

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

ANNUAL REPORT

JUNE 30, 2012

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	4 – 6
Management's Discussion and Analysis	7 – 10
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
Fund Financial Statements (Continued):	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	18
Statement of Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Assets	22
Statement of Changes in Fiduciary Net Assets	23
Notes to the Financial Statements	24 – 41
 SUPPLEMENTARY INFORMATION:	
Combining Statements – Nonmajor Governmental Funds	43
Combining Balance Sheet – Nonmajor Governmental Funds	44

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
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 <u>Government Auditing Standards</u>	45 – 47
Management Letter Comments	49 – 51
ADDITIONAL INFORMATION:	
Balance Sheet – School Activity Fund	53
Statement of Revenue, Expenditures and Changes in Fund Balance – School Activity Fund	54



Chestnut Centre
410 West Chestnut Street STE. 237
Louisville, KY 40202-2342

(502) 583-5381
(800) 456-7531
FAX (502) 582-2516

INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anchorage Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of Anchorage Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Anchorage Independent School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012, on our consideration of the Anchorage Independent School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 7 through 10 and pages 17 through 18 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 any opinion or provide any assurance.

State Committee for School District Audits
Members of the Board of Education
Anchorage Independent School District
Page -3-

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and additional information are presented for the purpose of additional analysis and are not a required part of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken 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.

Amick & Company

Louisville, Kentucky
October 9, 2012

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
ANCHORAGE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2012**

As management of the Anchorage Independent School District “the District”, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for all funds of the District was \$2,574,803 and the ending balance was \$2,305,073, a decrease of \$269,730 for the year, principally due to the District’s extensive renovation project (see below).
- The General Fund had \$6,421,006 in revenue, which included \$955,344 of payments made by the State on behalf of the District for health insurance and flex spending. The major categories of revenue consisted primarily of property, motor vehicle and occupational license taxes. The District also received significant revenues from State SEEK funds of \$578,209.
- The District’s bonded debt decreased by \$188,009.
- The District remains committed to considering teacher salaries as an important part of the overall budget. The pay increase for FY12 was 1%.
- The District went through a Strategic Planning Process during the fiscal year with the Wunderlin Company. The Strategic Planning Process identified 25 goals which will help guide the District into the future.
- The District held a centennial celebration during the fiscal year. Anchorage alumni from around the country were in attendance to celebrate the 100 years Anchorage School has been serving the community.
- The Anchorage Parent Teacher Association generously donated a new state of the art playground. It was recently dedicated with a large crowd who enjoyed Graters Ice Cream donated by the Anchorage Alumni Association.
- The District went through an extensive renovation project which remodeled the lower level and main hall of the school, replaced several roofs, and paved the front drive and parking spaces. The total cost of the project was \$681,107.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The District-wide financial statements can be found on pages 11 and 12

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District 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: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our day care program, and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 and 15.

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.

The notes to the financial statements can be found on pages 24 through 41.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,176,324 as of June 30, 2012.

A portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, technology and general equipment), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to its 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.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

	<u>For the year ended June 30</u>	
	<u>2012</u>	<u>2011</u>
Current Assets	\$ 2,506,962	\$ 2,863,607
Non-current Assets	<u>5,619,391</u>	<u>5,149,200</u>
Total Assets	\$ <u>8,126,353</u>	\$ <u>8,012,807</u>
Current Liabilities	\$ 764,849	\$ 818,504
Non-current Liabilities	<u>1,145,875</u>	<u>1,335,130</u>
Total Liabilities	<u>1,910,724</u>	<u>2,153,634</u>
Net Assets		
Investment in capital assets (net of debt)	4,379,869	3,743,005
Unreserved Fund Balance	<u>1,835,760</u>	<u>2,116,168</u>
Total Net Assets	<u>6,215,629</u>	<u>5,859,173</u>
Total Liabilities and Net Assets	\$ <u>8,126,353</u>	\$ <u>8,012,807</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2012, net of on-behalf payments were \$5,465,662.
- General fund budget compared to actual revenue (net of on-behalf payments) varied from line item to line item with the ending actual balance being \$215,360 more than budgeted.
- General fund budget expenditures to actual expenditures (net of on-behalf payments) varied from line item to line item with the actual balance being \$1,667,207 less than budgeted.
- Expenditures exceeded revenues with the actual balance being \$299,344 for a unfavorable result.

The following table presents a summary of General Fund revenue and expense.

