

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

ANNUAL REPORT

JUNE 30, 2013



CPAS / CONSULTANTS

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes, which collectively comprise the District's basic financial statements 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.

Auditor's Responsibility

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.

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

Auditor's Responsibility (continued)

An audit includes 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 estimates made by management, as well as evaluating the overall financial statement presentation.

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 8 through 11 and pages 18 through 19 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

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

Other Matters (continued)

Required Supplementary Information (continued)

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.

Other Information

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.

The introductory section, combining and individual nonmajor fund financial statements, and additional information is the responsibility of management and was derived from and relates 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 introductory section, combining and individual nonmajor fund financial statements, and additional 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.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, 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*.

Amick & Company

Louisville, Kentucky
October 14, 2013

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
ANCHORAGE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2013**

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, 2013. 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 \$2,402,863 and the ending balance was \$2,376,977, a decrease of \$25,886 for the year, principally due to the District’s security renovation project (see below).
- The General Fund had \$6,608,857 in revenue, which included \$1,017,199 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 \$664,117.
- The District’s bonded debt decreased by \$189,255.
- The District remains committed to considering teacher salaries as an important part of the overall budget. The pay increase for FY13 was 1%.
- The District continues to implement the 25 goals set by the Strategic Planning Process. One goal that will be completed by next fiscal year is the one to one initiative and we will have a Chromebook cart for each grade level.
- The District held a centennial celebration last fiscal year. From the celebration a new group was formed, the Anchorage Public School Alumni Association. They are busy getting the groundwork completed to have a successful start.
- The District hired a new Superintendent, Mrs. Kelly Ransdell. We are excited to have her on board and look forward to a bright future.
- With the recent unfortunate events that have transpired in schools across the country, Anchorage went through a security audit. From the results of that audit, we completed a secure vestibule at the entrance of the school.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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 12 and 13.

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 14 and 16.

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 25 through 42.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,403,309 as of June 30, 2013.

A portion of the District's net position 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, 2013
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>2013</u>	<u>2012</u>
Current Assets	\$ 2,595,226	\$ 2,506,962
Non-current Assets	<u>5,427,172</u>	<u>5,619,391</u>
Total Assets	\$ <u>8,022,398</u>	\$ <u>8,126,353</u>
Current Liabilities	\$ 656,198	\$ 764,849
Non-current Liabilities	<u>926,151</u>	<u>1,145,875</u>
Total Liabilities	<u>1,582,349</u>	<u>1,190,724</u>
Net Position		
Investment in capital assets (net of debt)	4,400,289	4,379,869
Unreserved Fund Balance	<u>2,039,760</u>	<u>1,835,760</u>
Total Net Position	<u>6,440,049</u>	<u>6,215,629</u>
Total Liabilities and Net Position	\$ <u>8,022,398</u>	\$ <u>8,126,533</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2013, net of on-behalf payments were \$5,591,658.
- 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 \$212,810 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 \$1,886,253 less than budgeted.
- Revenues exceeded expenditures with the actual balance being \$206,355 for a favorable result.

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

	<u>For the year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Local revenue sources	\$ 4,829,764	\$ 4,718,130
State revenue sources	1,764,612	1,684,115
Earnings on investments	<u>14,481</u>	<u>18,764</u>
Total Revenues	\$ <u>6,608,857</u>	\$ <u>6,421,006</u>

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

	<u>2013</u>	<u>2012</u>
Expenses:		
Instruction	\$ 3,537,290	\$ 3,341,970
Student support services	86,515	102,100
Instructional support	873,132	908,628
District administration	367,263	291,484
School administration	392,230	397,544
Business support	531,604	410,120
Plant operations	<u>614,738</u>	<u>1,268,504</u>
 Total Expenses	 \$ <u>6,402,502</u>	 \$ <u>6,720,350</u>
 Revenue in Excess of Expenditures	 \$ <u>206,355</u>	 \$ <u>(299,344)</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 \$404,494 in contingency. The beginning cash balance for the next fiscal year is \$2,339,624.

