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# Falcon School District 49

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## AUDIT REPORT

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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*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 a large, teal, sans-serif font. Underneath "FALCON", the words "SCHOOL DISTRICT 49" are written in a smaller, teal, sans-serif font. 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*

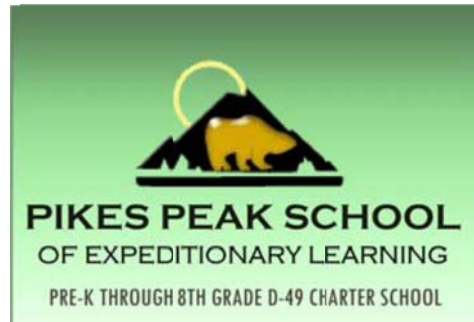
*The board members are dedicated  
to providing leadership and  
direction in cooperation with the  
community, schools, and governing  
officials to meet the District's  
mission.*



*Falcon School District 49  
-Board of Education Purpose*

## *Our Charter Schools*

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## Our Coordinated Schools

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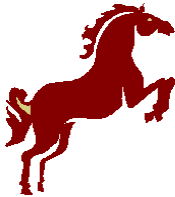
*Evans International  
Elementary*



*Falcon  
Elementary*



*Meridian Ranch  
Elementary*



*Remington  
Elementary*



*Ridgeview  
Elementary*



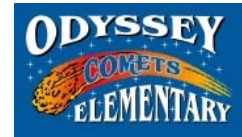
*Woodmen Hills  
Elementary*



*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*



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**FOR THE YEAR ENDED JUNE 30, 2013**

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## **INTRODUCTORY SECTION**

**FALCON SCHOOL DISTRICT 49**  
**June 30, 2013**

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

Peter Hilts	Chief Education Officer
Brett Ridgway	Chief Business Officer & Assistant Treasurer
Jack Bay	Chief Operations Officer
Monty Lammers	Falcon Area Zone Leader
Sean Dorsey	Sand Creek Area Zone Leader
Mike Pickering	POWER Zone Leader
Kim McClelland	iConnect Innovation Leader
Amber Whetstine	Executive Director of Learning Services
Steve Axford	Director of Special Services
Paul Andersen	Personnel Director
Gene Hammond	Director of Transportation
Monica Deines-Henderson	Director of Nutrition Services
Stephanie Meredith	Public Information Officer
Donna Teubner	Secretary to the Board

# Falcon School District 49 Board of Education

BOE Admin Assistant

## OFFICE OF THE SUPERINTENDENT

### Educational Achievement

#### Chief Education Officer

Overseeing Educational Achievement,  
Improvement, and Innovation

### Business Office

#### Chief Business Officer

Overseeing Business Administration,  
Policy, and Strategy

### Operational Support

#### Chief Operating Officer

Overseeing Operational Administration,  
Policy, and Strategy

Central Educational Support Services  
Executive Officer of Education Services

---- Grant Coordination      ---- Instructional  
---- School Nurses              Technology  
---- Career & Tech Ed      ---- Safety & Security

Communications Department  
Public Information Officer

Special Education Services  
Special Svcs Director> Ass't Director

**Falcon Area Innovation Zone**  
Zone Leader > CIA Coord; Schools

**Sand Creek Area Innovation Zone**  
Zone Leader > CIA Coord; Schools

**POWER Innovation Zone**  
Zone Leader > CIA Coord / Schools

**iConnect** Innovation Community  
Zone Leader> Solutions Mgr; Schools

Finance &  
Accounting

Risk Management

Purchasing &  
Contracts

Strategic Planning

Transportation  
Services

Nutrition Services

Facilities  
Maintenance

Capital Project  
Management

Human Resources Dept  
Personnel Director

Information Technology  
(currently outsourced)

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Falcon School District 49

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 37.8 percent, 29.0 percent, and 42.8 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have 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 from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 16 to the financial statements, in fiscal year 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District 49's basic financial statements. The introductory section and combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund

financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2014, 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* in considering Falcon School District 49's internal control over financial reporting and compliance.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 26, 2014

**FALCON SCHOOL DISTRICT 49**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**JUNE 30, 2013**

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As management of Falcon School District 49, we offer readers of the Falcon School District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

**Financial Highlights**

- The Governmental Activities of the District had a Net Position totaling \$76,215,246 at the end of the current fiscal year, a decrease of \$391,728 from the prior year.
- General Revenues for the Governmental Activities of the District totaled \$88,677,510, or 82.4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions received accounted for \$18,951,581, or 17.6% of total revenues of \$107,629,091
- The ending fund balance of total General Funds was \$37,153,373. The General Fund portion maintained a fund balance to revenue ratio above 10% (12%), 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 \$102,6801,362 which was up \$1,954,467; (1.9%) from the prior year.
- Total student count in the District increased 2.8% from the prior year, while the corresponding funded student count increased by 1.8% (262.2 student FTE). The component units' funded student count increased 3.5% (90.6 student FTE). The District's coordinated (non-charter) schools' funded student count increased 1.5% (171.6 student FTE).
- Business-type Activities reported a Unrestricted Net Position of \$1,061,370 in the Nutritional Service Fund, an increase of \$104,383 from the prior year, but \$55,431 worse than budgeted due to a prior period adjustment for depreciation of capital assets totaling \$141,606. Excluding the adjustment and a \$172,136 positive variance from unspent contingency budget, the residual budget variance was negative by -\$ 85,961. This was driven by a \$228,611 positive variance in total expenses (\$171,336 [75%] from Salaries & Benefits); lower local sales revenue of -\$177,896; and lower non-operating revenue (primarily Federal and State Revenue subsidies) of -\$136,676.

**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.

**FALCON SCHOOL DISTRICT 49**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**JUNE 30, 2013**

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

The *Statement of Net Position* presents information about all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 five 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,

**FALCON SCHOOL DISTRICT 49**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**JUNE 30, 2013**

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aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

**Proprietary Funds.** Falcon School District maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation. Internal service funds are used to accumulate and allocate costs internally among the district's 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
- Imagine Indigo Ranch

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, 2013**

**Government-wide Financial Analysis**

As noted earlier, net position 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 \$77,397,623 at the close of the most recent fiscal year.

Of that amount, \$35,150,188 of net position 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 position (40%) represents resources that are subject to external restriction on how they may be used. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position, 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	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
Current assets	\$ 54,072,360	\$ 53,630,580	\$ 1,283,976	\$ 1,125,163	\$ 55,356,336	\$ 54,755,743
Capital assets, net of depreciation	156,377,062	161,770,303	121,007	280,821	156,498,069	162,051,124
<b>Total assets</b>	<b>210,449,422</b>	<b>215,400,883</b>	<b>1,404,983</b>	<b>1,405,983</b>	<b>211,854,405</b>	<b>216,806,866</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	2,217,241	1,238,339	-	-	2,217,241	1,238,339
<b>Total deferred outflows of resources</b>	<b>2,217,241</b>	<b>1,238,339</b>	<b>-</b>	<b>-</b>	<b>2,217,241</b>	<b>1,238,339</b>
<b>LIABILITIES</b>						
Current liabilities	12,098,407	10,259,408	202,023	140,395	12,300,430	10,399,803
Long-term liabilities	124,353,010	129,772,840	20,583	27,780	124,373,593	129,800,620
<b>Total liabilities</b>	<b>136,451,417</b>	<b>140,032,248</b>	<b>222,606</b>	<b>168,175</b>	<b>136,674,023</b>	<b>140,200,423</b>
	-	-	-	-	-	-
<b>NET POSITION</b>						
Net Investment in Capital Assets	35,029,181	32,761,303	121,007	280,821	35,150,188	33,042,124
Restricted for:						
TABOR	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Debt Service	28,246,588	26,484,622	-	-	28,246,588	26,484,622
Preschool	56,258	54,159	-	-	56,258	54,159
Unrestricted	9,883,219	14,306,890	1,061,370	956,988	10,944,589	15,263,878
<b>TOTAL NET POSITION</b>	<b>\$ 76,215,246</b>	<b>\$ 76,606,974</b>	<b>\$ 1,182,377</b>	<b>\$ 1,237,809</b>	<b>\$ 77,397,623</b>	<b>\$ 77,844,783</b>

**FALCON SCHOOL DISTRICT 49**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**JUNE 30, 2013**

Governmental activities increased the net position of the District by \$2,733,295. Program revenues included \$9,131,277 in charges for services, and \$9,750,503 in operating grants and contributions. Nearly \$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 \$54,910,864 out of a total of \$104,895,796.

Business type activities (Nutritional Services) increased net position by \$86,175. Program revenues included \$1,912,878 in charges for services and \$1,712,285 in operating grants and contributions. All expenditures of \$3,545,394 were for food services.

