



DIXON, WALLER & CO., INC

FALCON SCHOOL

DISTRICT NUMBER 49

FALCON, COLORADO

REPORT ON EXAMINATION

JUNE 30, 2004

STATE REQUIRED SCHEDULE

Auditor's Electronic Financial Data Integrity Check Figures (Revenues, Expenditures, and Fund Balance by Fund)

01/26/2005
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Colorado Department of Education
Fiscal Year 2003-2004
Colorado School District/BOCES
Auditor's Electronic Financial Data Integrity Check Figures

EL PASO FALCON 49
District Code: 1110

Revenues, Expenditures, & Fund Balance by Fund

-55-

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	4,464,089	47,042,690	46,955,601	4,551,177
19 Colorado Preschool Program Fund	0	0	0	0
20 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	1,600	5,056,979	5,320,429	-261,850
22 Govt Designated-Purpose Grants Fund	-0	1,518,683	1,518,683	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Insurance Reserve Spec Revenue Fund	1,000	454,640	453,200	2,439
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	4,309,940	4,901,206	4,406,347	4,804,800
41 Building Fund	4,187,367	149,994	3,912,597	424,764
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,000	86,025	86,025	1,000
TOTALS	12,964,996	59,210,217	62,652,882	9,522,331
Proprietary				
51 Food Service Fund	953,700	1,931,138	1,905,798	979,040
50 Other Enterprise Funds	0	0	0	0
64 Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	953,700	1,931,138	1,905,798	979,040
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
71 Expendable Trust Fund	0	0	0	0
72 Non-Expendable Trust Fund	0	0	0	0
73 Agency Fund	462	543	0	1,005
74 Pupil Activity Agency Fund	412,022	1,537,957	1,506,230	443,749
TOTALS	412,484	1,538,500	1,506,230	444,753

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

SINGLE AUDIT SECTION

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Education
Falcon School District Number 49
Falcon, Colorado 80150-1198**

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Falcon School District Number 49, as of and for the year ended June 30, 2004, which collectively comprise Falcon School District Number 49's basic financial statements and have issued our report thereon dated November 19, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Falcon School District Number 49's basic financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Falcon School District Number 49's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one more of the internal control components does not reduce to a relatively low level the risk that misstatements

in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Sizon, Waller Co., Inc.
November 19, 2004

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

**To the Board of Education
Falcon School District Number 49
Falcon, Colorado 80150-1198**

Compliance

We have audited the compliance of the Falcon School District Number 49, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Falcon School District Number 49's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Falcon School District Number 49's management. Our responsibility is to express an opinion on Falcon School District Number 49's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Falcon School District Number 49's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Falcon School District Number 49's compliance with those requirements.

As described in item 2004-1 in the accompanying schedule of findings and questioned costs, Falcon School District Number 49 did not comply with requirements regarding the accuracy of "final" reports submitted to the State Education Agency applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for Falcon School District Number 49 to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceeding paragraph, Falcon School District Number 49 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Falcon School District Number 49 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Falcon School District Number 49's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Paxon, Waller & Co., Inc.
November 19, 2004

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004

SUMMARY OF AUDITOR'S RESULTS

Report

An unqualified report has been issued on the basic financial statements of Falcon School District Number 49.

Reportable Conditions

No conditions were disclosed by the audit which were considered to be material weaknesses.

Noncompliance

No instances of noncompliance in amounts material to the basic financial statements of Falcon School District Number 49 were disclosed by the audit.

Report on Compliance - Major Programs

The Auditor's report on compliance for the major federal awards programs for Falcon School District Number 49 expresses a qualified opinion on its major federal programs.

Audit Findings

An audit finding relative to the major federal award programs for Falcon School District Number 49 is reported in this schedule.

Major Programs

Education of the Handicapped – IDEA Part B
IDEA Preschool
National School Lunch and Breakfast Programs

Dollar Threshold to Distinguish Type A and Type B Programs

\$300,000.

Qualification as Low-Risk Auditee

The District qualifies as a low-risk auditee for Fiscal Year 2003/2004.

FINDINGS - GAGAS

None

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004

FINDINGS – FEDERAL AWARDS

2004-1 Final Program Reports For IDEA PART B (CFDA NO 84.027) and IDEA Preschool (CFDA NO. 84.173)

Condition: Expenditures per the District General Ledger do not agree with “final” amounts reported to the State Educational Agency (SEA) for the fiscal years ended June 30, 2003 and 2004. The following is a schedule of these differences:

	<u>CFDA No.</u>	<u>Amounts Per SEA Reports</u>	<u>Amounts Per District’s General Ledger</u>	<u>Difference</u>
<u>Fiscal Year 2003/2004</u>				
IDEA Part B	84.027	821,215	774,961	46,254
<u>Fiscal Year 2002/2003</u>				
IDEA Preschool	84.173	37,935	20,577	<u>17,358</u>
				<u>Total Questioned Costs</u>
				<u>63,612</u>

Criteria: The District is required to report to the SEA in accordance with agencies established procedures. These procedures require that the “final” reports for the above programs reflect the actual expenditure per the District General Ledger.

Effect: The program expenditures for the above fiscal years were incorrectly reported to the SEA and approved carryover amounts were less than the actual amounts per the District financial records.

Questioned Costs: \$63,612.

Recommendation: The District should require that program directors preparing final reports reconcile their financial data with that of the District’s General Ledger. Monthly meeting between the District Finance Manager and the various program directors could be used to accomplish this reconciliation.

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

<u>Federal Grantor/Pass through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
Passed through Colorado Department of Education:		
School to Work (S.W.A.P.)	84.126A	81,361
Title I (ESEA)	84.010	217,186
Title II Part A	84.367	126,437
Title II Part D	84.318	8,904
Drug Free Schools	84.186	21,117
Title V - Innovative	84.298	34,340
Education of the Handicapped		
IDEA Part - B	84.027	774,961
IDEA Preschool	84.173	49,922
School to Career	84.249	4,099
Goals 2000	84.276	41
<u>Sub-Total Passed Through Colorado Department of Education</u>		<u>1,318,368</u>
Passed through the Colorado State Board for Community Colleges and Occupational Education:		
Carl Perkins Vocational Education	84.048	21,947
Passed through Pikes Peak BOCES:		
Title III ESL	84.365	3,028
Direct Program:		
Impact Aid	84.041	213,858
<u>Total US Department of Education</u>		<u>1,557,201</u>
<u>U.S. Department of Agriculture</u>		
Passed through the Colorado Department of Human Services:		
Food Distribution	10.550	59,731
Pass through Colorado Department of Education:		
National School Breakfast Program	10.553	10,448
National School Lunch Program	10.555	385,408
<u>Sub-total Passed through Colorado Department of Education</u>		<u>395,856</u>
<u>Total US Department of Agriculture</u>		<u>455,587</u>
<u>U.S. Department Veteran Affairs</u>		
Passed through Colorado Department of Health Care Policies And Finance:		
Medicaid	94.000	26,983
<u>U.S. Department – Interior</u>		
Direct Program:		
Reserve Officer Training Corps.	None	18,106
<u>TOTAL EXPENDITURES</u>		<u>2,057,877</u>

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

NOTE 1 **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Falcon School District Number 49 and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 2 **Food Distribution**

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

**FALCON SCHOOL DISTRICT NUMBER 49
SEC BOND ISSUE REQUIREMENT
UNDERTAKING TO PROVIDE ONGOING DISCLOSURE**

Pursuant to the requirements of Section (b) (5) (i) of the Securities and Exchange Commission Rule 15c2-12 (17CFR part 240, Section 240.15c2-12)(the “Rule”), the District has agreed to provide certain financial information and other operation data (the “Undertaking”) to nationally recognized municipal securities information repositories (“NRMSIRs”).

The following 10 tables are the information specified in the covenants to bond holders. The information is as of June 30, 2004. This information was prepared by the District and has not been subjected to the audit process.

TABLE I
District General Obligation Debt Service Requirements (1)

The Series 2002 A Bonds

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Total</u>
2004	-	655,125	655,125
2005	-	655,125	655,125
2006	10,000	640,125	650,125
2007	10,000	644,885	654,885
2008	10,000	644,610	654,610
2009	1,040,000	844,300	1,884,300
2010	1,420,000	457,900	1,877,900
2011	1,480,000	401,100	1,881,100
2012	1,555,000	334,500	1,889,500
2013	1,630,000	256,750	1,886,750
2014	1,710,000	175,250	1,885,250
2015	1,795,000	89,750	1,884,750
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
Total	<u>10,660,000</u>	<u>5,799,420</u>	<u>16,459,420</u>

- (0) Assumes no redemptions, other than mandatory sinking fund redemptions, prior to maturity. Figures have been rounded.
- (1) Includes the "B" interest payable on the Registered Coupons on the "B" interest payment date, which includes an original issue price of \$1,402,335.

TABLE I
District General Obligation Debt Service Requirements (1)

The Series 2002 Bonds

Calendar			
Year	<u>Principal</u>	<u>Interest (2)</u>	<u>Total</u>
2004	5,000	1,725,293	1,730,293
2005	100,000	1,725,094	1,825,094
2006	300,000	2,006,594	2,306,594
2007	500,000	1,999,594	2,499,594
2008	675,000	2,398,344	3,073,344
2009	855,000	2,219,656	3,074,656
2010	1,030,000	2,046,182	3,076,182
2011	1,325,000	1,749,831	3,074,831
2012	1,795,000	1,288,582	3,083,582
2013	1,895,000	1,185,368	3,080,368
2014	2,000,000	1,076,406	3,076,406
2015	2,115,000	971,406	3,086,406
2016	2,235,000	849,794	3,084,794
2017	2,365,000	724,076	3,089,076
2018	2,485,000	594,000	3,079,000
2019	2,625,000	457,326	3,082,326
2020	2,770,000	312,950	3,082,950
2021	<u>2,920,000</u>	<u>160,600</u>	<u>3,080,600</u>
Total	<u>27,995,000</u>	<u>23,491,096</u>	<u>51,486,096</u>

- (1) Assumes no redemptions, other than mandatory sinking fund redemptions, prior to maturity. Figures have been rounded.
- (2) Includes "B" interest payable on the Registered Coupons on the "B" interest payment date, which includes an original issue price of \$3,190,366.