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 Position

June 30, 2013

	GOVERNMENTAL <u>ACTIVITIES</u>	BUSINESS - TYPE <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,339,624	\$ 23,706	\$ 2,363,330
Accounts receivable			
Taxes - current	73,870	-	73,870
Taxes - prior years	-	-	-
Other	135,218	1,914	137,132
Inventories	-	4,807	4,807
Debt issuance costs, net	16,087	-	16,087
Total Current Assets	<u>2,564,799</u>	<u>30,427</u>	<u>2,595,226</u>
CAPITAL ASSETS			
Capital assets	9,657,297	56,563	9,713,860
Less accumulated depreciation	<u>(4,236,810)</u>	<u>(49,878)</u>	<u>(4,286,688)</u>
Total Capital Assets	<u>5,420,487</u>	<u>6,685</u>	<u>5,427,172</u>
TOTAL ASSETS	<u>\$ 7,985,286</u>	<u>\$ 37,112</u>	<u>\$ 8,022,398</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 312,899	\$ 372	\$ 313,271
Cash overdraft	106,473	-	106,473
Current portion of bonds payable	193,415	-	193,415
Current portion of accrued sick leave	27,478	-	27,478
Deferred revenue	15,561	-	15,561
Total Current Liabilities	<u>655,826</u>	<u>372</u>	<u>656,198</u>
NONCURRENT LIABILITIES			
Bonds payable	849,555	-	849,555
Noncurrent portion of accrued sick leave	76,596	-	76,596
Total Noncurrent Liabilities	<u>926,151</u>	<u>-</u>	<u>926,151</u>
TOTAL LIABILITIES	<u>\$ 1,581,977</u>	<u>\$ 372</u>	<u>\$ 1,582,349</u>
NET POSITION			
Investment in capital assets, net of related debt	\$ 4,393,604	\$ 6,685	\$ 4,400,289
Unrestricted	2,009,705	30,055	2,039,760
TOTAL NET POSITION	<u>\$ 6,403,309</u>	<u>\$ 36,740</u>	<u>\$ 6,440,049</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, 2013

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	\$ 3,579,355	\$ 6,026	\$ 216,264	\$ 10,500	\$ (3,346,565)	\$ -	\$ (3,346,565)
Support Services:							
Student	86,515	87,759	-	-	1,244	-	1,244
Instruction staff	922,306	-	-	-	(922,306)	-	(922,306)
District Administrative	367,263	-	-	-	(367,263)	-	(367,263)
School Administrative	392,320	-	-	-	(392,320)	-	(392,320)
Business	531,604	-	-	-	(531,604)	-	(531,604)
Plant operation and maintenance	609,561	-	-	-	(609,561)	-	(609,561)
Interest on long-term debt	36,542	-	-	-	(36,542)	-	(36,542)
Depreciation and amortization	308,937	-	-	-	(308,937)	-	(308,937)
Total Governmental Activities	<u>6,834,403</u>	<u>93,785</u>	<u>216,264</u>	<u>10,500</u>	<u>(6,513,854)</u>	<u>-</u>	<u>(6,513,854)</u>
Business-type Activities							
Food service	225,422	181,852	16,347	-	-	(27,223)	(27,223)
Day care	2,427	4,560	-	-	-	2,133	2,133
Total Business-type Activities	<u>227,849</u>	<u>186,412</u>	<u>16,347</u>	<u>-</u>	<u>-</u>	<u>(25,090)</u>	<u>(25,090)</u>
Total School District	<u>\$ 7,062,252</u>	<u>\$ 280,197</u>	<u>\$ 232,611</u>	<u>\$ 10,500</u>	<u>\$ (6,513,854)</u>	<u>\$ (25,090)</u>	<u>\$ (6,538,944)</u>
			General Revenues				
			Property taxes		\$ 3,838,008	\$ -	\$ 3,838,008
			Delinquent property tax		210,131	-	210,131
			Motor vehicle taxes		214,171	-	214,171
			Occupational taxes		582,592	-	582,592
			Investment earnings		14,581	311	14,892
			State and formula grants		1,800,021	22,214	1,822,235
			Miscellaneous		81,465	-	81,465
			Loss on sale of assets		(130)	-	(130)
			Transfers		-	-	-
			Total General Revenues and Transfers		<u>6,740,839</u>	<u>22,525</u>	<u>6,763,364</u>
			Change in Net Position		226,985	(2,565)	224,420
			Net Position - Beginning		<u>6,176,324</u>	<u>39,305</u>	<u>6,215,629</u>
			Net Position - Ending		<u>\$ 6,403,309</u>	<u>\$ 36,740</u>	<u>\$ 6,440,049</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2013

