

Comprehensive Annual
Financial Report

ANCHORAGE SCHOOL DISTRICT

for the Fiscal Year Ended
June 30, 2006

Carol Comeau
Superintendent

Prepared by Business Management Division

Janet Stokesbary
Chief Financial Officer



A Component Unit of the Municipality of Anchorage
Anchorage, Alaska

Non Discrimination Statement

It is the policy of the Anchorage School District to provide equal educational and employment opportunities, and to provide services and benefits to all students and employees without regard to race, color, religion, disability, national origin, gender, marital status, change in marital status, pregnancy, parenthood or other prohibitions. This policy is consistent with numerous laws, regulations, and executive orders enforced by various federal, state, and municipal agencies, including but not limited to Executive Order 11246, Title 41, part 60-1, 60-2, 60-3, 60-20, Title VI and VII of the 1964 Civil Rights Act, Title IX of the Education Amendments Act of 1972, and Section 504. Inquiries or complaints may be addressed to the School District's Equal Employment Opportunity Director, who also serves as the Title IX Coordinator, ASD Education Center, P.O. Box 196614, Anchorage, AK 99519-6614, (907) 742-4132 or to any of the following external agencies: Alaska State Commission for Human Rights, Anchorage Equal Rights Commission, Director of the Office for Civil Rights, Department of Education, Department of Health and Human Services

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Introductory Section



October 20, 2006

Anchorage School District

4600 DeBarr Road
P. O. Box 196614
Anchorage, Alaska 99519-6614
(907) 742-4000

SCHOOL BOARD

Jeff Friedman
President

Macon Roberts
Vice President

Mary Marks
Clerk

John Steiner
Treasurer

Crystal Kennedy

Jake Metcalfe

Tim Steele

SUPERINTENDENT

Carol Comeau

Members of the School Board, and
Citizens of the Municipality of Anchorage
Anchorage School District
Anchorage, Alaska

The Comprehensive Annual Financial Report of the Anchorage School District (District) for the year ended June 30, 2006, is submitted herewith. It includes, as required by Alaska statutes, financial statements that have been audited by an independent firm of certified public accountants, Mikunda, Cottrell & Co. Their audit opinion is included in this report.

The report was prepared by the Business Management Division. Responsibility for the accuracy, completeness and fairness of presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the District's financial affairs have been included.

This report has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada, the Association of School Business Officials International, and generally accepted accounting principles. Based upon criteria developed by the Governmental Accounting Standards Board, the Anchorage School District is a component unit of the Municipality of Anchorage and is included in their comprehensive annual financial report pursuant to Alaska statutes.

The report consists of three parts: introductory section including this transmittal letter; financial section including financial statements, schedules of additional information, notes, management's discussion and analysis and the independent auditor's report; and statistical section including tables of unaudited data depicting the financial history of the District for the past ten years.

INSIDE THE ANCHORAGE SCHOOL DISTRICT

SCHOOL BOARD

The seven-member School Board determines policy to guide the District. Each member serves for three years and is elected at large. Elections are held each year with Board members holding overlapping terms; terms are limited to three successive three-year terms in office.

The School Board has regularly scheduled meetings on the second and fourth Mondays of each month at 6:30 p.m. School Board work sessions are scheduled on the third Monday or as needed.

Meeting agendas are published regularly in the newspaper of general circulation not less than thirty-two (32) hours prior to any regular meeting and on the District's website, <http://www.asdk12.org>. The District's cable channel 14 broadcasts the regular School Board meetings and features an educational bulletin board for announcing District activities.

ANCHORAGE SCHOOL DISTRICT MISSION AND GOALS

Mission: To educate all students for success in life.

Increase student **academic achievement** using data to guide adoption of curriculum, methods, materials, and professional development specifically designed to ensure that each group as designated by No Child Left Behind makes adequate yearly progress.

Establish and maintain a **supportive and effective learning environment** by

- providing safe, caring, barrier-free schools,
- promoting health and wellness,
- continuing to retain, recruit and train highly qualified staff with an emphasis on improving staff diversity to better reflect our student body.
- challenging each student academically,
- Maximizing opportunities for lifelong learning,
- offering reinforcing extracurricular activities, and
- collaborating with other community agencies to maximize opportunities for lifelong learning

Ensure **public accountability** through

- continued participation in the state and federal required testing programs,
- continued preparation and publication of the Profile of Performance, budget basics, and budget and bond summaries,
- effective consultation with the community to ensure wise use of financial resources and responsible construction and maintenance of facilities, and
- effective communication with students, staff, parents, community and government at all levels.

The Anchorage School District is committed to establishing an environment of respect and mutual collaboration by attracting and retaining a quality work force, at every level in the District, who are committed to providing a positive learning environment, who value diversity and who reflect the diversity of the Anchorage community and the relevant labor market.

Measurable Achievement Goals

We, the Anchorage School Board, Superintendent and District staff commit that:

1. Students will demonstrate increased academic achievement as indicated by improved performance on state measures of academic performance. Students will meet the state defined Annual Measurable Objective (AMO).

Indicators:

- a. The percentage of students scoring not proficient in language arts and math will decrease by at least ten percent in each AYP-designated student group.

Reporting Directions: Results will be reported in the inverse as the respective percents proficient.

Examples:

Given that the Caucasian group was 12.2 percent not proficient last year, they would need to reduce the percent not proficient by 1.22 percent. Therefore, the target will be met if the percent not proficient is 10.98. Reporting in the inverse, the target is 89.02 percent proficient.

Given that the special education group was 58.9 percent not proficient last year, they would need to reduce the percent not proficient by 5.89 percent. Therefore, the target will be met if the percent not proficient is 53.01. Reporting it in the inverse, the target is 46.99 percent proficient.

