

FINANCE



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Honorable Mayor and
Members of the Assembly
Municipality of Anchorage, Alaska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2006, which collectively comprise Anchorage's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Municipality of Anchorage's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Anchorage School District, which represents 99.9%, 99.9%, and 99.8%, of the assets, net assets and revenues, respectively of the aggregate discretely presented component units. We also did not audit the financial statements of the Anchorage Community Development Authority, Inc, a blended component unit, which represents 2.6%, 6.5% and 1.7% of the assets, net assets and revenues, respectively, of the business-type activities and 3.9%, 4.0% and 1.5% of the assets, net assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Anchorage School District and Anchorage Development Authority is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the Municipality of Anchorage's 2005 financial statements and in our report, dated June 2, 2006, we expressed, based upon our audit and the reports of other auditors, unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Anchorage's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.



In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2007 on our consideration of Municipality of Anchorage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The management's discussion and analysis, the schedule of funding progress in note 12, budgetary comparison schedule-general fund as listed in the table of contents, and condition rating of Anchorage's road network, all of which are listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Anchorage's basic financial statements. The combining nonmajor fund financial statements, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, nonmajor fund budgetary comparison schedules and statistical tables, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

June 21, 2007

MUNICIPALITY OF ANCHORAGE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Municipality of Anchorage (Anchorage), we offer readers of Anchorage's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All monetary amounts are in thousands of dollars, unless otherwise indicated.

Financial Highlights

- The assets of Anchorage exceeded its liabilities at the end of 2006 with reported net assets of \$3,246,039.
- Anchorage's total net assets increased by \$121,860 or approximately 3.9%. The total increase reflects an increase in business-type activities of \$34,601 and governmental activities of \$87,258.
- During the year, the business-type activities generated \$245,879 in revenues, which were offset by expenses and transfers of \$211,278.
- As of December 31, 2006, Anchorage's governmental funds reported a combined ending fund balance of \$410,066, an increase of \$59,167. Of the fund balance, \$243,884 is reserved. The remaining \$166,182 is unreserved, although \$53,276 is designated for bond rating/emergency operations and for 2007 property tax relief.
- Anchorage has established a formal Fund Balance Designation policy for its general funds. The policy sets forth a Bond Rating Designation equal to 8.25% of general fund revenues. Additionally, the policy sets forth an Operating Emergency Designation for general fund unreserved fund balances of the five major general fund sub groups managed within a range of 2% to 3% of general fund revenues through the annual budget process. Unreserved general fund balance designated through the Fund Balance Designation policy was \$31,241. In addition \$22,035 of unreserved fund balance was designated for property tax relief in 2007. As of December 31, 2006 and 2005, general fund unreserved fund balance was 13.2% and 9.4% of general fund revenues respectively. As of December 31, 2006, two of the five major general fund sub groups were outside the policy range and will be adjusted through the 2007 budgetary process.
- Proceeds from the 1999 sale of the Anchorage Telephone Utility were placed in the MOA Trust Fund to provide a perpetual revenue stream for Anchorage and tax relief for its citizens. The MOA Trust Fund is an endowment with a long-term performance focus—one that assumes a long-term average annual investment return of 8% and a long-term average annual inflation rate of 3%. The Trust provides revenue to general government calculated as 5% of the average market value of the trust during the preceding five year period. During 2006 the MOA Trust Fund provided \$6,300 in support of government services.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Anchorage's CAFR. The financial section of the annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds, internal service funds, and fiduciary funds.

The basic financial statements include two kinds of statements that present different views of Anchorage:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Anchorage's overall financial status, in a manner similar to a private-sector business.
 - The statement of net assets presents information on all of Anchorage's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Anchorage is improving or deteriorating.
 - The statement of activities presents information showing how Anchorage's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement on an accrual basis, with related cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Anchorage that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Anchorage include general government, fire services, police services, health and human services, economic and community development, public transportation, public works, education, maintenance and operations, and debt service. Governmental activities also include information from CIVICVentures, a governmental-type blended component unit. The business-type activities of Anchorage include water services, wastewater services, electric generation and distribution, port services, Municipal airport services, solid waste disposal services, refuse collection services, Anchorage Community Development Authority, and Performing Arts Center.

The government-wide financial statements include not only Anchorage itself, but also the following discretely presented component units for which Anchorage is financially accountable – the Anchorage School District and the Cooperative Services Authority. Financial information for discreet component units is reported separately from the financial information presented for the primary government itself. The Alaska Center for the Performing Arts, Inc., CIVICVentures, Inc., and Anchorage Community Development Authority, Inc., although legally separate, function for all practical purposes as an integral part of the primary government and therefore have been included in with the primary government as blended component units.

- The remaining statements are fund financial statements that focus on individual parts of the local government, reporting Anchorage's operations in more detail than the government-wide statements. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

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

Anchorage maintains twenty-five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and MOA Trust Fund, which are considered major funds. Information from the other twenty-two governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Anchorage adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information to demonstrate compliance with this budget.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Anchorage maintains two different types of proprietary funds - enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Anchorage uses enterprise funds to account for its water services, wastewater services, electric generation, electric transmission, electric distribution, port services, Municipal airport services, solid waste disposal services, refuse collection services, Anchorage Community Development Authority, and Performing Arts Center.

Internal service funds are an accounting device used to accumulate and allocate costs internally among Anchorage's various functions. Anchorage uses internal service funds to account for vehicle operations and maintenance, risk management, self insurance, unemployment compensation, and information technology services. Because these services predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements, with the exception of the portion allocated to enterprise funds.

The proprietary fund financial statements provide separate information for the water services, wastewater services, and electric generation/distribution services, all of which are considered to be major enterprise funds of Anchorage. Information from the other four proprietary enterprise funds and two blended component units is combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary enterprise funds is provided in the form of combining statements elsewhere in this report. All proprietary internal service funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as the retirement and retiree medical plans for police and fire employees, in which Anchorage acts solely as a trustee. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Anchorage's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Anchorage's disclosure of information relating to its paved road infrastructure network accounted for under the modified approach and general fund budgetary comparison schedule.

In addition to these required elements, the combining statements referred to earlier in connection with non-major governmental, proprietary, and fiduciary funds are presented as supplementary information immediately following the required supplementary information. A summary of selected statistical information is also provided.

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Anchorage's total assets exceeded liabilities by \$3,246,039 and \$3,124,179 at the fiscal years ended December 31, 2006 and 2005 (reference Table A-1).

The net assets for governmental activities were \$2,701,105 and \$2,613,846, with \$77,746 and \$84,044 classified as unrestricted deficits in 2006 and 2005 respectively. The significant portion (94%) of Anchorage's net assets for governmental activities reflects its investment in capital assets such as infrastructure, land, buildings, machinery and equipment, net of the debt on these assets. Anchorage uses capital assets to provide both present and future services to citizens and therefore these assets are not available for future spending. Restricted net assets of \$241,714 and \$212,619 in 2006 and 2005 respectively, result from restrictions imposed legally or externally by

creditors, debt covenants or grantors. The deficit in unrestricted net assets represents accrued liabilities in excess of unrestricted assets.

Table A-1
Anchorage's Net Assets
(in thousands)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 588,169	\$ 514,725	\$ 241,577	\$ 261,910	\$ 829,746	\$ 776,635
Capital assets	2,989,965	2,938,344	1,217,535	1,155,449	4,207,500	4,093,793
Total assets	<u>3,578,134</u>	<u>3,453,069</u>	<u>1,459,112</u>	<u>1,417,359</u>	<u>5,037,246</u>	<u>4,870,428</u>
Long term liabilities	778,609	694,498	401,068	375,621	1,179,677	1,070,119
Other liabilities	98,420	144,725	513,110	531,405	611,530	676,130
Total liabilities	<u>877,029</u>	<u>839,223</u>	<u>914,178</u>	<u>907,026</u>	<u>1,791,207</u>	<u>1,746,249</u>
Net assets (deficit):						
Invested in capital assets,						
net of related debt	2,537,137	2,485,271	366,904	318,830	2,904,041	2,804,101
Restricted	241,714	212,619	105,728	103,454	347,442	316,073
Unrestricted	(77,746)	(84,044)	72,302	88,049	(5,444)	4,005
Total net assets	<u>\$ 2,701,105</u>	<u>\$ 2,613,846</u>	<u>\$ 544,934</u>	<u>\$ 510,333</u>	<u>\$ 3,246,039</u>	<u>\$ 3,124,179</u>

Current and other assets include \$231,299 and \$391,347 of cash and investments held for governmental activities at December 31, 2006 and 2005. Governmental activities long term liabilities increased by \$84,111 or approximately 12.1%. The increase in long term liabilities was primarily the result of CIVICVentures revenue bonds issued in the amount of \$110,920, offset by a \$54,115 deduction in post-employment benefit obligations associated with the Police/Fire Retiree Medical Plan. General obligation bonds represent 51% of the total long-term debt for governmental activities. Revenue bonds (including CIVICVentures) represent 20% of the debt outstanding for governmental activities.

For business-type activities, unrestricted net assets of \$72,302 (13%) and \$88,049 (17%) may be used to meet the ongoing needs of these organizations at December 31, 2006 and 2005 respectively. This represents a decrease of \$15,747 or approximately 18%. The most significant portion of net assets for the business-type activities, \$366,904 (67%) and \$318,830 (63%) as of December 31, 2006 and 2005 respectively, are invested in capital assets which are used to provide customers with services. Net assets invested in capital assets, net of related debt, increased \$48,074 or approximately 15% in 2006. Net assets of business-type activities subject to external restrictions were \$105,728 (19%) and \$103,454 (20%) in 2006 and 2005. External restrictions were related to debt service and construction acquisition requirements.

Governmental Activities

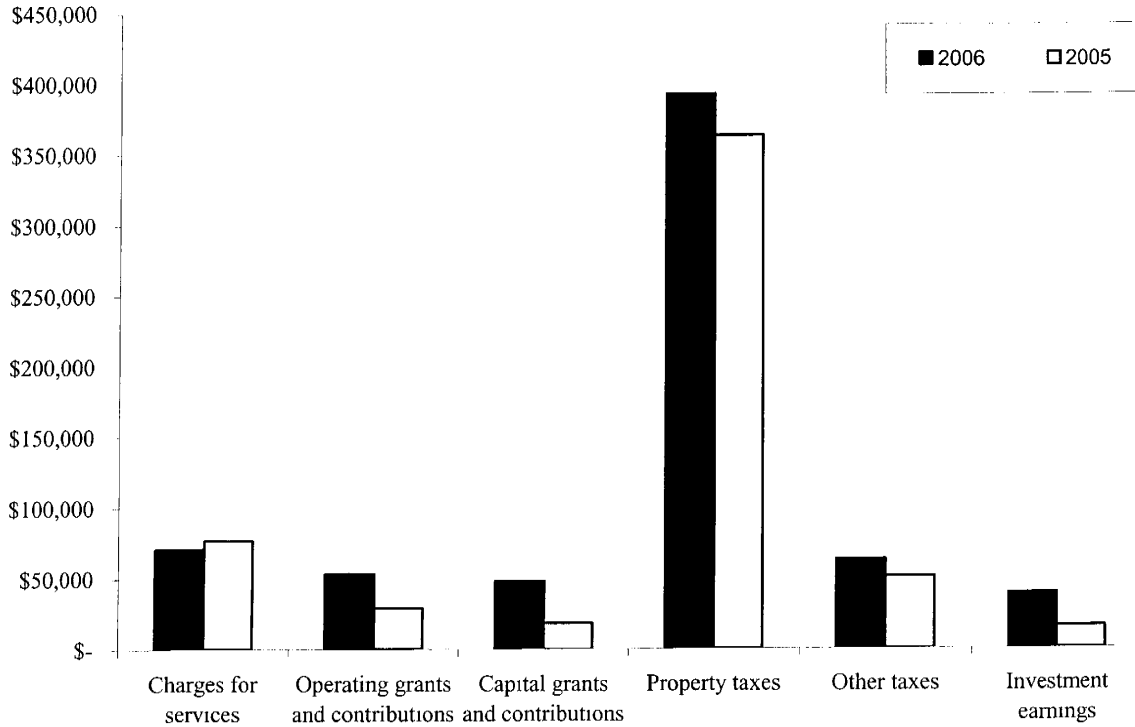
During 2006, Anchorage's net assets increased \$87,258 for governmental activities (reference Table A-2). Highlights of governmental activities net asset changes are as follows:

- Lodging taxes increased by \$7,159 due to a 4% increase in the tax rate effective January 1, 2006.
- Operating grants and contributions increased \$24,422 which included funding for “energy assistance” (\$16,688) as well as PERS retirement relief (\$6,913). These items substantially make up the amount of fund balance designated for property tax relief.
- Capital grants were \$29,917 higher in 2006 than in 2005, a 163% increase. However these grant revenues are generally offset by an equivalent increase on the expense side, thus not contributing to the overall increase in net assets.
- Investment earnings also more than doubled in 2006 from \$15,591 in 2005 to \$39,162 due to higher interest rates.
- A net pension obligation increase in the amount of \$9,096 was recorded associated with the State of Alaska Public Employees’ Retirement System. Contribution rates should come into alignment with the actuarial rates effective July 1, 2007.
- Expenses of Police and Fire services decreased by \$89,077. This reduction was due in part to a reduction in the long-term post-employment medical benefits liability in the amount of \$54,115 based on a funding analysis completed in 2006.

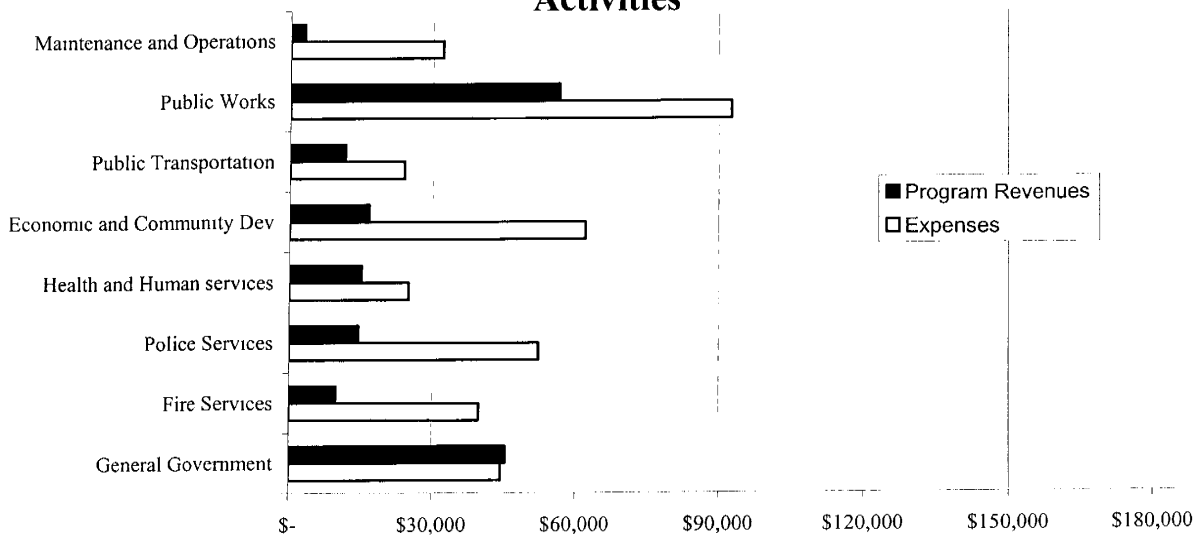
Table A-2
Anchorage's Changes in Net Assets
(in thousands)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 70,933	\$ 76,682	\$ 228,127	\$ 225,779	\$ 299,060	\$ 302,461
Operating grants & contributions	53,470	29,048	975	-	54,445	29,048
Capital grants & contributions	48,275	18,358	7,555	4,138	55,830	22,496
General revenues:						
Property taxes	392,314	362,963	-	-	392,314	362,963
Other taxes	62,993	50,890	-	-	62,993	50,890
Investment earnings	39,162	15,591	9,222	6,505	48,384	22,096
Total revenues	667,147	553,532	245,879	236,422	913,026	789,954
Expenses:						
General government	44,414	33,150	-	-	44,414	33,150
Fire services	39,819	82,518	-	-	39,819	82,518
Police services	52,291	98,669	-	-	52,291	98,669
Health and human services	25,045	31,156	-	-	25,045	31,156
Economic and community dev.	62,091	47,652	-	-	62,091	47,652
Public transportation	24,040	21,162	-	-	24,040	21,162
Public works	92,686	60,435	-	-	92,686	60,435
Education	184,567	170,393	-	-	184,567	170,393
Maintenance and operations	32,036	27,658	-	-	32,036	27,658
Interest	29,723	21,569	-	-	29,723	21,569
Water	-	-	37,216	35,841	37,216	35,841
Wastewater	-	-	28,188	26,703	28,188	26,703
Electric	-	-	96,915	101,351	96,915	101,351
Port	-	-	10,076	9,676	10,076	9,676
Municipal airport	-	-	2,984	2,570	2,984	2,570
Solid waste	-	-	14,251	13,614	14,251	13,614
Refuse	-	-	6,304	5,939	6,304	5,939
Development authority	-	-	6,533	5,304	6,533	5,304
Performing arts center	-	-	1,987	1,935	1,987	1,935
Total expenses	586,712	594,362	204,454	202,933	791,166	797,295
Change in net assets prior to special items and transfers	80,435	(40,830)	41,425	33,489	121,860	(7,341)
Special items - regulatory adjustment	-	-	-	19,853	-	19,853
Transfers	6,824	599	(6,824)	(599)	-	-
Change in net assets	87,259	(40,231)	34,601	52,743	121,860	12,512
Net assets, beginning of year	2,613,846	2,599,273	510,333	457,590	3,124,179	3,056,863
Add retroactive infrastructure	-	54,804	-	-	-	54,804
Net assets, beginning of year as restated	2,613,846	2,654,077	510,333	457,590	3,124,179	3,111,667
Net assets, end of year	\$ 2,701,105	\$ 2,613,846	\$ 544,934	\$ 510,333	\$ 3,246,039	\$ 3,124,179

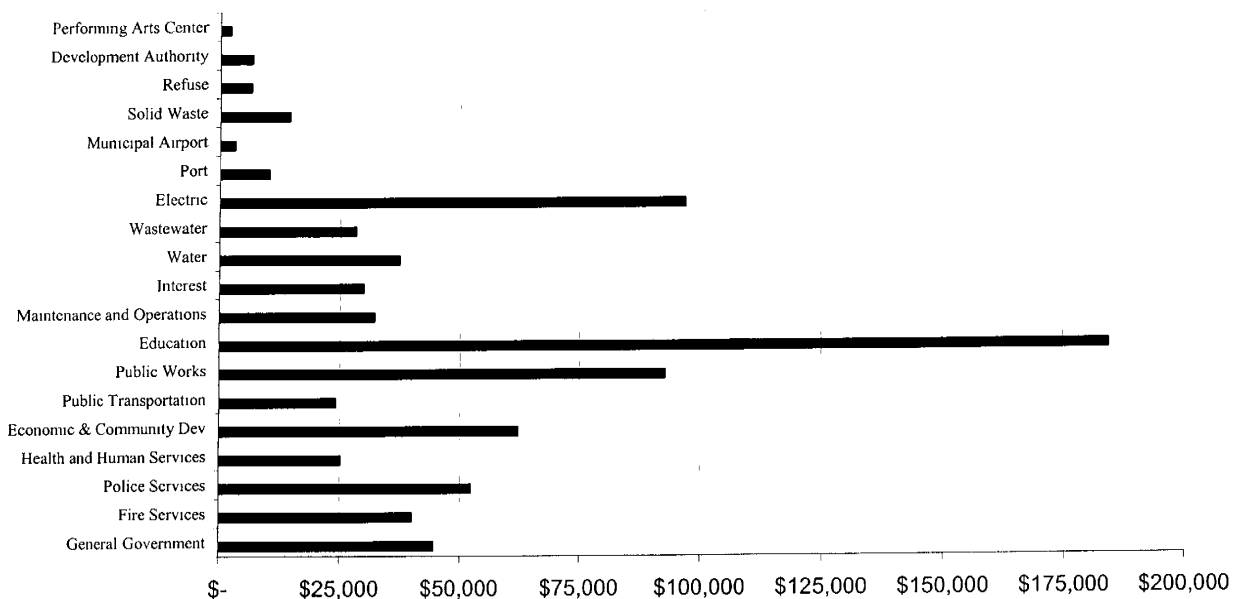
**Figure A-1
Governmental Activities Revenues by Type**



**Figure A-2
2006 Program Revenue vs Expense by Governmental Activities**



**Figure A-3
2006 Expense by Functional Activity**



Business-type Activities

Business-type activities increased Anchorage’s net assets by \$34,601 in 2006. Key elements of the change in net assets are as follows:

- Electric revenues (excluding special items) remained flat from 2005, while expenses decreased \$4,859. Depreciation expense increased \$8,724.
- During 2006, Water and Wastewater operating revenues increased 1% and 8% respectively while operating expenses increased 3% and 5%, for Water and Wastewater, respectively
- Investment earnings for all business-type activities increased by 42% to \$9,222.

Financial Analysis of Anchorage’s Funds

As noted earlier, Anchorage uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of Anchorage’s governmental funds is to provide information on the short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Anchorage’s financial requirements.

As of December 31, 2006, Anchorage’s governmental funds reported a combined ending fund balance of \$410,066, an increase of \$59,167 in comparison to the prior year. Of the total fund balance, \$243,884 is reserved and not available for additional spending because it has already

been committed either to liquidate contracts and purchase orders of the prior period (\$44,704), to meet debt service requirements (\$54,351), to generate income for perpetual care of the municipal cemetery (\$314), to recognize prepaid items, deposits and inventory (\$1,506), to satisfy long term loan principal payments (\$4,587), or is otherwise reserved in the MOA Trust Fund (\$138,422).

Approximately 41% of total fund balance (\$166,182) is classified as unreserved fund balance. Of the unreserved fund balance, approximately 58% is reported in Special Revenue Funds (\$7,905) and Capital Projects Funds (\$88,689) to be used for grant specified projects and capital construction. The remaining unreserved fund balance of approximately 42% (\$69,588) is reported in the General Fund. Of that amount \$31,241 is designated for bond rating and operating emergencies under Anchorage's Fund Balance Designation Policy. An additional \$22,035 is designated for property tax relief in 2007.

The General Fund is the primary operational fund for Anchorage. At December 31, 2006 and 2005, the unreserved fund balance was \$69,588 and \$43,559 while total fund balance was reported at \$71,762 and \$46,262 for 2006 and 2005. In measuring the General Fund's liquidity, one may compare both the unreserved fund balance and the total fund balance to total expenditures. At December 31, 2006, unreserved fund balance represents 13.7% of total General Fund expenditures and total fund balance represents 14.1% of the same amount. Unreserved fund balance was 9.4% of total General Fund expenditures and total fund balance was 10.0% of the same amount at December 31, 2005.

Investment revenue in the MOA Trust Fund increased \$8,088 or 103% over the prior year. This increase in market return was evident throughout all funds and functions and is attributable to increases in both the bond and equity markets.

The receipt of State of Alaska energy assistance, PERS relief, and the excellent investment income returns in 2006 significantly contributed to the overall increase in fund balance for the General Fund and the MOA Trust. Other nonmajor governmental funds (in aggregate) also reported an overall increase in fund balance (\$24,794) which was affected by the issuance of \$110,920 in revenue bonds for CIVICVentures.

Proprietary Funds

Anchorage's proprietary funds provide the same type of information found in the government-wide business-type activities financial statements, but in more detail.

- The Electric Utility's total plant increased by \$38,351 or 13% in 2006, while increasing by \$13,762, or 5% in 2005.
- The Electric Utility's net assets increased by \$17,877 or 10% in 2006 compared to an increase of \$38,699 or 28% in 2005.
- In March 2006 the Electric Utility exercised its option to receive a cash settlement for the 2005 gas underlift in the amount of \$22,939, which was recorded as an accounts receivable and a deferred credit, as of December 31, 2005, until the Regulatory Commission of Alaska (RCA) could rule on the use of the funds. The RCA issued Order Number 2 in Docket U-06-89 concerning the use of the funds received in settlement of the

2005 gas underlift which resulted in recognizing a deferred credit in the amount of \$23,805 for future gas purchases. The deferred credit consisted of the 2005 settlement of \$22,950 (final adjusted settlement) plus interest of \$854,215. The Order also agreed with the Electric Utility's proposal to "loan" the underlift proceeds to fund the construction of a new generating unit three with the condition that as the funds are returned, the loan amount plus interest will be restricted for future gas purchases.

- In 2006, the Electric Utility paid a dividend and gross receipts tax of \$7,427 to the Municipality based on 2005 revenues confirmed after audit. The dividend consists of a revenue distribution to general government of 5% of the Utility's gross revenues excluding restricted revenues (\$5,964,169) and payment of a gross receipts tax considered supplemental Municipal Utility Service Assessment MUSA at 1.25% times actual gross operating revenues (\$1,462,675).
- In 2006, the Electric Utility loaned the Municipality's Real Estate Services fund \$3,688 for the acquisition of real property described as Tract B, Muldoon Estates Subdivision per Assembly Ordinance (AO) 2006-149(S). The terms of the inter-fund require repayment on the loan within five years.
- Water Utility plant increased by \$17,029 or 4.3% in 2006 compared with a \$5,625 (1.5%) increase in 2005
- Water Utility net assets increased by \$3,281 or 5.2% during 2006. Operating revenues increased \$368 due to customer growth and an approved rate increase of 8.9% effective May 30, 2005.
- Water Utility operating expenses increased \$973 in part due to severe winter conditions and a rise in gas and electric prices affecting plant operations. Labor costs also increased, in part due to retirement benefit rate changes.
- Wastewater Utility plant increased by \$3,698 or 1.3% in 2006 compared with a \$3,040 (1.1%) increase in 2005
- Wastewater Utility net assets increased \$3,550 or 7.8% during 2006. Operating revenues increased \$2,201 due to customer growth and an approved rate increase of 4.1% effective January 2006 and an additional increase of 10.6% in June 2006.
- Wastewater Utility operating expenses increased by \$1,276 in part due to increased labor cost, including retirement benefits.

General Fund Budgetary Highlights

The 2006 approved budget (adopted in late 2005) includes projected funding sources.

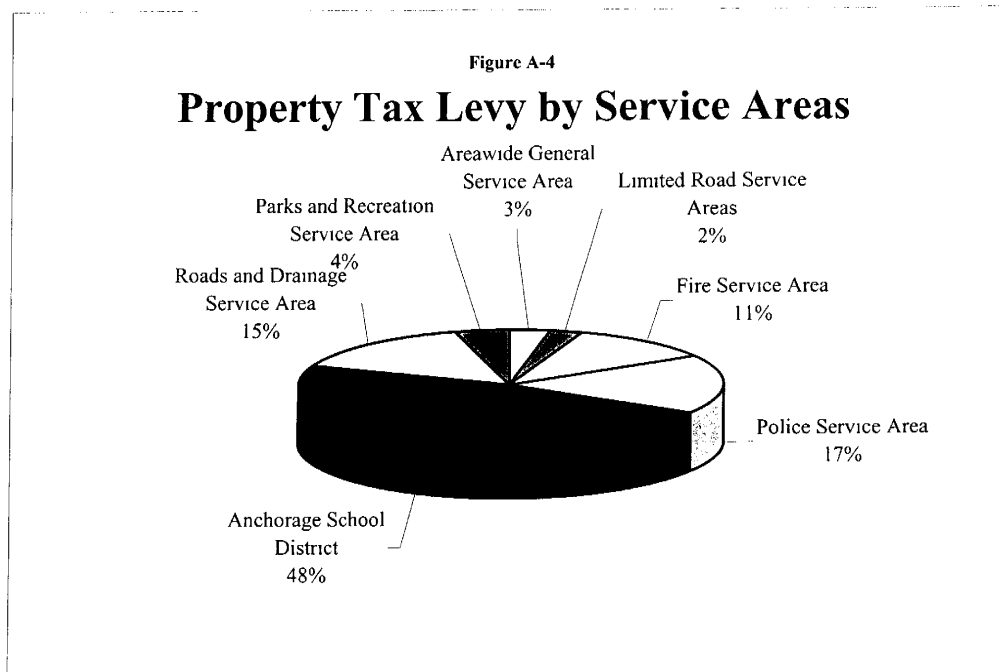
Annually after the end of the first quarter of the fiscal year, the rate of tax levy is established and taxes are levied for general purposes, which includes all service areas of Anchorage and the Anchorage School District (ASD). Expenditure revisions are usually made in conjunction with

the tax levy This first quarter budget revision establishes the budget for property taxes. A significant difference between the original budget and the final revised budget is the amount contributed to ASD for taxes levied. The amount to be contributed to ASD is determined during the first quarter of the fiscal year when the budget for ASD is approved for its ensuing fiscal year, July 1 – June 30, and the resulting tax levy rate and tax amount are levied for ASD

The following were major revisions to the approved budget during 2006, in thousands:

- Five Major Service Areas (Areawide, Fire, Roads and Drainage, Police, Parks and Recreation)
 - \$184,380 contribution to Anchorage School District for property taxes collected on their behalf general government
 - \$2,470 debt service associated with TANS issuance
 - \$1,461 to Fire Department for additional operating expenses including fuel, fleet charges, and supplies and for assumption of certain activities previously administered by Health and Human Services
 - \$300 to Police Department for fuel and fleet related cost increases
 - \$1,965 reduction to Health and Human Services for transfer of Community Service Patrol activities to Fire Department and transfer of Indigent Defense activities to General Government (Legal section)
 - \$4,509 reduction to Economic & Community Development related to room activities associated with the accommodations tax revenues transferred to a special revenue fund

In 2006 the original tax requirement was \$392,068; however \$5,023 was dedicated to tax relief, reducing the actual levy to \$387,045.



Capital Asset and Debt Administration

Capital Assets

At the end of 2006 and 2005, Anchorage had invested \$4,207,500 and \$4,093,793 in a broad range of capital assets, including police and fire equipment, buildings, land, and infrastructure (reference Table A-3). More detailed information about Anchorage's capital assets is presented in Note 5, Capital Assets, in the basic financial statements.

Table A-3
Municipality of Anchorage's Capital Assets
 (net of accumulated depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,216,177	\$ 1,206,888	\$ 57,975	\$ 58,290	\$ 1,274,152	\$ 1,265,178
Buildings and improvements	174,290	180,077	446,350	83,609	620,640	263,686
Art	15,351	14,281	-	-	15,351	14,281
Equipment	49,642	44,869	-	-	49,642	44,869
Distribution and collection systems	-	-	600,908	944,162	600,908	944,162
Infrastructure	1,475,803	1,448,917	-	-	1,475,803	1,448,917
Construction in progre:	58,702	43,312	112,302	69,388	171,004	112,700
	<u>\$ 2,989,965</u>	<u>\$ 2,938,344</u>	<u>\$ 1,217,535</u>	<u>\$ 1,155,449</u>	<u>\$ 4,207,500</u>	<u>\$ 4,093,793</u>

In 2006, total governmental activities asset additions were \$147,559, with the majority of the additions in construction work in progress and infrastructure. Anchorage also purchased and traded land for various projects in 2006.

Significant additions to governmental activities capital assets during 2006 were \$8,455 of building and improvement additions and \$19,332 of infrastructure additions. During 2005, an additional \$54,804 of infrastructure networks relating to parks, trails, and traffic signals were retroactively added to governmental activities capital assets.

Business-type activities capital assets increased during 2006 primarily due to distribution and collection system additions of \$68,465.

Long-term Debt

At December 31, 2006 Anchorage had \$977,172 in debt outstanding, an increase of 6.4% from 2005 debt outstanding of \$918,777 (reference Table A-4). More detailed information about Anchorage's long-term debt liabilities is presented in Note 8, Long Term Obligations, in the basic financial statements.

Table A-4
Municipality of Anchorage's Outstanding Debt
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 411,256	\$ 440,263	\$ 1,870	\$ 8,165	\$ 413,126	\$ 448,428
Revenue Bonds	50,805	53,620	307,778	334,214	358,583	387,834
CIVICVentures Revenue Bonds	110,920	-	-	-	110,920	-
Special Assessment Debt with Governmental Commitment	600	630	110	186	710	816
Certificates of Participation	-	3,360	-	-	-	3,360
Capital leases	2,015	1,565	-	-	2,015	1,565
Long-term Contracts	5,160	5,255	84,658	69,519	89,818	74,774
HUD loans	2,000	2,000	-	-	2,000	2,000
Total	\$ 582,756	\$ 506,693	\$ 394,416	\$ 412,084	\$ 977,172	\$ 918,777

New debt in governmental activities resulted from the issuance of CIVICVentures revenue bonds in the amount of \$110,920. Although CIVICVentures is a blended component unit, this debt is considered non-recourse revenue debt backed solely by a pledge of revenues from the municipal bed tax.

Anchorage's general obligation bonds are rated AA by Standard & Poor's, Aa3, Stable by Moody's, and AA by Fitch.

Infrastructure Modified Approach

Anchorage manages its paved road network using its Pavement Management Plan and accounts for it using the modified approach. The condition of road pavement is measured based upon an assessment of the longitudinal profile (International Roughness Index) and rut depth provided by the Dynatest Road Surface Profiler. The measurement system is an algorithm that combines the international roughness index, rut depth, and road profile to determine a condition index from 2 for pavement in excellent condition to 7 for pavement in poor condition. The condition index is used to classify paved roads in good or better condition (4 or less) and fair condition (5 or more). It is Anchorage's policy to maintain 60% or more of the total paved road miles in good or better condition. The most recent condition assessment shows that the condition of Anchorage's paved road network is in accordance with its policy. Condition assessments are updated every three years.

A comparison of estimated to actual maintenance and preservation expense is presented in Required Supplementary Information. During 2006 actual road infrastructure maintenance and preservation expense was 0.9% lower than estimated.

A condition assessment was performed in 2005 and indicated approximately 80.01% of total paved roads as being in good or better condition. This assessment result decreased slightly from the assessment results of 80.57% received during the 2002 assessment. The current assessment

exceeds Anchorage's policy to maintain 60% of total paved roads in good or better condition. The next scheduled assessment is in 2008.

