
El Paso County School District 49



AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

El Paso County School District 49

El Paso County, Colorado

also known as:

Falcon School District 49

*AUDIT
REPORT*

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2015*

*Prepared by: Brett Ridgway
Chief Business Officer*

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

-District 49 Mission Statement

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

*Falcon School District 49
-Board of Education Purpose*

Our Coordinated Schools

Falcon Zone



Falcon Elementary



Meridian Ranch Elementary



Woodmen Hills Elementary



Falcon Middle



Falcon High School

Sand Creek Zone



Evans International Elementary



Remington Elementary



Springs Ranch Elementary



Horizon Middle



Sand Creek High School

Vista Ridge Zone



Ridgeview Elementary



Stetson Elementary



Odyssey Elementary



Skyview Eagles

Skyview Middle



Vista Ridge High School

i Connect Zone



Patriot Learning Center

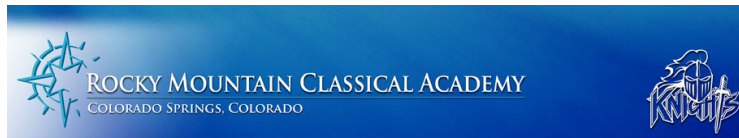
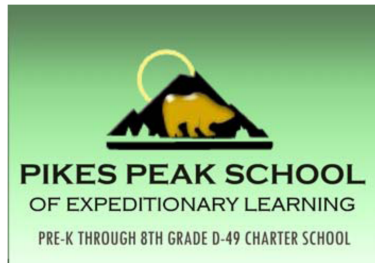


Falcon Home School



Springs Studio for Academic Excellence

Our Charter Schools



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INTRODUCTORY SECTION

FALCON SCHOOL DISTRICT 49
June 30, 2015

Elected Officials
Board of Education

Tammy Harold	President
David Moore	Vice President
Kevin Butcher	Treasurer
Marie LaVere-Wright	Secretary
Chuck Irons	Director

Administrative Officials

Peter Hilts	Chief Education Officer
Brett Ridgway	Chief Business Officer & Assistant Treasurer
Jack Bay	Chief Operations Officer
Julia Roark	Falcon Area Zone Leader
Sean Dorsey	Sand Creek Area Zone Leader
Mike Pickering	POWER Zone Leader
Andy Franko	iConnect Innovation Leader
Amber Whetstine	Executive Director of Learning Services
Zach Craddock	Executive Director of Individualized Education
Paul Andersen	Human Resources Director
Gene Hammond	Director of Transportation
Monica Deines-Henderson	Director of Nutrition Services
Matt Meister	Public Information Officer
Donna Richer	Secretary to the Board of Education

El Paso County School District No. 49 Board of Education

BOE Admin Assistant

OFFICE OF THE SUPERINTENDENT

Educational Achievement

Chief Education Officer

Overseeing Educational Achievement,
Improvement, Innovation, and Administration

Business Support

Chief Business Officer

Overseeing Business Administration,
Innovation, Policy, and Strategy

Operational Support

Chief Operating Officer

Overseeing Operational Administration,
Innovation, Policy, and Strategy

Falcon Area Innovation Zone

Zone Leader > CIA Coord; Schools

Sand Creek Area Innovation Zone

Zone Leader > CIA Coord; Schools

POWER Innovation Zone

Zone Leader > CIA Coord / Schools

iConnect Innovation Community

Zone Leader > Solutions Mgr; Schools

Individualized Education

Executive Director

-- SPED, ELD, EXCEL, GT & School Nurses

Learning Services

Executive Director

-- Instruct Technology, Title I, District CIA

- Director of Career & Tech Ed
- Director of Concurrent Enrollment
- Director of Culture & Services

Finance

Accounting

Risk Management

Purchasing &
Contracts

Strategic & Project
Planning

Transportation
Services

Nutrition Services

Facilities
Maintenance

Grounds
Management

Wide
Accountability
Group

Communications

Human Resources

Safety & Security

Information Technology
(currently outsourced)

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Education
Falcon School District 49

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Falcon School District 49, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pikes Peak School of Expeditionary Learning, and Imagine Charter School at Indigo Ranch which represent 16.0 percent, 17.0 percent, and 18.0 percent respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as those reports relate to the amounts included for Pikes Peak School of Expeditionary Learning and Imagine Charter School at Indigo Ranch is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Falcon School District 49, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, effective July 01, 2014, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District 49's basic financial statements. The introductory section and combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016, on our consideration of the Falcon School District 49's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Falcon School District 49's internal control over financial reporting and compliance.

Hoelting & Company Inc.

Colorado Springs, Colorado
February 24, 2016

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

As management of El Paso County (aka Falcon) School District 49, we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Financial Highlights

- The Governmental Activities of District 49 had a deficit Net Position of \$-77,281,819 at the end of the current fiscal year, a decrease of \$157,304,300 from the prior year. This is due to the PERA pension liability of \$176,938,723 being pushed to the school district level. Excluding the PERA liability the Net Position would be \$99,656,904, an increase from the prior year of \$19,634,423.
- General Revenues for the Governmental Activities of the District totaled \$100,690,823, or 76.6% of all revenues. Program specific revenues in the form of charges for services and grants and contributions received accounted for \$30,688,880, or 23.4% of total revenues of \$131,379,703
- The ending fund balance of total General Funds was \$20,900,004. The General Fund portion maintained a fund balance to revenue ratio above 10% (12.3%), which is required by District 49 Board of Education Policy.
- General Funds' Revenue, including the Component Unit share (Charter Schools – net of services), totaled \$141,131,828 which was up \$14,891,207; (9.9%) from the prior year.
- Total student count in the District increased 3.7% from the prior year, while the corresponding funded student count increased by 3.7% (662 student FTE). These measures were significantly impacted by the addition of GOAL Academy and the affiliation the District began with the Colorado Digital Board of Cooperative Education Services (CDBOCES), which was treated as an affiliate school for District 49. Removing those two issues, the District decreased (-5.2% (785.5sFTE) in funded student count. The component units' funded student count (excluding GOAL and CDBOCES) decreased 5.6% (808.28 student FTE). The District's coordinated (non-charter) schools' funded student count increased 3.4% (429 student FTE).
- The Nutritional Service Fund reported a ending fund balance of \$1,243,086, an increase of \$78,937 from the prior year, and \$78,937 better than budgeted due higher than expected salaries, purchased services and indirect cost being more than offset by a higher revenue stream and lower than expected supplies.

Effective July 1, 2014, the District, as required, implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This resulted in a new liability amount on the District's financial reports totaling \$176,938,723. While the intentions of GASB 68 where appropriate for private sector pension programs, its utility for a public sector entity, like D49, is limited and in fact may be more confusing for readers of the financial statements than without. To see more relevant comparability, users may want to adjust the totals presented for this amount.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Falcon School District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

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

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

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

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

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

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

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

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

District 49 maintains seven 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, and the bond redemption fund because all are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

District 49 adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. District 49 maintains one proprietary fund. Internal service funds are used to accumulate and allocate costs internally among the district's various functions. The district uses internal service funds to account for employee benefit programs for health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Falcon School District's own programs. The two fiduciary funds utilized by the District are the Falcon Scholarship Fund and the Pupil Activity Fund. The accounting for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

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

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

The District's five component units are:

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

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

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of changes in a government's financial position over time. In the case of Falcon School District, Primary Government Liabilities exceeded Assets by \$77,281,819 at the close of the most recent fiscal year. This is due to \$176,938,723 of the PERA liability being assigned to the school district. Excluding this liability Falcon School District Primary Government Liabilities exceeded Assets by \$99,656,904. During the year Business type activities moved to Governmental Activities.

Of that amount, \$51,041,127 of net position is invested in capital assets net of accumulated depreciation and related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$26,707,696 of the District's net position represents resources that are subject to external restriction on how they may be used.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current assets	\$ 54,251,520	\$ 55,578,479	\$ 0	\$ 1,345,607	\$ 54,251,520	\$ 56,924,086
Capital assets, net of depreciation	152,239,880	150,942,432	-	103,691	152,239,880	151,046,123
Total assets	206,491,400	206,520,911	-	1,449,298	206,491,400	207,970,209
DEFERRED OUTFLOWS OF RESOURCES						
Total deferred outflows of resources	14,851,421	1,893,094	-	-	14,851,421	1,893,094
LIABILITIES						
Current liabilities	12,651,757	11,922,779	-	181,459	12,651,757	12,104,238
Long-term liabilities	285,972,883	116,468,745	-	37,157	285,972,883	116,505,902
Total liabilities	298,624,640	128,391,524	-	218,616	298,624,640	128,610,140
NET POSITION						
Net Investment in Capital Assets	51,041,127	37,296,989	-	103,691	51,041,127	37,400,680
Restricted for:						
TABOR	3,200,000	3,000,000	-	-	3,200,000	3,000,000
Debt Service	23,415,052	30,025,958	-	-	23,415,052	30,025,958
Preschool	92,644	92,644	-	-	92,644	92,644
Unrestricted	(155,030,642)	9,606,890	-	1,126,991	(155,030,642)	10,733,881
TOTAL NET POSITION	\$ (77,281,819)	\$ 80,022,481	\$ 0	\$ 1,230,682	\$ (77,281,819)	\$ 81,253,163

Prior year amounts have not been restated for the affects of GASB 68.

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

Governmental activities decreased the net position of the District by \$979,096. Program revenues included \$13,475,370 in charges for services, and \$4,378,042 in operating grants and contributions. Over \$100.6 million was received in general revenues consisting of local property taxes, specific ownership taxes, and school finance act revenue. The majority of expenses were for instructional purposes which totaled \$69,436,074 out of a total of \$130,958,799.