Source: The Underwriter

TABLE I
District General Obligation Debt Service Requirements

Calendar Year	<u>The Series 1999 A Bonds (1)</u>			<u>The Series 1999B Bonds (1)</u>			Other General Obligation Bonds	Total Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2004	165,000	892,328	1,057,328	365,000	13,688	378,688	830,315	4,651,749
2005	315,000	886,140	1,201,140				1,229,103	4,910,462
2006	420,000	874,170	1,294,170				1,229,865	5,480,754
2007	535,000	858,000	1,393,000				1,226,865	5,774,344
2008	665,000	825,900	1,490,900				1,230,255	6,449,109
2009	800,000	786,000	1,586,000					6,544,956
2010	935,000	738,000	1,673,000					6,627,082
2011	1,065,000	686,576	1,751,576					6,707,507
2012	1,180,000	628,000	1,808,000					6,781,082
2013	1,320,000	563,100	1,883,100					6,850,218
2014	1,440,000	490,500	1,930,500					6,892,156
2015	1,525,000	404,100	1,929,100					6,900,256
2016	1,635,000	312,600	1,947,600					5,032,394
2017	1,735,000	214,500	1,949,500					5,038,576
2018	1,840,000	110,400	1,950,400					5,029,400
2019								3,082,326
2020								3,082,950
2021								<u>3,080,600</u>
Total	<u>15,575,000</u>	<u>9,270,314</u>	<u>24,845,314</u>	<u>365,000</u>	<u>13,688</u>	<u>378,688</u>	<u>5,746,403</u>	<u>98,915,921</u>

Source: The District

TABLE II
History of District Mill Levies

<u>Levy/Collection Year</u>	<u>General Fund</u>	<u>Bond Redemption</u>	<u>Abatements</u>	<u>Total Mill Levy</u>
1995/1996	38.212	21.371	0.082	59.665
1996/1997	38.212	20.871	0.114	59.197
1997/1998	35.608	16.437	0.072	52.117
1998/1999	35.608	16.680	1.311	53.599
1999/2000	31.667	16.967	0.208	48.842
2000/2001	31.667	16.014	0.089	47.770
2001/2002	29.750	16.000	0.060	45.810
2002/2003	29.370	16.930	0.124	46.424
2003/2004	28.847	15.500	0.228	44.575

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 1995-2003 *State of Colorado Property Tax Annual Reports*, the El Paso County Assessor's Office and the District.

TABLE III
History of District's Assessed Valuation

<u>Levy/Collection Year</u>	<u>Assessed Valuation</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
1995/1996	90,862,140	--	--
1996/1997	98,519,090	7,656,950	8.4%
1997/1998	125,939,080	27,419,990	27.8%
1998/1999	136,934,510	10,995,430	8.7%
1999/2000	169,235,000	32,300,490	23.6%
2000/2001	189,733,200	20,498,200	12.1%
2001/2002	241,704,580	51,971,380	27.4%
2002/2003	274,881,510	33,176,930	13.7%
2003/2004	315,635,430	40,753,920	14.8%

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 1995-2003 *State of Colorado Property Tax Annual Reports*, and the El Paso County Assessor's Office.

TABLE IV
2003 Assessed and "Actual" Valuation of Classes of Property in the District

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Residential	198,981,820	63.0%	2,499,560,147	86.2%
Commercial	51,329,310	16.3	176,998,140	6.1
Vacant	50,435,870	16.0	173,907,058	6.0
Industrial	6,977,230	2.2	24,059,442	0.8
State Assessed	6,672,540	2.1	23,008,758	0.8
Agricultural	1,065,080	0.3	3,673,414	0.1
Natural Resources	173,580	0.1	598,658	0.0
Total	315,635,430	100.0%	2,901,805,617	100.0%

Source: El Paso County Assessors Office

TABLE V
Historical Property Tax Collections

<u>Levy/ Collection Year</u>	<u>Total Taxes Levied</u>	<u>Current Taxes Collections</u>	<u>Percent of Levy Collected⁽¹⁾</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Collections as % of Taxes Levied</u>
1995/1996	5,421,309	5,348,654	98.7	12,982	5,361,636	98.9
1996/1997	5,832,059	5,657,853	97.0	11,028	5,668,881	97.2
1997/1998	6,563,606	6,518,176	99.3	12,385	6,530,561	99.5
1998/1999	7,339,553	7,287,202	99.3	18,797	7,305,999	99.5
1999/2000	8,265,776	8,207,558	99.3	22,516	8,230,074	99.6
2000/2001	9,063,555	9,010,184	99.5	16,191	9,026,375	99.6
2001/2002	11,486,341	11,451,269	99.7	20,099	11,471,368	99.9
2002/2003	12,761,099	12,552,938	98.4	22,069	12,575,007	98.5
2003/2004	14,069,449	13,992,951	99.5	78,235	14,071,186	100.0

(1) Figures reflect current tax collections. Treasurer's fees have not been deducted from these amounts.
Sources: The District

TABLE VI
District Enrollment

<u>School Year</u>	<u>Total Enrollment</u>	<u>Percent Change</u>
1997/1998	4,581	-%
1998/1999	5,089	11.1%
1999/2000	5,457	7.2%
2000/2001	6,021	10.3%
2001/2002	6,915	14.8%
2002/2003	7,854	13.6%
2003/2004	8,660	10.3%

Source: The District 2003/2004

TABLE VII
Summary of General Fund Revenues, Expenditures, and Fund Balances

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>
<u>REVENUES</u>					
Local					
Property Taxes	5,482,525	6,008,281	7,134,065	7,907,448	9,181,413
Specific Ownership Taxes	1,230,168	1,408,966	1,617,711	1,770,435	1,960,981
Tuition	32,916	363,368	346,477	397,933	478,828
Interest on Taxes	6,437	10,004	10,789	16,511	19,258
Transportation Fees	20,019	56,573	39,354	25,971	36,511
Earnings on Investments	359,648	352,350	160,284	183,673	146,729
Other	218,341	152,008	145,090	196,096	236,394
Total Local Revenues	<u>7,350,054</u>	<u>8,351,550</u>	<u>9,453,770</u>	<u>10,498,067</u>	<u>12,060,114</u>
County					
Other	-	-	6,098	-	9,434
State					
State	19,297,875	22,039,171	26,960,885	32,864,384	37,807,994
Federal					
Federal	50,078	134,935	101,469	145,398	258,947
Excess Collections TABOR					
Excess Collections TABOR	198,208	-	-	-	-
Allocated Revenues					
Allocated Revenues	(2,339,133)	(1,427,083)	(1,763,904)	(2,730,780)	(3,093,800)
Total Revenues	<u>24,557,082</u>	<u>29,098,573</u>	<u>34,758,318</u>	<u>40,777,069</u>	<u>47,042,689</u>
<u>EXPENDITURES</u>					
Instruction	14,794,758	16,144,272	20,005,833	24,488,415	27,776,862
Supporting Services	10,228,724	11,861,941	13,729,922	16,593,904	19,167,773
Other Uses of Funds	33,741	51,951	44,401	27,906	10,965
Total Expenditures	<u>25,057,223</u>	<u>28,058,164</u>	<u>33,780,156</u>	<u>41,110,225</u>	<u>46,955,600</u>
<u>OTHER FINANCING (USES)</u>					
Proceeds from Capital Lease	-	28,024	-	-	-
Operating Transfers Out	(64,658)	(189,418)	(261,700)	(13,152)	-
Total	<u>(64,658)</u>	<u>(161,394)</u>	<u>(261,700)</u>	<u>(13,152)</u>	<u>-</u>
<u>EXCESS OF REVENUES</u>					
<u>OVER EXPENDITURES</u>					
<u>AND OTHER (USES)</u>					
	(564,799)	879,015	716,462	(346,308)	87,089
<u>FUND BALANCE</u>					
Beginning of Year	3,641,045	3,214,920	4,093,935	4,810,397	4,464,089
Prior Year Correction	138,674	-	-	-	-
End of Year	<u>3,214,920</u>	<u>4,093,935</u>	<u>4,810,397</u>	<u>4,464,089</u>	<u>4,551,178</u>

Sources: District audited financial statements for fiscal years ended June 30, 2000-2004.

TABLE VIII
General Fund Budget Summary and Comparison

	<u>2002-2003 Budget</u>	<u>2002-2003 Actual</u>	<u>2003-2004 Budget</u>	<u>2003-2004 Actual</u>
<u>Beginning Fund Balance</u>	4,810,397	4,810,397	4,705,996	4,464,089
<u>Non-Appropriated Reserve</u>	<u>(3,452,520)</u>	<u>-</u>	<u>(3,318,618)</u>	<u>-</u>
<u>Adjusted Fund Balance</u>	<u>1,357,877</u>	<u>4,810,397</u>	<u>1,387,378</u>	<u>4,464,089</u>
<u>Revenue</u>				
Local Sources	10,359,700	10,498,067	10,143,668	12,060,114
County Sources	-	-	-	9,434
State Sources	33,160,568	32,864,384	38,555,024	37,807,994
Federal Sources	126,000	145,398	140,000	258,947
<u>Allocation to Capital Reserve or Insurance Reserve</u>	(1,968,144)	(2,730,780)	(2,151,544)	(3,093,800)
<u>Lease Purchase Proceeds</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Revenue</u>	<u>41,678,124</u>	<u>40,777,069</u>	<u>46,687,148</u>	<u>47,042,689</u>
<u>Total Funds Available</u>	<u>43,036,001</u>	<u>45,587,466</u>	<u>48,074,526</u>	<u>51,506,778</u>
<u>Expenditures</u>				
Instruction	25,124,025	24,488,415	27,826,208	27,776,862
Support Services	16,610,900	16,593,904	18,589,477	19,178,738
Other Uses of Funds	7,600	27,906	-	-
Transfers Out	-	13,152	177,821	-
Other	<u>1,293,476</u>	<u>-</u>	<u>1,481,020</u>	<u>-</u>
<u>Total Expenditures</u>	<u>43,036,001</u>	<u>41,123,377</u>	<u>48,074,526</u>	<u>46,955,600</u>

Sources: District 2002/2003 and 2003/2004 Budgets and the District audited actual.