- b. In a year-to-year comparison, the percentage of students scoring proficient in reading on the Alaska Standards Based Assessment will increase by 2.5 percent in each AYP-designated student group in each grade level three-nine.
- c. In a year-to-year comparison, the percentage of students scoring proficient in mathematics on the Alaska Standards Based Assessment will increase by 2.5 percent in each AYP-designated student group in each grade level three-nine.
- d. In a cohort comparison, the percentage of students scoring proficient in mathematics on the Alaska Standards Based Assessment in either grade will be greater than the percentage of those same students scoring proficient in seventh grade the previous year.
- e. In a year-to-year comparison, the achievement gap in language arts and math will decrease significantly between each AYP-designated group and the Caucasian group, narrowing the achievement gap.
- f. The performance of the cohort of students in fifth, seventh, and ninth grades will show a 2.5 percent increase in the percent proficient from the previous year on the writing content strands of *Structures and Conventions of Writing* and *Revision*.

Performance will be assessed on the Alaska Standards Based Assessment (Grades three through ten). These assessments will provide information on the status of student group performance for each school at grade levels three through ten.

Results will also be provided on student performance in tenth grade on the Alaska High School Graduation Qualifying Exam (HSGQE) and on the performance of those in grades eleven and twelve who have not yet passed the Alaska High School Graduation Qualifying Exam, though these scores are not included in the determination of adequate yearly progress.

Performance by students in grades five and seven on the Terra Nova will be reported, though these scores are no longer included in the determination of adequate yearly progress.

Note: The State defined AMO for 2004-2005 and 2005-2006 in Language Arts is 71.48 and Math is 57.61.

2. A higher percentage of students will master reading skills and strategies to read proficiently at the end of the 3rd grade.

Indicators:

- a. In a year-to-year comparison, the percentage of students scoring proficient in reading on the Alaska Standards Based Assessment will increase by 2.5 percent in each AYP-designated student group in grade three.
 - b. Over a two year period, there will be an increase of at least five percent of students demonstrating proficiency or higher as measured by the District assessment of student reading.
3. The percentage of students in accelerated math sequence will increase.

Indicators:

- a. The percentage of students in each AYP-designated student group who successfully complete Algebra I in eighth grade or earlier with a grade of C or higher will increase by five percent in a year-to-year comparison.
- b. In a cohort comparison, 100 percent of the students still enrolled in the Anchorage School District who successfully completed Algebra I with a B or better in eighth grade are enrolled in Geometry or Algebra II in grade nine.

Process directions for math department and math teachers:

- a. The District will continue to develop and implement training in math content and teaching strategies for elementary and middle school teachers.
 - b. The District will continue to work with students, parents, teachers, counselors, administrators, and community representatives to increase expectations for elementary, middle and high school math achievement at each school, particularly for those groups for which assessment data identifies average performance significantly below District average performance.
 - c. ASD Administration will explore the Orleans-Hanna math assessment as a predictor of math proficiency and, specifically, Algebra readiness.
 - d. Math teachers will focus on articulation of the curriculum, K-12, with a particular focus on the transition from sixth to seventh grade.
4. The dropout rate will decrease.

Indicator:

- a. The dropout rate of seventh through twelfth students will decrease by five percent in each AYP-designated group in a year-to-year comparison across the District and in each school.

Process Directions:

- a. Students' reported reason for dropping out will be reported by grade level.
5. The graduation rate will increase.

Indicators:

- a. The graduation rate will increase by five percent from year-to-year in each AYP-designated student group across the District and in each school.
6. The percent of high school students successfully completing higher-level courses will increase.

Indicators:

- a. The District will maintain or increase the percent of students scoring in the fourth quartile (76-100 percent) on the TerraNova CAT/6 in grades five and seven.
 - b. There will be at least a five-percent increase in each AYP-designated student group in the number of students taking the PSAT in a year-to-year comparison. The 2005-2006 school year will establish the baseline.
 - c. There will be at least a five-percent increase in each AYP-designated student group in the percent of high school students who successfully complete AP courses in a year-to-year comparison. "Successfully complete" is defined as passing the AP course with a grade of C or higher.
7. Customer service and satisfaction will improve.

Indicators:

- a. Questions will be added on the parent, student, and staff questionnaires to address customer service and satisfaction. The 2005-2006 school year data will establish the baseline.

Process directions for the District:

- a. The district will address customer service issues in district trainings.

COMMUNITY INVOLVEMENT

The PTA is an organization of parents, teachers and community members. Its goal is to improve education for all children. Most elementary schools, middle schools and several high schools have PTAs or PTSAs. Collectively, they form the Anchorage Council of PTAs. Some schools have Parent Advisory Committees or Parent Teacher Organizations instead of PTAs/PTSAs. Each charter school has an Academic Policy Committee which governs the school.

The Minority Education Concerns Committee (MECC) is a Board appointed committee that advises the School Board and Administration on issues concerning minority students and families.

Advisory committees - focusing on Bilingual, Alaska Native, Multicultural, Title I, Gifted, Special Education, Middle School, High School Education and Alternative programs and other concerns are additional means through which the District receives information. Citizens representing various ethnic and cultural groups are actively encouraged to participate in these groups. Short-term or topic-specific advisory committees are also appointed on an as-needed basis.

Parents, senior citizens, and other community members volunteer in school classrooms, playgrounds, libraries and offices. Businesses and organizations participate in the award-winning School Business Partnership program under the guidance of the Superintendent. There are 400+ partnerships which are involved in many classroom activities and District wide programs. The School Board goal of having at least one partnership in each school was met and has been sustained. These activities include classroom presentations, tours, tutoring, mentoring, and other varied programs.

COMMUNITY RESOURCES

The Community Resources Department schedules individuals and businesses, industry, government, labor and cultural organizations who are willing to contribute to students' education by providing three major types of activities:

1. Assemblies – This involves activities for larger than classroom-sized groups for either cultural or subject related experiences.
2. Classroom Speakers – People from the community come into the classroom to offer teachers a vehicle for expanding learning opportunities to students. Speakers offer a wealth of expertise and information that was gained through their many years of work experience.
3. Field Trips – Student groups visit community facilities which provide vast exposure to cultural, business, industrial, governmental, labor, professional and residential sectors of the community. Field trips can also be utilized to achieve a wide range of career awareness, explorations and preparation as well as cultural and subject related awareness.