Business type activities (Nutritional Services) were moved to Governmental activities during the year. Program revenues for Nutritional Services included \$1,670,494 in charges for services and \$1,972,081 in operating grants and contributions. Expenditures of \$3,563,638 were for food services.

FALCON SCHOOL DISTRICT 49 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
PROGRAM REVENUES						
Charges for service	\$ 13,475,370	\$ 11,032,353	\$ -	\$ 1,783,467	\$ 13,475,370	\$ 12,815,820
Operating Grants & contributions	14,378,042	10,912,740	-	1,804,446	14,378,042	12,717,186
Capital Grants & contributions	2,835,468	175,389	-	-	2,835,468	175,389
GENERAL REVENUES						
Property Taxes	25,822,318	27,517,073	-	-	25,822,318	27,517,073
Specific ownership taxes	2,762,983	2,737,200	-	-	2,762,983	2,737,200
State equalization	71,655,103	61,879,292	-	-	71,655,103	61,879,292
Investment earnings	36,042	43,126	-	4,656	36,042	47,782
Miscellaneous revenues & transfer	414,377	1,140,619	-	-	414,377	1,140,619
TOTAL REVENUES	131,379,703	115,437,792	-	3,592,569	131,379,703	119,030,361
EXPENSES						
Instruction	69,436,074	60,020,821	-	-	69,436,074	60,020,821
Supporting Services	51,860,340	44,941,313	-	-	51,860,340	44,941,313
Community Services	2,309	558	-	-	2,309	558
Facilities Acquisition & Constructio	1,555,578	927,249	-	-	1,555,578	927,249
Interest on long-term debt	5,940,860	5,740,616	-	-	5,940,860	5,740,616
Food Service	3,563,638		-	3,544,264	3,563,638	3,544,264
TOTAL EXPENSES	132,358,799	111,630,557	-	3,544,264	132,358,799	115,174,821
Change in Net Position	(979,096)	3,807,235	-	48,305	(979,096)	3,855,540
Beginning Net Position	80,022,481	76,215,247	1,230,682	1,182,377	81,253,163	77,397,624
Prior Period Adjustment	(156,325,204)	-	(1,230,682)	-	(157,555,886)	-
TOTAL NET POSITION	\$ (77,281,819)	\$ 80,022,481	\$ -	\$ 1,230,682	\$ (77,281,819)	\$ 81,253,164

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$39,031,196.

The general fund is the chief operating fund of the District. At the end of the current fiscal year committed and unassigned fund balance of the general fund was \$9,970,199 while total fund balance is \$20,900,004. As a measure of the general fund's liquidity, it may be useful to compare both contingent/unassigned fund balance and total fund balance to total fund expenditures. Excluding Charter School remittances, nominally committed and unassigned fund balance represents 9.7% of total general fund expenditures, while total fund balance represents 20.4% of that same amount.

The Bond Redemption Fund remains in strong financial condition. The fund has an ample fund balance to make the December 1st principal and interest payments on the District's voter approved debt. The fund balance as of June 30, 2015 is \$15,777,891, which is entirely restricted for debt service. The fund balance represents coverage for 2.37 times the 2014-15 annual payments.

In 2014-15, Falcon School District expended \$4,653,978 of local, state and federal grant funds, excluding charter school grant expenditures. Of these expenditures, \$608,241 represent funds yet to be received from the individual granting authorities prior to the close of the fiscal year; and are scheduled for receipt early in the 2014-15 fiscal year.

General Fund Budgetary Highlights

The District approves the original budget in June based on enrollment projections for the following school year. In October, after a better estimate of enrollment can be made, adjustments are made to the budget. The rapid growth the District experienced for most of 2000's has moderated in the last few years. The 2013-14 to 2014-2015 expected growth was 1.4%

Some significant budget highlights include:

- The final (Amended) budget showed increased revenue by \$3,466,545 from the original (Adopted) budget. The revenue changes were added to reflect, among other things, a higher estimate for State Equalization Revenue (increasing by \$1,683,267.33), Local Property Tax Revenue (increasing by \$402,807). The final budget had expense increases of \$15,193,031 driven primarily by a \$9,185,710 increase in debt service due to refinancing bonds.
- Actual General Fund results for the 2014-15 fiscal year showed revenues in excess of expenses by \$48,138, which was \$10,973,859 better than the final budget. The improvement came from improved categorical revenue.

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

Capital Assets and Debt Administration

Capital assets. The Falcon School District's investment in capital assets for governmental activities as of June 30, 2015 amounts to \$152,239,880 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was to the addition of the Creekside building and is partially offset by depreciation of existing assets. It is also noted that Nutrition Services assets were moved to Governmental Activities during the year.

	Balance @ 06/30/15	Balance @ 06/30/14
Governmental Activities		
Land and Site Improvements	15,765,500	15,765,500
Buildings & Improvements	132,746,528	130,766,645
Equipment	3,161,785	3,746,472
Construction in Progress	566,067	663,815
Total capital assets, net	<u>152,239,880</u>	<u>150,942,432</u>
Business-Type Activities		
Equipment	-	103,691
Total capital assets, net	<u>-</u>	<u>103,691</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the District's total outstanding long-term debt was \$109,034,160. Of this amount, \$26,692,351 is general obligation bonds for which there is a mill levy assessment to pay the debt, \$4,521,429 for capital leases, and \$76,844,965 in certificates of participation.

In November 2005, the taxpayers approved a mill levy override to pay for the construction of new facilities and additions to current facilities. The District sold the aforementioned Certificates of Participation in July 2006 and July 2007 to finance this construction and will pay the certificates back with the approved mill levy override tax revenue.

State Statutes limit the amount of the District's general obligation bonded debt to 20% of the assessed value of the District, or 6% of the retail value of the District. At the end of the current fiscal year, the District had total general obligation bonded debt of \$26,020,000 or 3.7% of assessed value, or 0.4% of retail value. The district's legal debt limit and debt margin is \$137,944,912 and \$111,974,912 respectively relative to the assessed value measures and \$395,685,968 and \$369,665,968 respectively relative to the retail value measures.

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

EL PASO COUNTY (FALCON) SCHOOL DISTRICT 49
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

Economic Factors and 2015-2016 Budget

- The local, state, and federal economies are recovering. This was seen in the change in the District's assessed property value, which increased by 9.03% in 2015 from the prior year to a total of \$751,972,470. This change was recognized in a non-reassessment cycle. It is normal for there to be a lag in recognizing changes in assessed valuations relative to market values.
- The District must continue to work proactively with developers, the City of Colorado Springs, and El Paso County to confront the enrollment growth issue. Falcon School District has been one of the fastest growing school districts in the state, based on enrollment - on a percentage basis, for the last several years.
- The District continues to work with charter schools. The District had five charter schools during the current fiscal year after taking over authorizing responsibility for the state's largest multi-district online charter school on July 1, 2013; and is also exploring opportunities for a charter high school as well.
- The District ended the 2014-15 school year with more than a 10% revenue to fund balance ratio (excluding PERA liability), as mandated by School Board Policy. The 10% target equates to approximately one month of expenditures and is necessary to handle the District's annual cash flow cycle that is present due to the seasonal nature of property tax receipts.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

FALCON SCHOOL DISTRICT 49
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 28,611,250	\$ 11,043,263
Restricted cash and cash equivalents	22,381,841	1,641,031
Investments	-	3,518,509
Accounts receivable	22,920	455,597
Grants receivable	765,884	-
Taxes receivable	1,320,522	-
Intergovernmental receivables	-	283,092
Receivable from agency funds	952,276	-
Prepaid expenses	-	612,981
Deposits	-	49,588
Inventories	196,827	-
Capital assets, not being depreciated	16,331,567	2,556,411
Capital assets, net of depreciation	135,908,313	33,068,016
Total assets	<u>206,491,400</u>	<u>53,228,488</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	6,859,992	-
Deferred pension outflows	7,991,429	2,187,891
Total deferred outflows of resources	<u>14,851,421</u>	<u>2,187,891</u>
LIABILITIES		
Accounts payable and other current liabilities	2,022,140	1,650,850
Accrued salaries and benefits	9,255,886	466,693
Accrued interest	223,337	782,065
Unearned revenues	842,069	199,053
Payable to agency funds	308,325	-
Long-term liabilities		
Due within one year	5,966,505	460,000
Due in more than one year	280,006,378	84,523,345
Total liabilities	<u>298,624,640</u>	<u>88,082,006</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	-	103,249
Unavailable revenue - settlement	-	316,190
Total deferred inflows of resources	<u>-</u>	<u>419,439</u>
NET POSITION		
Net investment in capital assets	51,041,127	(4,913,866)
Restricted for:		
Emergency reserve (TABOR)	3,200,000	1,297,385
Debt service	23,415,052	4,674,986
Preschool	92,644	-
Repairs and replacement	-	300,031
Unrestricted	(155,030,642)	(34,443,602)
Total net position	<u>\$ (77,281,819)</u>	<u>\$ (33,085,066)</u>

