

# **MUNICIPALITY OF ANCHORAGE, ALASKA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended December 31, 2007**

**Mark Begich  
Mayor**

**Prepared by:  
Finance Department**

**Sharon Weddleton, CPA  
CFO**

**Teresa L. Peterson, CPA  
Controller**

Cover photo courtesy of Robert (Bob) McNeil. "Captain James Cook," Original statue by John Tweed, reproduction by Derek Freeborn located in Resolution Park, Anchorage, Alaska.

# MUNICIPALITY OF ANCHORAGE, ALASKA

## Table of Contents

	<b>Page(s)</b>
Introductory Section:	
Letter of Transmittal	i - vii
Certificate of Achievement for Excellence in Financial Reporting	viii
Organizational Chart	ix
Principal Officials	x
Municipality of Anchorage Vicinity Map	xi
Financial Section:	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-21
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	24-25
Statement of Activities	26-27
Fund Financial Statements:	
Balance Sheet – Governmental Funds	28
Reconciliation of Net Assets between the Government-wide and Fund Financial Statements	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Assets – Proprietary Funds	32-35
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	36-37
Statement of Cash Flows – Proprietary Funds	38-41
Statement of Fiduciary Net Assets – Fiduciary Funds	42
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	43
Notes to Basic Financial Statements – Index	45
Notes to Basic Financial Statements	46-124
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund by Function	127
Budgetary Comparison Schedule – General Fund by Fund	128
Budgetary Comparison Schedule – General Fund by Department	129
Notes to Required Supplementary Information – Budgetary Data	130-131
Required Supplementary Information – Condition Rating of Anchorage's Road Network	132
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	136-139
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	140-143
Budgetary Comparison Schedules:	
Heritage Land Bank	144
Convention Center Operating Reserve	145
Special Assessment Bonds	146

# MUNICIPALITY OF ANCHORAGE, ALASKA

## Table of Contents

	<b>Page(s)</b>
Retirement Certificate of Participation	147
Police/Fire Retiree Medical Liability	148
Jail Revenue Bond	149
PAC Surcharge Revenue Bond	150
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	152-155
Combining Statement of Revenues, Expenses and Changes in Net Assets	156-157
Combining Statement of Cash Flows	158-161
Internal Service Funds:	
Combining Statement of Net Assets	164-165
Combining Statement of Revenues, Expenses and Changes in Net Assets	166-167
Combining Statement of Cash Flows	168-169
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets	172-173
Combining Statement of Changes in Fiduciary Net Assets	174-175
Agency Fund:	
Statement of Changes in Assets and Liabilities	176
Statistical Section:	
Table 1. Net Assets By Component	178
Table 2. Change in Net Assets	179-180
Table 3. Charges for Services By Function/Program	181
Table 4. Fund Balances, Governmental Funds	182
Table 5. Changes in Fund Balance, Governmental Funds	183
Table 6. Debt Service as a Percentage of Noncapital Expenditures	184
Table 7. Tax Revenues by Source, Governmental Funds	185
Table 8. Assessed Value and Estimated Actual Value of Taxable Property	186
Table 9. Property Tax Rates	187
Table 10. Principal Property Tax Payers	188
Table 11. Property Tax Levies and Collections	189
Table 12. Outstanding Debt By Type	190
Table 13. Ratio of General bonded Debt Outstanding	191
Table 14. Direct and Overlapping Debt	192
Table 15. Legal Debt Margin	193
Table 16. Pledged Revenue Coverage	194-196
Table 17. Demographic Statistics	197
Table 18. Principal Employers	198
Table 19. Full-Time Equivalent Employees	199
Table 20. Miscellaneous Statistical Data By Function	200-201

# Introductory Section



# Municipality of Anchorage

P.O. Box 196650 • Anchorage, Alaska 99519-6650 • Telephone: (907) 343-6576 • Fax: (907) 343-4400 <http://www.muni.org>

Mayor Mark Begich

## Department of Finance Controller Division

July 28, 2008

Honorable Mayor, Members of the Assembly, and  
Citizens of the Municipality of Anchorage:

The Comprehensive Annual Financial Report (CAFR) of the Municipality of Anchorage (Anchorage) for the year ended December 31, 2007, is hereby submitted in accordance with Anchorage Home Rule Charter and Anchorage Municipal Code. These laws require an annual report on financial and administrative activities with an independent audit of all municipal accounts by a certified public accountant. KPMG LLP performed the independent audit. Management is responsible for the accuracy, completeness and fairness of the presentation including all disclosures.

Accounting principles generally accepted in the United States of America require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Anchorage's MD&A can be found in the Financial Section of the CAFR immediately following the report of the independent auditors.

The CAFR is presented in three sections - Introductory, Financial and Statistical. The Introductory section, which is unaudited, includes this letter of transmittal, a certificate of achievement for excellence in financial reporting for Anchorage's 2006 CAFR, a list of principal elected and appointed officials, and an organization chart. The Financial section includes the MD&A, the independent auditors' report on the financial statements and schedules, the basic financial statements, additional required supplementary information, and the combining financial statements. The unaudited Statistical Section includes a broad range of selected trend data and non-financial information.

As a recipient of federal grant awards, Anchorage is required to undergo an audit in accordance with the provisions of the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and associated *Compliance Supplement*. A schedule of expenditures of federal awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings

internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued audit in accordance with OMB Circular A-133.

As a recipient of state grant awards, Anchorage is also required to undergo an audit in accordance with the provisions of Alaska State Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. A state financial assistance schedule, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in separately issued State Financial Assistance Reports.

KPMG LLP was retained to perform both the financial and the compliance audits of Federal and State financial assistance programs for the year ended December 31, 2007. These audits were performed in accordance with the Federal and State Office of Management and Budget's regulations and Government Auditing Standards. KPMG LLP audited all 2007 financial records except for those of two component units, Anchorage School District and Anchorage Community Development Authority. KPMG LLP's reports are included in the financial section of the CAFR and in both Financial Assistance reports. The excluded component units were audited by certified public accountants who issued unqualified reports on their audits.

### **Government Profile**

The City of Anchorage was originally incorporated in 1920 and unified with the Greater Anchorage Area Borough in 1975 to create the Municipality of Anchorage. Anchorage encompasses approximately 1,955 square miles.

Anchorage is operated under a strong mayoral system with an eleven member Assembly serving as the legislative branch. Leading the executive branch, the Mayor is responsible for appointing top executives and running the day to day governmental activities. The Assembly is responsible for approving ordinances, municipal contracts, budgets, and certain appointments. A compilation of municipal ordinances can be reviewed on-line in the Anchorage Municipal Code at [www.muni.org](http://www.muni.org).

Anchorage provides a full range of services, including police, fire, emergency medical protection, health and human services, construction/maintenance of infrastructure, recreation activities, and public transportation. Many of these services are provided on a service area basis with taxpayers residing in different taxing districts paying for only those services they authorize and receive.

The Assembly and administration are responsible for and committed to establishing and maintaining an internal control structure designed to provide reasonable assurance that Anchorage's assets are protected from loss, theft or misuse, and that adequate accounting records

are maintained for preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefit likely to be derived and that valuation of costs and benefits requires the use of estimates and judgments.

The Assembly approves operating budgets and appropriations of direct costs at the department level, and revenues, direct costs and indirect costs at the fund level. During the year, the Assembly may approve supplemental appropriations to increase or decrease the budget, or to transfer all or part of any unencumbered balance from one appropriation to another. The Assembly by ordinance may authorize a contract, lease or other obligation requiring financing from future appropriations. A lease purchase agreement with respect to acquisition of a capital improvement valued in excess of \$1 million is not valid until approved by the voters. The Mayor may transfer all or part of an unencumbered balance between categories within an appropriation. No obligation involving the expenditure of money may be made unless the Chief Fiscal Officer has certified that the funds required have been appropriated and are available for that purpose.

The accounting records are maintained on a budgetary basis whereby encumbrances are recorded for budgetary control. However, year-end financial statements present actual amounts in conformity with accounting principles generally accepted in the United States of America which excludes encumbrances.

The financial reporting entity includes the following component units for which Anchorage is financially accountable - Anchorage School District, Alaska Center for the Performing Arts, Inc., Cooperative Services Authority, CIVICVentures, and Anchorage Community Development Authority. Additional information on all five of these component units can be found in the notes to the financial statements.

Anchorage owns and operates several utilities and other enterprise activities including electric, water, wastewater, refuse collection, solid waste disposal, port, and municipal airport. Anchorage contracts out management of its sports arena, convention center, ice arenas, golf courses and equestrian center.

Additional information regarding Anchorage's government, services, current events, economic indicators and other statistics is located on its municipal web site at [www.muni.org](http://www.muni.org).

## **Major Initiatives**

### Investment Strategy

During 2007, the Municipality implemented a new investment strategy to transfer management of its unrestricted cash pool monies to external managers in order to enhance yields and to improve



internal controls. As a result of this change, during 2007 municipal cash pool earnings were enhanced by \$8,200,000 compared to what they would have been had this investment policy change not been made.

#### Port Expansion

The \$700 million expansion project of the Port of Anchorage has begun. This is the first project of its kind, with the Federal Maritime Administration Agency (Marad) overseeing the construction of the expansion project. As Marad completes the construction of capital assets and turns them over to Anchorage over the next few years, the assets will be recorded on the Port's financial statements.

#### Convention Center

Construction of the Dena'ina Civic and Convention Center (Center) is slated to be completed by the fall of 2008. The construction of the Center is funded through the hotel tax and is overseen by Anchorage's blended component unit, CIVICVentures.

### **Local Economy**

The information presented in the financial statements is better understood when it is considered from the broader perspective of the specific environment within which Anchorage operates.

Anchorage has an approximate population of 284,000 and has been experiencing growth at a rate of 1.2% annually over the last few years. As the largest city in Alaska, Anchorage is home to approximately 42% of the state's residents.

As of June 30, 2007, the Anchorage School District had 48,707 students enrolled for the 2006-2007 academic year, a slight decrease from prior year. Anchorage is also home to the University of Alaska Anchorage (UAA), a state operated university, and Alaska Pacific University (APU), a private independent university. They have combined enrollments in excess of 20,000 students.

Employment growth in Anchorage has increased for the past eighteen years up through 2006; however, during 2007, employment decreased slightly by 0.2%. The average unemployment rate in 2007 of 5.1% decreased slightly from the 2006 rate, but was slightly higher than the national average of 4.6%.

Anchorage has several major sectors which drive the local economy, including oil/gas, construction, transportation, and tourism. These sectors, along with the supporting businesses which have developed around these core sectors, have provided nineteen years of consecutive economic growth, although there are signs of economic slowing. Statewide, mining and mineral production has soared to all time highs, exceeding \$1 billion. Although most of the mining employment is outside of the Anchorage area, the overall statewide economic growth indirectly

benefits Anchorage as one of the largest retail centers in the state, which continues to grow with the addition of a the 240,000-square-foot Glenn Square retail development and the 900,000-square-foot Tikahtnu Commons retail development.

In 2007, the oil/gas sector continued to experience record high prices, which has benefited the economy in many ways, including employment. This is reflected in the record number of workers on the North Slope during 2007, and the outlook for 2008 calls for an increase of 800 jobs in the Anchorage area. As a result of the Alaska Gasline Inducement Act (AGIA) that was signed into law in June of 2007, the State and TransCanada are in talks regarding the development of a natural gas pipeline; BP and ConocoPhillips are also pursuing a separate plan to develop a pipeline. A long and complex process is anticipated before an actual pipeline project is begun. In addition, various oil/gas companies are contributing to the local economy by rebuilding existing pipeline, exploration and development.

Anchorage has a large military presence with the location of three main operating posts: Elmendorf Air Force Base, Fort Richardson Army Post, and Kulis Air National Guard base. Although the Kulis Air National Guard base is slated for closure, the command and air assets will be transferred to Elmendorf Air Force Base. Approximately 8,500 military personnel are employed by these three military posts and, along with their family members, aid the local economy by supporting local businesses. The return in late 2007 of 3,500 soldiers of the 4<sup>th</sup> Brigade Combat Team (Airborne), 25<sup>th</sup> Infantry Division from Fort Richardson has also had a positive impact on the economy

The transportation sector consists of air cargo activity at the Ted Stevens Anchorage International Airport; in-state freight and passenger transportation by the State of Alaska owned Alaska Railroad; and maritime transportation through the municipal-owned Port of Anchorage. The Ted Stevens Anchorage International Airport continues to be one of the busiest cargo airports in the world, ranked third in tonnage volume in 2007, with transit cargo volume increasing slightly by 0.6% from the previous year. Additional cargo expansion is planned by national carriers. The Alaska Railroad had continued to have another year of growth, reporting \$16.3 million in net income and an increase in assets of \$120 million, bringing its total assets to \$835 million. The Port of Anchorage is ice free year round and is served by two major maritime carriers, Totem Ocean Trailer Express and Horizon Lines. With approximately 90% of all consumer goods arriving in Alaska through the port facilities, servicing 80% of the population of Alaska, the Port of Anchorage has begun construction of a \$700 million expansion project involving road/rail extensions and marine terminal redevelopment. Improving cargo flow through expanded dock capacity, accommodating larger ships with deeper drafts, supporting new military rapid deployment requirements, and upgrading cruise ship facilities are the major objectives of this expansion project.

The tourism sector is a major economic driver for Anchorage which offers a central location,

available transportation infrastructure, and abundant recreational opportunities. In addition to the Anchorage region's sport fishing and tourism destinations, visitors often use Anchorage as the gateway to other Alaska destinations. Tourism continued to experience growth during 2007 with hotel tax revenues exceeding \$20 million. The local tourist board has already booked numerous future national conventions at the Center, scheduled to open in the fall of 2008. The 200,000 square foot Center will significantly increase the size and number of conventions that can be held locally. The completion of two new hotels will add an additional 335 rooms bringing the Municipality's total room count to approximately 8,000 rooms.

### **Long-term Financial Planning**

Anchorage continues to maintain outstanding credit ratings on all outstanding debt. Current long-term Municipality general obligation bond ratings are AA by Standard and Poor's and AA by Fitch Ratings. Anchorage has no legal debt limit mandated by its Charter, Code or State law. The Anchorage Water Utility bond ratings are AA- by Standard and Poor's and AA- by Fitch Ratings. The Anchorage Wastewater Utility bond ratings are A+ by Standard and Poor's and AA- by Fitch Ratings. The Anchorage Municipal Light & Power Senior Lien and Junior Lien Electric revenue bond ratings are A+ by Standard and Poor's and A+ by Fitch Ratings. These ratings were unchanged in 2007. The Port of Anchorage was assigned the rating of A by Standard & Poor's in March 2008. Revenue bond covenants stipulating debt service coverage requirements were met in 2007.

Anchorage's percentage of net general obligation debt to assessed valuation and bonded debt per capita are useful indicators to citizens and investors of Anchorage's debt position. The percentage of net direct general obligation debt, exclusive of school debt, to assessed valuation was 1.51% as of December 31, 2007, and the net direct general obligation debt per capita was \$1,557. The respective amounts as of December 31, 2006 were 1.59% and \$1,456. When school debt is included net direct general obligation debt to assessed value is 3.21% (3.41% in 2006) and the net direct general obligation debt per capita is \$3,308 (\$3,117 in 2006).

### **Awards and Acknowledgements**

The Municipality and its employees are committed to the goal of making Anchorage a better place to live, work, and raise families.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Anchorage for its CAFR for the fiscal year ended December 31, 2006. This was the twentieth consecutive year that Anchorage has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must

A Certificate of Achievement is valid for a period of one year only. It is believed that our current report continues to conform to the Certificate of Achievement program requirements. The report will be submitted to GFOA to determine its eligibility for another certification.

The preparation of the CAFR was made possible by the dedicated efforts of the entire Controller Division staff. We express sincere appreciation to every member of the staff for their contribution to this report whether it was in processing daily transactions or in report preparation. We also express our appreciation to all other individuals who assisted in this effort.