TABLE IX
Outstanding General Obligation Debt

<u>Issue</u>	<u>Outstanding Principal Amount</u>
General Obligation Refunding Bonds, Series 1991	445,000
General Obligation Bonds, Series 1996	4,480,000
General Obligation Improvement Bonds, Series 1999A	15,575,000
General Obligation Refunding Bonds, Series 1999B	365,000
General Obligation Bonds, Series 2002	31,067,281
General Obligation Refunding Bonds, Series 2002A	11,406,233
General Obligation Bonds, Series 2002A	<u>200,000</u>
Total	<u><u>63,538,514</u></u>

TABLE X
Estimated Overlapping General Obligation Debt

<u>Overlapping Entity</u>	<u>Outstanding General Obligation Debt</u>	<u>Net Outstanding General Obligation Debt Chargeable to Properties within the District</u>	
		<u>Percent</u>	<u>Amount</u>
City of Colorado Springs	\$ 17,115,000	2.27%	\$ 388,511
Southeastern Colorado Water Conservancy District	96,361,750	4.35	4,191,736
Metex Metropolitan District	8,970,000	77.39	6,941,883
Pikes Peak Library District	-	5.23	<u>-</u>
			<u>\$ 11,522,130</u>

TABLE XV
Outstanding Capital Leases

<u>Capital Lease</u>	<u>Principal Amount Outstanding</u>
Three School Buses & Three Modulares	71,087
Two Buses & One Modular	43,945
Canon Copier (SMS)	6,928
Canon Copier (11)	219,740
Canon Copier	21,072
FSMaint/Trans Facilities	1,995,049
Twelve Buses	583,769
SCHS/SES/WHES Buildings	2,228,817
2 Special Needs Buses/7 Regular Buses/2 Replacement Vans	614,782
Mohawk Property/Falcon Sewer & Water	1,629,897
Buses	<u>719,010</u>
<u>Total</u>	<u>8,134,096</u>

Source: The District

Certificates of Participation. In 1995, the District issued its Refunding Certificates of Participation, Series 1995 in the aggregate principal amount of \$1,875,000. As of June 30, 2004, the amount of the 1995 Certificates outstanding was \$250,000.



DIXON, WALLER & CO., INC

FALCON SCHOOL DISTRICT

NUMBER 49

FALCON, COLORADO

UNDERTAKING TO PROVIDE ONGOING

DISCLOSURE

JUNE 30, 2004

DIXON, WALLER & CO., INC

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June 30, 2004

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ONGOING DISCLOSURE – BOND ISSUE REQUIREMENT (UNAUDITED)

Included in this document bound under separate cover

FALCON SCHOOL DISTRICT NUMBER 49
ROSTER OF SCHOOL OFFICIALS
June 30, 2004

BOARD OF EDUCATION

Paul Bryant	President
Judy Holman	Vice-President
Carol Chapman	Secretary
Laine Gibson	Co-Treasurer
Dave Martin	Co-Treasurer

SCHOOL OFFICIALS

Ronald J. Wynn	Superintendent
Gene Logas	Assistant Superintendent/ Business and Auxiliary Services
Lisa Schneider	Finance Manager

FINANCIAL SECTION

**Board of Education
Falcon School
District Number 49
Falcon, Colorado 80831**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Falcon School District Number 49, as of and for the year ended June 30, 2004 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Falcon School District Number 49's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Falcon School District Number 49 as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2004 on our consideration of Falcon School District Number 49's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages i through viii and 38 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District Number 49 basic financial statements. The 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 combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The ongoing disclosure for bond issue requirements bound in this document under separate cover is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.

Pierson, Waller & Co., Inc.
November 19, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Falcon School District 49, we offer readers of the Falcon School District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004.

Financial Highlights

- The primary government has government-wide net assets totaling \$15,291,244 at the end of the current fiscal year.
- Net assets increased by \$3,767,296 from the prior fiscal year.
- The general fund ending fund balance reached \$4,551,178 compared to \$4,464,089 at June 30, 2003. This calculates a fund balance to revenue ratio of 9.7%. Board of Education policy requires this ratio be maintained at no lower than 10%. The district's administration has implemented reactive measures to ensure this ratio is met at June 30, 2005. At month end November 30, 2004, the estimated ratio was 10.30%.
- The District received the remainder of the \$3.5 million donated by developers to construct part of Meridian Ranch Elementary School, which was opened for instruction in August 2004.
- Business-type activities reported unrestricted net assets of \$444,066 compared to \$371,525 at June 30, 2004 in the Nutritional Service Fund.
- The District maintained its lowest tax rate in over 14 years.

Overview of the Financial Statements

Management's 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.

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 government-wide financial statements include the statement of net assets and the statement of activities.

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

The statement of activities presents information showing how the net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of

related cash flows, as required by Generally Accepted Accounting Principles. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The government-wide financial statements consolidate governmental activities that are supported by taxes and intergovernmental revenues and business-type activities that are intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the general fund, debt service fund, capital projects funds, and special revenue funds. Business-type activities are made up of the food service fund.

The government-wide financial statements can be found on pages 3-5

Fund Financial Statements

A fund is a grouping of self balancing, related accounts that are used to maintain control over resources that have been segregated for specific purposes. The Falcon School District uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. All of the District's funds can be divided into two categories: government funds and proprietary 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 is useful in evaluating the District's short-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 government 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 short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Falcon School District adopts an annual budget for each of the governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget.

The basic fund financial statements can be found on pages 6-16.

Proprietary Funds

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

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

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, an annual review of net assets may serve as a useful indicator of a government's financial position. In the case of Falcon School District, at June 30, 2004 and 2003, assets exceeded liabilities by \$14,312,204 and \$10,570,248 respectively, in Governmental Activities and \$979,040 and \$953,700 respectively in Business Activities.

The assets of the District are classified as current assets, noncurrent assets and capital assets. Current assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax process, with the majority of these taxes received in May and June.

Noncurrent assets are mainly comprised of bond issue costs which will be expensed over the life of the various bond issues.

Capital assets are made up of land, buildings, equipment/vehicles, and the Building Authority's school financed through Certificates of Participation (C.O.P.). Current and long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future. The liquidation of current liabilities is anticipated to be either from

long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during the current fiscal year. Long term liabilities such as long-term debt obligations will be liquidated from resources that will become available after the current fiscal year.

A net investment in Governmental Activities of \$77,933,708 in land, buildings and equipment/vehicles provide services to the District's 8,660 students and represents 75% of the District's net assets. Over \$4 million in capital improvements was completed as the result of the 2001 Bond Referendum with over \$425,000 remaining to be completed in fiscal year 2004-2005. Net assets of \$4.8 million have accumulated and have been restricted to provide resources to liquidate the current general obligation bond principal and interest payments. The legally required TABOR reserve and amounts to settle outstanding encumbrances have also been restricted.

Falcon School District 49
Condensed Statement of Net Assets
As of June 30,

	Government Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
ASSETS						
Current Assets	\$17,685,009	\$23,716,785	\$583,405	\$494,650	\$18,268,414	\$24,211,435
Non Current Assets	627,540	684,040	-	-	627,540	684,040
Capital Assets (net of depreciation)	77,933,708	72,670,775	534,974	582,175	78,468,682	73,252,950
TOTAL ASSETS	96,246,257	97,071,600	1,118,379	1,076,825	97,364,636	98,148,425
LIABILITIES						
Current Liabilities	9,658,622	11,713,833	81,053	80,293	9,739,675	11,794,126
Non Current Liabilities	72,275,431	74,787,519	58,287	42,832	72,333,718	74,830,351
TOTAL LIABILITIES	81,934,053	86,501,352	139,340	123,125	82,073,393	86,624,477
NET ASSETS						
Invested in Capital Assets	6,435,862	2,883,315	534,974	582,175	6,970,836	3,465,490
Net of Related Debt						
Restricted for:						
Capital Outlay	(261,850)	-	-	-	(261,850)	-
Capital Projects	425,764	4,189,967	-	-	425,764	4,189,967
Debt Service	4,804,800	4,309,940	-	-	4,804,800	4,309,940
TABOR	1,626,000	1,400,600	-	-	1,626,000	1,400,600
Multi Year Obligations	662,100	872,152	-	-	662,100	872,152
Risk Management	2,439	1,000	444,066	-	446,505	1,000
Inventory	-	274,213	-	-	-	274,213
Unrestricted	617,089	(3,360,939)	-	371,525	617,089	(2,989,414)
TOTAL NET ASSETS	\$14,312,204	\$10,570,248	\$979,040	\$953,700	\$15,291,244	\$11,523,948

Statement of Activities

Governmental activities increased the net assets of the District by \$3,741,956. Program revenues included \$556,251 in charges for services, \$3,101,635 in operating grants and contributions and \$2,487,849 in capital grants and contributions. Over \$52.9 million was received in general revenues consisting of local property taxes, specific ownership taxes, and school finance act revenue, an increase of over \$6 million from the prior year. The majority of expenses were for instructional purposes which totaled \$34,550,052 out of a total of \$55,334,687.

Business type activities (Nutritional Services) increased net assets by \$25,340. Program revenues included \$1,455,515 in charges for services and \$475,623 in operating grants and contributions. All expenditures of \$1,905,798 were for food services.

Falcon School District 49
Condensed Statement of Changes in Net Assets
For the Year Ended June 30,

	Government Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Charges for Services	\$556,251	\$620,000	\$1,455,515	\$1,244,076	\$2,011,766	\$1,864,076
Operating Grants & Contributions	3,101,635	2,897,817	475,623	467,733	3,577,258	3,365,550
Capital Grants & Contributions	2,487,849	1,446,335	-	144,654	2,487,849	1,590,989
General Revenues						
Local Property Taxes	13,968,304	12,690,205	-	-	13,968,304	12,690,205
Specific Ownership Taxes	1,960,981	1,770,435	-	-	1,960,981	1,770,435
School Finance Act	36,483,989	31,679,618	-	-	36,483,989	31,679,618
State - Homestead Act	-	76,765	-	-	-	76,765
Earning on Investments	194,793	544,278	-	-	194,793	\$544,278
Other	322,841	-	-	-	322,841	-
TOTAL REVENUES	59,076,643	51,725,453	1,931,138	1,856,463	61,007,781	53,581,916
Expenditures						
Instruction	34,550,052	30,588,720	-	-	34,550,052	30,588,720
Student Support	3,597,016	3,127,010	-	-	3,597,016	3,127,010
Instructional Staff	2,405,194	2,184,734	-	-	2,405,194	2,184,734
General Administration	940,212	435,823	-	-	940,212	435,823
School Administration	2,919,711	2,740,929	-	-	2,919,711	2,740,929
Business Support	552,251	541,890	-	-	552,251	541,890
Operation & Maintenance	5,106,657	4,693,070	-	-	5,106,657	4,693,070
Student Transportation	2,763,789	2,357,351	-	-	2,763,789	2,357,351
Central Support	2,457,730	2,477,067	-	-	2,457,730	2,477,067
Other Support	42,075	807	-	-	42,075	807
Community services	-	12,071	-	-	-	12,071
Food Services	-	-	1,905,798	1,783,122	1,905,798	1,783,122
TOTAL EXPENDITURES	55,334,687	49,159,472	1,905,798	1,783,122	57,240,485	50,942,594
Increase in Net Assets	3,741,956	2,565,981	25,340	73,341	3,767,296	2,639,322
Prior Year Adjustment	-	2,206,654	-	-	-	2,206,654
Beginning Net Assets	10,570,248	5,797,613	953,700	880,359	11,523,948	6,677,972
TOTAL NET ASSETS	\$14,312,204	\$10,570,248	\$979,040	\$953,700	\$15,291,244	\$11,523,948

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 on the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. In particular, fund balance serves as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The general fund is the major operating fund of the District. At the end of the current fiscal year fund balance increased by \$87,089 to \$4,551,178 from \$4,464,089 in the prior year. This leaves the general fund with a fund balance to revenue ratio of 9.7% which is just below the Board Policy which mandates a 10% ratio. District administration has implemented a plan in 2004-2005 to insure the 10% ratio is met. As of November 30, 2004, administration is projecting this ratio of be 10.3%.