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units Charter Schools
Primary government						
Governmental activities						
Instruction	\$ 69,436,074	\$ 2,687,910	\$ 11,503,997	\$ 105,800	\$ (55,138,367)	\$ -
Supporting services	51,860,340	9,116,966	901,964	-	(41,841,410)	-
Community services	2,309	-	-	-	(2,309)	-
Facilities acquisition & construction	1,555,578	-	-	2,729,668	1,174,090	-
Food Service	3,563,638	1,670,494	1,972,081	-	78,937	-
Interest and fiscal charges	5,940,860	-	-	-	(5,940,860)	-
Total governmental activities	<u>\$ 132,358,799</u>	<u>\$ 13,475,370</u>	<u>\$ 14,378,042</u>	<u>\$ 2,835,468</u>	<u>(101,669,919)</u>	<u>-</u>
Component units						
Charter schools	<u>\$ 49,105,326</u>	<u>\$ 2,118,415</u>	<u>\$ 1,738,160</u>	<u>\$ 425,439</u>		<u>(44,823,312)</u>
General revenues:						
Property taxes					25,822,318	-
Specific ownership taxes					2,762,983	-
State equalization					71,655,103	-
Per pupil revenue					-	41,010,260
Investment earnings					36,042	77,513
Miscellaneous					414,377	1,152,782
Total general revenues					<u>100,690,823</u>	<u>42,240,555</u>
Change in net position					(979,096)	(2,582,757)
Net position - beginning, as restated					<u>(76,302,723)</u>	<u>(30,502,309)</u>
Net position - ending					<u>\$ (77,281,819)</u>	<u>\$ (33,085,066)</u>

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

FALCON SCHOOL DISTRICT 49
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Bond Redemption Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 26,837,375	\$ -	\$ 1,095,244	\$ 27,932,619
Restricted cash and cash equivalents	6,754,659	15,627,182	-	22,381,841
Accounts receivable	6,017	-	16,903	22,920
Grants receivable	-	-	765,884	765,884
Taxes receivable	1,073,447	247,075	-	1,320,522
Due from other funds	2,343,297	18,769	514,937	2,877,003
Due from agency funds	-	-	952,276	952,276
Inventories	-	-	196,827	196,827
	<u>-</u>	<u>-</u>	<u>196,827</u>	<u>196,827</u>
Total assets	<u>\$ 37,014,795</u>	<u>\$ 15,893,026</u>	<u>\$ 3,542,071</u>	<u>\$ 56,449,892</u>
LIABILITIES				
Accounts payable and other accrued liabilities	\$ 1,225,350	\$ -	\$ 349,917	\$ 1,575,267
Accrued salaries and benefits	9,025,274	-	230,612	9,255,886
Due to other funds	4,966,875	-	-	4,966,875
Payable to agency funds	308,325	-	-	308,325
Unearned revenue	233,828	-	608,241	842,069
	<u>15,759,652</u>	<u>-</u>	<u>1,188,770</u>	<u>16,948,422</u>
Total liabilities	<u>15,759,652</u>	<u>-</u>	<u>1,188,770</u>	<u>16,948,422</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	355,139	115,135	-	470,274
	<u>355,139</u>	<u>115,135</u>	<u>-</u>	<u>470,274</u>
Total deferred inflows of resources	<u>355,139</u>	<u>115,135</u>	<u>-</u>	<u>470,274</u>
FUND BALANCES				
Nonspendable	-	-	196,826	196,826
Restricted for:				
Emergency reserve (TABOR)	3,200,000	-	-	3,200,000
Debt service	7,637,161	15,777,891	-	23,415,052
Preschool	92,644	-	-	92,644
Committed for:				
Risk management	262,402	-	-	262,402
Capital projects	1,222,484	-	160,020	1,382,504
Contingencies	5,826,750	-	-	5,826,750
Assigned for:				
Food Services	-	-	1,046,260	1,046,260
Pupil activities	-	-	950,195	950,195
Unassigned	2,658,563	-	-	2,658,563
	<u>20,900,004</u>	<u>15,777,891</u>	<u>2,353,301</u>	<u>39,031,196</u>
Total fund balances	<u>20,900,004</u>	<u>15,777,891</u>	<u>2,353,301</u>	<u>39,031,196</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 37,014,795</u>	<u>\$ 15,893,026</u>	<u>\$ 3,542,071</u>	<u>\$ 56,449,892</u>

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

FALCON SCHOOL DISTRICT 49
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2015

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

Total fund balance - governmental funds	\$ 39,031,196
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the statement of net position.	152,239,880
Property tax receivable is not available to pay current period expenditures and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the statement of net position.	470,274
Deferred charges on refunding are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	6,859,992
Internal service funds are used by the District's management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.	2,321,630
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	7,991,429
Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.	(223,337)
Net pension liability is not due and payable in the current period and, therefore, are not reported in the funds.	(176,938,723)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	<u>(109,034,160)</u>
Net position of governmental activities	<u><u>\$ (77,281,819)</u></u>

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Bond Redemption Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 24,035,262	\$ 7,730,462	\$ 3,517,732	\$ 35,283,456
State sources	77,679,084	-	541,516	78,220,600
Federal sources	595,161	-	6,324,870	6,920,031
Total revenues	102,309,507	7,730,462	10,384,118	120,424,087
EXPENDITURES				
Instruction	52,785,131	-	4,245,383	57,030,514
Supporting services	37,098,183	-	2,712,452	39,810,635
Community services	1,531	-	778	2,309
Facilities acquisition and construction	5,140,037	-	42,520	5,182,557
Food Service	-	-	3,563,638	3,563,638
Debt service	7,236,487	6,593,584	-	13,830,071
Total expenditures	102,261,369	6,593,584	10,564,771	119,419,724
Excess (deficiency) of revenues over expenditures	48,138	1,136,878	(180,653)	1,004,363
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(464,471)	-	464,471	-
Refunding bond proceeds	74,313,571	-	-	74,313,571
Refunding bond premium	6,353,565	-	-	6,353,565
Payment to bond escrow agent	(85,197,394)	-	-	(85,197,394)
Total other financing sources (uses)	(4,994,729)	-	464,471	(4,530,258)
Net change in fund balances	(4,946,591)	1,136,878	283,818	(3,525,895)
Fund balances - beginning, as restated	25,846,595	14,641,013	2,069,483	42,557,091
Fund balances - ending	\$ 20,900,004	\$ 15,777,891	\$ 2,353,301	\$ 39,031,196

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

FALCON SCHOOL DISTRICT 49
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds:	\$ (3,525,895)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	1,193,757
Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(119,906)
Internal service funds are used by the District to charge the cost of certain activities to individual funds. The net revenue of the internal service funds are reported with governmental activities.	367,284
Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.	58,431
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	12,446,690
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.	(8,050)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(11,391,407)</u>
Change in net position of governmental activities	<u><u>\$ (979,096)</u></u>

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Governmental Activities Internal Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 678,631
Due from other funds	<u>2,089,872</u>
Total current assets	<u>2,768,503</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>446,873</u>
Total current liabilities	<u>446,873</u>
NET POSITION	
Unrestricted	<u>2,321,630</u>
Total net position	<u><u>\$ 2,321,630</u></u>

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 8,255,972
Total operating revenues	<u>8,255,972</u>
OPERATING EXPENSES	
Purchased services	<u>7,889,998</u>
Total operating expenses	<u>7,889,998</u>
Operating income (loss)	<u>365,974</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>1,310</u>
Total non-operating revenue (expenses)	<u>1,310</u>
Change in net position	367,284
Net position - beginning	<u>1,954,346</u>
Net position - ending	<u><u>\$ 2,321,630</u></u>

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 6,982,758
Cash payments to suppliers	<u>(7,723,124)</u>
Net cash provided (used) by operating activities	<u>(740,366)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,310</u>
Net cash provided (used) by investing activities	<u>1,310</u>
Net increase (decrease) in cash and cash equivalents	(739,056)
Cash and cash equivalents - beginning	<u>1,417,687</u>
Cash and cash equivalents - ending	<u><u>\$ 678,631</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 365,974</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in:	
Due from other funds	(1,273,214)
Increase (decrease) in:	
Accounts payable	<u>166,874</u>
Total adjustments	<u>(1,106,340)</u>
Net cash provided (used) by operating activities	<u><u>\$ (740,366)</u></u>

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private- Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 7,110	\$ 644,652
Interfund receivable	-	308,325
	<hr/>	<hr/>
Total assets	7,110	952,977
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	-	28,796
Interfund payable	-	952,276
Due to student organizations	-	(28,095)
	<hr/>	<hr/>
Total liabilities	-	\$ 952,977
	<hr/>	<hr/>
NET POSITION		
Held in trust for scholarship recipients	7,110	
	<hr/>	
Total net position	\$ 7,110	
	<hr/>	

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

FALCON SCHOOL DISTRICT 49
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE, 30 2015

	Private- Purpose Trust Fund
ADDITIONS	
Fundraising activities	\$ 24
Total additions	24
DEDUCTIONS	
Scholarship awards	-
Total deductions	-
Change in net position	24
Net position - beginning	7,086
Net position - ending	\$ 7,110

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

NOTES TO FINANCIAL STATEMENTS

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

B. REPORTING ENTITY

Falcon School District No. 49 of El Paso County was organized by a vote of qualified electorate during 1889, under the provisions of Colorado Law. The legislative power of the District is vested in the Board of Education, consisting of five members who are elected for staggered four-year terms. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Aggregate discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the district. The District has presented the following component units:

Discretely Presented Component Units

The Board of Education approved five charter schools for operation. Pikes Peak School of Expeditionary Learning, Banning Lewis Ranch Academy, Rocky Mountain Classical Academy, The Imagine Classical Academy, and Guided Online Academic Learning (GOAL) Academy charter schools were formed in accordance with state statute as District charter schools. The charter schools are deemed to be fiscally dependent on the District since the District provides the majority of support to each charter school in the form of per pupil revenue. In addition, the nature and significance of the charter schools' relationship with the District is such that exclusion would cause the District's financial statements to be incomplete.