	<u>For the year ended June 30</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Local revenue sources	\$ 4,718,130	\$ 4,548,893
State revenue sources	1,684,115	1,468,585
Earnings on investments	<u>18,761</u>	<u>23,698</u>
Total Revenues	\$ <u>6,421,006</u>	\$ <u>6,041,176</u>

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

	<u>2012</u>	<u>2011</u>
Expenses:		
Instruction	\$ 3,341,970	\$ 3,090,393
Student support services	102,100	95,996
Instructional support	908,628	781,880
District administration	291,484	303,457
School administration	397,544	388,515
Business support	410,120	466,808
Plant operations	<u>1,268,504</u>	<u>612,335</u>
Total Expenses	\$ <u>6,720,350</u>	\$ <u>5,739,384</u>
Revenue in Excess of Expenditures	\$ <u>(299,344)</u>	\$ <u>301,792</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$400,347 in contingency. The beginning cash balance for the next fiscal year is \$2,277,509.

Many of the program grants are continuation programs that we have become reliant on to service our students. However, decreases in grants and state funding along with the added burden of health insurance costs and matching retirement for employees have significantly reduced the dollars available for teacher salaries and other program support.

Questions regarding this report should be directed to Don Cravens, Superintendent, or to Jonathan Travis, Finance Officer, at 502-245-8927, Jon.Travis@Anchorage.kyschools.us or by mail at 11400 Ridge Road, Anchorage, KY 40223.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	GOVERNMENTAL <u>ACTIVITIES</u>	BUSINESS - TYPE <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,277,509	\$ 27,564	\$ 2,305,073
Accounts receivable			
Taxes - current	67,018	-	67,018
Taxes - prior years	51,355	-	51,355
Other	58,397	-	58,397
Inventories	-	5,703	5,703
Debt issuance costs, net	19,416	-	19,416
Total Current Assets	<u>2,473,695</u>	<u>33,267</u>	<u>2,506,962</u>
CAPITAL ASSETS			
Capital assets	9,546,707	56,563	9,603,270
Less accumulated depreciation	<u>(3,934,613)</u>	<u>(49,266)</u>	<u>(3,983,879)</u>
Total Capital Assets	<u>5,612,094</u>	<u>7,297</u>	<u>5,619,391</u>
TOTAL ASSETS	<u>\$ 8,085,789</u>	<u>\$ 40,564</u>	<u>\$ 8,126,353</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 492,625	\$ 1,259	\$ 493,884
Cash overdraft	26,701	-	26,701
Current portion of bonds payable	189,255	-	189,255
Current portion of capital leases payable	-	-	-
Current portion of accrued sick leave	27,478	-	27,478
Deferred revenue	27,531	-	27,531
Total Current Liabilities	<u>763,590</u>	<u>1,259</u>	<u>764,849</u>
NONCURRENT LIABILITIES			
Bonds payable	1,042,970	-	1,042,970
Capital leases payable	-	-	-
Noncurrent portion of accrued sick leave	102,905	-	102,905
Total Noncurrent Liabilities	<u>1,145,875</u>	<u>-</u>	<u>1,145,875</u>
TOTAL LIABILITIES	<u>\$ 1,909,465</u>	<u>\$ 1,259</u>	<u>\$ 1,910,724</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 4,379,869	\$ -	\$ 4,379,869
Unrestricted	1,796,455	39,305	1,835,760
TOTAL NET ASSETS	<u>\$ 6,176,324</u>	<u>\$ 39,305</u>	<u>\$ 6,215,629</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Activities