	GENERAL FUND	SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 2,339,624	\$ -	\$ -	\$ 2,339,624
Accounts receivable				
Taxes - current	73,870	-	-	73,870
Taxes - prior years	-	-	-	-
Intergovernmental - State	-	26	-	26
Intergovernmental - Federal	-	125,142	-	125,142
Other	-	10,050	-	10,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,413,494</u>	<u>\$ 135,218</u>	<u>\$ -</u>	<u>\$ 2,548,712</u>
LIABILITIES				
Accounts payable	\$ 299,715	\$ 13,184	\$ -	\$ 312,899
Cash overdraft	-	106,473	-	106,473
Current portion of accumulated sick leave	27,478	-	-	27,478
Due to other funds	-	-	-	-
Deferred revenue	-	15,561	-	15,561
Total Liabilities	<u>327,193</u>	<u>135,218</u>	<u>-</u>	<u>462,411</u>
FUND BALANCES				
Unassigned	<u>2,086,301</u>	<u>-</u>	<u>-</u>	<u>2,086,301</u>
Total Fund Balances	<u>2,086,301</u>	<u>-</u>	<u>-</u>	<u>2,086,301</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,413,494</u>	<u>\$ 135,218</u>	<u>\$ -</u>	<u>\$ 2,548,712</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 Position
 June 30, 2013

Total fund balance per fund financial statements	\$	2,086,301
Amounts reported for governmental activities in the statement of net position 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 position		
Total cost of capital assets	9,657,297	
Accumulated depreciation	<u>(4,236,810)</u>	5,420,487
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 position		
Bond Issuance costs		16,087
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 position		
Bonds payable	(1,042,970)	
Long term portion of accrued sick leave	<u>(76,596)</u>	<u>(1,119,566)</u>
Net position for governmental activities	\$	<u>6,403,309</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, 2013

	GENERAL FUND	SPECIAL REVENUE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
From local sources:				
Taxes:				
Property	\$ 3,857,751	\$ -	\$ 190,388	\$ 4,048,139
Motor Vehicles	214,171	-	-	214,171
Occupational	582,592	-	-	582,592
Tuition and fees	6,026	-	-	6,026
Earnings on investments	14,481	100	-	14,581
Student activities	87,759	-	-	87,759
Other local revenues	81,465	41,800	-	123,265
Intergovernmental - State	1,764,612	59,514	35,409	1,859,535
Intergovernmental - Indirect Federal	-	125,450	-	125,450
TOTAL REVENUES	<u>6,608,857</u>	<u>226,864</u>	<u>225,797</u>	<u>7,061,518</u>
EXPENDITURES				
Current:				
Instruction	3,537,290	177,690	-	3,714,980
Support Services				
Student	86,515	-	-	86,515
Instructional staff	873,132	49,174	-	922,306
District administration	367,263	-	-	367,263
School administration	392,320	-	-	392,320
Business	531,604	-	-	531,604
Plant operations and maintenance	614,378	-	-	614,378
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	225,797	225,797
Other	-	-	-	-
TOTAL EXPENDITURES	<u>6,402,502</u>	<u>226,864</u>	<u>225,797</u>	<u>6,855,163</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>206,355</u>	<u>-</u>	<u>-</u>	<u>206,355</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	225,797	225,797
Operating transfers out	-	-	(225,797)	(225,797)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	206,355	-	-	206,355
FUND BALANCE JULY 1, 2012	<u>1,879,946</u>	<u>-</u>	<u>-</u>	<u>1,879,946</u>
FUND BALANCE JUNE 30, 2013	<u>\$ 2,086,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,086,301</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 Position
 June 30, 2013

Net change in total fund balances per fund financial statements	\$	206,355
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	114,113	
	(130)	
Depreciation expense	(305,609)	
Bond amortization expense	<u>(3,328)</u>	(194,954)
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 position.		
Principal on bond payments	<u>189,255</u>	<u>189,255</u>
Certain increases (decreases) in noncash activities are reported as expenditures in the statement of activities because they may require the use of current financial resources		
Accrued compensated absences	<u>26,309</u>	<u>26,309</u>
Change in net position of governmental activities	\$	<u>226,965</u>