Economic Factors and Next Year's Budgets and Rates

The Citizens Property Tax Cap allows for both economic growth (inflation and population) and for a number of other factors including new construction, debt service, voter-approved new services, special taxes, operations and maintenance costs, and judgments. In 2007, property taxes represent 55% of the General Government Operating Budget Revenue. Local taxes and program revenues account for the majority of the remaining revenues (38%). Intergovernmental charges outside of general government (6%), Federal/State revenues (1%), and applied fund balance account for the remaining balance. An areawide tax credit in the amount of \$37.1 million in 2007, brings the total tax property tax support to 46%.

The 2007 general government operating budget, as revised at first quarter is \$399,397 as compared with a final general government operating budget of \$381,369 for 2006, an increase of \$18,028 or 4.7%. The 2007 budget includes a \$15,777 increase related to personnel expenses, due in part to salary increases as well as retirement benefit rate increases. Total full-time equivalents budgeted in 2007 number 45 fewer than in 2006. Twenty-three of these positions are related to the divestiture of museum operations from general government to an outside nonprofit organization.

The 2007 Municipal Utilities' operating budgets total \$216,801 and Utilities' capital budgets total \$118,098.

The Municipality adopted a change in the formula used to calculate Municipal Utility Service Assessment (MUSA). Beginning in 2004, payments are calculated on net plant in service. This change treats the utilities, for MUSA purposes, similar to the private sector and in the manner in which business personal property taxes are calculated. In past years, a Municipal utility paid MUSA on the net non-contributed portion of plant in service, but prior to 1989 MUSA was calculated on net plant in service.

Prior Rate Cases

The Water Utility filed a 2004 test year Revenue Requirement Study (RRS) with the RCA on November 10, 2005, requesting a permanent rate increase of 8.9% effective January 1, 2006. On December 27, 2005, the RCA rejected the filing, citing the lack of a corresponding Cost of Service Study (COSS). The Water Utility refiled its RRS, including a COSS, on February 17, 2006. On March 15, 2006, the RCA again rejected the filing, stating the COSS, though complete, was a draft and therefore subject to change. The Board held a public hearing and determined no adjustments were necessary to the Water Utility's rate design. The Water Utility then refiled its RRS and COSS on April 14, 2006, requesting for the third time an 8.9% across the board interim and refundable rate increase. On May 30, 2006, the RCA issued an order granting the full interim rates. The hearing was held on January 16 through 18, 2007; however no final order has yet been issued. The Water Utility expects an order by July 1, 2007.

The Water Utility filed a 2005 test year RRS with the RCA on November 1, 2006 requesting a permanent rate increase of 14.5% effective January 1, 2007. At the same time, the Water Utility requested a 7.0% interim rate increase effective January 1, 2007 if the RCA suspended the filing for further review. On December 18, 2006, the RCA consolidated the Water Utility's rate case with the Anchorage Wastewater Utility's rate case into one docket, suspended the filing, and granted the Utility interim refundable rates effective January 1, 2007. The hearing for this rate case is scheduled to begin October 29, 2007.

The Wastewater Utility filed a revenue requirement study (RRS) with the RCA on January 9, 2004, requesting rate increases in 2004 and 2005 due to increases in MUSA, labor costs, depreciation, and interest costs on the Utility's debt. The RCA approved interim refundable rate increases, and suspended the filing for further investigation. On July 8, 2005, the RCA accepted a stipulation between the Attorney General and AWWU settling all contested issues except MUSA on contributed plant. On September 2, 2005 the RCA issued an order establishing the Wastewater Utility's revenue requirement that excluded MUSA on contributed plant. The Utility appealed the order to the Alaska Superior Court. On December 21, 2006 the Court issued a stay of the RCA's final order, allowing the Water Utility to continue collecting MUSA on contributed plant in interim rates pending resolution of the appeal.

The Wastewater Utility filed a 2004 test year RRS with the RCA on November 10, 2005, requesting a permanent rate increase of 10.6% effective January 1, 2006. However, the RCA suspended the filing and eliminated MUSA on contributed plant from interim refundable rates, granting only a 4.01% increase regardless of the Alaska Superior Court stay allowing continued collection of MUSA on contributed plant in interim refundable rates pending resolution of the 2004/2005 rate case appeal. The Wastewater Utility filed a complaint with the Court asking that the stay apply to the 2006 rate case as well. On May 26, 2006, the Court issued a preliminary injunction to require the RCA to immediately allow the Wastewater Utility to implement requested interim rates. On June 29, 2006 the Wastewater Utility filed a Cost of Service Study (COSS) based on this RRS as ordered by the RCA. On October 2, 2006, the Wastewater Utility and the Regulatory Affairs and Public Advocacy section of the Attorney General, the only intervener to the rate case, filed a settlement agreement with the RCA settling all disputed issues in the RRS with the exception of the outstanding MUSA on contributed plant. On October 27, 2006 the RCA accepted this agreement. The Wastewater Utility COSS associated with this rate case is currently under review with a hearing scheduled for October 25, 2007.

The Wastewater Utility filed a 2005 test year RRS with the RCA on November 1, 2006 requesting a permanent rate increase of 13.0% effective January 1, 2007. At the same time, the Wastewater Utility requested a 9.5% interim rate increase effective January 1, 2007 if the Commission decided to suspend the filing for further review. On December 18, 2006 the RCA consolidated the Wastewater Utility's rate case with the Anchorage Water Utility's rate case into one docket, suspended the filing, and granted the Wastewater Utility interim refundable rates effective January 1, 2007. The RCA hearing for this rate case is scheduled to begin October 29, 2007.

Contacting Anchorage's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Anchorage's finances and to demonstrate our accountability for the monies we receive. If you have questions about this report or need additional financial information, please contact the Municipality of Anchorage's Controller Division, 632 W 6th Avenue, P.O. Box 196650, Anchorage, AK 99519-6650.

This page intentionally left blank.

BASICS F/S

This page intentionally left blank.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

December 31, 2006

(With summarized financial information at December 31, 2005)

Assets	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Anchorage School District	Cooperative Services Authority
Cash	\$ 22,003	\$ 6,697,686	\$ 6,719,689	\$ —	\$ 63,968
Cash in central treasury	197,725,335	81,151,810	278,877,145	—	—
Investments	33,552,101	—	33,552,101	144,552,136	—
Interest receivable	3,375,209	745,922	4,121,131	1,248,711	—
Receivables (net of allowance for uncollectibles)	22,805,893	23,010,571	45,816,464	19,340,289	66,000
Due from primary government	—	—	—	95,801,144	—
Due from component unit	1,120,021	—	1,120,021	—	—
Internal balances	18,124,403	(18,124,403)	—	—	—
Inventories	1,180,951	15,764,168	16,945,119	2,939,963	—
Prepaid items and deposits	1,548,060	142,899	1,690,959	1,768,052	—
Deferred charges	5,232,883	360,087	5,592,970	4,066,475	—
Restricted assets:					
Investments	224,387,944	26,386,376	250,774,320	—	—
Customer deposits	—	2,111,208	2,111,208	—	—
Restricted deposits	—	620,602	620,602	—	—
Bond acquisition and construction	—	74,187,351	74,187,351	—	—
Bond operation and maintenance	—	13,184,097	13,184,097	—	—
Debt service accounts	—	4,170,031	4,170,031	—	—
Receivables	—	845,011	845,011	—	—
Intergovernmental receivables	22,192,899	—	22,192,899	—	—
Loans receivable, net	56,901,347	20,943	56,922,290	—	—
Deferred charges and other assets	—	10,302,886	10,302,886	—	—
Capital assets, not being depreciated	2,600,264,296	170,277,084	2,770,541,380	217,147,824	—
Capital assets, being depreciated, net	389,700,534	1,047,257,695	1,436,958,229	942,976,301	1,182,956
Total assets	\$ 3,578,133,879	\$ 1,459,112,024	\$ 5,037,245,903	\$ 1,429,840,895	\$ 1,312,924
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 19,447,304	\$ 23,153,785	\$ 42,601,089	\$ 6,134,515	\$ 141,309
Accrued expenses	—	—	—	2,987,600	18,704
Accrued interest payable	6,692,727	4,280,927	10,973,654	10,602,983	—
Due to primary government	—	—	—	—	—
Due to component unit	63,867,429	—	63,867,429	—	—
Unearned revenue	7,419,579	481,544	7,901,123	96,416,402	—
Deferred credits	919,003	465,011,334	465,930,337	—	—
Liabilities payable from restricted assets	74,716	7,270,809	7,345,525	—	—
Noncurrent liabilities:					
Due within one year	46,983,936	31,235,157	78,219,093	59,238,884	343,000
Due in more than one year	731,624,705	382,744,257	1,114,368,962	756,964,304	667,171
Total liabilities	877,029,399	914,177,813	1,791,207,212	932,344,688	1,170,184
Net assets (deficit):					
Invested in capital assets, net of related debt	2,537,136,632	366,904,334	2,904,040,966	401,914,125	1,182,956
Restricted for:					
Debt service	48,152,962	34,920,148	83,073,110	5,799,233	—
Maintenance and operations	—	604,363	604,363	—	—
Acquisition and construction	35,452,043	70,202,923	105,654,966	11,703,334	—
Grant activity	17,107,554	—	17,107,554	—	—
Heritage Land Bank	2,265,044	—	2,265,044	—	—
Perpetual care:					
Nonexpendable	314,425	—	314,425	—	—
MOA Trust:					
Nonexpendable	132,022,099	—	132,022,099	—	—
Expendable	6,400,000	—	6,400,000	—	—
Unrestricted	(77,746,279)	72,302,443	(5,443,836)	78,079,515	(1,040,216)
Net assets	2,701,104,480	544,934,211	3,246,038,691	497,496,207	142,740
Total liabilities and net assets	\$ 3,578,133,879	\$ 1,459,112,024	\$ 5,037,245,903	\$ 1,429,840,895	\$ 1,312,924

See accompanying notes to basic financial statements.

Total Reporting Entity

December 31, 2006	December 31, 2005
\$ 6,783,657	\$ 5,171,952
278,877,145	314,392,886
178,104,237	272,096,292
5,369,842	4,870,758
65,222,753	151,379,365
95,801,144	88,578,259
1,120,021	1,354,351
—	—
19,885,082	23,874,681
3,459,011	2,826,655
9,659,445	4,653,924
250,774,320	158,005,205
2,111,208	1,805,095
620,602	610,442
74,187,351	57,794,471
13,184,097	9,382,195
4,170,031	15,535,508
845,011	2,642,997
22,192,899	20,625,084
56,922,290	127,978
10,302,886	12,563,968
2,987,689,204	2,811,120,115
2,381,117,486	2,359,740,978
<u>\$ 6,468,399,722</u>	<u>\$ 6,319,153,159</u>
\$ 48,876,913	\$ 42,650,661
3,006,304	35,273,233
21,576,637	20,825,593
—	1,327,872
63,867,429	59,052,334
104,317,525	103,223,314
465,930,337	446,134,950
7,345,525	7,828,150
137,800,977	137,482,740
1,872,000,437	1,857,774,551
<u>2,724,722,084</u>	<u>2,711,573,398</u>
3,307,138,047	3,083,313,913
88,872,343	86,132,157
604,363	610,442
117,358,300	141,615,500
17,107,554	18,827,753
2,265,044	2,971,400
314,425	289,723
132,022,099	123,248,950
6,400,000	6,300,000
71,595,463	144,269,923
<u>3,743,677,638</u>	<u>3,607,579,761</u>
<u>\$ 6,468,399,722</u>	<u>\$ 6,319,153,159</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Activities

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 44,414,290	\$ 17,450,777	\$ 26,909,495	\$ 995,000
Fire services	39,818,913	7,672,974	1,709,896	465,195
Police services	52,291,313	12,194,471	2,291,015	71,380
Health and human services	25,045,197	3,787,127	11,419,843	—
Economic & community development	62,090,686	7,555,914	4,119,279	5,018,576
Public transportation	24,039,863	3,941,306	3,044,674	4,596,405
Public works	92,686,550	16,911,964	3,398,397	36,249,766
Education	184,566,884	—	—	—
Maintenance and operations	32,036,221	1,418,615	577,867	878,477
Interest on long-term debt	29,723,363	—	—	—
Total governmental activities	586,713,280	70,933,148	53,470,466	48,274,799
Business-type activities:				
Water	37,215,822	39,545,747	422,673	—
Wastewater	28,187,998	31,269,830	374,823	—
Electric	96,915,147	115,656,934	—	—
Port	10,076,243	11,881,314	29,277	2,155,516
Municipal Airport	2,983,778	1,196,622	16,901	2,781,414
Solid Waste	14,250,955	15,185,485	80,929	—
Refuse	6,304,451	6,785,718	50,892	—
Anchorage Community Development Authority	6,533,183	5,361,114	—	2,618,248
Alaska Center for the Performing Arts	1,986,912	1,244,739	—	—
Total business-type activities	204,454,489	228,127,503	975,495	7,555,178
Total primary government	\$ 791,167,769	\$ 299,060,651	\$ 54,445,961	\$ 55,829,977
Component Units:				
Anchorage School District	\$ 553,411,152	\$ 7,491,497	\$ 74,942,367	\$ 38,065,413
Cooperative Services Authority	1,189,363	1,328,296	—	—
Total Component Units	\$ 554,600,515	\$ 8,819,793	\$ 74,942,367	\$ 38,065,413

General revenues:

Property taxes
 Motor vehicle taxes
 Lodging taxes
 Tobacco taxes
 Assessments in lieu of taxes
 Grants and entitlements not restricted to specific programs
 Appropriation from Municipality of Anchorage
 Investment earnings
 Other

Special item:

Regulatory Adjustment
 Transfers

Total general revenues, special item, and other transfers

Change in net assets

Net assets, beginning of year, as previously reported

Add adjustment for retroactive capitalization of infrastructure assets under GASB 34

Net assets, beginning of year, as restated

Net assets, end of year

See accompanying notes to basic financial statements.

Net (Expense), Revenue and Changes in Net Assets

Primary Government			Component Units		Total Reporting Entity	
Governmental Activities	Business-Type Activities	Total	Anchorage School District	Cooperative Services Authority	2006	2005
\$ 940,982	\$ —	\$ 940,982	\$ —	\$ —	\$ 940,982	\$ (17,774,189)
(29,970,848)	—	(29,970,848)	—	—	(29,970,848)	(74,859,544)
(37,734,447)	—	(37,734,447)	—	—	(37,734,447)	(85,042,058)
(9,838,227)	—	(9,838,227)	—	—	(9,838,227)	(15,044,757)
(45,396,917)	—	(45,396,917)	—	—	(45,396,917)	(31,858,322)
(12,457,478)	—	(12,457,478)	—	—	(12,457,478)	(10,334,029)
(36,126,423)	—	(36,126,423)	—	—	(36,126,423)	(18,771,174)
(184,566,884)	—	(184,566,884)	—	—	(184,566,884)	(170,393,368)
(29,161,262)	—	(29,161,262)	—	—	(29,161,262)	(24,627,314)
(29,723,363)	—	(29,723,363)	—	—	(29,723,363)	(21,568,745)
<u>(414,034,867)</u>	<u>—</u>	<u>(414,034,867)</u>	<u>—</u>	<u>—</u>	<u>(414,034,867)</u>	<u>(470,273,500)</u>
—	2,752,598	2,752,598	—	—	2,752,598	2,632,340
—	3,456,655	3,456,655	—	—	3,456,655	2,044,194
—	18,741,787	18,741,787	—	—	18,741,787	15,681,632
—	3,989,864	3,989,864	—	—	3,989,864	2,646,858
—	1,011,159	1,011,159	—	—	1,011,159	2,150,005
—	1,015,459	1,015,459	—	—	1,015,459	1,979,603
—	532,159	532,159	—	—	532,159	657,440
—	1,446,179	1,446,179	—	—	1,446,179	30,998
—	(742,173)	(742,173)	—	—	(742,173)	(839,362)
—	32,203,687	32,203,687	—	—	32,203,687	26,983,708
<u>\$ (414,034,867)</u>	<u>\$ 32,203,687</u>	<u>\$ (381,831,180)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (381,831,180)</u>	<u>\$ (443,289,792)</u>
			\$ (432,911,875)	\$ —	\$ (432,911,875)	\$ (428,351,753)
			—	138,933	138,933	(318,983)
			<u>\$ (432,911,875)</u>	<u>\$ 138,933</u>	<u>\$ (432,772,942)</u>	<u>\$ (428,670,736)</u>
392,314,235	—	392,314,235	—	—	392,314,235	362,963,283
10,021,797	—	10,021,797	—	—	10,021,797	9,962,376
19,093,196	—	19,093,196	—	—	19,093,196	11,933,792
17,676,774	—	17,676,774	—	—	17,676,774	14,060,448
16,200,594	—	16,200,594	—	—	16,200,594	14,933,858
—	—	—	260,575,733	—	260,575,733	241,489,416
—	—	—	177,157,001	—	177,157,001	163,803,322
39,161,905	9,222,252	48,384,157	6,747,140	—	55,131,297	26,789,389
—	—	—	2,531,372	—	2,531,372	1,824,565
—	—	—	—	—	—	19,852,555
6,824,493	(6,824,493)	—	—	—	—	—
501,292,994	2,397,759	503,690,753	447,011,246	—	950,701,999	867,613,004
87,258,127	34,601,446	121,859,573	14,099,371	138,933	136,097,877	(4,347,524)
2,613,846,353	510,332,765	3,124,179,118	483,396,836	3,807	3,607,579,761	3,557,123,637
—	—	—	—	—	—	54,803,648
2,613,846,353	510,332,765	3,124,179,118	483,396,836	3,807	3,607,579,761	3,611,927,285
<u>\$ 2,701,104,480</u>	<u>\$ 544,934,211</u>	<u>\$ 3,246,038,691</u>	<u>\$ 497,496,207</u>	<u>\$ 142,740</u>	<u>\$ 3,743,677,638</u>	<u>\$ 3,607,579,761</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Balance Sheet
Governmental Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Assets	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				December 31, 2006	December 31, 2005
Cash	\$ —	\$ —	\$ 22,003	\$ 22,003	\$ 12,023
Cash in central treasury	125,290,416	—	55,657,219	180,947,635	220,717,521
Investments	366,700	—	33,185,401	33,552,101	21,187,215
Due from other funds	4,281,171	—	21,718,366	25,999,537	12,800,780
Receivables (net of allowance for uncollectibles)	69,865,888	—	1,790,383	71,656,271	78,740,197
Interest receivable	—	—	98	98	11,453
Special assessments receivable	1,230,136	—	724,337	1,954,473	969,408
Due from component units	109,850	—	—	109,850	239,826
Inventories	847,376	—	—	847,376	751,073
Prepaid items and deposits	7,144	—	868,670	875,814	217,041
Restricted assets:					
Cash in central treasury	—	—	—	—	48,679
Investments	—	136,228,687	82,157,893	218,386,580	131,895,683
Intergovernmental receivables	1,001,346	—	21,191,553	22,192,899	20,625,084
Interest receivables	—	2,317,283	—	2,317,283	1,866,850
Loans receivables, net	69,859	—	4,164,482	4,234,341	4,520,410
Advances to other funds	—	—	—	—	249,070
Total assets	\$ 203,069,886	\$ 138,545,970	\$ 221,480,405	\$ 563,096,261	\$ 494,852,313
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and retainages	\$ 6,036,617	\$ 113,387	\$ 12,580,286	\$ 18,730,290	\$ 11,778,329
Due to other funds	—	10,484	79,019	89,503	318,077
Due to component unit	63,867,429	—	—	63,867,429	59,052,334
Unearned revenue and deposits	61,403,689	—	5,250,839	66,654,528	72,706,618
Advances from other funds	—	—	3,688,437	3,688,437	—
Liabilities payable from restricted assets	—	—	—	—	98,056
Total liabilities	131,307,735	123,871	21,598,581	153,030,187	143,953,414
Fund balances:					
Reserved:					
Encumbrances	1,250,245	—	43,454,163	44,704,408	35,154,898
Inventories	847,376	—	—	847,376	751,073
Prepaid items and deposits	7,144	—	650,570	657,714	213,866
Long-term loans	69,859	—	4,517,763	4,587,622	4,769,167
Perpetual care	—	—	314,425	314,425	289,723
MOA trust	—	138,422,099	—	138,422,099	129,548,950
Debt service	—	—	54,350,659	54,350,659	38,557,291
Unreserved, designated:					
Bond rating and operating emergencies reported in General Fund	31,240,748	—	—	31,240,748	30,278,253
Future property tax relief	22,035,040	—	—	22,035,040	—
Unreserved, undesignated, reported in:					
General fund	16,311,739	—	—	16,311,739	13,280,944
Special revenue funds	—	—	7,905,228	7,905,228	10,396,106
Capital projects funds	—	—	88,689,016	88,689,016	87,658,628
Total fund balances	71,762,151	138,422,099	199,881,824	410,066,074	350,898,899
Total liabilities and fund balances	\$ 203,069,886	\$ 138,545,970	\$ 221,480,405	\$ 563,096,261	\$ 494,852,313

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Reconciliation of Net Assets Between the
Government-wide and Fund Financial Statements

December 31, 2006

Amounts reported as fund balance on the governmental fund balance sheet		\$ 410,066,074
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,989,964,830
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Jail lease receivable, net activity	\$ 51,862,828	
Property taxes	7,071,023	
Long term loan receivable, net activity	3,297,186	
Deferred charges	5,232,883	67,463,920
Internal service funds are used by management to charge the costs of fleet management, cost of insurance, and information technology to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		
Total internal service equity related to governmental activities	26,931,146	
Net of amounts included in:		
Capital assets, net of depreciation	(27,835,631)	
Compensated absences	600,489	
Net pension obligation	653,631	349,635
Long term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore not reported in the funds:		
General obligation bonds	(411,256,115)	
Revenue bonds	(50,805,000)	
Special assessment bonds	(600,000)	
Notes and contracts	(9,174,682)	
CIVICVentures revenue bonds	(110,920,000)	
Compensated absences	(15,642,180)	
Police and fire post employment health care benefits liability	(143,366,589)	
Net pension obligation	(18,282,686)	
Accrued interest payable	(6,692,727)	(766,739,979)
Net assets of governmental activities		\$ 2,701,104,480

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				2006	2005
Revenues:					
Taxes	\$ 427,887,141	\$ —	\$ 11,084,594	\$ 438,971,735	\$ 398,135,665
Payment in lieu of tax and MUSA	16,200,594	—	—	16,200,594	14,933,858
Special assessments	275,079	—	1,012,720	1,287,799	1,717,412
Licenses and permits	13,840,537	—	—	13,840,537	13,012,040
Intergovernmental	25,219,687	—	57,372,458	82,592,145	49,406,608
Charges for services	24,318,623	—	11,029,870	35,348,493	26,984,294
Fines and forfeitures	4,739,247	—	939,633	5,678,880	9,098,207
Investment income	11,326,046	15,956,191	10,570,966	37,853,203	12,455,565
Restricted contributions	535	—	1,202,507	1,203,042	485,249
Other	2,732,036	—	2,708,596	5,440,632	3,457,580
Total revenues	526,539,525	15,956,191	95,921,344	638,417,060	529,686,478
Expenditures:					
Current:					
General government	20,964,073	783,042	4,117,184	25,864,299	17,673,936
Fire services	60,427,722	—	3,084,469	63,512,191	58,252,110
Police services	78,016,900	—	4,174,166	82,191,066	74,316,323
Health and human services	12,129,314	—	12,230,898	24,360,212	26,190,221
Economic and community development	36,439,785	—	17,441,252	53,881,037	44,120,594
Public transportation	17,146,057	—	3,498,930	20,644,987	19,819,015
Public works	18,320,891	—	2,135,591	20,456,482	16,774,304
Education	184,379,644	—	697,562	185,077,206	170,393,368
Maintenance and operations	29,984,438	—	44,247	30,028,685	27,206,940
Debt service:					
Principal	28,649,110	—	6,300,000	34,949,110	30,128,791
Interest	22,120,136	—	5,946,335	28,066,471	19,837,168
Bond issuance costs	—	—	2,722,984	2,722,984	1,281,946
Capital outlay	—	—	130,232,159	130,232,159	75,629,256
Total expenditures	508,578,070	783,042	192,625,777	701,986,889	581,623,972
Excess (deficiency) of revenues over expenditures	17,961,455	15,173,149	(96,704,433)	(63,569,829)	(51,937,494)
Other financing sources (uses):					
Transfers in – from other funds	15,543,582	—	32,293,777	47,837,359	20,395,441
Transfers out – to other funds	(10,581,622)	(6,300,000)	(24,131,244)	(41,012,866)	(19,996,737)
General obligation bonds issued	—	—	—	—	96,805,000
Long term debt issued	—	—	110,920,000	110,920,000	350,000
Refunding bonds issued	—	—	—	—	102,090,000
Premium on bond sale	—	—	33,142	33,142	484,025
Premium on refunding bonds	—	—	—	—	8,020,184
Payment to refunded bond escrow agent to extinguish debt	—	—	—	—	(101,275,000)
Payment to refunded bond escrow agent	—	—	—	—	(7,819,800)
Capital leases	—	—	673,553	673,553	—
Insurance recoveries	41,915	—	—	41,915	114,300
Sale of capital assets	2,535,125	—	1,708,776	4,243,901	870,285
Total other financing sources (uses)	7,539,000	(6,300,000)	121,498,004	122,737,004	100,037,698
Net change in fund balances	25,500,455	8,873,149	24,793,571	59,167,175	48,100,204
Fund balances, beginning of year	46,261,696	129,548,950	175,088,253	350,898,899	302,798,695
Fund balances, end of year	\$ 71,762,151	\$ 138,422,099	\$ 199,881,824	\$ 410,066,074	\$ 350,898,899

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year ended December 31, 2006

Net change in fund balance – total governmental funds \$ 59,167,175

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay and equipment purchases	\$ 78,490,668	
Receipt of assets contributed by developers	19,153,120	
Depreciation expense	<u>(30,376,039)</u>	67,267,749

The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (12,258,758)

Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:

Property taxes	134,267	
Jail lease receivable, net activity	<u>(2,870,563)</u>	(2,736,296)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

New issuance of CIVICVentures bonds	(110,920,000)	
New issuance of long term debt	(673,553)	
Principal repayment, net of premium/discount	34,949,110	
Net change in premium/discount	581,783	
Net change in bond issuance costs	2,156,790	
Net change in interest accrual	<u>(1,459,633)</u>	(75,365,503)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		620,746
Unfunded pension obligation		(8,867,858)
HUD Section 108 loan receivable, net activity		718,306
HUD Rehabilitation Loans		1,435,180
Police and fire post-employment healthcare benefits liability, net activity		54,114,061

Internal service funds are used by management to charge the costs of insurance, fleet management and information technology to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities.

		<u>3,163,325</u>
Change in net assets of governmental activities	\$	<u><u>87,258,127</u></u>

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets
Proprietary Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Business-Type Activities – Enterprise Funds

Assets	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Current assets:					
Cash	\$ 1,600	\$ —	\$ —	\$ 6,696,086	\$ 6,697,686
Cash in central treasury	37,482,310	14,231,559	8,596,385	20,841,556	81,151,810
Due from other funds	—	—	—	—	—
Due from component units	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	13,478,419	3,482,239	2,917,446	1,878,203	21,756,307
Interest receivable	614,376	74,987	45,922	10,637	745,922
Current portion of lease receivable	—	—	—	304,265	304,265
Inventories	13,964,133	1,800,035	—	—	15,764,168
Prepaid items and deposits	—	—	—	142,899	142,899
Special assessments receivable	—	77,263	233,686	—	310,949
Unbilled reimbursable work orders	9,255	386,358	243,437	—	639,050
Deferred charges and other assets	360,087	—	—	—	360,087
Restricted assets:					
Restricted deposits	—	—	—	620,602	620,602
Receivables	—	—	176,323	668,688	845,011
Bond and acquisition and construction accounts	31,484,732	—	—	42,702,619	74,187,351
Revenue bond operations and maintenance accounts	7,350,000	4,001,279	495,001	1,337,817	13,184,097
Debt service accounts	3,371,088	788,101	10,842	—	4,170,031
Total current assets	<u>108,116,000</u>	<u>24,841,821</u>	<u>12,719,042</u>	<u>75,203,372</u>	<u>220,880,235</u>
Noncurrent assets:					
Loans receivables, net	—	—	—	20,943	20,943
Advances to other funds	3,688,437	—	—	—	3,688,437
Due from component units	—	—	—	—	—
Revenue bond reserve investments - restricted	26,386,376	—	—	—	26,386,376
Debt service accounts	—	—	—	—	—
Customer deposits - restricted	1,173,570	463,894	473,744	—	2,111,208
Deferred charges and other assets	2,770,583	1,178,712	2,459,134	3,894,457	10,302,886
Capital assets, net	333,322,546	409,133,079	283,344,476	191,734,678	1,217,534,779
Total noncurrent assets	<u>367,341,512</u>	<u>410,775,685</u>	<u>286,277,354</u>	<u>195,650,078</u>	<u>1,260,044,629</u>
Total assets	<u>\$ 475,457,512</u>	<u>\$ 435,617,506</u>	<u>\$ 298,996,396</u>	<u>\$ 270,853,450</u>	<u>\$ 1,480,924,864</u>

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	December 31, 2006	December 31, 2005
\$ —	\$ 6,697,686	\$ 5,155,918
16,777,700	97,929,510	88,957,832
908,018	908,018	908,019
1,010,171	1,010,171	343,000
149	21,756,456	43,014,641
—	745,922	257,634
—	304,265	501,727
333,575	16,097,743	20,354,532
672,246	815,145	417,423
—	310,949	401,048
—	639,050	961,847
—	360,087	301,538
—	620,602	610,442
—	845,011	2,642,997
6,001,364	80,188,715	62,463,325
—	13,184,097	9,382,195
—	4,170,031	13,516,619
<u>25,703,223</u>	<u>246,583,458</u>	<u>250,190,737</u>
—	20,943	23,454
4,549,022	8,237,459	4,926,603
—	—	771,525
—	26,386,376	26,109,522
—	—	2,018,889
—	2,111,208	1,805,095
—	10,302,886	9,487,875
<u>27,835,631</u>	<u>1,245,370,410</u>	<u>1,186,672,428</u>
<u>32,384,653</u>	<u>1,292,429,282</u>	<u>1,231,815,391</u>
<u>\$ 58,087,876</u>	<u>\$ 1,539,012,740</u>	<u>\$ 1,482,006,128</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets
Proprietary Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Business-Type Activities – Enterprise Funds					
Liabilities and Net Assets	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Current liabilities:					
Accounts payable and retainages	\$ 18,763,885	\$ 971,240	\$ 739,661	\$ 2,678,999	\$ 23,153,785
Compensated absences payable	1,987,512	959,384	919,248	549,912	4,416,056
Claims payable	—	—	—	—	—
Claims incurred but not reported	—	—	—	—	—
Due to other funds	—	11,524,671	10,184,995	620,730	22,330,396
Accrued interest payable	1,107,340	2,188,175	849,137	136,275	4,280,927
Long-term obligations maturing within one year	17,725,000	4,915,643	2,675,108	1,503,350	26,819,101
Unearned revenue and deposits	—	—	—	481,544	481,544
Deferred credits and other liabilities	—	—	—	—	—
Current liabilities payable from restricted assets:					
Customer deposits payable	1,212,547	463,894	473,744	66,809	2,216,994
Capital acquisition and construction accounts and retainage payable	955,104	1,252,607	1,453,273	1,392,831	5,053,815
Total current liabilities	41,751,388	22,275,614	17,295,166	7,430,450	88,752,618
Noncurrent liabilities:					
General obligation bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	—	1,368,224	—	1,368,224
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	175,017,807	83,132,720	26,408,818	683,656	285,243,001
Special assessment bonds payable (net of unamortized discounts)	—	30,861	8,770	—	39,631
Due to other funds	—	—	—	—	—
Alaska clean water loan payable	—	28,993,394	31,955,066	18,905,213	79,853,673
Unearned revenue	—	—	—	—	—
Compensated absences payable	—	160,756	154,031	—	314,787
Unfunded pension obligation	618,092	909,934	852,337	633,204	3,013,567
Liabilities payable from restricted assets:					
Customer deposits	—	—	—	—	—
Deferred credits and other liabilities:					
Future landfill closure costs	—	—	—	12,911,374	12,911,374
Other deferred credits	29,414,185	—	—	—	29,414,185
Contributed capital	31,586,114	231,944,198	172,066,837	—	435,597,149
Total noncurrent liabilities	236,636,198	345,171,863	232,814,083	33,133,447	847,755,591
Total liabilities	278,387,586	367,447,477	250,109,249	40,563,897	936,508,209
Net assets:					
Invested in capital assets, net of related debt	108,993,625	48,591,592	38,676,658	170,642,459	366,904,334
Restricted for debt service	28,650,124	4,588,759	343,448	1,337,817	34,920,148
Restricted for operations and maintenance	—	—	—	604,363	604,363
Restricted for acquisition and construction	29,054,544	—	—	41,148,379	70,202,923
Unrestricted	30,371,633	14,989,678	9,867,041	16,556,535	71,784,887
Total net assets	197,069,926	68,170,029	48,887,147	230,289,553	544,416,655
Total liabilities and net assets	\$ 475,457,512	\$ 435,617,506	\$ 298,996,396	\$ 270,853,450	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					517,556
Net assets of business-type activities					\$ 544,934,211