District Wide

For the year ended June 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 3,510,118	\$ 1,630	\$ 244,148	\$ 9,000	\$ (3,255,340)	\$ -	\$ (3,255,340)
Support Services:							
Student	125,139	84,978	-	-	(40,161)	-	(40,161)
Instruction staff	908,628	-	-	-	(908,628)	-	(908,628)
District Administrative	282,685	-	-	-	(282,685)	-	(282,685)
School Administrative	397,544	-	-	-	(397,544)	-	(397,544)
Business	410,120	-	-	-	(410,120)	-	(410,120)
Plant operation and maintenance	587,397	-	-	-	(587,397)	-	(587,397)
Facilities acquisition and construction	-	-	-	-	-	-	-
Interest on long-term debt	41,530	-	-	-	(41,530)	-	(41,530)
Depreciation and amortization	276,591	-	-	-	(276,591)	-	(276,591)
Total Governmental Activities	<u>6,539,752</u>	<u>86,608</u>	<u>244,148</u>	<u>9,000</u>	<u>(6,199,996)</u>	<u>-</u>	<u>(6,199,996)</u>
Business-type Activities							
Food service	211,014	174,639	13,189	-	-	(23,186)	(23,186)
Day care	680	1,260	-	-	-	580	580
Total Business-type Activities	<u>211,694</u>	<u>175,899</u>	<u>13,189</u>	<u>-</u>	<u>-</u>	<u>(22,606)</u>	<u>(22,606)</u>
Total School District	<u>\$ 6,751,446</u>	<u>\$ 262,507</u>	<u>\$ 257,337</u>	<u>\$ 9,000</u>	<u>\$ (6,199,996)</u>	<u>\$ (22,606)</u>	<u>\$ (6,222,602)</u>
			General Revenues				
			Property taxes		\$ 3,837,481	\$ -	\$ 3,837,481
			Delinquent property tax		186,820	-	186,820
			Motor vehicle taxes		195,649	-	195,649
			Occupational taxes		544,487	-	544,487
			Investment earnings		18,899	444	19,343
			State and formula grants		1,717,678	21,685	1,739,363
			Miscellaneous		64,165	-	64,165
			Loss on sale of assets		(8,249)	-	(8,249)
			Transfers		22,636	(22,636)	-
			Total General Revenues and Transfers		<u>6,579,566</u>	<u>(507)</u>	<u>6,579,059</u>
			Change in Net Assets		379,570	(23,113)	356,457
			Net Assets - Beginning		5,796,754	62,418	5,859,172
			Net Assets - Ending		<u>\$ 6,176,324</u>	<u>\$ 39,305</u>	<u>\$ 6,215,629</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 2,277,509	\$ -	\$ -	\$ 2,277,509
Accounts receivable				
Taxes - current	67,018	-	-	67,018
Taxes - prior years	51,355	-	-	51,355
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	-	55,042	-	55,042
Other	-	3,355	-	3,355
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,395,882</u>	<u>\$ 58,397</u>	<u>\$ -</u>	<u>\$ 2,454,279</u>
LIABILITIES				
Accounts payable	\$ 485,105	\$ 4,165	\$ -	\$ 489,270
Cash overdraft	-	26,701	-	26,701
Current portion of accumulated sick leave	27,478	-	-	27,478
Due to other funds	3,355	-	-	3,355
Deferred revenue	-	27,531	-	27,531
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>515,938</u>	<u>58,397</u>	<u>-</u>	<u>574,335</u>
FUND BALANCES				
Unassigned	<u>1,879,944</u>	<u>-</u>	<u>-</u>	<u>1,879,944</u>
Total Fund Balances	<u>1,879,944</u>	<u>-</u>	<u>-</u>	<u>1,879,944</u>
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 2,395,882</u>	<u>\$ 58,397</u>	<u>\$ -</u>	<u>\$ 2,454,279</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

Total fund balance per fund financial statements	\$	1,879,944
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets		
Total cost of capital assets	9,546,707	
Accumulated depreciation	<u>(3,934,613)</u>	5,612,094
Certain other assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but are reported in the statement of net assets		
Bond Issuance costs		19,416
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets		
Bonds payable	(1,232,225)	
Long term portion of accrued sick leave	<u>(102,905)</u>	<u>(1,335,130)</u>
Net assets for governmental activities	\$	<u>6,176,324</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Revenue, Expenditures
And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
From local sources:				
Taxes:				
Property	\$ 3,827,221	\$ -	\$ 195,881	\$ 4,023,102
Motor Vehicles	195,649	-	-	195,649
Occupational	544,487	-	-	544,487
Tuition and fees	1,630	-	-	1,630
Earnings on investments	18,761	138	-	18,899
Student activities	84,978	-	-	84,978
Other local revenues	64,165	59,598	-	123,763
Intergovernmental - State	1,684,115	53,798	33,563	1,771,476
Intergovernmental - Indirect Federal	-	140,952	-	140,952
TOTAL REVENUES	<u>6,421,006</u>	<u>254,486</u>	<u>229,444</u>	<u>6,904,936</u>
EXPENDITURES				
Current:				
Instruction	3,341,970	231,447	-	3,573,417
Support Services				
Student	102,100	23,039	-	125,139
Instructional staff	908,628	-	-	908,628
District administration	291,484	-	-	291,484
School administration	397,544	-	-	397,544
Business	410,120	-	-	410,120
Plant operations and maintenance	1,268,504	-	-	1,268,504
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	229,444	229,444
Other	-	-	-	-
TOTAL EXPENDITURES	<u>6,720,350</u>	<u>254,486</u>	<u>229,444</u>	<u>7,204,280</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(299,344)</u>	<u>-</u>	<u>-</u>	<u>(299,344)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	22,636	-	227,052	249,688
Operating transfers out	-	-	(227,052)	(227,052)
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,636</u>	<u>-</u>	<u>-</u>	<u>22,636</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(276,708)</u>	<u>-</u>	<u>-</u>	<u>(276,708)</u>
FUND BALANCE JULY 1, 2011	<u>2,156,654</u>	<u>-</u>	<u>-</u>	<u>2,156,654</u>
FUND BALANCE JUNE 30, 2012	<u>\$ 1,879,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,946</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Net Assets
 June 30, 2012

Net change in total fund balances per fund financial statements \$ (276,708)

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

Capital outlays are reported as expenditures in this fund financial statement
 because they use current financial resources, but they are presented as
 assets in the statement of activities and depreciated over their estimated
 economic lives. The difference is the amount by which capital outlays
 exceeds depreciation expense for the year.