The Bond Redemption Debt Service Fund remains in strong financial condition. The fund has an ample fund balance to make the December 1st principal and interest payments on the District's voter approved debt.

The Capital Reserve Fund had a planned spend down of fund balance due to a number of District-wide projects including HVAC upgrades, phone upgrades, and new computer systems. Due to delays on the part of some of the district's vendors, the funds for these projects were not received by June 30, 2004. Accounting principles dictate that this source of funds, although anticipated, could not be recorded in the district's records until it is received, which was in early August. Thus, the Capital Reserve Fund is showing a deficit fund balance of (\$261,850). This deficit will be eliminated in 2004-2005, once the revenue stream is recorded.

The Capital Projects – Building Fund exists to account for the proceeds and expenditures related to the District's successful 2001 Bond Referendum totaling \$28 million. Over \$4 million was spent in 2003-04, reducing the remaining fund balance to just over \$400,000, all of which will be spent in 2004-05.

General Fund Budgetary Highlights

The Falcon School District's budget is prepared according to Colorado law. The original budget must be approved by the Board of Education prior to July 1st. The original budget is prepared based on a conservative estimate of student enrollment growth. This guarantees that the District does not overstaff or overextend its financial capabilities. The 2003-04 General Fund Budget was based on 8,182 full-time equivalents. The actual full-time equivalents on October 1, 2003 were 8,329. These additional students generated approximately \$900,000 in additional revenue. As the school year progressed, additional positions and additional expenditures were added to the budget. The final amended budget for fiscal year 2003-04 was approved by the Board of Education on June 26, 2003.

Capital Assets and Debt Administration

The Falcon School District's investment in capital assets for governmental and business type activities as of June 30, 2004 and 2003 amounts to \$78,468,682 and \$73,252,950 respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles and construction in progress.

**Governmental Activities
Investments in Capital Assets**

	2003	2004
Land	\$ 3,335,336	\$ 3,335,336
Buildings	59,281,616	81,892,657
Machinery & Equipment	4,464,121	5,385,831
Construction In Progress	16,219,296	-
Building Authority Building	1,810,220	1,810,220
Depreciation	(\$12,439,814)	(\$14,490,336)
Total Governmental Funds Capital Assets	\$72,670,775	\$77,933,708

Business Activities

	2003	2004
Land	\$ -	\$ - 0
Buildings	-	-
Machinery & Equipment	822,958	831,876
Construction In Progress	-	-
Building Authority Building	-	-
Depreciation	(\$240,783)	(\$296,902)
Total Business Funds Capital Assets	\$582,175	\$534,974

Long-Term Debt

As of June 30, 2004, the District had outstanding debt of \$73,016,308. Of this amount, \$64,632,212 is general obligation bonded debt and accrued interest on this debt, which is backed by the full faith and credit of the District. Certificates of Participation in the amount of \$250,000 are collateralized by specific buildings owned by the District. The Falcon School District maintains credit ratings with two agencies: Moody's Investors Services, Inc. Aaa, and Standard and Poor's Rating Services AAA.

Economic Factors and Next Year's Budget

- A sluggish local, state, and federal economy may begin to slow home sales in the District.
- The state economy, while improving, is still reeling from the effects of having to deal with a multi-million dollar deficit in its last budget.
- State aid for K-12 education will likely not provide any more than enrollment growth plus inflation funding for next year.
- State legislators continue to discuss a possible state wide referendum to overturn Amendment 23. This would cost the District over \$500,000 annually in state aid.
- As a result of the November 2004 Mill Levy Override defeat, District administrators are preparing for higher class size in 2005-06.
- Administration may not be able to rely only on larger class sizes to balance the 2005-06 budget. Depending on the level of state aid, some programs may need to be reduced in scope and alternative school scheduling will be reviewed.
- The District must continue to work proactively with developers, the City of Colorado Springs, and El Paso County to confront the enrollment growth issue. Falcon School District has been the fastest growing school district in the state, on a percentage basis, for the last several years.

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:

Lisa Schneider
Finance Manager
10850 E. Woodmen Road
Falcon, CO 80831

BASIC FINANCIAL STATEMENTS

FALCON SCHOOL DISTRICT NUMBER 49
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	6,435,862	534,974	6,970,836
Restricted for:			
Capital Outlay	(261,850)	-	(261,850)
Capital Projects	425,764	-	425,764
Debt Service	4,804,800	-	4,804,800
TABOR	1,626,000	-	1,626,000
Multi Year Obligations	662,100	-	662,100
Risk Management	2,439	-	2,439
Unrestricted	<u>617,089</u>	<u>444,066</u>	<u>1,061,155</u>
<u>TOTAL NET ASSETS</u>	<u>14,312,204</u>	<u>979,040</u>	<u>15,291,244</u>

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

FALCON SCHOOL DISTRICT NUMBER 49
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>FUNCTIONS/PROGRAMS</u>							
<u>Primary Government:</u>							
<u>Governmental Activities</u>							
Instruction	34,550,052	527,606	1,925,536	-	(32,096,910)	-	(32,096,910)
Student Support	3,597,016	-	31,924	-	(3,565,092)	-	(3,565,092)
Instructional Staff	2,405,194	3,645	386,204	-	(2,015,345)	-	(2,015,345)
General Administration	940,212	25,000	-	-	(915,212)	-	(915,212)
School Administration	2,919,711	-	-	-	(2,919,711)	-	(2,919,711)
Business Support	552,251	-	-	-	(552,251)	-	(552,251)
Operation & Maintenance	5,106,657	-	-	-	(5,106,657)	-	(5,106,657)
Student Transportation	2,763,789	-	536,423	-	(2,227,366)	-	(2,227,366)
Central Support	2,457,730	-	221,548	-	(2,236,182)	-	(2,236,182)
Other Support	42,075	-	-	-	(42,075)	-	(42,075)
Capital Outlay	-	-	-	2,487,849	2,487,849	-	2,487,849
Total Governmental Activities	55,334,687	556,251	3,101,635	2,487,849	(49,188,952)	-	(49,188,952)
<u>Business Type Activities:</u>							
Food Services	1,905,798	1,455,515	475,623	-	-	25,340	25,340
Total Business Type Activities	1,905,798	1,455,515	475,623	-	-	25,340	25,340
Total Primary Government	57,240,485	2,011,766	3,577,258	2,487,849	(49,188,952)	25,340	(49,163,612)
		<u>General Revenues</u>					
		Taxes:					
		Local Property Taxes			13,968,304	-	13,968,304
		Specific Ownership Taxes			1,960,981	-	1,960,981
		School Finance Act			36,483,989	-	36,483,989
		Earnings on Investments			194,793	-	194,793
		Other Revenue			322,841	-	322,841
		Total General Revenues & Transfers			52,930,908	-	52,930,908
		Change in Net Assets			3,741,956	25,340	3,767,296
		Net Assets, July 1			10,570,248	953,700	11,523,948
		Net Assets, June 30			14,312,204	979,040	15,291,244

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

<u>Grant Fund Special Revenue</u>	<u>Capital Reserve Fund Special Revenue</u>	<u>Building Fund (45) Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
41,304	79	632,767	3,439	4,670,021
-	-	-	-	12,011,176
-	-	-	-	487,433
135,319	-	250	-	451,726
64,653	-	-	-	64,653
-	256,800	-	-	963,716
-	-	-	-	-
350	-	-	-	1,350
<u>241,626</u>	<u>256,879</u>	<u>633,017</u>	<u>3,439</u>	<u>18,650,075</u>
47,204	759	27,979	-	791,419
142,155	-	-	-	5,878,505
-	-	-	-	49,102
-	517,970	180,274	-	963,716
-	-	-	-	227,790
-	-	-	-	1,062,858
52,267	-	-	-	154,354
<u>241,626</u>	<u>518,729</u>	<u>208,253</u>	<u>-</u>	<u>9,127,744</u>
-	-	-	-	1,626,000
-	-	-	-	662,100
-	-	-	-	4,804,800
-	-	424,764	1,000	425,764
-	(261,850)	-	-	(261,850)
-	-	-	2,439	2,439
-	-	-	-	2,263,078
<u>-</u>	<u>(261,850)</u>	<u>424,764</u>	<u>3,439</u>	<u>9,522,331</u>
<u>241,626</u>	<u>256,879</u>	<u>633,017</u>	<u>3,439</u>	<u>18,650,075</u>

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

FALCON SCHOOL DISTRICT NUMBER 49
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
June 30, 2004

GOVERNMENTAL FUNDS TOTAL FUND BALANCE	9,522,331
Add:	
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.	227,790
Capital Assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds	92,424,044
Bond Issue Costs are considered a current period expenditure in governmental funds, but are deferred and amortized over the life of the bonds on the Governmental – Wide financial statements.	626,190
Less:	
Accumulated Depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition	14,490,336
Accrued interest payable is not considered current financial resources and, therefore, not reported in the governmental funds.	268,194
Long-Term Liabilities for general obligation debt (\$63,538,514), Bond premium (\$2,741,543), loss on Bond Refunding \$1,647,845, Compensated Absences (\$713,313), Capital leases Payable (\$8,134,096) and Certificates of Participation (\$250,000) are not due and payable in the current period and, therefore, not reported in the governmental funds.	<u>73,729,621</u>
<u>GOVERNMENTAL ACTIVITIES NET ASSETS</u>	<u>14,312,204</u>

