for Student Organizations		987,309
Held in Trust for Scholarship Recipients	<u>9,030</u>	
Total Net Assets	<u>\$ 9,030</u>	<u>\$ 987,309</u>

FALCON SCHOOL DISTRICT 49
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2012

	<u>Trust</u>
	<u>Scholarship</u>
ADDITIONS	
Fundraising Activities	\$ 199
DELETIONS	
Disbursements	500
Change in Net Assets	(301)
Net Assets, July 1	9,331
Net Assets, June 30	\$ 9,030

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 15,064 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, 2012

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, 2012

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.

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.

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.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Additionally, the District 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.

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.

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.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

D. Assets, Liabilities and Fund Balances / Net Assets

Cash and Investments

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

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

Receivables

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

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'.

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.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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

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.

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.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences

Compensated absences include the following items:

Sick Leave Payable

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

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

Vacation Payable

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

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, 2012

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, 2012

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

C. 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 2012 were certified in December 2011 and were available for collection on January 1, 2012.

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, 2012

NOTE 3 **CASH AND INVESTMENTS**

At June 30, 2012, the District had the following cash and investments:

Cash on Hand	\$ 3,184
Deposits	7,599,283
Investments	45,851,214
Total	<u><u>\$ 53,453,681</u></u>

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

Cash and Cash Equivalents	\$ 26,322,514
Restricted Cash and Cash Equivalents	26,181,224
Fiduciary Funds	949,943
Total	<u><u>\$ 53,453,681</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, 2012 was \$7,599,283 and the bank balances were \$8,214,771. 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, 2012, the District had the following investments:

Investment	Maturity	Fair Market Value
Local Government Investment Pool COLOTRUST	N/A	\$32,929,190
Fidelity Investments Government Portfolio Fund	N/A	435,159
JP Morgan US Govt Money Market	N/A	9,431,865
Ford Credit Commercial Paper	11/30/2012	3,055,000
Total		<u><u>\$ 45,851,214</u></u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 \$32,929,190 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, 2012, 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, 2012, the District's investment in the JP Morgan U.S. Government Money Market Fund, and the Fidelity Investments Government Portfolio Fund, and the were both rated AAAM by Standard & Poor's.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Restricted Cash and Investments

Cash and investments of \$26,181,224, representing reserves for debt service of \$12,785,224, and mill levy override funds of \$13,296,353, and other reserves of \$99,647 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, 2012 was as follows:

	Balances 06-30-2011	Net Change	Balances 06-30-2012
Governmental Activities			
General Revenue Receivables			
Property Taxes Receivable	\$ 1,631,932	\$ (114,169)	\$ 1,517,763
Component Unit Receivable	31,610	(31,610)	0
Total General Revenue Receivables	1,663,542	(145,779)	1,517,763
Program Revenue Receivables:			
Federal Sourced Grants	1,323,916	(880,697)	443,219
Total Program Revenue Receivables	1,323,916	(880,697)	443,219
Governmental Activities Receivables	\$ 2,987,458	\$ (1,026,476)	\$ 1,960,982
Business-type Activities			
General Revenue Receivables			
Other	\$ 2,245	\$ 1,728	\$ 3,973
Program Revenue Receivables:			
State Sourced Grants	1,915	(141)	1,774
Federal Sourced Grants	131,656	9,822	141,478
Total Program Revenue Receivables	133,571	9,681	143,252
Business-type Activities Receivables	\$ 135,816	\$ 11,409	\$ 147,225

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	\$ 576,606	\$ 0	\$ 576,606
Forward Delivery Agreement (see note 11)	0	354,286	354,286
Operating Grants & Contributions	0	310,361	310,361
Total Governmental Activities Deferred/Unearned Revenue	\$ 576,606	\$ 667,647	\$ 1,241,253

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balances 06-30-2011	Additions	Deletions	Balances 06-30-2012
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 15,765,500	\$ 0	\$ 0	\$ 15,765,500
Construction in process	563,846	1,566,243	563,846	1,566,243
Total capital assets not being depreciated	16,329,346	1,566,243	563,846	17,331,743
Capital assets being depreciated:				
Buildings and improvements	181,451,771	1,894,139	0	183,345,910
Equipment	17,144,789	376,445	0	17,521,234
Total capital assets being depreciated	198,596,560	2,270,584	0	200,867,144
Less accumulated depreciation for:				
Buildings and improvements	39,960,431	4,965,356	0	44,925,787
Equipment	9,859,902	1,642,895	0	11,502,797
Total accumulated depreciation	49,820,333	6,608,251	0	56,428,584
Total capital assets being depreciated, net	148,776,227	(4,337,667)	0	144,438,560
Governmental Activities capital assets, net	\$165,105,573	\$ (2,771,424)	\$ 563,846	\$161,770,303
Business-type Activities				
Capital assets being depreciated:				
Equipment	\$ 1,101,956	\$ 0	\$ 0	\$ 1,101,956
Less accumulated depreciation for:				
Equipment	759,816	61,320	0	821,136
Business-type Activities capital assets, net	\$ 342,141	\$ (61,320)	\$ 0	\$ 280,821

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 **CAPITAL ASSETS (continued)**

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

Governmental Activities:

Instruction	\$ 5,567,623
General Administration	524,473
Operation and Maintenance	39,173
Student Transportation	188,101
Support Services	281,408
Business	<u>7,473</u>

Total Depreciation Expense – Governmental Activities	<u>\$ 6,608,251</u>
--	---------------------

Business – Type Activities:

Food Services	<u>\$ 61,320</u>
---------------	------------------

NOTE 6 **INTERFUND RECEIVABLES / PAYABLES**

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General fund	Grants fund	\$ 265,975
Transportation fund	General fund	105,240
Pupil Activity Agency fund	General fund	53,829
Health Insurance fund	General fund	878,569
Scholarship fund	General fund	28

Interfund Receivables and Payables and Transfers

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.