Capital outlay	736,155	
Depreciation expense	(273,263)	
Bond amortization expense	<u>(3,328)</u>	459,564

Bond and capital lease payments are recognized as expenditures of current
 financial resources in the fund financial statement but are reductions
 of liabilities in the statement of net assets.

Principal on bond payments	188,009	
Principal on capital lease payments	<u>8,705</u>	<u>196,714</u>

Change in net assets of governmental activities \$ 379,570

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
From local sources:				
Taxes:				
Property	\$ 3,815,458	\$ 3,829,141	\$ 3,827,221	\$ (1,920)
Motor vehicles	180,000	180,000	195,649	15,649
Occupational	520,000	520,000	544,487	24,487
Other	-	-	-	-
Tuition and fees	-	-	1,630	1,630
Earnings on investments	23,500	23,500	18,761	(4,739)
Student activities	94,406	94,406	84,978	(9,428)
Other local revenues	15,000	15,000	64,165	49,165
Intergovernmental - State	588,255	588,255	1,684,115	1,095,860
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	<u>5,236,619</u>	<u>5,250,302</u>	<u>6,421,006</u>	<u>1,170,704</u>
EXPENDITURES				
Current:				
Instruction	3,516,478	3,526,531	3,341,970	(184,561)
Support Services				
Student	86,859	86,859	102,100	15,241
Instructional staff	787,181	787,181	908,628	121,447
District administration	683,721	696,704	291,484	(405,220)
School administration	330,715	330,715	397,544	66,829
Business	382,171	372,818	410,120	37,302
Plant operations and maintenance	1,631,405	1,631,405	1,268,504	(362,901)
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Contingency	-	-	-	-
TOTAL EXPENDITURES	<u>7,418,530</u>	<u>7,432,213</u>	<u>6,720,350</u>	<u>(711,863)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(2,181,911)</u>	<u>(2,181,911)</u>	<u>(299,344)</u>	<u>1,882,567</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	21,240	21,240	22,636	1,396
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>21,240</u>	<u>21,240</u>	<u>22,636</u>	<u>1,396</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(2,160,671)</u>	<u>(2,160,671)</u>	<u>(276,708)</u>	<u>1,883,963</u>
FUND BALANCE JULY 1, 2011	<u>2,160,671</u>	<u>2,160,671</u>	<u>2,156,654</u>	<u>(4,017)</u>
FUND BALANCE JUNE 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,946</u>	<u>\$ 1,879,946</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments totaling \$955,344.

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Special Revenue Fund

For the Year Ended June 30, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicles	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	-	-	138	138
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	52,173	52,173	59,598	7,425
Intergovernmental - State	65,034	64,681	53,798	(10,883)
Intergovernmental - Indirect Federal	139,858	204,060	140,952	(63,108)
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	257,065	320,914	254,486	(66,428)
EXPENDITURES				
Current:				
Instruction	234,845	295,283	231,447	(63,836)
Support Services				
Student	-	-	-	-
Instructional staff	22,220	22,122	23,039	917
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	257,065	317,405	254,486	(62,919)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	3,509	-	(3,509)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	3,509	-	(3,509)
FUND BALANCE JULY 1, 2010	-	-	-	-
FUND BALANCE JUNE 30, 2011	\$ -	\$ 3,509	\$ -	\$ (3,509)