Respectfully submitted:



Sharon Weddleton, CPA  
CFO



Teresa L. Peterson, CPA  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Municipality of Anchorage  
Alaska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

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



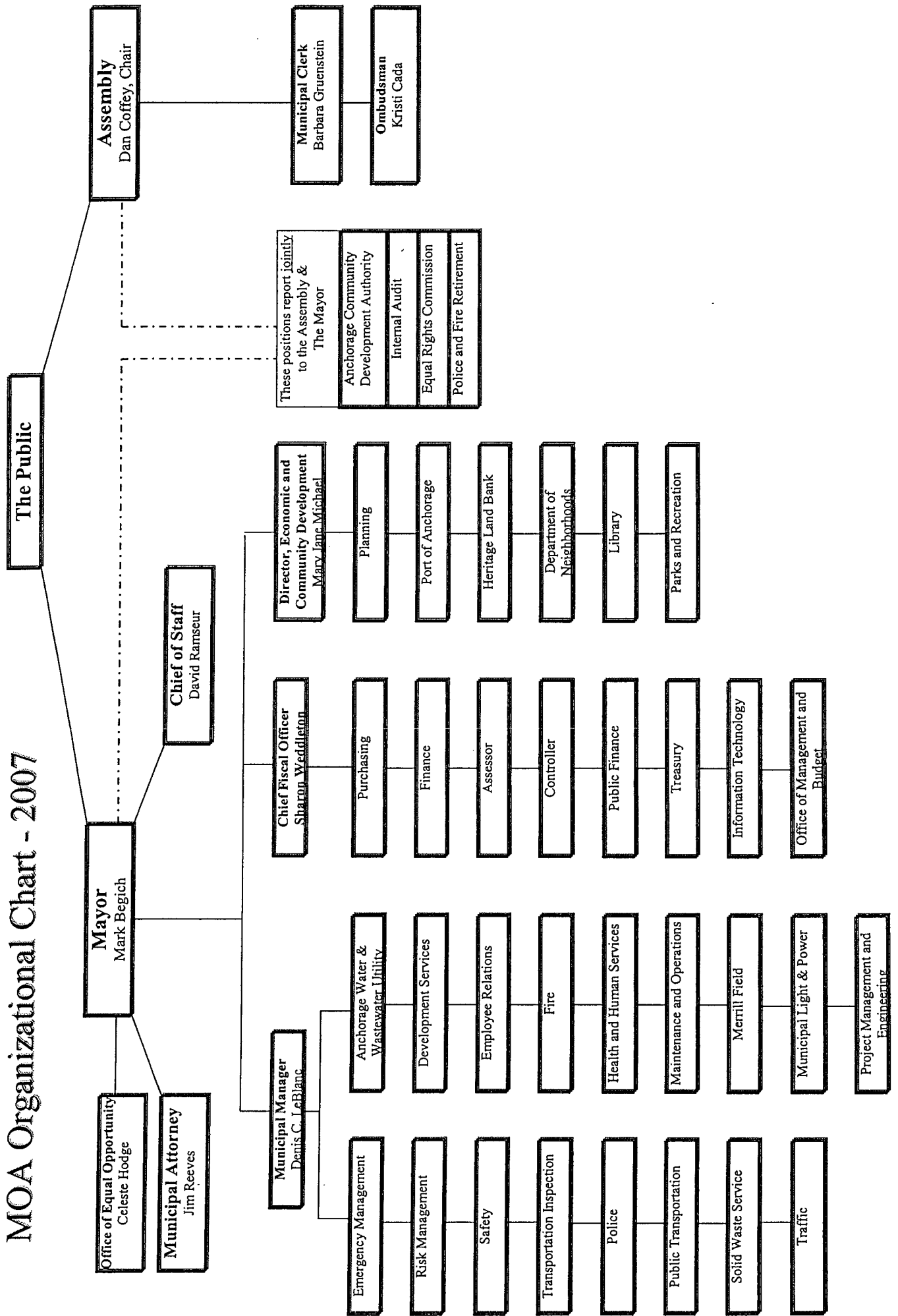
*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# MOA Organizational Chart - 2007



# MUNICIPALITY OF ANCHORAGE

2007

## PRINCIPAL OFFICIALS

### ASSEMBLY

The legislative power of Anchorage is vested in an eleven member elected assembly. The Assembly, by Charter, is required to meet twice each month. The body meets on Tuesdays in the Assembly Chambers at 3600 Denali Street (Z.J. Loussac Library). Numerous special meetings and work sessions are scheduled throughout the year. At December 31, 2007, the following citizens were elected to serve on the Assembly.

Dan Coffey, Chair

Paul Bauer	Chris Birch
Matt Claman	Jennifer Johnston
Debbie Ossiander, Vice Chair	Sheila Selkregg
Bill Starr	Dan Sullivan
Allan Tesche	Dick Traini

Barbara Gruenstein, Municipal Clerk

### ADMINISTRATION

Mark Begich, Mayor

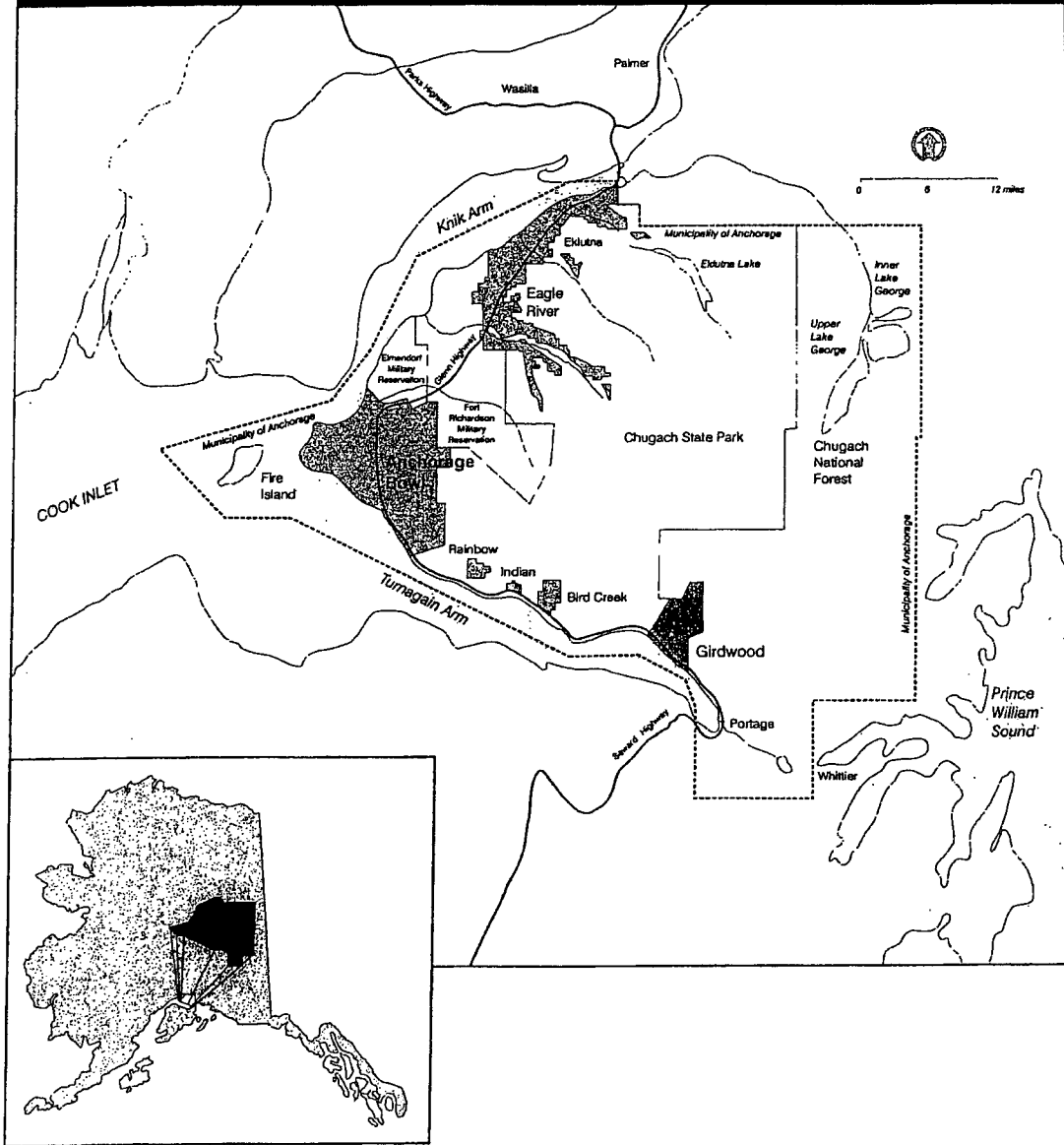
Denis C. LeBlanc, Municipal Manager

Jim Reeves, Municipal Attorney

Sharon Weddleton, CFO

Mary Jane Michael, Director Economic & Community Development

# Municipality of Anchorage Vicinity Map





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Financial Section



**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, 2007, 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 97.3%, 93.2%, and 97.4%, 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., which represents 2.6%, 6.6%, and 2.1%, of the assets, net assets and revenues, respectively of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Anchorage School District and Anchorage Community Development Authority, Inc. is based on the report of the other auditors. The prior year summarized comparative information has been derived from the Municipality of Anchorage's 2006 financial statements and in our report, dated June 21, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2008 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 accounting principles generally accepted in the United States of America. 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 and individual nonmajor fund financial statements and nonmajor fund budgetary comparison schedules, 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, 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

July 28, 2008

## **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, 2007. 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 2007 with reported net assets of \$3,247,206.
- Anchorage had three component unit status changes for 2007. As a result of these status changes financial reporting changes were made and Anchorage's total net assets for 2007 were decreased by \$36,326. The Anchorage Community Development Authority (Authority or ACDA) and the Alaska Center for the Performing Arts (ACPA) were reclassified for financial statement reporting purposes from blended to discretely presented component units. This reclassification resulted in an overall decrease of \$35,186 and \$1,282 respectively, to the total net assets for 2007. Also the Cooperative Services Authority was reclassified from discretely presented to a blended component unit. This status change resulted in an overall increase to net assets of \$142.
- Anchorage's total net assets increased by \$1,167 or approximately .04% for 2007. The increase reflects a change in net assets of governmental activities of \$4,515 and a change in business-type activities of \$32,978 totaling \$37,493 less the net asset impact of the component unit reclassification of \$36, 326.
- During the year, the business-type activities generated \$235,525 in revenues, which were offset by expenses and transfers of \$202,546.
- As of December 31, 2007, Anchorage's governmental funds reported a combined ending fund balance of \$362,761, a decrease of \$47,305. Of the fund balance, \$255,743 is reserved. The remaining \$107,018 is unreserved, although \$28,613 is designated for bond rating/emergency operations.
- 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 \$28,613. As of December 31, 2007 and 2006, general fund unreserved fund balance was 8.0% and 13.2% of general fund revenues, respectively.

As of December 31, 2007, four of the five major general fund subgroups' fund

balances were lower than required by the policy and were adjusted back into compliance through the 2008 budgetary process.

## **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 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, and Cooperative Services Authority, a blended component unit.

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 (ASD), Anchorage Community Development Authority (Authority or ACDA), and the Alaska Center for the Performing Arts (ACPA). Financial information for discrete component units is reported separately from the financial information presented for the primary government itself. CIVICVentures and Cooperative Services Authority, although legally separate, function for all practical purposes as an integral part of the primary government and therefore have been included 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 funds 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-three 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. The Assembly approves operating budgets and appropriations of direct costs at the department level, and revenues, direct costs and indirect costs at the fund level. In addition to the budgetary comparison schedule by function, two budgetary comparison schedules at the department level and at the fund level for the general fund have been added 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, and Cooperative Services Authority. Cooperative Services Authority was presented as a discretely presented component unit in 2006 but has been reclassified as a blended component unit in 2007. ACDA and ACPA, which were included as blended component units in 2006, were reclassified as discretely presented component units in 2007 and are now presented on the government wide financial statements.

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 one blended component unit 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 schedules.

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 \$3,247,206 and \$3,246,039 at the fiscal years ended December 31, 2007 and 2006 respectively (reference Table A-1).

The net assets for governmental activities were \$2,705,620 and \$2,701,105, with \$99,836 and \$77,746 classified as unrestricted deficits in 2007 and 2006, 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 \$255,917 and \$241,714 in 2007 and 2006, 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 555,080	\$ 588,169	\$ 325,773	\$ 241,577	\$ 880,853	\$ 829,746
Capital assets	3,068,479	2,989,965	1,232,342	1,217,535	4,300,821	4,207,500
Total assets	<u>3,623,559</u>	<u>3,578,134</u>	<u>1,558,115</u>	<u>1,459,112</u>	<u>5,181,674</u>	<u>5,037,246</u>
Long term liabilities	810,854	778,609	521,417	413,979	1,332,271	1,192,588
Other liabilities	107,085	98,420	495,112	500,199	602,197	598,619
Total liabilities	<u>917,939</u>	<u>877,029</u>	<u>1,016,529</u>	<u>914,178</u>	<u>1,934,468</u>	<u>1,791,207</u>
Net assets (deficit):						
Invested in capital assets, net of related debt	2,549,539	2,537,137	385,321	388,614	2,934,860	2,925,751
Restricted	255,917	241,714	97,395	105,728	353,312	347,442
Unrestricted	<u>(99,836)</u>	<u>(77,746)</u>	<u>58,870</u>	<u>50,592</u>	<u>(40,966)</u>	<u>(27,154)</u>
Total net assets	<u>\$ 2,705,620</u>	<u>\$ 2,701,105</u>	<u>\$ 541,586</u>	<u>\$ 544,934</u>	<u>\$ 3,247,206</u>	<u>\$ 3,246,039</u>

The 2006 amounts for the Business-type activities have not been reclassified to reflect the changes in status of the blended and discretely presented component units.

Current and other assets include \$235,366 and \$231,299 of unrestricted cash and investments held for governmental activities at December 31, 2007 and 2006, respectively. Governmental activities' long term liabilities increased by \$32,245 or approximately 4%. The increase in long term liabilities was primarily the result of general obligation bonds issued in the amount of \$86,875, offset by the debt service payments and bond refundings of \$56,474. General obligation bonds represent 54% of the total long-term debt for governmental activities (including CIVICVentures). Revenue bonds (including CIVICVentures) represent 20% of the debt outstanding for governmental activities.

For business-type activities, unrestricted net assets of \$58,870 (11% of total net assets) and \$50,593 (9% of total net assets), may be used to meet the ongoing needs of these organizations at December 31, 2007 and 2006, respectively. This represents an increase of \$8,278 (16%). The increase reflects a current year increase in unrestricted net assets of \$16,037 less the unrestricted net asset impact of the component unit reclassification of \$7,759. The most significant portion of net assets for the business-type activities, \$385,321 (71%) and \$388,614 (71%) as of December 31, 2007 and 2006 respectively, are invested in capital assets which are used to provide customers with services. Net assets invested in capital assets, net of related debt, decreased \$3,293 or approximately 0.8% in 2007. The decrease reflects a current year increase in net assets invested in capital assets, net of related debt of \$24,670 less the net assets invested in capital assets, net of related debt impact of the component unit reclassification of \$27,963. Net assets of business-type activities subject to external restrictions were \$97,395 (18%) and \$105,728 (19%) in 2007 and 2006, respectively. External restrictions were related to debt service and construction acquisition requirements.

## **Governmental Activities**

During 2007, Anchorage's net assets increased \$4,515 for governmental activities (reference Table A-2). Highlights of governmental activities' net asset changes are as follows:

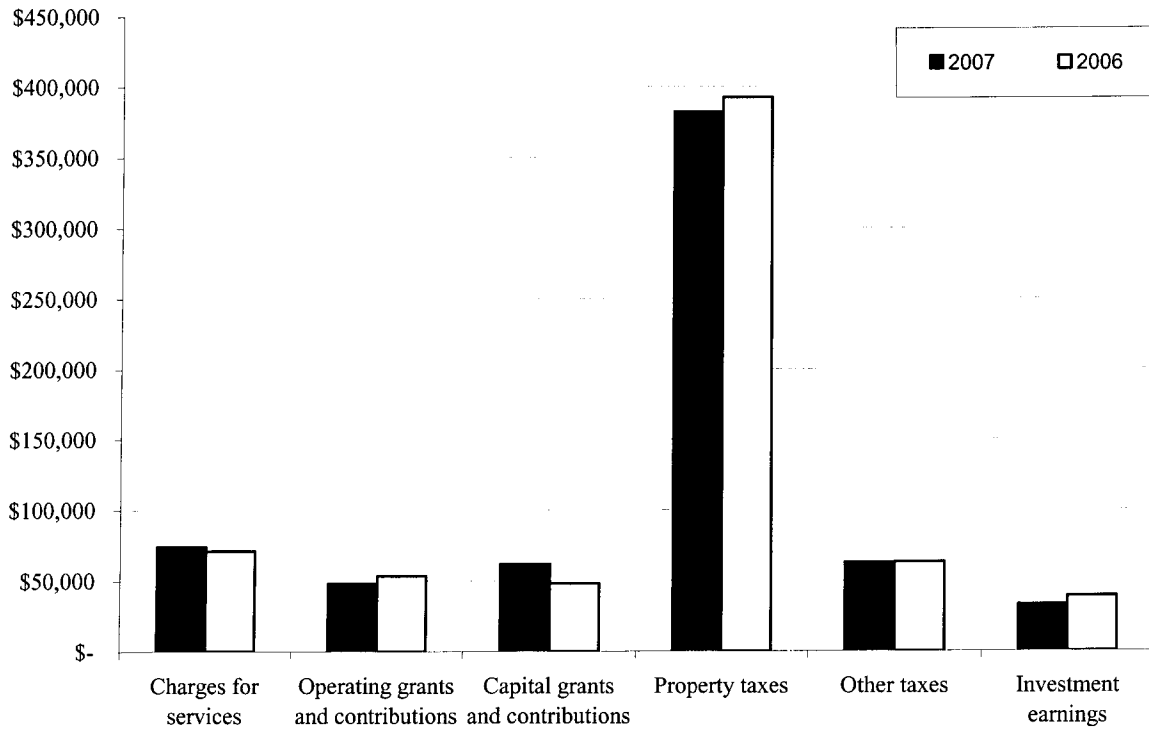
- Operating grants and contributions slightly decreased overall by \$5,403. However, included in operating grants and contributions was funding for "energy assistance" in general government (\$13,536), which was used for property tax relief, as well as PERS retirement relief (\$3,176).
- Capital grants were \$13,570 higher in 2007 than in 2006, a 28% 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.
- Implemented the use of external money managers for the investment of unrestricted cash pool monies, in addition to continuing the services of internal managers. Investment earnings decreased by \$6,063 in 2007 from \$39,162 in 2006 to \$33,099 due to a lower level of invested funds and a lower interest rate environment.
- Net pension and other postemployment benefits obligations increased by \$4,355, due to the effect of Anchorage payments into the State of Alaska Public Employees' Retirement System being less than the actuarially-determined contribution amounts.
- Expenses of Police and Fire services increased by \$69,908 from 2006. However, in 2006, Police and Fire expenses were significantly reduced due in part to a reduction in the long-term postemployment medical benefits liability in the amount of \$54,115 based on a funding analysis completed in 2006. The expenses for Police and Fire services for 2007 were \$162,018.