During the past school year, the Community Resources Department scheduled over 4,000 events. This includes over 3,100 field trips, many of which were scheduled through People Mover, thereby saving thousands of dollars in District transportation by providing transportation at a reduced cost. Examples of some of the businesses, agencies and organizations that this department works with throughout the school year include, the Alaska Native Heritage Center, Public Lands, Animal Control, Anchorage Museum, Campbell Creek Science Center, Eagle River Nature Center, Alaska Department of Fish and Game, Imaginarium, People Mover, Pioneer Schoolhouse, Alaska Railroad, Starbase Alaska, Anchorage Fire Department, Anchorage Symphony and the Anchorage Zoo.

COMMUNITY SERVICES (RENTALS)

The Rentals Department is responsible for coordinating both District and public use of School District facilities. Areas that are available include outdoor areas such as fields, tracks, playgrounds, ice rinks and parking lots. Indoor spaces include classrooms, libraries/ IMC, multipurpose rooms, gyms and auditoriums/auditerias. During fiscal year 2005-2006, the Department scheduled activities for approximately 700 organizations for school, community, cultural and recreational activities. Primary user groups include the Municipality of Anchorage Parks and Recreation Department, University of Alaska-Anchorage, and a number of community groups including the YMCA, Camp Fire USA, Anchorage Youth Soccer Association, Anchorage Japanese School, Anchorage Korean School, Boys and Girls Club, Boy Scouts and Girl Scouts, Community Councils, and PTA Councils. Revenues realized from

the rental of District Facilities were \$684,383 in school year 2005-2006 and are projected for \$548,000 for school year 2006-2007. Effective July 1, 2005, new rental rates were put into effect.

The District's recreation facilities are consistently scheduled to near capacity. The Rentals Department continues to work closely with the Optimum Facilities Use policy, which insures more effective scheduling of gymnasium and multi-purpose rooms. The Department, working with the Municipality of Anchorage Parks and Recreation Department, developed a joint application process, which facilitates more appropriate and effective use of outdoor sport facilities. Cooperation between community user groups and the District is enhanced through interaction with the Community Services Youth Task Force Advisory Committee.

Currently, the District employs four auditorium technicians who coordinate the management and maintenance of auditoriums and auditerias at Chugiak, Dimond, East, South and West High Schools. A fifth technician will be added in school year 2006-2007 to assist with the opening of Bartlett High School auditorium which is coming on-board after district renovation. Throughout the school year, these technicians provide technical training for teachers and students who use these facilities. Technical assistance continues to expand to provide expertise and equipment to schools across the District resulting in essential technical improvements at significant savings. Generally during the summer months, the group provides annual maintenance and upkeep of our auditoriums and auditeria. During the summers of school year 2004-2005 and school year 2005-2006, the group also provided technical assistance to an expanded summer school program in conjunction with the University of Alaska Anchorage.

COMMUNITY EDUCATION

Effective for school year 2004-2005, the Community Schools Program was no longer funded through the Anchorage School District. Instead, this program resided with a non-profit agency, the Anchorage Community Education Association. This group has since closed its operations, effective May 2006. The Municipality of Anchorage Parks and Recreation department is currently looking for ways to fill the void of providing community based classes.

21st CENTURY COMMUNITY LEARNING CENTERS

The 21st Century Community Learning Centers (CCLC) provide a safe, drug-free, and academically enriching out-of-school program of expanded learning, recreational, and supportive opportunities for over 1500 high-needs students. Parent literacy programs are offered to help parents support their children's education. The project objectives and outcomes address: increases in student academic achievement; development of positive attitudes, skill, and behaviors; sustaining the Community Learning Centers; supporting student success through service learning, culture, and community partnerships; and strengthening family involvement in student success and literacy events.

During the 2005-2006 school year, the 21st Century Community Learning Center (CCLC) delivered afterschool academic and enrichment services in one middle school and twelve elementary schools. Five sites operated under their 4th year of five-year renewable state grant, four sites operated under their 3rd year of a five-year renewable state grant, and four sites operated under their 2nd year of a five-year renewable state grant. The same thirteen sites will provide 21st CCLC programs during the 2006-2007 school year.

Supplemental Educational Services (SES) was provided by the Anchorage School District's 21st Century Community Learning Center program to students attending Clark, Mountain View and Williwaw

schools. SES services will be offered during the 2006-2007 school year to the following schools: Clark, Creekside Park, Fairview, North Star, Ptarmigan, Tyson, Williwaw and Willow Crest.

A 21st CCLC non-profit association continues to help provide advocacy and financial support, and over 300 business and community organizations partnered to provide services for students in the 21st CCLC afterschool education program. Partnerships providing financial support include the YWCA, Boy Scouts of America, Western Alaska Council, the Municipality of Anchorage Parks and Recreation, and the AfterSchool Alliance.

SCHOOL BUSINESS PARTNERSHIPS

Supported by both the ASD and the Chamber of Commerce, Anchorage School Business Partnerships is a 501c3 non-profit corporation. Over the past sixteen years, the School business Partnership Program has been responsible for developing more than 450 partnerships between businesses and schools in Anchorage. The partnerships have an economic value of over \$2.5 million to the ASD. In addition to these partnerships, the program spearheads many special events and supports the School Business Partnership classes taught at various middle and high schools. These classes follow either an entrepreneurial model (e.g., drink booths, banks) or a community service model. Both models develop business and work force skills.

CURRICULUM

Elementary schools provide the initial school experience for children in kindergarten through 6th grade. Each child receives instruction guided by a school board approved Six-year Instructional Plan in reading, math, spelling, writing, speaking and listening, social studies, science, art, music, physical education, health and safety, and library skills. Technology, as a tool for learning, is infused throughout the curriculum.