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Food Service Fund	After School Care	Total Proprietary Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 25,014	\$ 2,550	\$ 27,564
Inventories	<u>5,703</u>	<u>-</u>	<u>5,703</u>
Total current assets	<u>30,717</u>	<u>2,550</u>	<u>33,267</u>
Noncurrent Assets			
Capital assets	56,563	-	56,563
Less: Accumulated depreciation	<u>(49,266)</u>	<u>-</u>	<u>(49,266)</u>
Total noncurrent assets	<u>7,297</u>	<u>-</u>	<u>7,297</u>
 Total assets	 <u>\$ 38,014</u>	 <u>\$ 2,550</u>	 <u>\$ 40,564</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,259	\$ -	\$ 1,259
Total current liabilities	<u>\$ 1,259</u>	<u>\$ -</u>	<u>\$ 1,259</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 7,297	\$ -	\$ 7,297
Unrestricted			
Unreserved	<u>29,458</u>	<u>2,550</u>	<u>32,008</u>
Total net assets	<u>\$ 36,755</u>	<u>\$ 2,550</u>	<u>\$ 39,305</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Food Service Fund	After School Care	Total Proprietary Funds
Operating Revenues			
Food service sales	\$ 174,639	\$ -	\$ 174,639
Other operating revenues	<u>-</u>	<u>1,260</u>	<u>1,260</u>
Total operating revenues	<u>174,639</u>	<u>1,260</u>	<u>175,899</u>
Operating Expenses			
Salaries and wages	129,410	680	130,090
Professional and contract services	8,292	-	8,292
Supplies and materials	71,883	-	71,883
Depreciation	51	-	51
Other operating expenses	<u>1,378</u>	<u>-</u>	<u>1,378</u>
Total operating expenses	<u>211,014</u>	<u>680</u>	<u>211,694</u>
Operating income (loss)	<u>(36,375)</u>	<u>580</u>	<u>(35,795)</u>
Nonoperating revenues (expenses)			
Federal grants	13,189	-	13,189
State on-behalf payments	21,685	-	21,685
Interest income	<u>444</u>	<u>-</u>	<u>444</u>
Total nonoperating revenues (expenses)	<u>35,318</u>	<u>-</u>	<u>35,318</u>
Net income (loss)	<u>(1,057)</u>	<u>580</u>	<u>(477)</u>
Total net assets, July 1, 2011	37,812	24,606	62,418
Transfers out	<u>-</u>	<u>(22,636)</u>	<u>(22,636)</u>
Total net assets, June 30, 2012	<u>\$ 36,755</u>	<u>\$ 2,550</u>	<u>\$ 39,305</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2012

	Food Service Fund	After School Care	Total Proprietary Funds
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 174,639	\$ -	\$ 174,639
Cash received from government grants	13,189	-	13,189
Cash received from other activities	-	1,260	1,260
Cash payments to employees for services	(107,724)	-	(107,724)
Cash payments to suppliers for goods and services	(89,220)	(680)	(89,900)
Cash payments for other operating activities	<u>(1,378)</u>	<u>-</u>	<u>(1,378)</u>
Net cash from operating activities	<u>(10,494)</u>	<u>580</u>	<u>(9,914)</u>
Cash Flows from Capital Financing Activities			
Capital contributions	-	-	-
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash from capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	<u>-</u>	<u>(22,636)</u>	<u>(22,636)</u>
Net cash from noncapital financing activities	<u>-</u>	<u>(22,636)</u>	<u>(22,636)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>444</u>	<u>-</u>	<u>444</u>
Net cash flows from investing activities	<u>444</u>	<u>-</u>	<u>444</u>
Net increase (decrease) in cash and cash equivalents	(10,050)	(22,056)	(32,106)
Cash and cash equivalents - beginning	<u>35,064</u>	<u>24,606</u>	<u>59,670</u>
Cash and cash equivalents - ending	<u>\$ 25,014</u>	<u>\$ 2,550</u>	<u>\$ 27,564</u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net income (loss)	\$ (1,057)	\$ 580	\$ (477)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	51	-	51
Interest	(444)	-	(444)
Changes in assets and liabilities:			
Fixed Assets	(7,348)	-	(7,348)
Inventory	(2,139)	-	(2,139)
Accounts payable	<u>443</u>	<u>-</u>	<u>443</u>
Net Cash Provided by Operating Activities	<u>\$ (10,494)</u>	<u>\$ 580</u>	<u>\$ (9,914)</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Agency Funds
Statement of Fiduciary Net Assets
June 30, 2012

ASSETS	
Cash	\$ 124,490
Accounts receivable	<u> -</u>
 Total Assets	 <u>\$ 124,490</u>
 LIABILITIES	
Accounts payable	<u>\$ -</u>
 Total Liabilities	 <u><u>\$ -</u></u>
 NET ASSETS	
Held in trust for other purposes	<u>\$ 124,490</u>
 Total Net Assets	 <u><u>\$ 124,490</u></u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

REVENUE	
From local sources:	
Contributions	\$ 5,232
Earnings on investments	<u>861</u>
TOTAL REVENUE	<u>6,093</u>
EXPENDITURES	
Current:	
Property	-
Supplies	<u>6,249</u>
TOTAL EXPENDITURES	<u>6,249</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>(156)</u>
NET ASSETS, JULY 1, 2011	<u>124,646</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
NET ASSETS, JUNE 30, 2012	<u><u>\$ 124,490</u></u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Anchorage Independent School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Anchorage Independent School District (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Anchorage Independent School District (District). The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools in the district. The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

B. Related Organizations

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Anchorage Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Related Organizations (Continued)

Anchorage Independent School District Finance Corporation - The Anchorage, Kentucky, Board of Education resolved to authorize the establishment of the Anchorage Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Anchorage Independent School District also comprise the Corporation's Board of Directors.