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, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
From local sources:				
Taxes:				
Property	\$ 3,834,072	\$ 3,834,072	\$ 3,857,751	\$ 23,679
Motor vehicles	195,000	195,000	214,171	19,171
Occupational	544,000	544,000	582,592	38,592
Other	-	-	-	-
Tuition and fees	-	-	6,026	6,026
Earnings on investments	18,500	18,500	14,481	(4,019)
Student activities	91,506	91,506	87,759	(3,747)
Other local revenues	5,000	5,000	81,465	76,465
Intergovernmental - State	690,770	690,770	1,764,612	1,073,842
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	5,378,848	5,378,848	6,608,857	1,230,009
EXPENDITURES				
Current:				
Instruction	3,534,424	3,555,066	3,537,290	(17,776)
Support Services				
Student	73,139	73,139	86,515	13,376
Instructional staff	734,195	734,195	873,132	138,937
District administration	726,729	698,143	367,263	(330,880)
School administration	384,060	392,004	392,320	316
Business	457,045	457,045	531,604	74,559
Plant operations and maintenance	1,361,964	1,361,964	614,378	(747,586)
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Contingency	-	-	-	-
TOTAL EXPENDITURES	7,271,556	7,271,556	6,402,502	(869,054)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,892,708)	(1,892,708)	206,355	2,099,063
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,000	3,000	-	(3,000)
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,000	3,000	-	(3,000)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,889,708)	(1,889,708)	206,355	2,096,063
FUND BALANCE JULY 1, 2012	1,889,708	1,889,708	1,879,946	(9,762)
FUND BALANCE JUNE 30, 2013	\$ -	\$ -	\$ 2,086,301	\$ 2,086,301

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 \$1,017,199.

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, 2013

	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	-	-	100	100
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	44,500	44,500	41,800	(2,700)
Intergovernmental - State	45,306	45,306	59,514	14,208
Intergovernmental - Indirect Federal	125,440	125,440	125,450	10
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	215,246	215,246	226,864	11,618
EXPENDITURES				
Current:				
Instruction	165,780	165,780	177,690	11,910
Support Services				
Student	-	-	-	-
Instructional staff	49,466	49,466	49,174	(292)
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	215,246	215,246	226,864	11,618
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	-	-	-
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	-	-	-	-
FUND BALANCE JULY 1, 2012	-	-	-	-
FUND BALANCE JUNE 30, 2013	\$ -	\$ -	\$ -	\$ -

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2013

	Food Service Fund	Summer Programs	Total Proprietary Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 18,929	\$ 4,777	\$ 23,706
Grants receivable	1,914	-	1,914
Inventories	<u>4,807</u>	<u>-</u>	<u>4,807</u>
Total current assets	<u>25,650</u>	<u>4,777</u>	<u>30,427</u>
Noncurrent Assets			
Capital assets	56,563	-	56,563
Less: Accumulated depreciation	<u>(49,878)</u>	<u>-</u>	<u>(49,878)</u>
Total noncurrent assets	<u>6,685</u>	<u>-</u>	<u>6,685</u>
Total assets	<u>\$ 32,335</u>	<u>\$ 4,777</u>	<u>\$ 37,112</u>
LIABILITIES			
Current Liabilities			
Accounts payable	<u>\$ 278</u>	<u>\$ 94</u>	<u>\$ 372</u>
Total current liabilities	<u>\$ 278</u>	<u>\$ 94</u>	<u>\$ 372</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 6,685	\$ -	\$ 6,685
Unrestricted			
Unreserved	<u>25,372</u>	<u>4,683</u>	<u>30,055</u>
Total net position	<u>\$ 32,057</u>	<u>\$ 4,683</u>	<u>\$ 36,740</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Food Service <u>Fund</u>	Summer <u>Programs</u>	Total Proprietary <u>Funds</u>
Operating Revenues			
Food service sales	\$ 181,852	\$ -	\$ 181,852
Other operating revenues	<u>-</u>	<u>4,560</u>	<u>4,560</u>
Total operating revenues	<u>181,852</u>	<u>4,560</u>	<u>186,412</u>
Operating Expenses			
Salaries and wages	133,408	1,767	135,175
Professional and contract services	11,580	450	12,030
Supplies and materials	79,517	210	79,727
Depreciation	612	-	612
Other operating expenses	<u>305</u>	<u>-</u>	<u>305</u>
Total operating expenses	<u>225,422</u>	<u>2,427</u>	<u>227,849</u>
Operating income (loss)	<u>(43,570)</u>	<u>2,133</u>	<u>(41,437)</u>
Nonoperating revenues (expenses)			
Federal grants	16,347	-	16,347
State on-behalf payments	22,214	-	22,214
Interest income	<u>311</u>	<u>-</u>	<u>311</u>
Total nonoperating revenues (expenses)	<u>38,872</u>	<u>-</u>	<u>38,872</u>
Net income (loss)	<u>(4,698)</u>	<u>2,133</u>	<u>(2,565)</u>
Total net position, July 1, 2012	36,755	2,550	39,305
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total net position, June 30, 2013	<u>\$ 32,057</u>	<u>\$ 4,683</u>	<u>\$ 36,740</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, 2013