In the elementary years students learn to read with understanding, write with skill using correct grammar and spelling, and solve math problems with accuracy. In addition, children learn to plan and complete assigned tasks, develop good work habits, respect authority, work well with others, honor their country, keep themselves healthy, recognize and appreciate beauty in art and music, and develop both a continuing interest in self-improvement and an optimistic approach to the future.

A full-day kindergarten program is offered at fifty-nine schools. The primary differences between the full-day and half-day program are the length of day and the opportunity for expansion of regular activities and a broadened program through enrichment.

The District has counselors at twenty elementary schools. Each school program is designed to meet individual school needs, but common features include working with individual students, classroom guidance lessons, parent contacts, referral to support services and agencies, and consultation with teachers and other school staff. Major themes of emphasis are positive school-wide discipline, personal safety and safe and appropriate problem solving skills.

The middle school and the high school programs, grades 7 through 12, teach students to think critically and act effectively through mastery of essential skills. The programs help students develop intellectually, emotionally, and socially so that everyday problems can be tackled and solved. The middle school program features small, consistent communities of learning called teams which provide the core academic program for each student of math, language arts, social studies and science. A broad spectrum of

elective programs is also provided to give middle school students opportunities to experience the Fine Arts, World Languages, and Career and Technical Education classes. High schools are organized into smaller learning communities and provide entry-level career and technical education training as well as academic preparation for college with opportunities to obtain college credit while still enrolled in high school. In addition, a wide variety of academic, fine arts and career and technical education electives are available.

The District's graduation requirements are as follows:

Total Credits Required	22.5	Credits
Language Arts	4	Credits
Social Studies*	4*	Credits
Mathematics	2.5	Credits
Science	3	Credits
PE/Health	1.5	Credits
Electives	7.5	Credits

*Alaska Studies will be required as one-half of one of the four social studies credits (Class of 2006)

Culturally Responsive and AP/higher level coursework components of the Six-year Instructional Plan create opportunities for all students to achieve at optimal levels. Curriculum support programs including Migrant Education, Indian Education, Bilingual/Multicultural Education and Gifted Education enhance the regular curriculum by providing research based best practices to better meet the needs of our diverse population of students.

EDUCATIONAL ALTERNATIVES

The Anchorage School District offers many alternative schools and programs to students in the kindergarten through 12th grades. These programs offer a variety of educational options for students.

Birchwood and Northern Lights schools offer an “ABC” or “back to basics” program. These schools are highly structured and dedicated to academic excellence. ABC schools seek to build a sense of responsibility, patriotism, citizenship, confidence, pride in accomplishment and a positive self-image through academic achievement. To do this, ABC schools provide a quiet and orderly environment that utilizes a positive, firm, and consistent code of conduct. Birchwood is a K-6 school and Northern Lights is a K-8 school.

Open optional schools exist at Willard L. Bowman, Chinook, Chugach Optional, Eagle River, Polaris K-12, and Susitna Elementary Schools. Optional programs are primarily child-centered, emphasizing the physical, emotional and academic development of the individual child. In open optional multi-grade classrooms students of different ages work and learn together. Students are responsible for directing some aspects of their own learning.

A Montessori program is offered at Denali Elementary School. Students in kindergarten through grade 6 learn in classrooms that emphasize individualized learning in a specially prepared environment using materials that are based on students' developmental stages. Children progress at a rate appropriate to their ability and level of achievement. Direct instruction is used in individual and small group settings. Cooperative learning and peer coaching are integral parts of the Montessori program.

World Language Partial Immersion Programs are offered at Sand Lake and Chugiak, Government Hill and Turnagain Elementary Schools. Partial immersion programs are offered at Sand Lake (Japanese), Chugiak (Spanish) and Turnagain (Russian) Elementary Schools. In partial immersion programs stu-

dents are immersed in the target language for half of the school day and learn in English for half of the day. A two-way immersion program in Spanish is housed at Government Hill Elementary, in this program both English and Spanish speaking students learn together in both languages.

Steller School offers individualized self-pacing education in grades 7 through 12 for self-motivated, self-disciplined students. The program maintains an informal and non-competitive environment. Community and parent participation is an integral part of Steller's program.

East High School has a School-Within-A-School (SWS), which offers individualized self-pacing instruction to students in grades 9 through 12. The program emphasizes student responsibility and productivity. Students earn credit in a number of ways, including traditional class work, independent studies or small group research. Students enrolled in SWS may also take classes in East High's programs.

Bartlett High School's Humanities Interdisciplinary Program allows Bartlett students to become a part of a community. They are a group of people, grades 10, 11, and 12, of all abilities levels, from advanced placement, academically motivated students, to learning disabled and at risk students, who acknowledge their interconnectedness, have a sense of common purpose, respect their differences, share in decision making, and share the responsibility for the group's actions. The goals are: increase skills in reading, writing, listening, speaking, organizing, and thinking; to create a process of dialogue and reflection between students, between students and teacher and between teachers; to implement an exchange between students and the greater Anchorage community; to enable students to examine their relationship with themselves, with others, and with the larger world community; to help students understand their own learning and writing process and to provide students with opportunities to invest time, energy, effort and creativity in long term projects in publishing, acting, video production and community service.

Central Middle School of Science focuses on math, science, and technology taught in an interdisciplinary manner. School business partnerships and community service are key components.

Polaris K-12 School is a unique school of 500 K-12 students. It offers an open-optional, fully inclusive learning environment.

Service Seminar School is based on the Paideia Seminar approach for Service students in grades 10-12.

West High School has a School of the Arts, which focuses on integrating the arts into the core curriculum and humanities. The International Baccalaureate Program began in the fall of 2004 for juniors and seniors. The preeminent college preparatory course of studies in the world, taught in more than 115 countries, includes courses in English, a second language, social studies, math, science and an arts elective.

Elitnaurvik-within-East (EWE) at East High School and Kanakugaq program at West High School are designed to emphasize the Alaska Native culture. These programs are open to all students. The primary emphasis of EWE and Kanakugaq is improving academic performance, attendance, cultural identification, and family outreach.

The comprehensive high schools are moving toward smaller learning communities for all high school students. Under the collaborative teaching approach, groups of students share teachers in certain subjects, including social studies, math, language arts and science.