The amount of per pupil revenue allotted to each charter school during the year ended June 30, 2015 is as follows:

<u>Charter School</u>	<u>Amount</u>
Pikes Peak School of Expeditionary Learning	\$ 2,569,997
Banning Lewis Ranch Academy	4,778,279
Rocky Mountain Classical Academy	7,148,958
The Imagine Classical Academy	4,725,172
GOAL Academy	<u>21,787,854</u>
	<u>\$ 41,010,260</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. REPORTING ENTITY (CONTINUED)

Discretely Presented Component Units (continued)

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

Pikes Peak School of Expeditionary Learning
11925 Antlers Ridge Drive
Falcon, Colorado 80831

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

Rocky Mountain Classical Academy
4620 Antelope Ridge Drive
Colorado Springs, CO 80922

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

GOAL Academy
107 W. 11th Street
Pueblo, CO 80204

C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

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

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

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

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

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

The *Pupil Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities.

The *Transportation Fund* is used to account for revenues from a tax levied or a fee imposed for the purpose of paying excess transportation costs.

The *Kids Corner Fund* is used to account for revenues and expenditures related to the before and after school care program for students that attend the Sand Creek Zone.

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are *measurable* when the amount of the transaction can be determined and are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Cash and cash equivalents

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

Restricted cash and cash equivalents

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

Investments

Investments are stated at fair value.

Accounts receivable

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

Inventories and prepaid items

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories and prepaid items (continued)

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization threshold is \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in proprietary funds.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Equipment – office	10
Equipment – technology	5
Equipment – vehicles	10

Depreciation of all capital assets is charged as an expense against operations in the government-wide and proprietary fund financial statements.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

Falcon School District 49 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

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

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

Long-term liabilities

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net position flow assumption

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

Fund balance flow assumption

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

Fund balance classification

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

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

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

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES

Fund balance classification (continued)

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

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

Program revenues

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

Property Taxes

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2015 is 34.584 mills for general operating expenses and 11.212 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2015 is \$689,724,560.

Specific Ownership Taxes

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

Compensated Absences

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Compensated Absences (continued)

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

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

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

Proprietary Funds Operating and Non-operating Revenues and Expenses

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

H. ESTIMATES

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

I. ADOPTION OF NEW ACCOUNTING STANDARDS

The School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective July 1, 2014. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2014, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2014, were not available and have not been reported in the financial statements.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Effective July 1, 2014, the food service fund is being reported as a special revenue fund. Previously, the food service fund was reported as a proprietary fund. This change in presentation was required by the Colorado Department of Education in order to better align the compliance, accounting, and reporting of the federal grant program that is the food service fund. Accordingly, the newly established special revenue fund reports a restated beginning balance of \$1,164,149, which is equal to the net current assets and current liabilities previously reported in the proprietary fund. All remaining assets and liabilities previously reported in this proprietary fund are not recognized at the fund level under modified accrual, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2014.

The above restatements had the following impact on previously reported balances:

<u>Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position, July 1, 2014, as previously stated	\$ 80,022,481	\$ 1,230,682
Restatement for net pension liability	(157,555,886)	-
Change in presentation for Food Service Fund	<u>1,230,682</u>	<u>(1,230,682)</u>
Net position, July 1, 2014, as restated	<u>\$ (76,302,723)</u>	<u>\$ -</u>
 <u>Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds</u>		<u>Amount</u>
Fund balances, July 1, 2014, as previously stated		\$ 41,392,942
Change in presentation for Food Service Fund		<u>1,164,149</u>
Fund balances, July 1, 2014, as restated		<u>\$ 42,557,091</u>
 <u>Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds</u>		
Net position, July 1, 2014, as previously stated		\$ 1,230,682
Change in presentation for Food Service Fund		<u>(1,230,682)</u>
Net position, July 1, 2014, as restated		<u>\$ -</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

Non-depreciable assets	\$ 16,331,567
Net depreciable assets	<u>135,908,313</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 152,239,880</u>

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

Bonds payable	\$ (26,020,000)
Unamortized bond premium	(672,351)
Certificates of Participation	(70,575,000)
COP Premium	(6,269,965)
Capital Lease Obligations	(4,521,429)
Compensated Absences	<u>(975,415)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (109,034,160)</u>

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

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

Depreciation	\$ (7,269,935)
Capital outlays	<u>8,463,692</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ 1,193,757</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

Payment to bond escrow agent	\$ 85,197,394
Certificates of participation proceeds	(76,928,565)
Capital lease proceeds	(3,650,000)
General obligation bonds principal payments	5,280,000
Certificates of participation principal payments	2,425,000
Capital Lease principal payments	880,531
Amortization of deferred on refunding	(490,673)
Interest expense paid from proceeds	(658,743)
Accretion of bond and COP premiums	<u>391,746</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ 12,446,690</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

Excess of expenditures over appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the Food Service Fund by \$1,864 which may be a violation of state statutes. These over expenditures were funded by greater than anticipated revenues.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Pupil Activity Fund had a deficit fund equity of \$28,095 which may be a violation of state statutes.

NOTE 4 – DEPOSITS AND INVESTMENTS

At June 30, 2015, the District had the following cash and investments:

Cash on Hand	\$ 500
Deposits	5,599,890
Investments	<u>46,044,463</u>
	<u>\$ 51,644,853</u>

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

Cash and Cash Equivalents	\$ 28,611,250
Restricted Cash and Cash Equivalents	22,381,841
Fiduciary Funds	<u>651,762</u>
	<u>\$ 51,644,853</u>

Cash deposits with financial institutions

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the District's deposits at June 30, 2015 was \$5,599,890 and the bank balances were \$4,307,921. Of the bank balances, \$1,250,000 was covered by federal deposit insurance and the balance was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2015 the District's investment balances were as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Local Government Investment Pool (COLOTRUST)	Less than 60 days	\$ 25,752,570
Fidelity Investments Government Portfolio Fund	Less than 60 days	4,945,137
JP Morgan US Govt Money Market	Less than 60 days	11,211,613
Commercial Paper	Less than 60 days	<u>4,135,143</u>
		<u>\$ 46,044,463</u>

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

Credit Risk: Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. The District does not have a formal investment policy that would further limit its investment choices. As of June 30, 2015 all of the District's investments in COLOTRUST and money markets were rated AAAm by Standard & Poor's, the corporate discount notes were rated A1 by Standard & Poor's, and the other investments were not rated.

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

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

Restricted cash and investments

Cash and investments of \$22,381,841 representing reserves for debt service of \$15,627,182 in the Bond Redemption fund, and mill levy override funds of \$6,682,750, and other reserves of \$71,909 have been restricted for pre-school activities in the General fund.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – ACCOUNTS RECEIVABLE

At June 30, 2015, the District had the following accounts receivable:

	<u>General</u>	Designated Purpose <u>Grants</u>	Transportation <u>Fund</u>	Food <u>Service</u>	<u>Total</u>
Grant proceeds	\$ -	\$ 765,884	\$ -	\$ 1,836	\$ 767,720
Other	<u>6,017</u>	<u>-</u>	<u>12,679</u>	<u>4,224</u>	<u>22,920</u>
	<u>\$ 6,017</u>	<u>\$ 765,884</u>	<u>\$ 12,679</u>	<u>\$ 6,060</u>	<u>\$ 790,640</u>

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

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

The composition of interfund balances at June 30, 2015 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 2,343,297	\$ 4,966,875
Bond Redemption Fund	18,769	-
Food Service Fund	324,954	-
Governmental Designated Purpose Grants Fund	89,375	-
Transportation Fund	52,345	-
Kids Corner Fund	17,100	-
Capital Projects Fund	31,163	-
Risk Management – Health Insurance Fund	<u>2,089,872</u>	<u>-</u>
	<u>\$ 4,966,875</u>	<u>\$ 4,966,875</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers

Interfund transfer activity for the year ended June 30, 2015 is as follows:

	Transfers From <u>Other Funds</u>	Transfers To <u>Other Funds</u>
General Fund	\$ -	\$ 464,471
Pupil Activity Fund	94,983	-
Transportation Fund	362,136	-
Kids Corner Fund	<u>7,352</u>	<u>-</u>
	<u>\$ 464,471</u>	<u>\$ 464,471</u>

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance <u>06/30/14</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/15</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 15,765,500	\$ -	\$ -	\$ 15,765,500
Construction in progress	<u>663,815</u>	<u>566,067</u>	<u>663,815</u>	<u>566,067</u>
Total capital assets not being depreciated	<u>16,429,315</u>	<u>566,067</u>	<u>663,815</u>	<u>16,331,567</u>
Capital assets being depreciated:				
Buildings and improvements	189,082,445	7,847,289	-	196,929,734
Equipment	<u>19,315,617</u>	<u>714,151</u>	<u>-</u>	<u>20,029,768</u>
Total capital assets being depreciated	<u>208,398,062</u>	<u>8,561,440</u>	<u>-</u>	<u>216,959,502</u>
Less accumulated depreciation for:				
Buildings and improvements	(58,315,800)	(5,867,406)	-	(64,183,206)
Equipment	<u>(15,465,454)</u>	<u>(1,402,529)</u>	<u>-</u>	<u>(16,867,983)</u>
Total accumulated depreciation	<u>(73,781,254)</u>	<u>(7,269,935)</u>	<u>-</u>	<u>(81,051,189)</u>
Total capital assets being depreciated, net	<u>134,616,808</u>	<u>1,291,505</u>	<u>-</u>	<u>135,908,313</u>
Governmental activities capital assets, net	<u>\$ 151,046,123</u>	<u>\$ 1,857,572</u>	<u>\$ (663,815)</u>	<u>\$ 152,239,880</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

Instruction	\$ 6,285,407
General Administration	466,844
Operation and Maintenance	36,365
Student Transportation	290,885
Central Services	<u>190,434</u>
	<u>\$ 7,269,935</u>

NOTE 8 – ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. The salaries and benefits earned, but unpaid, as of June 20, 2015, are \$9,255,886. Accordingly, the accrued compensation is reflected as a liability in the accompanying Government-Wide Statement of Net Position.