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

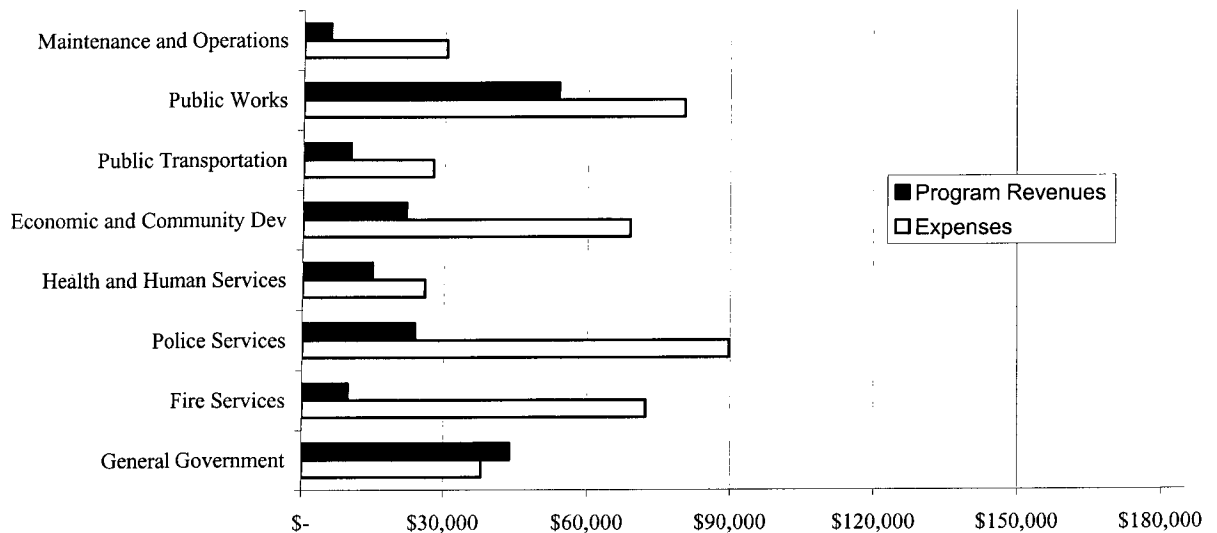
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 73,976	\$ 70,933	\$ 215,858	\$ 228,127	\$ 289,834	\$ 299,060
Operating grants & contributions	48,067	53,470	1,600	975	49,667	54,445
Capital grants & contributions	61,845	48,275	5,667	7,555	67,512	55,830
<b>General revenues:</b>						
Property taxes	381,996	392,314	-	-	381,996	392,314
Other taxes	62,855	62,993	-	-	62,855	62,993
Investment earnings	33,099	39,162	12,399	9,222	45,498	48,384
<b>Total revenues</b>	<u>661,838</u>	<u>667,147</u>	<u>235,524</u>	<u>245,879</u>	<u>897,362</u>	<u>913,026</u>
<b>Expenses:</b>						
General government	37,913	44,414	-	-	37,913	44,414
Fire services	72,221	39,819	-	-	72,221	39,819
Police services	89,797	52,291	-	-	89,797	52,291
Health and human services	25,973	25,045	-	-	25,973	25,045
Economic and community dev.	70,058	62,091	-	-	70,058	62,091
Public transportation	27,580	24,040	-	-	27,580	24,040
Public works	80,368	92,686	-	-	80,368	92,686
Education	200,029	184,567	-	-	200,029	184,567
Maintenance and operations	30,326	32,036	-	-	30,326	32,036
Interest	29,613	29,723	-	-	29,613	29,723
Water	-	-	41,529	37,216	41,529	37,216
Wastewater	-	-	32,326	28,188	32,326	28,188
Electric	-	-	82,572	96,915	82,572	96,915
Port	-	-	10,793	10,076	10,793	10,076
Municipal airport	-	-	3,005	2,984	3,005	2,984
Solid waste	-	-	17,927	14,251	17,927	14,251
Refuse	-	-	6,584	6,304	6,584	6,304
Cooperative Services Authority	-	-	1,255	-	1,255	-
ACDA	-	-	-	6,533	-	6,533
ACPA	-	-	-	1,987	-	1,987
<b>Total expenses</b>	<u>663,878</u>	<u>586,712</u>	<u>195,991</u>	<u>204,454</u>	<u>859,869</u>	<u>791,166</u>
Change in net assets prior to special items and transfers	(2,040)	80,435	39,533	41,425	37,493	121,860
Transfers	6,555	6,824	(6,555)	(6,824)	-	-
Change in net assets	4,515	87,259	32,978	34,601	37,493	121,860
Net assets, beginning of year	2,701,105	2,613,846	508,608	510,333	3,209,713	3,124,179
<b>Net assets, end of year</b>	<u>\$ 2,705,620</u>	<u>\$ 2,701,105</u>	<u>\$ 541,586</u>	<u>\$ 544,934</u>	<u>\$ 3,247,206</u>	<u>\$ 3,246,039</u>

The 2006 amounts for business-type activities have not been restated to reflect the changes in status of blended and discretely presented component units. The beginning of year net assets amount for the business-type activities has been restated to reflect the decrease due to the changes in the status of blended and discretely presented component units.

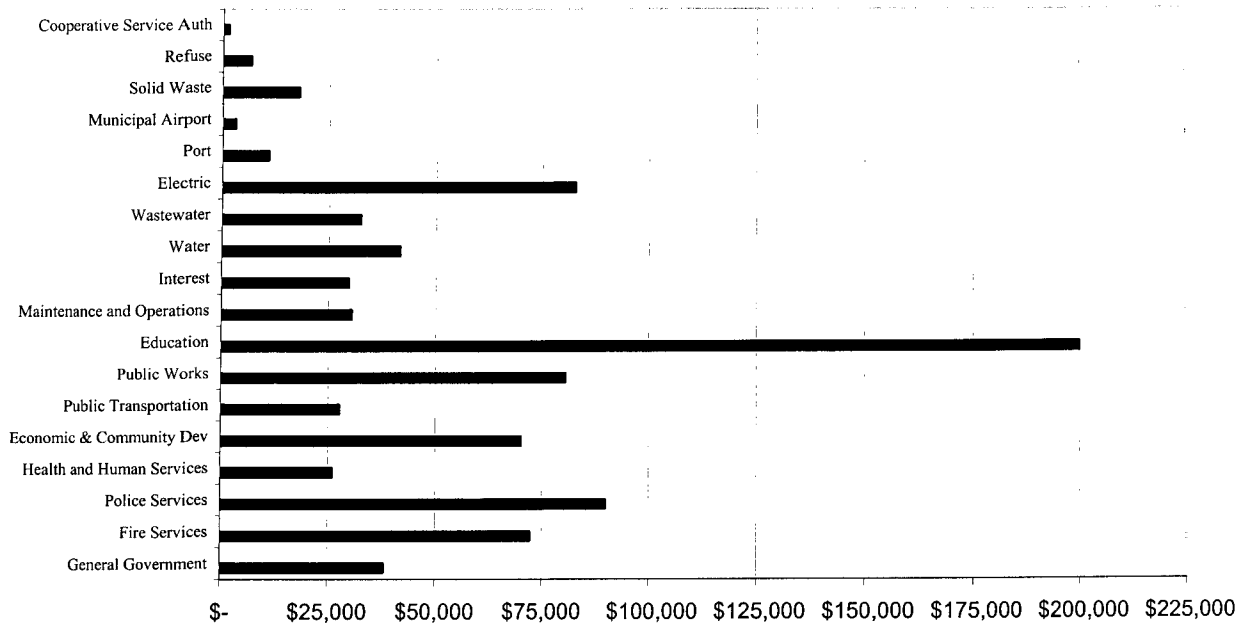
**Figure A-1  
Governmental Activities Revenues by Type**



**Figure A-2  
2007 Program Revenue vs Expense by Governmental Activities**



**Figure A-3  
2007 Expense by Functional Activity**



**Business-type Activities**

Business-type activities increased Anchorage’s net assets by \$32,978 in 2007. Key elements of the change in net assets are as follows:

- Electric net income was \$18,034.
- Net income for Water and Wastewater was \$3,019 and \$3,483, respectively.
- Investment earnings for all business-type activities increased by 34% to \$12,399.

**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, 2007, Anchorage’s governmental funds reported a combined ending fund balance of \$362,761, a decrease of \$47,305 in comparison to the prior year. Of the total fund balance, \$255,743 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 (\$49,488), to meet debt service requirements (\$57,375), to generate income for perpetual care of the municipal cemetery (\$346), to recognize prepaid items, deposits and inventory (\$2,298), to satisfy long-term loan principal payments (\$5,342), or is otherwise reserved in the MOA Trust Fund (\$140,894).

Approximately 30% of total fund balance (\$107,018) is classified as unreserved fund balance. Of the unreserved fund balance, approximately 62% is reported in Special Revenue Funds (\$11,680) and Capital Projects Funds (\$54,195) to be used for grant specified projects and capital construction. The remaining unreserved fund balance of approximately 38% (\$41,143) is reported in the General Fund. Of that amount \$28,613 is designated for bond rating and operating emergencies under Anchorage's Fund Balance Designation Policy.

The General Fund is the primary operational fund for Anchorage. At December 31, 2007 and 2006, respectively, the unreserved fund balance was \$41,143 and \$69,588 while total fund balance was reported at \$42,353 and \$71,762 for 2007 and 2006, respectively. 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, 2007, unreserved fund balance represents 7.5% of total General Fund expenditures and total fund balance represents 7.7% of the same amount. Unreserved fund balance was 13.7% of total General Fund expenditures and total fund balance was 14.1% of the same amount at December 31, 2006.

Investment revenue in the MOA Trust Fund decreased \$6,081 or 38% from the prior year. This decrease in market return was attributable to a decline in the domestic equity market.

The decline in tax revenue and increased capital outlay in 2007 significantly contributed to the overall decrease in fund balance for the General Fund and the MOA Trust. Other nonmajor governmental funds (in aggregate) also reported an overall decrease in fund balance (\$20,374) which was also affected by increased in spending for capital projects.

### **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 \$14,385 or 4% in 2007, while increasing by \$38,351, or 13% in 2006.
- The Electric Utility's net assets increased by \$17,421 or 9% in 2007 compared to an increase of \$17,877 or 10% in 2006.
- In 2006 the Regulatory Commission of Alaska (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 to be used for future gas purchases. The deferred credit consisted of the 2005 settlement of \$22,950 (final adjusted settlement) plus interest of \$854. The Order also agreed with the Electric Utility's proposal to "loan" the electric fund the gas underlift proceeds to construct a new generating unit with the condition that as the funds are returned, the loan amount plus interest will be restricted for future gas purchases. As of December 31, 2007 the deferred credit account has a balance of \$24,954.

- In 2007, the Electric Utility paid a dividend and gross receipts tax of \$7,427 to the Municipality based on 2006 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 (\$5,969) and payment of a gross receipts tax considered supplemental Municipal Utility Service Assessment (MUSA) at 1.25% times actual gross operating revenues (\$1,437). In addition to these MUSA payments, the Electric Utility paid MUSA on its net plant in service (\$2,234).
- In 2006, the Electric Utility loaned the Municipality's Real Estate Services fund \$3,688 to acquire 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. The balance of the loan, including principal and interest, as of December 31, 2007 was \$3,923.
- The Water Utility's plant increased by \$18,784 or 4.6% in 2007 compared with a \$17,029 or 4.3% increase in 2006.
- The Water Utility's net assets increased by \$4,883 or 7.2% during 2007. Operating revenues increased \$3,813 due to customer growth and an approved interim rate increase of 7% effective January 1, 2007.
- The Water Utility's operating expenses increased \$3,198 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.
- The Wastewater Utility's plant increased by \$11,876 or 4.2% in 2007 compared with a \$3,698 or 1.3% increase in 2006.
- The Wastewater Utility's net assets increased \$4,335 or 8.8% during 2007. Operating revenues increased \$3,610 due to customer growth and an approved rate increase of 10.6% in June 2006.
- The Wastewater Utility's operating expenses increased by \$3,306 in part due to increased labor cost, including retirement benefits.



## **General Fund Budgetary Highlights**

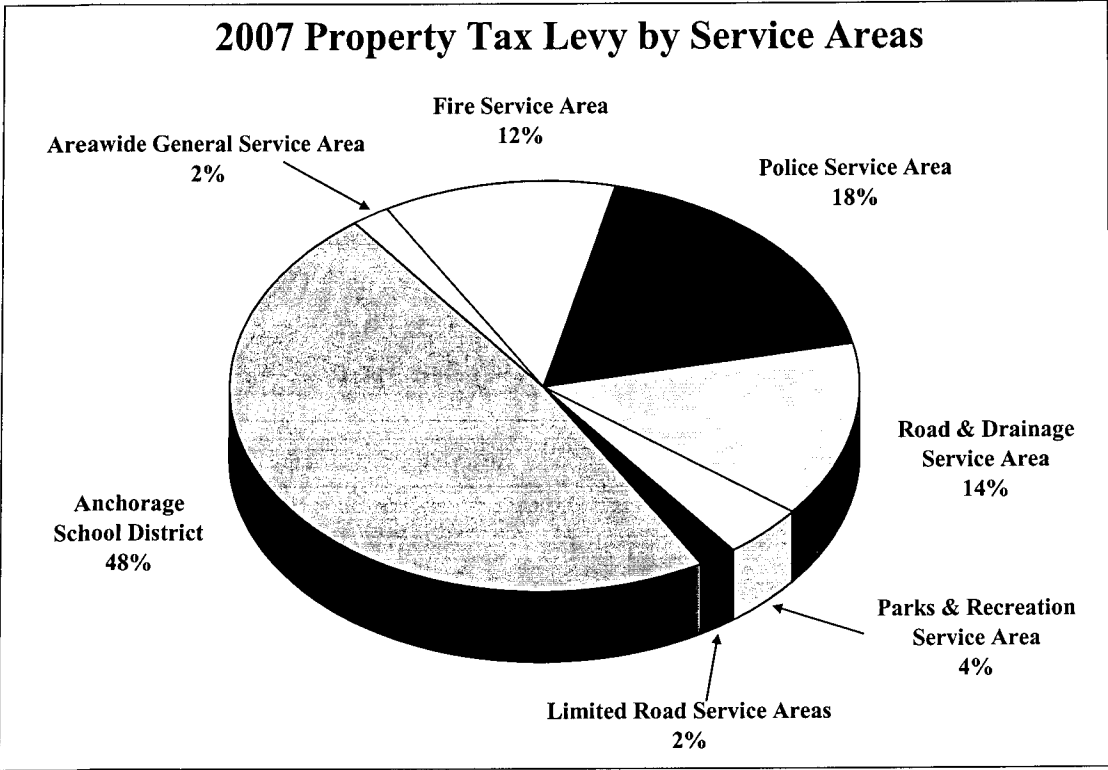
The 2007 approved budget (adopted in late 2006) includes projected funding sources.

After the end of the first quarter in each fiscal year, the rate of tax levy is established and taxes are levied for general purposes, which includes all service areas of Anchorage and 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 consistent 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.

Throughout the year supplemental appropriations are requested for unanticipated, high priority needs. The following were major revisions to the approved budget during 2007:

- \$198,981 contribution to ASD for property taxes collected on its behalf by general government.
- \$6,067 to general government and enterprise agencies for State-funded contributions to the Public Employees' Retirement System.
- \$3,633 debt service associated with Tax Anticipation Notes.
- \$791 additional room tax revenues to Convention Center Operating Reserve Fund and to the Office of Economic and Community Development for payments to Anchorage Convention & Visitors Bureau and the use agreement with CIVICVentures.
- \$619 to Project Management and Engineering Department for Hillside District Plan.
- \$97 to Finance Department for wage garnishment program.
- \$81 to Anchorage Fire Department for ambulance repair and wildfire deployment.
- \$67 to Office of Economic and Community Development for branch libraries.
- \$1,014 to Heritage Land Bank Capital Fund for land purchase and capital projects.
- \$408 to Anchorage Fire Department for Chugiak Volunteer Fire Department emergency apparatus.
- \$284 to various service areas for road maintenance and miscellaneous operational needs.

In 2007 the original tax requirement was \$218,734; however \$37,128 was dedicated to tax relief, reducing the actual levy to \$181,606.



**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2007 and 2006, Anchorage had invested \$4,301,821 and \$4,207,500 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)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$ 1,216,469	\$ 1,216,177	\$ 51,120	\$ 57,975	\$ 1,267,589	\$ 1,274,152
Buildings and improvements	166,457	174,290	220,192	446,350	386,649	620,640
Art	16,007	15,351	-	-	16,007	15,351
Equipment	50,134	49,642	-	-	50,134	49,642
Distribution and collection systems	-	-	899,625	600,908	899,625	600,908
Infrastructure	1,484,811	1,475,803	-	-	1,484,811	1,475,803
Construction in progress	134,601	58,702	61,405	112,302	196,006	171,004
	<u>\$ 3,068,479</u>	<u>\$ 2,989,965</u>	<u>\$ 1,232,342</u>	<u>\$ 1,217,535</u>	<u>\$ 4,300,821</u>	<u>\$ 4,207,500</u>

The 2006 amounts for the Business-type activities have not been restated to reflect the changes in status of the blended and discretely presented component units.