Charter schools are non-sectarian, public schools that operate within the public school district under written contracts with the local school board. Charter schools must comply with all local, state and federal laws applicable to public schools and be accessible to all students who choose to apply. Charter schools differ from regular public schools in which they offer alternative teaching methods or curriculum and more independence than regular public schools. During the 2005-2006 school year, the District operated six charter schools as a result of legislation passed in 1995, namely: Aquarian, K-6; Family Partnership, K-12; Frontier, K-12; Eagle Academy, K-6; Winterberry, K-6; and Highland Tech High, 7-10.

Specialized middle school and senior high school programs are available:

A.V.A.I.L. is designed for students who have previously dropped out of school and desire to return to school. The program is a partnership with the business community and places high emphasis on basic educational and employment skills. To be eligible, a student must be between the ages of 15 1/2 and 19 and have been out of school for one entire semester.

Crossroads Program is the Anchorage School District's instructional setting for pregnant and parenting teens. Crossroads provides a supportive instructional environment which allows students to continue their education while pregnant and parenting. A complete program of instruction is provided with an emphasis on core academics. The program utilizes on-line instruction to compliment traditional coursework to meet the academic needs of the students. Maternity health is offered and community support contacts are available for students.

Continuation Program is a limited educational opportunity for students expelled for non-violent offenses, which allows students to stay connected to their education while completing the reinstatement criteria required by the School Board. The Continuation Program utilizes on-line instruction complimented by traditional instruction to meet the needs of the students. The instruction and course work are individualized for each student to coordinate with the courses/credits required for promotion to the next grade level and/or progress toward graduation.

S.A.V.E., COHO and Benny Benson, specialized programs for potential high school dropouts, combine work experience with regular high school classes. Students in 10th through 12th grades earn credit upon completion of contracts with teachers.

SEARCH is an individualized program designed for 13 to 15 year old students who have experienced academic, attendance and/or discipline problems in a regular school setting. It provides opportunities for both personal and academic growth. Students spend the day in a highly structured environment with individual attention readily available. The program is located at Benny Benson Secondary School.

Martin Luther King, Jr. Career Center (KCC) is a half-day program which offers high school students, sophomores through seniors, vocational training in 26 occupations. A 3rd session has been scheduled at KCC for students who can attend after-school classes. Classes will be 1/2 credit introductory courses for the 2006- 2007 school year.

Other programs for which students are referred by teachers and other staff, based on assessment, are also available.

Multi-Sensory Instruction (MSI) has been used in the Anchorage School District since 1973. There are two K-6 MSI alternative programs housed at Baxter and at Northwood Elementary schools. The MSI approach teaches students how to learn by teaching traditional subject matter

in a non-traditional manner. MSI methods do not cure learning difficulties, they “go around” them. As students learn information they see it, say it, hear it and feel it as their hands write it. Children who benefit from MSI interventions in first grade may have difficulties with speech or writing, following instruction they hear, or letter/sound recognition and other visual tasks.

The Gifted Program is serving children in pre-school through 6th grade in the acceleration program (IA) and 2nd through 6th grade in the enrichment (IGNITE) program. Students in grades 7–8 can be eligible for gifted language arts and gifted science classes if they meet the program requirements. The Gifted Program continues to have the Mentorship Program for qualified high school students.

The Special Education Division provides services to students eligible for services under the federal Individuals with Disabilities Education Act (IDEA) and state regulations. Children experiencing disabilities are guaranteed a free appropriate public education when the disability is defined in one of fourteen eligibility categories, the disability adversely affects the education performance of the child, and because of the disability the child is in need of special education and related services. A team of professionals and the parent determine services for a student through development of the Individual Education Plan. Services are delivered in the least restrictive environment of a continuum of placements, ranging from in general education classroom to special classes, special schools, and institutional settings. Special education services are provided in all district schools, including alternative and optional schools, charter schools, and special school programs. The IEP team may determine a need for Related Services which may include speech therapy, occupational therapy, physical therapy, counseling, specialized nursing services, audiological services and transportation.

Indian Education meets educational and cultural needs of Alaska Native and American Indian students. Bilingual Education aids students whose first language is not English. Title I provides disadvantaged students with more help in the mastery of basic skills. Migrant Education provides services to meet the special needs of children whose education may have been affected by a lack of continuity. North Star Elementary Summer School was instituted in the summer of 2000 for remediation in math and reading.

Summer school opportunities are available for students in the kindergarten through 12th grade. Elementary summer school is offered to K-6 students who are not proficient in reading, writing or mathematics in the elementary grades. Each year summer school is offered at a variety of sites around the school district. Students are referred by parents and/or teachers in the spring of each year and attend a six week summer school program in June and July each summer. Summer school serves between 800 and 1,000 students each summer.

An intensive K-3 reading initiative has been established to support School Board goals for academic excellence in the area of literacy. In addition, students in grades 4 through 12 are receiving opportunities to improve their reading and spelling skills. Reading specialists have been hired for grades 7 - 12.

The “Creating Successful Futures” (CSF) program is a kindergarten through third grade program housed at Northwood and College Gate elementary schools. CSF II offers “aggression replacement” training for identified 4, 5, and 6 grade students. This is offered on site at various schools throughout the district each year. The CSF program is a highly structured, district-wide, short-term program designed to empower “at-risk” K-3 and 4-6 students to make safe and positive

choices. Teaming with schools and parents, CSF equips students to develop the courage to change and achieve academic and social success. The CSF program serves 200 - 225 students per year.

STUDENTS

The Anchorage area had an estimated population of 278,241 in 2005. This represents a small increase of residents over 2004.

The population is well educated and younger than national averages. Many residents are white-collar workers and have relatively high incomes. Once characterized as a “boom or bust” economy, the Anchorage economy is in its eighteenth year of uninterrupted, slow and steady job growth. For the past five years, the health care and construction industries have led that growth.