**FALCON SCHOOL DISTRICT 49 - Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>PROGRAM REVENUES</b>						
Charges for service	\$ 9,131,277	\$ 3,059,473	\$ 1,912,878	\$ 2,004,711	\$ 11,044,155	\$ 5,064,184
Operating Grants & contributions	9,750,503	8,056,987	1,712,285	1,535,564	11,462,788	9,592,551
Capital Grants & contributions	69,801	55,152	-	-	69,801	55,152
<b>GENERAL REVENUES</b>						
Property Taxes	27,217,408	27,181,450	-	-	27,217,408	27,181,450
Specific ownership taxes	2,447,418	2,476,004	-	-	2,447,418	2,476,004
State equalization	58,587,096	57,265,290	-	-	58,587,096	57,265,290
Investment earnings	76,283	63,377	6,406	6,621	82,689	69,998
Miscellaneous revenues	349,305	1,049,976	-	-	349,305	1,049,976
<b>TOTAL REVENUES</b>	<u>107,629,091</u>	<u>99,207,709</u>	<u>3,631,569</u>	<u>3,546,897</u>	<u>111,260,660</u>	<u>102,754,606</u>
<b>EXPENSES</b>						
Instruction	54,910,864	51,047,331	-	-	54,910,864	51,047,331
Supporting Services	39,933,659	33,668,871	-	-	39,933,659	33,668,871
Community Services	5,230	5,475	-	-	5,230	5,475
Facilities Acquisition & Constructio	3,921,201	1,399,913	-	-	3,921,201	1,399,913
Interest on long-term debt	6,124,842	6,477,776	-	-	6,124,842	6,477,776
Food Service			3,545,394	3,315,432	3,545,394	3,315,432
<b>TOTAL EXPENSES</b>	<u>104,895,796</u>	<u>92,599,366</u>	<u>3,545,394</u>	<u>3,315,432</u>	<u>108,441,190</u>	<u>95,914,798</u>
Change in Net Position	2,733,295	6,608,342	86,175	231,465	2,819,470	6,839,808
Beginning Net Position	76,606,974	69,998,631	1,237,808	1,006,342	77,844,782	71,004,974
Prior Period Adjustment	(3,125,022)	-	(141,606)	-	(3,266,628)	-
<b>TOTAL NET POSITION</b>	<u>\$ 76,215,246</u>	<u>\$ 76,606,974</u>	<u>\$ 1,182,377</u>	<u>\$ 1,237,808</u>	<u>\$ 77,397,624</u>	<u>\$ 77,844,782</u>

**FALCON SCHOOL DISTRICT 49**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**JUNE 30, 2013**

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**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 \$39,724,938.

The general fund is the chief operating fund of the District. At the end of the current fiscal year contingent/unassigned fund balance of the general fund was \$6,885,895 while total fund balance is \$25,540,245. As a measure of the general fund's liquidity, it may be useful to compare both contingent/unassigned fund balance and total fund balance to total fund expenditures. Excluding Charter School remittances, unassigned fund balance represents 13.1% of total general fund expenditures, while total fund balance represents 33.9% of that same amount.

The Bond Redemption Fund remains in strong financial condition. The fund has an ample fund balance to make the December 1<sup>st</sup> principal and interest payments on the District's voter approved debt. The fund balance as of June 30, 2013 is \$13,790,896, which is entirely restricted for debt service. The fund balance represents coverage for 2.10 times the 2012-13 annual payments.

In 2012-13, Falcon School District expended \$3,609,433 of local, state and federal grant funds, excluding charter school grant expenditures. Of these expenditures, \$624,926 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 2013-14 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 few years. The 2011-12 to 2012-2013 growth was 1.8%

Some significant budget highlights include:

- The final (Amended) budget showed increased revenue of \$1,511,776 from the original (Adopted) budget. The revenue changes were added to accommodate, among other things, an improved estimates for State Equalization Revenue (increased by \$675,755), Local Property Tax Revenue (decreased by -\$104,236). The final budget had expense increases of \$6,402,008 driven primarily by a \$3,891,881 increase in Facilities construction spend and associated services & contingencies.
- Actual General Funds results for the 2012-13 fiscal year showed expenses in excess of revenue by \$2,991,659, which was \$2,036,062 better than the final budget. The improvement came from the aforementioned variance in facilities construction and associated services & contingencies of

**FALCON SCHOOL DISTRICT 49**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**JUNE 30, 2013**

\$1,813,355. Revenue was better than budget due to improved results (\$422,100) in program formula funding as managed by the Colorado Department of Education.

**Capital Assets and Debt Administration**

**Capital assets.** The Falcon School District's investment in capital assets for governmental activities as of June 30, 2013 amounts to \$156,377,062 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was 2.2%. While no significant divestitures of assets were made in 2012-2013., the District did recognize a prior period adjustment related to depreciation that reduced the net capital assets by \$2,028,288. The table below reflects that adjustment in the 6/30/2012 balances.

	Balance @ 6/30/2013	Balance @ 6/30/2012
<b>Governmental Activities</b>		
Land and Site Improvements	15,765,500	17,331,743
Buildings & Improvements	135,864,100	136,303,136
Equipment	4,747,462	6,248,742
Construction in Progress	-	-
Total capital assets, net	<u>156,377,062</u>	<u>159,883,621</u>
<b>Business-Type Activities</b>		
Equipment	<u>121,007</u>	<u>139,215</u>
Total capital assets, net	<u>121,007</u>	<u>139,215</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 \$123,565,122. Of this amount, \$37,324,738 is general obligation bonds for which there is a mill levy assessment to pay the debt, \$2,341,188 for capital leases, and \$83,899,196 in certificates of participation.

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, 2013**

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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 20% of the assessed value of the District, or 6% of the retail value of the District. At the end of the current fiscal year, the District had total general obligation bonded debt of \$36,430,000 or 5.5% of assessed value, or 0.6% of retail value, . The district's legal debt limit and debt margin is \$132,743,562 and \$96,313,562 respectively relative to the assessed value measures and \$379,064,443 and \$342,634,443 respectively relative to the retail value measures.

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

### **Economic Factors and 2013-2014 Budget**

- The local, state, and federal economies remain in a slow-growth mode. This was seen in the bi-annual valuation of the District's assessed property value, which increased only 0.13% in 2013 from the prior year to a total of \$664,597,320. It is normal for there to be a lag in recognizing changes in assessed valuations relative to market values.
- 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 preparing to onboard the state's largest multi-district online charter school on July 1, 2013; and is also exploring opportunities for a charter high school as well.
- The District ended the 2012-13 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

## **BASIC FINANCIAL STATEMENTS**

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,529,501	\$ 781,511	\$ 24,311,012	\$ 4,965,027
Accounts receivable	630,172	290,370	920,542	34,722
Taxes receivable	1,345,809	-	1,345,809	-
Internal balances	504,792	-	504,792	-
Prepaid expenses	-	-	-	36,795
Inventory	-	212,095	212,095	-
Restricted cash and cash equivalents	28,062,086	-	28,062,086	1,522,421
Capital assets, not being depreciated	15,765,500	-	15,765,500	548,380
Capital assets, net of depreciation	140,611,562	121,007	140,732,569	13,356,572
Total assets	210,449,422	1,404,983	211,854,405	20,463,917
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	2,217,241	-	2,217,241	-
Total deferred outflows of resources	2,217,241	-	2,217,241	-
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,653,162	51,643	1,704,805	594,190
Accrued salaries and benefits	9,133,194	66,634	9,199,828	417,865
Accrued interest	308,884	-	308,884	52,299
Unearned revenues	1,003,167	83,746	1,086,913	-
Long-term liabilities				
Due within one year	7,864,228	-	7,864,228	586,583
Due in more than one year	116,488,782	20,583	116,509,365	14,420,844
Total liabilities	136,451,417	222,606	136,674,023	16,071,781
<b>NET POSITION</b>				
Net investment in capital assets	35,029,181	121,007	35,150,188	(1,585,849)
Restricted for:				
Emergency reserve (TABOR)	3,000,000	-	3,000,000	527,167
Debt service	28,246,588	-	28,246,588	1,296,767
Preschool	56,258	-	56,258	-
Repairs and replacement	-	-	-	193,491
Unrestricted	9,883,219	1,061,370	10,944,589	3,960,560
Total net position	\$ 76,215,246	\$ 1,182,377	\$ 77,397,623	\$ 4,392,136