During the year ended June 30, 2012, transfers were used to move general fund resources to provide subsidies to the Transportation fund and the Health Insurance fund in the amount of \$567,738 and \$632,561 respectively.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 **LONG TERM LIABILITIES**

Long-term debt activity for the year ended June 30, 2012 was as follows:

	Balances 06/30/11	Additions	Deletions	Balances 06/30/12	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 45,085,000	\$ -	\$ 4,000,000	\$ 41,085,000	\$ 4,655,000
Registered Coupons	650,000	-	520,000	130,000	130,000
Bond Premium Accretion	1,250,608	-	203,043	1,047,565	-
Loss on Refunding	(3,038,983)	-	(411,254)	(2,627,729)	-
Total	43,946,625	-	4,311,789	39,634,836	4,785,000
 Certificates of Participation	 86,090,000	 -	 1,875,000	 84,215,000	 2,045,000
COP Premium & Accretion	1,921,329	-	96,066	1,825,263	-
Capital Lease Obligations	2,791,410	1,731,193	1,188,700	3,333,903	992,713
Compensated Absences	966,931	-	203,091	763,840	-
 Total Governmental Activities	 \$135,716,295	 \$1,731,193	 \$ 7,674,646	 \$129,772,842	 \$ 7,822,713
 Business-type Activities					
Compensated Absences	\$ 26,835	\$ 945	-	\$ 27,780	\$ -

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

\$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 \$1,195,000 to \$1,820,000. \$ 11,080,000

\$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 \$1,555,000 to \$1,795,000. 6,690,000

Total general obligation bonded debt \$ 41,085,000

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

\$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. 130,000

Total registered coupons \$ 130,000

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

Fiscal Year(s) As of June 30	Principal	Interest	Total
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	3,925,000	895,731	4,820,731
2018-2022	16,600,000	1,831,144	18,431,144
Total	\$ 41,085,000	\$ 8,528,047	\$ 49,613,047

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
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	2,840,000	3,660,756	6,500,756
2018-2022	18,035,000	15,872,938	33,907,938
2023-2027	22,545,000	10,513,593	33,058,593
2028-2031	31,475,000	3,529,765	35,004,765
Total	\$ 84,215,000	\$ 49,373,384	\$ 133,588,384

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 \$14,324,605 have been capitalized under these leases.

Capital lease obligations at June 30, 2012, are comprised of the following:

		Balances 06/30/11	Principal Additions	Principal Deletions	Balances 06/30/12	Principal Due Within One Year
2012 Bldg & Equip Leases	(\$1,731,193)		\$1,731,193	\$ 178,471	\$1,552,722	\$168,314
2011 Equipment Leases	(418,453)	\$ 289,078	-	170,667	118,411	97,926
2008 Equipment Leases	(1,512,265)	239,420	-	161,339	78,081	72,321
2006 Modular Leases	(2,132,071)	435,146	-	138,236	296,910	144,940
2004 Equipment Leases	(1,764,134)	195,362	-	95,773	99,589	99,589
2002 Equipment Lease	(734,942)	90,380	-	90,380	0	0
2002 Land & Modular Leases	(4,500,000)	1,541,981	-	388,948	1,153,033	409,623
Total	(\$12,793,058)	\$ 2,791,410	\$1,731,193	\$1,223,814	\$ 3,333,903	\$992,713

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

Year Ending June 30,	Principal	Interest	Total
2013	992,713	172,252	1,164,965
2014	589,230	123,295	712,525
2015	322,237	94,256	416,493
2016	335,084	77,160	412,244
2017	78,942	59,050	137,992
2018-2022	467,713	222,245	689,958
2023-2027	547,984	72,978	620,962
Total	\$ 3,333,903	\$ 821,236	\$ 4,155,139

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012 was \$33,880,000.

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 3.00 % of the total payroll for the calendar year 2012, which is up from 2.60 % in calendar 2011 and 2.20 % in calendar 2010, and 1.70 % in calendar 2009. Additionally, the District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 2.50 % of the total payroll for the calendar year 2012, which is up from 2.00 % of the total payroll for the calendar year 2011, 1.50 % in calendar 2000 and 1.00 % in calendar 2009. 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, 2012, 2011, and 2010 were \$6,704,204, \$6,889,902, and \$6,734,797 respectively; equal to the required contributions.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, 2011, and 2010 were \$490,292, \$535,836, and \$559,547 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 three 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 6/30/2011	\$ 824,630
+ Claims Presented 7/1/2011 – 6/30/2012:	5,168,933
- Claims Paid 7/1/2011 – 6/30/2012:	5,413,563
Net Claims Payable as of 6/30/2012	<u>\$ 580,000</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012 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, 2012

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, 2012:

	<u>Revenue Recognized</u>	<u>Deferred Revenue</u>
Fiscal Year Ending June 30, 2012	\$ 88,571	\$ 354,286

NOTE 13 **SUBSEQUENT EVENTS**

In December 2012, the District authorized the transfer of GOAL Academy, Inc., a Colorado statewide charter school, focusing in online education that caters to at-risk students. While many facets of funding for charter schools are simply passed through the authorizing district, a specific agreement was made regarding Title I funding that will keep the District whole as if GOAL were not part of the District moving forward. GOAL Academy is transferring its charter authorization from the Charter School Institute to Falcon School District as of July 1, 2013. Its inclusion in Falcon School District from that point forward is not expected to materially affect the results or operations of the District.



FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
<u>Local Sources:</u>				
Property Taxes	\$ 20,015,793	\$ 20,425,193	\$ 20,010,692	\$ (414,501)
Specific Ownership Taxes	2,555,469	2,541,619	2,476,004	(65,615)
Earnings on Investments	30,500	30,500	61,034	30,534
Delinquent Taxes and Interest	(216,700)	(213,700)	48,494	262,194
Tuition	735,000	735,000	641,917	(93,083)
Other	2,163,163	2,162,763	3,173,055	1,010,292
Total Local Source Revenue	25,283,225	25,681,375	26,411,196	729,821
<u>State Sources:</u>				
Equalization	56,448,887	57,024,982	57,265,290	240,308
Transportation	288,000	339,000	338,957	(43)
Vocational Education	250,000	250,000	256,424	6,424
Special Education	2,121,500	2,121,500	2,232,875	111,375
ELPA	60,000	60,000	44,599	(15,401)
Gifted and Talented	125,000	125,000	133,692	8,692
Total State Source Revenue	59,293,387	59,920,482	60,271,837	351,355
<u>Federal Sources:</u>				
Ed Jobs	-	-	86,664	86,664
Impact Aid	800,350	800,350	901,921	101,571
ROTC	150,680	150,680	172,833	22,153
Total Federal Source Revenue	951,030	951,030	1,161,418	210,388
Total Revenues	85,527,642	86,552,887	87,844,451	1,291,564
EXPENDITURES				
<u>Instructional</u>	43,223,022	45,444,611	45,153,396	291,215
<u>Support Services</u>				
Student Support	4,155,155	3,992,382	3,834,537	157,845
Instructional Staff	2,773,479	4,408,951	4,369,141	39,810
General Administration	665,564	1,492,517	835,118	657,399
School Administration	6,969,804	6,634,322	6,473,916	160,406
Business Services	899,027	1,071,221	1,089,047	(17,826)
Operations and Maintenance	9,485,312	9,270,289	8,356,372	913,917
Student Transportation	1,607,000	1,907,000	1,894,412	12,588
Central Support	3,989,396	4,480,543	3,950,860	529,683
Other Support	1,299	373,123	263,405	109,718
Facilities Acquisition/Construction	601,927	2,145,615	1,399,913	745,702
Debt Service	-	-	-	-
Principal Retirement	1,875,000	1,875,000	3,065,472	(1,190,472)
Interest and Fiscal Charges	8,276,652	6,777,607	4,372,800	2,404,807
Total Support Services	41,299,615	44,428,570	39,904,993	4,523,577
Reserves	-	-	-	-
Total Expenditures	84,522,637	89,873,181	85,058,389	4,814,792
Revenues Over Expenditures	1,005,005	(3,320,294)	2,786,062	6,106,356
Other Financing Sources (Uses)				
Transfers In / (Out)	-	(300,000)	(1,200,299)	(900,299)
Capital Lease Proceeds	-	1,731,193	1,731,193	-
Total Other Financing Sources (Uses)	-	1,431,193	530,894	(900,299)
Net Change in Fund Balance	1,005,005	(1,889,101)	3,316,956	5,206,057
Fund Balance, July 1	23,672,576	25,214,948	25,214,948	-
Fund Balance, June 30	\$ 24,677,581	\$ 23,325,847	\$ 28,531,904	\$ 5,206,057



FINANCIAL SECTION

COMBINING AND INDIVIDUAL

FUND FINANCIAL STATEMENTS & SCHEDULES

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Property Taxes	\$ 7,461,613	\$ 7,461,613	\$ 7,452,845	\$ (8,768)
Interest	3,300	3,300	1,022	(2,278)
Total Revenues	<u>7,464,913</u>	<u>7,464,913</u>	<u>7,453,867</u>	<u>(11,046)</u>
EXPENDITURES				
Debt Service				
Principal Retirement	6,344,261	6,344,261	4,520,000	1,824,261
Interest and Fiscal Charges	<u>2,160,745</u>	<u>2,160,745</u>	<u>1,993,976</u>	<u>166,769</u>
Total Expenditures	<u>8,505,006</u>	<u>8,505,006</u>	<u>6,513,976</u>	<u>1,991,030</u>
Net Change in Fund Balance	(1,040,093)	(1,040,093)	939,891	1,979,984
Fund Balance, July 1	<u>11,903,175</u>	<u>12,005,340</u>	<u>12,005,340</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 10,863,082</u>	<u>\$ 10,965,247</u>	<u>\$ 12,945,231</u>	<u>\$ 1,979,984</u>

FALCON SCHOOL DISTRICT 49
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Fund		Capital Projects Funds		Total Nonmajor Governmental Funds
	Grants	Transportation	Building	Capital Reserve	
ASSETS					
Cash and Cash Equivalents	\$ 310,361	\$ 33,294	\$ -	\$ 324,458	\$ 668,113
Accounts Receivable	443,219	-	-	-	443,219
Interfund Receivable	13,822	105,240	-	-	119,062
TOTAL ASSETS	\$ 767,402	\$ 138,534	\$ -	\$ 324,458	\$ 1,230,394
LIABILITIES & FUND BALANCE					
LIABILITIES					
Accounts Payable	16,407	105,260	-	-	121,667
Accrued Salaries and Benefits Payable	160,837	-	-	-	160,837
Interfund Payable	279,797	-	-	-	279,797
Def Revenue	310,361	-	-	-	310,361
TOTAL LIABILITIES	767,402	105,260	-	-	872,662
FUND BALANCE					
Committed for:					
Capital Projects	-	-	-	324,458	324,458
Student Transportation	-	33,274	-	-	33,274
TOTAL FUND BALANCE	-	33,274	-	324,458	357,732
TOTAL LIABILITIES & FUND BALANCE	\$ 767,402	\$ 138,534	\$ -	\$ 324,458	\$ 1,230,394