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

Capital Reserve Fund Special Revenue	Building Fund (45) Capital Projects	Other Governmental Funds	Total Governmental Funds
-	-	-	16,062,858
-	-	-	39,585,624
3,285	44,779	-	194,793
2,404,894	105,215	95,665	3,366,941
<u>2,648,800</u>	-	<u>445,000</u>	-
<u>5,056,979</u>	<u>149,994</u>	<u>540,665</u>	<u>59,210,216</u>
-	-	-	28,896,710
-	-	-	3,509,877
-	-	-	2,405,194
-	-	-	927,434
-	-	-	2,919,711
-	-	-	552,251
-	-	-	4,938,936
-	-	-	2,324,726
-	-	453,201	2,399,605
-	-	-	42,075
-	-	-	-
3,993,383	3,912,500	86,122	7,992,005
839,711	-	-	2,052,121
<u>487,335</u>	-	-	<u>3,692,236</u>
<u>5,320,429</u>	<u>3,912,500</u>	<u>539,323</u>	<u>62,652,881</u>
(263,450)	(3,762,506)	1,342	(3,442,665)
<u>1,600</u>	<u>4,187,270</u>	<u>2,097</u>	<u>12,964,996</u>
<u>(261,850)</u>	<u>424,764</u>	<u>3,439</u>	<u>9,522,331</u>

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

FALCON SCHOOL DISTRICT NUMBER 49
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES **(3,442,665)**

Add:

Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. 227,790

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 of capital outlay reported as an expenditure in the governmental funds functions. 7,313,455

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of issuance cost and premium are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

Repayment of Debt Principal	2,052,120	
Interest Expense	64,602	
Amortization Expense	<u>(56,500)</u>	2,060,222

Less:

Governmental Funds report capital outlay 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. 2,050,522

Deferred Property taxes of the prior year – Property taxes earned but deferred in the prior year and received in the current year are recognized in the prior year net assets on the statement of activities 361,363

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 4,961

GOVERNMENTAL ACTIVITIES CHANGE IN NET ASSETS **3,741,956**

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

FALCON SCHOOL DISTRICT NUMBER 49
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	<u>Business – Type Activities</u> <u>Enterprise Fund</u> <u>Food Services</u> <u>Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	448,883
Accounts Receivable	42,641
Inventories	<u>91,882</u>
<u>Total Current Assets</u>	<u>583,406</u>
Capital Assets:	
Vehicles and Equipment	831,876
Less Accumulated Depreciation	<u>(296,902)</u>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>	<u>534,974</u>
 <u>Total Assets</u>	 <u>1,118,380</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts Payable	20,190
Accrued Salaries Payable	60,863
Due to Other Funds	<u>-</u>
<u>Total Current Liabilities</u>	<u>81,053</u>
<u>Non Current Liabilities</u>	
Compensated Absences	<u>58,287</u>
<u>Total Liabilities</u>	<u>139,340</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	534,974
Unrestricted	<u>444,066</u>
 <u>TOTAL NET ASSETS</u>	 <u>979,040</u>

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

FALCON SCHOOL DISTRICT NUMBER 49
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Business – Type Activities Enterprise Fund Food Services Fund
<u>OPERATING REVENUES:</u>	
Food Sales	1,439,114
Other Revenues	<u>16,401</u>
<u>Total Operating Revenues</u>	<u>1,455,515</u>
<u>OPERATING EXPENSES:</u>	
Salaries	647,309
Employee Benefits	128,434
Purchased Services	82,635
Supplies – Food	878,532
Depreciation	56,119
Supplies – Other	87,769
Indirect Costs	<u>25,000</u>
<u>Total Operating Expenses</u>	<u>1,905,798</u>
<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(450,283)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
USDA Commodities	59,731
Reimbursement from Government Sponsored Programs	<u>415,892</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>475,623</u>
<u>INCOME BEFORE CAPITAL CONTRIBUTIONS</u>	<u>25,340</u>
<u>Capital Contribution – Equipment Purchase</u>	<u>-</u>
<u>CHANGE IN NET ASSETS</u>	<u>25,340</u>
<u>TOTAL NET ASSETS, July 1</u>	<u>953,700</u>
<u>TOTAL NET ASSETS, June 30</u>	<u>979,040</u>

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

FALCON SCHOOL DISTRICT NUMBER 49
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Business -- Type Activities Enterprise Fund Food Services Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from Customers	1,455,515
Payments to Employees	(752,866)
Payments to Vendors	(1,007,074)
<u>Net Cash Provided by (Used for) Operating Activities</u>	<u>(304,425)</u>
<u>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</u>	
Federal Reimbursements	391,633
State Reimbursements	20,036
<u>Net Cash Provided by Non-capital Financing Activities</u>	<u>411,669</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Fixed Assets	(8,918)
<u>Net Cash Provided by (Used for) in Capital and Related Financing Activities</u>	<u>(8,918)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	<u>-</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	98,326
<u>CASH AND CASH EQUIVALENTS, July 1</u>	<u>350,557</u>
<u>CASH AND CASH EQUIVALENTS, June 30</u>	<u>448,883</u>
<u>RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	(450,283)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>	
Depreciation	56,119
(Increase) Decrease in Accounts Receivables	-
USDA Commodities Used	58,302
(Increase) Decrease in Purchased Food and Supplies Inventories	15,221
Increase (Decrease) in Accounts Payable	18,339
Increase (Decrease) in Accrued Salaries/Compensated Absences	22,877
Increase (Decrease) in Due to other Funds	(25,000)
<u>Net Cash Provided by (Used for) Operating Activities</u>	<u>(304,425)</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Donated Commodities Acquired from USDA	59,731
Donated Commodities Used	(58,302)
Contributed Capital -- Equipment Purchase	-

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

FALCON SCHOOL DISTRICT NUMBER 49
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2004

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
<u>ASSETS</u>		
Cash	<u>1,005</u>	<u>443,749</u>
<u>Total Assets</u>	<u>1,005</u>	<u>443,749</u>
<u>LIABILITIES</u>		
Due to Student Groups	<u>-</u>	<u>443,749</u>
<u>Total Liabilities</u>	<u>-</u>	<u>443,749</u>
<u>NET ASSETS</u>		
Held in Trust for Scholarships	<u>1,005</u>	
<u>Total Net Assets</u>	<u>1,005</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2004

	Private Purpose Trust <u>Scholarship</u>
<u>ADDITIONS</u>	
Contributions	
Donations	<u>543</u>
<u>Total Additions</u>	<u>543</u>
<u>DEDUCTIONS</u>	
Grants and Scholarships	<u>-</u>
<u>Total Deductions</u>	<u>-</u>
<u>CHANGE IN NET ASSETS</u>	543
<u>NET ASSETS, July 1</u>	<u>462</u>
<u>NET ASSETS, June 30</u>	<u>1,005</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The District operates under an elected Board of Education with five members and provides educational services to approximately 8,300 students.

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

A. Reporting Entity

Governmental Accounting Standards board (GASB) Statement No. 14, "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

Blended Component Unit. The El Paso School District Number 49 Building Authority (EPSDBA) is governed by a five-member board. Although EPSDBA is legally separate from the District, it is reported as if it were part of the District primary government because its sole purpose is to finance and construct buildings and improvements for Falcon School District Number 49.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14. As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

B. GASB Statement No. 20

Under GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds have the

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GASB Statement No. 20 (Continued)

option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards for its proprietary fund.

C. Government-Wide and Fund Financial Statements

Effective July 1, 2002, the District adopted statement numbers 33 and 34 of the Governmental Accounting Standards Board (GASB). Statement 33 is titled *Accounting and Financial Reporting for Nonexchange Transactions*. Statement 34 is titled *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The required implementation date for GASB Statement No. 34 set forth by the GASB for phase 2 governments (having revenues of \$10,000,000 to \$100,000,000) is for periods beginning after June 15, 2002.

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Bond Redemption Debt Service Fund, Capital Reserve Special Revenue Fund, Grants Special Revenue Fund and Building Capital Projects Fund) and individual enterprise and fiduciary funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Con't)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

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

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

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

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- **Major Governmental Funds**

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

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

2. **Bond Redemption Debt Service Fund** – used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.
3. **Building (45) Capital Projects Fund** – used to account for resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
4. **Special Revenue Funds** – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - a. **Capital Reserve Fund** – This fund is authorized by Colorado School Law and is funded by allocated revenues from the General Fund. It is used to fund ongoing capital needs such as site acquisition, building additions and equipment purchases.
 - b. **Governmental Designated – Purpose Grants Fund** – This fund is provided to maintain a separate accounting for federal and state grant funded programs which normally have a different fiscal period than that of the District.

• **Major Proprietary Funds – Business –Type Activities**

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

1. **Food Service Fund** – this fund accounts for all financial activities associated with the District's school breakfast and lunch programs.

F. Cash and Investments

The pooled cash concept is used whereby cash balances of each of the District's funds are pooled and invested in certain investments. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment to pooled cash balances are allocated to the various funds based on their anticipated respective average periodic equity in pooled cash. For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

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

G. Receivables

Property taxes levied in 2003 but not yet available in 2004 are identified as property taxes receivable and deferred revenues at June 30, 2004, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

H. Inventories

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

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

I. Capital Assets

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

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. 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 business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and Capital Reserve Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

K. Constitutional Amendment

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

On November 7, 2001 the registered voters approved a ballot resolution authorizing Falcon School District Number 49 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2004 the District reserved \$1,626,000 for this purpose.

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

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

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

L. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2003 property tax calendar for El Paso County was as follows:

Levy Date	December 22, 2003
Lien Date	January 1, 2004
Tax Bills Mailed	January 1, 2004
First Installment Due	February 28, 2004
Second Installment Due	June 15, 2004
If Paid in Full, Due	April 30, 2004
Tax Sale – 2002 Delinquent Property Taxes	October 25, 2003

M. Compensated Absences

Compensated absences are made up of the following items and are included as liabilities in the appropriate funds and account groups.

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

The unpaid liability for sick leave accruals is \$664,677.

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. The unpaid liability for vacation payable is \$38,552.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

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

M. Compensated Absences (Continued)

Personal Leave

A Teacher or an Employee who works 30 hours or more per week may be absent for two days per year for the purpose of personal leave. Personal days which are not used during the school year may be added to the employee's sick leave days or be reimbursed at the current substitute rate of pay. The unpaid liability for personal days is \$68,371.