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	December 31, 2006	December 31, 2005
\$ 717,014	\$ 23,870,799	\$ 16,387,895
600,489	5,016,545	4,732,733
6,572,142	6,572,142	7,095,080
11,989,247	11,989,247	11,336,328
4,487,656	26,818,052	13,639,791
—	4,280,927	4,698,461
—	26,819,101	41,472,753
76,254	557,798	608,484
—	—	279,178
—	2,216,994	1,093,474
74,716	5,128,531	5,915,599
<u>24,517,518</u>	<u>113,270,136</u>	<u>107,259,776</u>
—	1,368,224	1,753,117
—	285,243,001	305,917,226
—	39,631	186,446
4,549,022	4,549,022	4,926,604
—	79,853,673	65,344,091
919,003	919,003	1,097,565
—	314,787	417,032
653,631	3,667,198	2,429,601
—	—	819,077
—	12,911,374	11,899,235
—	29,414,185	23,917,522
—	435,597,149	421,938,250
<u>6,121,656</u>	<u>853,877,247</u>	<u>840,645,766</u>
<u>30,639,174</u>	<u>967,147,383</u>	<u>947,905,542</u>
22,378,591	389,282,925	344,218,766
—	34,920,148	40,021,501
—	604,363	610,442
—	70,202,923	62,822,145
5,070,111	76,854,998	86,427,732
<u>27,448,702</u>	<u>571,865,357</u>	<u>534,100,586</u>
<u>\$ 58,087,876</u>	<u>\$ 1,539,012,740</u>	<u>\$ 1,482,006,128</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	Business-Type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 114,413,016	\$ 34,421,404	\$ 29,855,749	\$ 33,255,139	\$ 211,945,308
Other	549,654	4,392,544	1,092,055	5,299,546	11,333,799
Total operating revenues	114,962,670	38,813,948	30,947,804	38,554,685	223,279,107
Operating expenses:					
Operations	54,647,540	19,387,667	17,951,778	27,578,647	119,565,632
Municipal service assessment	3,550,557	5,477,567	4,067,999	1,816,722	14,912,845
Amortization of future landfill closure costs	—	—	—	1,012,139	1,012,139
Depreciation	24,385,773	6,032,236	4,188,454	9,942,995	44,549,458
Total operating expenses	82,583,870	30,897,470	26,208,231	40,350,503	180,040,074
Operating income (loss)	32,378,800	7,916,478	4,739,573	(1,795,818)	43,239,033
Nonoperating revenues (expenses):					
Investment income	5,106,764	639,014	215,428	3,261,046	9,222,252
Other revenues	297,724	27,500	—	1,562,038	1,887,262
Intergovernmental revenue	—	422,673	374,823	177,999	975,495
Interest expense	(13,310,236)	(5,712,363)	(2,020,093)	(263,989)	(21,306,681)
Allowance for funds used during construction	396,540	704,299	322,026	—	1,422,865
Gain on disposition of assets	—	—	—	1,538,269	1,538,269
Amortization of deferred charges	(390,784)	(717,052)	(81,288)	(52,599)	(1,241,723)
Other expenses	(637,180)	—	—	(1,475,902)	(2,113,082)
Net nonoperating revenues (expenses)	(8,537,172)	(4,635,929)	(1,189,104)	4,746,862	(9,615,343)
Income before capital contributions, special item and transfers	23,841,628	3,280,549	3,550,469	2,951,044	33,623,690
Capital contributions	—	—	—	7,555,178	7,555,178
Special item – regulatory adjustment	—	—	—	—	—
Transfers in	—	—	—	1,148,500	1,148,500
Transfers out	(5,964,169)	—	—	(2,008,824)	(7,972,993)
Change in net assets	17,877,459	3,280,549	3,550,469	9,645,898	34,354,375
Total net assets – beginning	179,192,467	64,889,480	45,336,678	220,643,655	
Total net assets – ending	\$ 197,069,926	\$ 68,170,029	\$ 48,887,147	\$ 230,289,553	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					247,071
Change in net assets of business-type activities					\$ 34,601,446

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2006	2005
\$ 73,853,618	\$ 285,798,926	\$ 257,681,083
—	11,333,799	33,076,741
<u>73,853,618</u>	<u>297,132,725</u>	<u>290,757,824</u>
65,509,162	185,074,794	189,630,536
—	14,912,845	13,669,738
—	1,012,139	787,909
<u>6,238,890</u>	<u>50,788,348</u>	<u>40,944,447</u>
<u>71,748,052</u>	<u>251,788,126</u>	<u>245,032,630</u>
<u>2,105,566</u>	<u>45,344,599</u>	<u>45,725,194</u>
1,364,260	10,586,512	7,335,396
124,239	2,011,501	1,928,853
423,720	1,399,215	4,270,088
(779,042)	(22,085,723)	(23,245,803)
—	1,422,865	1,594,165
958,653	2,496,922	343,889
—	(1,241,723)	(1,273,345)
<u>(787,000)</u>	<u>(2,900,082)</u>	<u>(2,274,708)</u>
<u>1,304,830</u>	<u>(8,310,513)</u>	<u>(11,321,465)</u>
3,410,396	37,034,086	34,403,729
—	7,555,178	(392,230)
—	—	19,852,555
—	1,148,500	1,482,330
—	(7,972,993)	(1,881,034)
<u>3,410,396</u>	<u>37,764,771</u>	<u>53,465,350</u>
<u>24,038,306</u>	<u>534,100,586</u>	<u>480,635,236</u>
<u>\$ 27,448,702</u>	<u>\$ 571,865,357</u>	<u>\$ 534,100,586</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows
Proprietary Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	Business-Type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 137,768,092	\$ 38,497,228	\$ 29,762,991	\$ 48,833,492	\$ 254,861,803
Payments to employees	(18,076,957)	(12,575,071)	(9,736,088)	(14,964,172)	(55,352,288)
Payments to vendors	(31,981,537)	(11,635,155)	(10,411,533)	(21,200,898)	(75,229,123)
Net cash provided by operating activities	87,709,598	14,287,002	9,615,370	12,668,422	124,280,392
Cash flows from noncapital financing activities:					
Transfers to other funds	(5,964,169)	—	—	(1,642,627)	(7,606,796)
Transfers from other funds	—	—	—	1,148,500	1,148,500
Loan proceeds from (to) other funds	(3,688,437)	—	—	—	(3,688,437)
Loan payments to other funds	—	—	—	(400,717)	(400,717)
Loan/contribution to component unit	—	—	—	—	—
Other noncapital payments to vendors	(637,180)	—	—	(1,915,982)	(2,553,162)
Other noncapital receipts	297,724	450,173	374,823	1,697,865	2,820,585
Net cash provided (used) by noncapital and related financing activities	(9,992,062)	450,173	374,823	(1,112,961)	(10,280,027)
Cash flows from capital and related financing activities:					
Proceeds from issuance of long-term obligations	—	6,874,977	2,653,488	—	9,528,465
Principal payments on long-term obligations	(21,225,000)	(6,387,922)	(5,868,610)	(4,819,831)	(38,301,363)
Loan proceeds from central treasury	—	—	6,643,959	—	6,643,959
Loan proceeds from line of credit	—	—	—	8,978,839	8,978,839
Interest payments on long-term obligations	(12,297,847)	(5,661,699)	(1,917,165)	(422,465)	(20,299,176)
Acquisition and construction of capital assets	(55,820,040)	(26,706,423)	(12,597,869)	(17,324,152)	(112,448,484)
Proceeds from disposition of capital assets	—	—	—	2,602,736	2,602,736
Proceeds from gas underlift settlement	—	—	—	—	—
Capital contributions – customers	2,427,126	605,444	1,017,357	—	4,049,927
Capital contributions – intergovernmental	10,662,152	7,431,236	453,439	6,381,327	24,928,154
Payments for interfund services used	—	7,406,553	—	—	7,406,553
Net cash used by capital and related financing activities	(76,253,609)	(16,437,834)	(9,615,401)	(4,603,546)	(106,910,390)
Cash flows from investing activities:					
Proceeds from sales and maturity of investments	6,217,570	617,532	105,059	—	6,940,161
Proceeds from investment in direct financing leases	—	—	—	801,829	801,829
Purchase of investments	—	—	—	—	—
Investment income received	4,278,603	624,661	267,561	3,253,848	8,424,673
Net cash provided (used) by investing activities	10,496,173	1,242,193	372,620	4,055,677	16,166,663
Net increase (decrease) in cash	11,960,100	(458,466)	747,412	11,007,592	23,256,638
Cash, beginning of year	58,182,112	15,153,919	8,322,717	59,232,669	140,891,417
Cash, end of year	\$ 70,142,212	\$ 14,695,453	\$ 9,070,129	\$ 70,240,261	\$ 164,148,055
Cash	\$ 1,600	\$ —	\$ —	\$ 6,696,086	\$ 6,697,686
Cash in central treasury	37,482,310	14,231,559	8,596,385	20,841,556	81,151,810
Capital acquisition and construction accounts	31,484,732	—	—	42,702,619	74,187,351
Customer deposits	1,173,570	463,894	473,744	—	2,111,208
Cash, December 31	\$ 70,142,212	\$ 14,695,453	\$ 9,070,129	\$ 70,240,261	\$ 164,148,055

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2006	2005
\$ 73,886,330	\$ 328,748,133	\$ 294,702,369
(9,265,478)	(64,617,766)	(75,395,380)
(56,426,981)	(131,656,104)	(131,189,458)
<u>8,193,871</u>	<u>132,474,263</u>	<u>88,117,531</u>
—	(7,606,796)	(1,881,034)
—	1,148,500	1,482,330
2,022,542	(1,665,895)	908,019
(2,093,951)	(2,494,668)	(947,017)
(787,000)	(787,000)	(151,639)
—	(2,553,162)	(597,400)
<u>422,779</u>	<u>3,243,364</u>	<u>245,891</u>
<u>(435,630)</u>	<u>(10,715,657)</u>	<u>(940,850)</u>
—	9,528,465	6,560,284
(377,583)	(38,678,946)	(32,216,723)
—	6,643,959	13,021,542
—	8,978,839	3,474,103
(779,042)	(21,078,218)	(22,191,531)
(4,741,939)	(117,190,423)	(45,215,810)
1,944,194	4,546,930	586,708
—	—	19,852,555
—	4,049,927	1,907,571
125,180	25,053,334	5,523,303
—	7,406,553	—
<u>(3,829,190)</u>	<u>(110,739,580)</u>	<u>(48,697,998)</u>
—	6,940,161	7,600,314
—	801,829	342,157
—	—	(16,167,312)
<u>1,364,260</u>	<u>9,788,933</u>	<u>7,319,904</u>
<u>1,364,260</u>	<u>17,530,923</u>	<u>(904,937)</u>
5,293,311	28,549,949	37,573,746
<u>17,485,753</u>	<u>158,377,170</u>	<u>120,808,424</u>
<u>\$ 22,779,064</u>	<u>\$ 186,927,119</u>	<u>\$ 158,382,170</u>
\$ —	\$ 6,697,686	\$ 5,155,918
16,777,700	97,929,510	88,957,832
6,001,364	80,188,715	62,463,325
—	2,111,208	1,805,095
<u>\$ 22,779,064</u>	<u>\$ 186,927,119</u>	<u>\$ 158,382,170</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows
Proprietary Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	<u>Business-Type Activities – Enterprise Funds</u>				
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Reconciliation of change in net assets to net cash provided by operating activities:					
Operating income	\$ 32,378,800	\$ 7,916,478	\$ 4,739,573	\$ (1,795,818)	\$ 43,239,033
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	24,385,773	6,032,236	4,188,454	9,942,995	44,549,458
Amortization of future landfill closure costs	—	—	—	1,012,139	1,012,139
Allowance for uncollectible accounts	52,255	(70,543)	4,409	—	(13,879)
Capital equipment purchases	—	—	—	2,618,248	2,618,248
Changes in assets and liabilities which increase (decrease) cash:					
Accounts receivable	21,126,038	213,636	(452,672)	976,686	21,863,688
Notes receivable	—	—	—	2,389	2,389
Unbilled reimbursable work orders	25,230	280,737	16,830	—	322,797
Prepaid items and deposits	—	—	—	(33,290)	(33,290)
Inventories	4,394,725	(157,324)	—	—	4,237,401
Customer deposits	—	114,035	4,526	1,230	119,791
Deferred charges and other assets	360,363	(112,711)	62,556	(2,216,483)	(1,906,275)
Accounts payable and retainages	(1,076,904)	(215,505)	640,381	2,062,946	1,410,918
Claims payable	—	—	—	—	—
Deferred credits and other liabilities	5,462,941	—	33,722	(4,366)	5,492,297
Unearned revenue and deposits	199,798	—	—	(98,845)	100,953
Net pension obligation	223,082	225,120	363,609	198,373	1,010,184
Compensated absences payable	177,497	60,843	13,982	2,218	254,540
Total cash provided by operating activities	<u>\$ 87,709,598</u>	<u>\$ 14,287,002</u>	<u>\$ 9,615,370</u>	<u>\$ 12,668,422</u>	<u>\$ 124,280,392</u>
Noncash investing, capital, and financing activities:					
Capital purchases on account	\$ 5,236,376	\$ 375,731	\$ 274,106	\$ —	\$ 5,886,213
Contributed capital and equipment	—	1,216,717	1,347,986	—	2,564,703
Portion of plant from AFUDC	396,540	—	—	—	396,540
Refunding of old debt	—	—	—	—	—
Refunding of new debt	—	—	—	—	—
	<u>\$ 5,632,916</u>	<u>\$ 1,592,448</u>	<u>\$ 1,622,092</u>	<u>\$ —</u>	<u>\$ 8,847,456</u>

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2006	2005
\$ 2,105,566	\$ 45,344,599	\$ 45,725,194
6,238,890	50,788,348	40,944,447
—	1,012,139	787,909
—	(13,879)	2,963
—	2,618,248	49,745
(75)	21,863,613	20,296,576
—	2,389	5,344
—	322,797	(412,197)
(364,432)	(397,722)	(36,444)
19,388	4,256,789	(3,443,912)
—	119,791	8,969
—	(1,906,275)	(389,907)
66,269	1,477,187	(4,289,844)
119,600	119,600	5,960,572
—	5,492,297	(18,941,900)
(145,775)	(44,822)	142,129
227,413	1,237,597	1,615,808
(72,973)	181,567	92,079
<u>\$ 8,193,871</u>	<u>\$ 132,474,263</u>	<u>\$ 88,117,531</u>
\$ 74,716	\$ 5,960,929	\$ 6,472,122
—	2,564,703	2,825,922
—	396,540	431,512
—	—	133,259,015
—	—	(133,259,015)
<u>\$ 74,716</u>	<u>\$ 8,922,172</u>	<u>\$ 9,729,556</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2006

(With financial information at December 31, 2005)

	2006		2005	
Assets	Pension and Other Post Employee Benefits Trust Funds	Employee Benefits Agency Fund	Pension and Other Post Employee Benefits Trust Funds	Employee Benefits Agency Fund
Cash in central treasury	\$ 22,523	\$ 10,464,556	\$ 91,611	\$ 7,999,009
Cash, cash equivalents held under securities lending program	17,998,065	—	19,534,978	—
Investments, at fair value:				
Investment in master group trust	419,853,194	—	395,248,621	—
Money market funds	4,375,063	—	643,455	—
Debt securities	1,045,206	—	1,006,679	—
Equity securities	3,233,181	—	5,293,010	—
Total investments	<u>428,506,644</u>	<u>—</u>	<u>402,191,765</u>	<u>—</u>
Accounts Receivable	—	7,789	—	7,789
Capital assets, net	9,691	—	18,362	—
Total assets	<u>\$ 446,536,923</u>	<u>\$ 10,472,345</u>	<u>\$ 421,836,716</u>	<u>8,006,798</u>
Liabilities				
Accounts payable	\$ 126,620	\$ 206,957	\$ 109,796	\$ 535,096
Unearned revenue	176,675	—	—	—
Payable under securities lending program	17,998,065	—	19,534,978	—
Due to employees	—	5,961,057	—	5,270,589
Due to employees' retirement systems	—	2,866,769	—	1,121,662
Payroll liabilities	—	1,437,562	—	1,079,451
Total liabilities	<u>18,301,360</u>	<u>10,472,345</u>	<u>19,644,774</u>	<u>8,006,798</u>
Net Assets				
Held in trust for:				
Employees' pension benefits	419,757,144	—	395,247,231	—
Employees' post employment healthcare benefits	8,478,419	—	6,944,711	—
Total net assets	<u>428,235,563</u>	<u>—</u>	<u>402,191,942</u>	<u>—</u>
Total liabilities and net assets	<u>\$ 446,536,923</u>	<u>\$ 10,472,345</u>	<u>\$ 421,836,716</u>	<u>\$ 8,006,798</u>

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statements of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended December 31, 2006

(With financial information for the year ended December 31, 2005)

	Pension and Other Post Employment Benefit Trust Funds	
	<u>2006</u>	<u>2005</u>
Additions:		
Contributions from other funds	\$ 2,001,039	\$ 1,799,268
Contributions	—	15,906
Investment income:		
Interest	6,567,423	6,438,690
Dividends	2,332,759	1,685,806
Net increase in fair value of investments	43,902,229	18,893,885
Less: investment expense	<u>(1,475,972)</u>	<u>(1,439,353)</u>
Total additions	<u>53,327,478</u>	<u>27,394,202</u>
Deductions:		
Regular benefit payments	26,296,580	25,004,848
Administrative expenses	<u>987,277</u>	<u>1,133,825</u>
Total deductions	<u>27,283,857</u>	<u>26,138,673</u>
Change in net assets	26,043,621	1,255,529
Net assets – beginning	<u>402,191,942</u>	<u>400,936,413</u>
Net assets – ending	<u>\$ 428,235,563</u>	<u>\$ 402,191,942</u>

See accompanying notes to basic financial statements.

This page intentionally left blank.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

INDEX

	Page
NOTE 1 Summary of Significant Accounting Policies	44
NOTE 2 Stewardship, Compliance, and Accountability	51
NOTE 3 Cash and Investments	52
NOTE 4 Receivables	67
NOTE 5 Capital Assets	68
NOTE 6 Interfund Receivables, Payables, and Transfers	72
NOTE 7 Lease Agreements	74
NOTE 8 Short-Term Obligations - Tax Anticipation Notes	77
NOTE 9 Long Term Obligations	77
NOTE 10 Debt Issued Subsequent to Year End	88
NOTE 11 Conduit Debt Obligations	88
NOTE 12 Retirement Plans	89
NOTE 13 Post-Employment Health Care Benefits	98
NOTE 14 Risk Management and Self-Insurance	99
NOTE 15 MOA Trust Fund	100
NOTE 16 Regulatory and Other Matters	101
NOTE 17 Contingencies	106
NOTE 18 Environmental Issues	107

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 1 Summary of Significant Accounting Policies

(a) Reporting Entity

The Municipality of Anchorage (Anchorage) operates under an elected nonpartisan Mayor-Assembly form of government. The Mayor is elected at large for a three-year term. Legislative power is vested in the Assembly with executive and administrative power vested in the Mayor. The financial statements of the reporting entity include those of Anchorage (primary government) and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationships with the primary government.

Blended component units. The Anchorage Community Development Authority, Inc. (Authority) is a public corporation created to manage Municipal land, facilities and parking. The Authority is reported as a blended component unit, as its sole purpose is to provide parking, land and facility management services to the primary government. The Alaska Center for Performing Arts, Inc. (ACPA) operates, maintains and promotes the performing arts center, which is owned by the primary government. The ACPA is reported as a blended component unit as it was created solely to manage the Municipal owned performing arts center and provides facility management services exclusively to the primary government. In the case of both the Authority and the ACPA, these organizations exist solely for the purpose of providing services which, in the absence of those organizations, would be provided directly by Anchorage. CIVICVentures is a nonprofit created solely to finance and construct a convention facility for the Municipality of Anchorage. Four of CIVICVentures five-member board of directors are executive employees of Anchorage. All of the board is appointed by the Mayor. The Authority and ACPA are reported as enterprise funds. CIVICVentures is reported as a debt service fund and as a capital projects fund.

Discretely presented component units. The Anchorage School District (School District) is responsible for elementary and secondary education within Anchorage. Members of the School Board are elected by the voters, however, the School District is fiscally dependent upon the primary government because the Assembly approves the total budget of the School District, levies the necessary taxes, and approves the borrowing of money and the issuance of bonds. The School District has a June 30 fiscal year end; therefore, the financial information presented in these financial statements is as of and for the year ended June 30, 2006.

The Cooperative Services Authority (CSA) is a purchasing cooperative created to obtain savings through pooled purchasing power and managed vendor negotiation. CSA's governing board and executive director are appointed by the Anchorage Mayor. CSA is fiscally dependent upon the Anchorage to fund its operations and for approval of its annual budget. In addition to Anchorage, CSA is provides services to other governmental agencies in the Anchorage area. CSA is actively recruiting additional governmental customers.

Prior to 2006 Anchorage included the financial activity of Anchorage Historic Properties in its financial statements as a discrete component unit. That organization no longer meets the criteria for reporting as a component unit. Beginning net assets on the Statement of Net Activities has been reduced by \$691,052 to reflect the removal of Anchorage Historic Properties from the Anchorage financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Complete financial statements of individual component units, other than the Cooperative Services Authority, can be obtained from their respective administrative offices in the following locations:

Anchorage School District
4600 DeBarr Road
Anchorage, Alaska 99519-6614

Anchorage Community Development Authority, Inc.
700 West 6th Avenue, Suite 206
Anchorage, Alaska 99501

CIVICVentures
c/o Municipality of Anchorage
P.O. Box 196650
Anchorage, Alaska 99519-6650

Anchorage Center for the Performing Arts, Inc.
621 West 6th Avenue
Anchorage, Alaska 99501

(b) *Government-Wide and Fund Financial Statements*

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency Funds only report assets and liabilities, thus they do not have a measurement focus. However, they do use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property and other taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within six months of the end of the current fiscal period, except for property taxes which must be collected within 60 days following year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, lodging and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessment receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Anchorage reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It is used to account for resources which are not required legally or by sound management to be accounted for in any other fund.
- The *MOA Trust Fund* accounts for investments and related income from proceeds of the sale of Anchorage Telephone Utility and any other amounts the Anchorage Assembly may add to the fund.

Anchorage reports the following major proprietary funds:

- The *Electric Utility Fund* accounts for the operations of the Municipal owned Electric Utility
- The *Water Utility Fund* accounts for the operations of the Municipal owned Water Utility
- The *Wastewater Utility Fund* accounts for the operations of the Municipal owned Wastewater Utility

Additionally, the government reports the following fund types:

- The *Internal Service Funds* account for the management and maintenance of general government equipment and vehicles, information technology, and for general liability, workers' compensation, medical/dental and unemployment compensation insurance coverage provided to other departments on a cost-reimbursement basis.
- The *Pension and Post-employment Benefit Trust Funds* account for the Police and Fire Retirement Systems Pension plans and the Police and Fire Retiree Medical plan for eligible Police and Fire retirees.
- The *Agency Fund* accounts for payroll related liabilities.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Anchorage has elected not to follow subsequent private-sector guidance.

The regulated Electric, Water and Wastewater Utilities (Utilities) follow provisions of Financial Accounting Standards Board Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*. The Utilities' rates are regulated by the Regulatory Commission of Alaska (RCA), and as a result, revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utilities receive contributions in aid of construction which for rate-making purposes are amortized over the life of the respective utility plant as a reduction of depreciation expense. Consequently, contributions in aid of construction are recorded as a regulatory liability in the accompanying basic financial statements. The Utilities' rates also include an allowance for the cost of funds used during construction (AFUDC), which is capitalized in the accompanying financial statements. Associated rate case expenses are amortized over a period of 24 to 60 months.

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

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Proprietary Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(d) *Assets, Liabilities, and Fund Equity*

Cash and Investments

To obtain flexibility in cash management, Anchorage uses a central treasury. Pooled cash is invested in various securities to maximize return while maintaining reasonable liquidity to meet maturing obligations. Investments in securities to satisfy bond reserve and other requirements are maintained in separate accounts.

Investments at December 31, 2006 are reported at fair value. Investment income on cash pool investments is allocated to the various funds based on their month-end cash pool equity balances. Funds which have negative balances in the cash pools are charged interest; the interest income is allocated to those funds having equity in the cash pools.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”

All trade and property taxes receivable, including those business-type activities, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles, including those related to business-type activities.

Property Taxes

Property taxes attach a lien on property on the first day of the tax year in which taxes are levied. For 2006, real property taxes were levied on May 2. Real property taxes were payable in two installments on June 15 and August 15, and personal property taxes in two installments on August 31 and October 31. The School District had accrued taxes and deferred revenue of \$95,801,144 for financing half of the 2006-2007 budget as of June 30, 2006. Taxes receivable of \$10,315,639 at December 31, 2006, include interest and penalties of \$1,436,580 and is net of an allowance for uncollectible property taxes receivable of \$114,486.

Inventories and Prepaid Items

Inventories are valued at cost (specific identification), except inventories of the Utilities, which are valued at the lower of average cost or market. All primary government inventories are recorded as expenditures or expenses when used (consumption method).

Restricted Assets

Assets which are restricted for specific uses by bond covenants, grant provisions or other requirements are classified as restricted assets. The “bond operation and maintenance account” is used to report resources set aside to subsidize potential deficiencies from Anchorage’s operations that could adversely affect debt service payments. The “bond acquisition and construction account” is used to report those proceeds of bond issuances that are restricted for use in construction. The “debt service account” is used to segregate resources accumulated for debt service payments. “Intergovernmental receivables” represent grant receivables due from state and federal governments. Restricted assets, excluding customer deposits, are considered investments, and as such, are excluded from cash for the purposes of the statement of cash flows. Liabilities payable from such restricted assets are separately classified.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, drainage systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Anchorage as assets with an estimated useful life in excess of one year and an initial, individual cost of more than \$5,000 for equipment or \$1,000 for computer hardware and software.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Although Anchorage holds title to capital assets of the School District, the School District has the risk and benefits of ownership associated with their capital assets. The School District, under Alaska law, cannot legally hold title to real property nor incur long-term debt. However, Anchorage has delegated the construction management of school projects to the School District. In order to reflect all of the capital assets used for school purposes and the related obligations serviced by the School District, real property and the associated obligations have been reported in the financial statements of the school district.

The Utilities capitalize interest on construction work in progress in accordance with regulatory requirements. Interest was capitalized in 2006 in the amounts of \$396,540, \$704,299, and \$322,026 for the Electric, Water and Wastewater Utilities, respectively

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

For all regulated utility property replaced or retired, the average cost of the property unit, plus removal cost less salvage value, is charged to accumulated depreciation. Gain or loss on the sale or retirement of plant is not recognized, except for extraordinary retirement. For all other proprietary fund types, gain or loss on the sale or retirement is recognized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	3-47 years
Production, Treatment, General Plant, Transmission and Reservoirs	5-90 years
Lift Stations, Interceptor, Trunks and Laterals	50-85 years
Equipment Containers	14 years
Office Equipment and Vehicles	3-25 years
Infrastructure (other than roads)	30-75 years

Anchorage has elected to use the modified approach for its paved road infrastructure network. Anchorage has elected to depreciate all other infrastructure networks.

Under this election, Anchorage does not depreciate paved road infrastructure assets that are part of a network or subsystem of a network that meet two specific requirements. First, Anchorage manages the paved road infrastructure network using an asset management system that has certain specified characteristics; second, Anchorage documents that the paved road infrastructure network is being preserved approximately at (or above) a condition level established and disclosed by Anchorage.

Compensated Absences

It is Anchorage's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are due and payable, for example, as a result of employee resignations or retirements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statements of net assets. Bond premiums, discounts, gains and losses on bond refundings, and issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premiums, discounts, gains and losses on bond refundings. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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

Contributed Capital

The Electric, Water and Wastewater Utilities meet the criteria, and accordingly, follow the accounting and reporting requirements of Financial Accounting Standards Board Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* (SFAS 71). The Utilities rates are regulated by the Regulatory Commission of Alaska, and as a result revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utilities receive contributions in aid of construction, which they record as contributed plant in service and deferred liability. For rate-making purposes the Utilities amortize contributed plant over the life of the respective Utility plan as a reduction of depreciation expense and a reduction of deferred liability. Consequently, contributions in aid of construction are recorded as liabilities in the accompanying financial statements. The Utilities' rates also include an allowance for the cost of funds used during construction, which is capitalized in the accompanying financial statements. At December 31, 2006, the balances of the Electric, Water and Wastewater Utilities deferred liabilities were \$31,586,114, \$231,944,198, and \$172,066,837, respectively

Fund Equity

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

(e) Revenues

Utility Revenues

Utility revenues (excluding gas revenues) are based on cycle billings rendered monthly to customers. The Water and Wastewater Utilities accrue an estimate of revenues at the end of the fiscal year for services sold but not billed at such date. All other utilities do not accrue revenue of any fiscal period for services sold but not yet billed at such date as such amounts are not material.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(f) Statement of Cash Flows

For the purposes of the statement of cash flows, Anchorage has defined cash as the demand deposits and all investments maintained in the central treasury (regardless of maturity period), because the funds use the pool essentially as a demand deposit account.

(g) Reclassifications

Certain amounts previously reported have been reclassified to conform to the current year's presentation. The reclassification had no effect on previously reported changes in net assets or fund balances.

NOTE 2 Stewardship, Compliance, and Accountability – Related Party Transactions

Anchorage Community Development Authority: The primary government has leased 600 spaces located on four sites to the Anchorage Community Development Authority for a period of 35 years at \$10 per year per lot.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 3 Cash and Investments

As of December 31, 2006, Anchorage had the following investments with maturities as noted.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Central Treasury					
Debt Securities:					
Repurchase agreements	\$ 17,440,447	\$ 17,440,447	\$ -	\$ -	\$ -
U.S. Treasuries	1,220,982	1,220,982	-	-	-
U.S. Agencies	247,051,076	229,139,957	17,911,119	-	-
Commercial paper	65,424,255	65,424,255	-	-	-
Corporate notes	40,278,980	36,523,880	3,755,100	-	-
	<u>371,415,740</u>	<u>349,749,521</u>	<u>21,666,219</u>	<u>-</u>	<u>-</u>
MOA Trust Fund					
Debt Securities:					
Domestic fixed income funds	45,963,298	2,225,125	10,066,761	3,643,517	30,027,895
International fixed income funds	1,880,672	74,894	1,022,773	217,488	565,517
Equity Securities:					
Domestic equity funds	65,830,132	-	-	-	-
International equity funds	21,211,711	-	-	-	-
	<u>134,885,813</u>	<u>2,300,019</u>	<u>11,089,534</u>	<u>3,861,005</u>	<u>30,593,412</u>
Police & Fire Retiree Medical Trust					
Debt Securities:					
Domestic mutual fixed income funds	1,045,206	-	4,223	1,040,983	-
Equity Securities:					
Domestic mutual equity funds	2,730,200	-	-	-	-
International mutual equity funds	502,981	-	-	-	-
	<u>4,278,387</u>	<u>-</u>	<u>4,223</u>	<u>1,040,983</u>	<u>-</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

<u>Investment Type (Continued)</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Police & Fire Retiree Medical Liability Fund					
Debt Securities:					
Domestic mutual fixed income funds	6,349,309	-	-	6,349,309	-
Equity Securities:					
Domestic equities	6,572,819	-	-	-	-
International equities	779,372	-	-	-	-
Domestic mutual equity funds	10,306,884	-	-	-	-
International mutual equity funds	5,128,823	-	-	-	-
Real estate funds	3,163,751	-	-	-	-
	<u>32,300,958</u>	<u>-</u>	<u>-</u>	<u>6,349,309</u>	<u>-</u>
HUD Section 108 Loan Program Investment					
Cash & cash equivalents	122,763	-	-	-	-
U.S. Treasuries	389,240	389,240	-	-	-
	<u>\$ 543,392,901</u>	<u>\$352,438,780</u>	<u>\$ 32,759,976</u>	<u>\$ 11,251,297</u>	<u>\$ 30,593,412</u>
Central Treasury					
Money market funds	42,535,631	-	-	-	-
Cash in bank	2,229,162	-	-	-	-
MOA Trust Fund					
Cash & cash equivalents	1,342,874	-	-	-	-
Police and Fire Retiree Medical Trust Fund					
Money market funds	4,375,063	-	-	-	-
Police and Fire Retiree Medical Liability Fund					
Money market funds	331,175	-	-	-	-
	<u>\$ 594,206,806</u>	<u>\$352,438,780</u>	<u>\$ 32,759,976</u>	<u>\$ 11,251,297</u>	<u>\$ 30,593,412</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

<u>Investment Type (Continued)</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Component units:					
Alaska Center for the Performing Arts					
Cash in bank	1,308,810	-	-	-	-
Anchorage Community Development Authority					
Cash in bank	5,401,388	-	-	-	-
CIVICVentures					
Cash in bank	5,396	-	-	-	-
Money market funds	28,216,831	-	-	-	-
U.S. Agencies	53,577,240	35,754,960	17,822,280	-	-
	<u>\$ 88,509,665</u>	<u>\$ 35,754,960</u>	<u>\$ 17,822,280</u>	<u>\$ -</u>	<u>\$ -</u>
Police and Fire Retirement Pension Trust Fund	419,853,194	-	-	-	-
Total	<u>\$ 1,102,569,665</u>	<u>\$388,193,740</u>	<u>\$ 50,582,256</u>	<u>\$ 11,251,297</u>	<u>\$ 30,593,412</u>
Governmental activities	455,687,383				
Business-Type activities	207,888,559				
Fiduciary funds	438,993,723				
	<u>\$ 1,102,569,665</u>				

Anchorage Central Treasury

As of December 31, 2006, Anchorage Central Treasury had bank deposit carrying amounts of \$2,229,162 of which \$677,088 was covered by federal depository insurance. Additional bank balances of \$24,164,953 were invested in overnight repurchase agreements. Bank carrying amounts in excess of federal insurance coverage and repurchase agreement investments were covered by a tri-party collateral agreement. The agreement requires eligible securities with a market value not less than the uninsured deposit balances be transferred to and held by Anchorage's collateral custodian. The eligible securities are held by the custodian in the pledging bank's name on behalf of Anchorage. Eligible securities are defined by the agreement as obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.