FALCON SCHOOL DISTRICT 49
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Special Revenue Fund		Capital Projects Funds		Total Nonmajor Governmental Funds
REVENUES	Grants	Transportation	Building	Capital Reserve	
Local Sources	\$ 177,872	\$ 271,797	\$ 70	\$ 77,943	\$ 527,682
State Sources	86,840	467,739	-	-	554,579
Federal Sources	3,156,572	-	-	-	3,156,572
Total Revenues	<u>3,421,284</u>	<u>739,536</u>	<u>70</u>	<u>77,943</u>	<u>4,238,833</u>
EXPENDITURES					
Current					
Instruction	2,259,824	-	-	-	2,259,824
Student Support	193,552	-	-	-	193,552
Instructional Staff	863,914	-	-	-	863,914
General Administration	-	-	-	-	-
School Administration	10,879	-	-	-	10,879
Business Services	-	-	-	-	-
Operations and Maintenance	88,231	-	-	-	88,231
Student Transportaion	-	1,253,219	-	-	1,253,219
Central Support	4,884	20,781	-	-	25,665
Other Support	-	-	-	-	-
Facilities Acquisition & Construction	-	-	441,564	300	441,864
Debt Service					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>3,421,284</u>	<u>1,274,000</u>	<u>441,564</u>	<u>300</u>	<u>5,137,148</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(534,464)</u>	<u>(441,494)</u>	<u>77,643</u>	<u>(898,315)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	567,738	-	-	567,738
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>567,738</u>	<u>-</u>	<u>-</u>	<u>567,738</u>
Net Change in Fund Balances	-	33,274	(441,494)	77,643	(330,577)
Fund Balances, July 1	<u>-</u>	<u>-</u>	<u>441,494</u>	<u>246,815</u>	<u>688,309</u>
Fund Balances, June 30	<u>\$ -</u>	<u>\$ 33,274</u>	<u>\$ -</u>	<u>\$ 324,458</u>	<u>\$ 357,732</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Local Sources	\$ 49,976	\$ 193,383	\$ 177,872	\$ (15,511)
State Sources	-	-	86,840	86,840
Federal Sources	3,950,024	3,806,617	3,156,572	(650,045)
TOTAL REVENUES	4,000,000	4,000,000	3,421,284	(578,716)
EXPENDITURES				
Salaries	1,504,307	1,423,298	1,421,645	1,653
Benefits	348,693	358,669	341,256	17,413
Purchased Services	1,649,908	1,421,378	1,195,492	225,886
Supplies	387,540	547,216	191,070	356,146
Property and Equipment	12,558	201,738	159,345	42,393
Other	96,994	47,701	112,476	(64,775)
TOTAL EXPENDITURES	4,000,000	4,000,000	3,421,284	578,716
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FALCON SCHOOL DISTRICT 49
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
TRANSPORTATION FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Charges for Services	\$ 812,000	\$ 350,000	\$ 271,685	\$ (78,315)
State Revenue	462,000	462,000	467,739	5,739
Interest	-	-	112	112
Total Revenue	<u>1,274,000</u>	<u>812,000</u>	<u>739,536</u>	<u>(72,464)</u>
EXPENDITURES				
Salaries	700,000	700,000	619,308	80,692
Employee Benefits	255,300	255,300	313,179	(57,879)
Purchased Services	5,000	5,000	20,781	(15,781)
Fuel Charges	250,000	250,000	-	250,000
Other Expenses	63,700	63,700	320,732	(257,032)
Total operating expenses	<u>1,274,000</u>	<u>1,274,000</u>	<u>1,274,000</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	-	(462,000)	(534,464)	(72,464)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>462,000</u>	<u>567,738</u>	<u>105,738</u>
Net Change in Fund Balance	-	-	33,274	33,274
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,274</u>	<u>\$ 33,274</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Fees in Lieu of Land	\$ 49,000	\$ 49,000	\$ 55,152	\$ 6,152
Other	35,000	35,000	22,791	(12,209)
Total Revenues	<u>84,000</u>	<u>84,000</u>	<u>77,943</u>	<u>(6,057)</u>
EXPENDITURES				
Facilities Acquisition & Construction	<u>271,369</u>	<u>271,369</u>	<u>300</u>	<u>271,069</u>
Total Expenditures	<u>271,369</u>	<u>271,369</u>	<u>300</u>	<u>271,069</u>
Net Change in Fund Balance	(187,369)	(187,369)	77,643	265,012
Fund Balance, July 1	<u>271,369</u>	<u>246,815</u>	<u>246,815</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 84,000</u>	<u>\$ 59,446</u>	<u>\$ 324,458</u>	<u>\$ 265,012</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Interest	\$ -	\$ 70	\$ 70	\$ -
Other	-	-	-	-
Total Revenues	-	70	70	-
EXPENDITURES				
Facilities Acquisition & Construction	409,799	441,564	441,564	-
Contingency	-	-	-	-
Total Expenditures	409,799	441,564	441,564	-
Excess of Revenues Over (Under) Expenditures	(409,799)	(441,494)	(441,494)	-
OTHER FINANCING SOURCES				
Debt Issued	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balance	(409,799)	(441,494)	(441,494)	-
Fund Balance, July 1	409,799	441,494	441,494	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
OPERATING REVENUES				
Local Sources				
Charges for Services	<u>\$ 2,126,347</u>	<u>\$ 2,099,150</u>	<u>\$ 2,004,711</u>	<u>\$ (94,439)</u>
Total Operating Revenues	<u>\$ 2,126,347</u>	<u>\$ 2,099,150</u>	<u>\$ 2,004,711</u>	<u>\$ (94,439)</u>
OPERATING EXPENSES				
Salaries	1,130,200	972,561	1,069,546	(96,985)
Employee Benefits	271,800	251,319	283,860	(32,541)
Purchased Services	144,600	155,654	154,006	1,648
Purchased Food	1,698,300	1,783,300	1,599,927	183,373
Other Supplies	110,600	195,802	129,245	66,557
Indirect Costs	-	-	-	-
Equipment Replacement	62,400	10,298	3,262	7,036
Depreciation	76,200	76,215	61,320	14,895
Contingency / Other	<u>5,900</u>	<u>636,168</u>	<u>14,265</u>	<u>621,903</u>
Total operating expenses	<u>3,500,000</u>	<u>4,081,317</u>	<u>3,315,431</u>	<u>765,886</u>
Operating Income (Loss)	<u>(1,373,653)</u>	<u>(1,982,167)</u>	<u>(1,310,720)</u>	<u>671,447</u>
NON-OPERATING REVENUES				
Federal Sources				
School Lunch and Breakfast Program	1,134,098	1,657,612	1,257,253	(400,359)
Donated Commodities	178,400	263,400	223,083	(40,317)
State Sources	-	-	-	-
Start Smart	-	-	4,072	4,072
K-2 Reduced	11,155	11,155	10,966	(189)
State Match	50,000	50,000	40,190	(9,810)
Interest	<u>-</u>	<u>-</u>	<u>6,622</u>	<u>6,622</u>
Total Non-operating Revenues	<u>1,373,653</u>	<u>1,982,167</u>	<u>1,542,186</u>	<u>(439,981)</u>
Change in net assets	<u>-</u>	<u>-</u>	<u>231,466</u>	<u>231,466</u>
Net Assets, July 1	<u>\$ 1,040,574</u>	<u>\$ 1,006,342</u>	<u>\$ 1,006,342</u>	<u>\$ -</u>
Net Assets, June 30	<u>\$ 1,040,574</u>	<u>\$ 1,006,342</u>	<u>\$ 1,237,808</u>	<u>\$ 231,466</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
OPERATING REVENUES				
Premiums & Employer Contributions	\$ 8,115,300	\$ 8,115,300	\$ 6,271,450	\$ (1,843,850)
Refunds & Other Revenue	80,200	80,200	83,180	2,980
Total Revenues	<u>8,195,500</u>	<u>8,195,500</u>	<u>6,354,630</u>	<u>(1,840,870)</u>
OPERATING EXPENSES				
Purchased Medical Svc & Supplies	6,497,600	6,747,600	5,414,193	1,333,407
Purchased Mgmt Services	1,347,500	1,347,500	1,075,907	271,593
Contingency	-	-	-	-
Total operating expenses	<u>7,845,100</u>	<u>8,095,100</u>	<u>6,490,100</u>	<u>1,605,000</u>
Operating Income (Loss)	<u>350,400</u>	<u>100,400</u>	<u>(135,470)</u>	<u>(235,870)</u>
NON-OPERATING REVENUES				
Interest Income	1,700	1,700	1,139	(561)
Transfers In	<u>-</u>	<u>-</u>	<u>632,561</u>	<u>632,561</u>
Total Non-operating Revenues	<u>1,700</u>	<u>1,700</u>	<u>633,700</u>	<u>632,000</u>
Change in fund balance	<u>352,100</u>	<u>102,100</u>	<u>498,230</u>	<u>396,130</u>
Fund Balance, July 1	<u>1,353,311</u>	<u>790,788</u>	<u>790,788</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,705,411</u>	<u>\$ 892,888</u>	<u>\$ 1,289,018</u>	<u>\$ 396,130</u>