The Anchorage School District is charged with the responsibility of educating the young people of Anchorage. The District serves more than 49,000 students, approximately 37 percent of the state’s total public school population. The minority and bilingual student population continues to increase annually with more than 90 languages spoken by District students. While ethnic minorities make up 25 percent of the Anchorage population, they are 45 percent of the District student population. The official enrollment for school year 2005-2006 reached 49,589 students; 25,381 elementary, 23,004 secondary, and 1,204 special services and contracted program students.

Approximately 29,300 Anchorage students participated in the Alaska Standards Based Assessment (SBA) in school year 2005-2006. The SBAs are statewide tests designed to provide information about what students are able to do in reading, writing, and mathematics at grade level. The SBAs estimate the degree to which the students have mastered the Academic Performance Standards for reading, writing, and mathematics outlined in the Grade Level Expectations (GLEs). They were administered in grades three through ten and are the foundation of the Alaska school accountability system. When the scores were aggregated at the district level, 81.7 percent were proficient in reading, 78.8 percent in writing, and 70.6 percent in mathematics.

The High School Graduation Qualifying Examination (HSGQE) is used to determine student competency in the essential skills of reading, writing, and mathematics. The HSGQE provides this information in the form of test scores that reflect the essential skills that students should know as a result of their public school experience. The requirement to pass all three subtests (reading, writing, and mathematics) of the HSGQE in order to earn a high school diploma has been in effect since 2004. The students take the HSGQE for the first time in the spring of their sophomore year. The Anchorage School District had 3,817 sophomores take the HSGQE in the spring of 2006 and 66.2 percent of these students passed all three subtests on the first administration. Of the 1,292 students who have not passed all three subtests of the HSGQE, 531 have only one remaining subtest to pass, 361 have two remaining subtests to pass, and 400 have all three subtests to pass. Of the seniors enrolled in the Anchorage School District on May 23, 2006, 93.2 percent of those with sufficient credits to graduate passed the HSGQE.

Norm-referenced tests are a tool for assessing group and individual performance over time. They allow a comparison of student performance against a national population and the comparison of group and individual growth. The norm-referenced testing for school year 2005-2006 involved the administration of the TerraNova CAT/6 in grades five and seven. The Mean Normal Curve Equivalent scores for all students in grades five and seven ranged from 54 to 57 with 50 being the national average. Anchorage School District students scored above the national average on all subtests. This is the aggregated data and does not reflect variations in achievement patterns for subgroups.

College bound students who take the ACT and SAT tests in Anchorage also do well. When reviewing the five-year trend data, the Anchorage scores are above the average for the nation and the state on every subtest and composite score. For the 2005-2006 school year, the average composite ACT score for Anchorage was 22.6 compared to 21.1 nationally and 21.1 for our state. The average SAT total math and critical reading was 1055 for Anchorage compared to 1021 nationally and 1034 for our state.

In terms of meeting Adequate Yearly Progress (AYP) as defined by No Child Left Behind, the Anchorage School District has progressed as follows: In the first year of NCLB, 40 percent of our schools met AYP, in the second year 58 percent, in the third year 66 percent, and this year 62 percent of our schools made AYP. In addition, our Title I schools have progressed as follows: Whereas only three Title I schools made AYP in the first year, that number grew to seven in the second year, to seventeen of the twenty-one last year, and dropped to thirteen of the twenty-five this year. However, four of our Title I schools successfully made AYP for two years in a row and were thus removed from school improvement status.

STUDENT SUPPORT SERVICES

The Transportation Department provides school bus service for approximately 20,000 eligible students daily for a total of over 6,000,000 passenger trips a year. Two hundred and thirty-five buses operate over 1,500 routes each day and travel over 3,000,000 miles annually. The Transportation Department also scheduled and dispatched 4,300 buses on activity and field trips last year. Thirty-five percent of school bus service is provided on district owned and operated buses and the remaining sixty-five percent of the service was provided by First Student Inc.

The Vehicle Maintenance Department is responsible for the servicing and maintenance of one hundred twenty one school buses and approximately four hundred forty support vehicles and equipment. Fourteen mechanics staff the District's two vehicle maintenance shops.

The Student Nutrition Program serves over 20,000 meals daily or more than 3.5 million meals a year to elementary and middle level and high school students. A school lunch costs \$2.40 for elementary, \$2.80 for middle school and \$3.25 for high school students. Choices in all areas include a wide variety using the five food groups of the food pyramid. Senior high students may purchase a complete well balanced meal or choose from a variety of nutritious foods, including salad bars and *Subway* sandwiches. Breakfast is served daily at many of the elementary and middle schools. All of the high schools offer various breakfast items.

Library Resources maintains the Anchorage School District library index. This department also provides assistance in library automation to all schools; conducts continuing education and in-service orientations, seminars, and classes on library services and technology. All material housed in the school libraries are indexed at Library Resources. The District library database exceeds 369,000 titles located in 111 library centers. There are over 1.37 million items in the collections. The Anchorage School District library index is accessible to the community via the internet. Use of collection development plans and interlibrary loan strategies among schools benefit the educational program for all students, staff and community.

Audio-Visual Services provides a centralized system of instructional support. More than 12,000 items of curriculum material ranging from videocassettes to CD-ROM material for computer-assisted instruction is available for loan to Anchorage teachers and students. The organization also repairs all of the District's audio-visual and microcomputer equipment. The District's electronic communications, includ-

ing telephones and two-way radio systems, are developed and coordinated by Audio-Visual Services. Audio-Visual has a website, <http://media.asdk12.org>, which is available for instructional staff to view what material is available and also order it.

The Communications Department plans and implements an internal and external communications program. The department includes Publications Services and Channel 14. Publications Services provides quality printed materials as needed by all departments and schools. Channel 14 broadcasts instructional programming and national and district programs on educational topics and services. In addition to airings of ASD School Board meetings and special programming, the station runs a bulletin board between programs that provides event information, district committee meeting dates and times, school closure notices and more.