In seeking to ensure the preservation of investment principal, Anchorage's Municipal Code 6.50.030 and Central Treasury's investment policy authorizes the purchase of investments which meet the following rating and issuer requirements:

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

- Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies.
- Commercial paper, including asset-backed commercial paper, rated at least “A-1” by S&P or “P-1” by Moody’s or “F-1” by Fitch.
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers’ acceptances (with maturities of not more than 365 days), and deposits with any bank, the short-term obligations of which are rated at least “A-1” by S&P or “P-1” by Moody’s or “F-1” by Fitch and is either:
 - a. Incorporated under the laws of the United States of America, or any state thereof, and subject to supervision and examination by federal or state banking authorities; or
 - b. Issued through a foreign bank with a branch or agency licensed under the laws of the United States of America, or any state thereof, or under the laws of a country with a Moody’s sovereign rating for bank deposits of “Aaa”, or an S&P sovereign rating of “AAA”, or a Fitch national rating of “AAA”, and subject to supervision and examination by federal or state banking authorities.
- Repurchase agreements secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies.
- Bank deposits or certificates of deposit secured by federal depository insurance or collateralized by obligations insured or guaranteed by the United States or agencies with rated banks or banks with a main or branch office within Anchorage.
- Dollar denominated corporate debt instruments rated BBB- or better by S&P’s Rating Service (investment grade) or the equivalent by another nationally recognized rating agency.
- Dollar denominated corporate debt instruments, rated below BBB- by S&P’s Rating Service (investment grade) or the equivalent by another nationally recognized rating agency, including emerging markets.
- Asset Backed Securities (ABS), other than commercial paper, collateralized by credit cards, automobile loans, leases and other receivables which must have a credit rating of AA- or above by S&P’s Rating Service or the equivalent by another nationally recognized rating agency
- Mortgage Backed Securities, including generic mortgage-backed pass-through securities issued by GNMA, FHLMC, FNMA, Non-agency mortgage-backed securities, Collateralized Mortgage Obligations (CMOs), or Commercial mortgage-backed securities (CMBS), which must have a credit rating of AA- or better by S&P’s Rating Service or the equivalent by another nationally recognized rating agency
- Fixed income derivative instruments used in an un-levered manner to implement Portfolio strategies.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

- Money Market Mutual Funds rated “Am” or better by Standard & Poor’s Rating Service, or the equivalent by another nationally recognized rating agency
- Alaska Municipal League Investment Pool (AMLIP).
- Mutual Fund Investments consisting of a diversified mutual fund, registered under the Securities Act of 1933 and Investment Company Act of 1940.

Anchorage's Central Treasury investment policy limits the concentration of investments as follows:

Investment Type	Maximum Holdings	Investment Holding % at 12/31/2006
U.S. Government securities	100% of investment portfolio	60%
Repurchase agreements	50% of investment portfolio	4%
Certificates of deposit, collateralized	50% of investment portfolio	-
Banker's acceptances	25% of investment portfolio 5% per issuer	-
Certificates of deposit, insured	20% of investment portfolio	-
Commercial paper	15% of investment portfolio 5% per issuer	16%
Corporate bonds	15% of investment portfolio 5% per issuer	10%
Money market mutual funds	15% of investment portfolio 5% per issuer	10%
		100%

At December 31, 2006, Anchorage Central Treasury is out of compliance with its investment policy by 1% with respect to Commercial Paper.

MOA Trust Fund

The MOA Trust Fund (MOA Trust) has a long term investment horizon and accepts near term market volatility to maximize rates of return through a balanced investment approach investing in both equity and fixed income instruments.

To preserve the purchasing power of the corpus and to maximize the rates of return over time, the MOA Trust is authorized to invest in the following equity and fixed income instruments pursuant to Anchorage Municipal Code 6.50.030, 6.50.060, and the MOA Trust investment policy:

- All investments eligible for purchase by the Anchorage Central Treasury

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

- Publicly traded equity investments.
- Debt instruments issued by the U.S. Government, its agencies and instrumentalities, and debt instruments that have been issued by domestic entities rated triple B minus or above by Standard & Poor's Rating Service (S&P) or the equivalent by another nationally recognized rating agency, and dollar denominated debt instruments of comparable quality issued by non-domestic entities. The weighted average quality rating of the fixed income portfolio shall be AA- or better, as determined by S&P or the equivalent by another nationally recognized rating agency
- Mutual funds or other commingled investment vehicles that consist of securities predominantly of the type and quality as those listed above.

The MOA Trust investment policy limits the concentration of investments as follows:

Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2006
Domestic equities	43%	53%	48%
International equities	9%	15%	16%
Fixed income	35%	45%	35%
Cash equivalents	0%	15%	1%
			100%

At December 31, 2006 the MOA Trust is out of compliance with its investment policy by 1% with respect to International equities.

The MOA Trust provides diversification within the domestic equity allocation by using a passive core position indexed to the S&P 500 index. Growth and Value portfolios are separate. The aggregation of all the large capitalization portfolios is balanced to avoid any produced style bias. A separate small cap portfolio is utilized. Within the domestic equity portfolio, holdings in any one company should not exceed the greater of 5% or 1.5 times the stock's weighting in the S&P 500 stock index at the time of purchase. International equity holdings in any one company shall not exceed more than 5% of the International Equity portfolio. Countries represented within the Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI-EAFE) are available for investment and allocations between countries are expected to be diversified. The portfolio may hold no more than 10% of assets in non-EAFE countries.

Investments in MOA Trust fixed income instruments from one issuer, other than securities of the U.S. Government or agencies, shall not exceed 5% of the market value of the fixed income portfolio.

Police and Fire Retiree Medical Trust Fund

The Police and Fire Retiree Medical Trust Fund (Police and Fire Retiree Medical Trust) investment objective is to earn a rate of return on fund assets that is at least five percentage points greater than the rate of inflation to maintain funding of related liabilities and enhance member health benefits. The Police & Fire Retiree Medical Trust investment objective is to be based upon a 5 - 10 year investment horizon and

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

interim fluctuations are to be viewed in an appropriate perspective. The average maturity of the fixed income portfolio will not exceed 12 years. As of December 31, 2006, the Police & Fire Retiree Medical Trust has no fixed income securities with a maturity exceeding 12 years.

In accordance with its investment policy, the Police & Fire Retiree Medical Trust may invest in the following investment instruments:

General Funds:

- Domestic equities.
- International equities.
- except for Treasuries and U.S. Agency issues, individual fixed income securities shall have ratings of at least Baa by Moody's or BBB by Standard & Poor's, with the fixed income portion of the portfolio having an average rating of A or better by Moody's or S&P
- Real estate funds
- Cash and money market instruments.

Member Allocated Funds:

- Cash equivalents

The Police & Fire Retiree Medical Trust investment policy limits the concentration of investments as follows:

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2006</u>
General Funds:			
Domestic equities	45%	55%	25%
International equities	5%	15%	6%
Fixed income	25%	35%	12%
Real estate funds	5%	15%	6%
Cash equivalents	0%	5%	0%
Member Allocated Funds:			
Cash equivalents	100%	100%	51%
			<u>100%</u>

The Police & Fire Retiree Medical Trust investment policy also stipulates an individual equity investment shall not exceed 7% based upon cost of the entire equity portfolio.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Police and Fire Retiree Medical Liability Fund

The Police & Fire Retiree Medical Liability Fund has a long term investment horizon and seeks growth of investment assets by combining equity and fixed income instruments with primary emphasis on income and secondary emphasis on capital appreciation while avoiding excessive risk levels.

In accordance with its investment policy, the Police & Fire Retiree Medical Liability Fund may invest in the following investment instruments:

- Domestic equities.
- International equities.
- Fixed income securities.
- Real estate equities.
- Cash and money market instruments.

The Police & Fire Retiree Medical Liability Fund investment policy limits the concentration of investments as follows:

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2006</u>
Domestic equities			
Large Cap Value	20%	30%	24%
Large Cap Growth	20%	30%	20%
Mid to Small Cap	0%	10%	8%
International equities - Large Cap Growth	0%	20%	18%
Fixed income - Core	20%	40%	19%
Real estate	5%	15%	10%
Cash equivalents	0%	10%	1%
			<u>100%</u>

Police and Fire Retirement Pension Trust Fund

The Police and Fire Retirement Pension Trust Fund (Police and Fire Retirement Trust) investment objectives are to be viewed over the long term with investments in both equity and fixed income instruments to provide a maximum return on investment within acceptable risk parameters as outlined in investment policy

In accordance with its investment policy, the Police & Fire Retirement Trust may invest in the following investment instruments:

- Domestic equities.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

- International equities.
- Fixed income securities with commercial paper required to be rated P-1 by Moody's and/or A-1 by S&P
- Cash and money market instruments.
- Collateralized mortgage securities or mortgage-backed securities must have a Flow Uncertainty Index score of 15 or less.
- No security shall be purchased unless it is traded on one of the major security exchanges or Over-The-Counter market.
- The average credit rating for the total fixed income portfolio will be maintained at an A rating by both Moody's and S&P
- Balanced allocation is invested in a fund with a 60/40 strategic equity to bond target. Thus, 60% of 10% allocation (6%) is actually equity money (large cap value) and 40% is a part of the fixed income total but not reflected in the discrete specialized manager allocations. (Target index: 60% Russell 1000 Value Index and 40% Lehman Aggregate.)

The Police & Fire Retirement Trust investment policy limits the concentration of investments as follows:

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2006</u>
Domestic equities			
Large Cap Index	6.0%	10.0%	8%
Large Cap Growth	9.0%	15.0%	11%
Large Cap Value	5.0%	10.0%	9%
Small Cap Growth	3.0%	7.0%	5%
Mid to Small Cap Value	3.0%	7.0%	5%
International equities			
Equity EAFE	6.0%	10.0%	8%
Growth	6.0%	10.0%	9%
Balanced Allocation	7.0%	13.0%	10%
Fixed income	20.0%	26.0%	22%
Real Estate funds			
Equity REIT	4.0%	9.0%	6%
RESA Open-end	4.0%	8.0%	6%
Cash equivalents	0.0%	10.0%	1%
			<u>100%</u>

The Police & Fire Retirement Trust provides further diversification through the following investment policy guidelines:

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

- No individual security shall constitute more than 5% of the market value of the assets of a specific managed portfolio unless specifically authorized by the trust investment board.
- Non-income producing issues shall not constitute more than 35% of a specific portfolio with the exception of small/mid cap portfolios.
- No group or industry sectors shall constitute more than 25% of the market value of the assets controlled by any fund manager.
- American Depository Receipts shall constitute no more than 10% of the market value of the assets controlled by any fund manager.
- No more than 10% of the fixed income portfolio may be in issues rated as low as Baa by Moody's or BBB by S&P at time of purchase. Total bond weighted average duration should not exceed 120% of the bond market's duration utilizing the Lehman Aggregate Bond Index.

Alaska Center for the Performing Arts

As of December 31, 2006, the carrying amount of cash for the Alaska Center for the Performing Arts, Inc. was \$1,308,810 and the bank balance was \$1,508,454. Of the bank balance \$200,000 was covered by federal depository insurance, \$1,086,740 was collateralized with securities, and \$221,714 was uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. With the exception of the Police and Fire Retirement Trust, which utilizes the duration method, the segmented time method is utilized to disclose information regarding interest rate risk. The segmented time distribution interest rate risk information is provided in the investment table within this note.

As a means of limiting its exposure to fair value losses arising from rising interest rates, Anchorage's Central Treasury investment policy requires investments with maturities exceeding two years to be specifically authorized in writing by the Chief Fiscal Officer and be reviewed by an investment advisory commission. As of December 31, 2006, Anchorage had no Central Treasury investments with maturities in excess of two years.

As of December 31, 2006, Anchorage Central Treasury had corporate notes of \$40,278,980 which have floating interest rates. The corporate notes have maturities not exceeding two years and interest rate adjustments occur every three months.

As of December 31, 2006, the Police and Fire Retiree Medical Trust has no fixed income securities with a maturity exceeding 12 years in accordance with its investment policy

The Police and Fire Retirement Trust utilizes the duration method for assessing and disclosing interest rate risk. Duration is a measure of interest rate risk. It measures the sensitivity of a 100 basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows. The calculation takes into account various possible future interest rates, historical and estimated prepayment rates, options and other variable cash flows for purposes of the effective duration calculation. Police and Fire Retirement Trust's investment policy requires that the

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

total fixed income portfolio's weighted average duration amount cannot exceed 120% of the market's duration utilizing the Lehman Aggregate Bond Index. At December 31, 2006, the duration of the Lehman Brothers Aggregate Bond Index was 4.82 years, and the duration of the Police and Fire Retirements Trust's fixed income portfolio was 4.42 years.

As of December 31, 2006, the Police & Fire Retirement Trust had fixed income securities with variable and step terms as follows:

Terms	Fair Value
Quarterly interest rate resets at .04% above quarterly LIBOR plus .645% with a maturity date of December 15, 2011.	\$254,598
Quarterly interest rate resets at 3 Month LIBOR plus 2.205% up until December 2066 or earlier redemption. They are callable on an anytime after December 15, 2031.	\$276,776
Quarterly interest rate resets at 3 Month LIBOR plus 2.005% with a maturity date of November 15, 2016.	\$176,158
One time step up of .5% after the outstanding mortgage pool factor drops below .10. The step has been activated and the coupon rate has increased from 7.39% to 7.89%. The security has a maturity date of September 25, 2023.	\$128,614
One time step up of .5% after the outstanding mortgage pool factor drops below .20. Expected average life is less than 3 years. The step has not been activated and the security has a maturity date of December 25, 2034.	\$549,601
Variable interest yield based upon underlying mortgage investments with an average life of 8.53 years and has a maturity date of October 12, 2015.	\$2,190,531

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2006, Anchorage's Central Treasury investments in commercial paper had maturities of less than nine months and were rated as follows:

	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poor</u>
\$	27,274,902	P-1	A-1+
	38,149,353	P-1	A-1

As of December 31, 2006, Anchorage's Central Treasury's investments in corporate notes were rated as follows:

	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poor</u>
\$	8,005,600	Aaa	AAA
	7,504,650	Aa1	AA+
	3,755,100	Aa2	AA
	10,006,250	Aa3	AA-
	6,000,180	NA	A+
	5,007,200	NA	AA-

Repurchase agreement investments were collateralized through tri-party collateral agreements with securities issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation and in an amount having a market value not less than the repurchase agreement investment amounts.

As of December 31, 2006, the MOA Trust fixed income portfolio had a weighted average quality rating of AAA by S&P

As of December 31, 2006, the Police and Fire Retiree Medical Trust investments in mutual fixed income funds of \$4,223 and \$1,040,983 had weighted average ratings of AA by Standard and Poors, respectively, and Morningstar ratings of 3-star and 5-star, respectively

As of December 31, 2006, the Police and Fire Retiree Medical Liability Fund investment in a mutual fixed income fund of \$6,349,309 had a 4-star Morningstar rating.

As of December 31, 2006, the Police and Fire Retiree Medical Liability Fund investment in real estate of \$3,163,751 includes predominately commingled equity real estate funds. The real estate mortgage transactions are not rated.

As of December 31, 2006, the Police and Fire Retirement Trust's investments in its total fixed income portfolio of \$92,983,488 had a weighted average rating of Aa2 by Moody's. The aggregated credit risk disclosures relating to individual fixed income securities of \$59,369,631 held in the fixed income portfolio had the following ratings by Moody's, expressed as an aggregate percentage by rating scale.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Aaa	59%
Aa2	5%
Aa3	3%
A1	5%
A2	4%
A3	7%
Baa1	5%
Baa2	7%
Baa3	5%

As of December 31, 2006, the Police & Fire Retirement Trust's balanced mutual fund investment of \$42,336,203 had a 5-star Morningstar rating and the weighted average credit quality of the fund's fixed income portfolio was rated Aa/AA by Moody's and S&P

As of December 31, 2006, the Police & Fire Retirement Trust's mutual fixed income investment of \$3,227,301 and real estate mutual fund investment of \$52,333,881 had 3-star Morningstar ratings.

The Police and Fire Retirement Trust's real estate mortgage investment portfolio of \$45,673 as of December 31, 2006, consisted of ownership interests in residential property mortgages. The residential mortgage loan investment of \$45,673 is a 30 year mortgage accruing interest at 10.75% with a final maturity date of March 1, 2009. The real estate mortgage investments are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure when the amount invested in a single issuer exceeds 5% or more of net assets excluding U.S. Government, mutual funds, or other pooled investments.

At December 31, 2006, all investments were in compliance with its investment policies relating to concentration of credit risk. There were no investments in any single issuer exceeding 5% of total investment market value.

Custodial Credit Risk

Custodial credit risk is the risk, in event of the failure of a depository institution, that an entity will not be able to recover deposits or collateral securities in the possession of an outside party. For investments, custodial credit risk is the risk, in event of the failure of the counterparty to a transaction, that an entity will not be able to recover the value of the investment or collateral securities in the possession of an outside party.

To mitigate custodial credit risk, Anchorage policy requires that all deposits be fully insured or collateralized through a tri-party agreement as described in the Anchorage Central Treasury Section of this note.

As of December 31, 2006, cash deposits and investments, with the exception of cash deposits related to the Alaska Center for the Performing Arts, Inc., are not exposed to custodial credit risk. Cash deposits of

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

\$221,714 relating to the Alaska Center for the Performing Arts, Inc. are uninsured and uncollateralized as of December 31, 2006.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Anchorage has no specific policy addressing foreign currency risk; however foreign currency risk is managed through the asset allocation policies listed above.

As of December 31, 2006, MOA Central Treasury's exposure to foreign currency risk is as follows and represents approximately 7% of total portfolio value:

Investment Type	Currency	Fair Value
Corporate note		
Britannia Building	British pound	\$ 9,068,031
Nationwide Building	British pound	<u>20,200,865</u>
		<u>\$ 29,268,896</u>

The MOA Trust's exposure to foreign currency risk is as follows and represents approximately 17% of total portfolio value as of December 31, 2006:

Investment Type	Fair Value
International equity funds	\$ 21,211,711
International debt funds	<u>1,880,672</u>
	<u>\$ 23,092,383</u>

The Police and Fire Retiree Medical Trust's exposure to foreign currency risk is as follows and represents approximately 6% of total portfolio value as of December 31, 2006:

Investment Type	Fair Value
International mutual equity funds	\$ 502,981

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

The Police and Fire Retiree Medical Liability Fund's exposure to foreign currency risk is as follows and represents approximately 18% of total portfolio value as of December 31, 2006:

<u>Investment Type</u>	<u>Currency</u>	<u>Fair Value</u>
International equities		
ABB Ltd ADR	Swiss franc	\$ 122,264
Novartis AG ADR	Swiss franc	74,672
STMicro Electronics N.V ADR	Swiss franc	123,280
Siemens AG ADR	Euro Dollar	117,964
Seagate Technology	Cayman Island Dollar	195,888
Weatherford International, Inc.	Barbados dollar	145,304
International mutual equity funds		<u>5,128,823</u>
		<u>\$ 5,908,195</u>

The Police and Fire Retirement Trust's exposure to foreign currency risk is as follows and represents approximately 19% of total portfolio value as of December 31, 2006:

<u>Investment Type</u>	<u>Currency</u>	<u>Fair Value</u>
Foreign government notes		
Province of Quebec	Canadian dollar	498,590
United Mexican	Mexican peso	413,000
International corporate notes		
Alcan Inc.	Canadian dollar	376,784
Canadian National Railway	Canadian dollar	559,295
Diageo Capital PLC Global	British pound	488,360
Vodafone Airtouch PLC	British pound	289,968
Telefonica Emisions SAU	Swiss franc	407,184
International mutual equity funds	various	<u>70,503,962</u>
		<u>\$ 73,537,143</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 4 Receivables (Including Loans and Leases Receivable)

Anchorage's receivables, including the applicable allowance for uncollectible accounts were reported as follows at December 31, 2006:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
Property Taxes	\$ 10,315,639	\$ —	\$ 10,315,639
Accommodations Taxes	1,768,652	—	1,768,652
Unbilled reimbursable work orders	—	639,050	639,050
Special assessments receivable	1,954,473	310,949	2,265,422
Port leases	—	304,265	304,265
Trade accounts, including internal service funds	<u>11,079,251</u>	<u>22,356,875</u>	<u>33,436,126</u>
Total accounts receivable	25,118,015	23,611,139	48,729,154
Allowance for uncollectible accounts	<u>(2,312,122)</u>	<u>(600,568)</u>	<u>(2,912,690)</u>
	<u>\$ 22,805,893</u>	<u>\$ 23,010,571</u>	<u>\$ 45,816,464</u>
Miscellaneous loans	\$ 69,859	\$ 20,943	\$ 90,802
HUD loans (including section 108)	6,026,488	—	6,026,488
Jail lease	<u>50,805,000</u>	<u>—</u>	<u>50,805,000</u>
Total loans and leases, net	<u>\$ 56,901,347</u>	<u>\$ 20,943</u>	<u>\$ 56,922,290</u>

Special assessments, loans and leases are not expected to be collected within one year, except for minor portions due currently

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 5 Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows (in thousands):

(a) Primary Government

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,206,888	\$ 19,439	\$ (10,150)	\$ 1,216,177
Artwork	14,281	1,070	—	15,351
Construction				
Work-in-Progress	46,781	61,469	(49,548)	58,702
Infrastructure	1,289,943	20,091	—	1,310,034
Total Capital Assets, Not Being Depreciated	<u>2,557,893</u>	<u>102,069</u>	<u>(59,698)</u>	<u>2,600,264</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	416,059	8,455	(61)	424,453
Equipment	160,416	17,703	(6,238)	171,881
Infrastructure	345,069	19,332	(3,809)	360,592
Total Capital Assets, Being Depreciated	<u>921,544</u>	<u>45,490</u>	<u>(10,108)</u>	<u>956,926</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	235,982	14,475	(294)	250,163
Equipment	115,547	12,797	(6,105)	122,239
Infrastructure	186,095	9,343	(615)	194,823
Total Accumulated Depreciation	<u>537,624</u>	<u>36,615</u>	<u>(7,014)</u>	<u>567,225</u>
Total Capital Assets, Being Depreciated, Net	<u>383,920</u>	<u>8,875</u>	<u>(3,094)</u>	<u>389,701</u>
Total Governmental Activities, Net	<u>\$ 2,941,813</u>	<u>\$ 110,944</u>	<u>\$ (62,792)</u>	<u>\$ 2,989,965</u>

Anchorage has elected to use the modified approach for its paved road infrastructure network and to depreciate all other infrastructure networks.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and Property held for future use	\$ 58,290	\$ 95	\$ (410)	\$ 57,975
Construction Work-in-Progress	<u>65,918</u>	<u>119,352</u>	<u>(72,968)</u>	<u>112,302</u>
Total Capital Assets, Not Being Depreciated	124,208	119,447	(73,378)	170,277
Capital Assets, Being Depreciated:				
Distribution and Collection Systems, Infrastructure	1,135,925	69,053	(25,958)	1,179,020
Buildings and Improvements	<u>579,453</u>	<u>10,776</u>	<u>(461)</u>	<u>589,768</u>
Total Capital Assets, Being Depreciated	<u>1,715,378</u>	<u>79,829</u>	<u>(26,419)</u>	<u>1,768,788</u>
Less Accumulated Depreciation for:				
Distribution and Collection Systems, Infrastructure	550,550	47,753	(19,964)	578,339
Buildings and Improvements	<u>137,056</u>	<u>9,352</u>	<u>(3,217)</u>	<u>143,191</u>
Total Accumulated Depreciation	<u>687,606</u>	<u>57,105</u>	<u>(23,181)</u>	<u>721,530</u>
Total Capital Assets, Being Depreciated, Net	<u>1,027,772</u>	<u>22,724</u>	<u>(3,238)</u>	<u>1,047,258</u>
Total Business-Type Activities, Net	<u>\$ 1,151,980</u>	<u>\$ 142,171</u>	<u>\$ (76,616)</u>	<u>\$ 1,217,535</u>

Depreciation expense was charged to the departments and functions of the primary government as follows (in thousands):

Governmental Activities:	
General Government	\$ 3,523
Fire Services	3,665
Police Services	1,726
Health and Human Services	1,119
Economic & Community Development	11,234
Public Transportation	1,458
Public Works	10,337
Maintenance and Operations	<u>3,553</u>
Total – Governmental Activities	<u>\$ 36,615</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Business-Type Activities:		
Electric	\$	24,386
Water		6,032
Wastewater		4,188
Refuse		418
Solid Waste		2,625
Port		3,750
Municipal Airport		1,827
Anchorage Community		
Development Authority		1,323
Total – Business-Type Activities		<u>44,549</u>
Depreciation expense offset by		
amortization of regulatory liability -		
contributed plant		<u>12,556</u>
Gross increase in accumulated		
depreciation	\$	<u><u>57,105</u></u>

The 2007 Utility construction budgets are \$41,167,000, \$35,000,000, and \$27,344,000 for Electric, Water, and Wastewater, respectively

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(b) Discretely Presented Component Units – Anchorage School District – Capital Assets

The capital asset activity for the fiscal year ended June 30, 2006 is as follows:

	<u>Balance July 1, 2005</u>	<u>Additions/ Transfers</u>	<u>Deduction/ Transfers</u>	<u>Balance June 30, 2006</u>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 31,426,615	\$ —	\$ —	\$ 31,426,615
Construction in Progress	97,591,389	105,854,983	17,725,163	185,721,209
Total Capital Assets not Being Depreciated	<u>129,018,004</u>	<u>105,854,983</u>	<u>17,725,163</u>	<u>217,147,824</u>
Capital Assets Being Depreciated:				
Land Improvements	42,532,441	107,282	—	42,639,723
Buildings and Equipment	1,224,699,803	19,200,225	21,510,265	1,222,389,763
Pupil Transportation Equipment	9,034,193	159,000	271,896	8,921,297
Total Capital Assets Being Depreciated	<u>1,276,266,437</u>	<u>19,466,507</u>	<u>21,782,161</u>	<u>1,273,950,783</u>
Less Accumulated Depreciation for:				
Land Improvements	(30,291,823)	(1,579,807)	(1,534,262)	(30,337,368)
Buildings and Equipment	(292,692,913)	(27,358,158)	(26,433,019)	(293,618,052)
Pupil Transportation Equipment	(6,576,614)	(714,705)	(271,896)	(7,019,423)
Total Accumulated Depreciation	<u>(329,561,350)</u>	<u>(29,652,670)</u>	<u>(28,239,177)</u>	<u>(330,974,843)</u>
Total Capital Assets, Being Depreciated, Net	<u>946,705,087</u>	<u>(10,186,163)</u>	<u>(6,457,016)</u>	<u>942,975,940</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,075,723,091</u>	<u>\$ 95,668,820</u>	<u>\$ 11,268,147</u>	<u>\$ 1,160,123,764</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 6 Interfund Receivables, Payables, and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables relating to short term operating advances is as follows:

Interfund payable to General Fund from:	
MOA Trust fund	\$ 10,484
Nonmajor governmental funds	70,319
Nonmajor enterprise funds	620,730
Internal service fund	<u>3,579,638</u>
Total interfund payable to General Fund	4,281,171
Interfund payable to nonmajor governmental fund from:	
Water enterprise fund	11,524,671
Wastewater enterprise fund	10,184,995
Other nonmajor governmental fund	<u>8,700</u>
Total interfund payable to nonmajor governmental fund	21,718,366
Interfund payable between nonmajor internal service funds	<u>908,018</u>
Total interfund payable	<u><u>\$ 26,907,555</u></u>

All balances are expected to be settled within the next fiscal year, except for those interfund receivables and payables recorded as advances to/from other funds. Advances payable at 12/31/06 were as follows:

Advance payable to electric utility from nonmajor governmental fund for land acquisition	\$ 3,688,437
Advance payable between nonmajor internal service funds for capital acquisition	<u>4,549,022</u>
Total advances payable	<u><u>\$ 8,237,459</u></u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(b) *Interfund Transfers*

A summary of interfund transfers is as follows:

From General Fund to:

Nonmajor governmental funds for capital construction	\$ 6,303,460
Nonmajor governmental funds for grant matching	1,260,662
Nonmajor governmental funds for prefunding contribution	1,869,000
Nonmajor enterprise fund for operating subsidy	1,148,500
Total transfers from General Fund	<u>10,581,622</u>
From MOA Trust to General Fund for annual operating subsidy	6,300,000
From Electric Utility to General Fund for annual revenue distribution	5,964,169
From nonmajor enterprise funds to General Fund for annual revenue distribution	1,742,537
From nonmajor governmental funds to General Fund for debt service and other operating transfers	1,536,876
Between nonmajor governmental funds for capital asset acquisition	1,453,087
Between nonmajor governmental fund for prefunding contribution	9,800,000
Between nonmajor governmental funds for debt service	11,341,281
From nonmajor enterprise to nonmajor governmental for debt service and grant matching requirements	<u>266,287</u>
Total transfers	<u>\$ 48,985,859</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 7 Lease Agreements

(a) Operating Leases

Commitments under operating lease agreements for facilities provide for minimum annual rental payments as follows (in thousands):

	Anchorage
Years:	
2007	\$ 4,526
2008	4,132
2009	4,064
2010	3,812
2011	3,721
2012-2016	18,057
2017-2021	19,719
2022-2026	17,400
2027-2031	156
2032-2036	156
Total	\$ 75,743
2006 rent expense	\$ 5,405

(b) Capital Leases

Anchorage has various capital leases for equipment in its General Fund for the Fire Department.

Annual debt service requirements to maturity for capital leases are as follows:

	Governmental Activities		
	Principal	Interest	Total
Years:			
2007	\$ 290,890	\$ 80,283	\$ 371,173
2008	303,196	67,977	371,173
2009	316,033	55,139	371,172
2010	271,482	42,249	313,731
2011	193,454	30,831	224,285
2012-2016	639,627	53,871	693,498
	\$ 2,014,682	\$ 330,350	\$ 2,345,032

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(c) Investment in Direct Financing Leases

Anchorage has entered into direct financing leases for various plant and equipment located at the Port of Anchorage. Components of the investments in leases as of December 31, 2006 follow (in thousands):

	Direct Financing
Total minimum lease payment to be received	\$ 916
Less unearned interest income	(107)
Net investment in leases	809
Amount due within one year	(304)
Total noncurrent investment – included in deferred charges and other assets in the accompanying financial statements	\$ 505
Minimum lease payments to be received as follows:	
2007	364
2008	302
2009	236
2010	14
	\$ 916

(d) Port of Anchorage Lease Agreements

The Port of Anchorage has leased to unrelated third parties 72.8 acres of space in the Port Industrial Park. The current carrying value of the leased assets is \$6,233,807, with a cost of \$9,073,238 and accumulated depreciation of \$2,849,431. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows (in thousands):

	Amount
Years:	
2007	\$ 3,708
2008	3,632
2009	3,300
2010	3,062
2011	482
2012-2016	413
2017-2021	345
2022-2026	325
2027-2031	33
Total	\$ 15,300
Lease revenue for 2006	\$ 4,073

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(e) Anchorage Community Development Authority Lease Revenue

Leases to unrelated third parties of 9,150 square feet of retail space in Sixth Avenue Parking Mall provide for adjustments to rent based on the Consumer Price Index and additional rents based on gross revenue. The lease to an unrelated party of Fifth Avenue Garage retail space through September 13, 2007 provides for a minimum rental of \$360,000 per year and additional rent equal to 50% of net income each calendar year as defined by the lease. Future minimum rental on noncancelable operating leases follow (in thousands):

	Sixth Avenue	Fifth Avenue
Years:		
2007	\$ 88	\$ 360
2008	61	—
2009	34	—
2010	19	—
2011	5	—
Total	\$ 207	\$ 360
Lease revenue for 2006	\$ 144	\$ 486

(f) Anchorage Community Development Authority Lease Expense

The Authority entered into a three-year lease agreement with Koniag Corporation for a parking area at 6th Avenue and D Street on November 1, 2005. The lease will last through October 2008, with expenses being \$9,479 per month.

The Authority also entered into a 15-year lease agreement with JC Penney to manage their parking garage effective January 1, 2006 through December 31, 2020. The expense for this lease is \$60,000 per year.

Future minimum lease payments for each of the fiscal years subsequent to December 31, 2006 are as follows (in thousands):

Year ended December 31,	
2007	\$ 174
2008	154
2009	60
2010	60
2011	60
Thereafter	540
Total	\$ 1,048

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 8 Short Term Obligations – Tax Anticipation Notes

On February 22, 2006 Anchorage issued tax anticipation notes with a face value of \$82,000,000. The purpose of the issuance was to raise money to pay current expenditures in anticipation of the collection of property taxes.

Short-term debt activity for the year ended December 31, 2006 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ -	82,000	82,000	-

NOTE 9 Long Term Obligations

(a) General Obligation Bonds

Anchorage issues general obligation (GO) bonds to provide funds for capital acquisition and construction. GO bonds are direct obligations and pledge the full faith and credit of the government. They generally are issued as 20-year serial bonds with equal amounts of principal and interest payments due each year.

A portion of Anchorage's GO bonds are reported in the proprietary funds since they are expected to be repaid from proprietary fund revenues; such amounts total \$1,798,224 net of unamortized discounts and losses on refundings of \$71,776 at December 31, 2006. School District GO bonds are reported as obligations of the component unit since they are expected to be repaid from School District revenues; such amounts total \$758,210,000 at June 30, 2006. All other Anchorage GO bonds are reported in the government-wide financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

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

Governmental Activities			
	Principal	Interest	Total
Years:			
2007	\$ 25,735,000	\$ 18,683,493	\$ 44,418,493
2008	24,130,000	17,547,222	41,677,222
2009	23,560,000	16,550,872	40,110,872
2010	23,915,000	15,505,578	39,420,578
2011	24,265,000	14,260,067	38,525,067
2012-2016	124,530,000	53,737,275	178,267,275
2017-2021	112,985,000	24,082,516	137,067,516
2022-2025	46,340,000	4,360,624	50,700,624
	405,460,000	164,727,647	570,187,647
Add unamortized premiums/ discounts, net	5,796,115	—	5,796,115
	\$ 411,256,115	\$ 164,727,647	\$ 575,983,762
Business-Type Activities			
	Principal	Interest	Total
Years:			
2007	\$ 430,000	\$ 99,640	\$ 529,640
2008	455,000	77,065	532,065
2009	480,000	52,950	532,950
2010	505,000	27,270	532,270
	1,870,000	256,925	2,126,925
Less unamortized premiums/ discounts, net	(71,776)	—	(71,776)
	\$ 1,798,224	\$ 256,925	\$ 2,055,149

(b) Revenue Bonds

On April 15, 2000 Anchorage issued \$60,440,000 in Revenue Bonds for the purpose of construction and operation of the new municipal jail facility that is leased to the State of Alaska. Jail revenue bond covenants require an “absolute net lease” pursuant to which Anchorage shall not be expected or required to make any payment of any kind under the Agreement of Lease. The Department of Administration (DOA) of the State of Alaska is required to make all payments under the Agreement of Lease. The DOA’s obligation to make lease payments and to perform and observe all other covenants and agreements is absolute and unconditional except as expressly provided in the

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Agreement of Lease. In March 2005 Anchorage issued \$40,835,000 in Lease Revenue Refunding Bonds to refund \$39,585,000 of the 2000 Revenue Bonds.