In 2007, total governmental activities asset additions were \$119,402, with the majority of the additions in construction work in progress and equipment. Anchorage also purchased and traded land for various projects in 2007.

Significant additions to governmental activities capital assets during 2007 were \$7,044 of building and improvement additions, \$16,375 of equipment, and \$13,389 of infrastructure additions.

Business-type activities capital assets increased during 2007 primarily due to distribution and collection system additions of \$116,736.

### **Long-term Debt**

At December 31, 2007 Anchorage had \$1,105,629 in debt outstanding, an increase of 13.3% from 2006 debt outstanding of \$976,080 (reference Table A-4). More detailed information about Anchorage's long-term debt liabilities is presented in Note 9, 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	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 441,657	\$ 411,256	\$ 1,402	\$ 1,798	\$ 443,059	\$ 413,054
Revenue Bonds	48,255	50,805	396,391	307,768	444,646	358,573
CIVICVentures Revenue Bonds	110,920	110,920	-	-	110,920	110,920
Special Assessment Debt with Governmental Commitment	335	600	40	110	375	710
Capital leases	1,559	2,015	-	-	1,559	2,015
Long-term Contracts	5,060	5,160	98,010	83,648	103,070	88,808
HUD loans	2,000	2,000	-	-	2,000	2,000
<b>Total</b>	<b>\$ 609,786</b>	<b>\$ 582,756</b>	<b>\$ 495,843</b>	<b>\$ 393,324</b>	<b>\$ 1,105,629</b>	<b>\$ 976,080</b>

New debt in governmental activities resulted from the issuance of general obligation bonds in the amount of \$86,875. However, included in this amount is a bond refunding of \$32,245, which resulted in debt defeased of \$31,902 and an economic gain of \$852.

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 2007 actual road infrastructure maintenance and preservation expense was 0.1% more 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**

Municipal population rose 0.2% from July 1, 2006 to July 1, 2007; and preliminary unemployment data stands at 5.7%, which is above the national average of 4.8%.

The 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 of voter-approved projects, and judgments. In 2008, the property tax levy represents 52% of the General Government Operating Budget (GGOB) revenue. However, an areawide tax credit in the amount of \$15,636,117 brings the total property tax support down to 50%. Local taxes and program revenues account for the majority of the remaining revenues (35%) with intragovernmental charges outside of general government (6%) and Federal and State revenues (7%) forming the balance.

The 2008 GGOB as revised at first quarter is \$32.0 million more than the revised budget approved at first quarter for 2007. This includes a \$6.8 million decrease in debt service for voter-approved bonds. Twenty new police positions were funded in the 2008 operating budget. Property taxes supporting the 2008 budget increased from \$181.6 million in 2007 to \$217.7 million in 2008 primarily due to a reduction of property tax relief appropriations from the State. This resulted in an increase in property tax support for General Government from 45% in 2007 to 50% in 2008.

The 2008 Municipal Utilities' operating budgets total \$225,973 and Utilities' capital budgets total \$194,539.

The Municipality adopted a change in the formula used to calculate 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. The change in the formula has been legally challenged as discussed in more detail below:

#### **Prior Rate Cases**

**2004/2005 Rate Cases:** The Water and Wastewater Utilities filed two-stage rate increases with the RCA on January 9, 2004, requesting permanent rate increases. The Water Utility requested increases of 14.20% and 7.17% for 2004 and 2005, respectively. The RCA approved interim refundable rates of 13.61% and 7.76%, effective February 24, 2004 and February 18, 2005, respectively. The Wastewater Utility requested increases of 8.06% and 6.83% for 2004 and 2005, respectively. The RCA approved these interim refundable 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 section of the Attorney General (AG), the only intervener in the rate case, and the Utilities settling all issues except MUSA on contributed plant. 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) and 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. On June 25, 2007 the State Superior Court upheld the RCA order that disallowed MUSA on contributed plant from rates. The Utilities appealed this decision to the State Supreme Court and were granted an additional extension on the stay on the payment of refunds associated with the MUSA decision until the Supreme Court has ruled on the issue. No decision from the Supreme Court is expected earlier than the first quarter of 2009. Revenue collected subject to refunds approximated \$11,800 and \$7,200 through December 31, 2007 for the Water and Wastewater Utilities respectively. The Utilities believe the chance of ultimately being required to refund the revenue collected is possible, but not probable, and therefore have not recorded a liability for a refund payable.

**2006 Rate Cases:** The Water Utility filed a rate case with the RCA on April 14, 2006, requesting 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. A public hearing was held on January 16 through 18, 2007. On July 16, 2007 the RCA issued Order U-06-45(7), establishing a final revenue requirement that was approximately \$900 lower than the interim rates had been based on. Total refunds due were \$500 because interim rates had been in effect for only the final seven months of 2006. Pursuant to Order 7, the Utility filed a refund plan on August 27, 2007 and filed supplemental exhibits to its refund plan on February 18, 2008. On March 25, 2008 the RCA approved the refund plan as filed and required the Utility to implement its refund plan by June 20, 2008.

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. On June 29, 2006 the Utility filed a Cost of Service Study (COSS) based on the 2004 test year RRS as ordered by the RCA. On October 2, 2006, the AG 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. On October 19, 2007 the AG and the Utility jointly filed a settlement agreement resolving all remaining issues in the COSS. On January 18, 2008 the RCA rejected the settlement agreement. The Utility filed a petition for reconsideration and an offer of proof, and a public hearing was held to provide new details to allow reconsideration of the rejection of the settlement agreement. The RCA rejected the petition for reconsideration and offer of proof but subsequently issued an order allowing into evidence the information presented in the petition for reconsideration, yet affirming the rejection of the petition. A public hearing in the form of a workshop was held to obtain additional information from the parties. On April 25, 2008 the RCA issued a final order accepting the COSS with required adjustments. The adjustments required by the RCA reduced the cost of service to the septage hauler class by approximately \$300 and allocated it to all other customer classes. This COSS and rate

design will have no overall impact on the annual revenues of the Utility, only individual rates paid by each customer class.

**2007 Rate Cases:** The Water and Wastewater Utilities filed simultaneous rate cases with the RCA on November 1, 2006 requesting a permanent rate increase of 14.5% and 13.0% respectively effective January 1, 2007. At the same time, the Water Utility requested a 7.0% interim rate increase and the Wastewater Utility requested a 9.5% interim rate increase, both effective January 1, 2007. On December 18, 2006 the RCA consolidated the Water and Wastewater rate cases into one docket, suspended the filings, and granted both Utilities the requested interim and refundable rates effective January 1, 2007. The Utilities and the AG jointly filed a settlement agreement on October 19, 2007 settling all disputed issues in both of the rate cases with the exception of the outstanding MUSA on contributed plant issue. The settlement agreement included a stipulated rate level that allowed the 7.0% and 9.5% interim increases to remain in permanent rates. The RCA accepted the settlement agreement as filed on November 19, 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 Controller Division, 632 W. 6<sup>th</sup> Avenue, P.O. Box 196650, Anchorage, AK 99519-6650.

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# Basic Financial Statements

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MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

December 31, 2007

(With summarized financial information at December 31, 2006)

Assets	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Anchorage School District	Anchorage Community Development Authority	Alaska Center for the Performing Arts
<b>Current assets:</b>						
Cash	\$ 31,603	\$ 330,069	\$ 361,672	\$ —	\$ 3,004,900	\$ 1,272,498
Cash in central treasury	198,823,112	73,105,394	271,928,506	—	—	—
Investments	36,511,623	—	36,511,623	161,002,787	—	—
Interest receivable	—	807,798	807,798	812,557	759,516	12,604
Receivables (net of allowance for uncollectibles)	24,491,257	23,310,758	47,802,015	22,808,389	—	—
Due from primary government	—	—	—	104,074,207	—	—
Due from component unit	173,161	—	173,161	—	—	—
Inventories	1,406,547	18,982,319	20,388,866	3,827,354	—	—
Prepaid items and deposits	1,725,342	136,917	1,862,259	3,281,208	26,675	32,802
Deferred charges	—	187,160	187,160	7,048,973	—	—
Restricted assets:						
Investments	196,747,331	—	196,747,331	—	—	—
Customer deposits	—	1,093,868	1,093,868	—	—	—
Restricted deposits	—	18,593,058	18,593,058	—	16,796	600,690
Bond acquisition and construction	—	45,562,272	45,562,272	—	—	—
Bond operation and maintenance	—	89,202,738	89,202,738	—	—	—
Debt service accounts	—	4,542,531	4,542,531	—	—	—
Interest Receivable	1,036,636	—	1,036,636	—	—	—
Receivables	—	498,639	498,639	—	—	—
Intergovernmental receivables	28,406,465	—	28,406,465	—	—	—
<b>Total current assets</b>	<b>489,353,077</b>	<b>276,353,521</b>	<b>765,706,598</b>	<b>302,855,475</b>	<b>3,807,887</b>	<b>1,918,594</b>
<b>Noncurrent assets:</b>						
Deferred charges and other assets	4,833,668	9,179,871	14,013,539	—	3,579,131	—
Internal balances	4,916,198	(4,916,198)	—	—	—	—
Loans and leases receivable, net	55,976,833	14,102	55,990,935	—	2,975,000	—
Restricted assets:						
Customer deposits	—	825,818	825,818	—	—	—
Advances	—	17,039,618	17,039,618	—	—	—
Debt service accounts	—	—	—	—	—	—
Revenue bond reserve investments	—	27,275,837	27,275,837	—	—	—
Capital assets, not being depreciated	2,681,956,647	112,525,576	2,794,482,223	239,535,597	11,058,632	—
Capital assets, being depreciated, net	386,522,740	1,119,816,376	1,506,339,116	932,979,842	17,688,789	—
<b>Total noncurrent assets</b>	<b>3,134,206,086</b>	<b>1,281,761,000</b>	<b>4,415,967,086</b>	<b>1,172,515,439</b>	<b>35,301,552</b>	<b>—</b>
<b>Total assets</b>	<b>\$ 3,623,559,163</b>	<b>\$ 1,558,114,521</b>	<b>\$ 5,181,673,684</b>	<b>\$ 1,475,370,914</b>	<b>\$ 39,109,439</b>	<b>\$ 1,918,594</b>
<b>Liabilities and Net Assets</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 21,782,395	\$ 7,615,413	\$ 29,397,808	\$ 7,371,791	\$ 1,286,923	\$ 330,173
Accrued expenses	—	—	—	4,200,578	—	—
Accrued interest payable	6,602,679	4,120,049	10,722,728	10,302,052	—	—
Current portion of long-term obligations	47,765,736	31,938,400	79,704,136	63,841,919	—	—
Due to primary government	—	—	—	—	72,190	81,702
Due to component unit	68,786,620	—	68,786,620	—	—	—
Unearned revenue	8,854,885	100,399	8,955,284	103,603,110	153,278	449,533
Liabilities payable from restricted assets	—	9,102,145	9,102,145	—	—	80,675
<b>Total current liabilities</b>	<b>153,792,315</b>	<b>52,876,406</b>	<b>206,668,721</b>	<b>189,319,450</b>	<b>1,512,391</b>	<b>942,083</b>
<b>Noncurrent liabilities:</b>						
Liabilities payable from restricted assets	—	825,818	825,818	—	—	—
Deferred credits	1,058,515	473,347,810	474,406,325	—	—	—
Noncurrent portion of long-term obligations	763,088,456	489,478,623	1,252,567,079	769,736,303	1,028,978	—
<b>Total noncurrent liabilities</b>	<b>764,146,971</b>	<b>963,652,251</b>	<b>1,727,799,222</b>	<b>769,736,303</b>	<b>1,028,978</b>	<b>—</b>
<b>Total liabilities</b>	<b>917,939,286</b>	<b>1,016,528,657</b>	<b>1,934,467,943</b>	<b>959,055,753</b>	<b>2,541,369</b>	<b>942,083</b>
<b>Net assets (deficit):</b>						
Invested in capital assets, net of related debt	2,549,539,076	385,320,517	2,934,859,593	402,850,439	28,747,421	—
Restricted for:						
Debt service	51,206,650	31,555,694	82,762,344	5,141,963	—	—
Maintenance and operations	—	—	—	—	—	600,690
Acquisition and construction	43,399,626	65,839,471	109,239,097	—	—	—
Grant activity	18,540,428	—	18,540,428	—	—	—
Heritage Land Bank	1,530,258	—	1,530,258	—	—	—
Perpetual care:						
Nonexpendable	346,486	—	346,486	—	—	—
MOA Trust:						
Nonexpendable	134,193,845	—	134,193,845	—	—	—
Expendable	6,700,000	—	6,700,000	—	—	—
Unrestricted	(99,836,492)	58,870,182	(40,966,310)	108,322,759	7,820,649	375,821
<b>Net assets</b>	<b>2,705,619,877</b>	<b>541,585,864</b>	<b>3,247,205,741</b>	<b>516,315,161</b>	<b>36,568,070</b>	<b>976,511</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,623,559,163</b>	<b>\$ 1,558,114,521</b>	<b>\$ 5,181,673,684</b>	<b>\$ 1,475,370,914</b>	<b>\$ 39,109,439</b>	<b>\$ 1,918,594</b>

See accompanying notes to basic financial statements.

Total Reporting Entity

December 31, 2007	December 31, 2006
\$ 4,639,070	\$ 6,783,657
271,928,506	278,877,145
197,514,410	178,104,237
2,392,475	1,994,633
70,610,404	65,222,753
104,074,207	95,801,144
173,161	1,120,021
24,216,220	19,885,082
5,202,944	3,459,011
7,236,133	9,659,445
196,747,331	224,387,944
1,093,868	1,173,570
19,210,544	620,602
45,562,272	74,187,351
89,202,738	8,687,817
4,542,531	8,582,368
1,036,636	3,375,209
498,639	845,011
28,406,465	22,192,899
<u>1,074,288,554</u>	<u>1,004,959,899</u>
17,592,670	10,302,886
—	—
58,965,935	56,922,290
825,818	937,638
17,039,618	—
—	83,943
27,275,837	26,386,376
3,045,076,452	2,987,689,204
<u>2,457,007,747</u>	<u>2,381,117,486</u>
<u>5,623,784,077</u>	<u>5,463,439,823</u>
<u>\$ 6,698,072,631</u>	<u>\$ 6,468,399,722</u>
\$ 38,386,695	\$ 48,876,913
4,200,578	3,006,304
21,024,780	21,576,637
143,546,055	137,800,977
153,892	—
68,786,620	63,867,429
113,161,205	104,317,525
9,182,820	6,407,887
<u>398,442,645</u>	<u>385,853,672</u>
825,818	937,638
474,406,325	465,930,337
<u>2,023,332,360</u>	<u>1,872,000,437</u>
<u>2,498,564,503</u>	<u>2,338,868,412</u>
<u>2,897,007,148</u>	<u>2,724,722,084</u>
3,366,457,453	3,328,847,713
87,904,307	88,872,343
600,690	604,363
109,239,097	117,358,300
18,540,428	17,107,554
1,530,258	2,265,044
346,486	314,425
134,193,845	132,022,099
6,700,000	6,400,000
75,552,919	49,885,797
<u>3,801,065,483</u>	<u>3,743,677,638</u>
<u>\$ 6,698,072,631</u>	<u>\$ 6,468,399,722</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Activities

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 37,912,811	\$ 13,310,411	\$ 24,321,252	\$ 6,254,456
Fire services	72,220,757	8,267,074	944,754	552,868
Police services	89,797,323	21,147,627	2,344,395	415,690
Health and human services	25,972,527	3,715,952	11,042,599	—
Economic & community development	70,057,933	7,666,960	940,000	13,336,604
Public transportation	27,579,961	3,987,108	2,539,731	3,585,153
Public works	80,368,055	15,136,381	3,451,528	35,227,349
Education	200,028,978	—	—	—
Maintenance and operations	30,325,886	744,928	2,483,329	2,472,743
Interest on long-term debt	29,613,108	—	—	—
<b>Total governmental activities</b>	<b>663,877,339</b>	<b>73,976,441</b>	<b>48,067,588</b>	<b>61,844,863</b>
<b>Business-type activities:</b>				
Water	41,529,353	43,870,404	678,167	—
Wastewater	32,326,016	35,157,366	651,572	—
Electric	82,572,245	100,606,033	—	—
Port	10,793,445	11,768,704	47,046	968,723
Municipal Airport	3,004,719	1,235,026	28,410	4,698,029
Solid Waste	17,926,608	15,493,404	119,888	—
Refuse	6,584,207	7,177,811	75,268	—
Cooperative Services Authority	1,255,318	549,480	—	—
<b>Total business-type activities</b>	<b>195,991,911</b>	<b>215,858,228</b>	<b>1,600,351</b>	<b>5,666,752</b>
<b>Total primary government</b>	<b>\$ 859,869,250</b>	<b>\$ 289,834,669</b>	<b>\$ 49,667,939</b>	<b>\$ 67,511,615</b>
<b>Component Units:</b>				
Anchorage School District	\$ 592,226,825	\$ 7,060,819	\$ 74,316,517	\$ 37,976,770
Anchorage Community Development Authority	11,681,452	10,898,361	—	1,942,357
Alaska Center for the Performing Arts	3,255,347	2,853,046	—	—
<b>Total Component Units</b>	<b>\$ 607,163,624</b>	<b>\$ 20,812,226</b>	<b>\$ 74,316,517</b>	<b>\$ 39,919,127</b>
<b>General revenues:</b>				
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				
Transfers				
<b>Total general revenues, special item, and other transfers</b>				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

See accompanying notes to basic financial statements.