Compensated absences are reported as non-current liabilities in the government-wide financial statements.

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Sick Leave	616,004	48,673	-	664,677
Vacation	69,688	-	31,136	38,552
Personal Leave	<u>65,492</u>	<u>2,879</u>	<u>-</u>	<u>68,371</u>
	<u>751,184</u>	<u>51,552</u>	<u>31,136</u>	<u>771,600</u>
		Governmental Activities		713,313
		Business Activities		<u>58,287</u>
		Total		<u>771,600</u>

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

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

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

Due From/To -	
Governmental Funds	<u>1,025,188</u>

NOTE 3 **BUDGETARY INFORMATION**

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

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

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager 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 should be employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, and Trust and Agency Funds.
6. Budgets for the General, Special Revenue, Debt Service, Capital Projects Funds, and Enterprise Funds and Trust and Agency Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 3 **BUDGETARY INFORMATION (Continued)**

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

NOTE 4 **CASH AND INVESTMENTS**

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

At June 30, 2004, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	200,079	200,079
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	5,092,733	5,486,277
Cash with County Treasurer	270,296	-
Cash on Hand	550	-
<u>Total Cash and Deposits</u>	<u>5,563,658</u>	<u>5,686,356</u>

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 4 **CASH AND INVESTMENTS (Continued)**

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest:

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

The District's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by their agency but not in the District's name. Investments in money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
COLOTRUST	-	-	-	7,384,088	7,384,088
Governmental Money					
Market Funds	-	-	-	4,627,088	4,627,088
<u>Total</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,011,176</u>	<u>12,011,176</u>

As of June 30, 2004, the District had invested \$7,384,088 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. Due to slightly higher cash flows at certain times of the year, the District had invested up to \$7,384,088 in COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions 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.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>07-01-03</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06-30-04</u>
<u>Non-Depreciable Assets:</u>					
Land	3,335,336	-	-	-	3,335,336
Construction in Progress	16,219,296	(16,219,296)	-	-	-
<u>Total Non-Depreciable Assets</u>	<u>19,554,632</u>	<u>(16,219,296)</u>	<u>-</u>	<u>-</u>	<u>3,335,336</u>
<u>Depreciable Assets:</u>					
Buildings &					
Site Improvements	61,091,836	16,219,296	6,391,745	-	83,702,877
Equipment & Vehicles	4,464,121	-	921,710	-	5,385,831
<u>Total Depreciable Assets</u>	<u>65,555,957</u>	<u>16,219,296</u>	<u>7,313,455</u>	<u>-</u>	<u>89,088,708</u>
<u>Less Accumulated</u>					
<u>Depreciation for:</u>					
Building &					
Site Improvements	10,654,150	-	1,633,921	-	12,288,071
Equipment & Vehicles	1,785,664	-	416,601	-	2,202,265
<u>Total Accumulated</u>					
<u>Depreciation</u>	<u>12,439,814</u>	<u>-</u>	<u>2,050,522</u>	<u>-</u>	<u>14,490,336</u>
<u>Total Capital Assets, Net</u>	<u>72,670,775</u>	<u>-</u>	<u>5,262,933</u>	<u>-</u>	<u>77,933,708</u>

The adjustment column reflects reclassifications between asset accounts and the elimination of items costing \$4,999 or less.

Business -Type Activities

A summary of changes in Food Services Fund capital assets is as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Equipment	822,958	8,918	-	831,876
Accumulated Depreciation	(240,783)	(56,119)	-	(296,902)
<u>Total</u>	<u>582,175</u>	<u>(47,201)</u>	<u>-</u>	<u>534,974</u>

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 **CAPITAL ASSETS (Continued)**

Business -Type Activities (Continued)

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

Governmental Activities:

Instruction	1,596,249
General Administration	12,778
Operation and Maintenance	51,843
Student Transportation	331,527
Central Support	<u>58,125</u>

<u>Total Depreciation Expense –Governmental Activities</u>	<u>2,050,522</u>
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Business - Type Activities:

Food Services	<u>56,119</u>
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<u>Total Depreciation Expense – Business Type Activities</u>	<u>56,119</u>
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NOTE 6 **INTERFUND RECEIVABLES AND PAYABLES**

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
General	318,272	706,916
Bond Redemption Debt Service	8,672	-
Special Revenue:		
Grants	-	61,472
Capital Reserve	517,970	256,800
Capital Projects:		
Building (45)	<u>180,274</u>	<u>-</u>
	<u>1,025,188</u>	<u>1,025,188</u>

NOTE 7 **CAPITAL LEASES**

The District has entered into capital lease agreements to purchase property, portable buildings and equipment. The lease terms range from five to fifteen years with annual interest rates from 4.0% to 7.0%.

Capital lease obligations for the fiscal year ended June 30, 2004, are comprised of the following:

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 7 **CAPITAL LEASES (Continued)**

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Governmental Funds</u>				
General Fund	28,827	-	7,755	21,072
Capital Reserve Fund	8,722,734	-	609,710	8,113,024
	<u>8,751,561</u>	<u>-</u>	<u>617,465</u>	<u>8,134,096</u>
Current Liability				653,151
Non Current Liability				<u>7,480,945</u>
<u>Total</u>				<u>8,134,096</u>

The future minimum lease payments are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Total</u>
2005	1,085,852
2006	1,400,312
2007	1,271,522
2008	1,241,081
2009	1,076,069
2010 and thereafter	<u>4,391,949</u>
	10,466,785
<u>Less Amount Representing Interest</u>	<u>2,332,689</u>
<u>Balance</u>	<u>8,134,096</u>

Certificate of Participation

In addition, the District has a lease arrangement with a component unit, the El Paso County School District 49 Building Authority, a non-profit corporation, for the lease of a building. The lease is on a year-to-year basis. Lease payments under this agreement for the year ended June 30, 2004 were \$246,738. The lease payments are used to pay principal and interest on Certificates of participation which were used to construct the building. Projected future minimum lease payments are as follows:

Following is a summary:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>250,000</u>	<u>5,782</u>	<u>255,782</u>

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 **GENERAL OBLIGATION BONDS PAYABLE**

2002 General Obligation Refunding Bonds interest due semi-annually with rates ranging from 2.40% to 4.20%, principal due annually through 2015 in payments of \$10,000 to \$1,795,000. \$10,460,000 of the bonds issued were General Obligation Refunding Bonds, and \$200,000 of the bonds issued were General Obligation Bonds.

Additionally, the bonds bear "B" interest registered coupons yielding between 1.75% to 3.80% payments due annually through 2009 in amounts of \$156,570 to \$268,023.

2002 General Obligation Bonds interest due semi-annually with rates ranging from 4.00% to 5.75%, principal due annually through 2021 in payments of \$5,000 to \$2,920,000.

Additionally, the Bonds bear "B" interest registered coupons yielding between 3.00% to 4.92%, payments due annually through 2011 in amounts of \$125,000 to \$930,000.

1999 General Obligation Bonds interest due semi-annually with rates ranging from 3.25% to 6.0%, principal due annually through 2018 in payments of \$45,000 to \$1,840,000.

1996 General Obligation Bonds interest due semi-annually with rates ranging from 4.0% to 6.5%, principal due annually through 2015 in payments of \$100,000 to \$1,790,000.

1991 General Obligation Refunding Bonds interest due semi-annually with rates ranging from 5.00% to 6.75%, principal due annually through 2004 in payments of \$535,000 to \$815,000.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	1,461,713	3,161,891	4,623,604
2006	1,762,245	3,115,863	4,878,108
2007	2,331,637	3,108,412	5,440,049
2008	2,674,340	3,044,888	5,719,228
2009	3,319,459	3,065,073	6,384,532
2010-2014	20,794,120	12,227,823	33,021,943
2015-2019	22,880,000	5,370,366	28,250,366
2020-2022	8,315,000	702,212	9,017,212
<u>Total</u>	<u>63,538,514</u>	<u>33,796,528</u>	<u>97,335,042</u>

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 **GENERAL OBLIGATION BONDS PAYABLE (Continued)**

Changes in General Obligation Bonds

	<u>Beginning Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2004</u>	<u>Due Within One Year</u>
Series 2002 G.O.					
Refunding Bonds	11,562,803	-	156,570	11,406,233	152,851
Series 2002 G.O. Bonds	200,000	-	-	200,000	-
Series 2002 G.O. Bonds	31,190,366	-	123,085	31,067,281	203,862
Series 1999 G.O. Bonds	16,325,000	-	385,000	15,940,000	530,000
Series 1996 G.O. Bonds	4,590,000	-	110,000	4,480,000	130,000
Series 1991 G.O.					
Refunding Bonds	875,000	-	430,000	445,000	445,000
Deferred Amounts:					
Bond Premium	2,951,070	-	209,527	2,741,543	209,527
Loss on Bond					
Refunding	<u>(1,793,758)</u>	<u>-</u>	<u>(145,913)</u>	<u>(1,647,845)</u>	<u>(145,914)</u>
Totals	<u>65,900,481</u>	<u>-</u>	<u>1,268,269</u>	<u>64,632,212</u>	<u>1,525,326</u>

Advance Refunding

In prior years, the District defeased \$10,460,000 of the General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2004, bonds outstanding are considered defeased.

Below is a schedule of refunded debt service requirements to maturity.

	<u>Fiscal Year</u>	<u>Interest Payable</u>	<u>Principal Payable</u>
1996 G.O. Refunding Bonds			
with an average interest rate of	2010	679,900	1,230,000
6.5%, original issue \$10,460,000.	2011	599,950	1,305,000
	2012	515,125	1,390,000
	2013	424,775	1,485,000
	2014	328,250	1,580,000
	2015	225,550	1,680,000
	2016	<u>116,350</u>	<u>1,790,000</u>
<u>Totals</u>		<u>2,889,900</u>	<u>10,460,000</u>

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 9 **PENSION PLAN**

The District contributes to the Public Employees' Retirement Association of Colorado (PERA), a cost-sharing multiple-employer defined benefit pension plan. PERA provides retirement and disability benefits and survivor benefits to eligible beneficiaries annually adjusted for cost-of-living-increases. Colorado revised Statutes (Title 24, Article 51) provides authority for the operation of the plan. The plan is administered by a 16 member Board of Trustees of which 14 are elected by the membership. PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERA.