	Food Service <u>Fund</u>	Summer Programs	Total Proprietary <u>Funds</u>
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 181,852	\$ -	\$ 181,852
Cash received from government grants	14,433	-	14,433
Cash received from other activities	-	4,560	4,560
Cash payments to employees for services	(111,194)	-	(111,194)
Cash payments to suppliers for goods and services	(91,182)	(2,333)	(93,515)
Cash payments for other operating activities	<u>(305)</u>	<u>-</u>	<u>(305)</u>
Net cash from operating activities	<u>(6,396)</u>	<u>2,227</u>	<u>(4,169)</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>-</u>	<u>-</u>
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest on investments	<u>311</u>	<u>-</u>	<u>311</u>
Net cash flows from investing activities	<u>311</u>	<u>-</u>	<u>311</u>
Net increase (decrease) in cash and cash equivalents	(6,085)	2,227	(3,858)
Cash and cash equivalents - beginning	<u>25,014</u>	<u>2,550</u>	<u>27,564</u>
Cash and cash equivalents - ending	<u>\$ 18,929</u>	<u>\$ 4,777</u>	<u>\$ 23,706</u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net income (loss)	\$ (4,698)	\$ 2,133	\$ (2,565)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	612	-	612
Interest	(311)	-	(311)
Changes in assets and liabilities:			
Accounts receivable	(1,914)	-	(1,914)
Inventory	896	-	896
Accounts payable	<u>(981)</u>	<u>94</u>	<u>(887)</u>
Net Cash Provided by Operating Activities	<u>\$ (6,396)</u>	<u>\$ 2,227</u>	<u>\$ (4,169)</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Agency Funds

Statement of Fiduciary Net Position

June 30, 2013

ASSETS	
Cash	\$ 120,121
Accounts receivable	<u>-</u>
Total Assets	<u>\$ 120,121</u>
 LIABILITIES	
Accounts payable	<u>\$ 7,928</u>
Total Liabilities	<u>\$ 7,928</u>
 NET POSITION	
Held in trust for other purposes	<u>\$ 112,193</u>
Total Net Position	<u>\$ 112,193</u>

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

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

REVENUE	
From local sources:	
Contributions	\$ 50
Earnings on investments	<u>635</u>
TOTAL REVENUE	<u>685</u>
EXPENDITURES	
Current:	
Property	-
Supplies	<u>12,982</u>
TOTAL EXPENDITURES	<u>12,982</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>(12,297)</u>
NET POSITION, JULY 1, 2012	<u>124,490</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
NET POSITION, JUNE 30, 2013	<u><u>\$ 112,193</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 position 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, 2013, 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 2013 fiscal year was based was \$408,110,338.