NOTE 9 - LONG-TERM LIABILITIES

General Obligation Bonds

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

General Obligation bonds payable at June 30, 2015 are as follows:

	<u>Principal Balance</u>
\$12,675,000 of general obligation refunding bonds series 2006B; interest due semi-annually with rates ranging from 4.0% to 5.0%, principal due annually through 2018 in payments of \$1,195,000 to \$1,820,000.	\$ 6,830,000
\$23,315,000 of general obligation refunding bonds series 2006; interest due semi-annually with rates ranging from 3.55% to 5.0%, principal due annually through 2021 in payments of \$1,800,000 to \$2,855,000.	17,450,000
\$3,470,000 of general obligation refunding bonds series 2013; interest due semi-annually with rates ranging from 2.00% to 4.00%; principal due annually through 2015 in payments of \$45,000 to \$1,740,000.	<u>1,740,000</u>
	<u>\$ 26,020,000</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds (Continued)

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

Fiscal Year Ending June 30	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,495,000	\$ 1,098,828
2017	3,925,000	895,731
2018	4,115,000	707,556
2019	4,300,000	503,725
2020	2,605,000	337,613
2021 – 2022	<u>5,580,000</u>	<u>282,250</u>
Total	<u>\$ 26,020,000</u>	<u>\$ 3,825,703</u>

Legal Debt Margin

Assessed valuation	<u>\$ 689,724,560</u>
Debt limit – 20% of assessed valuation	137,944,912
General obligation debt	<u>26,020,000</u>
	<u>\$ 111,924,912</u>

Certificates of Participation

In February 2015, the District issued \$70,575,000 in Refunding Certificates of Participation, Series 2015. Principal payments are due annually on December 15 and interest payments are due on June 15 and December 15, through December 2039. Interest accrues at rates ranging from 2.00% to 5.00%. Proceeds of the Certificates were used to advance refund Certificates of Participation, Series 2006 and 2007A.

Future debt service requirements of the Certificates of Participation are as follows:

Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,230,000	\$ 2,917,638
2017	1,705,000	2,878,287
2018	1,740,000	2,826,438
2019	1,810,000	2,755,437
2020	1,880,000	2,672,238
2021-2025	10,705,000	12,064,000
2026-2030	13,460,000	9,215,862
2031-2035	16,810,000	5,840,519
2036-2040	<u>20,235,000</u>	<u>2,338,162</u>
Total	<u>\$ 70,575,000</u>	<u>\$ 43,508,581</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Advance Refunding

The District issued \$70,575,000 in Refunding Certificates of Participation, Series 2015 with interest rates ranging from 2.0% to 5.0%. The proceeds were used to advance refund \$44,380,000 of outstanding 2006 Series Certificates of Participation which had interest rates ranging from 4.25% to 5.00% and \$33,140,000 of outstanding 2007A Series Certificates of Participation which had interest rates ranging from 4.00% to 5.00%. The net proceeds of \$85,197,394 (including a \$6,353,565 premium, \$9,000,000 funds on hand, and after payment of \$731,170 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded Certificates of Participation. As a result, the 2006 and 2007A Series refunding Certificates of Participation are considered defeased and the liability for those Certificates has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$5,457,571. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2006 and 2007A Series Certificates of Participation to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,595,321.

Prior Year Defeasance of Debt

In prior years, the District has defeased various bond and certificate of participation issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2015, the amount of defeased debt outstanding amounted to \$105,005,000.

Capital Leases

The District has entered into capital lease agreements to purchase property, portable buildings, and equipment. The lease terms range from five to fifteen years with annual interest rates from 4.0% to 8.5%. Capital assets of \$13,115,955 have been capitalized under these leases.

Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Buildings and improvements	\$ 11,649,071
Equipment	1,466,884
Less: Accumulated depreciation	<u>(5,003,043)</u>
Total	<u>\$ 8,112,912</u>

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows

<u>Year Ending June 30</u>	
2016	\$ 718,086
2017	443,834
2018	443,834
2019	443,834
2020	443,834
2021 – 2025	2,219,170
2026 – 2030	<u>1,710,710</u>
Total minimum lease payments	6,423,302
Less: amount representing interest	<u>(1,901,873)</u>
Present value of minimum lease payments	<u>\$ 4,521,429</u>

Changes in Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the year ended June 30, 2015:

	<u>Balance</u> <u>06/30/14</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/15</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 31,300,000	\$ -	\$ 5,280,000	\$ 26,020,000	\$ 5,495,000
Bond premiums	<u>908,447</u>	<u>-</u>	<u>236,096</u>	<u>672,351</u>	<u>-</u>
Total bonds payable	32,208,447	-	5,516,096	26,692,351	5,495,000
Certificates of participation	79,945,000	70,575,000	79,945,000	70,575,000	-
COP premium	1,633,130	6,353,565	1,716,730	6,269,965	-
Capital lease obligations	1,751,960	3,650,000	880,531	4,521,429	471,505
Compensated absences	<u>967,365</u>	<u>8,050</u>	<u>-</u>	<u>975,415</u>	<u>-</u>
<i>Total Governmental Activities</i>	<u>\$ 116,505,902</u>	<u>\$ 80,586,615</u>	<u>\$ 88,058,357</u>	<u>\$ 109,034,160</u>	<u>\$ 5,966,505</u>

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District accounts for and finances its risk activities in the General and Health Insurance Internal Service Funds.

The District purchases commercial insurance for property, liability and worker's compensation risks of loss. Under the District's employee health plan, the District provides coverage for up to a maximum of \$250,000 per employee for each calendar year. Settlements have not exceeded premiums for each of the past three fiscal years.

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

Changes in the claims liability for the year ended June 30, 2015 are as follows:

Net claims payable as of 6/30/2014	\$ 280,000
Claims presented	6,843,653
Claims paid	<u>(6,676,780)</u>
Net claims payable as of 6/30/2015	<u>\$ 446,873</u>

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

COLORADO DIGITAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES

The District in conjunction with other surrounding districts created the Colorado Digital Board of Cooperative Educational Services (BOCES). The BOCES is an organization that utilizes research based learning and technology applications to provide an innovative model of public school education adapted to the needs of elementary, middle and high school students throughout the State of Colorado. The District does not have an ongoing financial interest in or responsibility for the BOCES. Financial statements for the BOCES can be obtained from their office at 4035 Tutt Blvd, Colorado Springs, 80922.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Falcon School District 49 are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. §24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions. Eligible employees and Falcon School District 49 are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. §24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF	16.43%	17.33%

Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Falcon School District 49 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Falcon School District 49 were \$9,227,592 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Falcon School District 49 reported a liability of \$176,938,723 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Falcon School District 49 proportion of the net pension liability was based on Falcon School District 49 contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the Falcon School District 49's proportion was 1.3054972089 percent, which was an increase of 0.0169632647 percent from its proportion measured as of December 31, 2013.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the Falcon School District 49 recognized pension expense of \$11,391,405. At June 30, 2015, the Falcon School District 49 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	3,377,633	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	4,613,796	-
Total	\$ 7,991,429	\$ -

\$4,613,796 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,356,338
2017	\$ 1,356,338
2018	\$ 664,957

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; And DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Falcon School District 49 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$233,309,871	\$176,938,723	\$129,755,117

Pension plan fiduciary net position. Detailed information about the SCHDTP's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 13 – POST-EMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan description. The Falcon School District 49 contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The Falcon School District 49 is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Falcon School District 49 are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014, and 2013 the Falcon School District 49 contributions to the HCTF were \$565,956, \$543,706, and \$511,971, respectively, equal to their required contributions for each year.

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 – FORWARD AND DELIVERY INVESTMENT AGREEMENT

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

The amount received under this agreement is being amortized over the term of the agreement for GAAP purposes, rather than in full in the fiscal year ended June 30, 2003, with the unamortized balance reflected as unearned revenue. The following GAAP-basis schedule shows the amounts of revenue recognized and the remaining balance treated as unearned revenue as of and for the year ended June 30, 2015:

	<u>Revenue Recognized</u>	<u>Unearned Revenue</u>
Fiscal Year Ending June 30, 2015	\$ <u>88,571</u>	\$ <u>88,571</u>

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Grants

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

Legal

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

NOTE 16 - TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

FALCON SCHOOL DISTRICT 49
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

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

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

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

The Amendment requires Emergency Reserves to be established. These reserves must be 3 percent of Fiscal Year Spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. As of June 30, 2015 the District reserved \$3,200,000 in the General Fund for this purpose.