That report may be obtained by contacting PERA, 1300 Logan Street, Denver, Colorado, 80203.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary and the District is required to contribute at a stipulated rate. That rate was 10.15% of annual covered payroll. A portion of the District's contribution (2% for 2004) may be allocated for the PERA Matchmaker plan (See note 10). An additional portion of the District's contribution (1.1% of covered salary) is allocated for the Health Care Fund (See note 11). Requirements for contribution percentage are established and may be changed by the PERA Board of Trustees. The District's contributions for the latest three years were equal to the required contributions for the periods and were as follows:

<u>Year Ended June 30</u>	
2004	\$ 3,280,653
2003	\$ 2,442,083
2002	\$ 1,907,205

NOTE 10 **DEFINED CONTRIBUTION PENSION PLAN**

In January 2001, the District began participating in an employer match plan instituted by the Public Employees Retirement Association (PERA) of Colorado. The program is called PERA MatchMaker. It was made possible by Senate Bill 99-90 and the fully funded status of the PERA defined benefit plan (described above). In this defined contribution plan, the employer matches dollar-for-dollar voluntary contributions made by employees to deferred compensation vehicles (IRS section 401 (k), 457 or 403 (b) plans administered by PERA and other plan providers) up to a maximum of 2% in 2004 of the employee's PERA includable salary. The matching funds paid by the District are a direct reduction of the amount that would be submitted to PERA for the District's required contribution to the PERA defined benefit plan. If employees choose to make no voluntary deferred compensation contribution, the District makes the full employer contribution amount required by the defined benefit plan and 100% is submitted to PERA.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 **DEFINED CONTRIBUTION PENSION PLAN (Continued)**

The District made matching contributions to eligible deferred compensation plans as follows:

<u>Year</u>	<u>Amount</u>
2004	\$350,948
2003	510,305

NOTE 11 **POSTEMPLOYMENT HEALTH-CARE BENEFITS**

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment HealthCare plan administered by PERA. The HCTF provides a HealthCare premium subsidy to PERA participating benefits recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by contacting PERA, 1300 Logan Street, Denver, Colorado 80203.

Funding Policy

The Falcon School District is required to contribute at a rate of 1.10% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Falcon School District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The Falcon School District's contributions to HCTF for the years ending June 30, 2004, 2003, and 2002 were \$355,829, \$410,270 and \$347,111, respectively, equal to their required contributions for each year.

NOTE 12 **RISK MANAGEMENT**

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

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

NOTE 13 **LITIGATION**

None.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2004

NOTE 14 **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments – The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2004, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 15 **JOINT VENTURES**

Pikes Peak Board of Cooperative Educational Services

Not reflected in the accompanying financial statements in the District's participation in the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2004. The joint venture summary audited financial information as of June 30, 2003 is as follows:

Total Assets	<u>5,145,129</u>
Current Liabilities	2,698,935
Fund Equity	<u>2,446,194</u>
 Total Liabilities and Fund Equity	 <u>5,145,129</u>
 Total Revenues (GAAP Basis)	 11,878,487
Total Expenditures (GAAP Basis)	<u>11,772,560</u>
Excess (Deficiency)	<u>105,927</u>

The B.O.C.E.S. has no long term debt.

The equity interest of each member District is not known, nor is the change in such interest. The equity interest will be determined only at the disbanding of the B.O.C.E.S..

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES.

FALCON SCHOOL DISTRICT NUMBER 49
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 16 **COMPLIANCE WITH STATE LAWS**

The following funds of the District exceeded expenditure budgets as of June 30, 2004, and this may be a violation of Colorado Budget Law:

	<u>Expenditures in</u> <u>Excess of Budget</u>
Building – Capital Projects Fund	97

NOTE 17 **FORWARD AND DELIVERY INVESTMENT AGREEMENT**

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

The amount received under this agreement is being amortized over the term of the agreement for GAAP purposes, rather than in full in the year ended June 30, 2003 with the unamortized balance reflected as deferred revenue. The following GAAP-basis schedule shows the amounts of revenue recognized and the remaining balances treated as deferred revenue as of and for the year ended June 30, 2004:

	<u>Revenue</u> <u>Recognized</u>	<u>Balance</u> <u>(Deferred</u> <u>Revenue)</u>
Fiscal Year Ending June 30, 2004	\$ 88,571	\$ 1,062,858

NOTE 18 **DEFICIT FUND BALANCE**

The fund balance of the following fund was in deficit as of June 30, 2004:

<u>Fund</u>	<u>Amount</u>
Capital Reserve Special Revenue Fund	<u>261,850</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

Capital Projects Fund

Building Fund (45) – This fund account for specific construction projects funded by the sale of general obligation bonds. Separate funds are utilized to account for specific bond authorizations.

Special Revenue Funds

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

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

Grants Fund – This fund is provided to maintain a separate accounting for federal and state grant funded programs which normally have a different fiscal period than that of the District.

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (Unfavorable)
<u>REVENUES</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Local Sources</u>				
Property Taxes	8,017,799	8,017,799	9,181,413	1,163,614
Specific Ownership Taxes	1,625,869	1,625,869	1,960,981	335,112
Earnings on Investments	75,000	75,000	146,729	71,729
Delinquent Taxes & Interest	-	-	19,258	19,258
Tuition	-	-	478,828	478,828
Other	425,000	425,000	272,905	(152,095)
<u>County Sources</u>				
Fees	-	-	9,434	9,434
<u>State Sources</u>				
Equalization	37,006,169	37,429,024	36,483,989	(945,035)
Transportation	433,000	433,000	536,423	103,423
Vocational Education	116,000	116,000	125,365	9,365
Special Education	533,000	533,000	601,930	68,930
ELPA	-	-	4,916	4,916
Gifted and Talented	44,000	44,000	55,371	11,371
<u>Federal Sources</u>				
Impact Aid	115,000	115,000	213,858	98,858
Medicaid	25,000	25,000	26,983	1,983
ROTC	-	-	18,106	18,106
<u>Allocation to Capital Reserve/</u>				
<u>Insurance Reserve Funds</u>	<u>(2,151,544)</u>	<u>(2,151,544)</u>	<u>(3,093,800)</u>	<u>(942,256)</u>
<u>Total Revenues</u>	<u>46,264,293</u>	<u>46,687,148</u>	<u>47,042,689</u>	<u>355,541</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>	<u>27,632,631</u>	<u>27,826,208</u>	<u>27,776,862</u>	<u>49,346</u>
<u>Supporting Services:</u>				
Students	3,338,133	3,338,133	3,504,936	(166,803)
Instructional Staff	1,940,444	1,940,444	2,018,990	(78,546)
General Administration	446,968	446,968	927,434	(480,466)
School Administration	2,987,663	3,079,873	2,919,711	160,162
Business Services	662,102	662,102	552,251	109,851
Operations and Maintenance	5,059,792	5,059,792	4,938,936	120,856
Student Transportation	1,888,990	1,888,990	2,324,726	(435,736)
Central Support	2,167,175	2,167,175	1,938,714	228,461
Other Support	5,000	5,000	42,075	(37,075)
Facilities Acquisition/Construction	1,000	1,000	-	1,000
Debt Service	-	-	10,965	(10,965)
<u>Total Supporting Services</u>	<u>18,497,267</u>	<u>18,589,477</u>	<u>19,178,738</u>	<u>(589,261)</u>
<u>Appropriated Reserves</u>	<u>1,481,020</u>	<u>1,481,020</u>	<u>-</u>	<u>1,481,020</u>
<u>Total Expenditures</u>	<u>47,610,918</u>	<u>47,896,705</u>	<u>46,955,600</u>	<u>941,105</u>

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

FALCON SCHOOL DISTRICT NUMBER 49
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(1,346,625)</u>	<u>(1,209,557)</u>	<u>87,089</u>	
<u>Other Financing Sources (Uses)</u>				
Transfers Out	<u>(40,753)</u>	<u>(177,821)</u>	<u>-</u>	<u>177,821</u>
<u>Total Other Financing Source (Uses)</u>	<u>(40,753)</u>	<u>(177,821)</u>	<u>-</u>	<u>177,821</u>
<u>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</u>	<u>(1,387,378)</u>	<u>(1,387,378)</u>	<u>87,089</u>	
<u>Non-Appropriated Reserves</u>	<u>(3,318,618)</u>	<u>(3,318,618)</u>	<u>-</u>	
<u>FUND BALANCE, July 1</u>	<u>4,705,996</u>	<u>4,705,996</u>	<u>4,464,089</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>4,551,178</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
BUILDING (45) – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Sales Tax Refunds	-	-	105,215	105,215
Interest Earnings	<u>20,000</u>	<u>245,000</u>	<u>44,779</u>	<u>(200,221)</u>
<u>Total Revenues</u>	<u>20,000</u>	<u>245,000</u>	<u>149,994</u>	<u>(95,006)</u>
<u>EXPENDITURES:</u>				
Capital Outlay:				
Building	3,833,719	4,082,270	3,442,487	639,783
Equipment	<u>-</u>	<u>-</u>	<u>470,013</u>	<u>(470,013)</u>
<u>Total Expenditures</u>	<u>3,833,719</u>	<u>4,082,270</u>	<u>3,912,500</u>	<u>169,770</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(3,813,719)	(3,837,270)	(3,762,506)	
<u>FUND BALANCE, July 1</u>	<u>3,813,719</u>	<u>4,187,270</u>	<u>4,187,270</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>350,000</u>	<u>424,764</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL RESERVE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Local Grant – Development Agreement	3,100,000	3,100,000	2,401,824	(698,176)
Interest Earnings	39,000	39,000	3,285	(35,715)
Other	-	-	3,070	3,070
Allocated Revenue	<u>1,721,544</u>	<u>1,721,544</u>	<u>2,648,800</u>	<u>927,256</u>
<u>Total Revenues</u>	<u>4,860,544</u>	<u>4,860,544</u>	<u>5,056,979</u>	<u>196,435</u>
<u>EXPENDITURES:</u>				
Capital Outlay:				
Buildings	4,404,000	4,404,000	3,071,673	1,332,327
Equipment	-	-	108,173	(108,173)
Vehicles	-	-	813,537	(813,537)
Debt Service:				
Principal Retirements	885,063	885,063	839,711	45,352
Interest and Fiscal Charges	451,297	451,297	487,335	(36,038)
Appropriated Reserves	<u>172,211</u>	<u>172,211</u>	-	<u>172,211</u>
<u>Total Expenditures</u>	<u>5,912,571</u>	<u>5,912,571</u>	<u>5,320,429</u>	<u>592,142</u>
<u>REVENUE OVER (UNDER) EXPENDITURES</u>	<u>(1,052,027)</u>	<u>(1,052,027)</u>	<u>(263,450)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Lease Purchase Proceeds	<u>700,000</u>	<u>700,000</u>	-	<u>(700,000)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>700,000</u>	<u>700,000</u>	-	<u>(700,000)</u>
<u>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u>	<u>(352,027)</u>	<u>(352,027)</u>	<u>(263,450)</u>	
<u>Non Appropriated Reserves</u>	<u>(20,787)</u>	<u>(20,787)</u>	-	
<u>FUND BALANCE, July 1</u>	<u>372,814</u>	<u>372,814</u>	<u>1,600</u>	
<u>FUND BALANCE, June 30 (Deficit)</u>	<u>-</u>	<u>-</u>	<u>(261,850)</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GRANTS – SPECIAL REVENUE FUND
For the Year Ended June 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Local Sources	3,365	3,365	-	(3,365)
State Sources	305,682	305,682	175,340	(130,342)
Federal Sources	<u>1,228,574</u>	<u>1,228,574</u>	<u>1,343,343</u>	<u>114,769</u>
<u>Total Revenues</u>	<u>1,537,621</u>	<u>1,537,621</u>	<u>1,518,683</u>	<u>(18,938)</u>
<u>EXPENDITURES:</u>				
Current:				
Instruction	2,063,021	2,063,021	1,119,848	943,173
Student Support	-	-	4,941	(4,941)
Instructional Staff	134,892	134,892	386,204	(251,312)
Central Support	<u>-</u>	<u>-</u>	<u>7,690</u>	<u>(7,690)</u>
<u>Total Expenditures</u>	<u>2,197,913</u>	<u>2,197,913</u>	<u>1,518,683</u>	<u>679,230</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(660,292)</u>	<u>(660,292)</u>	<u>-</u>	
<u>FUND BALANCE, July 1</u>	<u>660,292</u>	<u>660,292</u>	<u>-</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>-</u>	