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

	Governmental Activities - Excluding CIVICVentures		
	Principal	Interest	Total
Years:			
2007	\$ 2,550,000	\$ 2,473,369	\$ 5,023,369
2008	2,690,000	2,332,538	5,022,538
2009	2,830,000	2,186,006	5,016,006
2010	2,985,000	2,034,431	5,019,431
2011	3,150,000	1,885,200	5,035,200
2012-2016	18,300,000	6,897,275	25,197,275
2017-2020	18,300,000	1,869,638	20,169,638
	\$ 50,805,000	\$ 19,678,457	\$ 70,483,457

On February 2, 2006, CIVICVentures, a blended component unit, issued \$110,920,000 in tax-exempt, non-recourse revenue bonds for the purpose of financing the acquisition of land and construction of a new civic and convention center. Revenues pledged to pay the debt are those revenues identified in the Indenture of Trust between CIVICVentures and U.S. Bank National Association, consisting of Hotel, Motel, and Bed and Breakfast room taxes collected and remitted pursuant to agreement, by Anchorage. In the event that room tax collections are not sufficient to pay the debt, Anchorage is not obligated in any way to pay the debt on behalf of CIVICVentures.

The bonds are due in semi-annual installments ranging from \$5,070,335 to \$8,448,825 including interest at 3.5% to 5.0% through 2038. Interest only payments are required for 2006 and 2007

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

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

	CIVICVentures		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2007	\$ —	\$ 5,070,335	\$ 5,070,335
2008	305,000	5,070,335	5,375,335
2009	920,000	5,059,660	5,979,660
2010	1,070,000	5,027,460	6,097,460
2011	1,180,000	4,990,010	6,170,010
2012-2016	7,805,000	24,170,800	31,975,800
2017-2021	11,735,000	22,169,440	33,904,440
2022-2026	16,695,000	19,231,200	35,926,200
2027-2031	23,375,000	14,694,344	38,069,344
2032-2036	32,105,000	8,236,725	40,341,725
2037-2038	15,730,000	1,071,675	16,801,675
	<u>\$ 110,920,000</u>	<u>\$ 114,791,984</u>	<u>\$ 225,711,984</u>

Electric, Water, Wastewater, Solid Waste, Refuse Collection and Port revenue bond covenants require establishment of certain cash reserves. Revenue bond covenants further stipulate that operating income, as defined in the covenants, will be at least equal to 1.25 to 1.40 times the debt service requirement for that year. All such requirements were met in 2006.

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

	Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2007	\$ 22,525,000	\$ 17,189,745	\$ 39,714,745
2008	22,315,000	16,000,290	38,315,290
2009	22,170,000	14,818,269	36,988,269
2010	22,095,000	13,606,326	35,701,326
2011	21,910,000	12,359,429	34,269,429
2012-2016	106,875,000	42,801,444	149,676,444
2017-2021	47,120,000	21,031,269	68,151,269
2022-2026	32,350,000	9,927,766	42,277,766
2027-2031	13,510,000	3,568,019	17,078,019
2032-2034	7,060,000	555,038	7,615,038
	317,930,000	151,857,595	469,787,595
Less unamortized premiums/ discounts, net	(10,161,999)	—	(10,161,999)
	<u>\$ 307,768,001</u>	<u>\$ 151,857,595</u>	<u>\$ 459,625,596</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(c) Special Assessment District Bonds

In 1989 Anchorage issued \$3,438,200 of Roads and Drainage Consolidated Special Assessment (CSA) District 1 Bonds. In 1990 Anchorage issued \$590,770 for Water Utility CSA District 2 and \$985,448 for Water and Wastewater Utility CSA District 3. In 1991 Anchorage issued \$728,721 for Roads and Drainage Special Assessment District 1P87. These bonds were issued to provide financing for improvements in certain identified special assessment districts. The bonds are backed only by the assessments levied in the identified districts and by the Roads and Drainage Guarantee Reserves and the Water and Wastewater Special Assessment Guarantee Reserves. The debt for Roads and Drainage bonds is included in the Governmental Activities while the debt for CSA Districts 2 and 3 bonds is included in the Business-type Activities.

Annual debt service requirements to maturity for special assessment bonds are as follows:

Governmental Activities			
	Principal	Interest	Total
Years:			
2007	\$ 265,000	\$ 48,795	\$ 313,795
2008	225,000	26,921	251,921
2009	35,000	8,388	43,388
2010	35,000	5,719	40,719
2011	40,000	3,050	43,050
	\$ 600,000	\$ 92,873	\$ 692,873
Business-Type Activities			
	Principal	Interest	Total
Years:			
2007	\$ 70,000	\$ 8,800	\$ 78,800
2008	10,000	3,200	13,200
2009	15,000	2,400	17,400
2010	15,000	1,200	16,200
	110,000	15,600	125,600
Less unamortized premiums/ discounts, net	(370)	—	(370)
	\$ 109,630	\$ 15,600	\$ 125,230

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(d) Notes and Contracts

Anchorage has various clean water and drinking water fund loans in its Solid Waste, Water, and Wastewater Utilities. In 2006, Anchorage entered into a new loan and had drawn \$3,708,785 as of December 31. The payment term dates for this loan have yet to be established; therefore, this loan is excluded from debt service requirement schedules below

In September 2004, Anchorage entered into an agreement with the Alaska Municipal Bond Bank Authority for \$5,365,000 to provide funding for repairs to the Performing Arts Center roof. This loan will be repaid with revenues from a Performing Arts Center ticket surcharge.

Annual debt service requirements to maturity for notes and contracts are as follows:

	Governmental Activities		
	Principal	Interest	Total
Years:			
2007	\$ 100,000	\$ 240,813	\$ 340,813
2008	100,000	236,813	336,813
2009	105,000	232,813	337,813
2010	110,000	228,613	338,613
2011	115,000	224,213	339,213
2012-2016	650,000	1,047,413	1,697,413
2017-2021	790,000	902,367	1,692,367
2022-2026	990,000	706,290	1,696,290
2027-2031	1,270,000	431,094	1,701,094
2032-2036	930,000	94,500	1,024,500
	\$ 5,160,000	\$ 4,344,929	\$ 9,504,929

	Business-Type Activities		
	Principal	Interest	Total
Years:			
2007	\$ 3,794,102	\$ 1,020,579	\$ 4,814,681
2008	4,953,121	1,798,422	6,751,543
2009	4,996,024	1,354,389	6,350,413
2010	5,039,818	1,263,169	6,302,987
2011	5,084,522	1,171,039	6,255,561
2012-2016	24,123,197	4,479,820	28,603,017
2017-2021	20,384,424	2,315,037	22,699,461
2022-2026	10,367,116	706,289	11,073,405
2027-2030	1,196,667	25,682	1,222,349
Not yet amortized	3,708,785	—	3,708,785
	\$ 83,647,776	\$ 14,134,426	\$ 97,782,202

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(e) HUD Section 108 Loan

Anchorage entered into an agreement with the U.S. Department of Housing and Urban Development in August of 2005 to borrow up to \$5,000,000 in HUD Section 108 Loan funds. As of December 31, 2006 Anchorage has borrowed \$2,000,000 of these funds.

Annual debt service requirements to maturity for the HUD Section 108 Loan are as follows:

	Governmental Activities		
	Principal	Interest	Total
Years:			
2007	\$ —	\$ 94,568	\$ 94,568
2008	66,000	107,395	173,395
2009	70,000	104,089	174,089
2010	74,000	100,616	174,616
2011	78,000	96,924	174,924
2012-2016	466,000	420,593	886,593
2017-2021	615,000	284,356	899,356
2022-2025	631,000	92,432	723,432
	\$ 2,000,000	\$ 1,300,973	\$ 3,300,973

(f) Bonds Authorized But Unissued

At December 31, 2006, Anchorage has the following authorized but unissued general obligation bonds (in thousands):

Purpose	Ordinance Date	Interest Limitation	Amount Authorized	Amount Issued	Remaining Authorized
Roads & Drainage upgrades and maintenance	April 2006	None	44,150	—	44,150
Fire service area upgrades	April 2006	None	1,960	—	1,960
					\$ 46,110

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

(h) *Unfunded Pension Obligation*

Anchorage and Anchorage Community Development Authority recognized unfunded pension obligations in 2006 as a result of the actuarially determined employer contribution rate for PERS being higher than the State of Alaska required contribution rate, as limited by regulations.

(i) *Defeasance of Debt*

Anchorage defeased certain general obligation and revenue bonds by placing the proceeds of new bonds and other available funds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for defeased bonds are not included in Anchorage's financial statements. At December 31, 2006 the amount of general obligation and revenue bonds considered defeased was \$469,075,000.

(j) *School District Debt*

The following is a summary of long-term debt transactions of the School District for fiscal year ended June 30, 2006 (in thousands):

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amount Due within 1 year
General Obligation Bonds	\$ 797,855	14,790	54,435	758,210	39,870
Compensated Absences	7,909	8,181	7,909	8,181	8,181
Workers Compensation	12,477	5,804	4,888	13,393	4,661
Net Pension Obligation	4,957	8,914	491	13,380	—
Medical Claims	3,745	15,231	12,448	6,528	6,528
	<u>\$ 826,943</u>	<u>\$ 52,920</u>	<u>\$ 80,171</u>	799,692	<u>\$ 59,240</u>
Unamortized premium on GO Bonds				16,511	
				<u>\$ 816,203</u>	

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Bonds payable at June 30, 2006 are comprised of the following individual issues (in thousands):

<u>General Obligation Bonds</u>	<u>Amount</u>
\$60,000,000 1995 series A school construction serial bonds due in annual installments of \$110,000 to \$5,030,000 through October 2015; interest at 5.0% to 6.0%.	\$ 20,070
\$29,765,000 1995 series A school construction refunding serial bonds due in annual installments of \$1,505,000 to \$3,700,000 through October 2012; interest at 5.125% to 6.0%.	20,890
\$65,000,000 1996 series A school construction serial bonds due in annual installments of \$3,865,000 through August 2006; interest at 6.0%.	3,865
\$43,850,000 1997 series A school construction serial bonds due in annual installments of \$1,890,000 to \$1,995,000 through December 2007; interest at 5.0% to 5.25%.	3,885
\$20,735,000 1998 series A school construction refunding serial bonds due in annual installments of \$145,000 to \$5,120,000 through July 2014; interest at 4.05% to 5.0%.	19,880
\$55,900,000 1999 series A school construction serial bonds due in annual installments of \$2,410,000 to \$2,735,000 through December 2009; interest at 4.0% to 5.125 %.	10,305
\$35,000,000 2000 series A school construction serial bonds due in annual installments of \$1,310,000 to \$1,810,000 through December 2012; interest at 4.75% to 5.25 %.	10,845
\$77,900,000 2000 series B school construction serial bonds due in annual installments of \$2,965,000 to \$6,235,000 through December 2020; interest at 4.75% to 5.125%.	28,510
\$65,000,000 2001 series A school construction serial bonds due in annual installments of \$2,445,000 to \$5,065,000 through June 2021, interest at 4.25% to 5.5%.	31,165
\$51,805,000 2001 school construction refunding bonds due in annual installments of \$1,115,000 to \$10,345,000 through July 2013, interest 4.125% to 5.5%.	50,570
\$131,800,000 2002 series B school construction serial bonds due in annual installments of \$4,610,000 to \$10,390,000 through July 2022; interest 3.2% to 5.5%.	103,770
\$70,345,000 2002 school construction refunding bonds due in annual installments of \$3,400,000 to \$10,255,000 through July 2015; interest 3.75% to 5.5%.	67,540

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

General Obligation Bonds (continued)	Amount
\$126,770,000 2003 series B school construction serial bonds due in annual installments of \$1,145,000 to \$9,420,000 through September 2023, interest 2.0% to 5.25%.	\$ 117,665
\$80,735,000 2004 series B school construction refunding bonds due in annual installments of \$60,000 to \$27,390,000 through December 2017; interest 3.0% to 5.25%.	80,675
\$86,240,000 2004 series D school construction serial bonds due in annual installments of \$3,000,000 to \$6,540,000 through December 2024; interest 2.0% to 5.0%.	83,325
\$63,850,000 2005 series A school construction serial bonds due in annual installments of \$2,240,000 to \$4,730,000 through March 2025; interest 2.5% to 5.0%.	61,350
\$29,155,000 2005 series B school construction refunding bonds due in annual installments of \$45,000 to \$8,140,000 through December 2020; interest 2.5% to 5.0%.	29,110
\$14,790,000 2005 series E school construction refunding bonds due in annual installments of \$3,035,000 to \$4,110,000 through December 2018; interest at 5.0%	14,790
	\$ 758,210

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2006, including interest payments in the amount of \$327,666,937 are as follows (in thousands):

	Principal	Interest	Total
2007	\$ 39,870	\$ 36,152	\$ 76,022
2008	41,145	34,512	75,657
2009	42,710	32,767	75,477
2010	44,525	30,799	75,324
2011	46,585	28,681	75,266
2012-2016	246,185	107,575	353,760
2017-2021	208,095	49,305	257,400
2022-2025	89,095	7,876	96,971
	\$ 758,210	\$ 327,667	\$ 1,085,877

The amount of long-term liability that is due within one year as of June 30, 2006 is \$39,870,000.

The Debt Service Fund has \$5,799,233 available to service the general obligation bonds.

There are a number of restrictions contained in the various bond indentures. The School District is in compliance with all significant restrictions.

The amount available and to be provided by Debt Service Fund to repay long-term debt obligations, general obligation bonds at June 30, 2006 is \$758,210,000.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 10 Debt Issued Subsequent to Year End

On August 3, 2006 Anchorage issued \$48,495,000 in 2006 General Obligation School Bonds for the purpose of conducting major maintenance and renovations on school properties. Concurrently, Anchorage issued \$28,885,000 in 2006 General Obligation Refunding School Bonds, Series B and \$51,705,000 2006 General Obligation Refunding School Bonds, Series C to refund 1995, 2000, 2001, and 2002 (various Series) bonds. This refunding activity will be reflected in the School District's CAFR for the year ended June 30, 2007 and will be included in the Anchorage CAFR for the year ended 2007

On April 18th, 2007 Anchorage issued \$171,155,000 2007 General Obligation Refunding School Bonds, Series B, to refund 2001, 2002, 2003, 2004, and 2005 (various series) General Obligation School Bonds.

On January 25, 2007, Anchorage issued \$90,000,000 of General Obligation Tax Anticipation Notes. The interest rate on the bonds is 4.255% and the maturity date is December 28, 2007

On April 18, 2007, Anchorage issued \$32,245,000 in General Obligation Refunding Bonds to refund 2002 and 2003, Series A, General Obligation General Purpose Bonds.

NOTE 11 Conduit Debt Obligations

(a) Nonrecourse Revenue Bonds – United Way of Anchorage

On November 1, 2000, Anchorage issued \$850,000 of Nonrecourse Revenue Bonds on behalf of the United Way of Anchorage. On July 30, 2001, Anchorage issued \$900,000 of Nonrecourse Revenue Bonds on behalf of the United Way of Anchorage. Anchorage has no direct involvement with the administration of these bonds except to allow their issuance under the name of Anchorage. These revenue bonds are issued under provisions of state and Federal law that provide that the bonds do not constitute an indebtedness of Anchorage. The bonds do not constitute a general obligation or pledge of the full faith and credit of Anchorage. Accordingly, the bonds and the related assets are not reflected in the accompanying financial statements.

A schedule of the remaining debt service on the 2000 issue bonds follows:

	Principal
Years:	
2007	\$ 54,627
2008	58,453
2009	62,514
2010	66,867
2011	71,378
2012-2015	238,511
	\$ 552,350

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

A schedule of the remaining debt service on the 2001 issue bonds follows:

	Principal
Years:	
2007	\$ 34,477
2008	36,749
2009	39,199
2010	41,824
2011	44,468
2012-2016	235,192
2017-2021	293,643
	\$ 725,552

(b) Nonrecourse Revenue Bonds – Alaska Native Heritage Center

On February 13, 2001, Anchorage issued \$4,200,000 of Nonrecourse Revenue Bonds on behalf of the Alaska Native Heritage Center, Incorporated Project. Anchorage has no direct involvement with the administration of these bonds except to allow their issuance under the name of Anchorage. These revenue bonds are issued under provisions of state and Federal law that provide that the bonds do not constitute an indebtedness of Anchorage. The bonds do not constitute a general obligation or pledge of the full faith and credit of Anchorage. Accordingly, the bonds and the related assets are not reflected in the accompanying financial statements.

A schedule of the remaining debt service follows:

	Principal
Years:	
2007	\$ 142,479
2008	152,400
2009	163,011
2010	174,361
2011	186,921
2012-2014	396,421
	\$ 1,215,593

NOTE 12 Retirement Plans

Substantially all regular employees of Anchorage are members of a public employees' retirement system except for employees who are members of the International Brotherhood of Electrical Workers (IBEW) and International Union of Operating Engineers, Local 302 (Local 302) (effective July 1, 2004).

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

IBEW members participate in a union sponsored cost-sharing defined benefit plan. Employer contributions are determined from hours of work reported by participating employers and the contractual employer contribution rate in effect. The current agreement provides for contributions of \$3.67 to the Plan for each hour worked by a covered employee. The total employer contributions for 2006, 2005, and 2004 were \$5,252,704, 4,745,261, and \$4,151,339, respectively. Anchorage's obligation for IBEW employees' retirement is limited to the amount paid to the Alaska Electrical Trust Fund. Each year, IBEW issues audited financial statements that can be obtained by writing to International Brotherhood of Electrical Workers, 3333 Denali Street, Anchorage, Alaska 99503.

Local 302 members participate in a union sponsored cost-sharing defined benefit plan. Employer contributions are determined from compensable work hours and the contractual employer contribution rate in effect. The current agreement provides for contributions of \$3.50 per hour. Total employer contributions for 2006, 2005 and 2004 were \$976,169, \$948,004 and \$362,777, respectively. Anchorage's obligation for Local 302 employees' retirement is limited to the amount paid to the Local 302 International Operating Engineers-Employers Construction Industry Retirement Fund.

All Anchorage employees who are members of a public employees' retirement system participate in the State of Alaska Public Employees' Retirement System (PERS) except for police officers hired prior to October 6, 1994, paramedics and fire fighters hired prior to July 18, 1994, and command officers hired prior to May 24, 1994, who participate in either Plan I, Plan II, or Plan III of the Anchorage Police and Fire Retirement System. Police officers, command officers, paramedics and fire fighters hired subsequent to these dates are in the State Plan.

(a) State of Alaska Public Employees' Retirement System

Plan Descriptions

Employees hired prior to July 1, 2006, and employees hired after July 1, 2006 who have PERS enrollment from prior employment, participate in PERS Tiers I-III, a defined benefit, agent multiple-employer public employee retirement system. Employees hired after July 1, 2006 who have no prior PERS participating employment participate in PERS Tier IV, a defined contribution plan. Both plans were established and are administered by the State of Alaska (State) to provide pension, post employment healthcare, death and disability benefits to eligible employees.

All full-time and regular part-time Anchorage employees not covered by the State of Alaska Teacher's Retirement System (TRS) or another retirement plan are eligible to participate in PERS. For both the defined benefit plan and the defined contribution plan, benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Each fiscal year, PERS issues publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

Funding Policy and Annual Pension Cost – PERS Tier I-III Defined Benefit Plan

Employer contribution rates are established by a state statute. Employer contribution rates are established annually by a state sanctioned management board. The funding policy for PERS

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

Detailed information regarding rates for Anchorage and actuarial methods for the plan for the year ended 2006 is as follows:

	<u>Anchorage</u>	
	<u>1/1/06 - 6/30/06</u>	<u>7/1/06 - 12/31/06</u>
Contribution Rates:		
Employee Rate:		
Police Officers and Firefighters	4.43%	4.43%
Other Employees	3.98%	3.98%
Actuarially Required Employer Rate:		
Police Officers and Firefighters	14.67%	17.03%
Other Employees	14.67%	17.03%
Adjusted Actual Employer Rate:		
Police Officers and Firefighters	5.84%	11.33%
Other Employees	4.94%	10.84%
Actuarial Valuation Date	June 30, 2003	June 30, 2004
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar, Open	Level Dollar, Open
Amortization Period	Fixed 25 Years	Fixed 25 Years
Asset Valuation Method	Market	Market
Actuarial Assumptions:		
Inflation Rate	3.50%	3.50%
Investment Return	8.25%	8.25%
Projected Salary Increase:		
Inflation	3.50%	3.50%
Productivity and Merit - Police	2.50%	2.50%
Productivity and Merit - Other	2.00%	2.00%

The Authority has chosen to early implement GASB Statement No. 45 and recognize a post-employment healthcare liability. Anchorage did not early implement GASB Statement No. 45. GASB 45 is required to be implemented for the year ended December 31, 2007.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Detailed information regarding rates for the Authority and actuarial methods for the plan for the year ended 2006 is as follows:

	Authority			
	Pension		Post-employment Healthcare	
	<u>1/1/06 - 6/30/06</u>	<u>7/1/06 - 12/31/06</u>	<u>1/1/06 - 6/30/06</u>	<u>7/1/06 - 12/31/06</u>
Contribution Rates:				
Employee Rate	4.20%	4.20%	2.55%	2.55%
Actuarially Required Employer Rate	12.27%	12.32%	8.20%	11.25%
Adjusted Actual Employer Rate	8.50%	8.69%	5.68%	7.93%
Actuarial Valuation Date	June 30, 2003	June 30, 2004	June 30, 2003	June 30, 2004
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open
Amortization Period	Fixed 25 Years	Fixed 25 Years	Fixed 25 Years	Fixed 25 Years
Asset Valuation Method	Market	Market	Market	Market
Actuarial Assumptions:				
Inflation Rate	3.50%	3.50%	3.50%	3.50%
Investment Return	8.25%	8.25%	8.25%	8.25%
Projected Salary Increase:				
Inflation	3.50%	3.50%	3.50%	3.50%
Productivity and Ment - Other	2.00%	2.00%	2.00%	2.00%

The components of annual pension cost for the year ended 2006 (in thousands) are as follows:

	<u>Anchorage</u>	<u>Authority</u>		
	<u>Pension</u>	<u>Pension</u>	<u>Post-employment Healthcare</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 23,265	\$ 160	\$ 110	\$ 270
Interest on the Net Pension Obligation (NPO)	917	7	5	12
Adjustment to the ARC	(713)	(6)	(4)	(10)
Annual Pension Cost (APC)	23,469	161	111	272
Contributions made	(13,474)	(128)	(89)	(217)
Increase in NPO	9,995	33	22	55
NPO, beginning of year	11,122	92	58	150
NPO, end of year	\$ 21,117	\$ 125	\$ 80	\$ 205

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Three year trend information (in thousands) follows:

Anchorage				
	Year Ending December 31	APC	Percentage of APC Contributed	NPO
Pension	2004	9,818	68%	3,109
	2005	19,560	59%	11,122
	2006	23,469	57%	21,117

Authority				
	Year Ending December 31	APC	Percentage of APC Contributed	NPO
Pension	2004	76	56%	34
	2005	139	58%	92
	2006	161	80%	125
Post-employment Healthcare	2004	46	56%	21
	2005	89	59%	58
	2006	111	80%	80

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Funding Progress
Pension Benefits (in thousands)
(unaudited)**

		Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Anchorage:								
Pension Benefits	2003		396,744	534,420	137,676	74%	124,211	111%
	2004		402,824	571,767	168,943	70%	118,474	143%
	2005		422,067	645,658	223,591	65%	141,184	158%
Authority:								
Pension Benefits	2003		1,804	2,467	633	73%	964	69%
	2004		2,068	2,778	710	74%	1,013	70%
	2005		1,315	1,961	646	67%	1,124	57%
Post-employment Healthcare	2003		1,206	1,649	443	73%	964	46%
	2004		1,458	1,959	501	74%	1,013	49%
	2005		2,408	3,592	1,184	67%	1,124	105%

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Funding Policy and Annual Pension Cost – PERS Tier IV Defined Contribution Plan

Employees first enrolling into PERS after July 1, 2006 participate in PERS Tier IV. PERS Tier IV is a defined contribution retirement plan that includes a component of defined benefit post-employment health care. The plan requires both employer and employee contributions. Employees may make additional contributions into the plan, subject to limitations. Contribution rates are as follows:

	Anchorage		
	<u>Police/Fire</u>	<u>Others</u>	<u>Authority</u>
Employee Contribution	8.00%	8.00%	8.00%
Employer Contribution			
Retirement	5.00%	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%	3.00%
Retiree Medical Plan	1.75%	1.75%	1.75%
Death & Disability Benefit	<u>0.40%</u>	<u>0.30%</u>	<u>0.30%</u>
Total employer contribution	10.15%	10.05%	10.05%

*Health Reimbursement Arrangement - AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate of \$66.78 per full time employee per pay period and \$1.11 per hour worked for each part time employee.

For the year ended December 31, 2006, Anchorage contributed \$43,482 to PERS Tier IV for retirement, retiree medical, and it contributed \$45,049 to PERS Tier IV for Health Reimbursement Arrangement on behalf of its employees. Employee contributions to the plan totaled \$63,533. The Authority contributed \$2,529 and \$1,876 for employer and employee amounts, respectively

On-Behalf Payments

During 2006 the State of Alaska contributed \$6,913,262 for pension and post-employment healthcare to the PERS plan on behalf of Anchorage. These payments have been recognized as intergovernmental revenues and personnel services expenditures/expenses for 2006.

(b) Police and Fire Retirement System Plans

Plans I, II and III are defined benefit single-employer plans established by Chapter 3.85 of the Code. The plans are administered by the Police and Fire Retirement Board (Retirement Board). The cost of administering the plans is financed by the Retirement System assets held in a trust account. The Board consists of nine members three appointed by the Mayor, three elected by the Fire members, and three elected by the police members.

All regular full-time police officers hired prior to October 6, 1994; paramedics and fire fighters hired prior to July 18, 1994; and command officers hired prior to May 24, 1994, are required to participate

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

in a plan. No other person is eligible to participate. Membership is determined by date of employment or employee election. Members employed on or before June 30, 1977, are members of Plan I, members employed between July 1, 1977, and April 16, 1984, are members of Plan II and members employed between April 16, 1984, and July 18, 1994 are members of Plan III. Members of Plans I and II were permitted to elect into Plan III at its inception.

Members of Plan I, II, and III are required to contribute an amount not to exceed 6% of compensation if assets to liabilities ratios fall below 100%. Additionally, Anchorage is required to contribute 2.5.1 Anchorage/member contribution ratio. Anchorage is also responsible for any additional contributions to ensure that Plans I, II, and III are financially sound.

Benefit and contribution provisions are established by Code and may be amended only by the Assembly. The January 1, 2007 actuarial valuation recommended contribution rates for Plans I, II and III are zero for both the employee and the employer. All past contributions were made in accordance with actuarial recommendations.

Benefits for all three plans include voluntary normal, early and deferred retirement benefits and occupational and nonoccupational disability and death benefits. The extent of benefits varies by plan and basic benefit provisions are discussed in the following paragraphs. Benefits vest after 5 years of service for all plans, retirement benefits are paid monthly for life and are equal to 2.5% of average monthly compensation times years of credited service. A member may retire after 20 years of credited service and immediately begin receiving a monthly benefit. For Plans I and II average monthly compensation is the amount paid during the period of the highest three consecutive calendar years divided by the number of months for which compensation was received. For Plan III, final average compensation is the greater of the average of the two highest consecutive tax years of base compensation or average of total base compensation for the last 52 pay periods.

Plan I and II members may elect early retirement after five years of credited service and attainment of age 55 and receive a retirement benefit. Plan III members may elect early retirement after 15 years of credited service and either withdraw their contributions or start receiving a retirement benefit. All three plans have deferred retirement options for members who have at least five years credited service and have not reached age 55. Plan I and II members may either withdraw their contributions or remain in the plan and begin receiving a retirement benefit upon reaching age 55. Plan III members may either withdraw their contributions or receive a retirement benefit beginning the date on which he or she would have completed 20 years of credited service or upon reaching age 55.

Disability benefits may be either occupational or nonoccupational. Benefits are payable for life and are subject to certain restrictions. To be eligible for nonoccupational benefits, a member must have five years credited service prior to date of disability. Plan I and II members receive an occupational benefit of 66 2/3% of gross monthly compensation at time of disability and a nonoccupational disability of 50% of monthly compensation. Plan III members receive an occupational benefit of 50% of final average compensation at time of disability and a nonoccupational disability of 25% of final average compensation at time of disability with more than five but less than ten years credited service. For each additional year of service up to 20 years, the benefit shall increase by 2.5% of final average compensation.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Plan III beneficiaries are entitled to receive limited cost of living adjustments and children's benefits for disabilitants and surviving spouses until dependent children reach age eighteen.

Information regarding the Plans is available upon request and may be obtained by writing to Anchorage Police and Fire Retirement System, P.O. Box 196650, Anchorage, Alaska 99519-6650 or by calling (907) 343-8400.

Funding Status and Contribution Requirements

Annual pension cost for the current year and the related information is as follows:

	Police and Fire Retirement Systems		
	Plan I	Plan II	Plan III
Contribution rates:			
Employee:			
Peace officers and firefighters	—	—	—
Other employees	—	—	—
Employer			
Annual pension cost (in thousands)	—	—	—
Contributions made (in thousands)	—	—	—
Actuarial valuation date	January 1, 2006	January 1, 2006	January 1, 2006
	Modified	Modified	Modified
Actuarial cost method	Aggregate	Aggregate	Aggregate
Amortization period	15 years	15 years	15 years
Asset valuation method	Market	Market	Market
Actuarial assumptions:			
Inflation rate	3.5%	3.5%	3.5%
Investment rate of return	8%	8%	8%
Projected salary increase	4%	4%	4%
Cost of living adjustment	N/A	N/A	0.875%/1.75% *

* 0.875% for present retirees and after retirement for current active members after 20th anniversary of hire, and 1.75% after 25th anniversary of hire

The aggregate actuarial cost method does not identify or separately amortize unfunded accrued liabilities.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

The components of annual pension cost for the year ended 2006 (in thousands) are as follows:

	Police and Fire Retirement Systems		
	Plan I	Plan II	Plan III
Annual required contribution (ARC)	\$ —	\$ —	\$ —
Interest on the net pension obligation (NPO)	—	—	—
Adjustment to the ARC	—	—	—
Annual pension cost (APC)	—	—	—
Contributions made	—	—	—
Increase in NPO	—	—	—
NPO, beginning of year	—	—	—
NPO, end of year	\$ —	\$ —	\$ —

Three year trend information (in thousands) follows:

	Year Ending	APC	Percentage of APC Contributed	NPO
Plan I	2004	752	100%	—
	2005	—	100%	—
	2006	—	100%	—
Plan II	2004	547	100%	—
	2005	—	100%	—
	2006	—	100%	—
Plan III	2004	2,519	100%	—
	2005	—	100%	—
	2006	—	100%	—

(c) Investments

The State Plan and the Police and Fire Retirement System do not own any notes, bonds, or other instruments of Anchorage.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

In May 2003, the Police and Fire Retirement System Board of Trustees elected to change the methodology for calculating contributions to the modified aggregate actuarial cost method, effective with the plan year beginning January 1, 2004. Based upon this methodology, there are no scheduled contributions for 2007

NOTE 13 Post-Employment Health Care Benefits

Members of the Anchorage Police and Fire Retirement Plan participate in one of two post-employment health benefit plans.

(a) *Gentile Group*

Members of the Anchorage Police and Fire Retirement Plan who retired prior to January 1, 1995, and command personnel who were employed prior to that date, but not retired at that date, participate in the “Gentile Group” Plan. Anchorage pays 100% of a defined benefit insurance premium including health for all eligible retirees as well as dental, audio and vision coverage for police retirees. Optional dental, audio and vision coverage is paid by the fire and command retirees. The plan is accounted for on a “pay as you go” method with costs recognized as expenditures as premiums are paid. At December 31, 2006, there were 273 retiree participants. For 2006, benefit costs totaled \$4,995,847. There are no plans in place to terminate or discontinue this benefit for eligible members.

(b) *Police and Fire Retiree Medical Group & Associated Prefunding Arrangement*

Active duty and noncommand personnel members who were employed prior to January 1, 1995, but who were scheduled to retire after that date, as well as nonrepresented command personnel appointed after January 1, 1995 participate in the Anchorage Police and Fire Retiree Medical Plan. Established in a manner similar to a defined contribution plan, Anchorage contributes a fixed dollar contribution to each member on a monthly basis. Those funds are placed into individual member accounts and can be used to fund any qualifying medical costs or health insurance premiums.

The significant terms of the agreement required Anchorage to contribute \$2,000,000 in 1994 and \$490 per month per retired employee in 1995 to the Police and Fire Retiree Medical Trust Fund. For all subsequent years, the amount to be contributed per retired employee is adjusted in accordance with the CPI factors indicated below:

<u>Retirement Age</u>	<u>Service at Retirement</u>	<u>Annual Adjustment</u>
60 or older	25 years	75% of medical CPI
55 – 59		50% of medical CPI
50 – 54	20 – 24 years	50% of medical CPI (with a maximum of 6%)
Less than 50	0 – 19 years	25% of medical CPI (with a maximum of 3%)

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

For 2006 the monthly contribution for each member ranges between \$1,366 and \$1,607 per member depending on age and years of service. Anchorage contributed \$2,001,039 to the Police and Fire Retiree Medical Trust Fund in 2006.