FINANCIAL HIGHLIGHTS

THE REPORTING ENTITY

This report covers all financial transactions and activities of the District. Based upon criteria developed by the Governmental Accounting Standards Board, the District is a component unit and integral part of the primary government, which is the Municipality of Anchorage and has been included in their Comprehensive Annual Financial Report. Please refer to the Managements Discussion and Analysis beginning on page 3 for additional District financial information. The Anchorage Assembly approves the municipal tax appropriation and the total budget. The Municipality levies and collects taxes for the District. The Anchorage Assembly also approves the borrowing of funds and issuance of bonds for the District.

The District is mandated by state statute to have a June 30 fiscal year, whereas the Municipal Charter requires a December 31 fiscal year for the Municipality. Audited financial statements for the Municipality of Anchorage, including the District, are available upon request from their administrative offices.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires continuing estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained by fund, organization and object in the General Fund and Food Service Special Revenue Fund only. Budgetary control in the State and Federal Grants Special Revenue Fund is authorized and maintained by the granting agencies. Under the State and Federal Grants Special Revenue Fund, budget revisions and transfers within a grant must be approved by the granting agencies. Expenditures may not exceed the aggregate total amount of the budget, which includes the combined budgets of the following funds: General Fund, State and Federal Grants Special Revenue Fund, Food Service Special Revenue Fund, and Debt Service Fund.

The District policy requires recording of encumbrances as a charge against appropriation in the accounting period in which purchase requisitions or purchase orders are issued rather than in the accounting period when goods or services are received as required by generally accepted accounting principles. Encumbrances are therefore reported as reservations of fund balance at June 30.

CASH MANAGEMENT

The Districts cash resources at June 30, 2006 were invested as follows: repurchase agreements 15 percent and United States Treasury obligations 85 percent.

The total amount of interest income earned in 2006 was \$6,747,140, which was \$2,053,790 higher than the interest received on investments for fiscal year 2005-2006. The increase in earnings is primarily due to rising interest rates in 2005.

RISK MANAGEMENT

The District has developed a risk management program committed to effectively manage all risks of accidental loss by: protecting the District against the financial consequences of catastrophic losses; preserving the District's assets and educational system from loss, destruction or depletion; establishing a Loss Control Plan to identify, prevent and control accidental losses and their consequences, creating a system to continually evaluate and assess the District's capacity and financial resources to provide protection from loss; and establishing an exposure-free work and educational environment in which District personnel, students, and the public can enjoy safety and security in the course of their pursuits.

In addition, the department administers all workers' compensation claims, procures all property/casualty excess insurance, reviews insurance requirements for contracted services, monitors safety programs, and assures compliance to environmental, health and safety regulations.

FINANCIAL OUTLOOK

The projected Anchorage School District preliminary fiscal gap for fiscal year 2007-2008 is \$22 million. The District has been notified recently that the employer contribution rates for Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS) will increase to 54.03 percent and 40.89 percent respectively for fiscal year 2007-2008. Compared with the contribution rates of 26 percent (TRS) and 24.25 percent (PERS) for fiscal year 2006-2007, this increase will widen the District's financial gap for fiscal year 2007-2008 by \$68.5 million. At this time, the Alaska State Legislature has not addressed the funding needs for the retirement and other cost increases. Although the State currently has a budget surplus, existing State revenue projections may also change due to the fluctuations in oil production as well as the price of oil. This, combined with the State's lack of a long-range State fiscal plan to generate new sources of revenue and the management of State spending, may have an impact on funding for public education. These factors have a major impact on the Anchorage School District, as the Alaska State Public School Funding Program, funded by oil revenues, is the District's most significant individual revenue source (approximately 58 percent).

Items that contribute significantly to the projected gap between anticipated revenues and expenditures include: increased expenditures for programs and services to meet State and Federal mandates such as the No Child Left Behind Act (NCLB) and the Individuals with Disabilities Education Act (IDEA); cost increases related to employee contracts, and utility and fuel rate increases.

The District is organizing community/staff budget review teams to assess the status of District programs, review the Anchorage School District budget and make recommendations to the Superintendent for efficiencies, reductions, and revenue enhancements that will accompany long-range financial planning.

The District, the Municipality and the Anchorage community must work together to secure the appropriate level of State, local and federal funds. This collaboration is needed to ensure that the instructional programs and services are maintained to provide an equal and quality education for all our students.

INDEPENDENT AUDIT

The statutes of the State of Alaska and the Municipal Charter require that an annual independent audit be made of all the District accounts by an independent certified public accountant selected by the Board. This requirement has been complied with and the independent auditor's opinion has been included in the financial section of this report.

CERTIFICATE OF EXCELLENCE/CERTIFICATE OF ACHIEVEMENT

The Association of School Business Officials International (ASBOI) awarded a Certificate of Excellence in Financial Reporting to the Anchorage School District, Alaska for its comprehensive annual financial report for the fiscal year ended June 30, 2005.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Anchorage School District, Alaska for its comprehensive annual financial report for the fiscal year ended June 30, 2005.

In order to be awarded a Certificate of Excellence and a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to principles and standards as recommended and adopted by ASBOI and GFOA. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence and a Certificate of Achievement are valid for a period of one year only. We believe our current report continues to conform to the Certificate of Excellence and Certificate of Achievement Program requirements, and we are submitting it to ASBOI and GFOA.