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Proprietary Fund – Business – Type Activities

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

Food Service Fund – This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.

Bond Redemption Debt Service Fund

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

Special Revenue Funds

Special revenue funds account for revenues that are legally restricted to expenditures for specified purposes.

Insurance Reserve Fund – This fund is authorized by Colorado School Law for the purpose of providing the District with a means to self-insure a portion of its insurance needs. Funding is provided by General Fund allocated revenues.

Capital Projects Fund

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

Building Fund (44) – This fund accounts for expenditures from bond proceeds for major capital projects. The revenues and expenditures of this fund are controlled by state statute and the bond ordinance.

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

Fiduciary Funds

Schedule of changes in assets and liabilities.

Schedule of Changes in Receipts and Disbursements – Budget (GAAP Basis) and Actual – Agency Funds

Schedule of Changes in Fiduciary Net Assets – Budget (GAAP Basis) and Actual – Private Purpose Trust Scholarship Fund

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
FOOD SERVICES – PROPRIETARY FUND
For the Year Ended June 30, 2004

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>OPERATING REVENUES</u>			
Student and Adult Meals	1,286,000	1,439,114	153,114
Other Revenues	<u>1,500</u>	<u>16,401</u>	<u>14,901</u>
<u>Total Revenues</u>	<u>1,287,500</u>	<u>1,455,515</u>	<u>168,015</u>
<u>OPERATING EXPENSES</u>			
Salaries	532,500	647,309	(114,809)
Employee Benefits	125,000	128,434	(3,434)
Purchased Services	73,200	82,635	(9,435)
Supplies-Food	755,000	878,532	(123,532)
Depreciation	40,000	56,119	(16,119)
Supplies-Other	141,800	87,769	54,031
Indirect Cost	25,000	25,000	-
Appropriated Reserves	<u>312,482</u>	<u>-</u>	<u>312,482</u>
<u>Total Expenses</u>	<u>2,004,982</u>	<u>1,905,798</u>	<u>99,184</u>
<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(717,482)</u>	<u>(450,283)</u>	
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Federal Aid:			
National School Lunch/Breakfast Program	295,000	395,856	100,856
USDA Commodity Food Service Program	70,000	59,731	(10,269)
State Aid:			
Meals	<u>-</u>	<u>20,036</u>	<u>20,036</u>
<u>Total Non-Operating Revenues</u>	<u>365,000</u>	<u>475,623</u>	<u>110,623</u>
<u>Income (Loss) before Capital Contributions</u>	<u>(352,482)</u>	<u>25,340</u>	
<u>Capital Contributions – Equipment Purchase</u>	<u>-</u>	<u>-</u>	
<u>Change in Net Assets</u>	<u>(352,482)</u>	<u>25,340</u>	
<u>TOTAL NET ASSETS, July 1</u>	<u>352,482</u>	<u>953,700</u>	
<u>TOTAL NET ASSETS, June 30</u>	<u>-</u>	<u>979,040</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
BOND REDEMPTION DEBT SERVICE FUND
For the Year Ended June 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property Taxes	<u>4,560,000</u>	<u>4,560,000</u>	<u>4,901,206</u>	<u>341,206</u>
<u>Total Revenues</u>	<u>4,560,000</u>	<u>4,560,000</u>	<u>4,901,206</u>	<u>341,206</u>
<u>EXPENDITURES:</u>				
Debt Service:				
Principal Retirement	<u>930,000</u>	<u>930,000</u>	<u>1,204,655</u>	<u>(274,655)</u>
Interest and Fiscal Charges	<u>3,482,623</u>	<u>3,482,623</u>	<u>3,201,691</u>	<u>280,932</u>
Appropriated Reserves	<u>150,679</u>	<u>150,679</u>	<u>-</u>	<u>150,679</u>
<u>Total Expenditures</u>	<u>4,563,302</u>	<u>4,563,302</u>	<u>4,406,346</u>	<u>156,956</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(3,302)</u>	<u>(3,302)</u>	<u>494,860</u>	
<u>NON APPROPRIATED RESERVE</u>	<u>(1,750,488)</u>	<u>(1,750,488)</u>		
<u>FUND BALANCES, July 1</u>	<u>1,753,790</u>	<u>1,753,790</u>	<u>4,309,940</u>	
<u>FUND BALANCES, June 30</u>	<u>-</u>	<u>-</u>	<u>4,804,800</u>	

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

<u>Capital Projects Fund</u>	<u>Total</u>
<u>Capital</u>	<u>Non-Major</u>
<u>Reserve</u>	<u>Governmental</u>
<u>Funds</u>	
1,000	3,439
-	-
<u>1,000</u>	<u>3,439</u>
-	-
-	-
-	-
-	2,439
<u>1,000</u>	<u>1,000</u>
<u>1,000</u>	<u>3,439</u>
<u>1,000</u>	<u>3,439</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>
<u>Capital</u>	<u>Non-Major</u>
<u>Reserve</u>	<u>Governmental</u>
<u>Funds</u>	
86,025	95,665
-	445,000
<u>86,025</u>	<u>540,665</u>
-	453,201
86,025	86,122
<u>86,025</u>	<u>539,323</u>
-	1,342
<u>1,000</u>	<u>2,097</u>
<u>1,000</u>	<u>3,439</u>

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
INSURANCE RESERVE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2004

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
Other	175,000	9,640	(165,360)
Allocated Revenues	<u>430,000</u>	<u>445,000</u>	<u>15,000</u>
<u>Total Revenues</u>	<u>605,000</u>	<u>454,640</u>	<u>(150,360)</u>
<u>EXPENDITURES:</u>			
Central Support:			
Purchased Services	580,000	441,217	138,783
Supplies and Materials	10,000	11,984	(1,984)
Appropriated Reserves	<u>17,700</u>	<u>-</u>	<u>17,700</u>
<u>Total Expenditures</u>	<u>607,700</u>	<u>453,201</u>	<u>154,499</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(2,700)	1,439	
<u>NON-APPROPRIATED RESERVES</u>	(1,271)	-	
<u>FUND BALANCE, July 1</u>	<u>3,971</u>	<u>1,000</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>2,439</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL RESERVE – CAPITAL PROJECTS – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2004

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
Other Income	<u>150,000</u>	<u>86,025</u>	<u>(63,975)</u>
<u>EXPENDITURES:</u>			
Buildings	-	86,025	(86,025)
Appropriated Reserve	<u>180,500</u>	<u>-</u>	<u>180,500</u>
<u>Total Expenditures</u>	<u>180,500</u>	<u>86,025</u>	<u>94,475</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(30,500)	-	
<u>NON – APPROPRIATED RESERVES</u>	(195,235)	-	
<u>FUND BALANCE, July 1</u>	<u>225,735</u>	<u>1,000</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>1,000</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF CHANGES IN RECEIPTS AND DISBURSEMENTS
BUDGET (GAAP BASIS) AND ACTUAL
FIDUCIARY FUNDS
For the Year Ended June 30, 2004

	<u>Agency Funds</u>		Variance with Final Budget- Favorable (Unfavorable)
	<u>Original and Final Budget</u>	<u>Actual</u>	
<u>ADDITIONS</u>			
Local Receipts	<u>1,655,000</u>	<u>1,537,957</u>	<u>(117,043)</u>
<u>DEDUCTIONS</u>			
Disbursements	<u>1,655,000</u>	<u>1,506,230</u>	<u>148,770</u>
<u>CHANGES IN DUE TO STUDENT GROUPS</u>	-	31,727	
<u>DUE TO STUDENT GROUPS, Beginning</u>	<u>447,002</u>	<u>412,022</u>	
<u>DUE TO STUDENT GROUPS, Ending</u>	<u>447,002</u>	<u>443,749</u>	

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

FALCON SCHOOL DISTRICT NUMBER 49
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
FIDUCIARY FUNDS
For the Year Ended June 30, 2004

	<u>Private Purpose Trust Scholarship Fund</u>		
	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>		<u>Final Budget-</u>
			<u>Favorable</u>
			<u>(Unfavorable)</u>
<u>ADDITIONS</u>			
Local Receipts	<u>1,200</u>	543	<u>(657)</u>
<u>DEDUCTIONS</u>			
Disbursements - Scholarships	<u>1,200</u>	<u>-</u>	<u>1,200</u>
<u>CHANGES IN DUE TO STUDENT GROUPS</u>	-	543	
<u>DUE TO STUDENT GROUPS, Beginning</u>	<u>1,303</u>	<u>462</u>	
<u>DUE TO STUDENT GROUPS, Ending</u>	<u>1,303</u>	<u>1,005</u>	

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