FALCON SHOOOL DISTRICT 49
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
SCHOLARSHIP FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS				
Fundraising Activities	\$ 200	\$ 200	\$ 199	\$ (1)
DEDUCTIONS				
Scholarships Awarded	6,601	9,531	500	\$ 9,031
Change in Net Assets	(6,401)	(9,331)	(301)	\$ 9,030
Net Assets, July 1	6,401	9,331	9,331	\$ -
Net Assets, June 30	\$ -	\$ -	\$ 9,030	\$ 9,030

FALCON SCHOOL DISTRICT 49
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PUPIL ACTIVITY AGENCY FUND
For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
ASSETS				
Cash and Cash Equivalents	\$ 952,382	\$ 2,376,533	\$ 2,387,975	\$ 940,940
Due from Other Funds	<u>-</u>	<u>53,829</u>	<u>-</u>	<u>\$ 53,829</u>
TOTAL ASSETS	<u><u>\$ 952,382</u></u>	<u><u>\$ 2,430,362</u></u>	<u><u>\$ 2,387,975</u></u>	<u><u>\$ 994,769</u></u>
LIABILITIES				
Accounts Payable	\$ 5,558	\$ 7,460	\$ 5,558	\$ 7,460
Due to Student Organizations	<u>946,824</u>	<u>2,422,902</u>	<u>2,382,417</u>	<u>\$ 987,309</u>
TOTAL LIABILITIES	<u><u>\$ 952,382</u></u>	<u><u>\$ 2,430,362</u></u>	<u><u>\$ 2,387,975</u></u>	<u><u>\$ 994,769</u></u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS				
Pupil Activities	\$ 2,845,000	\$ 2,845,000	\$ 2,422,902	\$ (422,098)
DEDUCTIONS				
Pupil Activities	\$ 3,129,500	\$ 3,129,500	\$ 2,382,417	\$ 747,083
Change in Due to Student Organizations	\$ (284,500)	\$ (284,500)	\$ 40,485	\$ 324,985
Due to Student Organizations, July 1	\$ 944,429	\$ 946,824	\$ 946,824	\$ -
Due to Student Organizations, June 30	\$ 659,929	\$ 662,324	\$ 987,309	\$ 324,985

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FALCON SHOOOL DISTRICT 49
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
ASSETS					
Cash and Cash Equivalents	\$ 822,673	\$ 1,939,203	\$ 883,490	\$ 655,707	\$ 4,301,073
Accounts Receivable	7,338	340	1,017		8,695
Prepaid Expense		57,775	29,385		87,160
Restricted Cash and Cash Equivalents	625,444	848,953	34,594		1,508,991
Debt Issuance Costs	246,922	194,940	39,050		480,912
Capital Assets, Net of Accumulated Depreciation	5,352,854	5,747,108	2,689,007		13,788,969
TOTAL ASSETS	<u>7,055,231</u>	<u>8,788,319</u>	<u>3,676,543</u>	<u>655,707</u>	<u>20,175,800</u>
LIABILITIES					
Accounts Payable and Other Current Liabilities	1,671	68,918	51,734	90,558	212,881
Accrued Liabilities	20,998	68,497			89,495
Accrued Salaries & Benefits Payable	89,201	163,603	157,506		410,310
Accrued Interest Payable	34,560	18,924			53,484
Long-term Liabilities					
Due or payable within one year	90,000	135,000	319,437		544,437
Due or payable after one year	6,170,000	7,405,000	1,432,426		15,007,426
TOTAL LIABILITIES	<u>6,406,430</u>	<u>7,859,942</u>	<u>1,961,103</u>	<u>90,558</u>	<u>16,318,033</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	(660,224)	(1,792,892)	937,144		(1,515,972)
Restricted for Emergencies	76,000	134,476	153,077	151,000	514,553
Restricted for Debt Service	564,216	723,134			1,287,350
Restricted for Repair and Replacement	30,005	125,819			155,824
Restricted for Instructional Supplies					-
Unrestricted	638,804	1,737,840	625,219	414,149	3,416,012
TOTAL NET ASSETS	<u>\$ 648,801</u>	<u>\$ 928,377</u>	<u>\$ 1,715,440</u>	<u>\$ 565,149</u>	<u>\$ 3,857,767</u>

FALCON SHOOOL DISTRICT 49
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
EXPENSES					
Instruction	\$ 1,365,302	\$ 2,162,883	\$ 2,761,601	\$ 2,142,957	\$ 8,432,743
Supporting Services	406,729	2,076,778	1,601,123	2,602,702	6,687,332
Interest and Fiscal Charges	553,998	632,151			1,186,149
TOTAL EXPENSES	<u>2,326,029</u>	<u>4,871,812</u>	<u>4,362,724</u>	<u>4,745,659</u>	<u>16,306,224</u>
PROGRAM REVENUES					
Charges for Services	151,837	18,606	302,918	415,229	888,590
Operating Grants and Contributions	3,925	51,514	43,331	29,265	128,035
Capital Grants and Contributions	29,513	56,112	59,682	58,860	204,167
TOTAL PROGRAM REVENUES	<u>185,275</u>	<u>126,232</u>	<u>405,931</u>	<u>503,354</u>	<u>1,220,792</u>
NET EXPENSE (REVENUE)	<u>(2,140,754)</u>	<u>(4,745,580)</u>	<u>(3,956,793)</u>	<u>(4,242,305)</u>	<u>(15,085,432)</u>
GENERAL REVENUES					
Per Pupil Operating Revenue	2,293,695	4,360,438	4,638,328	4,574,010	15,866,471
Investment Earnings	10,942	5,529			16,471
Miscellaneous	7,921	687,777	23,415	40,295	759,408
TOTAL GENERAL REVENUES	<u>2,312,558</u>	<u>5,053,744</u>	<u>4,661,743</u>	<u>4,614,305</u>	<u>16,642,350</u>
CHANGE IN NET ASSETS	<u>171,804</u>	<u>308,164</u>	<u>704,950</u>	<u>372,000</u>	<u>1,556,918</u>
NET ASSETS, Beginning	<u>476,997</u>	<u>620,213</u>	<u>1,010,490</u>	<u>(321,851)</u>	<u>1,785,849</u>
PRIOR PERIOD ADJUSTMENT				515,000	515,000
NET ASSETS, Beginning, As Restated	<u>476,997</u>	<u>620,213</u>	<u>1,010,490</u>	<u>193,149</u>	<u>2,300,849</u>
NET ASSETS, Ending	<u>\$ 648,801</u>	<u>\$ 928,377</u>	<u>\$ 1,715,440</u>	<u>\$ 565,149</u>	<u>\$ 3,857,767</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, 2012