C. Basis of Presentation, Basis of Accounting

i. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

The Construction Fund including Capital Projects Funds accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

The District reports the following major business-type funds:

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture ("USDA"). No amounts have been recorded for in-kind contributions of commodities from the USDA.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

In addition, the District reports the following fund types:

Trust and Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which the principal and income benefit individuals, private organizations or other governments.

ii. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

ii. Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the district incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

The District's financial statements are 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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Encumbrance Accounting

Purchase orders or contracts document encumbrances for goods or purchased services. Under Kentucky law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

E. Financial Statement Amounts

i. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

ii. Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting.

iii. Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.982 per \$100 valuation for real property, \$.982 per valuation for personal property and \$1.10 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2011 fiscal year was based was \$411,292,669.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

iv. Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District maintains a capitalization threshold of one thousand dollars (\$1,000) with the exception of computers, digital cameras and real property for which there is no threshold. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Land Improvements	20
Buildings and improvements	25 - 50
Technology Equipment	5
General Equipment	10

The District does not possess any infrastructure.

v. Estimates

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

vi. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the residual amounts due between governmental and business-type activities, which are presented as internal balances.

F. Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP),

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Amendments are reflected in the official minutes of the Board, and are not made after fiscal year-end as directed by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At June 30, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,490,328 and the bank balance was \$3,103,133. The District's cash deposits at June 30, 2012, and during the year ended June 30, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 – Cash and cash equivalents that are insured or registered or securities held by the school district or by its agent in the school district's name.

Category 2 – Cash and cash equivalents and investments that are uninsured or unregistered, with securities held by the counterparty's trust department or agent in the school district's name.

Category 3 – Cash and cash equivalents and investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent but not in the school district's name.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deposits and Investments (Continued)

Cash Deposits (Continued):

The school district's deposits and investments at June 30, 2012, are categorized as follows.

	Carrying Amount/ <u>Market Value</u>	Bank <u>Balance</u>	<u>Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
Demand Deposits:					
General checking	\$ 2,490,328	\$ 3,103,133	\$ 250,000	\$ -0-	\$ 2,240,328

In order to facilitate the recording of cash transactions and to maximize earnings, the District has combined the cash resources of certain of its funds and maintains accountability for such funds' equity in the pooled cash. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, government pools, and U. S. Treasury Obligations. The District records nonparticipating interest-earning investment contracts at cost. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to individual funds based on their proportional equity in investments purchased. For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 100	\$ -	\$ -	\$ 100
Total nondepreciable historical cost	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
Capital assets that are depreciated:				
Land improvements	314,537	-	-	314,537
Building and building improvements	7,967,066	681,107	-	8,648,173
Technology equipment	545,051	63,299	(52,444)	555,906
General equipment	27,991	-	-	27,991
Total depreciable historical cost	<u>8,854,645</u>	<u>744,406</u>	<u>(52,444)</u>	<u>9,546,607</u>
Less accumulated depreciation for:				
Land improvements	211,852	15,727	-	227,579
Building and building improvements	3,157,562	173,632	-	3,331,194
Technology equipment	308,451	83,593	(44,196)	347,848
General equipment	27,681	310	-	27,991
Total accumulated depreciation	<u>3,705,546</u>	<u>273,262</u>	<u>(44,196)</u>	<u>3,934,612</u>
Total depreciable historical cost, net	<u>5,149,099</u>	<u>471,144</u>	<u>(8,248)</u>	<u>5,611,995</u>
Governmental activities capital assets, net	<u>\$ 5,149,199</u>	<u>\$ 471,144</u>	<u>\$ (8,248)</u>	<u>\$ 5,612,095</u>
Business-type activities:				
General equipment	\$ 49,215	\$ 7,348	\$ -	\$ 56,563
Total depreciable historical cost	<u>49,215</u>	<u>7,348</u>	<u>-</u>	<u>56,563</u>
Less accumulated depreciation for:				
General equipment	49,215	51	-	49,266
Total accumulated depreciation	<u>49,215</u>	<u>51</u>	<u>-</u>	<u>49,266</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ 7,297</u>	<u>\$ -</u>	<u>\$ 7,297</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction	\$	248,227		
Student support services		9,026		
Instructional staff support services		1,998		
District administrative support		324		
School administrative support		2,153		
Business support services		-		
Plant operation and management		11,534		
Food service operation		7,297		
		<u>\$ 280,559</u>		

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Anchorage Independent School District Finance Corporation (Corporation) aggregating \$1,581,239.