Net (Expense), Revenue and Changes in Net Assets			Component Units			Total Reporting Entity	
Primary Government			Anchorage School District	Anchorage Community Development Authority	Alaska Center for the Performing Arts	2007	2006
Governmental Activities	Business-Type Activities	Total					
\$ 5,973,308	\$ —	\$ 5,973,308	\$ —	\$ —	\$ —	\$ 5,973,308	\$ 6,361,444
(62,456,061)	—	(62,456,061)	—	—	—	(62,456,061)	(29,970,848)
(65,889,611)	—	(65,889,611)	—	—	—	(65,889,611)	(43,154,909)
(11,213,976)	—	(11,213,976)	—	—	—	(11,213,976)	(9,838,227)
(48,114,369)	—	(48,114,369)	—	—	—	(48,114,369)	(45,396,917)
(17,467,969)	—	(17,467,969)	—	—	—	(17,467,969)	(12,457,478)
(26,552,797)	—	(26,552,797)	—	—	—	(26,552,797)	(36,126,423)
(200,028,978)	—	(200,028,978)	—	—	—	(200,028,978)	(184,566,884)
(24,624,886)	—	(24,624,886)	—	—	—	(24,624,886)	(29,161,262)
(29,613,108)	—	(29,613,108)	—	—	—	(29,613,108)	(29,723,363)
(479,988,447)	—	(479,988,447)	—	—	—	(479,988,447)	(414,034,867)
—	3,019,218	3,019,218	—	—	—	3,019,218	2,752,598
—	3,482,922	3,482,922	—	—	—	3,482,922	3,456,655
—	18,033,788	18,033,788	—	—	—	18,033,788	18,741,787
—	1,991,028	1,991,028	—	—	—	1,991,028	3,989,864
—	2,956,746	2,956,746	—	—	—	2,956,746	1,011,159
—	(2,313,316)	(2,313,316)	—	—	—	(2,313,316)	1,015,459
—	668,872	668,872	—	—	—	668,872	532,159
—	(705,838)	(705,838)	—	—	—	(705,838)	138,933
—	27,133,420	27,133,420	—	—	—	27,133,420	31,638,614
\$ (479,988,447)	\$ 27,133,420	\$ (452,855,027)	\$ —	\$ —	\$ —	\$ (452,855,027)	\$ (382,396,253)
			\$ (472,872,719)	\$ —	\$ —	\$ (472,872,719)	\$ (432,911,875)
			—	1,159,266	—	1,159,266	1,446,179
			—	—	(402,301)	(402,301)	(742,173)
			\$ (472,872,719)	\$ 1,159,266	\$ (402,301)	\$ (472,115,754)	\$ (432,207,869)
381,995,766	—	381,995,766	—	—	—	381,995,766	392,314,235
10,291,028	—	10,291,028	—	—	—	10,291,028	10,021,797
20,209,303	—	20,209,303	—	—	—	20,209,303	19,093,196
16,560,416	—	16,560,416	—	—	—	16,560,416	17,676,774
15,794,202	—	15,794,202	—	—	—	15,794,202	16,200,594
—	—	—	290,365,162	—	—	290,365,162	260,575,733
—	—	—	191,602,288	—	—	191,602,288	177,157,001
33,098,513	12,399,226	45,497,739	7,862,943	222,245	96,254	53,679,181	55,131,297
—	—	—	1,861,280	—	—	1,861,280	2,531,372
6,554,616	(6,554,616)	—	—	—	—	—	—
484,503,844	5,844,610	490,348,454	491,691,673	222,245	96,254	982,358,626	950,701,999
4,515,397	32,978,030	37,493,427	18,818,954	1,381,511	(306,047)	57,387,845	136,097,877
2,701,104,480	508,607,834	3,209,712,314	497,496,207	35,186,559	1,282,558	3,743,677,638	3,607,579,761
\$ 2,705,619,877	\$ 541,585,864	\$ 3,247,205,741	\$ 516,315,161	\$ 36,568,070	\$ 976,511	\$ 3,801,065,483	\$ 3,743,677,638

MUNICIPALITY OF ANCHORAGE, ALASKA

Balance Sheet  
Governmental Funds

December 31, 2007

(With summarized financial information at December 31, 2006)

Assets	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				December 31, 2007	December 31, 2006
Cash	\$ —	\$ —	\$ 31,603	\$ 31,603	\$ 22,003
Cash in central treasury	105,319,747	—	69,580,846	174,900,593	180,947,635
Investments	274,200	—	36,237,423	36,511,623	33,552,101
Due from other funds	1,101,617	—	11,700,430	12,802,047	25,999,537
Receivables (net of allowance for uncollectibles)	68,350,726	—	2,740,380	71,091,106	71,656,271
Interest receivable	—	—	4	4	98
Special assessments receivable	1,139,219	—	515,932	1,655,151	1,954,473
Due from component units	91,459	—	81,702	173,161	109,850
Inventories	1,012,982	—	—	1,012,982	847,376
Prepaid items and deposits	47,233	—	1,237,574	1,284,807	875,814
Restricted assets:					
Investments	—	140,977,001	51,393,479	192,370,480	218,386,580
Intergovernmental receivables	885,837	—	27,520,628	28,406,465	22,192,899
Interest receivables	—	33,320	—	33,320	2,317,283
Loans receivables, net	34,527	—	5,761,914	5,796,441	4,234,341
<b>Total assets</b>	<b>\$ 178,257,547</b>	<b>\$ 141,010,321</b>	<b>\$ 206,801,915</b>	<b>\$ 526,069,783</b>	<b>\$ 563,096,261</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and retainages	\$ 6,838,403	\$ 105,543	\$ 14,043,460	\$ 20,987,406	\$ 18,730,290
Due to other funds	—	10,933	2,644,220	2,655,153	89,503
Due to component unit	68,786,620	—	—	68,786,620	63,867,429
Unearned revenue and deposits	60,279,261	—	6,676,775	66,956,036	66,654,528
Advances from other funds	—	—	3,923,402	3,923,402	3,688,437
<b>Total liabilities</b>	<b>135,904,284</b>	<b>116,476</b>	<b>27,287,857</b>	<b>163,308,617</b>	<b>153,030,187</b>
Fund balances:					
Reserved:					
Encumbrances	115,388	—	49,372,427	49,487,815	44,704,408
Inventories	1,012,982	—	—	1,012,982	847,376
Prepaid items and deposits	47,233	—	1,237,475	1,284,708	657,714
Long-term loans	34,527	—	5,307,195	5,341,722	4,587,622
Perpetual care	—	—	346,486	346,486	314,425
MOA trust	—	140,893,845	—	140,893,845	138,422,099
Debt service	—	—	57,375,154	57,375,154	54,350,659
Unreserved, designated:					
Bond rating and operating emergencies reported in General Fund	28,613,168	—	—	28,613,168	31,240,748
Future property tax relief	—	—	—	—	22,035,040
Unreserved, undesignated, reported in:					
General fund	12,529,965	—	—	12,529,965	16,311,739
Special revenue funds	—	—	11,680,345	11,680,345	7,905,228
Capital projects funds	—	—	54,194,976	54,194,976	88,689,016
<b>Total fund balances</b>	<b>42,353,263</b>	<b>140,893,845</b>	<b>179,514,058</b>	<b>362,761,166</b>	<b>410,066,074</b>
<b>Total liabilities and fund balances</b>	<b>\$ 178,257,547</b>	<b>\$ 141,010,321</b>	<b>\$ 206,801,915</b>	<b>\$ 526,069,783</b>	<b>\$ 563,096,261</b>

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, 2007

Amounts reported as fund balance on the governmental fund balance sheet		\$ 362,761,166
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.		3,068,479,387
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	\$ 49,258,312	
Property taxes	8,530,234	
Long term loan receivable, net activity	3,284,777	
Deferred charges	4,833,668	65,906,991
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	33,186,973	
Net of amounts included in:		
Capital assets, net of depreciation	(28,540,654)	
Compensated absences	945,475	
Net pension obligation	894,280	
Net other postemployment benefits obligation	158,366	6,644,440
Long term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds	(441,657,233)	
Revenue bonds	(48,255,000)	
Special assessment bonds	(335,000)	
Notes and contracts	(8,618,751)	
Deferred credits	389,796	
CIVICVentures revenue bonds	(110,920,000)	
Compensated absences	(18,435,485)	
Police and fire postemployment healthcare benefits liability	(141,099,246)	
Net pension obligation	(21,005,208)	
Net other postemployment benefits obligation	(1,633,301)	
Accrued interest payable	(6,602,679)	(798,172,107)
Net assets of governmental activities		\$ 2,705,619,877

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, 2007

(With summarized financial information for the year ended December 31, 2006)

	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				2007	2006
Revenues:					
Taxes	\$ 415,894,569	\$ —	\$ 11,702,733	\$ 427,597,302	\$ 438,971,735
Payment in lieu of tax and MUSA	15,794,202	—	—	15,794,202	16,200,594
Special assessments	320,986	—	929,578	1,250,564	1,287,799
Licenses and permits	12,288,396	—	—	12,288,396	13,840,537
Intergovernmental	21,205,612	—	81,406,122	102,611,734	82,592,145
Charges for services	26,540,905	—	10,545,249	37,086,154	35,348,493
Fines and forfeitures	8,803,070	—	1,240,150	10,043,220	5,678,880
Investment income	12,041,944	9,874,733	9,156,174	31,072,851	37,853,203
Restricted contributions	4,000	—	1,851,989	1,855,989	1,203,042
Other	2,654,277	—	2,350,586	5,004,863	5,440,632
<b>Total revenues</b>	<b>515,547,961</b>	<b>9,874,733</b>	<b>119,182,581</b>	<b>644,605,275</b>	<b>638,417,060</b>
Expenditures:					
Current:					
General government	20,530,642	1,002,987	4,393,569	25,927,198	25,864,299
Fire services	66,870,961	—	2,821,250	69,692,211	63,512,191
Police services	87,284,533	—	3,139,530	90,424,063	82,191,066
Health and human services	13,331,095	—	11,712,389	25,043,484	24,360,212
Economic and community development	44,085,760	—	15,313,457	59,399,217	53,881,037
Public transportation	19,378,235	—	2,134,131	21,512,366	20,644,987
Public works	20,529,163	—	3,027,379	23,556,542	20,456,482
Education	198,981,074	—	1,047,904	200,028,978	185,077,206
Maintenance and operations	29,719,944	—	—	29,719,944	30,028,685
Debt service:					
Principal	26,517,234	—	2,915,000	29,432,234	34,949,110
Interest	21,507,145	—	7,835,125	29,342,270	28,066,471
Bond issuance costs	—	—	102,345	102,345	2,722,984
Capital outlay	—	—	151,545,463	151,545,463	130,232,159
<b>Total expenditures</b>	<b>548,735,786</b>	<b>1,002,987</b>	<b>205,987,542</b>	<b>755,726,315</b>	<b>701,986,889</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(33,187,825)</b>	<b>8,871,746</b>	<b>(86,804,961)</b>	<b>(111,121,040)</b>	<b>(63,569,829)</b>
Other financing sources (uses):					
Transfers in – from other funds	14,520,370	—	13,850,421	28,370,791	47,837,359
Transfers out – to other funds	(11,162,899)	(6,400,000)	(4,403,276)	(21,966,175)	(41,012,866)
General obligation bonds issued	—	—	54,630,000	54,630,000	—
Long term debt issued	—	—	—	—	110,920,000
Refunding bonds issued	32,245,000	—	—	32,245,000	—
Premium on bond sale	—	—	1,437,390	1,437,390	33,142
Premium (Discount) on refunding bonds	(98,813)	—	—	(98,813)	—
Payment to refunded bond escrow agent to extinguish debt	(31,902,070)	—	—	(31,902,070)	—
Capital leases	—	—	—	—	673,553
Insurance recoveries	22,316	—	—	22,316	41,915
Sale of capital assets	155,033	—	916,413	1,071,446	4,243,901
<b>Total other financing sources (uses)</b>	<b>3,778,937</b>	<b>(6,400,000)</b>	<b>66,430,948</b>	<b>63,809,885</b>	<b>122,737,004</b>
<b>Net change in fund balances</b>	<b>(29,408,888)</b>	<b>2,471,746</b>	<b>(20,374,013)</b>	<b>(47,311,155)</b>	<b>59,167,175</b>
Fund balances, beginning of year	71,762,151	138,422,099	199,888,071	410,072,321	350,898,899
<b>Fund balances, end of year</b>	<b>\$ 42,353,263</b>	<b>\$ 140,893,845</b>	<b>\$ 179,514,058</b>	<b>\$ 362,761,166</b>	<b>\$ 410,066,074</b>

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, 2007

Net change in fund balance – total governmental funds		\$ (47,311,155)
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	\$ 104,733,796	
Receipt of assets contributed by State of Alaska	7,294,470	
Depreciation expense	<u>(29,278,070)</u>	82,750,196
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(5,043,007)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:		
Property taxes	1,459,211	
Jail lease receivable, net activity	<u>(2,604,516)</u>	(1,145,305)
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 general obligation bonds	(54,630,000)	
Refunding issuance of general obligation bonds	(32,245,000)	
Principal repayment	29,432,234	
Payment to escrow agent for refunding	31,902,070	
Net change in premium/discount	(1,338,577)	
Net change in bond issuance costs	(296,870)	
Net change in interest accrual	<u>328,930</u>	(26,847,213)
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		(2,448,319)
Net pension obligation		(2,481,873)
Net other postemployment benefits obligation		(1,474,935)
HUD Section 108 loan receivable, net activity		63,386
HUD Rehabilitation Loans		(75,795)
Police and fire postemployment healthcare benefits liability, net activity		2,267,343
Miscellaneous operating grants, prior years revenue adjustments		6,247
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>6,255,827</u>
Change in net assets of governmental activities		<u>\$ 4,515,397</u>

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets  
Proprietary Funds

December 31, 2007

(With summarized financial information at December 31, 2006)

Assets	Business-Type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Current assets:					
Cash	\$ 1,600	\$ —	\$ —	\$ 328,469	\$ 330,069
Cash in central treasury	18,458,116	18,167,376	13,898,897	22,581,005	73,105,394
Due from other funds	—	—	—	—	—
Due from component units	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	13,815,966	3,604,645	2,933,433	1,695,688	22,049,732
Interest receivable	457,988	257,002	76,793	16,015	807,798
Current portion of lease receivable	—	—	—	266,023	266,023
Inventories	17,143,128	1,839,191	—	—	18,982,319
Prepaid items and deposits	—	—	—	136,917	136,917
Special assessments receivable	—	58,803	131,319	—	190,122
Unbilled reimbursable projects	28,876	395,759	380,246	—	804,881
Deferred charges and other assets	187,160	—	—	—	187,160
Restricted assets:					
Customer deposits	1,093,868	—	—	—	1,093,868
Restricted deposits	18,593,058	—	—	—	18,593,058
Receivables	—	—	43,103	455,536	498,639
Bond and acquisition and construction accounts	11,022,952	—	—	34,539,320	45,562,272
Revenue bond operations and maintenance accounts	6,950,000	51,812,324	27,629,242	2,811,172	89,202,738
Debt service accounts	1,826,329	2,669,240	46,962	—	4,542,531
Total current assets	89,579,041	78,804,340	45,139,995	62,830,145	276,353,521
Noncurrent assets:					
Loans receivables, net	—	—	—	14,102	14,102
Advances to other funds	3,923,402	—	—	—	3,923,402
Deferred charges and other assets	4,185,027	2,138,388	2,617,624	238,832	9,179,871
Restricted assets:					
Customer deposits	—	352,922	472,896	—	825,818
Advances	—	—	—	17,039,618	17,039,618
Revenue bond reserve investments	27,275,837	—	—	—	27,275,837
Debt service accounts	—	—	—	—	—
Capital assets, net	347,707,727	427,916,931	295,220,183	161,497,111	1,232,341,952
Total noncurrent assets	383,091,993	430,408,241	298,310,703	178,789,663	1,290,600,600
Total assets	\$ 472,671,034	\$ 509,212,581	\$ 343,450,698	\$ 241,619,808	\$ 1,566,954,121

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	December 31, 2007	December 31, 2006
\$ —	\$ 330,069	\$ 6,697,686
23,922,519	97,027,913	97,929,510
908,016	908,016	908,018
707,804	707,804	1,010,171
—	22,049,732	21,756,456
—	807,798	745,922
—	266,023	304,265
393,565	19,375,884	16,097,743
440,535	577,452	815,145
—	190,122	310,949
—	804,881	639,050
—	187,160	360,087
—	1,093,868	1,173,570
—	18,593,058	620,602
—	498,639	845,011
4,376,851	49,939,123	80,188,715
—	89,202,738	8,687,817
—	4,542,531	8,582,368
<u>30,749,290</u>	<u>307,102,811</u>	<u>247,673,085</u>
—	14,102	20,943
4,523,966	8,447,368	8,237,459
—	9,179,871	10,302,886
—	825,818	937,638
—	17,039,618	—
—	27,275,837	26,386,376
—	—	83,943
<u>28,540,654</u>	<u>1,260,882,606</u>	<u>1,245,370,410</u>
<u>33,064,620</u>	<u>1,323,665,220</u>	<u>1,291,339,655</u>
<u>\$ 63,813,910</u>	<u>\$ 1,630,768,031</u>	<u>\$ 1,539,012,740</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets  
Proprietary Funds