Anchorage has elected to recognize the capped ultimate cost of post-employment medical benefit for this group of employees. As such, a long-term obligation of \$143,366,589 has been recorded based on a funding analysis performed in 2006.

Concurrent with the establishment of the plan, Anchorage initiated a "Prefunding" arrangement. The terms of the prefunding call for annual deposits into a debt service fund for the purpose of accumulating resources to pay the annual required contributions to the Anchorage Police and Fire Retiree Medical Plan beginning in 2014. Based on an actuarial report dated March 2006, Anchorage is required to contribute \$1,869,000 to the debt service fund on an annual basis in order to fully fund the actuarially determined liability by the target date. In 2006, Anchorage contributed the annual \$1,869,000 plus an additional \$9,800,000 balloon payment to the fund, based on the prefunding requirements. Anchorage will perform an actuarial funding study every three years and adjust the required annual contribution as needed.

State Public Employee Retirement Plan

Police officers and fire fighters hired after January 1, 1995 participate in the State Public Employee Retirement Plan, rather than the Police and Fire Retirement System Plan, thus, those individuals receive post-employment medical benefits as determined by that Plan.

Deferred Compensation Plan

Anchorage has determined that a fiduciary relationship does not exist between it and the Internal Revenue Code Section 457 deferred compensation plan. The deferred compensation plan is not reported in Anchorage's financial statements in accordance with GASB Statement No. 32.

NOTE 14 Risk Management and Self-Insurance

Anchorage is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; illness of and injuries to employees; unemployment; and natural disasters. The primary government utilizes three risk management funds to account for and finance its uninsured risks of loss.

The government provides coverage up to the maximum of \$2,000,000 per occurrence for automobile and general liability claims and \$1,000,000 for each workers' compensation claim. Coverage in excess of these amounts is insured by private carriers. Settled claims have not exceeded this commercial coverage in any of the past three years.

Unemployment compensation expense is based on actual claims paid by the State of Alaska and reimbursed by the government.

All government departments participate in the risk management program and make payments to the risk management funds based on actuarial estimates of the amounts needed to pay prior and current year claims.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 2006, is dependent upon future developments. At December 31, 2006, claims incurred but not reported included in the liability accounts are \$11,989,247 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

Changes in the funds' claim liability amounts in 2005 and 2006 are as follows:

	<u>Liability Balance January 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payment</u>	<u>Liability Balance December 31</u>
2005:				
General Liability/Workers' Compensation	\$ 12,390,992	\$ 6,090,680	\$ (5,931,672)	\$ 12,550,000
Medical/Dental	—	34,363,624	(28,561,149)	5,802,475
Unemployment	79,844	251,617	(252,528)	78,933
	<u>\$ 12,470,836</u>	<u>\$ 40,705,921</u>	<u>\$ (34,745,349)</u>	<u>\$ 18,431,408</u>
2006:				
General Liability/Workers' Compensation	\$ 12,550,000	\$ 8,068,972	\$ (7,096,740)	\$ 13,522,232
Medical/Dental	5,802,475	36,128,554	(36,981,186)	4,949,843
Unemployment	78,933	288,976	(278,595)	89,314
	<u>\$ 18,431,408</u>	<u>\$ 44,486,502</u>	<u>\$ (44,356,521)</u>	<u>\$ 18,561,389</u>

NOTE 15 MOA Trust Fund

On April 2, 2002, 70% of Anchorage voters approved Proposition #4 which fundamentally changed distribution rules applicable to the MOA Trust Fund. Key excerpts from Proposition #4 include:

- “The trust fund shall be defined as an endowment fund with a controlled spending policy limiting dividend distributions. ”
- “Any use of the corpus, or a portion of the corpus, separate from the controlled spending policy of the endowment, may only be used for purposes approved by a majority of the voters voting on a ballot proposition in a regular or special election.”
- “Under the endowment’s controlled spending policy an annual dividend may be appropriated by the assembly provided that the annual appropriation does not exceed 5% of the average asset balance of the trust.”

Code was also revised to accompany the Municipal Charter change. The changes made to Code 6.50.060 further define and clarify the methodology to be used in paying out an annual dividend from the MOA Trust Fund each year.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Depending on the investment market conditions in any given year, the MOA Trust Fund may or may not generate sufficient realized and unrealized net earnings to cover the 5% dividend payout. Under the endowment model, however, up to 5% of the market value of the MOA Trust Fund for the twelve trailing quarters marked at March 31 of each year is available for appropriation by the Assembly to help fund the general government budget. The endowment model is tied to an average market value, not to annual earnings, and it assumes a long-term investment return of 8% and inflation of 3%. During periods of market decline the MOA Trust Fund may experience a negative return; nonetheless the voter-approved endowment model for the MOA Trust Fund makes it possible for the Assembly to payout a 5% dividend by drawing from the fund's corpus. Over time the MOA Trust Fund is also expected to benefit from positive years in the market (i.e., years in which the real rate of return exceeds 5%), however the Assembly must abide by the 5% cap on annual distributions. This means that any excess returns generated during positive year in the market effectively are converted to corpus. The Municipal Treasurer is required by Code to determine whether the MOA Trust Fund's purchasing power is being maintained, by performing an analysis at least every five years beginning in year 2007. At December 31, 2006, \$6,400,000 of the MOA Trust Fund Balance was determined to be expendable.

NOTE 16 Regulatory and Other Matters

(a) *Electric Utility*

Beluga River Unit (BRU) Underlift Cash Settlement: Each of the three participants in the BRU has a right to take one-third of the gas produced by the Unit each year. Imbalances between the Unit owners are resolved each year in accordance with the BRU Gas Balancing Agreement. "Overlifted" parties (parties which have taken more than one third of the Unit output) must offer to "underlifted" parties (parties which have taken less than one-third of the Unit output) the option to either accept a cash settlement for their underlift for the year, or accept a right to take the underlift in a future year, subject to certain restrictions. While it had been the Electric Utility's practice, in keeping with its original intent to secure a future supply of gas for generation, to accept the right to take future delivery of underlifted gas, its underlift position had reached a level by the end of 2003 such as to call into question its ultimate ability to recover all of its share of BRU gas before field closure. For this reason, the Electric Utility took cash settlements for its 2003 underlift in 2004, for its 2004 underlift in 2005, and for its 2005 underlift in 2006.

The 2003 and 2004 settlements, \$17,136,139, later reduced by \$1,200,615 due to adjustments by ConocoPhillips and ChevronTexaco, and \$19,852,555, respectively, were used first to reduce accrued regulatory assets, and then to fund BRU capital improvements. These dispositions were approved in Order No. U-04-63(5), Order No. U-04-63(6) and Order No. U-05-97(1), which also required the Utility to maintain accounts demonstrating that the funds are being used for the approved purposes, which will reduce future rate payer costs for gas.

The Electric Utility received monetary settlements totaling \$22,950,406 after lease burdens and taxes for the 2005 underlift in April 2006. The Utility proposed to use this money to fund future gas purchases beginning in approximately 2018, and to preserve the value of the cash until that time by setting up a virtual loan from the Gas Fund to the Electric Fund for the purpose of replacing the retired generating unit 3. Repayment of the loan is scheduled to make funds available for gas

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

purchases by the time those purchases are needed. The RCA approved this plan in Order No. U-06-89(2).

Application for Joint Use and Interconnection: On October 30, 2003, the Electric Utility, Chugach Electric Association (CEA), Golden Valley Electric Association, and the City of Seward d/b/a Seward Electric System (Petitioners) filed a joint petition asking the RCA to order Matanuska Electric Association (MEA) to continue to allow the Petitioners to use a portion of MEA's transmission system as a part of the Alaska Intertie according to the terms of the expiring Transmission Services Agreement between MEA and the Alaska Energy Authority (AEA).

On December 30, 2004, the Commission issued Order No. U-03-100(4) resolving all disputed issues in favor of the Petitioners. On January 31, 2005, MEA filed an appeal of that Order with the Superior Court of the State of Alaska. This appeal was decided in favor of the respondents on December 19, 2006. MEA has appealed to the Alaska Supreme Court.

Dividend Restriction: On November 7, 2005, the RCA issued a bench ruling that removed the restriction on dividends and dividend-like payments from the Electric Utility to its owner, the Municipality of Anchorage and required the continued filing of its Equity Management Plan on an annual basis. In Order No. U-05-86(2), dated December 22, 2005, the RCA affirmed the bench ruling and closed the docket. In 2006, the Electric Utility paid a dividend and gross receipts tax of \$7,426,844 to the Municipality of Anchorage based on 2005 revenues. It will pay \$7,406,185 to the Municipality of Anchorage in 2007 based on 2006 revenues confirmed after audit. The dividend consists of a revenue distribution to general government, subject to Assembly approval, of 5% of the Electric Utility's gross revenues and payment of a gross receipts tax considered supplemental MUSA at 1.25% times actual gross operating revenues.

Depreciation Study: RCA Order No. U-99-139(17) required the Electric Utility to file a depreciation study within three years of the date of the order, which was January 22, 2003. The Utility retained Gannett Fleming, Inc. on August 26, 2004 to perform the study and timely filed its depreciation study on January 23, 2006. The Commission acknowledged the study in Order No. U-06-006 (1) issued on February 14, 2006. The Attorney General's office participated in the investigation and proposed various changes. The Electric Utility and the Attorney General entered into a stipulated agreement resolving all issues on December 1, 2006. The RCA accepted the stipulated agreement and approved new depreciation rates in Order No. U-06-6(3) on December 29, 2006. This Order also requires the Electric Utility to file Revenue Requirement, Cost of Service, and Rate Design studies by June 30, 2008, based on a 2007 test year.

Regulatory Debts (Credits): The revenue requirement methodology approved by the RCA for setting the price of gas that the Electric Utility uses to produce power requires that an estimate for the current year revenue requirement along with the prior year under- or over-recovered costs be utilized to compute the price to be charged. The Electric Utility records an asset or a liability for under-recovered or over-recovered costs by recording the difference between the estimated revenue requirement amount and the actual revenue requirement amount. The estimated rate is applied from July 1 of the current year through June 30 of the following year. At December 31, 2006, the Electric Utility had over-recovered in the amount of \$9,947,325. One-half of this amount (\$4,973,662) is recorded as accounts payable and the remainder recorded as a deferred credit.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Petition to Adjust Gas Transfer Price Methodology: On April 3, 2007, the Utility filed a petition with the RCA to adjust its gas transfer price methodology, which is the basis by which the gas price component in rates charged to customers is established. According to this methodology, the revenue requirement is reduced by revenue realized from third party gas sales to CEA and Enstar Natural Gas Company. The Utility petition to adjust the gas transfer price methodology proposed to remove the credit against the revenue requirement for third party gas sales and instead use these proceeds for future BRU capital expenditures and making gas purchases in the future when the BRU gas field no longer meets all of the Utility's gas requirements for generation. The RCA granted the Utility's petition on May 15, 2007 in Order No. U-07-45(2), reiterating that the revenue must be dedicated directly to the benefit of the Utility's rate payers.

Eklutna Hydroelectric Project: On October 2, 1997, the ownership of the Eklutna Hydroelectric Project was formally transferred from the Alaska Power Administration, a unit of the United States Department of Energy, to the three participating utilities: the Electric Utility, CEA and MEA. The project is jointly owned and operated by the participating utilities and each contributes their proportionate share for operation, maintenance, and capital improvement costs, as well as to the transmission line between Anchorage and the hydroelectric plant. The Electric Utility has a 53.33% ownership interest in the project and recorded costs of \$708,548 and \$816,088 in 2006 and 2005, respectively.

Grant Agreement 2195150 (Eklutna Project Transmission Line Upgrade): On November 5, 2002, the Electric Utility received a grant from the State of Alaska, Alaska Energy Authority in the amount of \$19,300,000. The grant was issued for the Eklutna Project Transmission Line Upgrade with a completion date no later than December 31, 2006. The Electric Utility requested and received an extension to the completion date of the grant. The completion date of the grant is now December 31, 2007. The Electric Utility received an advance of 20% or \$3,860,000 on December 5, 2002. After the advance was expended, the Electric Utility issues a bill to the State each month for its expenditures up to the total amount of the grant. The Electric Utility recorded expenditures of \$16,661,542 as of December 31, 2006 which included \$955,104 of costs that were recorded but not paid until January 2007. The Electric Utility also recorded a receivable of \$1,163,097 as of December 31, 2006.

Bradley Lake Hydroelectric Project: The Electric Utility agreed to acquire a portion of the output of the Bradley Lake Hydroelectric Project (Project) pursuant to a Power Sales Agreement (Agreement). The Agreement specifies that the Electric Utility acquire 25.9% of the output of the Project. The Project went on line September 1, 1991. The Electric Utility made payments to the AEA of \$3,777,295 and \$4,273,508 in 2006 and 2005 for its portion of the costs, and received 82,093 and 110,537 megawatt hours of power in 2006 and 2005 from the Project. The Utility paid a budget shortfall for 2006 in the amount of \$18,298. The Utility received a budget surplus refund in the amount of \$182,543 for 2005. The Electric Utility's estimated cost of power from the Project for 2007 is \$4,300,000.

AEA issued the Power Revenue Bonds, First and Second Series in September 1989 and August 1990, respectively for the long term financing of the construction costs of the Project. The total amount of debt outstanding as of December 31, 2006, is \$122,212,414. The pro rata share of the debt service costs of the Project for which the Electric Utility is responsible, given its 25.9% share of

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

the Project, is \$31,653,015. In the event of payment defaults by other power purchasers, the Utility's share could be increased by up to 25%, which would then cause its pro rata share of project debt service to be a total of \$39,566,269; the Electric Utility does not now know of or anticipate any such defaults.

In order to deliver the Bradley Lake energy and power from the Project to the participants, a transmission line had to be built between Bradley Junction and the Soldotna Substation. Homer Electric Association constructed the transmission line and the Electric Utility has purchased a portion of the transmission capacity of the line in an amount equal to the Electric Utility's share of the Project output. The Electric Utility's portion of the transmission line capacity was \$2,795,477, which is being amortized over a 30-year period and is included as intangible plant.

(b) *Water and Wastewater Utilities*

Wastewater Treatment Facilities Discharge Permits: The Environmental Protection Agency's National Pollutant Discharge Elimination System permits for all three wastewater treatment facilities expired in 2005. The Eagle River treatment facility's permit was reissued – effective May 1, 2006. This permit is valid for five years from the date of issuance. The Asplund and Girdwood treatment facilities' permits have been administratively extended. All requirements stay in effect indefinitely until the new permits are issued. Renewals are expected in 2007. Currently only the Asplund facility has a Section 301(h) waiver of secondary treatment.

2004/2005 Rate Cases: The Water and Wastewater Utilities filed two-stage rate increases with the Regulatory Commission of Alaska (RCA) on January 9, 2004, requesting permanent rate increases of 8.06% and 6.83% for 2004 and 2005, respectively. The RCA approved these interim refundable rate increases effective February 24, 2004 and February 18, 2005, respectively. On July 8, 2005, the RCA accepted a stipulation between the Regulatory Affairs and Public Advocacy (RAPA) section of the Attorney General, the only intervener in the rate case, and the Utilities settling all issues except MUSA on contributed plant. As part of the stipulation, the Utilities reduced the interim rates by 3.01%, effective August 1, 2005. On September 2, 2005 the RCA issued an order establishing the Utilities' revenue requirement that excluded MUSA on contributed plant. The Utilities filed an appeal with the Alaska Superior Court (Court). On December 21, 2005, the Court issued a stay of the RCA's final order, allowing the Utilities to continue collecting MUSA on contributed plant. Revenue collected subject to refunds approximated \$8,700,000 and \$4,900,000 for Water and Wastewater, respectively through December 31, 2006.

The Utilities vigorously pursued the appeal and the suit to permit the inclusion of MUSA on contributed plant in its rates. The Utilities' opening briefs were filed on June 6, 2006, reply brief was filed on September 18, 2006, and oral arguments were heard before the court on March 1, 2007. The Utilities expect a decision from the Court by July 1, 2007. Both the Water Utility and Wastewater Utility believe that the chance of ultimately being required to refund the revenue collected is reasonably possible, but not probable, and therefore neither have recorded a liability for refund payable.

2006 Rate Cases: The Water Utility filed a rate case with the RCA on November 10, 2005, requesting a permanent rate increase of 8.9% effective January 1, 2006. RAPA was the only intervener to this rate case. On December 27, 2005, the RCA rejected the filing, citing the lack of a

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

corresponding Cost of Service Study (COSS). The Water Utility refiled its 2006 rate case, including a COSS, on February 17, 2006. On March 15, 2006, the RCA again rejected the filing, stating that the requirements of the order had not been satisfied because the COSS, though complete, was marked draft and subject to change pending the outcome of local public process. The AWWU Board held a public hearing and approved the recommendation of the study that no cost of service adjustments were necessary to the Utility's rate design. The Water Utility then refiled its 2006 rate case and COSS on April 14, 2006, requesting for the third time an 8.9% across the board interim and refundable rate increase. On May 30, 2006 the RCA issued an order granting the full interim rates. The RCA hearing was held on January 16 through 18, 2007. Contested issues presented to the RCA at the hearing included return on equity, whether the Water Utility's known and measurable PERS costs should be recoverable through rates, and other smaller operating expense items. These contested issues total \$2.4 million on an annualized basis, excluding the impact of the MUSA dispute. AWWU expects an order by July 1, 2007. The Water Utility believes that the chance of it ultimately being required to refund the revenue collected is reasonably possible, but not probable, and therefore has not recorded a liability for a refund payable.

The Wastewater Utility filed a revenue requirement study (RRS) with the RCA on November 10, 2005, requesting a permanent rate increase of 10.6% effective January 1, 2006. However, the RCA suspended the filing and eliminated MUSA on contributed plant from interim refundable rates, granting only a 4.01% increase regardless of the Alaska Superior Court stay allowing continued collection of MUSA on contributed plant in interim refundable rates pending resolution of the 2004/2005 rate case appeal. The Wastewater Utility filed a complaint with the Court, asked that the stay apply to the 2006 rate case, and that the complaint be consolidated with the appeal. On May 26, 2006, the Court issued two Orders. The first Order denied the Wastewater Utility's request for consolidation. On the second Order, the Court issued a preliminary injunction to require the RCA to immediately allow the Wastewater Utility to implement requested interim rates. On June 29, 2006 ASU filed a Cost of Service Study (COSS) based on this RRS as ordered by the RCA. On October 2, 2006, ASU and RAPA, the only intervener to the rate case, filed a settlement agreement with the RCA settling all disputed issues in the RRS with the exception of the outstanding MUSA on contributed plant issue. On October 27, 2006 the RCA accepted this agreement. The Wastewater Utility COSS associated with this rate case is currently under review with a hearing scheduled for October 25, 2007.

2007 Rate Cases: The Water Utility filed a rate case with the RCA on November 1, 2006 requesting a permanent rate increase of 14.5% effective January 1, 2007. At the same time, the Water Utility requested a 7.0% interim rate increase effective January 1, 2007 if the RCA decided to suspend the filing for further review. On December 18, 2006 the RCA consolidated the Water and Wastewater rate cases into one docket, suspended the filings, and granted the Water Utility interim refundable rates effective January 1, 2007. RAPA is once again the only intervener to this rate case. The RCA hearing for this rate case is scheduled to begin October 29, 2007.

The Wastewater Utility filed a rate case with the RCA on November 1, 2006 requesting a permanent rate increase of 13.0% effective January 1, 2007. At the same time, Wastewater Utility requested a 9.5% interim rate increase effective January 1, 2007 if the Commission decided to suspend the filing for further review. On December 18, 2006 the RCA consolidated the Water and Wastewater rate cases into one docket, suspended the filing, and granted the Wastewater Utility interim refundable

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

rates effective January 1, 2007 RAPA is once again an intervener to this rate case. The RCA hearing for this rate case is scheduled to begin October 29, 2007

NOTE 17 Contingencies

(a) *Litigation*

Anchorage, in the normal course of its activities, is involved in various claims and litigation. In the opinion of management and the Municipal Attorney, the disposition of these matters is not presently expected to have a material adverse effect on Anchorage's financial statements.

(b) *Grants*

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the General or other applicable fund. In management's opinion, disallowances, if any, will be immaterial.

(c) *Property Tax Limitation*

On October 4, 1983, Anchorage voters approved a charter amendment limiting the amount of taxes Anchorage can levy except for debt service. With certain other exceptions, the amendment limits taxes to the amount levied in the previous year increased by Anchorage Consumer Price Index (CPI) and 5-year average population growth. In the opinion of management, Anchorage is in compliance with this limitation.

(d) *Spending Limitation*

On August 3, 1983, the Assembly adopted an ordinance limiting the amount of expenditures in the general government operating budget for tax-supported services. The amount is limited to the previous year's budget increased by amounts no more than the percentage increase in the July CPI over the previous July CPI and those additional increases necessary to provide voter and legally mandated services. In the opinion of management, Anchorage is in compliance with this limitation.

(e) *Internal Revenue Service (IRS) Audit*

In 1996, the Municipality issued tax-exempt electric revenue bonds to finance capital improvements and a portion of its purchase of the BRU. These electric revenue bonds were selected for examination by the IRS as part of its expanded compliance program for tax-exempt bonds. In 2005, the examination of the bonds was resolved. Pursuant to a Closing Agreement executed with the IRS Office of Appeals, the bondholders will not be required to include, for income tax reporting purposes, interest on the bonds in their gross income; the Electric Utility is not required to make any payment to the IRS; no bonds are required to be redeemed absent a change in circumstances; and the Utility promises to continue to comply with the private use limitations of the Internal Revenue Code of 1986. The majority of these bonds were refunded by the 2005 Senior and Junior Electric Refunding Bonds.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

NOTE 18 Environmental Issues

Anchorage has adopted an aggressive proactive policy designed to identify and mitigate the potential effects of past, present and future activity which may result in environmental impact. It is accounting policy to record a liability when the likelihood of responsibility for an environmental impact is probable and the cost of mitigating the impact is estimable within reasonable limits. At December 31, 2006, there are environmental issues which meet both of these criteria and, accordingly, a provision has been made in the accompanying financial statements for the cost of mitigating environmental concerns of underground fuel and hazardous waste contamination. The following is a summary of environmental concerns at December 31, 2006.

(a) Solid Waste Landfill Site

Anchorage's landfill at Merrill Field was closed during 1987 following approximately 50 years of usage. An active gas migration control system was successfully constructed in 1992 and has since operated without fail. It appears that remedial measures already completed and continued monitoring of the active gas control system have alleviated any potential environmental problems.

In 1992, the 20-year-old subdrain of the leachate collection system at the Merrill Field landfill was cleaned. As a result, the amount of leachate flow increased 241%. Subsequently, an outside consultant was hired to make recommendations for improving the leachate collection system to ensure that no off-site migration of leachate will occur. This study was completed in 1994 and recommended a rehabilitation/upgrade of the leachate collection system. Design work for the project was completed in 1995 and construction completed in the fall of 1996. Completion of this project should alleviate any potential environmental problems. The water quality at 16 different locations at the Merrill Field landfill will continue to be monitored.

(b) Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require Anchorage to place a final cover on its current landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these future closure and postclosure costs, Anchorage Solid Waste Services (SWS) is recording as an operating expense in each period an amount based on landfill capacity used as of each balance sheet date. During 1997 the future closure and postclosure were reevaluated and adjusted to reflect current conditions. As of December 2006, SWS had a recorded liability of \$12,911,374 associated with these future costs, based on the use of 30% of the estimated capacity of the landfill. It is estimated that SWS will recognize another \$34,058,421 in expense and liability between December 31, 2006, and the year 2037, the date the landfill is expected to reach full capacity. These amounts are based on what it would cost to perform all the closure and postclosure functions in 2006. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

As of December 31, 2006, there are no state laws or regulations requiring Anchorage to provide financial assurances for the closure and postclosure care of the landfill. Federal regulations that went into effect in 1997 do require Anchorage to provide financial assurances for future closure and postclosure costs by one of a number of allowable mechanisms available. Anchorage elected to use the "Local Government Test" financial assurance mechanism to be in compliance with the regulation. Currently no SWS assets are restricted for payment of closure and postclosure care costs.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2006

Future inflation costs and additional costs that might arise from changes in requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

Activity in long term liability of the landfill closure and postclosure care cost was as follows:

Balance January 1, 2006	Addition	Deletion	Balance December 31, 2006	Due Within 1 year
\$ 11,899,235	\$ 1,012,139	\$ —	\$ 12,911,374	\$ —

(c) Fuel/PBC Contamination Sites

During the 1964 earthquake, approximately 250,000-400,000 gallons of diesel fuel spilled on the ground. According to numerous environmental investigations, the spill impacted soil and groundwater at Plant 1 of the Electric Utility, and properties west/northwest of Plant 1. In January 2004, as required by the Alaska Department of Environmental Conservation (ADEC), additional site characterization activities to assess the impact to Ship Creek were performed. No evidence of impact to Ship Creek was identified. Any soil disturbing activities in the impacted area will trigger additional environmental investigations, cleanup, and possible disposal of contaminated media.

In 2006, the Electric Utility began demolition and construction associated with replacement of generating unit 3 at the Hank Nikkels Power Plant One. During the subsurface investigation, in addition to diesel contamination known from the 1964 spill, PCBs were detected in the soil. As required by (ADEC) and the Environmental Protection Agency (EPA), a large quantity of PCB contaminated soil was shipped to approved landfills for disposal. As a result, environmental expense in 2006 was approximately \$1.25 million for this project. Even though a majority of the excavation was completed in 2006, some additional subsurface work will be done in 2007. The cost of soil sampling and disposal will be estimated at the time of soil excavation and is anticipated to be much less than the 2006 cost.

New Spill Prevention Requirements

In December 2006, ADEC revised its spill prevention regulation which affected diesel storage tanks and associated piping at Plant 2. The regulation requires additional personnel training and piping corrosion monitoring and testing. The additional cost of compliance cannot be measured at this time. The Electric Utility plans to hire a consultant in 2007 to evaluate compliance requirements.

New Air Regulations

In 2007, ADEC is planning to issue a new air quality regulation named BART (Best Available Retrofit Technology). This regulation potentially may require retrofit of Generating Units 5 and 7 with emission controls within 5-10 years. The Electric Utility will also hire consultants to perform comprehensive modeling and technology analysis associated with BART. The cost of compliance cannot be measured at this time.

This page intentionally left blank.

This page intentionally left blank.

RSI

MUNICIPALITY OF ANCHORAGE, ALASKA
 Required Supplementary Information - Budgetary Comparison Schedule
 General Fund
 Year ended December 31, 2006

	Budget		Actual Budgetary Basis	Budget to GAAP Difference		Actual GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final					
Revenues:							
Taxes	\$ 243,038,940	\$ 424,182,920	\$ 427,887,141	\$	—	\$ 427,887,141	\$ 3,704,221
Payment in lieu of tax/MUSA	17,432,840	17,432,840	16,200,594	—	—	16,200,594	(1,232,246)
Special assessments	557,000	557,000	275,079	—	—	275,079	(281,921)
Licenses and permits	13,165,980	13,614,630	13,840,537	—	—	13,840,537	225,907
Intergovernmental	3,221,030	3,221,030	25,219,687	—	—	25,219,687	21,998,657
Charges for services	23,957,300	24,846,600	24,318,623	—	—	24,318,623	(527,977)
Fines and forfeitures	12,412,900	10,862,900	4,739,247	—	—	4,739,247	(6,123,653)
Investment income	3,484,130	8,933,120	11,326,046	—	—	11,326,046	2,392,926
Restricted contributions	80,000	114,616	535	—	—	535	(114,081)
Other revenues	2,125,340	2,165,260	2,732,036	—	—	2,732,036	566,776
Total revenues	319,475,460	505,930,916	526,539,525	—	—	526,539,525	20,608,609
Expenditures:							
Current:							
General government	17,977,070	21,425,930	21,860,907	(1,2)	(896,834)	20,964,073	(434,977)
Fire services	59,659,040	61,119,790	60,295,368	(1)	132,354	60,427,722	824,422
Police services	79,133,300	79,187,420	78,006,128	(1)	10,772	78,016,900	1,181,292
Health and human services	15,061,800	13,096,310	12,195,787	(1)	(66,473)	12,129,314	900,523
Economic & community development	42,867,230	37,773,286	36,354,851	(1)	84,934	36,439,785	1,418,435
Public transportation	17,191,460	17,290,600	17,134,496	(1)	11,561	17,146,057	156,104
Public works	18,118,820	18,835,650	18,572,333	(1)	(251,442)	18,320,891	263,317
Education	—	184,379,650	184,379,644	—	—	184,379,644	6
Maintenance and operations	30,027,510	30,576,580	29,874,399	(1)	110,039	29,984,438	702,181
Debt service:							
Principal	28,649,110	28,649,110	28,649,110	—	—	28,649,110	—
Interest	19,669,380	22,139,230	22,120,136	—	—	22,120,136	19,094
Total expenditures	328,354,720	514,473,556	509,443,159	(865,089)	(865,089)	508,578,070	5,030,397
Excess (deficiency) of revenues over expenditures	(8,879,260)	(8,542,640)	17,096,366	865,089	865,089	17,961,455	25,639,006
Other financing sources (uses):							
Transfers in - from other funds	13,959,140	14,053,320	15,543,582	—	—	15,543,582	1,490,262
Transfers out - to other funds	(8,043,830)	(9,453,110)	(10,581,622)	—	—	(10,581,622)	(1,128,512)
Transfers from blended component units	—	571,280	—	—	—	—	(571,280)
Transfers to blended component units	—	(1,148,500)	—	—	—	—	1,148,500
Premium on bond sale	—	972,410	—	—	—	—	(972,410)
Insurance recoveries	—	—	41,915	—	—	41,915	41,915
Sale of capital assets	—	1,635,320	1,673,840	(2)	861,285	2,535,125	38,520
Total other financing uses	5,915,310	6,630,720	6,677,715	861,285	861,285	7,539,000	46,995
Deficiency of revenues and other financing sources over expenditures and other financing uses	(2,963,950)	(1,911,920)	23,774,081	1,726,374	1,726,374	25,500,455	25,686,001
Fund balance, beginning of year	44,520,224	44,520,224	44,520,224	(3)	1,741,472	46,261,696	—
Fund balance, end of year	\$ 41,556,274	\$ 42,608,304	\$ 68,294,305	\$ 3,467,846	\$ 3,467,846	\$ 71,762,151	\$ 25,686,001

Explanation of differences:

- (1) Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes.
- (2) This adjustment is the result of a land swap transaction. GAAP requires the recognition of revenues and expenditures associated with land/capital asset exchanges. These revenues and expenditures are not required to be reported on the budgetary basis of accounting.
- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Municipality's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund balances because of the cumulative effect of transactions such as those described above.

See accompanying notes to required supplementary information.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Required Supplementary Information – Budgetary Data

December 31, 2006

In 2003, Anchorage implemented GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*. This statement, an amendment to GASB Statement No. 34, clarifies the budgetary presentation requirements for governments with significant budgetary perspective differences that result in not being able to present budgetary comparison information for their general fund and major special revenue funds. The estimated appropriations in Anchorage's General Fund Budget do not correspond to the expenditures that are reported for the general fund on a GAAP basis. A reconciliation from GAAP to budgetary basis is provided to present the actual amounts on a budgetary basis for the budget to actual comparison.

In accordance with the Anchorage Home Rule Charter, the Mayor is required to submit a proposed budget for the next fiscal year to the Assembly at least 90 days before the end of the current fiscal year. The Assembly holds two public hearings on the proposed budget. The Assembly may increase or decrease any item, and may add or delete items; but must approve a budget and appropriate the necessary resources by ordinance at least 21 days prior to year end. Otherwise, the Mayor's proposal becomes the budget and appropriation.

The Assembly approved 2006 operating budgets and appropriations of direct costs at the department level, and indirect costs at the fund level. Some departmental appropriations span more than one fund. The Assembly approved 2006 capital budgets with anticipated appropriation of resources for the general government and appropriations for each utility. Upon certification by the Chief Fiscal Officer that actual resources have become available for specific general government capital projects; e.g., when a grant is accepted, a bond sale or interfund transfer is approved, or a special assessment district is created, a supplemental appropriation is submitted to the Assembly for final approval. Supplemental appropriations are also submitted for approval upon certification by the Chief Fiscal Officer that operating grant funds have become available. The legal level of a budgetary control is the department and fund level.

During the year, no obligation involving the expenditure of money may be made unless the Chief Fiscal Officer has certified that the money required for the expenditure has been appropriated for that purpose. When each obligation is incurred, the committed amount becomes encumbered; i.e., it is treated as a reduction of available budget so that the committed amount will be available to pay for the goods or services when they are received. When the commitment is fulfilled, the encumbrance is released and an expenditure is recorded. An encumbrance is also released when a commitment is canceled.

The Assembly may approve supplemental appropriations to increase or decrease the budget and appropriations, or transfer all or part of any unencumbered balance from one appropriation to another by resolution. The Assembly, by ordinance, may authorize a contract, lease or other obligation requiring financing from future appropriations, except that a lease purchase agreement committing funds in excess of \$1 million is not valid until approved by the voters. The Mayor may transfer all or part of any unencumbered balance between categories within an appropriation.

At the end of the year, an unencumbered operating appropriation lapses into the fund from which it was appropriated; except that supplemental appropriations of grant and capital project resources do not lapse until their purpose has been accomplished or abandoned.

Annual budgets are adopted for the General Fund, Heritage Land Bank (a Special Revenue Fund), Debt Service Funds, and the administrative operating costs of the Pension Trust Fund. Appropriations for these funds lapse at year end to the extent they have not been expended or encumbered. The General Fund is the only major fund required to be included as required supplementary information.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Required Supplementary Information – Budgetary Data

December 31, 2006

Annual budgets are also adopted for proprietary fund types. However, since the measurement focus for proprietary fund types is upon determination of net income, financial position and cash flows, GAAP does not require the adoption of budgets, and budgetary comparisons are not included for these funds.