The original amount of the issue, issue dates and the interest rates of the bond issues are summarized below:

<u>ISSUE OF</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>
2008 Refunding	\$ 1,335,000	2.2 % to 3.25%
Series 2009 KISTA	\$ 246,239	1.0% to 3.0 %

The District, through the General Fund, (including the SEEK Capital Outlay Fund and Building Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

On December 1, 2009, the District refinanced \$241,000 of KISTA bonds. The new bond issue (KISTA Series 2009R) is for a total of \$246,239. The difference in the amount refinanced and the amount of the bond issue is the cost of issuing the bonds.

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as follows:

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS (Continued)

YEAR	ANCHORAGE INDEPENDENT SCHOOL DISTRICT			SCHOOL FACILITIES CONSTRUCTION COMMISSION		TOTAL COMBINED
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	
2013	\$ 189,255	\$ 7,742	\$ 196,997	\$ -	\$ -	\$ 196,997
2014	193,415	31,485	196,997	-	-	196,997
2015	197,749	25,932	224,900	-	-	224,900
2016	204,120	20,120	223,681	-	-	223,681
2017	215,493	13,844	224,240	-	-	224,240
2018	221,811	6,990	229,337	-	-	229,337
2019	<u>10,382</u>	<u>169</u>	<u>10,551</u>	<u>-</u>	<u>-</u>	<u>10,551</u>
	<u>\$ 1,232,225</u>	<u>\$ 106,282</u>	<u>\$ 1,306,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,306,703</u>

Bonded debt balances and activity for the year ended June 30, 2012, were as follows:

	BEGINNING BALANCE	ADDITIONS	PAYMENTS	ENDING BALANCE
Governmental Activities:				
Anchorage Independent School District	\$ 1,420,234	\$ -	\$ (188,009)	\$ 1,232,225
School Construction Commission	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonded Debt	<u>\$ 1,420,234</u>	<u>\$ -</u>	<u>\$ (188,009)</u>	<u>\$ 1,232,225</u>

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 5. CAPITAL LEASE PAYABLE

The District entered into a capital lease through IKON in the amount of \$49,992 in fiscal year 2008. The lease was paid in full during fiscal year 2012.

NOTE 6. ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 7. PENSION PLAN

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires to KTRS to provide post-retirement benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 7. PENSION PLAN (Continued)

derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help with the medical expenses of the plan.

The Anchorage Independent School District's total payroll for the year was \$3,994,904. The payroll for employees covered under KTRS was \$3,142,012. The contributions to KTRS for the year ended June 30, 2012, consisted of \$328,921 from employees and \$412,893 from the state for the benefit of our participating employees. The District had no federal program match which would require contributions to KTRS for the year ended June 30, 2012.

NOTE 8. COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

NOTE 9. INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibilities, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which included Worker's compensation insurance.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 10. INTERFUND TRANSFERS

Interfund transfers activity for the year ended June 30, 2012, is as follows:

<u>TYPE</u>	<u>FROM FUND</u>	<u>TO FUND</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
Operating	Capital Outlay	Debt Service	Bond Payment	\$ 31,170
Operating	Building	Debt Service	Bond Payment	\$195,880
Operating	After School Care	General	Operations	\$ 22,636

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experienced modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 12. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 13. ON-BEHALF PAYMENTS

For the year ended June 30, 2012, total payments of \$977,029 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. On behalf payments are not budgeted items.

On-behalf payments for the year ended June 30, 2012 consisted of the following:

Health insurance	\$ 529,341
KTRS	412,893
HRA	28,000
Administrative fee	5,607
Life insurance	<u>1,188</u>
Total	<u>\$ 977,029</u>

The breakdown of on-behalf payments by fund is as follows:

General Fund	\$ 955,344
School Food Service	\$ 21,685

SUPPLEMENTARY

INFORMATION

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	SEEK CAPITAL OUTLAY FUND	FSPK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes - current	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unreserved	-	-	-	-
Designated	-	-	-	-
Capital Projects				
Debt Retirement	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	SEEK CAPITAL OUTLAY FUND	FSPK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ 195,881	\$ -	\$ 195,881
Motor vehicle	-	-	-	-
Occupational	-	-	-	-
Earnings on investments	-	-	-	-
Intergovernmental - State	33,563	-	-	33,563
Intergovernmental - Indirect Federal	-	-	-	-
TOTAL REVENUES	<u>33,563</u>	<u>195,881</u>	<u>-</u>	<u>229,444</u>
EXPENDITURES				
Current:				
Debt service	2,392	-	227,052	229,444
Facilities acquisition and construction	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>2,392</u>	<u>-</u>	<u>227,052</u>	<u>229,444</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>31,171</u>	<u>195,881</u>	<u>(227,052)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	227,052	227,052
Operating transfers out	<u>(31,171)</u>	<u>(195,881)</u>	<u>-</u>	<u>(227,052)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,171)</u>	<u>(195,881)</u>	<u>227,052</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE, JULY 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.