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	\$ 1,378,601
School Breakfast Program	10.553	4553	101,735
Total U.S. Department of Agriculture			<u>1,480,336</u>
U.S. Department of Defense			
Direct Programs			
Reserve Officer Training Corps (ROTC)	12.XXX	9001	172,833
AIM (Achievement in Math)	12.556	7556	312,597
Impact Aid Supplemental	12.558	9005	237,676
Total Department of Defense			<u>723,106</u>
U.S. Department of Education			
Direct Programs			
Impact Aid	84.041	4041	778,604
Passed Through Colorado Department of Education			
<i>Title I, Part A Cluster</i>			
No Child Left Behind, Title I, Part A	84.010	4010	430,960
ARRA - Title I, Part A	84.389	4389	20,137
Total Title I, Part A Cluster			<u>451,097</u>
<i>SPED Cluster</i>			
Special Education: Grants to States IDEA Part B	84.027	4027	1,786,368
Special Education: Preschool Grants	84.173	4173	31,607
Total SPED Cluster			<u>1,817,975</u>
English Language Learners, Title III, Part A	84.365	4365, 7365	39,445
Quality Teacher, Title II, Part A	84.367	4367	144,921
Education Jobs Fund Program	84.410	4410	86,664
Passed through Colorado Community College System			
Vocational Education - Carl Perkins	84.048	4048	34,488
Passed through Colorado Department of Human Services			
School to Work Alliance Program (SWAP)	84.126	5126	157,833
Total U.S. Department of Education			<u>3,511,027</u>
Total Federal Awards			<u><u>\$ 5,714,469</u></u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012.

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)	\$ 114,359

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012:

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Receivable</u>
US Department of Education	
via Colorado Department of Education	381,629
via Colorado Community College System	2,690
US Department of Defense	
Direct Programs	57,949
US Department of Agriculture	
via Colorado Department of Education	<u>141,478</u>
Total	<u>\$ 583,746</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, 2012, which collectively comprise Falcon School District 49's basic financial statements and have issued our report thereon dated December 28, 2012. 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 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

Management of Falcon School District 49 is responsible for establishing and maintaining effective 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 previously.

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*.

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.

Colorado Springs, Colorado
December 28, 2012

Hoelting & Company Inc.



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, 2012. 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, 2012.

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, 2012

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2012

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 10.553 & 10.555	Child Nutrition Cluster
----------------------	-------------------------

CFDA 84.027 & 84.173	Special Education Cluster
----------------------	---------------------------

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

Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
--	---

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2012

Section II—Financial Statement Findings

None reported.

Section III—Federal Award Findings

None reported.



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, 2012, which collectively comprise Falcon School District 49's basic financial statements and have issued our report thereon dated December 28, 2012. 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 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, 2012



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

EL PASO
District

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	24,947,689	87,439,753	84,196,294	28,191,147
18 Risk Mgmt Sub-Fund of General Fund	220,246	552,000	485,649	286,597
19 Colorado Preschool Program Fund	47,014	383,592	376,446	54,159
Subtotal	25,214,948	88,375,345	85,058,389	28,531,904
11 Charter School Fund	2,559,722	17,207,303	16,044,215	3,722,810
20,26-29 Special Revenue Fund	0	177,872	177,872	0
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	3,243,411	3,243,411	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	1,307,274	1,274,000	33,274
31 Bond Redemption Fund	12,005,340	7,453,868	6,513,976	12,945,231
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	441,494	70	441,564	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	246,815	77,943	300	324,458
TOTALS	40,468,319	117,843,087	112,753,728	45,557,677
Proprietary				
51 Food Service Fund	1,006,342	3,546,897	3,315,432	1,237,808
50 Other Enterprise Funds	-1,092,132	1,171,086	1,186,149	-1,107,194
64 (63) Risk-Related Activity Fund	790,788	2,696,175	2,197,945	1,289,018
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	704,998	7,414,158	6,699,525	1,419,631
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	9,331	199	500	9,030
74 Pupil Activity Agency Fund	1,005,458	2,482,672	2,432,324	1,055,806
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	1,014,789	2,482,871	2,432,824	1,064,836

*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.

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STATISTICAL SECTION

FALCON SCHOOL DISTRICT 49
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Invested in Capital Assets, Net of Related Debt	33,616,246	30,964,957	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:										
TABOR (emergencies)	3,000,000	3,000,000	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	26,484,622	24,434,480	21,569,397	18,890,224	16,491,989	13,631,624	12,335,770	6,121,871	5,466,900	5,182,092
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
Preschool	54,159	47,014	73,157	151,605	149,879	69,386	-	-	-	-
Unrestricted	13,452,091	11,552,181	9,402,720	9,897,606	11,542,753	14,748,236	(7,780,327)	4,586,944	617,089	(3,360,939)
Total	76,607,118	69,998,632	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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Restricted for:										
TABOR (emergencies)	3,000,000	3,000,000	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	26,484,622	24,434,480	21,569,397	18,621,107	16,266,326	13,516,329	12,335,770	6,121,871	5,466,900	5,456,305
Capital Purposes	-	-	2,009,801	5,233,339	9,645,965	3,173,087	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
Preschool	54,159	47,014	73,157	151,605	149,879	69,386	-	-	-	-
Unrestricted	13,452,091	11,552,181	9,402,720	9,432,871	12,076,994	15,337,111	(7,294,504)	5,213,953	2,263,078	1,917,124
Total	42,990,872	39,033,675	36,168,164	36,528,904	40,928,404	34,450,671	8,543,045	13,828,486	9,522,331	12,964,996