The Municipal Assembly is required to approve the School District budget (in total only) and appropriate by ordinance the necessary resources at least sixty (60) days prior to the current School District year end. Any budget revisions during the year increasing the total appropriation require approval by the Assembly. Expenditures may not exceed the aggregate total amount of the budget.

MUNICIPALITY OF ANCHORAGE, ALASKA

Required Supplementary Information – Condition Rating of
Anchorage’s Road Network

December 31, 2006

	Percentage of Lane – Miles in Good or Better Condition	
	2005	2002
Anchorage Road District	74.89%	76.61%
Chugiak/Eagle River Road District	95.16%	95.25%
Girdwood Road District	93.01%	73.75%
Other Road Districts	87.62%	76.94%
Overall System	80.01%	80.57%

	Percentage of Lane – Miles in Fair Condition	
	2005	2002
Anchorage Road District	25.11%	23.39%
Chugiak/Eagle River Road District	4.84%	4.75%
Girdwood Road District	6.99%	26.25%
Other Road Districts	12.38%	23.06%
Overall System	19.99%	19.43%

Comparison of Estimated-to-Actual Maintenance/Preservation (in Thousands)

	2006	2005	2004	2003	2002
Anchorage Road District:					
Needed	\$ 31,175	\$ 21,497	\$ 12,968	\$ 11,145	\$ 6,914
Actual	30,903	21,250	11,835	11,854	6,997
Chugiak/Eagle River Road District:					
Needed	4,636	1,585	1,819	1,783	1,415
Actual	4,692	1,480	1,460	1,584	1,173
Girdwood Road District:					
Needed	675	115	97	89	104
Actual	630	89	111	78	103
Other Road Districts:					
Needed	534	411	279	268	616
Actual	478	1,094	237	224	338
Overall System:					
Needed	37,020	23,608	15,163	13,285	9,049
Actual	36,703	23,913	13,643	13,740	8,611
Difference	(317)	305	(1,520)	455	(438)

Note: The condition of road pavement is measured based upon an assessment of the longitudinal profile (International Roughness Index) and rut depth provided by the Dynatest Road Surface Profiler. The measurement system is an algorithm that combines the international roughness index, rut depth, and road profile to determine a condition index from two for pavement in excellent condition to seven for pavement in fair condition. The condition index is used to classify paved roads in good or better condition (4 or less) and fair condition (5 or more). It is Anchorage’s policy to maintain 60% or more of the total paved road miles in good or better condition. Condition assessments are updated every three years.

SUPP INFO

**NON-MAJOR
GOVERNMENTAL**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Heritage Land Bank Fund** accounts for Municipal-owned real estate.

The **Police Investigation Fund** accounts for the proceeds from sale of property seized by the Police Department, State and Federal agencies.

The **Convention Center Operating Reserve Fund** accounts for the dedicated bed tax collections and transfers associated with the construction of the new convention and civic center and related tourism activities.

The **State Grants Fund** accounts for financial resources which may be used only in accordance with State grant agreements.

The **Federal Grants Fund** accounts for financial resources which may be used only in accordance with Federal grant agreements.

The **Miscellaneous Operational Grants Fund** accounts for the use of miscellaneous restricted contributions and donations.

The **Other Restricted Resources Fund** accounts for the use of other specific revenues that are legally restricted for specified purposes.

Debt Service Funds

The **Special Assessment Bonds Fund** accounts for special assessments and interest used to retire special assessment bonds which were issued to finance improvements to the assessed properties, except for special assessment bonds accounted for in proprietary funds.

The **Retirement Certificates of Participation Fund** accounts for an annuity investment and related income; the earnings and proceeds of which are to be used for payment of debt service requirements on certain Certificates of Participation and pension obligations of Anchorage in 2006, which include a \$9,800,000 contribution to the Police/Fire Retiree Medical Liability Fund.

The **Police/Fire Retiree Medical Liability Fund** accounts for contributions and earnings which are used to fund the Police/Fire Retiree Medical Trust.

The **Jail Revenue Bond Fund** accounts for debt service on jail revenue bonds and the lease revenue from the jail used to fund the debt service.

The **PAC Surcharge Revenue Bond Fund** accounts for the performing arts center surcharge revenue and debt service on the roof repair loan.

The **CIVICventures Revenue Bond Fund** accounts for the accumulation of bed tax revenue transfers and investment earnings and debt service on the convention and civic center revenue bonds.

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The **Areawide Capital Projects Fund** accounts for general government construction projects not accounted for in other funds.

The **Public Safety Capital Projects Fund** accounts for capital improvement projects in support of police, fire and rescue operations.

The **Roads and Drainage Capital Projects Fund** accounts for all roads and drainage capital improvement projects.

The **Public Transportation Capital Projects Fund** accounts for capital improvement projects for transit facilities and equipment.

The **Miscellaneous Capital Projects Fund** accounts for capital improvement projects for out-of-service area roads and drainage, gas lines and pass-thru grants.

The **Parks and Recreation Capital Projects Fund** accounts for parks and recreation capital improvement projects in the taxing districts which receive parks and recreation services.

The **Historic Preservation Capital Projects Fund** accounts for the preservation of historic structures.

The **Heritage Land Bank Capital Projects Fund** accounts for capital improvement projects recommended by the Board of Heritage Land Bank and approved by the Assembly

The **CIVICVentures Capital Project Fund** accounts for the capital construction activities associated with the new convention and civic center.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The **Cemetery Perpetual Maintenance Permanent Fund** accounts for contributions, revenues and expenditures for perpetual maintenance of the Anchorage Memorial Park Cemetery

This page intentionally left blank.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Assets	Special Revenue						
	Heritage Land Bank	Police Investigations	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants	Other Restricted Resources
Cash	\$ —	\$ 14,917	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	2,275,610	1,161,613	213,654	6,524,738	1,810,237	744,787	—
Investments	—	—	—	—	512,003	6,176	—
Due from other funds	—	—	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	1,593,967	—	81,383	28,628	—
Intergovernmental receivables	—	—	—	4,217,488	4,222,697	—	—
Interest receivable	—	—	—	—	—	70	—
Special assessments receivable	725	—	—	—	—	—	66,169
Prepaid items and deposits	—	—	650,000	570	—	—	—
Loans receivable	—	—	—	—	4,164,482	—	—
Restricted assets:	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—
Total assets	\$ 2,276,335	\$ 1,176,530	\$ 2,457,621	\$ 10,742,796	\$ 10,790,802	\$ 779,661	\$ 66,169
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and retainages	\$ 5,466	\$ 28,675	\$ 635,366	\$ 1,280,353	\$ 430,283	\$ 7,962	\$ —
Due to other funds	—	—	—	—	—	—	70,319
Unearned revenue and deposits	5,825	—	—	437,202	4,164,982	28,628	—
Advances from other funds	—	—	—	—	—	—	—
Total liabilities	11,291	28,675	635,366	1,717,555	4,595,265	36,590	70,319
Fund balances (deficits):							
Reserved:							
Encumbrances	—	65,196	—	3,945,977	4,417,082	46,318	—
Prepays and deposits	—	—	650,000	570	—	—	—
Long-term loans	—	—	—	—	4,164,482	—	—
Perpetual care	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Unreserved, reported in:							
Special revenue fund	2,265,044	1,082,659	1,172,255	5,078,694	(2,386,027)	696,753	(4,150)
Capital project funds:							
Designated	—	—	—	—	—	—	—
Undesignated	—	—	—	—	—	—	—
Total fund balances (deficits)	2,265,044	1,147,855	1,822,255	9,025,241	6,195,537	743,071	(4,150)
Total liabilities and fund balances	\$ 2,276,335	\$ 1,176,530	\$ 2,457,621	\$ 10,742,796	\$ 10,790,802	\$ 779,661	\$ 66,169

See accompanying independent auditor's report.

Debt Service

Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	PAC Surcharge Revenue Bond	CIVICVentures	Total Debt Service
\$ 14,917	\$ —	\$ —	\$ —	\$ 7,086	\$ —	\$ —	\$ 7,086
12,730,639	971,357	6,157,391	—	—	356,014	—	7,484,762
518,179	35,089	—	32,632,133	—	—	—	32,667,222
—	—	—	—	—	—	—	—
1,703,978	—	—	—	—	86,405	—	86,405
8,440,185	—	—	—	—	—	—	—
70	—	—	—	28	—	—	28
66,894	184,990	—	—	—	—	—	184,990
650,570	—	—	176,675	—	—	—	176,675
4,164,482	—	—	—	—	—	—	—
—	358,426	—	—	—	—	13,898,010	14,256,436
<u>\$ 28,289,914</u>	<u>\$ 1,549,862</u>	<u>\$ 6,157,391</u>	<u>\$ 32,808,808</u>	<u>\$ 7,114</u>	<u>\$ 442,419</u>	<u>\$ 13,898,010</u>	<u>\$ 54,863,604</u>
\$ 2,388,105	\$ —	\$ —	\$ 17,915	\$ —	\$ —	\$ —	\$ 17,915
70,319	—	—	—	—	—	—	—
4,636,637	141,749	—	—	—	—	—	141,749
—	—	—	—	—	—	—	—
<u>7,095,061</u>	<u>141,749</u>	<u>—</u>	<u>17,915</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>159,664</u>
8,474,573	—	—	—	—	—	—	—
650,570	—	—	—	—	—	—	—
4,164,482	353,281	—	—	—	—	—	353,281
—	—	—	—	—	—	—	—
—	1,054,832	6,157,391	32,790,893	7,114	442,419	13,898,010	54,350,659
7,905,228	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>21,194,853</u>	<u>1,408,113</u>	<u>6,157,391</u>	<u>32,790,893</u>	<u>7,114</u>	<u>442,419</u>	<u>13,898,010</u>	<u>54,703,940</u>
<u>\$ 28,289,914</u>	<u>\$ 1,549,862</u>	<u>\$ 6,157,391</u>	<u>\$ 32,808,808</u>	<u>\$ 7,114</u>	<u>\$ 442,419</u>	<u>\$ 13,898,010</u>	<u>\$ 54,863,604</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Capital Projects						
Assets	Areawide	Public Safety	Roads and Drainage	Public Transportation	Miscellaneous	Parks and Recreation
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	10,078,917	6,958,728	12,081,062	339,526	291,844	3,731,111
Investments	—	—	—	—	—	—
Due from other funds	8,700	—	21,709,666	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—	—	—
Intergovernmental receivables	591,390	1,425,262	5,508,373	1,889,400	316,002	3,020,941
Interest receivable	—	—	—	—	—	—
Special assessments receivable	—	—	—	—	472,453	—
Prepaid items and deposits	—	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Restricted assets:	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Total assets	\$ 10,679,007	\$ 8,383,990	\$ 39,299,101	\$ 2,228,926	\$ 1,080,299	\$ 6,752,052
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and retainages	\$ 1,001,814	\$ 658,353	\$ 5,261,105	\$ 405,990	\$ 155,086	\$ 637,167
Due to other funds	—	—	8,700	—	—	—
Unearned revenue and deposits	—	—	—	—	472,453	—
Advances from other funds	3,688,437	—	—	—	—	—
Total liabilities	4,690,251	658,353	5,269,805	405,990	627,539	637,167
Fund balances (deficits):						
Reserved:						
Encumbrances	7,512,886	789,843	23,639,049	1,895,930	600,528	541,353
Prepays and deposits	—	—	—	—	—	—
Long-term loans	—	—	—	—	—	—
Perpetual care	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Unreserved, reported in:						
Special revenue fund	—	—	—	—	—	—
Capital project funds:						
Designated	(1,875,999)	5,997,589	10,215,780	(88,792)	(153,198)	5,327,944
Undesignated	351,869	938,205	174,467	15,798	5,430	245,588
Total fund balances (deficits)	5,988,756	7,725,637	34,029,296	1,822,936	452,760	6,114,885
Total liabilities and fund balances	\$ 10,679,007	\$ 8,383,990	\$ 39,299,101	\$ 2,228,926	\$ 1,080,299	\$ 6,752,052

See accompanying independent auditor's report.

Historic Preservation	Heritage Land Bank	CIVICVentures	Total Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds	
				Cemetery Perpetual Maintenance	December 31, 2006	December 31, 2005
\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 22,003	\$ 12,023
371,697	1,274,508	---	35,127,393	314,425	55,657,219	126,662,550
---	---	---	---	---	33,185,401	20,820,515
---	---	---	21,718,366	---	21,718,366	7,759,351
---	---	---	---	---	1,790,383	1,351,214
---	---	---	12,751,368	---	21,191,553	19,747,854
---	---	---	---	---	98	11,453
---	---	---	472,453	---	724,337	969,408
41,425	---	---	41,425	---	868,670	3,912
---	---	---	---	---	4,164,482	4,415,886
---	---	67,901,457	67,901,457	---	82,157,893	4,164,206
<u>\$ 413,122</u>	<u>\$ 1,274,508</u>	<u>\$ 67,901,457</u>	<u>\$ 138,012,462</u>	<u>\$ 314,425</u>	<u>\$ 221,480,405</u>	<u>\$ 185,918,372</u>
\$ ---	\$ 36,925	\$ 2,017,826	\$ 10,174,266	\$ ---	\$ 12,580,286	\$ 6,724,559
---	---	---	8,700	---	79,019	249,070
---	---	---	472,453	---	5,250,839	3,856,490
---	---	---	3,688,437	---	3,688,437	---
---	36,925	2,017,826	14,343,856	---	21,598,581	10,830,119
---	1	---	34,979,590	---	43,454,163	33,413,426
---	---	---	---	---	650,570	3,912
---	---	---	---	---	4,517,763	4,769,167
---	---	---	---	314,425	314,425	289,723
---	---	---	---	---	54,350,659	38,557,291
---	---	---	---	---	7,905,228	10,396,106
---	802,983	65,883,631	86,109,938	---	86,109,938	86,257,952
413,122	434,599	---	2,579,078	---	2,579,078	1,400,676
413,122	1,237,583	65,883,631	123,668,606	314,425	199,881,824	175,088,253
<u>\$ 413,122</u>	<u>\$ 1,274,508</u>	<u>\$ 67,901,457</u>	<u>\$ 138,012,462</u>	<u>\$ 314,425</u>	<u>\$ 221,480,405</u>	<u>\$ 185,918,372</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year ended December 31, 2006
 (With summarized financial information at December 31, 2005)

	Special Revenue						
	Heritage Land Bank	Police Investigations	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants	Other Restricted Resources
Revenues:							
Hotel and motel taxes	\$ ---	\$ ---	\$ 11,084,594	\$ ---	\$ ---	\$ ---	\$ ---
Special assessments	---	---	---	16,822,438	11,428,346	---	681,112
Intergovernmental	---	---	---	---	---	---	---
Charges for services	---	939,633	---	---	---	---	---
Fines and forfeitures	---	42,371	81,824	18,975	670,763	25,548	(2,583)
Investment income	112,431	---	---	---	---	459,766	---
Restricted contributions	---	---	---	---	985,749	---	10,721
Other	268,875	48,113	---	---	---	---	---
Total revenues	381,306	1,030,117	11,166,418	16,841,413	13,084,858	485,314	689,250
Expenditures:							
Current:							
General government	1,353,600	---	---	1,801,790	---	39,893	838,815
Fire services	---	---	---	172,937	2,011,064	---	---
Police services	---	396,398	---	516,824	2,067,111	93,262	---
Health and human services	---	---	---	7,920,558	4,257,867	52,473	---
Economic and community development	---	---	9,344,163	1,443,771	6,611,666	41,652	---
Public transportation	---	---	---	3,057,890	441,040	---	---
Public works	---	---	---	1,299,288	836,303	---	---
Maintenance and operations	---	---	---	44,247	---	---	---
Education	---	---	---	697,562	---	---	---
Debt service:							
Principal	---	---	---	---	---	---	---
Interest	---	---	---	---	---	---	---
Bond issuance costs	---	---	---	---	---	---	---
Capital projects	---	---	---	---	---	---	---
Total expenditures	1,353,600	396,398	9,344,163	16,954,867	16,225,051	227,280	838,815
Excess (deficiency) of revenues over expenditures	(972,294)	633,719	1,822,255	(113,454)	(3,140,193)	258,034	(149,565)
Other financing sources (uses):							
Transfers in - from other funds	---	---	---	667,520	616,190	190	---
Transfers out - to other funds	(1,435,109)	---	---	(492,640)	---	---	---
General obligation bonds issued	---	---	---	---	---	---	---
Long term debt issued	---	---	---	---	---	---	---
Refunding bonds issued	---	---	---	---	---	---	---
Premium on bond sale	---	---	---	---	---	---	---
Premium on refunding bonds	---	---	---	---	---	---	---
Payment to refunded bond escrow agent to extinguish debt	---	---	---	---	---	---	---
Payment to refunded bond escrow agent	---	---	---	---	---	---	---
Capital Leases	---	---	---	---	---	---	---
Sale of capital assets	1,701,047	---	---	---	---	---	---
Total other financing sources (uses)	265,938	---	---	174,880	616,190	190	---
Excess (deficiency) of revenues and other sources over expenditures and other uses	(706,356)	633,719	1,822,255	61,426	(2,524,003)	258,224	(149,565)
Fund balances (deficit), beginning of year,	2,971,400	514,136	---	8,963,815	8,719,540	484,847	145,415
Fund balances (deficit), end of year	<u>\$ 2,265,044</u>	<u>\$ 1,147,855</u>	<u>\$ 1,822,255</u>	<u>\$ 9,025,241</u>	<u>\$ 6,195,537</u>	<u>\$ 743,071</u>	<u>\$ (4,150)</u>

See accompanying independent auditor's report.

Debt Service

	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	PAC Surcharge Revenue Bond	CIVIC Ventures Revenue Bond	Total Debt Service
\$	11,084,594	\$	\$	\$	\$	\$	\$	\$
	681,112	112,285	—	—	—	—	—	112,285
	28,250,784	—	—	—	—	—	—	—
	—	—	—	—	5,420,463	—	5,053,453	10,473,916
	939,633	—	—	—	—	—	—	—
	949,329	60,089	2,281,809	3,209,910	902	17,294	449,107	6,019,111
	459,766	—	—	—	—	—	—	—
	1,313,458	—	—	33,183	—	—	—	33,183
	43,678,676	172,374	2,281,809	3,243,093	5,421,365	17,294	5,502,560	16,638,495
	4,034,098	—	—	80,606	—	—	—	80,606
	2,184,001	—	—	900,468	—	—	—	900,468
	3,073,595	—	—	1,100,571	—	—	—	1,100,571
	12,230,898	—	—	—	—	—	—	—
	17,441,252	—	—	—	—	—	—	—
	3,498,930	—	—	—	—	—	—	—
	2,135,591	—	—	—	—	—	—	—
	44,247	—	—	—	—	—	—	—
	697,562	—	—	—	—	—	—	—
	—	30,000	3,360,000	—	2,815,000	95,000	—	6,300,000
	—	52,823	86,061	—	2,605,463	244,612	2,943,611	5,932,570
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	45,340,174	82,823	3,446,061	2,081,645	5,420,463	339,612	2,943,611	14,314,215
	(1,661,498)	89,551	(1,164,252)	1,161,448	902	(322,318)	2,558,949	2,324,280
	1,283,900	—	—	11,669,000	—	261,027	11,340,171	23,270,198
	(1,927,749)	—	(9,800,000)	—	—	—	(1,110)	(9,801,110)
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	1,701,047	—	—	—	—	—	—	—
	1,057,198	—	(9,800,000)	11,669,000	—	261,027	11,339,061	13,469,088
	(604,300)	89,551	(10,964,252)	12,830,448	902	(61,291)	13,898,010	15,793,368
	21,799,153	1,318,562	17,121,643	19,960,445	6,212	503,710	—	38,910,572
\$	21,194,853	\$	\$	\$	\$	\$	\$	\$
	1,408,113	6,157,391	32,790,893	7,114	442,419	13,898,010	54,703,940	

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2006
(With summarized financial information at December 31, 2005)

Capital Projects						
	Areawide	Public Safety	Roads and Drainage	Public Transportation	Miscellaneous	Parks and Recreation
Revenues:						
Hotel and motel taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special assessments	—	—	—	—	219,323	—
Intergovernmental	3,234,719	1,938,833	12,311,374	4,596,405	2,297,191	4,743,152
Charges for services	407,252	—	—	—	—	138,152
Fines and forfeitures	—	—	—	—	—	—
Investment income	319,360	74,026	95,094	—	3,856	221,199
Restricted contributions	80,000	—	—	—	—	662,741
Other	667,214	356	77,163	—	—	270,815
Total revenues	4,708,545	2,013,215	12,483,631	4,596,405	2,520,370	6,036,059
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Fire services	—	—	—	—	—	—
Police services	—	—	—	—	—	—
Health and human services	—	—	—	—	—	—
Economic and community development	—	—	—	—	—	—
Public transportation	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Maintenance and operations	—	—	—	—	—	—
Education	—	—	—	—	—	—
Debt service:						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond issuance costs	—	—	—	—	—	—
Capital projects	10,851,917	3,574,437	60,143,515	4,989,828	2,302,130	10,345,975
Total expenditures	10,851,917	3,574,437	60,143,515	4,989,828	2,302,130	10,345,975
Excess (deficiency) of revenues over expenditures	(6,143,372)	(1,561,222)	(47,659,884)	(393,423)	218,240	(4,309,916)
Other financing sources (uses):						
Transfers in – from other funds	1,480,030	550,060	2,751,080	41,070	40,000	1,441,220
Transfers out – to other funds	(157,590)	(130,899)	(608,016)	—	—	(165,709)
General obligation bonds issued	—	—	—	—	—	—
Long term debt issued	—	—	—	—	—	—
Refunding bonds issued	—	—	—	—	—	—
Premium on bond sale	—	—	—	—	—	—
Premium on refunding bonds	—	—	—	—	—	—
Payment to refunded bond escrow agent to extinguish debt	—	—	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—	—
Capital Leases	—	673,553	—	—	—	—
Sale of capital assets	429	—	—	—	—	7,300
Total other financing sources (uses)	1,322,869	1,092,714	2,143,064	41,070	40,000	1,282,811
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,820,503)	(468,508)	(45,516,820)	(352,353)	258,240	(3,027,105)
Fund balances (deficit), beginning of year	10,809,259	8,194,145	79,546,116	2,175,289	194,520	9,141,990
Fund balances (deficit), end of year	\$ 5,988,756	\$ 7,725,637	\$ 34,029,296	\$ 1,822,936	\$ 452,760	\$ 6,114,885

See accompanying independent auditor's report.

Historic Preservation	Heritage Land Bank	CIVICVentures	Total Capital Projects	Permanent Fund		Total Nonmajor Governmental Funds	
				Cemetery Perpetual Maintenance		2006	2005
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,084,594	\$ —	
—	—	—	219,323	—	1,012,720	1,218,211	
—	—	—	29,121,674	—	57,372,458	46,330,305	
—	—	—	545,404	10,550	11,029,870	5,320,901	
—	—	—	—	—	939,633	359,775	
11,652	57,007	2,806,180	3,588,374	14,152	10,570,966	1,002,774	
—	—	—	742,741	—	1,202,507	368,260	
345,357	1,050	—	1,361,955	—	2,708,596	1,652,735	
357,009	58,057	2,806,180	35,579,471	24,702	95,921,344	56,252,961	
—	—	2,480	2,480	—	4,117,184	1,668,358	
—	—	—	—	—	3,084,469	3,951,840	
—	—	—	—	—	4,174,166	3,583,070	
—	—	—	—	—	12,230,898	12,694,892	
—	—	—	—	—	17,441,252	6,671,368	
—	—	—	—	—	3,498,930	3,765,684	
—	—	—	—	—	2,135,591	1,398,583	
—	—	—	—	—	44,247	52,978	
—	—	—	—	—	697,562	313,206	
—	—	—	—	—	6,300,000	5,545,000	
—	—	13,765	13,765	—	5,946,335	3,017,704	
—	—	2,722,984	2,722,984	—	2,722,984	719,449	
—	4,226,956	33,797,401	130,232,159	—	130,232,159	75,629,256	
—	4,226,956	36,536,630	132,971,388	—	192,625,777	119,011,388	
357,009	(4,168,899)	(33,730,450)	(97,391,917)	24,702	(96,704,433)	(62,758,427)	
—	1,435,109	1,110	7,739,679	—	32,293,777	11,169,614	
—	—	(11,340,171)	(12,402,385)	—	(24,131,244)	(2,452,530)	
—	—	—	—	—	—	96,805,000	
—	—	110,920,000	110,920,000	—	110,920,000	350,000	
—	—	—	—	—	—	40,835,000	
—	—	33,142	33,142	—	33,142	(267,104)	
—	—	—	—	—	—	2,598,103	
—	—	—	—	—	—	(39,585,000)	
—	—	—	—	—	—	(3,395,216)	
—	—	—	673,553	—	673,553	—	
—	—	—	7,729	—	1,708,776	834,074	
—	1,435,109	99,614,081	106,971,718	—	121,498,004	106,891,941	
357,009	(2,733,790)	65,883,631	9,579,801	24,702	24,793,571	44,133,514	
56,113	3,971,373	—	114,088,805	289,723	175,088,253	130,954,739	
\$ 413,122	\$ 1,237,583	\$ 65,883,631	\$ 123,668,606	\$ 314,425	\$ 199,881,824	\$ 175,088,253	

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
Heritage Land Bank
Special Revenue Fund
Year ended December 31, 2006
(unaudited)

	Budget		Actual	Variance With Final Budget -- Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 116,200	\$ 101,390	\$ 112,431	\$ 11,041
Other revenues	17,500	17,500	268,875	251,375
Total revenues	<u>133,700</u>	<u>118,890</u>	<u>381,306</u>	<u>262,416</u>
Expenditures:				
General government	1,402,390	1,429,380	1,353,600	75,780
Total expenditures	<u>1,402,390</u>	<u>1,429,380</u>	<u>1,353,600</u>	<u>75,780</u>
Deficiency of revenues over expenditures	<u>(1,268,690)</u>	<u>(1,310,490)</u>	<u>(972,294)</u>	<u>338,196</u>
Other financing sources (uses):				
Transfers out – to other funds	—	(1,435,110)	(1,435,109)	1
Proceeds from sale of assets	908,680	1,310,480	1,701,047	390,567
Total other financing sources (uses)	<u>908,680</u>	<u>(124,630)</u>	<u>265,938</u>	<u>390,568</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(360,010)</u>	<u>(1,435,120)</u>	<u>(706,356)</u>	<u>728,764</u>
Fund balance, beginning of year	<u>2,971,400</u>	<u>2,971,400</u>	<u>2,971,400</u>	<u>—</u>
Fund balance, end of year	<u>\$ 2,611,390</u>	<u>\$ 1,536,280</u>	<u>\$ 2,265,044</u>	<u>\$ 728,764</u>

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
Convention Center Operating Reserve
Special Revenue Fund
Year ended December 31, 2006
(unaudited)

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Hotel and motel taxes	\$ —	\$ 11,206,500	\$ 11,084,594	\$ (121,906)
Investment income	—	—	81,824	81,824
Total revenues	—	11,206,500	11,166,418	(40,082)
Expenditures:				
Economic and community development	—	11,206,500	9,344,163	1,862,337
Total expenditures	—	11,206,500	9,344,163	1,862,337
Deficiency of revenues over expenditures	—	—	1,822,255	1,822,255
Other financing sources (uses):				
Transfers out – to other funds	—	—	—	—
Total other financing sources (uses)	—	—	—	—
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	—	—	1,822,255	1,822,255
Fund balance, beginning of year	—	—	—	—
Fund balance, end of year	\$ —	\$ —	\$ 1,822,255	\$ 1,822,255

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Special Assessment Bonds

Debt Service Fund

Year ended December 31, 2006

(unaudited)

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ 333,183	\$ 333,183	\$ 112,285	\$ (220,898)
Investment income	—	—	60,089	60,089
Total revenues	<u>333,183</u>	<u>333,183</u>	<u>172,374</u>	<u>(160,809)</u>
Expenditures:				
Debt service:				
Principal	280,000	280,000	30,000	250,000
Interest	53,183	53,183	52,823	360
Total expenditures	<u>333,183</u>	<u>333,183</u>	<u>82,823</u>	<u>250,360</u>
Excess of revenues over expenditures	—	—	89,551	89,551
Fund balance, beginning of year	<u>1,318,562</u>	<u>1,318,562</u>	<u>1,318,562</u>	<u>—</u>
Fund balance, end of year	<u>\$ 1,318,562</u>	<u>\$ 1,318,562</u>	<u>\$ 1,408,113</u>	<u>\$ 89,551</u>

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 Retirement Certificates of Participation
 Debt Service Fund
 Year ended December 31, 2006
 (unaudited)

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 3,448,120	\$ 3,448,120	\$ 2,281,809	\$ (1,166,311)
Total revenues	<u>3,448,120</u>	<u>3,448,120</u>	<u>2,281,809</u>	<u>(1,166,311)</u>
Expenditures:				
Debt service:				
Principal	3,360,000	3,360,000	3,360,000	—
Interest	88,120	88,120	86,061	2,059
Total expenditures	<u>3,448,120</u>	<u>3,448,120</u>	<u>3,446,061</u>	<u>2,059</u>
Other financing sources (uses):				
Transfers out – to other funds	—	(9,800,000)	(9,800,000)	—
Total other financing sources (uses)	<u>—</u>	<u>(9,800,000)</u>	<u>(9,800,000)</u>	<u>—</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	—	(9,800,000)	(10,964,252)	(1,164,252)
Fund balance, beginning of year	<u>17,121,643</u>	<u>17,121,643</u>	<u>17,121,643</u>	<u>—</u>
Fund balance, end of year	<u>\$ 17,121,643</u>	<u>\$ 7,321,643</u>	<u>\$ 6,157,391</u>	<u>\$ (1,164,252)</u>

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
Police/Fire Retiree Medical Liability
Debt Service Fund
Year ended December 31, 2006

(unaudited)

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 3,209,910	\$ 3,209,910
Other revenues	—	—	33,183	33,183
Total revenues	—	—	3,243,093	3,243,093
Expenditures:				
General government	—	—	80,606	(80,606)
Fire services	—	—	—	—
Police services	—	—	—	—
Total expenditures	—	—	80,606	(80,606)
Deficiency of revenues over expenditures	—	—	3,162,487	3,162,487
Other financing sources:				
Transfers in – from other funds	1,931,460	11,731,460	11,669,000	(62,460)
Transfers out – to other funds	(1,931,460)	(2,011,460)	(2,001,039)	10,421
Total other financing sources	—	9,720,000	9,667,961	(52,039)
Excess of revenues and other financing sources over expenditures	—	9,720,000	12,830,448	3,110,448
Fund balance, beginning of year	19,960,445	19,960,445	19,960,445	—
Fund balance, end of year	\$ 19,960,445	\$ 29,680,445	\$ 32,790,893	\$ 3,110,448

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 Jail Revenue Bond
 Debt Service Fund
 Year ended December 31, 2006
 (unaudited)

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 5,420,463	\$ 5,420,463	\$ 5,420,463	\$ —
Investment income	—	—	902	902
Total revenues	<u>5,420,463</u>	<u>5,420,463</u>	<u>5,421,365</u>	<u>902</u>
Expenditures:				
Debt service:				
Principal	2,815,000	2,815,000	2,815,000	—
Interest	2,605,463	2,605,463	2,605,463	—
Bond issuance costs	—	—	—	—
Total expenditures	<u>5,420,463</u>	<u>5,420,463</u>	<u>5,420,463</u>	<u>—</u>
Deficiency of revenues over expenditures	—	—	902	902
Other financing sources (uses):				
Refunding bonds issued	—	—	—	—
Premium on refunding bonds	—	—	—	—
Payment to refunded bond escrow agent to extinguish debt	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues and other financing sources over expenditures and other financing uses	—	—	902	902
Fund balance, beginning of year	<u>6,212</u>	<u>6,212</u>	<u>6,212</u>	<u>—</u>
Fund balance, end of year	<u>\$ 6,212</u>	<u>\$ 6,212</u>	<u>\$ 7,114</u>	<u>\$ 902</u>

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
PAC Surcharge Revenue Bond
Debt Service Fund
Year ended December 31, 2006
(unaudited)

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	—	—	17,294	17,294
Total revenues	—	—	17,294	17,294
Expenditures:				
Debt service:				
Principal	122,310	122,310	95,000	27,310
Interest	217,310	217,310	244,612	(27,302)
Total expenditures	339,620	339,620	339,612	8
Deficiency of revenues over expenditures	(339,620)	(339,620)	(322,318)	17,302
Other financing sources:				
Transfers in – from other funds	339,620	339,620	261,027	(78,593)
Total other financing sources	339,620	339,620	261,027	(78,593)
Excess of revenues and other financing sources over expenditures	—	—	(61,291)	(61,291)
Fund balance, beginning of year	503,710	503,710	503,710	—
Fund balance, end of year	\$ 503,710	\$ 503,710	\$ 442,419	\$ (61,291)

See accompanying independent auditor's report.

**NON-MAJOR
ENTERPRISE FUNDS**

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for activities for which a fee is charged to external users for goods or services received.

The **Refuse Utility Fund** accounts for the Municipal-owned refuse collection services.

The **Solid Waste Fund** accounts for the Municipal-owned landfill and transfer station operations.

The **Port Fund** accounts for operations of the Municipal-owned port facility

The **Municipal Airport Fund** accounts for the operations of Merrill Field, a Municipal-owned airport.

The **Anchorage Community Development Authority** accounts for the blended component unit public corporation created to promote adequate parking facilities within Anchorage.