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			
			Operating	Capital	Primary Government			Component
		Charges for	Grants and	Grants and	Governmental	Business-type		Units
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	
Primary government								
Governmental activities								
Instruction	\$ 54,910,864	\$ 1,643,086	\$ 7,780,741	\$ 69,801	\$ (45,417,236)	\$ -	\$ (45,417,236)	\$ -
Supporting services	39,933,659	7,488,191	936,486	-	(31,508,982)	-	(31,508,982)	-
Community services	5,230	-	-	-	(5,230)	-	(5,230)	-
Facilities acquisition & construction	3,921,201	-	1,033,276	-	(2,887,925)	-	(2,887,925)	-
Interest on long-term debt	6,124,842	-	-	-	(6,124,842)	-	(6,124,842)	-
Total governmental activities	104,895,796	9,131,277	9,750,503	69,801	(85,944,215)	-	(85,944,215)	-
Business-type activities								
Food services	3,545,394	1,912,878	1,712,285	-		79,769	79,769	
Total primary government	\$ 108,441,190	\$ 11,044,155	\$ 11,462,788	\$ 69,801	(85,944,215)	79,769	(85,864,446)	
Component units								
Charter schools	\$ 17,792,265	\$ 1,196,386	\$ 153,026	\$ 188,209				(16,254,644)
General revenues:								
Property taxes					27,217,408	-	27,217,408	-
Specific ownership taxes					2,447,418	-	2,447,418	-
State equalization					58,587,096	-	58,587,096	-
Per pupil revenue					-	-	-	16,423,486
Investment earnings					76,283	6,406	82,689	12,752
Miscellaneous					349,305	-	349,305	833,687
Total general revenues					88,677,510	6,406	88,683,916	17,269,925
Change in net position					2,733,295	86,175	2,819,470	1,015,281
Net position - beginning					76,606,974	1,237,808	77,844,782	3,857,767
Prior period adjustment					(3,125,022)	(141,606)	(3,266,628)	(480,912)
Net position - beginning, as restated					73,481,952	1,096,202	74,578,154	3,376,855
Net position - ending					\$ 76,215,246	\$ 1,182,377	\$ 77,397,623	\$ 4,392,136

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<b>General Fund</b>	<b>Governmental Designated Purpose Grants Fund</b>	<b>Bond Redemption Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20,539,844	\$ 848,209	\$ -	\$ 537,329	\$ 21,925,382
Accounts receivable	5,246	624,926	-	-	630,172
Taxes receivable	1,072,265	-	273,544	-	1,345,809
Due from other funds	1,139,482	-	-	-	1,139,482
Restricted cash and cash equivalents	14,396,536	-	13,665,550	-	28,062,086
Total assets	<u>\$ 37,153,373</u>	<u>\$ 1,473,135</u>	<u>\$ 13,939,094</u>	<u>\$ 537,329</u>	<u>\$ 53,102,931</u>
<b>LIABILITIES</b>					
Accounts payable and other accrued liabilities	\$ 1,243,208	\$ 16,905	\$ -	\$ 52,997	\$ 1,313,110
Accrued salaries and benefits	8,958,572	84,087	-	90,535	9,133,194
Due to other funds	691,298	634,690	-	-	1,325,988
Unearned revenue	265,714	737,453	-	-	1,003,167
Total liabilities	<u>11,158,792</u>	<u>1,473,135</u>	<u>-</u>	<u>143,532</u>	<u>12,775,459</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	<u>454,336</u>	<u>-</u>	<u>148,198</u>	<u>-</u>	<u>602,534</u>
Total deferred inflows of resources	<u>454,336</u>	<u>-</u>	<u>148,198</u>	<u>-</u>	<u>602,534</u>
<b>FUND BALANCES</b>					
Restricted for:					
Emergency reserve (TABOR)	3,000,000	-	-	-	3,000,000
Debt service	14,455,692	-	13,790,896	-	28,246,588
Preschool	56,258	-	-	-	56,258
Committed for:					
Risk management	218,607	-	-	-	218,607
Capital projects	923,793	-	-	393,797	1,317,590
Contingencies	5,917,344	-	-	-	5,917,344
Unassigned	968,551	-	-	-	968,551
Total fund balances	<u>25,540,245</u>	<u>-</u>	<u>13,790,896</u>	<u>393,797</u>	<u>39,724,938</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 37,153,373</u>	<u>\$ 1,473,135</u>	<u>\$ 13,939,094</u>	<u>\$ 537,329</u>	<u>\$ 53,102,931</u>

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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

Total fund balance - governmental funds	\$ 39,724,938
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the statement of net position.	156,377,062
Property tax receivable is not available to pay current period expenditures and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the statement of net position.	602,534
Internal service funds are used by the District's management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.	1,955,365
Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.	(308,884)
Deferred charges on refunding are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	2,217,241
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	<u>(124,353,010)</u>
Net position of governmental activities	<u><u>\$ 76,215,246</u></u>

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Governmental Designated Purpose Grants Fund</b>	<b>Bond Redemption Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local sources	\$ 25,875,365	\$ 227,809	\$ 7,416,837	\$ 364,048	\$ 33,884,059
State sources	62,231,886	-	-	404,640	62,636,526
Federal sources	1,047,431	3,381,624	-	-	4,429,055
Total revenues	89,154,682	3,609,433	7,416,837	768,688	100,949,640
<b>EXPENDITURES</b>					
Instruction	46,317,809	2,601,322	-	-	48,919,131
Supporting services	34,250,766	1,007,645	-	1,152,600	36,411,011
Community services	600	466	-	-	1,066
Facilities acquisition and construction	3,962,620	-	-	-	3,962,620
Debt service	7,194,569	-	6,571,172	-	13,765,741
Total expenditures	91,726,364	3,609,433	6,571,172	1,152,600	103,059,569
Excess (deficiency) of revenues over expenditures	(2,571,682)	-	845,665	(383,912)	(2,109,929)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	(419,977)	-	-	419,977	-
Net change in fund balances	(2,991,659)	-	845,665	36,065	(2,109,929)
Fund balances - beginning	28,531,904	-	12,945,231	357,732	41,834,867
Fund balances - ending	\$ 25,540,245	\$ -	\$ 13,790,896	\$ 393,797	\$ 39,724,938

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds:	\$ (2,109,929)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(3,506,559)
Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	25,928
Internal service funds are used by the District to charge the cost of certain activities to individual funds. The net revenue of the internal service funds are reported with governmental activities.	666,347
Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.	20,435
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of 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 and related items.	7,661,121
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.	<u>(24,048)</u>
Change in net position of governmental activities	<u><u>\$ 2,733,295</u></u>

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 781,511	\$ 1,604,119
Accounts receivable, net	290,370	-
Due from other funds	-	691,298
Inventories	212,095	-
Total current assets	1,283,976	2,295,417
Non-current assets		
Equipment	1,101,957	-
Accumulated depreciation	(980,950)	-
Total non-current assets	121,007	-
Total assets	1,404,983	2,295,417
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	51,643	340,052
Accrued salaries and benefits	66,634	-
Unearned revenue	83,746	-
Total current liabilities	202,023	340,052
Long-term liabilities		
Compensated absences	20,583	-
Total long-term liabilities	20,583	-
Total liabilities	222,606	340,052
<b>NET POSITION</b>		
Net investment in capital assets	121,007	-
Unrestricted	1,061,370	1,955,365
Total net position	\$ 1,182,377	\$ 1,955,365

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,912,878	\$ 6,649,570
Total operating revenues	<u>1,912,878</u>	<u>6,649,570</u>
<b>OPERATING EXPENSES</b>		
Salaries	1,108,877	-
Employee benefits	308,933	-
Purchased services	204,472	5,985,098
Purchased food	1,626,824	-
Commodities	250,578	-
Equipment	5,792	-
Other	21,710	-
Depreciation	<u>18,208</u>	
Total operating expenses	<u>3,545,394</u>	<u>5,985,098</u>
Operating income (loss)	<u>(1,632,516)</u>	<u>664,472</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State funding	54,102	-
National School Food Program	1,262,518	-
School Breakfast Program	145,087	-
Donated commodities	250,578	-
Interest and investment revenue	<u>6,406</u>	<u>1,875</u>
Total non-operating revenue (expenses)	<u>1,718,691</u>	<u>1,875</u>
Change in net position	<u>86,175</u>	<u>666,347</u>
Net position - beginning	1,237,808	1,289,018
Prior period adjustment	<u>(141,606)</u>	<u>-</u>
Net position - beginning, as restated	<u>1,096,202</u>	<u>1,289,018</u>
Net position - ending	<u><u>\$ 1,182,377</u></u>	<u><u>\$ 1,955,365</u></u>

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 1,959,763	\$ 6,836,841
Cash payments to suppliers	(1,859,965)	(6,225,046)
Cash paid to employees	(1,423,539)	-
	<u>(1,323,741)</u>	<u>611,795</u>
Net cash provided (used) by operating activities		
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
National school breakfast and lunch	1,264,460	-
State reimbursements	54,102	-
	<u>1,318,562</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	6,406	1,875
	<u>6,406</u>	<u>1,875</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	1,227	613,670
Cash and cash equivalents - beginning	780,284	990,449
Cash and cash equivalents - ending	<u>\$ 781,511</u>	<u>\$ 1,604,119</u>

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (1,632,516)	\$ 664,472
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,208	-
Commodities used	250,578	-
Change in assets and liabilities:		
(Increase) decrease in:		
Due from other funds	-	187,271
Inventories	(14,441)	-
Increase (decrease) in:		
Unearned revenue	46,885	-
Accounts payable	13,274	(239,948)
Accrued salaries and benefits	1,468	-
Compensated absences	(7,197)	-
Total adjustments	308,775	(52,677)
Net cash provided (used) by operating activities	\$ (1,323,741)	\$ 611,795

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2013**

	<b>Private- Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,059	\$ 1,532,924
Total assets	<u>7,059</u>	<u>1,532,924</u>
<b>LIABILITIES</b>		
Accounts payable	-	123,412
Due to primary government	-	504,792
Due to student organizations	<u>-</u>	<u>904,720</u>
Total liabilities	<u>-</u>	<u>\$ 1,532,924</u>
<b>NET POSITION</b>		
Held in trust for scholarship recipients	<u>7,059</u>	
Total net position	<u><u>\$ 7,059</u></u>	

The accompanying notes are an integral part of these financial statements.