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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,464,442 and the bank balance was \$3,177,793. The District's cash deposits at June 30, 2013, and during the year ended June 30, 2013, 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 counterpart'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, 2013, 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	\$ 2,464,442	\$ 3,177,793	\$ 250,000	\$ -0-	\$ 2,214,442

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, 2013 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	8,648,173	-	-	8,648,173
Technology equipment	555,906	109,315	(3,542)	661,679
General equipment	27,991	4,818	-	32,809
Total depreciable historical cost	<u>9,546,607</u>	<u>114,133</u>	<u>(3,542)</u>	<u>9,657,198</u>
Less accumulated depreciation for:				
Land improvements	227,579	15,727	-	243,306
Building and building improvements	3,331,194	203,147	-	3,534,341
Technology equipment	347,848	86,205	(3,412)	430,641
General equipment	27,991	530	-	28,521
Total accumulated depreciation	<u>3,934,612</u>	<u>305,609</u>	<u>(3,412)</u>	<u>4,236,809</u>
Total depreciable historical cost, net	<u>5,611,995</u>	<u>(191,476)</u>	<u>(130)</u>	<u>5,420,389</u>
Governmental activities capital assets, net	<u>\$ 5,612,095</u>	<u>\$ (191,476)</u>	<u>\$ (130)</u>	<u>\$ 5,420,489</u>
Business-type activities:				
General equipment	\$ 56,563	\$ -	\$ -	\$ 56,563
Total depreciable historical cost	<u>56,563</u>	<u>-</u>	<u>-</u>	<u>56,563</u>
Less accumulated depreciation for:				
General equipment	49,266	612	-	49,878
Total accumulated depreciation	<u>49,266</u>	<u>612</u>	<u>-</u>	<u>49,878</u>
Business-type activities capital assets, net	<u>\$ 7,297</u>	<u>\$ (612)</u>	<u>\$ -</u>	<u>\$ 6,685</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction	\$	251,412		
Student support services		337		
Instructional staff support services		7,593		
District administrative support		2,797		
School administrative support		1,839		
Business support services		51		
Plant operation and management		41,579		
Food service operation		612		
		<u>\$ 306,220</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, 2013 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	
2014	193,415	31,485	224,900	-	-	224,900
2015	197,749	25,932	223,681	-	-	223,681
2016	204,120	20,120	224,240	-	-	224,240
2017	215,493	13,844	229,337	-	-	229,337
2018	221,811	6,990	228,801	-	-	228,801
2019	<u>10,382</u>	<u>169</u>	<u>10,551</u>	<u>-</u>	<u>-</u>	<u>10,551</u>
	<u>\$ 1,042,970</u>	<u>\$ 98,540</u>	<u>\$ 1,141,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,141,510</u>

Bonded debt balances and activity for the year ended June 30, 2013, were as follows:

	BEGINNING BALANCE	ADDITIONS	PAYMENTS	ENDING BALANCE
Governmental Activities:				
Anchorage Independent School District	\$ 1,232,225	\$ -	\$ (189,255)	\$ 1,042,970
School Construction Commission	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonded Debt	<u>\$ 1,232,225</u>	<u>\$ -</u>	<u>\$ (189,255)</u>	<u>\$ 1,042,970</u>

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 5. 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.

NOTE 6. 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.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. PENSION PLAN (Continued)

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 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 \$4,148,092. The payroll for employees covered under KTRS was \$3,316,014. The contributions to KTRS for the year ended June 30, 2013, consisted of \$329,796 from employees and \$437,279 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, 2013.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 7. 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 8. 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.

NOTE 9. INTERFUND TRANSFERS

Interfund transfers activity for the year ended June 30, 2013, 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	\$ 35,409
Operating	Building	Debt Service	Bond Payment	\$190,388

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 10. 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.

Contingent Obligation

The District participated in a self-insurance program until June 30, 2013 with the Kentucky School Board Insurance Trust (KSBIT) that covered workers compensation, property and liability claims. KSBIT announced the dissolution of the trust, and that the trust, over a long period of time, had accumulated a deficit. The Department of Insurance is now considering three assessment options. The department hopes to have a plan in place by the end of 2013. The Department of Insurance has final authority to approve an assessment plan, and no assessment will be final until after the plan is approved. The District has estimated that their share of this assessment, based on preliminary information received from the Department of Insurance, will be approximately \$100,000.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 11. 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 12. ON-BEHALF PAYMENTS

For the year ended June 30, 2013, total payments of \$1,017,199 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, 2013 consisted of the following:

Health insurance	\$ 541,109
KTRS	437,279
HRA	31,675
Administrative fee	5,893
Life insurance	<u>1,243</u>
Total	<u>\$ 1,017,199</u>