December 31, 2007

(With summarized financial information at December 31, 2006)

Liabilities and Net Assets	Business-Type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
<b>Current liabilities:</b>					
Accounts payable and retainages	\$ 4,791,747	\$ 1,320,239	\$ 439,202	\$ 1,064,225	\$ 7,615,413
Compensated absences payable	2,047,130	1,057,674	1,013,370	683,681	4,801,855
Claims payable	—	—	—	—	—
Claims incurred but not reported	—	—	—	—	—
Due to other funds	—	194,445	8,929,611	845,738	9,969,794
Accrued interest payable	912,215	2,161,633	901,417	144,784	4,120,049
Long-term obligations maturing within one year	17,295,000	5,210,180	2,844,495	1,786,870	27,136,545
Unearned revenue and deposits	—	—	—	100,399	100,399
<b>Current liabilities payable from restricted assets:</b>					
Customer deposits payable	1,104,514	—	—	—	1,104,514
Capital acquisition and construction accounts and retainage payable	3,738	5,832,075	1,429,523	732,295	7,997,631
<b>Total current liabilities</b>	<b>26,154,344</b>	<b>15,776,246</b>	<b>15,557,618</b>	<b>5,357,992</b>	<b>62,846,200</b>
<b>Noncurrent liabilities:</b>					
General obligation bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	—	946,428	—	946,428
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	158,623,360	147,406,073	67,548,488	353,348	373,931,269
Special assessment bonds payable (net of unamortized discounts)	—	40,000	—	—	40,000
Due to other funds	—	—	—	—	—
Alaska clean water loan payable	—	40,124,006	34,646,934	19,017,767	93,788,707
Unearned revenue	—	—	—	—	—
Compensated absences payable	—	40,041	38,363	—	78,404
Net pension obligation	801,565	1,165,721	1,087,535	536,601	3,591,422
Net other postemployment benefits obligation	119,420	165,709	151,874	69,237	506,240
<b>Liabilities payable from restricted assets:</b>					
Customer deposits	—	352,922	472,896	—	825,818
<b>Deferred credits and other liabilities:</b>					
Future landfill closure costs	—	—	—	16,596,153	16,596,153
Other deferred credits	43,458,540	—	—	—	43,458,540
Contributed capital	29,022,056	231,088,762	169,778,452	—	429,889,270
<b>Total noncurrent liabilities</b>	<b>232,024,941</b>	<b>420,383,234</b>	<b>274,670,970</b>	<b>36,573,106</b>	<b>963,652,251</b>
<b>Total liabilities</b>	<b>258,179,285</b>	<b>436,159,480</b>	<b>290,228,588</b>	<b>41,931,098</b>	<b>1,026,498,451</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	142,767,311	55,860,234	47,084,628	139,608,344	385,320,517
Restricted for debt service	28,189,951	507,609	46,962	2,811,172	31,555,694
Restricted for operations and maintenance	—	—	—	—	—
Restricted for acquisition and construction	15,632,892	—	—	50,206,579	65,839,471
Unrestricted	27,901,595	16,685,258	6,090,520	7,062,615	57,739,988
<b>Total net assets</b>	<b>214,491,749</b>	<b>73,053,101</b>	<b>53,222,110</b>	<b>199,688,710</b>	<b>540,455,670</b>
<b>Total liabilities and net assets</b>	<b>\$ 472,671,034</b>	<b>\$ 509,212,581</b>	<b>\$ 343,450,698</b>	<b>\$ 241,619,808</b>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,130,194
<b>Net assets of business-type activities</b>					<b>\$ 541,585,864</b>

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	December 31, 2007	December 31, 2006
\$ 856,442	\$ 8,471,855	\$ 23,870,799
945,475	5,747,330	5,016,545
6,469,858	6,469,858	6,572,142
12,363,657	12,363,657	11,989,247
1,792,920	11,762,714	26,818,052
—	4,120,049	4,280,927
—	27,136,545	26,819,101
43,468	143,867	557,798
—	1,104,514	1,279,356
707,870	8,705,501	5,128,531
<u>23,179,690</u>	<u>86,025,890</u>	<u>112,332,498</u>
—	946,428	1,368,224
—	373,931,269	285,243,001
—	40,000	39,631
4,523,966	4,523,966	4,549,022
—	93,788,707	79,853,673
740,441	740,441	919,003
—	78,404	314,787
894,280	4,485,702	3,667,198
158,366	664,606	—
—	825,818	937,638
—	16,596,153	12,911,374
—	43,458,540	29,414,185
—	429,889,270	435,597,149
<u>6,317,053</u>	<u>969,969,304</u>	<u>854,814,885</u>
<u>29,496,743</u>	<u>1,055,995,194</u>	<u>967,147,383</u>
23,108,672	408,429,189	389,282,925
—	31,555,694	34,920,148
—	—	604,363
—	65,839,471	70,202,923
11,208,495	68,948,483	76,854,998
<u>34,317,167</u>	<u>574,772,837</u>	<u>571,865,357</u>
<u>\$ 63,813,910</u>	<u>\$ 1,630,768,031</u>	<u>\$ 1,539,012,740</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

	Business-Type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 93,275,462	\$ 37,843,432	\$ 33,262,659	\$ 29,326,811	\$ 193,708,364
Other	5,234,168	4,783,038	1,294,654	5,019,443	16,331,303
Total operating revenues	98,509,630	42,626,470	34,557,313	34,346,254	210,039,667
Operating expenses:					
Operations	39,297,012	22,133,475	20,410,638	23,479,411	105,320,536
Municipal service assessment	3,671,080	5,259,469	3,868,187	1,219,844	14,018,580
Amortization of future landfill closure costs	—	—	—	3,684,778	3,684,778
Depreciation	25,994,753	6,702,981	5,235,682	9,332,625	47,266,041
Total operating expenses	68,962,845	34,095,925	29,514,507	37,716,658	170,289,935
Operating income (loss)	29,546,785	8,530,545	5,042,806	(3,370,404)	39,749,732
Nonoperating revenues (expenses):					
Investment income	5,482,747	2,089,150	1,009,442	3,817,887	12,399,226
Other revenues	464,625	32,891	—	1,997,171	2,494,687
Intergovernmental revenue	—	678,167	651,572	270,612	1,600,351
Interest expense	(12,743,539)	(7,033,495)	(2,913,017)	(332,224)	(23,022,275)
Allowance for funds used during construction	1,631,778	1,211,043	600,053	—	3,442,874
Gain (loss) on disposition of assets	—	—	—	(119,000)	(119,000)
Amortization of deferred charges	(289,712)	(625,229)	(55,893)	—	(970,834)
Other expenses	(701,709)	—	—	(1,619,796)	(2,321,505)
Net nonoperating revenues (expenses)	(6,155,810)	(3,647,473)	(707,843)	4,014,650	(6,496,476)
Income before capital contributions, special item and transfers	23,390,975	4,883,072	4,334,963	644,246	33,253,256
Capital contributions	—	—	—	5,666,752	5,666,752
Transfers in	—	—	—	(1,448,063)	(1,448,063)
Transfers out	(5,969,152)	—	—	862,599	(5,106,553)
Change in net assets	17,421,823	4,883,072	4,334,963	5,725,534	32,365,392
Total net assets – beginning	197,069,926	68,170,029	48,887,147	193,963,176	
Total net assets – ending	\$ 214,491,749	\$ 73,053,101	\$ 53,222,110	\$ 199,688,710	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					612,638
Change in net assets of business-type activities					\$ 32,978,030

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2007	2006
\$ 84,522,756	\$ 278,231,120	\$ 288,733,869
—	16,331,303	11,333,799
<u>84,522,756</u>	<u>294,562,423</u>	<u>300,067,668</u>
73,627,963	178,948,499	188,009,737
—	14,018,580	14,912,845
—	3,684,778	1,012,139
6,593,401	53,859,442	50,788,348
<u>80,221,364</u>	<u>250,511,299</u>	<u>254,723,069</u>
4,301,392	44,051,124	45,344,599
2,080,178	14,479,404	10,586,512
103,718	2,598,405	2,011,501
570,014	2,170,365	1,399,215
(599,768)	(23,622,043)	(22,085,723)
—	3,442,874	1,422,865
262,931	143,931	2,496,922
—	(970,834)	(1,241,723)
—	(2,321,505)	(2,900,082)
<u>2,417,073</u>	<u>(4,079,403)</u>	<u>(8,310,513)</u>
6,718,465	39,971,721	37,034,086
—	5,666,752	7,555,178
150,000	(1,298,063)	1,148,500
—	(5,106,553)	(7,972,993)
<u>6,868,465</u>	<u>39,233,857</u>	<u>37,764,771</u>
<u>27,448,702</u>	<u>535,538,980</u>	<u>534,100,586</u>
<u>\$ 34,317,167</u>	<u>\$ 574,772,837</u>	<u>\$ 571,865,357</u>



MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows  
Proprietary Funds

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

	<b>Business-Type Activities – Enterprise Funds</b>				
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
Cash flows from operating activities:					
Receipts from customers and users	\$ 125,352,298	\$ 42,951,932	\$ 34,974,912	\$ 34,040,398	\$ 237,319,540
Payments to employees	(20,680,293)	(14,046,939)	(11,128,176)	(11,884,361)	(57,739,769)
Payments to vendors	(57,103,752)	(14,097,413)	(13,863,036)	(12,382,444)	(97,446,645)
Net cash provided by operating activities	<u>47,568,253</u>	<u>14,807,580</u>	<u>9,983,700</u>	<u>9,773,593</u>	<u>82,133,126</u>
Cash flows from noncapital financing activities:					
Transfers to other funds	(5,969,152)	—	—	(1,448,063)	(7,417,215)
Transfers from other funds	—	—	—	862,599	862,599
Loan proceeds from (to) other funds	(234,964)	—	—	—	(234,964)
Loan payments to other funds	—	—	—	(382,721)	(382,721)
Loan/contribution to component unit	—	—	—	—	—
Other noncapital payments to vendors	(701,709)	—	—	(1,619,796)	(2,321,505)
Other noncapital receipts	464,625	711,058	651,572	2,267,782	4,095,037
Net cash provided (used) by noncapital and related financing activities	<u>(6,441,200)</u>	<u>711,058</u>	<u>651,572</u>	<u>(320,199)</u>	<u>(5,398,769)</u>
Cash flows from capital and related financing activities:					
Proceeds from issuance of long-term obligations	—	77,925,233	44,851,225	—	122,776,458
Principal payments on long-term obligations	(17,725,000)	(4,914,071)	(2,755,193)	(1,807,693)	(27,201,957)
Loan proceeds from central treasury	—	(11,330,226)	(1,255,384)	—	(12,585,610)
Loan proceeds from line of credit	—	—	—	1,561,398	1,561,398
Interest payments on long-term obligations	(12,027,979)	(5,970,270)	(2,169,403)	(313,300)	(20,480,952)
Acquisition and construction of capital assets	(47,647,151)	(22,773,222)	(19,734,459)	(23,298,615)	(113,453,447)
Proceeds from disposition of capital assets	—	—	—	(279,982)	(279,982)
Capital contributions – customers	4,011,923	292,321	481,651	—	4,785,895
Capital contributions – intergovernmental	4,604,235	2,934,593	1,450,587	5,879,904	14,869,319
Net cash used by capital and related financing activities	<u>(68,783,972)</u>	<u>36,164,358</u>	<u>20,869,024</u>	<u>(18,258,288)</u>	<u>(30,008,878)</u>
Cash flows from investing activities:					
Proceeds from (payments for) purchase or sales and maturity of investments	(17,537,759)	(49,765,286)	(27,181,203)	—	(94,484,248)
Proceeds from investment in direct financing leases	—	—	—	304,265	304,265
Purchase of investments	—	—	—	(1,452,721)	(1,452,721)
Unrealized Gains (Losses)	—	—	—	41,358	41,358
Investment income received	5,629,002	1,907,135	978,571	3,750,518	12,265,226
Net cash provided (used) by investing activities	<u>(11,908,757)</u>	<u>(47,858,151)</u>	<u>(26,202,632)</u>	<u>2,643,420</u>	<u>(83,326,120)</u>
Net increase (decrease) in cash	<u>(39,565,676)</u>	<u>3,824,845</u>	<u>5,301,664</u>	<u>(6,161,474)</u>	<u>(36,600,641)</u>
Cash, beginning of year	70,142,212	14,695,453	9,070,129	63,610,268	157,518,062
Cash, end of year	<u>\$ 30,576,536</u>	<u>\$ 18,520,298</u>	<u>\$ 14,371,793</u>	<u>\$ 57,448,794</u>	<u>\$ 120,917,421</u>
Cash	\$ 1,600	\$ —	\$ —	\$ 328,469	\$ 330,069
Cash in central treasury	18,458,116	18,167,376	13,898,897	22,581,005	73,105,394
Capital acquisition and construction accounts	11,022,952	—	—	34,539,320	45,562,272
Customer deposits	1,093,868	352,922	472,896	—	1,919,686
Cash, December 31	<u>\$ 30,576,536</u>	<u>\$ 18,520,298</u>	<u>\$ 14,371,793</u>	<u>\$ 57,448,794</u>	<u>\$ 120,917,421</u>

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2007	2006
\$ 84,490,033	\$ 321,809,573	\$ 328,748,133
(13,378,421)	(71,118,190)	(64,617,766)
(59,100,743)	(156,547,388)	(131,656,104)
<u>12,010,869</u>	<u>94,143,995</u>	<u>132,474,263</u>
—	(7,417,215)	(7,606,796)
150,000	1,012,599	1,148,500
908,016	673,052	(1,665,895)
(3,275,325)	(3,658,046)	(2,494,668)
—	—	(787,000)
—	(2,321,505)	(2,553,162)
<u>525,807</u>	<u>4,620,844</u>	<u>3,243,364</u>
<u>(1,691,502)</u>	<u>(7,090,271)</u>	<u>(10,715,657)</u>
—	122,776,458	9,528,465
(25,058)	(27,227,015)	(38,678,946)
—	(12,585,610)	14,050,512
—	1,561,398	8,978,839
(599,768)	(21,080,720)	(21,078,218)
(6,740,376)	(120,193,823)	(117,190,423)
338,038	58,056	4,546,930
—	4,785,895	4,049,927
<u>147,925</u>	<u>15,017,244</u>	<u>25,053,334</u>
<u>(6,879,239)</u>	<u>(36,888,117)</u>	<u>(110,739,580)</u>
—	(94,484,248)	6,940,161
—	304,265	801,829
—	(1,452,721)	—
—	41,358	—
<u>2,080,178</u>	<u>14,345,404</u>	<u>9,788,933</u>
<u>2,080,178</u>	<u>(81,245,942)</u>	<u>17,530,923</u>
5,520,306	(31,080,335)	28,549,949
<u>22,779,064</u>	<u>180,297,126</u>	<u>158,377,170</u>
<u>\$ 28,299,370</u>	<u>\$ 149,216,791</u>	<u>\$ 186,927,119</u>
\$ —	\$ 330,069	\$ 6,697,686
23,922,519	97,027,913	97,929,510
4,376,851	49,939,123	80,188,715
—	1,919,686	2,111,208
<u>\$ 28,299,370</u>	<u>\$ 149,216,791</u>	<u>\$ 186,927,119</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows  
Proprietary Funds

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

	Business-Type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Reconciliation of change in net assets to net cash provided by operating activities:					
Operating income (loss)	\$ 29,546,785	\$ 8,530,545	\$ 5,042,806	\$ (3,370,404)	\$ 39,749,732
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	25,994,753	6,702,981	5,235,682	9,332,625	47,266,041
Amortization of future landfill closure costs	—	—	—	3,684,779	3,684,779
Allowance for uncollectible accounts	(69,617)	21,759	42,123	—	(5,735)
Capital equipment purchases	—	—	—	—	—
Changes in assets and liabilities which increase (decrease) cash:					
Accounts receivable	(267,930)	(782,271)	172,730	(287,927)	(1,165,398)
Notes receivable	—	—	—	(17,139)	(17,139)
Unbilled reimbursable projects	(19,621)	(9,401)	(136,809)	—	(165,831)
Prepaid items and deposits	—	—	—	(92,406)	(92,406)
Inventories	(3,178,994)	(39,155)	—	—	(3,218,149)
Customer deposits	—	(110,973)	584,199	—	473,226
Deferred charges and other assets	(1,531,229)	751,475	(848)	—	(780,602)
Accounts payable and retainages	(17,204,726)	(656,451)	(1,321,709)	351,791	(18,831,095)
Claims payable	—	—	—	—	—
Deferred credits and other liabilities	14,044,356	—	—	(790)	14,043,566
Due to other funds	—	—	—	(137,934)	(137,934)
Unearned revenue and deposits	(108,035)	—	—	—	(108,035)
Net pension obligation	183,473	255,787	235,198	110,692	785,150
Net other postemployment benefits obligation	119,420	165,709	151,874	66,537	503,540
Compensated absences payable	59,618	(22,425)	(21,546)	133,769	149,416
Total cash provided by operating activities	\$ 47,568,253	\$ 14,807,580	\$ 9,983,700	\$ 9,773,593	\$ 82,133,126
Noncash investing, capital, and financing activities:					
Capital purchases on account	\$ 2,281,223	\$ 5,584,919	\$ 997,500	\$ —	\$ 8,863,642
Contributed capital and equipment	—	1,785,140	2,048,776	—	3,833,916
Portion of plant from AFUDC	1,631,778	—	—	—	1,631,778
	\$ 3,913,001	\$ 7,370,059	\$ 3,046,276	\$ —	\$ 14,329,336