**FALCON SCHOOL DISTRICT 49**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE, 30 2013**

	<b>Private- Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Fundraising activities	\$ 29
Total additions	<u>29</u>
<b>DEDUCTIONS</b>	
Scholarship awards	<u>2,000</u>
Total deductions	<u>2,000</u>
Change in net position	(1,971)
Net position - beginning	<u>9,030</u>
Net position - ending	<u><u>\$ 7,059</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

The financial statements of Falcon School District 49 (the District) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

*A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

*B. REPORTING ENTITY*

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 legislative power of the District is vested in the Board of Education, consisting of five members who are elected for staggered four-year terms. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Aggregate discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the district. The District has presented the following component units:

*Discretely Presented Component Units*

The Board of Education approved four charter schools for operation. Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, Rocky Mountain Classical Academy, and The Imagine Classical Academy charter schools were formed in accordance with state statute as District charter schools. The charter schools are deemed to be fiscally dependent on the District since the District provides the majority of support to each charter school in the form of per pupil revenue. 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.

The amount of per pupil revenue allotted to each charter school during the year ended June 30, 2013 is as follows:

<u>Charter School</u>	<u>Amount</u>
Pikes Peak School of Expeditionary Learning	\$ 2,325,748
Banning Lewis Ranch Academy	4,317,125
Rocky Mountain Classical Academy	4,816,227
The Imagine Classical Academy	<u>4,964,386</u>
	<u>\$ 16,423,486</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. REPORTING ENTITY (CONTINUED)*

*Discretely Presented Component Units (continued)*

The members of each charter school's governing board are appointed separately from the District. These charter schools have been deemed to be separate legal entities based on the formation of the schools in accordance with state statutes. Separately issued financial statements for the charter schools may be obtained by writing to the following:

Pikes Peak 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 Piro Drive  
Colorado Springs, CO 80915

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

*C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS (CONTINUED)*

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Bond Redemption Fund* is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt.

Additionally, the District reports the following fund types:

*Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Capital Projects Fund* is used to account for the purposes of acquisition of sites, buildings, equipment, and vehicles.

*Enterprise Funds* are used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal Service Funds* account for operations that provide services to other departments or agencies of the government on a cost-reimbursement basis.

*Fiduciary Funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS (CONTINUED)*

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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. Revenues are *measurable* when the amount of the transaction can be determined and are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, and interest associated with the current fiscal year. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not susceptible to accrual because, generally, they are not measurable until received in cash. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE*

*Cash and cash equivalents*

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Surplus or temporary surplus money in each separate fund may be invested, but no mixing between funds is allowed. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

*Accounts receivable*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventory*

Inventory is valued at the lower of cost or market using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs. Commodity contributions received by the District are recorded as non-operating revenues.

*Restricted cash and cash equivalents*

The use of certain cash and cash equivalents of the District may be restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

*Capital Assets*

Capital assets, which include land, buildings and improvements, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization threshold is \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE (CONTINUED)*

*Capital Assets (continued)*

Buildings, building improvements, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<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.

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE (CONTINUED)*

*Long-term liabilities*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the 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 debt service expenditures.

*Net position flow assumption*

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

*Fund balance flow assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE (CONTINUED)*

*Fund balance classification*

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.  
*Fund balance classification (continued)*

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 District 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, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

*Property Taxes*

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The county treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2013 is 34.373 mills for general operating expenses and 11.212 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2013 is \$663,717,810.

*Specific Ownership Taxes*

Specific ownership taxes are collected by the county treasurer for motor vehicle and other personal property registered in the District's assessment area. The tax receipts collected by the county treasurer are remitted to the District in the subsequent month. Specific ownership taxes are recorded as revenue when collected by the county.

*Compensated Absences*

*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.

The compensated absences balance is reported in the government-wide financial statements. For the governmental fund financial statements, the recognition of this liability is limited to the amount expected to be paid using expendable available resources.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)*

*Proprietary Funds Operating and Non-operating Revenues and Expenses*

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

*H. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between *total fund balances—governmental funds* and *total net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements". The details of this difference are as follows:

Non-depreciable assets	\$ 15,765,500
Net depreciable assets	<u>140,611,562</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 156,377,062</u>

Another element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not included in the fund financial statements." The details of this difference are as follows:

Bonds payable	\$ (36,430,000)
Unamortized bond premium	(894,738)
Certificates of Participation	(82,170,000)
COP Premium	(1,729,196)
Capital Lease Obligations	(2,341,188)
Compensated Absences	<u>(787,888)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (124,353,010)</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances—governmental funds* and *change in net position—governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this difference are as follows:

Depreciation	\$ (7,249,792)
Capital outlays	<u>3,743,233</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ (3,506,559)</u>

Another element of the reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this difference are as follows:

General obligation bonds principal payments	\$ 4,655,000
Registered coupon payments	130,000
Certificates of Participation principal payments	2,045,000
Capital Lease principal payments	992,715
Amortization of deferred on refunding	(410,488)
Accretion of bond and COP premiums	<u>248,894</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ 7,661,121</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. 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.
2. Public notices are released to obtain taxpayers comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Chief Education Officer is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for proprietary funds which are budgeted on the cash basis. Budgeted amounts in this report are as originally adopted or amended.
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

At June 30, 2013, the District had the following cash and investments:

Cash on Hand	\$ 3,183
Deposits	5,589,442
Investments	<u>48,320,456</u>
	<u>\$ 53,913,081</u>

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

Cash and Cash Equivalents	\$ 24,311,012
Restricted Cash and Cash Equivalents	28,062,086
Fiduciary Funds	<u>1,539,983</u>
	<u>\$ 53,913,081</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Cash deposits with financial institutions*

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The 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, 2013 was \$5,589,442 and the bank balances were \$6,167,530. 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 PDPA.

*Investments*

The District is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies' securities;
- ◆ Certain international agencies' securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers' acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

At June 30, 2013 the District's investment balances were as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Local Government Investment Pool (COLOTRUST)	Less than 60 days	\$ 32,004,444
Fidelity Investments Government Portfolio Fund	Less than 60 days	2,952,040
JP Morgan US Govt Money Market	Less than 60 days	10,160,657
Ford Credit Commercial Paper	Less than 60 days	<u>3,203,315</u>
		<u>\$ 48,320,456</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. State law limits investment maturities to five years or less as a means of management exposure to fair value loss resulting from increasing interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to interest rate risk. However, almost all investments of the District have maturities less than six months. As such, due to the short-term nature of the District's investments, interest rate risk is minimized.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Credit Risk:* Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. The District does not have a formal investment policy that would further limit its investment choices. As of June 30, 2013 all of the District's investments in COLOTRUST and money markets were rated AAAm by Standard & Poor's, the corporate discount notes were rated A1 by Standard & Poor's, and the other investments were not rated.

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

*Restricted cash and investments*

Cash and investments of \$28,062,086 representing reserves for debt service of \$13,665,550, and mill levy override funds of \$14,295,975, and other reserves of \$100,561 have been restricted for pre-school activities in the General fund.