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

General Fund	\$ 994,985
School Food Service	\$ 22,214

SUPPLEMENTARY

INFORMATION

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	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, 2013

	SEEK CAPITAL OUTLAY FUND	FSPK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ 190,388	\$ -	\$ 190,388
Motor vehicle	-	-	-	-
Occupational	-	-	-	-
Earnings on investments	-	-	-	-
Intergovernmental - State	35,409	-	-	35,409
Intergovernmental - Indirect Federal	-	-	-	-
TOTAL REVENUES	<u>35,409</u>	<u>190,388</u>	<u>-</u>	<u>225,797</u>
EXPENDITURES				
Current:				
Debt service	-	-	225,797	225,797
Facilities acquisition and construction	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>225,797</u>	<u>225,797</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>35,409</u>	<u>190,388</u>	<u>(225,797)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	225,797	225,797
Operating transfers out	<u>(35,409)</u>	<u>(190,388)</u>	<u>-</u>	<u>(225,797)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,409)</u>	<u>(190,388)</u>	<u>225,797</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE, JULY 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.



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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*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and 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* 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose or 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.

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

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

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

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, and 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*.

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

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The District'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.

Amick & Company

Louisville, Kentucky
October 14, 2013

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2013
Financial Statement Findings

Significant Deficiencies in Internal Control Over Financial Reporting

Finding Number 2013-1

Condition: The District does not document its system of allocating personnel and other costs to the various state and federal grants.

Criteria: Lack of proper documentation could result in the Board having to repay monies received from federal or state grants.

Cause: The current condition is a result of management oversight.

Effect: None.

Recommendation: Management should document its cost allocation plans as basis for supporting the way federal and state grant monies are spent.

District Response: Management will review the procedures currently in place and determine what additional procedures need to be implemented to ensure all cost allocations to grants are properly documented.

Finding Number 2013-2

Condition: The District does not submit requests for reimbursement of federal grant monies on a timely basis.

Criteria: Management is responsible for submitting cash request for reimbursement in accordance with the guidelines for each federal grant.

Cause: Lack of management oversight.

Effect: The Special Revenue Fund had a significant negative cash balance at June 30, 2013.

Recommendation: The District needs to institute a program to insure cash reimbursement requests are timely filed in accordance with the guidelines for each federal grant.

District Response: Management will review the procedures currently in place and determine what additional procedures need to be implemented to ensure all cash reimbursement requests are submitted timely.

MANAGEMENT

LETTER

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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, 2013, 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 14, 2013 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 14, 2013 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 14, 2013

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Management Letter Comments
For the Year Ended June 30, 2013

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.

COMMENT 2013-1

INCLUDE ALL SIGNIFICANT MATTERS IN MINUTES OF THE BOARD

Condition

In reviewing minutes of Board meetings, we noted that not all significant matters discussed or decided at meetings were included in the minutes. In one instance, we learned that a major contribution from an outside source and a subsequent major purchase had been authorized by the Board, yet the authorization was not reflected in the minutes

Criteria

The lack of formal written board approval of such matters could lead to improper transactions occurring.

Recommendation

We recommend that matters such as contributions from outside sources and major purchases be discussed, approved, and documented in the minutes.

Management's Response

The Board has appointed one of its members to review all accounts payable and paid bills prior to each Board meeting. Any items of significance will be brought to the attention of the Board.

**ADDITIONAL
INFORMATION**

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Balance Sheet
School Activity Fund
June 30, 2013

ASSETS	
Cash and cash equivalents	\$ 104,040
Accounts receivable	<u>-</u>
TOTAL ASSETS	<u>\$ 104,040</u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ -
Fund balance	<u>104,040</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 104,040</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, 2013

	ANCHORAGE ELEMENTARY
REVENUE	
School activities and projects	\$ 159,426
Athletic activities	37,880
TOTAL REVENUE	197,306
EXPENDITURES	
School activities and projects	155,150
Athletic activities	33,236
TOTAL EXPENDITURES	188,386
Excess (deficiency) of revenue over expenditures	8,920
FUND BALANCE - JULY 1, 2012	95,120
FUND BALANCE - JUNE 30, 2013	\$ 104,040

See independent auditors' report.