Cash, Investment & Receivable Balances

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash & Investments	50,733,004	45,756,220	45,995,326	45,674,203	52,928,160	46,642,751	19,318,797	19,064,500	16,681,197	22,082,609
External Receivables	1,960,983	2,987,458	3,359,665	2,747,040	3,426,494	2,102,940	1,967,750	1,380,606	939,159	1,334,963
	52,693,987	48,743,678	49,354,991	48,421,243	56,354,654	48,745,691	21,286,547	20,445,106	17,620,356	23,417,572



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

General Funds Revenue, Expense & Fund Balance Walk

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue	87,844,451	91,875,665	92,037,568	98,964,120	90,143,535	81,462,039	67,685,106	58,558,230	50,136,489	43,507,849
Expense	(83,327,196)	(88,831,042)	(89,626,080)	(97,308,429)	(88,884,590)	(70,668,163)	(57,862,083)	(53,127,595)	(46,955,600)	(41,110,225)
Net Transfers	(1,200,299)	605,662	(2,722,344)	(2,715,782)	(2,571,002)	(1,631,388)	(2,343,197)	(2,100,000)	(3,093,800)	(2,743,932)
Net Change in Fund Balance	3,316,956	3,650,285	(310,856)	(1,060,091)	(1,312,057)	9,162,488	7,479,826	3,330,635	87,089	(346,308)
Prior Period Adjustments	-	-	(281,338)	-	-	-	-	2,439	-	-
Fund Balance July 1	25,214,948	21,564,663	21,875,519	23,216,948	24,529,005	15,366,517	7,886,691	4,553,617	4,464,089	4,810,397
Fund Balance June 30	28,531,904	25,214,948	21,564,663	22,156,857	23,216,948	24,529,005	15,366,517	7,886,691	4,551,178	4,464,089

Property Tax Revenue	16,213,177	17,217,626	17,111,775	16,057,943	15,165,276	12,340,134	11,061,786	10,410,273	9,105,135	8,073,270
	18%	19%	19%	16%	17%	15%	16%	18%	18%	19%
10 Year CAGR *	8.1%									
Other Local Revenue	10,198,019	11,390,222	9,870,708	12,045,157	11,811,888	10,535,025	7,926,629	3,299,944	1,038,533	1,481,371
	12%	12%	11%	12%	13%	13%	12%	6%	2%	3%
Total Local Revenue	26,411,196	28,607,848	26,982,483	28,103,100	26,977,164	22,875,159	18,988,415	13,710,217	10,143,668	9,554,641
	30%	31%	29%	28%	30%	28%	28%	23%	20%	22%
10 Year CAGR *	12.0%									
State Revenue	60,271,837	58,612,468	64,158,404	70,026,436	62,764,992	58,350,351	48,535,792	44,597,128	38,132,169	32,957,718
	69%	64%	70%	71%	70%	72%	72%	76%	76%	76%
10 Year CAGR *	6.9%									
Federal Revenue	1,161,418	4,655,349	896,681	834,584	401,379	236,529	160,899	250,885	1,860,652	995,490
	1%	5%	1%	1%	0%	0%	0%	0%	4%	2%

* CAGR = Compounded Annual Growth Rate



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

District Assessed Valuation and Mill Levy Components

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net Assessed Valuation	662,871,630	703,938,280	699,610,580	656,524,910	620,028,470	504,523,250	452,258,300	360,878,890	315,635,430	274,881,510
10 Year CAGR *	10.3%									
Total Program Mills	24.459	24.459	24.459	24.459	24.459	24.459	24.459	28.847	28.847	29.370
Voter Approved Override Mills (1)	9.800	9.800	9.800	9.800	9.800	9.800	9.802	0	0	0
Abatement Mills	0.371	0.321	0.101	0.203	0.324	0.076	0.093	0.124	0.228	0.124
Bond Redemption Mills	11.212	11.212	11.212	11.212	11.212	11.212	12.494	14.310	15.500	16.930
Total Mill Levy	45.842	45.792	45.572	45.674	45.795	45.547	46.848	43.281	44.575	46.424
Total Program Revenue	16,213,177	17,217,626	17,111,775	16,057,943	15,165,276	12,340,134	11,061,786	10,410,273	9,105,135	8,073,270
10 Year CAGR *	8.1%									
Funded Pupil Count (FTE)	14,283.7	14,027.8	13,698.0	12,984.3	12,221.5	11,580.5	10,132.5	9,544.5	8,324.5	7,512.0
Year over Year	10.0%	2.4%	5.5%	6.2%	5.5%	14.3%	6.2%	14.7%	10.8%	13.9%
10 Year CAGR *	7.4%									
Per Pupil Program Revenue	1,135	1,227	1,249	1,237	1,241	1,066	1,092	1,091	1,094	1,075
10 Year CAGR *	0.6%									

* 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.



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

District Capital Asset Related Long Term Debt Components

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Obliga- tion Bonds	41,085,000 -8.9%	45,085,000 -5.9%	47,935,000 -5.3%	50,630,000 -4.7%	53,150,000 -3.9%	55,305,000 -3.1%	57,095,000 -2.3%	58,410,000 -8.1%	63,538,514 -1.9%	64,743,169
Certificates of Participation (1)	84,215,000 -2.2%	86,090,000 -2.0%	87,835,000 -1.8%	89,465,000 -1.6%	90,960,000 72.9%	52,600,000	0	0	0	0
Certificates of Participation (2)	0	0	0	0	0	0	0	0 -100.0%	250,000 -47.9%	480,000
Capital Lease Obligations	3,333,903 19.4%	2,793,182 -31.1%	4,056,903 -27.0%	5,560,259 -4.6%	5,827,355 -18.6%	7,161,392 -20.7%	9,025,957 8.4%	8,325,497 2.4%	8,134,096 -7.1%	8,751,561
	128,633,903 -4.0%	133,968,182 -4.2%	139,826,903 -4.0%	145,655,259 -2.9%	149,937,355 30.3%	115,066,392 74.0%	66,120,957 -0.9%	66,735,497 -6.9%	71,672,610 -2.5%	73,494,730
Net Assessed Valuation	662,871,630 -5.8%	703,938,280 0.6%	699,610,580 6.6%	656,524,910 5.9%	620,028,470 22.9%	504,523,250 11.6%	452,258,300 25.3%	360,878,890 14.3%	315,635,430 14.8%	274,881,510
Market Value	6,200,983,265 -6.5%	6,632,924,756 1.3%	6,544,920,650							
General Obligation Debt Capacity (@ = 25% of A.V.)	165,717,908	175,984,570	174,902,645	164,131,228	155,007,118	126,130,813	113,064,575	90,219,723	78,908,858	68,720,378
(@ = 6% of M.V.)	372,058,996	397,975,485	392,695,239							
General Obligation Debt Margin (@ = 25% of A.V.)	124,632,908	130,899,570	126,967,645	113,501,228	101,857,118	70,825,813	55,969,575	31,809,723	15,370,344	3,977,209
(@ = 6% of M.V.)	330,973,996	352,890,485	344,760,239							

(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.