**NOTE 5 – ACCOUNTS RECEIVABLE**

At June 30, 2013, the District had the following accounts receivable:

	<u>General</u>	<u>Designated Purpose Grants</u>	<u>Food Service</u>	<u>Total</u>
Grant proceeds	\$ -	\$ 624,926	\$ 285,067	\$ 909,993
Other	<u>5,246</u>	<u>-</u>	<u>5,303</u>	<u>10,549</u>
	<u>\$ 5,246</u>	<u>\$ 624,926</u>	<u>\$ 290,370</u>	<u>\$ 920,542</u>

All accounts receivable are expected to be fully collected; therefore, no allowance for uncollectibles has been recorded.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Receivables and Payables*

Interfund receivables and payables are created in conjunction with the District's pooled cash and investment portfolios. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2013 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,139,482	\$ 691,298
Governmental Designated Purpose Grants Fund	-	634,690
Risk Management – Health Insurance Fund	691,298	-
Pupil Activity Agency Fund	<u>-</u>	<u>504,792</u>
	<u>\$ 1,830,780</u>	<u>\$ 1,830,780</u>

*Interfund transfers*

Interfund transfer activity for the year ended June 30, 2013 is as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ -	\$ 419,977
Transportation Fund	<u>419,977</u>	<u>-</u>
	<u>\$ 419,977</u>	<u>\$ 419,977</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>06/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/13</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 15,765,500	\$ -	\$ -	\$ 15,765,500
Construction in progress	<u>1,566,243</u>	<u>-</u>	<u>(1,566,243)</u>	<u>-</u>
Total capital assets not being depreciated	<u>17,331,743</u>	<u>-</u>	<u>(1,566,243)</u>	<u>15,765,500</u>
Capital assets being depreciated:				
Buildings and improvements	183,359,572	5,175,917	-	188,535,489
Equipment	<u>17,507,572</u>	<u>133,559</u>	<u>-</u>	<u>17,641,131</u>
Total capital assets being depreciated	<u>200,867,144</u>	<u>5,309,476</u>	<u>-</u>	<u>206,176,620</u>
Less accumulated depreciation for:				
Buildings and improvements	(47,056,436)	(5,614,953)	-	(52,671,389)
Equipment	<u>(11,258,830)</u>	<u>(1,634,839)</u>	<u>-</u>	<u>(12,893,669)</u>
Total accumulated depreciation	<u>(58,315,266)</u>	<u>(7,249,792)</u>	<u>-</u>	<u>(65,565,058)</u>
Total capital assets being depreciated, net	<u>142,551,878</u>	<u>(1,940,316)</u>	<u>-</u>	<u>140,611,562</u>
Governmental activities capital assets, net	<u>\$ 159,883,621</u>	<u>\$ (1,940,316)</u>	<u>\$ (1,566,243)</u>	<u>\$ 156,377,062</u>
<u>Business-type activities</u>				
Capital assets being depreciated:				
Equipment	\$ 1,101,956	\$ -	\$ -	\$ 1,101,956
Less accumulated depreciation for:				
Equipment	<u>(962,741)</u>	<u>(18,208)</u>	<u>-</u>	<u>(980,959)</u>
Business-type activities capital assets, net	<u>\$ 139,215</u>	<u>\$ (18,208)</u>	<u>\$ -</u>	<u>\$ 121,007</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

*Governmental Activities*

Instruction	\$ 6,126,879
General Administration	443,959
Operation and Maintenance	39,173
Student Transportation	188,164
Support Services	445,089
Business	<u>6,528</u>
	<u>\$ 7,249,792</u>

*Business-type Activities*

Food services	<u>\$ 18,208</u>
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**NOTE 8 – ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. The salaries and benefits earned, but unpaid, as of June 20, 2013, are \$9,199,828. Accordingly, the accrued compensation is reflected as a liability in the accompanying Government-Wide Statement of Net Position.

**NOTE 9 - LONG-TERM LIABILITIES**

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. All general obligation bonds have been issued for governmental activities.

General Obligation bonds payable at June 30, 2013 are as follows:

	<u>Principal Balance</u>
\$12,675,000 of general obligation refunding bonds series 2006B; 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.	\$ 9,780,000
\$23,315,000 of general obligation refunding bonds series 2006; 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.	21,515,000
\$10,660,000 of general obligation refunding bonds series 2002; interest due semi-annually with rates ranging from 2.40% to 5.00%; principal due annually through 2015 in payments of \$1,555,000 to \$1,795,000.	<u>5,135,000</u>
	<u>\$ 36,430,000</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)**

*General Obligation Bonds (continued)*

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,050,000	\$ 1,568,681
2015	5,305,000	1,344,882
2016	5,550,000	1,108,903
2017	3,925,000	895,731
2018	4,115,000	707,556
2019 – 2022	<u>12,485,000</u>	<u>1,123,588</u>
Total	<u>\$ 36,430,000</u>	<u>\$ 6,749,341</u>

*Registered coupons*

\$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 2013 in amounts of \$125,000 to \$130,000. Registered coupons were paid off in 2013.

\$ -

*Legal Debt Margin*

Assessed valuation	<u>\$ 663,717,810</u>
Debt limit – 20% of assessed valuation	132,743,562
General obligation debt	<u>36,430,000</u>
	<u>\$ 96,313,562</u>

*Prior Year Defeasance of Debt*

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2013, the amount of defeased debt outstanding amounted to \$32,085,000.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)**

*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 <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,225,000	\$ 4,005,575
2015	2,425,000	3,900,313
2016	2,625,000	3,789,406
2017	2,840,000	3,660,756
2018	3,080,000	3,516,069
2019-2023	19,440,000	14,942,937
2024-2028	20,770,000	9,430,719
2029-2031	<u>28,765,000</u>	<u>2,026,572</u>
Total	<u>\$ 82,170,000</u>	<u>\$ 45,272,347</u>

*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 \$9,465,955 have been capitalized under these leases.

Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Buildings and improvements	\$ 7,999,071
Equipment	1,466,884
Less: Accumulated depreciation	<u>(3,956,336)</u>
Total	<u>\$ 5,509,619</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows

<u>Year Ending June 30</u>	
2014	\$ 712,523
2015	416,493
2016	412,244
2017	137,992
2018	137,992
2019 – 2023	689,959
2024 – 2028	<u>482,969</u>
Total minimum lease payments	2,990,172
Less: amount representing interest	<u>(648,984)</u>
Present value of minimum lease payments	<u>\$ 2,341,188</u>

*Changes in Long-Term Liabilities*

The following is a summary of long-term liabilities of the District for the year ended June 30, 2013:

	<u>Balance</u> <u>06/30/12</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/13</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 41,085,000	\$ -	\$ 4,655,000	\$ 36,430,000	\$ 5,050,000
Registered coupons	130,000	-	130,000	-	-
Bond premiums	<u>1,047,565</u>	<u>-</u>	<u>152,827</u>	<u>894,738</u>	<u>-</u>
Total bonds payable	42,262,565	-	4,937,827	37,324,738	5,050,000
Certificates of participation	84,215,000	-	2,045,000	82,170,000	2,225,000
COP premium	1,825,263	-	96,067	1,729,196	-
Capital lease obligations	3,333,903	-	992,715	2,341,188	589,228
Compensated absences	<u>763,840</u>	<u>24,048</u>	<u>-</u>	<u>787,888</u>	<u>-</u>
<i>Total Governmental Activities</i>	<u>\$ 132,400,571</u>	<u>\$ 24,048</u>	<u>\$ 8,071,609</u>	<u>\$ 124,353,010</u>	<u>\$ 7,864,228</u>
<i>Business-type Activities</i>					
Compensated absences	<u>\$ 27,780</u>	<u>\$ -</u>	<u>\$ 7,197</u>	<u>\$ 20,583</u>	<u>\$ -</u>

Payments on the general obligation bonds are made by the Debt service fund with property taxes. Certificates of participation and capital lease obligations are serviced by the General fund. The compensated absences liabilities are paid by the fund for which the employee worked.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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.

Changes in the claims liability for the year ended June 30, 2013 are as follows:

Net claims payable as of 6/30/2012	\$ 580,000
Claims presented	4,847,929
Claims paid	<u>(5,087,876)</u>
Net claims payable as of 6/30/2013	<u>\$ 340,053</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

*Plan Description*

The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined 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](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 1-800-759-PERA (7372).

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Funding Policy*

The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The contribution rate for members is 8.0 percent and for the District it is 10.15 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (see Note 12). The District is also required to pay an amortization equalization disbursement (AED) equal to 3.40 percent of the total payroll for the calendar year 2013 (3.00 percent of total payroll for the calendar year 2012, and 2.60 percent of total payroll for the calendar year 2011). Additionally, the District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 3.00 percent of the total payroll for the calendar year 2013 (2.50 percent of total payroll for the calendar year 2012, and 2.00 percent of total payroll for the calendar year ended 2011). If the District rehires 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. For the years ended June 30, 2013, 2012, and 2011, the District's employer contributions to the SDTF were \$7,453,131, \$6,704,204, and \$6,889,902 respectively, equal to their required contributions for each year.

**NOTE 12 – POST-EMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description*

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment health care plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, assigns the authority to establish the HCTF 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 HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 1-800-759-PERA (7372).

*Funding Policy*

The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF from the defined benefit plan employer contribution (see Note 11) is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ended June 30, 2013, 2012, and 2011 were \$511,971, \$490,292, and \$535,836 respectively, equal to their required contributions for each year.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 13 – 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 unearned revenue. The following GAAP-basis schedule shows the amounts of revenue recognized and the remaining balance treated as unearned revenue as of and for the year ended June 30, 2013:

	<u>Revenue Recognized</u>	<u>Unearned Revenue</u>
Fiscal Year Ending June 30, 2013	<u>\$ 88,572</u>	<u>\$ 265,714</u>

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

*Grants*

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, will be immaterial.