ACKNOWLEDGMENTS

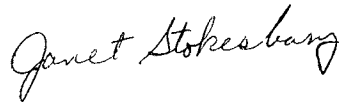
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire accounting staff, data processing, budget staff, independent auditors, and administrative staff. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the members of the Anchorage School Board for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,



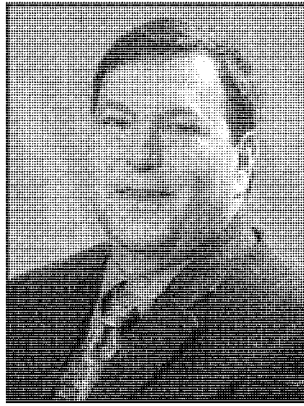
Carol Comeau
Superintendent

Prepared by,

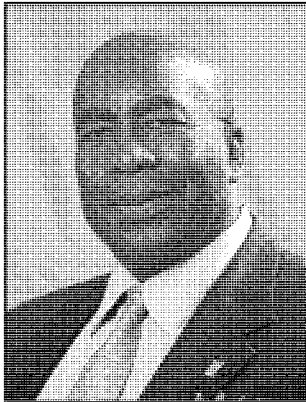


Janet Stokesbary
Chief Financial Officer

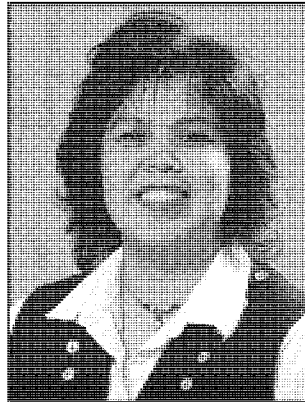
The Anchorage School Board



Jeff Friedman
President



Macon Roberts
Vice President



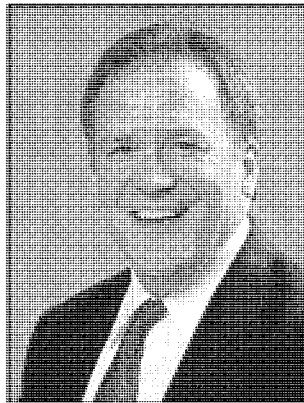
Mary Marks
Clerk



John Steiner
Treasurer



Crystal Kennedy



Jake Metcalfe

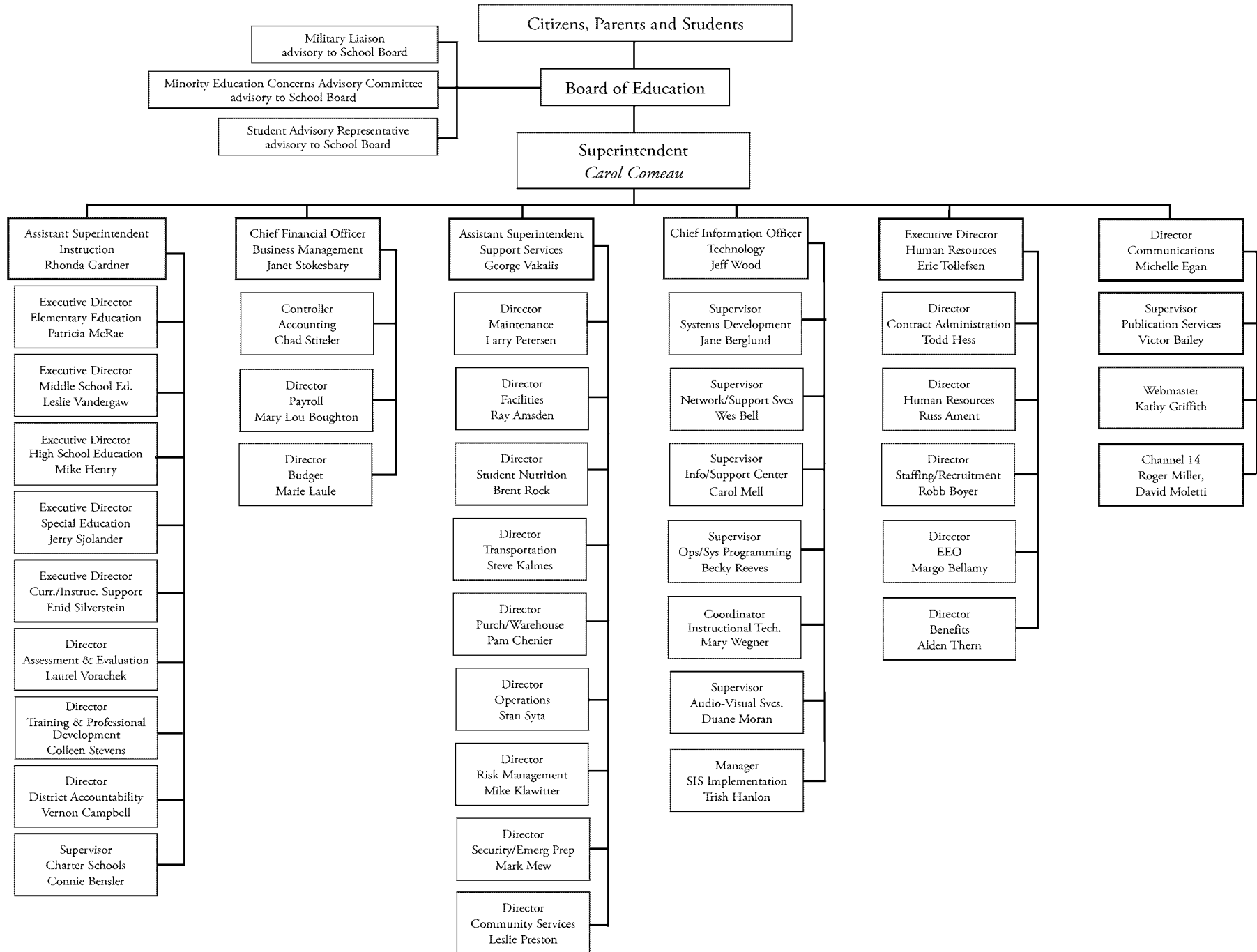


Tim Steele

The Anchorage School Board is the legislative branch of the Anchorage School District and is composed of seven members. The School Board has regularly scheduled meetings on the second and fourth Mondays of each month at 6:30 p.m. School Board work sessions are scheduled on the third Monday or as needed. The meetings are held in the Board Room of the Administrative Building located at 4600 DeBarr Road. In addition, special meetings and work sessions are scheduled throughout the year.

ANCHORAGE SCHOOL DISTRICT ORGANIZATIONAL CHART

OCTOBER 2006



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Anchorage School District,
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

ANCHORAGE SCHOOL DISTRICT

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Interim Executive Director