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Falcon School District 49

CAFR Statisticals - Economic/Demographic Trends

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>Employment & Unemployment Data</u>										
<u>Colorado Springs MSA (Metropolitan Statistical Area)</u>										
Laborforce	309,742	312,575	317,354	320,666	317,722	315,613	316,384	306,482	301,117	297,813
10 Year CAGR *		0.4%								
Employment	280,299	283,636	286,113	290,303	299,628	301,594	300,747	289,173	282,607	277,281
10 Year CAGR *		0.1%								
Unemployment	29,443	28,939	31,241	30,363	18,094	14,019	15,637	17,309	18,510	20,532
Unemployment Rate(%)	9.5	9.3	9.8	9.5	5.7	4.4	4.9	5.6	6.1	6.9
vs. Colorado	(1.3)	(0.9)	(0.9)	(1.0)	(1.0)	(0.8)	(0.5)	(0.4)	(0.6)	(0.6)
<u>State of Colorado</u>										
Laborforce	2,741,281	2,716,921	2,725,490	2,750,441	2,732,658	2,675,966	2,651,197	2,582,170	2,532,479	2,491,846
10 Year CAGR *		1.1%								
Employment	2,516,506	2,489,961	2,484,048	2,515,693	2,605,293	2,577,823	2,533,460	2,448,916	2,391,958	2,335,087
10 Year CAGR *		0.8%								
Unemployment	224,775	226,960	241,442	234,748	127,365	98,143	117,737	133,254	140,521	156,759
Unemployment Rate(%)	8.2	8.4	8.9	8.5	4.7	3.6	4.4	5.2	5.5	6.3

Source: State of Colorado - Department of Labor & Employment

Colorado Springs Area Student Counts

Total Area Students	100,926	99,521	98,821	96,302	95,489	95,045	93,615	92,467	91,019	89,803
10 Year CAGR *		1.3%								
Ratio to CoSprg Laborforce	3.07	3.14	3.21	3.33	3.33	3.32	3.38	3.31	3.31	3.32
Falcon 49 Count	14,284	14,028	13,698	12,984	12,222	11,581	10,133	9,545	8,325	7,512
% CoSprng Total	14.2%	14.1%	13.9%	13.5%	12.8%	12.2%	10.8%	10.3%	9.1%	8.4%
10 Year CAGR *		7.4%								
All Other Area District:	86,642	85,493	85,123	83,318	83,267	83,464	83,482	82,922	82,694	82,291
10 Year CAGR *		0.6%								

* CAGR = Compounded Annual Growth Rate



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

General Fund Costs per Funded Pupil

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Funded Pupil Count (FTSE)	14,283.7	14,027.8	13,698.0	12,984.3	12,221.5	11,580.5	10,132.5	9,544.5	8,324.5	7,512.0
10 Year CAGR *		7.4%								
Instructional Expense	43,422,203	45,985,186	48,229,169	46,375,497	44,188,864	36,616,790	32,946,165	30,746,653	27,776,862	24,488,415
Percent Total Spend	52.1%	51.8%	53.8%	47.7%	49.7%	51.8%	56.9%	57.9%	59.2%	59.6%
10 Year CAGR *		6.6%								
spend per pupil	3,040	3,278	3,521	3,572	3,616	3,162	3,252	3,221	3,337	3,260
10 Year CAGR *		-0.8%								
<u>Selected Support Services</u>										
Student	3,834,537	4,318,588	4,609,799	4,322,138	4,329,951	4,287,990	4,277,273	3,826,072	3,504,936	3,015,085
spend per pupil	268	308	337	333	354	370	422	401	421	401
Instructional	2,773,479	4,464,197	4,699,691	5,598,066	3,588,686	2,687,845	2,898,970	2,260,942	2,018,990	1,714,725
spend per pupil	194	318	343	431	294	232	286	237	243	228
School Admin	6,473,916	5,167,267	4,812,253	4,566,119	3,929,505	3,915,349	3,873,135	3,316,018	2,919,711	2,740,929
spend per pupil	453	368	351	352	322	338	382	347	351	365
Transportation	1,894,412	3,991,265	3,439,361	3,393,178	3,311,034	3,076,834	2,687,933	2,691,641	2,324,726	2,021,726
spend per pupil	133	285	251	261	271	266	265	282	279	269
Subtotal	14,976,344	17,941,317	17,561,104	17,879,501	15,159,176	13,968,018	13,737,311	12,094,673	10,768,363	9,492,465
10 Year CAGR *		5.2%								
Percent Total Spend	18.0%	20.2%	19.6%	18.4%	17.1%	19.8%	23.7%	22.8%	22.9%	23.1%
spend per pupil	1,048	1,279	1,282	1,377	1,240	1,206	1,356	1,267	1,294	1,264
All Other Spends	24,928,649	24,904,539	23,835,807	33,053,431	29,536,550	20,083,355	11,178,607	10,286,269	8,410,375	7,129,345
Percent Total Spend	29.9%	28.0%	26.6%	34.0%	33.2%	28.4%	19.3%	19.4%	17.9%	17.3%
	1,745	1,775	1,740	2,546	2,417	1,734	1,103	1,078	1,010	949
Total Spend	83,327,196	88,831,042	89,626,080	97,308,429	88,884,590	70,668,163	57,862,083	53,127,595	46,955,600	41,110,225
spend per pupil	5,834	6,332	6,543	7,494	7,273	6,102	5,711	5,566	5,641	5,473

* CAGR = Compounded Annual Growth Rate



Falcon School District 49

A Special Place for Everyone