*Legal*

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**NOTE 15 - TAX, SPENDING, AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes Enterprises from its provisions. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of its annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 15 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

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 bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires Emergency Reserves to be established. These reserves must be 3 percent of Fiscal Year Spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. As of June 30, 2013 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 of the amendment's language in order to determine its compliance.

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

The District implemented GASB Statements Nos. 63 and 65 effective July 1, 2012. These statements provide guidance on reporting deferred inflows and outflows of resources and net position in a statement of financial position. GASB Statement No. 65 requires debt issuance costs to be recognized as an expense in the period incurred. The adoption of these new standards resulted in prior period adjustments of \$1,238,340 and \$480,912 to net position of governmental activities and the component units, respectively, to recognize debt issuance costs incurred in prior periods.

During the year, the District determined that the useful lives for several capital assets needed to be adjusted to align with capitalization policies. Therefore, prior period adjustments of \$1,886,682 and \$141,606 to net position of governmental and business-type activities, respectively, were required to record depreciation incurred in prior periods.

The government-wide financial statements were restated as follows:

	Primary Government Activities	Component Units
Net position as of June 30, 2012, as previously reported	\$ 77,844,782	\$ 3,857,767
Debt issuance costs incurred in prior periods	(1,238,340)	(480,912)
Depreciation incurred in prior periods	<u>(2,028,288)</u>	<u>-</u>
Net position as of July 1, 2012, as restated	<u>\$ 74,578,154</u>	<u>\$ 3,376,855</u>

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 17 – SUBSEQUENT EVENTS**

On September 11, 2013, the District issued General Obligation Refunding Bonds, Series 2013 in the original amount of \$3,470,000. The bonds were issued to refund the District's General Obligation Refunding Bonds, Series 2002-96R maturing on and after December 1, 2014. Series 2013 interest rates to maturity are 2.00 to 4.00%. This refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$169,655.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FALCON SCHOOL DISTRICT 49**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property taxes	\$ 23,023,005	\$ 22,918,769	\$ 19,778,910	\$ (3,139,859)
Specific ownership taxes	2,958,282	2,901,600	2,447,418	(454,182)
State sources	57,539,990	58,215,745	62,231,886	4,016,141
Federal sources	953,590	953,590	1,047,431	93,841
Other local revenue	2,658,000	3,654,939	3,649,037	(5,902)
Total revenues	87,132,867	88,644,643	89,154,682	510,039
<b>EXPENDITURES</b>				
Instruction	46,241,230	46,311,957	46,317,809	(5,852)
Supporting services				
Student support	4,126,600	4,159,192	4,188,224	(29,032)
Instructional staff	3,245,370	3,717,410	3,645,590	71,820
General administration	952,165	1,356,465	837,073	519,392
School administration	6,732,522	7,188,555	7,179,938	8,617
Business services	1,116,997	1,196,545	1,330,004	(133,459)
Operations and maintenance	7,884,498	8,005,681	9,073,342	(1,067,661)
Student transportation	1,964,288	1,964,288	2,029,297	(65,009)
Central support service	4,780,899	5,655,503	5,815,323	(159,820)
Other support services	238,201	1,261,830	151,975	1,109,855
Community services	-	-	600	(600)
Facilities acquisition & construction	1,102,644	1,101,744	3,962,620	(2,860,876)
Debt service	8,188,818	8,188,818	7,194,569	994,249
Contingency reserves	696,124	3,564,376	-	3,564,376
Total expenditures	87,270,356	93,672,364	91,726,364	1,946,000
Excess (deficiency) of revenues over expenditures	(137,489)	(5,027,721)	(2,571,682)	2,456,039
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	-	-	(419,977)	(419,977)
Net change in fund balance	(137,489)	(5,027,721)	(2,991,659)	2,036,062
Fund balance - beginning	23,588,041	28,531,904	28,531,904	-
Fund balance - ending	\$ 23,450,552	\$ 23,504,183	\$ 25,540,245	\$ 2,036,062

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**GOVERNMENTAL DESIGNATED- PURPOSE GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Local sources	\$ 50,000	\$ 94,620	\$ 227,809	\$ 133,189
State sources	200,000	-	-	-
Federal sources	3,750,000	3,905,380	3,381,624	(523,756)
Total revenues	4,000,000	4,000,000	3,609,433	(390,567)
<b>EXPENDITURES</b>				
Salaries	1,504,500	1,344,533	1,303,869	40,664
Benefits	348,500	321,155	345,899	(24,744)
Purchased Services	1,296,500	1,510,401	1,294,743	215,658
Supplies	311,500	(42,691)	274,469	(317,160)
Property and Equipment	438,000	272,273	264,999	7,274
Other	101,000	594,329	125,454	468,875
Total expenditures	4,000,000	4,000,000	3,609,433	390,567
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report.

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

## **BOND REDEMPTION FUND**

This fund is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt or long-term voter-approved lease-purchase debt.

The Bond Redemption Fund is deemed to be a major fund for financial reporting purposes.

**FALCON SCHOOL DISTRICT 49**  
**BOND REDEMPTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 7,383,037	\$ 7,415,511	\$ 32,474
Interest	18,000	1,326	(16,674)
	<u>7,401,037</u>	<u>7,416,837</u>	<u>15,800</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal retirement	6,731,668	4,785,000	1,946,668
Interest and fiscal charges	1,834,038	1,786,172	47,866
	<u>8,565,706</u>	<u>6,571,172</u>	<u>1,994,534</u>
Net change in fund balance	(1,164,669)	845,665	2,010,334
Fund balance - beginning	12,945,231	12,945,231	-
Fund balance - ending	<u>\$ 11,780,562</u>	<u>\$ 13,790,896</u>	<u>\$ 2,010,334</u>

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The District has the following Special Revenue Funds:

#### **Transportation Fund**

This fund is used to account for revenues from a tax levied or a fee imposed for the purposed of paying excess transportation costs pursuant to the provisions of Sections 22-40-102(1.7)(a) or 22-32-113(5)(a), C.R.S., respectively.

### **Capital Projects Fund**

This fund is used to account for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

**FALCON SCHOOL DISTRICT 49**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<b>Transportation Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 143,532	\$ 393,797	\$ 537,329
Total assets	<u>\$ 143,532</u>	<u>\$ 393,797</u>	<u>\$ 537,329</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 52,997	\$ -	\$ 52,997
Accrued salaries and benefits	<u>90,535</u>	<u>-</u>	<u>90,535</u>
Total liabilities	<u>143,532</u>	<u>-</u>	<u>143,532</u>
<b>FUND BALANCES</b>			
Committed for:			
Capital Projects	<u>-</u>	<u>393,797</u>	<u>393,797</u>
Total fund balances	<u>-</u>	<u>393,797</u>	<u>393,797</u>
Total liabilities and fund balances	<u>\$ 143,532</u>	<u>\$ 393,797</u>	<u>\$ 537,329</u>

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Transportation Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Local sources	\$ 294,709	\$ 69,339	\$ 364,048
State sources	404,640	-	404,640
	<hr/>	<hr/>	<hr/>
Total revenues	699,349	69,339	768,688
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Supporting services	1,152,600	-	1,152,600
	<hr/>	<hr/>	<hr/>
Total expenditures	1,152,600	-	1,152,600
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(453,251)	69,339	(383,912)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	419,977	-	419,977
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(33,274)	69,339	36,065
	<hr/>	<hr/>	<hr/>
Fund balances - beginning	33,274	324,458	357,732
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ -	\$ 393,797	\$ 393,797
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Charges for services	\$ 254,500	\$ 294,612	\$ 40,112
State revenue	462,000	404,640	(57,360)
Interest	-	97	97
	<u>716,500</u>	<u>699,349</u>	<u>(17,151)</u>
<b>EXPENDITURES</b>			
Salaries	570,000	573,864	(3,864)
Employee benefits	317,600	322,749	(5,149)
Fuel charges	250,000	231,384	18,616
Other expenses	15,000	24,603	(9,603)
	<u>1,152,600</u>	<u>1,152,600</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(436,100)</u>	<u>(453,251)</u>	<u>(17,151)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>436,100</u>	<u>419,977</u>	<u>(16,123)</u>
Net change in fund balance	-	(33,274)	(33,274)
Fund balance - beginning	<u>33,274</u>	<u>33,274</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 33,274</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (33,274)</u></u>

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Other local revenue	\$ 84,000	\$ 69,339	\$ (14,661)
Total revenues	84,000	69,339	(14,661)
<b>EXPENDITURES</b>			
Facilities acquisition & construction	324,458	-	324,458
Total expenditures	324,458	-	324,458
Net change in fund balance	(240,458)	69,339	309,797
Fund balance - beginning	325,058	324,458	(600)
Fund balance - ending	\$ 84,600	\$ 393,797	\$ 309,197

See the accompanying independent auditors' report.