Chestnut Centre
410 West Chestnut Street STE. 237
Louisville, KY 40202-2342

(502) 583-5381
(800) 456-7531
FAX (502) 582-2516

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*

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anchorage Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Requirements and Appendix II to the Independent Auditor's Contract – State Audit Requirement*.

Internal Control Over Financial Reporting

Management of Anchorage Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anchorage Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Anchorage Independent School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Requirements*.

We noted other matters involving internal control and its operation that we reported to management of Anchorage Independent School District in a separate letter dated October 9, 2012.

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District
Page-3-

This report is intended solely for the information and use of management of Anchorage Independent School District, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Amick & Company

Louisville, Kentucky
October 9, 2012

MANAGEMENT

LETTER

POINTS



Chestnut Centre
410 West Chestnut Street STE. 237
Louisville, KY 40202-2342

(502) 583-5381
(800) 456-7531
FAX (502) 582-2516

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

In planning and performing our audit of the financial statements of Anchorage Independent School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The memorandum that accompanies this letter summarizes our comments and suggestions regarding internal controls and operating efficiency. A separate report dated October 9, 2012, contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 9, 2012 on the financial statements of the Anchorage Independent School District.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Anchorage Independent School District.

Amick & Company

Louisville, Kentucky
October 9, 2012

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Management Letter Comments
For the Year Ended June 30, 2012

PRIOR YEAR RECOMMENDATIONS

We reviewed all recommendations made to the Board on the management letter that accompanied your previous audit report. All recommendations had been implemented and corrected. We sincerely commend the District in their efforts.

FINDING 2012-1

DOCUMENTATION

Condition

In our examination of supporting documentation for grant related revenues and expenditures, we found one instance where the revenue/accounts receivable and allocated expenses were in excess of the grant award.

Criteria

Management is responsible for ensuring that the revenue/request for reimbursement and expenditures all allowable and within the guidelines for each individual grant.

Recommendation

Management should review the project reports for individual grants at year end and compare revenue and expenditures to the grant award to ensure that all request for reimbursement and any expenses allocated are within the amounts allowable for each grant.

Management's Response

The Superintendent and Treasurer will review the procedures for requesting reimbursement and charging and allocating expenses to grants. They will revise these procedures as needed to ensure they are in compliance with the documentation requirements for the various grants.

FINDING 2012-2

DOCUMENTATION

Condition

In our testing of expenditures from School Food Service, we found several instances where an individual was reimbursed for sales tax on purchases made on behalf of the District.

Criteria

Employees of the District are not allowed to be reimbursed for sales tax on purchases made on behalf of the District.

Recommendation

Management should review all receipts submitted by individuals for reimbursement prior to approval to ensure that the individual did not request reimbursement for sales tax.

Management's Response

The Superintendent and Treasurer will review the procedures for approving reimbursement requests. They will revise these procedures as needed to ensure that individuals are not reimbursed for sales tax on purchases made on behalf of the District.

FINDING 2012-3

DOCUMENTATION

Condition

In our review of the minutes of the Board meetings, we found several instances where the minutes had not been signed by the proper individuals.

Criteria

Minutes provide documentation of actions taken at Board meetings. Once minutes are approved at the subsequent Board meeting, they should be signed noting approval by the Board of the actions taken.

Recommendation

Management should review the minutes immediately following the Board meeting to ensure that they have been approved and signed.

Management's Response

The Superintendent and Treasurer will review the procedures for obtaining signatures of approval of Board minutes. They will revise these procedures as needed to ensure that approval of the minutes is properly documented.

**ADDITIONAL
INFORMATION**

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Balance Sheet
School Activity Fund
June 30, 2012

ASSETS	
Cash and cash equivalents	\$ 95,119
Accounts receivable	<u>-</u>
TOTAL ASSETS	<u>\$ 95,119</u>
 LIABILITIES AND FUND BALANCE	
Accounts payable	\$ -
Fund balance	<u>95,119</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 95,119</u>

See independent auditors' report.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balances
School Activity Fund
For the Year Ended June 30, 2012

	<u>ANCHORAGE ELEMENTARY</u>
REVENUE	
School activities and projects	\$ 117,512
Athletic activities	39,094
TOTAL REVENUE	156,606
EXPENDITURES	
School activities and projects	113,029
Athletic activities	35,923
TOTAL EXPENDITURES	148,952
Excess (deficiency) of revenue over expenditures	7,654
FUND BALANCE - JULY 1, 2011	87,465
FUND BALANCE - JUNE 30, 2012	\$ 95,119

See independent auditors' report.