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

REQUIRED SUPPLEMENTARY INFORMATION

FALCON SCHOOL DISTRICT 49
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2015

	<u>2013</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	1.2885339442%	1.3054972089%
District's proportionate share of the net pension liability (asset)	\$ 164,352,157	\$ 176,938,723
District's covered-employee payroll	\$ 51,944,906	\$ 54,690,968
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2015

	<u>2013</u>	<u>2014</u>
Contractually required contribution	\$ 8,067,044	\$ 8,985,726
Contributions in relation to the contractually required contribution	<u>(8,067,044)</u>	<u>(8,985,726)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 51,944,906	\$ 54,690,968
Contributions as a percentage of covered-employee payroll	15.53%	16.43%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 22,921,433	\$ 23,436,166	\$ 18,235,563	\$ (5,200,603)
Specific ownership taxes	3,001,600	3,001,600	2,762,983	(238,617)
State sources	67,131,844	70,195,582	77,679,084	7,483,502
Federal sources	953,590	953,590	595,161	(358,429)
Other local revenue	3,126,357	3,014,431	3,036,716	22,285
Total revenues	97,134,824	100,601,369	102,309,507	1,708,138
EXPENDITURES				
Instruction	49,857,691	51,775,683	52,785,131	(1,009,448)
Supporting services				
Student support	4,643,703	5,136,500	5,394,599	(258,099)
Instructional staff	4,046,369	4,246,829	4,084,794	162,035
General administration	1,420,829	3,213,048	693,304	2,519,744
School administration	7,690,275	7,897,654	8,233,071	(335,417)
Business services	1,402,516	1,357,141	1,338,270	18,871
Operations and maintenance	8,570,611	8,628,143	9,589,630	(961,487)
Student transportation	1,862,374	1,862,374	2,360,484	(498,110)
Central support service	5,366,624	5,119,447	5,401,873	(282,426)
Other support services	1,061,903	1,219,490	2,158	1,217,332
Community services	-	-	1,531	(1,531)
Facilities acquisition & construction	3,220,951	4,599,756	5,140,037	(540,281)
Debt service	6,325,313	15,511,023	7,236,487	8,274,536
Contingency reserves	864,900	960,002	-	960,002
Total expenditures	96,334,059	111,527,090	102,261,369	9,265,721
Excess (deficiency) of revenues over expenditures	800,765	(10,925,721)	48,138	10,973,859
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	(464,471)	(464,471)
Refunding bond proceeds	-	-	74,313,571	74,313,571
Refunding bond premium	-	-	6,353,565	6,353,565
Payment to bond escrow agent	-	-	(85,197,394)	(85,197,394)
Total other financing sources (uses)	-	-	(4,994,729)	(4,994,729)
Net change in fund balance	800,765	(10,925,721)	(4,946,591)	5,979,130
Fund balance - beginning	24,738,626	25,263,705	25,846,595	582,890
Fund balance - ending	\$ 25,539,391	\$ 14,337,984	\$ 20,900,004	\$ 6,562,020

See the accompanying independent auditors' report.

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

BOND REDEMPTION FUND

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

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

FALCON SCHOOL DISTRICT 49
BOND REDEMPTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 7,452,752	\$ 7,732,759	\$ 280,007
Interest	18,000	(2,297)	(20,297)
	<u>7,470,752</u>	<u>7,730,462</u>	<u>259,710</u>
EXPENDITURES			
Debt Service			
Principal retirement	5,305,000	5,280,000	25,000
Interest and fiscal charges	1,369,881	1,313,584	56,297
	<u>6,674,881</u>	<u>6,593,584</u>	<u>81,297</u>
Net change in fund balance	795,871	1,136,878	341,007
Fund balance - beginning	<u>14,641,013</u>	<u>14,641,013</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 15,436,884</u></u>	<u><u>\$ 15,777,891</u></u>	<u><u>\$ 341,007</u></u>

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Food Service Fund

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

Governmental Designated-Purpose Grant Fund

This fund is used to record financial transactions for grants received for designated programs funded by the federal government.

Pupil Activity Fund

This fund is used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities.

Transportation Fund

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

Kids Corner Fund

This fund is a pupil activity fund. It is used to record financial transactions related to the Kids Corner program.

Capital Projects Fund

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

**FALCON SCHOOL DISTRICT 49
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Food Service Fund	Governmental Designated- Purpose Grants Fund	Pupil Activity Fund	Transportation Fund	Kids Corner Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 920,075	\$ -	\$ -	\$ 2,394	\$ 1,398	\$ 171,377	\$ 1,095,244
Accounts receivable	4,224	-	-	12,679	-	-	16,903
Grants receivable	1,836	764,048	-	-	-	-	765,884
Due from agency funds	-	-	952,276	-	-	-	952,276
Due from other funds	324,954	89,375	-	52,345	17,100	31,163	514,937
Inventories	196,827	-	-	-	-	-	196,827
Total assets	<u>\$ 1,447,916</u>	<u>\$ 853,423</u>	<u>\$ 952,276</u>	<u>\$ 67,418</u>	<u>\$ 18,498</u>	<u>\$ 202,540</u>	<u>\$ 3,542,071</u>
LIABILITIES							
Accounts payable and other accrued liabilities	\$ 153,732	\$ 145,293	\$ 2,081	\$ 5,478	\$ 813	\$ 42,520	\$ 349,917
Accrued salaries and benefits	51,098	99,889	-	61,940	17,685	-	230,612
Unearned revenue	-	608,241	-	-	-	-	608,241
Total liabilities	<u>204,830</u>	<u>853,423</u>	<u>2,081</u>	<u>67,418</u>	<u>18,498</u>	<u>42,520</u>	<u>1,188,770</u>
FUND BALANCES							
Nonspendable	196,826	-	-	-	-	-	196,826
Committed for:							
Capital Projects	-	-	-	-	-	160,020	160,020
Assigned:							
Food Services	1,046,260	-	-	-	-	-	1,046,260
Pupil activities	-	-	950,195	-	-	-	950,195
Total fund balances	<u>1,243,086</u>	<u>-</u>	<u>950,195</u>	<u>-</u>	<u>-</u>	<u>160,020</u>	<u>2,353,301</u>
Total liabilities and fund balances	<u>\$ 1,447,916</u>	<u>\$ 853,423</u>	<u>\$ 952,276</u>	<u>\$ 67,418</u>	<u>\$ 18,498</u>	<u>\$ 202,540</u>	<u>\$ 3,542,071</u>

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Food Service Fund	Governmental Designated- Purpose Grants Fund	Pupil Activity Fund	Transportation Fund	Kids Corner Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES							
Local sources	\$ 1,670,494	\$ 224,821	\$ 894,099	\$ 326,682	\$ 311,677	\$ 89,959	\$ 3,517,732
State sources	65,521	10,847	-	465,148	-	-	541,516
Federal sources	1,906,560	4,418,310	-	-	-	-	6,324,870
Total revenues	3,642,575	4,653,978	894,099	791,830	311,677	89,959	10,384,118
EXPENDITURES							
Instruction	-	3,160,905	810,245	-	274,233	-	4,245,383
Supporting services	-	1,492,295	21,395	1,153,966	44,796	-	2,712,452
Community services	-	778	-	-	-	-	778
Facilities acquisition & construction	-	-	-	-	-	42,520	42,520
Food Service	3,563,638	-	-	-	-	-	3,563,638
Total expenditures	3,563,638	4,653,978	831,640	1,153,966	319,029	42,520	10,564,771
Excess (deficiency) of revenues over expenditures	78,937	-	62,459	(362,136)	(7,352)	47,439	(180,653)
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	-	-	94,983	362,136	7,352	-	464,471
Net change in fund balances	78,937	-	157,442	-	-	47,439	283,818
Fund balances - beginning	1,164,149	-	792,753	-	-	112,581	2,069,483
Fund balances - ending	\$ 1,243,086	\$ -	\$ 950,195	\$ -	\$ -	\$ 160,020	\$ 2,353,301

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 1,823,434	\$ 1,670,494	\$ (152,940)
State sources	15,674	65,521	49,847
Federal sources	1,722,666	1,906,560	183,894
	<u>3,561,774</u>	<u>3,642,575</u>	<u>80,801</u>
EXPENDITURES			
Salaries	1,054,353	1,096,519	(42,166)
Employee benefits	313,741	327,257	(13,516)
Purchased services	137,344	181,975	(44,631)
Supplies	2,007,121	1,863,861	143,260
Equipment	10,000	184	9,816
Other	24,215	28,722	(4,507)
Indirect costs	15,000	65,120	(50,120)
	<u>3,561,774</u>	<u>3,563,638</u>	<u>(1,864)</u>
Total expenditures			
	<u>3,561,774</u>	<u>3,563,638</u>	<u>(1,864)</u>
Net change in fund balances	-	78,937	78,937
Fund balances - beginning	<u>1,371,412</u>	<u>1,164,149</u>	<u>(207,263)</u>
Fund balances - ending	<u><u>\$ 1,371,412</u></u>	<u><u>\$ 1,243,086</u></u>	<u><u>\$ (128,326)</u></u>

See the accompanying independent auditor's report

FALCON SCHOOL DISTRICT 49
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 272,539	\$ 224,821	\$ (47,718)
State sources	-	10,847	10,847
Federal sources	5,727,461	4,418,310	(1,309,151)
	<u>6,000,000</u>	<u>4,653,978</u>	<u>(1,346,022)</u>
EXPENDITURES			
Salaries	3,962,940	2,021,240	1,941,700
Benefits	989,308	549,907	439,401
Purchased Services	1,499,479	1,324,671	174,808
Supplies	(923,394)	397,624	(1,321,018)
Property and Equipment	242,472	341,716	(99,244)
Other	229,195	18,820	210,375
	<u>6,000,000</u>	<u>4,653,978</u>	<u>1,346,022</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditor's report