## **ENTERPRISE FUND**

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

### **Food Service Fund**

This fund accounts for all financial activities associated with the District's school food service program.

**FALCON SCHOOL DISTRICT 49**  
**FOOD SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Charges for services	\$ 2,090,774	\$ 1,912,878	\$ (177,896)
Total operating revenues	<u>2,090,774</u>	<u>1,912,878</u>	<u>(177,896)</u>
<b>OPERATING EXPENSES</b>			
Salaries	1,272,242	1,108,877	163,365
Employee benefits	316,904	308,933	7,971
Purchased services	140,500	204,472	(63,972)
Purchased food	1,733,600	1,626,824	106,776
Commodities	201,544	250,578	(49,034)
Equipment	10,000	5,792	4,208
Other	23,000	21,710	1,290
Depreciation	76,215	18,208	58,007
Contingency	<u>172,136</u>	<u>-</u>	<u>172,136</u>
Total operating expenses	<u>3,946,141</u>	<u>3,545,394</u>	<u>400,747</u>
Operating income (loss)	<u>(1,855,367)</u>	<u>(1,632,516)</u>	<u>222,851</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal sources			
School Breakfast Program	-	145,087	145,087
National School Food Program	1,529,504	1,262,518	(266,986)
Donated commodities	201,544	250,578	49,034
State sources	124,319	54,102	(70,217)
Interest	<u>-</u>	<u>6,406</u>	<u>6,406</u>
Total non-operating revenue (expenses)	<u>1,855,367</u>	<u>1,718,691</u>	<u>(136,676)</u>
Change in net position	-	86,175	86,175
Net position - beginning, as restated	<u>1,237,808</u>	<u>1,096,202</u>	<u>(141,606)</u>
Net position - ending	<u><u>\$ 1,237,808</u></u>	<u><u>\$ 1,182,377</u></u>	<u><u>\$ (55,431)</u></u>

See the accompanying independent auditors' report.

## **INTERNAL SERVICE FUND**

Internal service funds account for operations that provide services to other departments or agencies of the government on a cost-reimbursement basis.

### **Risk Management Fund**

This fund accounts for the Health Insurance Fund risk management activities of the District.

**FALCON SCHOOL DISTRICT 49**  
**RISK MANAGEMENT - HEALTH INSURANCE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Premiums & employer contributions	\$ 8,115,300	\$ 6,627,545	\$ (1,487,755)
Refunds & other revenue	80,200	22,025	(58,175)
Total operating revenues	<u>8,195,500</u>	<u>6,649,570</u>	<u>(1,545,930)</u>
<b>OPERATING EXPENSES</b>			
Purchased medical services & supplies	6,747,600	4,844,982	1,902,618
Purchased management services	<u>1,347,500</u>	<u>1,140,116</u>	<u>207,384</u>
Total operating expenses	<u>8,095,100</u>	<u>5,985,098</u>	<u>2,110,002</u>
Operating income (loss)	<u>100,400</u>	<u>664,472</u>	<u>564,072</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	<u>1,700</u>	<u>1,875</u>	<u>175</u>
Change in net position	102,100	666,347	564,247
Net position - beginning	<u>1,289,018</u>	<u>1,289,018</u>	<u>-</u>
Net position - ending	<u><u>\$ 1,391,118</u></u>	<u><u>\$ 1,955,365</u></u>	<u><u>\$ 564,247</u></u>

See the accompanying independent auditors' report.

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private and student groups. The District has the following Fiduciary Funds:

### *Private-Purpose Trust Fund*

Scholarship Fund: This fund is used to record financial transactions where both the principal and revenues earned on that principal may be expended for purposes designated by the trust agreement.

### *Agency Fund*

Pupil Activity Fund: This fund was created to act as custodian for various student groups and activity funds.

**FALCON SCHOOL DISTRICT 49  
PRIVATE-PURPOSE TRUST FUND - SCHOLARSHIP FUND  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30,2013**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>ADDITIONS</b>			
Fundraising activities	\$ 200	\$ 29	\$ (171)
<b>DEDUCTIONS</b>			
Scholarships awarded	9,230	2,000	7,230
Change in net position	(9,030)	(1,971)	7,059
Net position - beginning	9,030	9,030	-
Net position - ending	\$ -	\$ 7,059	\$ 7,059

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**AGENCY FUND - PUPIL ACTIVITY**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Balance 06/30/12	Additions/ Revenues	Deletions/ Expenditures	Balance 06/30/13
<b>ASSETS</b>				
Cash and cash equivalents	\$ 940,940	\$ 3,165,367	\$ 2,573,383	\$ 1,532,924
Due from primary government	<u>53,829</u>	<u>-</u>	<u>53,829</u>	<u>-</u>
Total assets	<u><u>\$ 994,769</u></u>	<u><u>\$ 3,165,367</u></u>	<u><u>\$ 2,627,212</u></u>	<u><u>\$ 1,532,924</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,460	\$ 123,412	\$ 7,460	\$ 123,412
Payable to primary government	-	504,792	-	504,792
Due to student organizations	<u>987,309</u>	<u>2,537,163</u>	<u>2,619,752</u>	<u>904,720</u>
Total liabilities	<u><u>\$ 994,769</u></u>	<u><u>\$ 3,165,367</u></u>	<u><u>\$ 2,627,212</u></u>	<u><u>\$ 1,532,924</u></u>

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**AGENCY FUND - PUPIL ACTIVITY**  
**SCHEDULE OF CHANGES IN DUE TO STUDENT ORGANIZATIONS**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>ADDITIONS</b>			
Pupil Activities	\$ 2,450,175	\$ 2,537,163	\$ 86,988
<b>DEDUCTIONS</b>			
Pupil Activities	3,157,324	2,619,752	537,572
Change in Due to Student Organizations	(707,149)	(82,589)	624,560
Due to student organizations - beginning	987,309	987,309	-
Due to student organizations - ending	\$ 280,160	\$ 904,720	\$ 624,560

See the accompanying independent auditors' report.

## **COMPONENT UNITS**

**FALCON SCHOOL DISTRICT 49**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,065,211	\$ 2,166,111	\$ 939,084	\$ 794,621	\$ 4,965,027
Receivables	4,588	4,999	25,135	-	34,722
Prepaid expenses	-	6,664	30,131	-	36,795
Restricted cash and cash equivalents	646,207	876,214	-	-	1,522,421
Capital assets, not being depreciated	548,380	-	-	-	548,380
Capital assets, net of depreciation	4,678,787	5,570,155	3,107,630	-	13,356,572
Total assets	6,943,173	8,624,143	4,101,980	794,621	20,463,917
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	60,994	124,226	312,806	96,164	594,190
Accrued salaries and benefits	100,803	166,915	150,147	-	417,865
Accrued interest	34,064	18,235	-	-	52,299
Long-term liabilities					
Due within one year	95,000	140,000	351,583	-	586,583
Due in more than one year	6,075,000	7,265,000	1,080,844	-	14,420,844
Total liabilities	6,365,861	7,714,376	1,895,380	96,164	16,071,781
<b>NET POSITION</b>					
Net investment in capital assets	(942,833)	(1,834,845)	1,191,829	-	(1,585,849)
Restricted for:					
Emergency reserve - TABOR	77,000	134,000	153,167	163,000	527,167
Repairs and replacement	42,509	150,982	-	-	193,491
Debt service	571,535	725,232	-	-	1,296,767
Unrestricted	829,101	1,734,398	861,604	535,457	3,960,560
Total net position	\$ 577,312	\$ 909,767	\$ 2,206,600	\$ 698,457	\$ 4,392,136

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
<b>EXPENSES</b>					
Instruction	\$ 1,412,747	\$ 2,234,984	\$ 2,833,497	\$ 2,544,686	\$ 9,025,914
Supporting services	410,715	2,133,402	2,047,481	2,837,528	7,429,126
Interest and fiscal charges	538,655	581,282	217,288	-	1,337,225
Total expenses	2,362,117	4,949,668	5,098,266	5,382,214	17,792,265
<b>PROGRAM REVENUES</b>					
Charges for services	131,470	22,964	700,086	341,866	1,196,386
Operating grants and contributions	3,336	57,569	55,789	36,332	153,026
Capital grants and contributions	-	61,667	55,626	70,916	188,209
Total program revenues	134,806	142,200	811,501	449,114	1,537,621
Net expense (revenue)	(2,227,311)	(4,807,468)	(4,286,765)	(4,933,100)	(16,254,644)
<b>GENERAL REVENUES</b>					
Per pupil operating revenue	2,325,748	4,317,125	4,816,227	4,964,386	16,423,486
Investment earnings	9,699	3,053	-	-	12,752
Miscellaneous	67,297	663,620	748	102,022	833,687
Total general revenues	2,402,744	4,983,798	4,816,975	5,066,408	17,269,925
Change in net position	175,433	176,330	530,210	133,308	1,015,281
Net position - beginning	648,801	928,377	1,715,440	565,149	3,857,767
Prior period adjustment	(246,922)	(194,940)	(39,050)	-	(480,912)
Net position - beginning, as restated	401,879	733,437	1,676,390	565,149	3,376,855
Net position - ending	\$ 577,312	\$ 909,767	\$ 2,206,600	\$ 698,457	\$ 4,392,136