See accompanying notes to basic financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2007	2006
\$ 4,301,392	\$ 44,051,124	\$ 45,344,599
6,593,400	53,859,441	50,788,348
—	3,684,779	1,012,139
—	(5,735)	(13,879)
—	—	2,618,248
63	(1,165,335)	21,863,613
—	(17,139)	2,389
—	(165,831)	322,797
126,884	34,478	(397,722)
(59,903)	(3,278,052)	4,256,789
—	473,226	119,791
104,827	(675,775)	(1,906,275)
50,114	(18,780,981)	1,477,187
702,217	702,217	119,600
—	14,043,566	5,492,297
—	(137,934)	5,492,297
(211,348)	(319,383)	(44,822)
240,649	1,025,799	1,237,597
158,366	661,906	—
4,208	153,624	181,567
<u>\$ 12,010,869</u>	<u>\$ 94,143,995</u>	<u>\$ 137,966,560</u>
\$ 53,205	\$ 8,916,847	\$ 5,960,929
—	3,833,916	2,564,703
—	1,631,778	396,540
<u>\$ 53,205</u>	<u>\$ 14,382,541</u>	<u>\$ 8,922,172</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2007

(With financial information at December 31, 2006)

	2007		2006	
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	\$ 124,316	\$ 12,763,390	\$ 22,523	\$ 10,464,556
Cash, cash equivalents held under securities lending program	50,071,815	—	17,998,065	—
Investments, at fair value:				
Investment in master group trust	413,804,396	—	419,853,194	—
Money market funds	5,258,607	—	4,375,063	—
Debt securities	1,186,860	—	1,045,206	—
Equity securities	3,242,676	—	3,233,181	—
Total investments	<u>423,492,539</u>	<u>—</u>	<u>428,506,644</u>	<u>—</u>
Accounts receivable	—	—	—	7,789
Capital assets, net	4,789	—	9,691	—
Total assets	<u>\$ 473,693,459</u>	<u>\$ 12,763,390</u>	<u>\$ 446,536,923</u>	<u>10,472,345</u>
<b>Liabilities</b>				
Accounts payable	\$ 133,133	\$ 98,952	\$ 126,620	\$ 206,957
Unearned revenue	—	—	176,675	—
Payable under securities lending program	50,071,815	—	17,998,065	—
Due to employees	—	7,595,529	—	5,961,057
Due to employees' retirement systems	—	3,380,267	—	2,866,769
Payroll liabilities	—	1,688,642	—	1,437,562
Total liabilities	<u>50,204,948</u>	<u>12,763,390</u>	<u>18,301,360</u>	<u>10,472,345</u>
<b>Net Assets</b>				
Held in trust for:				
Employees' pension benefits	413,798,622	—	419,757,144	—
Employees' post employment healthcare benefits	9,689,889	—	8,478,419	—
Total net assets	<u>423,488,511</u>	<u>—</u>	<u>428,235,563</u>	<u>—</u>
Total liabilities and net assets	<u>\$ 473,693,459</u>	<u>\$ 12,763,390</u>	<u>\$ 446,536,923</u>	<u>\$ 10,472,345</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, 2007

(With financial information for the year ended December 31, 2006)

	<b>Pension and Other Post Employment Benefit Trust Funds</b>	
	<u>2007</u>	<u>2006</u>
Additions:		
Contributions from other funds	\$ 2,210,941	\$ 2,001,039
Investment income:		
Interest	6,523,572	6,567,423
Dividends	3,286,994	2,332,759
Net increase in fair value of investments	13,496,151	43,902,229
Less: investment expense	<u>(1,770,318)</u>	<u>(1,475,972)</u>
Total additions	<u>23,747,340</u>	<u>53,327,478</u>
Deductions:		
Regular benefit payments	27,560,584	26,296,580
Administrative expenses	<u>933,808</u>	<u>987,277</u>
Total deductions	<u>28,494,392</u>	<u>27,283,857</u>
Change in net assets	(4,747,052)	26,043,621
Net assets – beginning	<u>428,235,563</u>	<u>402,191,942</u>
Net assets – ending	<u>\$ 423,488,511</u>	<u>\$ 428,235,563</u>

See accompanying notes to basic financial statements.

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**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**INDEX**

	<b>Page</b>
NOTE 1 Summary of Significant Accounting Policies_____	46
NOTE 2 Stewardship, Compliance, and Accountability_____	54
NOTE 3 Cash and Investments_____	55
NOTE 4 Receivables_____	75
NOTE 5 Capital Assets_____	76
NOTE 6 Interfund Receivables, Payables, and Transfers_____	81
NOTE 7 Lease Agreements_____	83
NOTE 8 Short-Term Obligations - Tax Anticipation Notes_____	85
NOTE 9 Long Term Obligations_____	85
NOTE 10 Debt Issued Subsequent to Year End_____	98
NOTE 11 Conduit Debt Obligations_____	98
NOTE 12 Retirement Plans_____	100
NOTE 13 Post-Employment Health Care Benefits_____	110
NOTE 14 Risk Management and Self-Insurance_____	114
NOTE 15 MOA Trust Fund_____	115
NOTE 16 Regulatory and Other Matters_____	116
NOTE 17 Contingencies_____	121
NOTE 18 Environmental Issues_____	121
NOTE 19 Subsequent Event_____	124



# MUNICIPALITY OF ANCHORAGE, ALASKA

## Notes to Basic Financial Statements

December 31, 2007

### 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

CIVICVentures is a nonprofit corporation created to finance and construct a new convention center and parking facility for Anchorage, as well as upgrades and improvements to the existing Egan Center. As of December 31, 2007, three of CIVICVentures' five-member board of directors were executive employees of Anchorage. All of the board is appointed by the Mayor. CIVICVentures is reported as a debt service fund and as a capital projects fund.

The Cooperative Services Authority (CSA) is a purchasing cooperative created to obtain savings through pooled purchasing power and managed vendor negotiation. Although CSA is legally separate from Anchorage, CSA is reported as part of the primary government because its sole customer is Anchorage. CSA's governing board and executive director are appointed by the Anchorage Mayor. CSA is fiscally dependent upon Anchorage to fund its operations and for approval of its annual budget. CSA is reported as an enterprise fund.

#### Discretely Presented Component Units

The Anchorage School District (ASD) is responsible for elementary and secondary education within Anchorage. Members of the School Board are elected by the voters; however, the ASD is fiscally dependent upon the primary government because the Assembly approves the total budget of the ASD, levies the necessary taxes, and approves the borrowing of money and the issuance of bonds. The ASD 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, 2007.

The Anchorage Community Development Authority (Authority or ACDA) is a public corporation created to operate and manage on-street and off-street parking, and purchase, develop, and sell properties and other economic development activities. The Authority provides services to the general public.

The Alaska Center for Performing Arts, Inc. (ACPA) operates, maintains and promotes the performing arts center, which is owned by the primary government. ACPA manages the performing arts center and provides facility management services for the Municipality to the general public.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

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

Anchorage School District  
5530 East Northern Lights Boulevard  
Anchorage, Alaska 99504-3135

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

Anchorage Community Development  
Authority  
700 West 6<sup>th</sup> Avenue, Suite 206  
Anchorage, Alaska 99501

Alaska Center for the Performing  
Arts, Inc.  
621 West 6<sup>th</sup> 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

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

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.

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 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.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

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.

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 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 (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 (CIAC) which the Utilities 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 plant as a reduction of depreciation expense and a reduction of deferred liability. Consequently, CIAC 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. The Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds includes AFUDC as an item of nonoperating revenues in a manner that indicates the basis for the amount capitalized.

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.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

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 Cash Equivalents**

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**

Investments at December 31, 2007 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 that have negative balances in the cash pools are charged interest; the interest income is allocated to those funds having equity in the cash pools.

##### **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.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

#### **Property Taxes**

Property taxes attach a lien on property on the first day of the tax year in which taxes are levied. For 2007, real property taxes were levied on May 1. 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. ASD had accrued taxes and deferred revenue of \$103,179,930 for financing half of the 2007-2008 budget as of June 30, 2007. Taxes receivable of \$11,178,858 at December 31, 2007, include interest and penalties of \$1,660,632 and is net of an allowance for uncollectible property taxes receivable of \$111,933.

#### **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 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. 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 ASD, ASD has the risk and benefits of ownership associated with their capital assets. ASD, under Alaska law, cannot legally hold title to real property nor incur long-term debt. However, Anchorage has delegated the

# MUNICIPALITY OF ANCHORAGE, ALASKA

## Notes to Basic Financial Statements

December 31, 2007

construction management of school projects to ASD. In order to reflect all of the capital assets used for school purposes and the related obligations serviced by ASD, real property and the associated obligations have been reported in ASD's financial statements.

The Utilities capitalize interest on construction work in progress in accordance with regulatory requirements. Interest was capitalized in 2007 in the amounts of \$1,631,778, \$1,211,043, and \$600,053 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, 2007

#### **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.

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 Utilities receive CIAC, 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 plant as a reduction of depreciation expense and a reduction of deferred liability. Consequently, CIAC are recorded as liabilities in the accompanying financial statements. The Utilities' rates also include an AFUDC, which is capitalized in the accompanying financial statements. At December 31, 2007, Electric, Water and Wastewater Utility deferred liability balances were \$29,022,056, \$231,088,762, and \$169,778,452, 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, 2007

**(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.

Due to changes in the status of blended and discretely presented component units, adjustments to the beginning net asset balances of an increase of \$142,740 for CSA, a decrease of \$35,186,559 for ACDA, and a decrease of \$1,282,558 for ACPA were necessary on the Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Non-major Enterprise Funds and the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds. No adjustment was necessary to the overall reporting entity since no change in total net assets occurred. In addition, adjustments to beginning cash balances were made on the Combining Statement of Cash Flows – Nonmajor Enterprise Funds and the Statement of Cash Flows – Proprietary Funds for an increase of \$63,968 for CSA, a decrease of \$5,385,151 for ACDA, and a decrease of \$1,308,810 for ACPA.

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

**(a) Excess of expenditures over appropriations**

The Assembly approves operating budgets and appropriations of direct costs at the department level, and revenues and direct costs at the fund level.

For the year ended December 31, 2007, expenditures exceeded appropriations (excluding bond refundings) in the following departments: Development Services by \$76,162, Fire by \$456,658, Municipal Manager by \$24,434, Parks & Recreation by \$2,297,643 and Police by \$42,205. For the year ended December 31, 2007, expenditures exceeded appropriations in the following funds: Former City Service Area by \$291, Fire Service Area by \$242,148, and Building Safety Service Area by \$296,297.

These overexpenditures were funded by fund balance appropriations approved by the Assembly in first quarter 2008 budget revisions.

**b. Related Party Transaction**

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**NOTE 3 Cash and Investments**

As of December 31, 2007, 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>
Restricted Central Treasury					
Debt Securities:					
Repurchase agreements	\$ 60,440	\$ 60,440	\$ -	\$ -	\$ -
U.S. Treasuries	5,581,236	-	4,868,512	712,724	-
U.S. Agencies	54,857,692	53,868,138	989,554	-	-
Commercial paper	39,355,410	39,355,410	-	-	-
Corporate Securities	15,048,966	6,147,503	7,431,179	1,438,681	31,603
Unrestricted Central Treasury					
Debt Securities:					
Repurchase agreements	9,305,489	9,305,489	-	-	-
U.S. Treasuries	49,583,341	-	43,251,549	6,331,792	-
U.S. Agencies	41,188,848	32,397,707	8,791,141	-	-
Commercial paper	35,819,538	35,819,538	-	-	-
Corporate Securities	153,287,229	74,207,206	66,018,115	12,781,150	280,758
MOA Trust Fund					
Debt Securities:					
Fixed Income	42,834,103	-	42,834,103	-	-
Equity Securities:					
Domestic equity funds	67,493,968	67,493,968	-	-	-
International equity funds	19,681,933	19,681,933	-	-	-
Real estate funds	7,140,604	7,140,604	-	-	-
	<u>137,150,608</u>	<u>94,316,505</u>	<u>42,834,103</u>	<u>-</u>	<u>-</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

Investment Type (Continued)	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<b>Police &amp; Fire Retiree Medical Trust</b>					
Debt Securities:					
Domestic mutual fixed income funds	1,186,859	-	51,439	1,135,420	-
Equity Securities:					
Domestic mutual equity funds	1,896,601	1,896,601	-	-	-
International mutual equity funds	941,650	941,650	-	-	-
Real estate funds	404,426	404,426	-	-	-
	<u>4,429,536</u>	<u>3,242,677</u>	<u>51,439</u>	<u>1,135,420</u>	<u>-</u>
<b>Police &amp; Fire Retiree Medical Liability Fund</b>					
Debt Securities:					
Domestic mutual fixed income funds	7,471,452	-	-	7,471,452	-
Equity Securities:					
Domestic equities	8,224,065	8,224,065	-	-	-
International equities	538,816	538,816	-	-	-
Domestic mutual equity funds	10,099,134	10,099,134	-	-	-
International mutual equity funds	5,190,282	5,190,282	-	-	-
Real estate funds	3,558,809	3,558,809	-	-	-
	<u>35,082,558</u>	<u>27,611,106</u>	<u>-</u>	<u>7,471,452</u>	<u>-</u>
<b>HUD Section 108 Loan Program Investment</b>					
Cash & cash equivalents	890	890	-	-	-
U.S. Treasuries	1,021,216	1,021,216	-	-	-
Total investments	\$ 581,772,997	\$ 377,353,825	\$ 174,235,592	\$ 29,871,219	\$ 312,361
<b>Restricted Central Treasury</b>					
Money market funds	8,449,077	8,449,077	-	-	-
Cash in bank/CD's	18,181,104	18,181,104	-	-	-
<b>Unrestricted Central Treasury</b>					
Money market funds	26,102,737	26,102,737	-	-	-
Cash in bank/CD's	19,750,389	19,750,389	-	-	-
Petty Cash Accounts	353,596	353,596	-	-	-

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

<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>
MOA Trust Fund					
Cash & cash equivalents	3,826,393	3,826,393	-	-	-
Police and Fire Retiree Medical Trust Fund					
Money market funds	5,256,556	5,256,556	-	-	-
Cash & cash equivalents	2,051	2,051	-	-	-
Police and Fire Retiree Medical Liability Fund					
Money market funds	132,723	132,723	-	-	-
 Total Cash & Investments	 \$ 663,827,623	 \$ 459,408,451	 \$ 174,235,592	 \$ 29,871,219	 \$ 312,361
Component Unit:					
Restricted Central Treasury					
CIVICVentures					
Cash in bank	-	-	-	-	-
Money market funds	139,922	139,922	-	-	-
U.S. Agencies	51,253,558	51,253,558	-	-	-
	<u>\$ 51,393,480</u>	<u>\$ 51,393,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 715,221,103</u>	<u>\$ 510,801,931</u>	<u>\$ 174,235,592</u>	<u>\$ 29,871,219</u>	<u>\$ 312,361</u>
Police and Fire Retirement Pension Trust Fund	413,804,396	-	-	-	-
Total Cash & Investments	<u>\$ 1,129,025,499</u>				
Governmental activities	432,113,669				
Business-Type activities	260,531,585				
Fiduciary funds	<u>436,380,245</u>				
	<u>\$ 1,129,025,499</u>				

***Anchorage Central Treasury***

In 2006, Anchorage evaluated its cash management and investment procedure with the assistance of external consultants. The Assembly approved recommendations by the consultant to utilize external money managers for the investment of unrestricted cash pool and, in October 2006, adopted revised investment guidelines under Anchorage Municipal Code (AMC) Section 6.50.030. These revised guidelines allow segregation of the investment portfolio into three duration portfolios based on liability duration and cash

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

needs: working capital, short-term reserve, and strategic reserve. In mid 2007, three money managers were selected for the three respective portfolios and Investment Management Agreements (IMA) were signed. Each IMA sets forth investment portfolio guidelines for the external money manager to follow for its portfolio. Additionally, certain restricted and unrestricted investments continue to be managed internally by Anchorage.

Both externally and internally managed investments are subject to the primary investment objectives outlined in AMC 6.50.030, in priority order as follows: safety of principal, liquidity, return on investment, and duration matching. Consistent with these objectives, AMC 6.50.030 authorizes investments that meet the following rating and issuer requirements:

- 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 are 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.
- 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.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

- Asset Backed Securities (ABS), other than commercial paper, collateralized by: credit cards, automobile loans, leases and other receivables that 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 (MBS), including generic mortgage-backed pass-through securities issued by GNMA, FHLMC, FNMA, Non-agency mortgage-backed securities, Collateralized Mortgage Obligations (CMO), or Commercial mortgage-backed securities, that 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 unlevered manner to implement Portfolio strategies.
- Money Market Mutual Funds rated "Am" or better by S&P's Rating Service, or the equivalent by another nationally recognized rating agency.
- Alaska Municipal League Investment Pool.
- Mutual fund investments consisting of a diversified mutual fund, registered under the Securities Act of 1933 and Investment Company Act of 1940.
- Interfund Loans from a Municipal Cash Pool to a Municipal Fund.