FALCON SCHOOL DISTRICT 49
PUPIL ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	1,048,819	\$ 894,099	\$ (154,720)
Total revenues	1,048,819	894,099	(154,720)
EXPENDITURES			
Instruction	1,258,200	810,245	447,955
Supporting services			
Student support	33,224	21,395	11,829
Total expenditures	1,291,424	831,640	459,784
Excess (deficiency) in revenues over expenditures	(242,605)	62,459	305,064
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	111,419	94,983	(16,436)
Net change in fund balance	(131,186)	157,442	288,628
Fund balance - beginning	791,209	792,753	1,544
Fund balance - ending	\$ 660,023	\$ 950,195	\$ 290,172

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 254,500	\$ 326,144	\$ 71,644
State revenue	462,000	465,148	3,148
Interest	-	538	538
	<u>716,500</u>	<u>791,830</u>	<u>75,330</u>
EXPENDITURES			
Salaries	590,965	585,819	5,146
Employee benefits	331,141	322,581	8,560
Fuel charges	233,524	221,913	11,611
Other expenses	15,000	23,653	(8,653)
	<u>1,170,630</u>	<u>1,153,966</u>	<u>16,664</u>
Excess (deficiency) of revenues over expenditures	<u>(454,130)</u>	<u>(362,136)</u>	<u>91,994</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>454,130</u>	<u>362,136</u>	<u>(91,994)</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
KIDS CORNER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 321,635	\$ 311,677	\$ (9,958)
Total revenues	321,635	311,677	(9,958)
EXPENDITURES			
Instruction	276,473	274,233	2,240
Supporting services			
School administration	13,973	13,860	113
Business services	1,532	1,520	12
Operations and maintenance	28,641	28,409	232
Central	1,015	1,007	8
Total expenditures	321,635	319,029	2,606
Excess (deficiency) in revenues over expenditures	-	(7,352)	(7,352)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	7,352	7,352
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -

See the accompanying independent auditor's report

FALCON SCHOOL DISTRICT 49
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other local revenue	\$ 75,000	\$ 89,959	\$ 14,959
Total revenues	75,000	89,959	14,959
EXPENDITURES			
Facilities acquisition & construction	75,000	42,520	32,480
Total expenditures	75,000	42,520	32,480
Net change in fund balance	-	47,439	47,439
Fund balance - beginning	112,581	112,581	-
Fund balance - ending	\$ 112,581	\$ 160,020	\$ 47,439

See the accompanying independent auditors' report.

INTERNAL SERVICE FUND

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

Risk Management Fund

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

FALCON SCHOOL DISTRICT 49
RISK MANAGEMENT - HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Premiums & employer contributions	\$ 8,115,300	\$ 7,454,343	\$ (660,957)
Refunds & other revenue	80,200	801,629	721,429
Total operating revenues	8,195,500	8,255,972	60,472
OPERATING EXPENSES			
Purchased medical services & supplies	6,747,600	6,677,410	70,190
Purchased management services	1,347,500	1,212,588	134,912
Contingency reserve	102,100	-	102,100
Total operating expenses	8,197,200	7,889,998	307,202
Operating income (loss)	(1,700)	365,974	367,674
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,700	1,310	(390)
Total non-operating revenue (expenses)	1,700	1,310	(390)
Change in net position	-	367,284	367,284
Net position - beginning	2,428,078	1,954,346	(473,732)
Net position - ending	\$ 2,428,078	\$ 2,321,630	\$ (106,448)

See the accompanying independent auditors' report.

FIDUCIARY FUNDS

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

Private-Purpose Trust Fund

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

Agency Fund

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

FALCON SCHOOL DISTRICT 49
PRIVATE-PURPOSE TRUST FUND - SCHOLARSHIP FUND
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30,2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
ADDITIONS			
Fundraising activities	\$ 200	\$ 24	\$ (176)
Total additions	200	24	(176)
DEDUCTIONS			
Scholarships awarded	7,286	-	7,286
Total deductions	7,286	-	7,286
Change in net position	(7,086)	24	7,110
Net position - beginning	7,086	7,086	-
Net position - ending	\$ -	\$ 7,110	\$ 7,110

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
AGENCY FUND - PUPIL ACTIVITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Balance 06/30/14	Additions/ Revenues	Deletions/ Expenditures	Balance 06/30/15
ASSETS				
Cash and cash equivalents	\$ 173,403	\$ 2,465,845	\$ 1,994,596	\$ 644,652
Due to/from other funds	<u>122,031</u>	<u>308,325</u>	<u>122,031</u>	<u>308,325</u>
Total assets	<u><u>\$ 295,434</u></u>	<u><u>\$ 2,774,170</u></u>	<u><u>\$ 2,116,627</u></u>	<u><u>\$ 952,977</u></u>
LIABILITIES				
Accounts payable	\$ 10,561	\$ 28,796	\$ 10,561	\$ 28,796
Payable to primary government	-	952,276	-	952,276
Due to student organizations	<u>284,873</u>	<u>1,793,098</u>	<u>2,106,066</u>	<u>(28,095)</u>
Total liabilities	<u><u>\$ 295,434</u></u>	<u><u>\$ 2,774,170</u></u>	<u><u>\$ 2,116,627</u></u>	<u><u>\$ 952,977</u></u>

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
AGENCY FUND - PUPIL ACTIVITY
SCHEDULE OF CHANGES IN DUE TO STUDENT ORGANIZATIONS
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Favorable/ (Unfavorable)
ADDITIONS			
Pupil Activities	\$ 3,487,072	\$ 1,793,098	\$ (1,693,974)
DEDUCTIONS			
Pupil Activities	4,561,854	2,106,066	2,455,788
Change in Due to Student Organizations	(1,074,782)	(312,968)	761,814
Due to student organizations - beginning	1,074,782	284,873	(789,909)
Due to student organizations - ending	\$ -	\$ (28,095)	\$ (28,095)

See the accompanying independent auditors' report.

COMPONENT UNITS

FALCON SCHOOL DISTRICT 49
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	GOAL Academy	Total
ASSETS						
Cash and cash equivalents	\$ 1,411,541	\$ 2,149,932	\$ 2,199,842	\$ 1,262,857	\$ 4,019,091	\$ 11,043,263
Restricted cash and cash equivalents	684,902	956,129	-	-	-	1,641,031
Investments	-	-	3,518,509	-	-	3,518,509
Receivables	44,823	-	47,454	46,532	316,788	455,597
Prepaid expenses	-	8,889	206,467	103,490	294,135	612,981
Deposits	-	-	25,135	-	24,453	49,588
Intergovernmental receivables	-	10,150	16,534	-	256,408	283,092
Capital assets, not being depreciated	548,380	-	1,969,496	-	38,535	2,556,411
Capital assets, net of depreciation	4,461,685	5,320,292	21,079,511	-	2,206,528	33,068,016
Total assets	7,151,331	8,445,392	29,062,948	1,412,879	7,155,938	53,228,488
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension outflows	179,597	-	173,850	247,228	1,587,216	2,187,891
Total deferred outflows of resources	179,597	-	173,850	247,228	1,587,216	2,187,891
LIABILITIES						
Accounts payable and other current liabilities	3,806	182,118	103,829	17,657	1,343,440	1,650,850
Accrued salaries and benefits	103,859	182,197	180,637	-	-	466,693
Accrued interest	32,987	17,860	731,218	-	-	782,065
Unearned revenues	-	-	199,053	-	-	199,053
Long-term liabilities						
Due within one year	105,000	160,000	195,000	-	-	460,000
Due in more than one year	5,870,000	6,955,000	27,404,829	-	-	40,229,829
Net Pension Liability	3,254,533	-	7,559,754	5,197,184	28,282,045	44,293,516
Total liabilities	9,370,185	7,497,175	36,374,320	5,214,841	29,625,485	88,082,006
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	7,340	-	564	95,345	-	103,249
Unavailable revenue - Summit Settlement	-	-	-	-	316,190	316,190
Total deferred inflows of resources	7,340	-	564	95,345	316,190	419,439
NET POSITION						
Net investment in capital assets	(964,935)	(1,794,708)	(4,399,286)	-	2,245,063	(4,913,866)
Restricted for:						
Emergency reserve - TABOR	81,000	151,230	227,535	157,000	680,620	1,297,385
Repairs and replacement	73,771	226,260	-	-	-	300,031
Debt service	578,144	729,869	3,366,973	-	-	4,674,986
Unrestricted	(1,814,577)	1,635,566	(6,333,308)	(3,807,079)	(24,124,204)	(34,443,602)
Total net position	\$ (2,046,597)	\$ 948,217	\$ (7,138,086)	\$ (3,650,079)	\$ (21,198,521)	\$ (33,085,066)

See the accompanying independent auditors' report.