**NOTES TO COMBINING STATEMENT OF ACTIVITIES**

Per pupil operating revenue is comprised of the following:

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	Total
Property tax	\$ 419,263	\$ 778,249	\$ 868,222	\$ 894,930	\$ 2,960,664
Specific ownership taxes	59,126	109,752	122,440	126,207	417,525
State equalization	1,847,359	3,429,124	3,825,565	3,943,249	13,045,297
Per pupil operating revenue	\$ 2,325,748	\$ 4,317,125	\$ 4,816,227	\$ 4,964,386	\$ 16,423,486

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, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
<i>Child Nutrition Cluster</i>			
Passed Through Colorado Department of Education			
National School Lunch Program	10.555	4555	\$ 1,262,519
School Breakfast Program	10.553	4553	145,087
Passed Through Colorado Department of Human Services			
National School Lunch Program	10.555	4555	250,578
<i>Total Child Nutrition Cluster</i>			<u>1,658,184</u>
<b>U.S. Department of Defense</b>			
Direct Programs			
Reserve Officer Training Corps (ROTC)	12.XXX	9001	167,985
AIM (Achievement in Math)	12.566	7556	44,890
Impact Aid Supplemental	12.558	9005	237,675
Total Department of Defense			<u>450,550</u>
<b>U.S. Department of Education</b>			
Direct Programs			
Impact Aid	84.041	4041	<u>792,315</u>
Passed Through Colorado Department of Education			
<i>Title I, Part A Cluster</i>			
No Child Left Behind, Title I, Part A	84.010	4010	<u>795,344</u>
<i>Special Education Cluster</i>			
Special Education: Grants to States IDEA Part B	84.027	4027	1,893,129
Special Education: Preschool Grants	84.173	4173	23,547
<i>Total SPED Cluster</i>			<u>1,916,676</u>
Special Education - State Personnel Development	84.323	6323	3,000
Advanced Placement Program, Title I, Part G	84.330	5330	752
English Language Learners, Title III, Part A	84.365	4365, 7365	81,758
Quality Teacher, Title II, Part A	84.367	4367	141,986
Passed through Colorado Community College System			
Vocational Education - Carl Perkins	84.048	4048	<u>74,181</u>
Total U.S. Department of Education			<u>3,806,012</u>
<b>Total Federal Awards</b>			<u><u>\$ 5,914,746</u></u>

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 may differ from amounts presented or used in the preparation of Falcon School District 49's government-wide financial statements for the year ended June 30, 2013.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, 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 – SUBRECIPIENTS**

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
84.041	Impact Aid	\$150,544



**INDEPENDENT AUDITOR'S 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

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Falcon School District 49's basic financial statements, and have issued our report thereon dated February 26, 2014. Our report includes a reference to other auditors who audited the financial statements of discretely presented component units, as described in our report on Falcon School District 49's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Falcon School District 49's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Falcon School District 49's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2013-1, and 2013-2.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Falcon School District 49's financial statements are free from 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*.

Falcon School District 49's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Falcon School District 49's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 26, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education  
Falcon School District 49

**Report on Compliance for Each Major Federal Program**

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, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Falcon School District 49's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Falcon School District 49's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Falcon School District 49, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-3. Our opinion on each major federal program is not modified with respect to this matter.

Falcon School District 49's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Falcon School District 49's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Falcon School District 49 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Falcon School District 49's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 26, 2014



**FALCON SCHOOL DISTRICT 49**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Section II—Financial Statement Findings

2013-1 Bank Reconciliation Procedures

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

*Condition:* Standard bank reconciliations were not performed during the year, resulting in a lack of audit evidence of reconciliations being performed. Rather, district personnel review banking activity by downloading the activity into Excel worksheets in lieu of performing a standard bank reconciliation. The complexity of the current process seems to confuse staff and often results in reconciliations not being completed at all.

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

*Effect:* Ineffective control over cash.

*Cause:* Not using the bank reconciliation feature within the accounting system.

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

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

2013-2 Segregation of Duties—Journal Entries

*Criteria:* Segregation of duties should be implemented throughout the accounting department. There should be proper segregation of duties ensuring that no one person has the ability to initiate, authorize and record financial transactions.

*Condition:* Members of management have the ability to initiate, authorize, and record general journal entries.

*Context:* This was noted during substantive testing of various general ledger accounts as well as during inquiries of employees and management.

*Effect:* Risk of misstatements due to error or fraud exists under this condition.

*Cause:* Some control procedures over segregation of duties were not followed. Controls over authorization, initiation and recording have not been properly implemented.

**FALCON SCHOOL DISTRICT 49**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Section II—Financial Statement Findings (Continued)

*Recommendation:* Management should implement proper segregation of duties by having different individuals perform authorization, initiation and recording of transactions.

*Management response:* Management will improve control procedures related to segregation of duties as staff availability allows.

Section III—Findings and Questioned Costs for Federal Awards

2013-3 Documentation of Employee Time and Effort

CFDA 84.010

Title I, Part A Cluster

U.S. Department of Education, Passed through the Colorado Department of Education

*Criteria:* An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in those activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).

*Condition:* While procedures were in place for employees to complete semi-annual certifications, these certifications were not completed until after requested by the auditors. Several of those certifications were not signed by the employee or supervisory official having first hand knowledge of the work performed. Rather, they appeared to be signed by other officials reproducing employee signatures.

*Context:* This finding was noted during when employee certifications were requested as part of testing employee files for compliance requirements related to Allowed Costs/Cost Principles.

*Effect:* Complete substantiation did not exist to support District labor distribution reports.

*Cause:* While controls were in place to complete semi-annual certification, the requirements were not executed at the school level.

*Recommendation:* Management should educate school level administrators about the importance of the certifications required from employees. Grant compliance personnel should consider verifying completion of the certifications at various times throughout the year.

*Views of Responsible Officials and Planned Corrective Action:* Management agrees with the finding and has reprimanded and disciplined officials involved in reproducing employee signatures. Grant compliance personnel will verify completion of certifications during the coming year.

## **STATE COMPLIANCE**



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

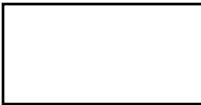
To the Board of Education  
Falcon School District 49

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, 2013, which collectively comprise Falcon School District 49's basic financial statements, and our report thereon dated February 26, 2014, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents. 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.

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 is the responsibility of management and was derived from and relates 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.

*Hoelting & Company, Inc.*

Colorado Springs, Colorado  
February 26, 2014



Colorado Department of Education  
Auditors Integrity Report  
District: 1110 - FALCON 49  
Fiscal Year 2012-13  
Colorado School District/BOCES

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	28,191,147	87,706,615	90,632,382	25,265,379
18	Risk Mgmt Sub-Fund of General Fund	286,597	644,518	712,508	218,607
19	Colorado Preschool Program Fund	54,159	383,572	381,473	56,258
Sub- Total		28,531,904	88,734,705	91,726,363	25,540,245
11	Charter School Fund	3,722,810	17,705,845	16,915,903	4,512,752
20,26-29	Special Revenue Fund	0	227,810	227,810	0
21	Capital Reserve Spec Revenue Fund	0	0	0	0
22	Govt Designated-Purpose Grants Fund	0	3,381,624	3,381,624	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	33,274	1,119,326	1,152,600	0
31	Bond Redemption Fund	12,945,231	7,416,837	6,571,172	13,790,896
39	Non-Voter Approved Debt Service Fund	0	0	0	0
41	Building Fund	0	0	0	0
42	Special Building Fund	0	0	0	0
43	Capital Reserve Capital Projects Fund	324,458	69,338	0	393,797
Totals		45,557,677	118,655,485	119,975,472	44,237,690
Proprietary					
51	Food Service Fund	1,096,202	3,631,570	3,545,394	1,182,378
50	Other Enterprise Funds	-614,177	1,618,766	1,337,224	-332,636
64 (63)	Risk-Related Activity Fund	1,289,018	2,028,770	1,362,423	1,955,365
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		1,771,043	7,279,105	6,245,041	2,805,106
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	0	0	0	0
73	Agency Fund	9,030	29	2,000	7,059
74	Pupil Activity Agency Fund	1,055,806	2,591,466	2,671,275	975,997
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		1,064,836	2,591,496	2,673,275	983,056

FINAL

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

*Falcon School District 49*

*A Special Place for Everyone*