The **Alaska Center for the Performing Arts** accounts for the blended component unit that operates, maintains and promotes the performing arts center.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets
Nonmajor Enterprise Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Assets	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Current assets:			
Cash	\$ 300	\$ 1,475	\$ 150
Cash in central treasury	3,429,974	6,479,589	10,931,993
Receivables (net of allowance for uncollectibles)	67,682	805,583	442,759
Interest receivable	—	6,585	3,590
Current portion of lease receivable	—	—	304,265
Prepaid items and deposits	1,396	3,452	37,744
Restricted assets:			
Restricted deposits	—	—	—
Receivables	—	—	—
Bond and acquisition and construction accounts	1,468,125	10,430,549	29,253,683
Revenue bond operations and maintenance accounts	—	381,818	955,999
Debt service accounts	—	—	—
Total current assets	<u>4,967,477</u>	<u>18,109,051</u>	<u>41,930,183</u>
Noncurrent assets:			
Loans receivables, net	—	—	—
Deferred charges and other assets	—	1,337	504,241
Capital assets, net	2,470,582	58,793,040	56,638,149
Total noncurrent assets	<u>2,470,582</u>	<u>58,794,377</u>	<u>57,142,390</u>
Total assets	<u>\$ 7,438,059</u>	<u>\$ 76,903,428</u>	<u>\$ 99,072,573</u>

See accompanying independent auditor's report.

Municipal Airport	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			December 31, 2006	December 31, 2005
\$ 200	\$ 5,385,151	\$ 1,308,810	\$ 6,696,086	\$ 5,154,318
—	—	—	20,841,556	23,877,902
1,757	556,156	4,266	1,878,203	2,324,855
462	—	—	10,637	3,062
—	—	—	304,265	501,727
1,918	58,758	39,631	142,899	109,609
—	16,239	604,363	620,602	610,442
668,688	—	—	668,688	2,642,997
1,550,262	—	—	42,702,619	30,205,449
—	—	—	1,337,817	382,195
—	—	—	—	1,255,890
<u>2,223,287</u>	<u>6,016,304</u>	<u>1,957,070</u>	<u>75,203,372</u>	<u>67,068,446</u>
20,943	—	—	20,943	23,454
—	3,388,879	—	3,894,457	2,002,962
<u>44,687,005</u>	<u>29,145,902</u>	<u>—</u>	<u>191,734,678</u>	<u>188,725,614</u>
<u>44,707,948</u>	<u>32,534,781</u>	<u>—</u>	<u>195,650,078</u>	<u>190,752,030</u>
<u>\$ 46,931,235</u>	<u>\$ 38,551,085</u>	<u>\$ 1,957,070</u>	<u>\$ 270,853,450</u>	<u>\$ 257,820,476</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets
Nonmajor Enterprise Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Liabilities	Refuse Utility	Solid Waste	Port
Current liabilities:			
Accounts payable and retainages	\$ 34,714	\$ 226,317	\$ 193,331
Compensated absences payable	65,015	328,759	98,236
Due to other funds	—	—	—
Accrued interest payable	—	136,275	—
Long-term obligations maturing within one year	—	1,503,350	—
Unearned revenue and deposits	2,651	—	—
Current liabilities payable from restricted assets:			
Customer deposits payable	—	—	—
Capital acquisition and construction accounts and retainage payable	—	221,892	3,978
Total current liabilities	<u>102,380</u>	<u>2,416,593</u>	<u>295,545</u>
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	683,656	—
Alaska clean water loan payable	—	18,905,213	—
Unfunded pension obligation	116,341	200,773	71,477
Total noncurrent liabilities	<u>116,341</u>	<u>19,789,642</u>	<u>71,477</u>
Deferred credits and other liabilities:			
Future landfill closure costs	—	12,911,374	—
Total liabilities	<u>218,721</u>	<u>35,117,609</u>	<u>367,022</u>
Net Assets			
Invested in capital assets, net of related debt	2,470,582	37,700,821	56,638,149
Restricted for debt service	—	381,818	955,999
Restricted for operations and maintenance	—	—	—
Restricted for capital construction	1,468,125	10,430,549	29,249,705
Unrestricted	3,280,631	(6,727,369)	11,861,698
Total net assets	<u>7,219,338</u>	<u>41,785,819</u>	<u>98,705,551</u>
Total liabilities and net assets	<u>\$ 7,438,059</u>	<u>\$ 76,903,428</u>	<u>\$ 99,072,573</u>

See accompanying independent auditor's report.

Municipal Airport	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			December 31, 2006	December 31, 2005
\$ 40,367	\$ 1,755,167	\$ 429,103	\$ 2,678,999	\$ 1,522,316
57,902	—	—	549,912	547,694
382,721	238,009	—	620,730	939,636
—	—	—	136,275	288,442
—	—	—	1,503,350	8,278,824
98,538	201,755	178,600	481,544	565,017
—	—	66,809	66,809	80,725
201,961	965,000	—	1,392,831	517,389
<u>781,489</u>	<u>3,159,931</u>	<u>674,512</u>	<u>7,430,450</u>	<u>12,740,043</u>
—	—	—	683,656	990,034
—	—	—	18,905,213	11,112,678
40,018	204,595	—	633,204	434,831
<u>40,018</u>	<u>204,595</u>	<u>—</u>	<u>20,222,073</u>	<u>12,537,543</u>
—	—	—	12,911,374	11,899,235
<u>821,507</u>	<u>3,364,526</u>	<u>674,512</u>	<u>40,563,897</u>	<u>37,176,821</u>
44,687,005	29,145,902	—	170,642,459	168,336,922
—	—	—	1,337,817	1,605,578
—	—	604,363	604,363	610,442
—	—	—	41,148,379	29,864,757
<u>1,422,723</u>	<u>6,040,657</u>	<u>678,195</u>	<u>16,556,535</u>	<u>20,225,956</u>
<u>46,109,728</u>	<u>35,186,559</u>	<u>1,282,558</u>	<u>230,289,553</u>	<u>220,643,655</u>
<u>\$ 46,931,235</u>	<u>\$ 38,551,085</u>	<u>\$ 1,957,070</u>	<u>\$ 270,853,450</u>	<u>\$ 257,820,476</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Operating revenues:			
Charges for sales and services	\$ 6,700,759	\$ 14,704,650	\$ 5,723,875
Other	43,679	310,563	4,865,995
Total operating revenues	<u>6,744,438</u>	<u>15,015,213</u>	<u>10,589,870</u>
Operating expenses:			
Operations	5,854,732	9,657,807	4,270,976
Municipal service assessment	35,620	692,385	525,030
Amortization of future landfill closure costs	—	1,012,139	—
Depreciation	418,419	2,624,779	3,749,944
Total operating expenses	<u>6,308,771</u>	<u>13,987,110</u>	<u>8,545,950</u>
Operating income (loss)	<u>435,667</u>	<u>1,028,103</u>	<u>2,043,920</u>
Nonoperating revenues (expenses):			
Investment income	232,591	737,646	1,923,385
Other revenues	—	73,535	1,290,804
Intergovernmental revenue	50,892	80,929	29,277
Interest expense	—	(256,926)	(7,063)
Gain on disposition of capital assets	41,280	96,737	640
Other expenses	—	—	(1,475,902)
Amortization of deferred charges	—	—	(52,599)
Net nonoperating revenues	<u>324,763</u>	<u>731,921</u>	<u>1,708,542</u>
Income (loss) before transfers	<u>760,430</u>	<u>1,760,024</u>	<u>3,752,462</u>
Capital contributions	—	—	2,155,516
Transfers out	(323,260)	(1,053,080)	(5,260)
Transfers in	—	—	—
Change in net assets	<u>437,170</u>	<u>706,944</u>	<u>5,902,718</u>
Total net assets – beginning	<u>6,782,168</u>	<u>41,078,875</u>	<u>92,802,833</u>
Total net assets – ending	<u>\$ 7,219,338</u>	<u>\$ 41,785,819</u>	<u>\$ 98,705,551</u>

See accompanying independent auditor's report.

Municipal Airport	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			2006	2005
\$ 1,041,095	\$ 3,865,331	\$ 1,219,429	\$ 33,255,139	\$ 34,869,178
—	53,999	25,310	5,299,546	4,602,560
1,041,095	3,919,330	1,244,739	38,554,685	39,471,738
1,147,388	4,660,832	1,986,912	27,578,647	24,547,326
14,391	549,296	—	1,816,722	1,701,598
—	—	—	1,012,139	787,909
1,826,798	1,323,055	—	9,942,995	9,291,490
2,988,577	6,533,183	1,986,912	40,350,503	36,328,323
(1,947,482)	(2,613,853)	(742,173)	(1,795,818)	3,143,415
43,344	241,247	82,833	3,261,046	2,179,453
155,527	42,172	—	1,562,038	1,829,633
16,901	—	—	177,999	4,137,718
—	—	—	(263,989)	(606,793)
—	1,399,612	—	1,538,269	224,624
—	—	—	(1,475,902)	(1,676,264)
—	—	—	(52,599)	(52,600)
215,772	1,683,031	82,833	4,746,862	6,035,771
(1,731,710)	(930,822)	(659,340)	2,951,044	9,179,186
2,781,414	2,618,248	—	7,555,178	(392,230)
—	(366,197)	(261,027)	(2,008,824)	(1,881,034)
—	—	1,148,500	1,148,500	1,282,330
1,049,704	1,321,229	228,133	9,645,898	8,188,252
45,060,024	33,865,330	1,054,425	220,643,655	212,455,403
\$ 46,109,728	\$ 35,186,559	\$ 1,282,558	\$ 230,289,553	\$ 220,643,655

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 7,101,280	\$ 15,352,040	\$ 11,350,405
Payments to employees	(1,702,964)	(6,381,208)	(1,814,353)
Payments to vendors	(4,185,401)	(3,745,537)	(2,966,726)
Net cash provided (used) by operating activities	<u>1,212,915</u>	<u>5,225,295</u>	<u>6,569,326</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(323,260)	(1,053,080)	(5,260)
Transfers from other funds	—	—	—
Loan payments to central treasury	—	—	—
Other noncapital payments	—	—	(1,475,902)
Other noncapital receipts	50,892	154,464	1,320,081
Net cash provided (used) by noncapital and related financing activities	<u>(272,368)</u>	<u>(898,616)</u>	<u>(161,081)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term obligations	—	(3,522,934)	(1,296,897)
Loan proceeds from central treasury	—	—	—
Loan proceeds from long-term obligations	—	8,978,839	—
Interest payments on long-term obligations	—	(349,049)	(73,416)
Acquisition and construction of capital assets	(559,733)	(10,260,597)	(2,901,360)
Proceeds from disposition of capital assets	87,321	262,540	26,875
Contributed capital - intergovernmental	—	—	2,155,516
Contributed capital - customers	—	—	—
Net cash provided (used) by capital and related financing activities	<u>(472,412)</u>	<u>(4,891,201)</u>	<u>(2,089,282)</u>
Cash flows from investing activities:			
Proceeds from investment in direct financing leases	—	—	801,829
Interest received	232,591	733,028	1,920,538
Net cash provided by investing activities	<u>232,591</u>	<u>733,028</u>	<u>2,722,367</u>
Net increase (decrease) in cash	700,726	168,506	7,041,330
Cash, beginning of year	<u>4,197,673</u>	<u>16,743,107</u>	<u>33,144,496</u>
Cash, end of year	<u>\$ 4,898,399</u>	<u>\$ 16,911,613</u>	<u>\$ 40,185,826</u>
Cash	\$ 300	\$ 1,475	\$ 150
Cash in central treasury	3,429,974	6,479,589	10,931,993
Capital acquisition and construction accounts	1,468,125	10,430,549	29,253,683
Cash, December 31	<u>\$ 4,898,399</u>	<u>\$ 16,911,613</u>	<u>\$ 40,185,826</u>

See accompanying independent auditor's report.

Municipal Airport	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			2006	2005
\$ 1,039,965	\$ 8,362,537	\$ 5,627,265	\$ 48,833,492	\$ 43,812,175
(887,260)	(2,091,370)	(2,087,017)	(14,964,172)	(18,307,990)
(245,837)	(5,692,094)	(4,365,303)	(21,200,898)	(13,398,678)
(93,132)	579,073	(825,055)	12,668,422	12,105,507
—	—	(261,027)	(1,642,627)	(1,881,034)
—	—	1,148,500	1,148,500	1,282,330
(400,717)	—	—	(400,717)	—
—	(440,080)	—	(1,915,982)	—
172,428	—	—	1,697,865	150,678
(228,289)	(440,080)	887,473	(1,112,961)	(448,026)
—	—	—	(4,819,831)	(4,669,614)
—	—	—	—	783,438
—	—	—	8,978,839	—
—	—	—	(422,465)	(701,108)
(2,397,739)	(1,194,926)	(9,797)	(17,324,152)	(24,953,076)
—	2,226,000	—	2,602,736	463,669
4,225,811	—	—	6,381,327	2,618,773
—	—	—	—	(285,608)
1,828,072	1,031,074	(9,797)	(4,603,546)	(26,743,526)
—	—	—	801,829	342,157
43,611	241,247	82,833	3,253,848	2,167,673
43,611	241,247	82,833	4,055,677	2,509,830
1,550,262	1,411,314	135,454	11,007,592	(12,576,215)
200	3,973,837	1,173,356	59,232,669	71,808,884
\$ 1,550,462	\$ 5,385,151	\$ 1,308,810	\$ 70,240,261	\$ 59,232,669
\$ 200	\$ 5,385,151	\$ 1,308,810	\$ 6,696,086	\$ 5,149,318
—	—	—	20,841,556	30,205,449
1,550,262	—	—	42,702,619	23,877,902
\$ 1,550,462	\$ 5,385,151	\$ 1,308,810	\$ 70,240,261	\$ 59,232,669

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 435,667	\$ 1,028,103	\$ 2,043,920
Adjustments to reconcile operating income to net cash provided or used by operating activities:			
Depreciation	418,419	2,624,779	3,749,944
Amortization of landfill closure costs	—	1,012,139	—
Capital equipment purchases	—	—	—
Changes in assets and liabilities which increase (decrease) cash:			
Accounts receivable	357,690	336,827	760,535
Prepaid items and deposits	(67)	(165)	(1,798)
Notes receivable	—	—	—
Customer deposits	—	—	—
Deferred charges and other assets	—	—	—
Accounts payable	(32,439)	166,934	(15,910)
Deferred credits	(848)	—	—
Unearned revenue	—	—	—
Compensated absences payable	(6,215)	(9,866)	10,193
Net pension obligation	40,708	66,544	22,442
Total cash provided by operating activities	<u>\$ 1,212,915</u>	<u>\$ 5,225,295</u>	<u>\$ 6,569,326</u>

See accompanying independent auditor's report.

Municipal Airport	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			2006	2005
\$ (1,947,482)	\$ (2,613,853)	\$ (742,173)	\$ (1,795,818)	\$ 3,143,415
1,826,798	1,323,055	—	9,942,995	9,291,490
—	—	—	1,012,139	787,909
—	2,618,248	—	2,618,248	49,745
—	(495,751)	17,385	976,686	(460,400)
(91)	(19,049)	(12,120)	(33,290)	(23,018)
2,389	—	—	2,389	5,344
—	(363)	1,593	1,230	29,538
—	(2,216,483)	—	(2,216,483)	(1,172,396)
6,947	1,857,703	79,711	2,062,946	45,326
(3,518)	—	—	(4,366)	(720)
—	70,606	(169,451)	(98,845)	107,977
8,106	—	—	2,218	31,586
13,719	54,960	—	198,373	269,711
<u>\$ (93,132)</u>	<u>\$ 579,073</u>	<u>\$ (825,055)</u>	<u>\$ 12,668,422</u>	<u>\$ 12,105,507</u>

This page intentionally left blank.

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or service provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis.

Three **Risk Management Funds** account for money received from other Municipal funds to pay for the costs of self-insurance claims in the following categories:

- ◆ General liability, automobile liability, workers' compensation
- ◆ Medical/Dental
- ◆ Unemployment compensation

The **Equipment Maintenance Fund** accounts for the management and maintenance of general government equipment and vehicles.

The **Information Technology Fund** accounts for management information services.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets
Internal Service Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Assets	Risk Management			
	General Liability/Workers' Compensation	Medical/Dental	Unemployment Compensation	Equipment Maintenance
Current assets:				
Cash in central treasury	\$ 8,024,241	\$ 6,840,455	\$ 641,941	\$ 1,271,063
Due from other funds	908,018	—	—	—
Due from component units	—	1,010,171	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—
Inventories	—	—	—	333,575
Prepaid items and deposits	447,118	—	—	955
Restricted assets:				
Capital acquisition and construction accounts	—	—	—	6,001,364
Total current assets	<u>9,379,377</u>	<u>7,850,626</u>	<u>641,941</u>	<u>7,606,957</u>
Noncurrent assets:				
Advances to other funds	4,549,022	—	—	—
Due from component units	—	—	—	—
Capital assets, net	—	—	—	16,948,452
Total noncurrent assets	<u>4,549,022</u>	<u>—</u>	<u>—</u>	<u>16,948,452</u>
Total assets	<u>\$ 13,928,399</u>	<u>\$ 7,850,626</u>	<u>\$ 641,941</u>	<u>\$ 24,555,409</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and retainages	\$ 272,983	\$ 62,875	\$ —	\$ 237,427
Compensated absences payable	5,889	6,687	—	172,556
Claims payable	5,045,854	1,436,974	89,314	—
Due to other funds	—	—	—	—
Claims incurred but not reported	8,476,378	3,512,869	—	—
Unearned revenue and deposits	—	—	—	—
Current liabilities payable from restricted assets:				
Capital acquisition and construction accounts and retainage payable	—	—	—	—
Total current liabilities	<u>13,801,104</u>	<u>5,019,405</u>	<u>89,314</u>	<u>409,983</u>
Noncurrent liabilities:				
Advances from other funds	—	—	—	—
Unearned revenue	—	—	—	—
Net pension obligation	6,683	10,085	—	228,468
Total noncurrent liabilities	<u>6,683</u>	<u>10,085</u>	<u>—</u>	<u>228,468</u>
Total liabilities	<u>13,807,787</u>	<u>5,029,490</u>	<u>89,314</u>	<u>638,451</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	—	—	—	16,948,452
Unrestricted	120,612	2,821,136	552,627	6,968,506
Total net assets	<u>120,612</u>	<u>2,821,136</u>	<u>552,627</u>	<u>23,916,958</u>
Total liabilities and net assets	<u>\$ 13,928,399</u>	<u>\$ 7,850,626</u>	<u>\$ 641,941</u>	<u>\$ 24,555,409</u>

See accompanying independent auditor's report.

Information Technology	Total Internal Service Funds	
	December 31, 2006	December 31, 2005
\$ —	\$ 16,777,700	\$ 12,768,220
—	908,018	908,019
—	1,010,171	343,000
149	149	74
—	333,575	352,963
224,173	672,246	307,814
—	6,001,364	4,717,533
<u>224,322</u>	<u>25,703,223</u>	<u>19,397,623</u>
—	4,549,022	4,926,603
—	—	771,525
10,887,179	27,835,631	31,223,662
<u>10,887,179</u>	<u>32,384,653</u>	<u>36,921,790</u>
<u>\$ 11,111,501</u>	<u>\$ 58,087,876</u>	<u>\$ 56,319,413</u>
\$ 143,729	\$ 717,014	\$ 661,127
415,357	600,489	673,462
—	6,572,142	7,095,080
4,487,656	4,487,656	5,041,001
—	11,989,247	11,336,328
76,254	76,254	43,467
74,716	74,716	980,255
<u>5,197,712</u>	<u>24,517,518</u>	<u>25,830,720</u>
4,549,022	4,549,022	4,926,604
919,003	919,003	1,097,565
408,395	653,631	426,218
<u>5,876,420</u>	<u>6,121,656</u>	<u>6,450,387</u>
<u>11,074,132</u>	<u>30,639,174</u>	<u>32,281,107</u>
5,430,139	22,378,591	25,389,039
(5,392,770)	5,070,111	(1,350,733)
<u>37,369</u>	<u>27,448,702</u>	<u>24,038,306</u>
<u>\$ 11,111,501</u>	<u>\$ 58,087,876</u>	<u>\$ 56,319,413</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Operating revenues:				
Charges for sales and services	\$ 9,943,263	\$ 39,219,022	\$ 459,584	\$ 11,125,850
Total operating revenues	<u>9,943,263</u>	<u>39,219,022</u>	<u>459,584</u>	<u>11,125,850</u>
Operating expenses:				
Operations	10,517,665	36,588,157	288,977	8,297,059
Depreciation	—	—	—	3,238,480
Total operating expenses	<u>10,517,665</u>	<u>36,588,157</u>	<u>288,977</u>	<u>11,535,539</u>
Operating income (loss)	<u>(574,402)</u>	<u>2,630,865</u>	<u>170,607</u>	<u>(409,689)</u>
Nonoperating revenues (expenses):				
Investment income	645,410	142,933	54,025	210,744
Other revenues	—	—	—	121,648
Intergovernmental revenue	2,812	3,586	—	228,326
Interest expense	—	—	—	—
Gain (loss) on disposition of capital assets	—	—	—	958,653
Contribution to component unit	—	—	(787,000)	—
Net nonoperating revenues (expenses)	<u>648,222</u>	<u>146,519</u>	<u>(732,975)</u>	<u>1,519,371</u>
Income (loss) before transfers	<u>73,820</u>	<u>2,777,384</u>	<u>(562,368)</u>	<u>1,109,682</u>
Transfer from other funds	—	—	—	—
Change in net assets	<u>73,820</u>	<u>2,777,384</u>	<u>(562,368)</u>	<u>1,109,682</u>
Total net assets (deficit) – beginning	<u>46,792</u>	<u>43,752</u>	<u>1,114,995</u>	<u>22,807,276</u>
Total net assets – ending	<u>\$ 120,612</u>	<u>\$ 2,821,136</u>	<u>\$ 552,627</u>	<u>\$ 23,916,958</u>

See accompanying independent auditor's report.

Information Technology	Total Internal Service Funds	
	2006	2005
\$ 13,105,899	\$ 73,853,618	\$ 67,079,281
<u>13,105,899</u>	<u>73,853,618</u>	<u>67,079,281</u>
9,817,304	65,509,162	60,958,545
3,000,410	6,238,890	6,079,973
<u>12,817,714</u>	<u>71,748,052</u>	<u>67,038,518</u>
<u>288,185</u>	<u>2,105,566</u>	<u>40,763</u>
311,148	1,364,260	830,194
2,591	124,239	52,999
188,996	423,720	132,370
(779,042)	(779,042)	(589,390)
—	958,653	119,265
—	(787,000)	—
<u>(276,307)</u>	<u>1,304,830</u>	<u>545,438</u>
11,878	3,410,396	586,201
—	—	200,000
11,878	3,410,396	786,201
25,491	24,038,306	23,252,105
<u>\$ 37,369</u>	<u>\$ 27,448,702</u>	<u>\$ 24,038,306</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows
Internal Service Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,943,263	\$ 39,219,022	\$ 459,584	\$ 11,125,850
Payments to employees	(118,157)	(189,412)	—	(3,286,009)
Payments to vendors	(9,645,641)	(37,195,348)	(278,596)	(4,962,325)
Net cash provided (used) by operating activities	179,465	1,834,262	180,988	2,877,516
Cash flows from noncapital and related financing activities:				
Transfers in	—	—	—	—
Loan proceeds from interfund loans	908,017	—	1,114,525	—
Loan payments on interfund loans	(530,435)	(1,010,171)	—	—
Loan to component unit	—	—	—	—
Contribution to component unit	—	—	(787,000)	—
Intergovernmental revenues received	2,812	3,586	—	103,146
Other	—	—	—	121,648
Net cash provided (used) by noncapital and related financing activities	380,394	(1,006,585)	327,525	224,794
Cash flows from capital and related financing activities:				
Principal payments on long-term obligations	—	—	—	—
Interest payments on long-term obligations	—	—	—	—
Acquisition and construction of capital assets	—	—	—	(2,826,648)
Intergovernmental revenue received	—	—	—	125,180
Proceeds from disposition of capital assets	—	—	—	1,943,308
Net cash used by capital and related financing activities	—	—	—	(758,160)
Cash flows from investing activities:				
Interest received	645,410	142,933	54,025	210,744
Net cash provided by investing activities	645,410	142,933	54,025	210,744
Net increase (decrease) in cash	1,205,269	970,610	562,538	2,554,894
Cash, beginning of year	6,818,972	5,869,845	79,403	4,717,533
Cash, end of year	<u>\$ 8,024,241</u>	<u>\$ 6,840,455</u>	<u>\$ 641,941</u>	<u>\$ 7,272,427</u>
Cash in central treasury	\$ 8,024,241	\$ 6,840,455	\$ 641,941	\$ 1,271,063
Capital acquisition and construction accounts	—	—	—	6,001,364
Cash, December 31	<u>\$ 8,024,241</u>	<u>\$ 6,840,455</u>	<u>\$ 641,941</u>	<u>\$ 7,272,427</u>
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income (loss)	\$ (574,402)	\$ 2,630,865	\$ 170,607	\$ (409,689)
Adjustments to reconcile operating income (loss) to net cash provided or used by operating activities:				
Depreciation	—	—	—	3,238,480
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	—	—	—	—
Prepaid items	(229,290)	22,246	—	(955)
Inventories	—	—	—	19,388
Deferred charges and other assets	—	—	—	—
Accounts payable	1,273	24,882	10,381	(16,274)
Unearned revenue	—	—	—	—
Claims payable	972,232	(852,632)	—	—
Compensated absences payable	5,824	2,569	—	(31,090)
Unfunded pension obligation	3,828	6,332	—	77,656
Total cash provided (used) by operating activities	<u>\$ 179,465</u>	<u>\$ 1,834,262</u>	<u>\$ 180,988</u>	<u>\$ 2,877,516</u>
Noncash investing, capital, and financing activities:				
Capital purchases on account	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying independent auditor's report.

Total Internal Service Funds

Information Technology	2006	2005
\$ 13,138,611	\$ 73,886,330	\$ 67,208,994
(5,671,900)	(9,265,478)	(15,990,024)
(4,345,071)	(56,426,981)	(38,901,896)
<u>3,121,640</u>	<u>8,193,871</u>	<u>12,317,074</u>
—	—	200,000
—	2,022,542	1,388,336
(553,345)	(2,093,951)	(947,017)
—	—	(151,639)
—	(787,000)	—
188,996	298,540	—
2,591	124,239	48,992
<u>(361,758)</u>	<u>(435,630)</u>	<u>538,672</u>
(377,583)	(377,583)	(1,174,155)
(779,042)	(779,042)	(589,390)
(1,915,291)	(4,741,939)	(6,770,059)
—	125,180	132,370
886	1,944,194	123,039
<u>(3,071,030)</u>	<u>(3,829,190)</u>	<u>(8,278,195)</u>
311,148	1,364,260	830,194
<u>311,148</u>	<u>1,364,260</u>	<u>830,194</u>
—	5,293,311	5,407,745
—	17,485,753	12,078,008
<u>\$ —</u>	<u>\$ 22,779,064</u>	<u>\$ 17,485,753</u>
\$ —	\$ 16,777,700	\$ 12,768,220
—	6,001,364	4,717,533
<u>\$ —</u>	<u>22,779,064</u>	<u>17,485,753</u>
\$ 288,185	\$ 2,105,566	\$ 40,763
3,000,410	6,238,890	6,079,973
(75)	(75)	69
(156,433)	(364,432)	(13,426)
—	19,388	(19,409)
—	—	9,770
46,007	66,269	65,891
(145,775)	(145,775)	34,152
—	119,600	5,960,572
(50,276)	(72,973)	(134,963)
139,597	227,413	293,682
<u>\$ 3,121,640</u>	<u>\$ 8,193,871</u>	<u>\$ 12,317,074</u>
<u>\$ 74,716</u>	<u>\$ 74,716</u>	<u>\$ 263,814</u>

This page intentionally left blank.

FIDUCIARY

FIDUCIARY AND AGENCY FUNDS

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

The **Police/Fire Retirement Trust Funds** account for the contributions, revenues, expenses and distributions of the three Municipal Police and Fire Retirement Plans.

The **Police/Fire Retiree Medical Trust Fund** accounts for contributions and distributions on behalf of the Police and Fire retirees who are eligible for the plan covered by the Trust.

The **Employee Benefits Agency Fund** accounts for payroll-related liabilities.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2006

(With summarized financial information at December 31, 2005)

Assets	Police/Fire Retirement Trust Funds			Total
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	
Cash in central treasury	\$ 5,483	\$ 3,801	\$ 11,595	\$ 20,879
Cash, cash equivalents held under securities lending program	4,726,652	3,276,188	9,995,225	17,998,065
Investments, at fair value:				
Investment in master group trust	110,130,822	76,384,759	233,337,613	419,853,194
Money market funds	—	—	—	—
Debt securities	—	—	—	—
Equity securities	—	—	—	—
Total investments	<u>110,130,822</u>	<u>76,384,759</u>	<u>233,337,613</u>	<u>419,853,194</u>
Capital assets, net	<u>2,545</u>	<u>1,764</u>	<u>5,382</u>	<u>9,691</u>
Total assets	<u>\$ 114,865,502</u>	<u>\$ 79,666,512</u>	<u>\$ 243,349,815</u>	<u>\$ 437,881,829</u>
Liabilities				
Accounts payable	\$ 39,910	\$ 24,207	\$ 62,503	\$ 126,620
Unearned revenue	—	—	—	—
Payable under securities lending program	4,726,652	3,276,188	9,995,225	17,998,065
Total liabilities	<u>\$ 4,766,562</u>	<u>\$ 3,300,395</u>	<u>\$ 10,057,728</u>	<u>\$ 18,124,685</u>
Net Assets				
Held in trust for:				
Employees' pension benefits	\$ 110,098,940	\$ 76,366,117	\$ 233,292,087	\$ 419,757,144
Employees' postemployment healthcare benefits	—	—	—	—
Total net assets	<u>\$ 110,098,940</u>	<u>\$ 76,366,117</u>	<u>\$ 233,292,087</u>	<u>\$ 419,757,144</u>

See accompanying independent auditor's report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2006	December 31, 2005
\$ 1,644	\$ 22,523	\$ 91,611
—	17,998,065	19,534,978
—	419,853,194	395,248,621
4,375,063	4,375,063	643,455
1,045,206	1,045,206	1,006,679
3,233,181	3,233,181	5,293,010
<u>8,653,450</u>	<u>428,506,644</u>	<u>402,191,765</u>
—	9,691	18,362
<u>\$ 8,655,094</u>	<u>\$ 446,536,923</u>	<u>\$ 421,836,716</u>
\$ —	\$ 126,620	\$ 109,796
176,675	176,675	—
—	17,998,065	19,534,978
<u>\$ 176,675</u>	<u>\$ 18,301,360</u>	<u>\$ 19,644,774</u>
\$ —	\$ 419,757,144	\$ 395,247,231
8,478,419	8,478,419	6,944,711
<u>\$ 8,478,419</u>	<u>\$ 428,235,563</u>	<u>\$ 402,191,942</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended December 31, 2006

(With summarized financial information for the year ended December 31, 2005)

	Police/Fire Retirement Pension Trust Funds			Total
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	
Additions:				
Contributions from other funds	\$ —	\$ —	\$ —	\$ —
Contributions	—	—	—	—
Interest	1,774,069	1,210,181	3,561,163	6,545,413
Dividends	565,625	385,841	1,135,403	2,086,869
Net increase in fair value of investments	11,425,791	7,888,618	24,171,590	43,485,999
Less investments expense	<u>(400,047)</u>	<u>(272,892)</u>	<u>(803,033)</u>	<u>(1,475,972)</u>
Total additions	<u>13,365,438</u>	<u>9,211,748</u>	<u>28,065,123</u>	<u>50,642,309</u>
Deductions:				
Regular benefit payments	8,308,717	5,061,956	11,800,463	25,171,136
Administrative expenses	<u>247,439</u>	<u>192,520</u>	<u>521,301</u>	<u>961,260</u>
Total deductions	<u>8,556,156</u>	<u>5,254,476</u>	<u>12,321,764</u>	<u>26,132,396</u>
Change in net assets	4,809,282	3,957,272	15,743,359	24,509,913
Net assets – beginning	<u>105,289,658</u>	<u>72,408,845</u>	<u>217,548,728</u>	<u>395,247,231</u>
Net assets – ending	<u>\$ 110,098,940</u>	<u>\$ 76,366,117</u>	<u>\$ 233,292,087</u>	<u>\$ 419,757,144</u>

See accompanying independent auditor's report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2006	December 31, 2005
\$ 2,001,039	\$ 2,001,039	\$ 1,799,268
—	—	15,906
22,010	6,567,423	6,438,690
245,890	2,332,759	1,685,806
416,230	43,902,229	18,893,885
—	(1,475,972)	(1,439,353)
<u>2,685,169</u>	<u>53,327,478</u>	<u>27,394,202</u>
1,125,444	26,296,580	25,004,848
26,017	987,277	1,133,825
<u>1,151,461</u>	<u>27,283,857</u>	<u>26,138,673</u>
1,533,708	26,043,621	1,255,529
<u>6,944,711</u>	<u>402,191,942</u>	<u>400,936,413</u>
<u>\$ 8,478,419</u>	<u>\$ 428,235,563</u>	<u>\$ 402,191,942</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Changes in Assets and Liabilities
Agency Fund

For the Year Ended December 31, 2006

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Employee Benefits				
Assets:				
Equity in general cash pool	\$ 7,999,009	\$ 228,192,889	\$ 225,727,342	\$ 10,464,556
Accounts receivable	7,789	—	—	7,789
Total assets	<u>\$ 8,006,798</u>	<u>\$ 228,192,889</u>	<u>\$ 225,727,342</u>	<u>\$ 10,472,345</u>
Liabilities:				
Accounts payable	\$ 535,096	\$ 9,131,022	\$ 9,459,161	\$ 206,957
Due to employees	5,270,589	122,613,694	121,923,226	5,961,057
Due to employees' retirement system	1,121,662	34,414,005	32,668,898	2,866,769
Payroll liabilities	1,079,451	71,383,761	71,025,650	1,437,562
Total liabilities	<u>\$ 8,006,798</u>	<u>\$ 237,542,482</u>	<u>\$ 235,076,935</u>	<u>\$ 10,472,345</u>

See accompanying independent auditor's report.