**FALCON SCHOOL DISTRICT 49
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	GOAL Academy	Total
EXPENSES						
Instruction	\$ 1,571,310	\$ 2,558,323	\$ 4,206,110	\$ 2,071,431	\$ 12,062,088	\$ 22,469,262
Supporting services	511,944	2,229,647	3,375,315	3,037,895	12,228,906	21,383,707
Interest and fiscal charges	519,929	573,820	4,158,608	-	-	5,252,357
Total expenses	2,603,183	5,361,790	11,740,033	5,109,326	24,290,994	49,105,326
PROGRAM REVENUES						
Charges for services	130,542	103,293	1,519,036	365,544	-	2,118,415
Operating grants and contributions	14,045	44,853	144,928	73,190	1,461,144	1,738,160
Capital grants and contributions	-	126,992	185,049	111,110	2,288	425,439
Total program revenues	144,587	275,138	1,849,013	549,844	1,463,432	4,282,014
Net expense (revenue)	(2,458,596)	(5,086,652)	(9,891,020)	(4,559,482)	(22,827,562)	(44,823,312)
GENERAL REVENUES						
Per pupil operating revenue	2,569,997	4,778,279	7,148,958	4,725,172	21,787,854	41,010,260
Investment earnings	5,040	1,317	71,156	-	-	77,513
Miscellaneous	119,571	569,581	201,206	141,702	120,722	1,152,782
Total general revenues	2,694,608	5,349,177	7,421,320	4,866,874	21,908,576	42,240,555
Change in net position	236,012	262,525	(2,469,700)	307,392	(918,986)	(2,582,757)
Net position - beginning, as restated	(2,282,609)	685,692	(4,668,386)	(3,957,471)	(20,279,535)	(30,502,309)
Net position - ending	\$ (2,046,597)	\$ 948,217	\$ (7,138,086)	\$ (3,650,079)	\$ (21,198,521)	\$ (33,085,066)

NOTES TO COMBINING STATEMENT OF ACTIVITIES

Per pupil operating revenue is comprised of the following:

	Pikes Peak School of Expeditionary Learning	Banning Lewis Ranch Academy	Rocky Mountain Classical Academy	The Imagine Classical Academy	GOAL Academy	Total
Property tax	\$ 353,494	\$ 657,236	\$ 983,314	\$ 649,931	\$ 2,996,843	\$ 5,640,818
Specific ownership taxes	37,527	69,773	104,390	68,998	318,150	598,838
State equalization	2,178,976	4,051,270	6,061,254	4,006,243	18,472,861	34,770,604
Per pupil operating revenue	\$ 2,569,997	\$ 4,778,279	\$ 7,148,958	\$ 4,725,172	\$ 21,787,854	\$ 41,010,260

See the accompanying independent auditors' report.

COMPLIANCE SECTION

SINGLE AUDIT

FALCON SCHOOL DISTRICT 49
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Child Nutrition Cluster</i>			
Passed Through Colorado Department of Education			
National School Lunch Program	10.555	4555	\$ 1,449,045
School Breakfast Program	10.553	4553	179,488
Summer Food Service Program for Children	10.559		1,837
Passed Through Colorado Department of Human Services			
National School Lunch Program	10.555	4555	276,191
<i>Total Child Nutrition Cluster</i>			<u>1,906,561</u>
U.S. Department of Defense			
Direct Programs			
Reserve Officer Training Corps (ROTC)	12.XXX	9001	146,594
Impact Aid Supplemental	12.558	9005	231,507
Total Department of Defense			<u>378,101</u>
U.S. Department of Education			
Direct Programs			
Impact Aid	84.041	4041	<u>276,736</u>
Passed Through Colorado Department of Education			
<i>Special Education Cluster</i>			
Special Education: Grants to States IDEA Part B	84.027	4027	2,245,968
Special Education: Preschool Grants	84.173	4173	32,845
<i>Total SPED Cluster</i>			<u>2,278,813</u>
No Child Left Behind, Title I, Part A	84.010	4010	1,275,935
Advanced Placement Program	84.330	5330	3,600
English Language Learners, Title III, Part A	84.365	4365, 7365	50,450
Quality Teacher, Title II, Part A	84.367	4367	97,776
Passed through Colorado Community College System			
Vocational Education - Carl Perkins	84.048	4048	67,907
Total U.S. Department of Education			<u>4,051,217</u>
Total Federal Awards			<u><u>\$ 6,335,879</u></u>

See the accompanying independent auditors' report.

FALCON SCHOOL DISTRICT 49
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards, which includes the federal grant activity of Falcon School District 49, is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented or used in the preparation of Falcon School District 49's government-wide financial statements for the year ended June 30, 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. ROTC does not have a CFDA number, so the Federal CFDA number on the Schedule of Expenditures of Federal Awards identifies the Department followed by X's.

NOTE 3 – SUBRECIPIENTS

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
84.041	Impact Aid	\$63,276



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Falcon School District 49

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Falcon School District 49, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Falcon School District 49's basic financial statements, and have issued our report thereon dated February 24, 2016. Our report includes a reference to other auditors who audited the financial statements of discretely presented component units, as described in our report on Falcon School District 49's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2013-001, 2013-002, 2014-001, and 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Falcon School District 49's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
February 24, 2016



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

To the Board of Education
Falcon School District 49

Report on Compliance for Each Major Federal Program

We have audited Falcon School District 49's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Falcon School District 49's major federal programs for the year ended June 30, 2015. Falcon School District 49's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Falcon School District 49's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Falcon School District 49's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Falcon School District 49's compliance.

Opinion on Each Major Federal Program

In our opinion, Falcon School District 49, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Falcon School District 49 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Falcon School District 49's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Falcon School District 49's internal control over compliance.

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

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

Purpose of this Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
February 24, 2016

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 10.553, 10.555, and 10.559	Child Nutrition Cluster
CFDA 84.027 and 84.173	Special Education Cluster

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

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

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section II—Financial Statement Findings

2013-001 Bank Reconciliation Procedures

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

Condition: Standard bank reconciliations were not consistently performed for all bank accounts during the year, and have not been performed consistently for several years.

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

Effect: Ineffective control over cash.

Cause: Not using the effective bank reconciliation procedures.

Recommendation: Bank reconciliations should be processed within the accounting system within two weeks of the end of each month.

Management response: The finance department implemented appropriate bank reconciliation procedures for the second half of the year based on prior year audit findings. Bank reconciliation procedures have been performed consistently and effectively since that time.

2013-002 Segregation of Duties—Journal Entries

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

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

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

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

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

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

Management response: The finance department implemented appropriate segregation of duties over journal entries in October 2014 based on prior year audit findings. Appropriate segregation has been in place since that time.

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section II—Financial Statement Findings (Continued)

2014-001 Review, Reconciliation, and Closing Procedures

Criteria: In order to provide accurate and timely accounting information, effective review and reconciliation policies and procedures are a critical part of the accounting process. A closing process should be in place that requires all balance sheet accounts in each fund be reconciled to supporting schedules.

Condition: Financial information for property taxes receivable and accounts payable included errors in certain balance sheet accounts that were the result of ineffective closing processes.

Context: This finding was noted during substantive testing of balance sheet and revenue balances in the General and Bond Redemption funds.

Effect: Misstated accounts receivable, and accounts payable in the General and Bond Redemption funds.

Cause: Lack of appropriate closing procedures and review by a management level employee of the work performed in these areas.

Recommendation: We recommend that a closing process be implemented that requires all of the balance sheet accounts be reconciled to supporting statements and subsidiary ledgers. Also, we recommend that a management level employee perform a thorough and detailed review of the financial statements, and supporting schedules on a monthly basis and at year end.

Management response: Management will implement procedures that provide for improved closing processes and more thorough review of financial statements and supporting schedules.

2014-002 Recording non-cash transactions

Criteria: Non-cash transactions that are not processed through the District's operating account must be recorded in the financial statements.

Condition: Capital lease proceeds received during the year were not recorded in the general ledger.

Context: This finding was noted during review of general ledger detail and through inquiries of management and accounting personnel.

Effect: Other financing sources and uses of funds were understated in the General Fund.

Cause: Control procedures related to non-cash transactions are not in place.

Recommendation: Management should implement procedures related to the communication of non-cash transactions to the finance department.

FALCON SCHOOL DISTRICT 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section II—Financial Statement Findings (Continued)

Management response: Management is in the process of implementing procedures to ensure that non-cash transactions are properly recorded.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

STATE COMPLIANCE



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

To the Board of Education
Falcon School District 49

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Falcon School District 49, as of and for the year ended June 30, 2015, which collectively comprise Falcon School District 49's basic financial statements, and our report thereon dated February 24, 2016, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents. Other auditors audited the financial statements of Pikes Peak School of Expeditionary Learning and Imagine Charter School at Indigo Ranch, as described in our report on the District's financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Falcon School District 49's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
February 24, 2016



Colorado Department of Education
Auditors Integrity Report
District: 1110 - FALCON 49
Fiscal Year 2014-15
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	25,470,054	181,461,141	186,386,237	20,544,958
18 Risk Mgmt Sub-Fund of General Fund	283,898	638,631	660,128	262,402
19 Colorado Preschool Program Fund	92,644	412,399	412,399	92,644
Sub- Total	25,846,596	182,512,171	187,458,763	20,900,004
11 Charter School Fund	8,321,879	44,047,776	42,293,321	10,076,334
20,26-29 Special Revenue Fund	0	543,850	543,850	0
21 Food Service Spec Revenue Fund	1,164,149	3,642,575	3,563,637	1,243,086
22 Govt Designated-Purpose Grants Fund	0	4,429,158	4,429,158	0
23 Pupil Activity Special Revenue Fund	792,753	989,083	831,641	950,195
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	1,153,967	1,153,967	0
31 Bond Redemption Fund	14,641,013	7,730,462	6,593,583	15,777,891
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	112,581	89,959	42,520	160,020
Totals	50,878,970	245,138,999	246,910,439	49,107,530
Proprietary				
50 Other Enterprise Funds	-1,171,336	2,998,690	5,252,358	-3,425,004
64 (63) Risk-Related Activity Fund	1,954,346	3,105,271	2,737,987	2,321,630
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	783,010	6,103,961	7,990,345	-1,103,374
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	7,086	24	0	7,110
74 Pupil Activity Agency Fund	360,940	1,892,779	2,184,963	68,755
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	368,026	1,892,803	2,184,963	75,865

FINAL

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