The IMAs for each external manager and the policy and procedures (P&P) applicable to the internally managed investments provide additional guidelines for each portfolio's investment mandate. The IMA and P&P limit the concentration of investments for the working capital portfolio and the internally managed portfolio at the time new investments are purchased as follows:

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

<u>Investment Type</u>	<u>Maximum Holdings</u>	<u>Holding % at 12/31/2007</u>	
		<u>Working Capital Portfolio</u>	<u>Internally Managed Portfolio</u>
U.S. Government securities	Minimum 50% to Maximum 100%	35%	38%
Repurchase agreements	50% of investment portfolio	0%	3%
CD's, secured by U.S. Gov't Securities*	50% of investment portfolio	22%	0%
Banker's acceptances	25% of investment portfolio 5% per issuer	0%	0%
CD, secured by other than U.S. Gov't securities	20% of investment portfolio	0%	11%
Commercial paper	15% of investment portfolio 5% per issuer	19%	26%
Corporate Bonds	15% of investment portfolio 5% per issuer	24%	7%
Money market mutual funds	15% of investment portfolio 5% per issuer	0%	15%
		<u>100%</u>	<u>100%</u>

\*The requirement to be secured by U.S. Government securities is not applicable to the Working Capital Portfolio.

Anchorage's working capital external portfolio at December 31, 2007 was 4% above the guideline with respect to commercial paper, 9% above the guideline for corporate notes, and 15% below the minimum guideline weighting for U.S. Government securities. Compliance with these concentration guidelines are reviewed at the time new investments are made. Due to significant cash flow activity, market volatility, and varying maturities of investments held, compliance after the initial purchase may fall outside the diversification requirements. Steps are taken to move the portfolio to within guideline limits as existing securities mature or when new deposits are made.

Anchorage's internal portfolio at December 31, 2007 is above its investment policy maximum by 11% with respect to commercial paper and under its minimum U.S. Government securities weighting by 12%. Compliance with these concentrations is reviewed at the time the investments are made. Due to significant cash flow activity, market volatility and varying maturities of investments held, compliance at a given point in time may fall outside the diversification requirements. Steps are taken to move the internal portfolio to within guideline limits as existing securities mature or when new deposits are made.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

The short-term duration and strategic reserve (intermediate-duration) portfolios have no specific limitations on concentration of assets.

As of December 31, 2007, Anchorage Central Treasury had bank deposit carrying amounts of \$25,603,587, of which \$300,000 was covered by federal depository insurance. Additional bank balances of \$9,365,929 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 the custodian of the tri-party agreement. 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 U.S. government-sponsored corporation.

#### ***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 AMC 6.50.030, 6.50.060, and the MOA Trust investment policy:

- All investments eligible for purchase by the Anchorage Central Treasury.
- 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 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.
- Real Estate investments in a diversified portfolio of institutional quality, income producing properties held in a collective investment vehicle that limits the pooled trusts' liability.
- Alternative, basket clause investments utilizing special purpose investment vehicles.



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

- Fixed income derivative instruments used in an unlevered manner to implement portfolio strategies consistent with other authorized investments.
- Cash and cash equivalents including but not limited to repurchase agreements, certificates of deposit, and shares of money market or short-term investment fund that consist of securities of the type and quality as other authorized investments.
- 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 12/31/2007
Domestic equities	40%	50%	48%
International equities	12%	18%	14%
Fixed income	30%	40%	30%
Real Estate	3%	7%	5%
Cash equivalents	0%	15%	3%
			100%

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.

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. Real estate investments do not exceed 5% of the overall pooled trusts' portfolio value.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

#### ***Police and Fire Retiree Medical Trust Fund***

The Police and Fire Retiree Medical Trust Fund (Police & Fire Retiree Medical Trust) investment objective is to earn a rate of return on fund assets at least five percentage points greater than the rate of inflation to maintain funding of related liabilities. The Police & Fire Retiree Medical Trust investment objective is to be based upon a 5 - 10 year investment horizon and interim fluctuations are to be viewed in an appropriate perspective.

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.

The average maturity of the fixed income portfolio will not exceed 12 years. As of December 31, 2007, 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 S&P, with the fixed income portion of the portfolio having an average rating of A or better by Moody's and/or S&P.
- Real Estate funds.
- Cash and money market instruments.

#### Member Allocated Funds:

- Cash equivalents.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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 12/31/2007</u>
<b>General Funds:</b>			
Domestic equities	35%	45%	43%
International equities	15%	55%	21%
Fixed income	20%	30%	27%
Real Estate funds	15%	20%	9%
Cash equivalents	0%	5%	0%
			<u>100%</u>
<b>Member Allocated Funds:</b>			
Cash equivalents	100%	100%	100%
			<u>100%</u>

***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.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2007
Domestic equities			
Large Cap Value	20%	30%	21%
Large Cap Growth	20%	30%	25%
Mid to Small Cap	0%	10%	8%
International equities - Large Cap Growth	0%	20%	15%
Fixed income - Core	20%	40%	21%
Real Estate	5%	15%	10%
Cash equivalents	0%	10%	0%
			<u>100%</u>

***Police and Fire Retirement Pension Trust Fund***

The Police & Fire Retirement Pension Trust Fund (Police & 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.
- 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.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2007
Domestic equities			
Large Cap Index	6%	10%	8.3%
Large Cap Growth	9%	15%	12.0%
Large Cap Value	5%	10%	8.0%
Small Cap Growth	3%	7%	4.9%
Mid to Small Cap Value	3%	7%	4.8%
International equities			
Equity EAFE	6%	10%	8.3%
Growth	6%	10%	8.0%
Balanced Allocation	7%	13%	9.7%
Fixed income	20%	26%	24.0%
Real Estate funds			
Equity REIT	4%	9%	4.6%
RESA Open-end	4%	8%	7.3%
Cash equivalents	0%	10%	0.1%
			<u>100.0%</u>

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

- 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 20% of the market value of the assets controlled by any fund manager.
- No more than 15% 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

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

duration should not exceed 120% of the bond market's duration utilizing the Lehman Aggregate Bond Index.

#### 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 and the externally managed cash pool, which utilize 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.

The externally managed portfolio, which includes short-term and strategic reserve money, has some exposure to fair value losses arising from rising interest rates. As of December 31, 2007, the strategic reserve portfolio had an effective duration of 3.5 years and the short-term reserve portfolio had an effective duration of 1.6 years. The working capital portfolio had an effective duration below 1 year.

As a means of limiting its exposure to fair value losses arising from rising interest rates, Anchorage's internal cash pool investment policy requires investments with maturities exceeding two years to be specifically authorized in writing by the Chief Fiscal Officer and be reviewed by the Investment Advisory Commission. As of December 31, 2007, Anchorage's internally managed cash pool had no investments with maturities in excess of two years.

As of December 31, 2007, Anchorage Central Treasury, including both internally and externally managed funds had marketable debt securities, excluding U.S. government debt securities, of \$168,336,195. These corporate securities include: corporate notes and bonds, commercial mortgage-backed securities, non-government mortgaged related securities, and asset backed securities. Of these corporate securities, the internally held portion of \$19,593,193 have maturities not exceeding two years and interest rate adjustments occur every three months.

The externally managed fund securities of \$148,743,002 have varying maturities as outlined below:

<b>Maturities</b>	<b>Fair Value</b>	<b>Less 1 yr</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>&gt; 10</b>
Internally Managed	\$ 19,593,193	19,593,193	-	-	-
Externally Managed	148,743,002	60,761,516	73,449,294	14,219,831	312,361

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

As of December 31, 2007, the Police & Fire Retiree Medical Trust had no fixed income securities with a maturity exceeding 12 years in accordance with its investment policy.

The Police & 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 & Fire Retirement Trust's investment policy requires that the 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, 2007, the duration of the Lehman Brothers Aggregate Bond Index was 4.41 years, and the duration of the Police & Fire Retirements Trust's fixed income portfolio was 4.37 years.

As of December 31, 2007, 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.	\$221,275
Quarterly interest rate resets at 3 month LIBOR plus 2.205% up until December 2066 or earlier redemption. They are callable any time after December 15, 2031.	\$252,836
Quarterly interest rate resets at 3 month LIBOR plus 1.815% up until March 2067 or earlier redemption. They are callable any time after March 15, 2017.	\$93,006
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.	\$35,750

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

Terms	Fair Value
One time step up of .5% after the outstanding mortgage pool factor drops below .20. The current factor is .286 and there is a 20% cleanup call. The step has not been activated and the security has a maturity date of October 12, 2015.	\$466,983
Variable interest yield based upon underlying commercial mortgage investments with an average life of 7.50 years and a maturity date of October 12, 2015.	\$2,111,691
Quarterly interest rate resets at 3 month LIBOR plus 1.02% (3.5% floor). They are callable any time after April 14, 2011.	\$436,081
Quarterly interest rate resets at 3 Month LIBOR plus 2.205% until May 2067 or earlier redemption. They are callable any time after May 15, 2017.	\$252,836
Prime collateral 5/1 hybrid loans with a weighted average date of December 2011. At reset date, CMO becomes floating, indexed to 12 month LIBOR +176 bps. The security has a maturity date of February 25, 2037.	\$1,866,537
Prime collateral 5/1 hybrid loans with a weighted average reset date of August 2011. At reset date, CMO becomes floating, indexed 60% to 1 year CMT +249 bps and 40% to 12 month LIBOR +200 bps. The security has a maturity date of February 25, 2047.	\$1,637,943
	\$7,374,938

**Credit Risk**

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



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

As of December 31, 2007, Anchorage's Central Treasury investment in commercial paper was \$75,174,948. All commercial paper securities are purchased with maturities of less than nine months. Commercial paper ratings were as follows:

	<u>Fair Value</u>	<u>Moody's</u>	<u>S&amp;P</u>
Internally Managed	\$ 64,468,895	P-1	A-1
Externally Managed	10,706,053	P-1	A-1

As of December 31, 2007, Anchorage's Central Treasury's investments in marketable debt securities, excluding U.S. government debt securities, were rated by Moody's or S&P as follows:

	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
Internally Managed	\$ 19,593,193	-	9,607,893	9,985,300	-
Externally Managed	148,743,002	95,180,647	31,236,030	12,791,898	9,534,427

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 U.S. government-sponsored corporation and in an amount having a market value not less than the repurchase agreement investment amounts.

As of December 31, 2007, all securities in the MOA Trust fixed income portfolio were rated and had a weighted average quality rating of AA. These assets had an average maturity of 4.26 years at December 31, 2007.

As of December 31, 2007, the Police & Fire Retiree Medical Trust investments in mutual fixed income funds of \$51,439 and \$1,135,420, respectively, had weighted average ratings of AA by S&P and Morningstar ratings of 4-star and 5-star, respectively.

As of December 31, 2007, the Police and Fire Retiree Medical Liability Fund investment in a mutual fixed income fund of \$7,471,752 had a 4-star Morningstar rating and a weighted average quality credit rating of AAA.

As of December 31, 2007, the Police and Fire Retiree Medical Liability Fund investment in real estate of \$3,558,809 includes predominately commingled equity real estate funds. The real estate mortgage transactions are not rated.

As of December 31, 2007, the Police & Fire Retirement Trust's investments in its total fixed income portfolio of \$99,459,832 had a weighted average rating of Aa. The aggregated credit risk disclosures relating to individual fixed income securities of

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

\$77,004,754 held in the fixed income portfolio had the following ratings by Moody's, expressed as an aggregate percentage by rating scale.

Aaa	70%
Aa2	4%
Aa3	1%
A1	4%
A2	3%
A3	4%
Baa1	3%
Baa2	8%
Baa3	3%

As of December 31, 2007, the Police & Fire Retirement Trust's balanced mutual fund investment of \$40,155,148 had a 4-star Morningstar rating. The real estate mutual fund investment of \$19,289,655 had 3-star Morningstar rating.

As of December 31, 2007, the real estate mutual fund investment of \$30,052,157 is a limited partnership, consisting of both open and closed-end commingled funds managed by real estate firms. The Police and Fire Retirement Trust's real estate mortgage investment portfolio of \$27,789 as of December 31, 2007, consisted primarily of MBSs including agency and private issue pass-throughs, asset backed securities and may occasionally hold mortgage derivatives. These real estate 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. Disclosure is required 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, 2007, 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 the total portfolio 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.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

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, 2007, cash deposits and investments are not exposed to custodial credit risk.

#### **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 in the AMC Section 6.50.030.

Anchorage Central Treasury's exposure to foreign currency risk is limited by the AMC Section 6.50.030 requirement that all debt obligations be issued by companies incorporated in the United States or with a branch or agency licensed under the laws of the United States. This requirement is reiterated in the IMA agreements with dollar denominated obligations of foreign governments explicitly prohibited. As of December 31, 2007 all debt obligations held in Anchorage Central Treasury are payable in U.S. currency with no foreign credit risk.

MOA Trust's investments in International equity holdings in any one company do 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. Allocations among countries are expected to be diversified. Investments in emerging markets are permitted when such investments are well diversified and held within a mutual fund or commingled investment vehicle utilized to efficiently gain international equity exposure. As of December 31, 2007 the international equity holdings consisted of 78% MSCI-EAFE. The MOA Trust's exposure to foreign currency risk is as follows and represents approximately 14% of total portfolio value as of December 31, 2007:

<u>Investment Type</u>	<u>Fair Value</u>
International mutual equity funds	\$ 19,681,933

The Police & Fire Retiree Medical Trust's exposure to foreign currency risk is as follows and represents approximately 10% of total portfolio value as of December 31, 2007:

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

Investment Type	Fair Value
International mutual equity funds	\$ 941,650

The Police and Fire Retiree Medical Liability Fund's exposure to foreign currency risk represents approximately 16% of total portfolio value as of December 31, 2007 and is as follows:

Investment Type	Currency	Fair Value
International equities		
Diageo PLC	UK - Euro	\$ 171,660
Taiwan Semiconductor	Taiwan	222,696
STMicro Electronics N.V. ADR	Swiss franc	144,460
International mutual equity funds	Various	5,190,282
		\$ 5,729,098

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

The Police & Fire Retirement Trust's exposure to foreign currency risk is as follows and represents approximately 17% of total portfolio value as of December 31, 2007:

Investment Type	Currency	Fair Value
Foreign government notes		
Province of Quebec	Canadian dollar	\$ 519,118
United Mexican	Mexican peso	423,427
International corporate notes		
Nexen Inc.	Canadian dollar	264,084
Canadian National Railway	Canadian dollar	325,388
Transcanada Pipelines	Canadian dollar	283,636
Tailsman Energy	Canadian dollar	290,166
Vale Overseas Ltd	Euro	254,800
Diageo Capital PLC Global	Euro	503,800
Vodafone Airtouch PLC	Euro	295,564
Telecom Italia CAP	Euro	312,153
Telefonica Emisions SAU	Swiss franc	412,231
International mutual equity funds	Various	<u>67,547,773</u>
		<u>\$ 71,432,140</u>

During 2007 and 2006, the Police and Fire Retirement Trust lent securities in its investment portfolio to financial institutions through a securities lending program administered by the Trust's custodian. The amount of the collateral provided by the borrowers is equal to 103% of domestic securities and 105% of foreign securities. Of the investments reported in the combining statements of plan net assets at December 31, 2007, the amount outstanding in loans to borrowers was \$48,784,359 compared to \$17,575,270 at December 31, 2006. The collateral consists of cash that the Trust's custodian has the right to invest.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**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, 2007:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
Property Taxes	\$ 11,066,925	\$ —	\$ 11,066,925
Accommodations Taxes	3,205,066	—	3,205,066
Unbilled reimbursable projects	—	804,881	804,881
Special assessments receivable	1,655,151	190,122	1,845,273
Port leases	—	266,023	266,023
Trade accounts, including internal service funds	10,627,552	22,623,462	33,251,014
Total accounts receivable	26,554,694	23,884,488	50,439,182
Allowance for uncollectible accounts	(2,063,437)	(573,730)	(2,637,167)
	<u>\$ 24,491,257</u>	<u>\$ 23,310,758</u>	<u>\$ 47,802,015</u>
Miscellaneous loans	\$ 842,527	\$ 14,102	\$ 856,629
HUD loans (including section 108)	6,879,306	—	6,879,306
Jail lease	48,255,000	—	48,255,000
Total loans and leases, net	<u>\$ 55,976,833</u>	<u>\$ 14,102</u>	<u>\$ 55,990,935</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, 2007

**NOTE 5 Capital Assets**

Capital asset activity for the year ended December 31, 2007, 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	\$ 1,216,177	\$ 1,194	\$ (902)	\$ 1,216,469
Artwork	15,351	656	—	16,007
Construction				
Work-in-Progress	58,702	108,284	(32,385)	134,601
Infrastructure	<u>1,310,034</u>	<u>4,845</u>	<u>—</u>	<u>1,314,879</u>
Total Capital Assets, Not Being Depreciated	<u>2,600,264</u>	<u>114,979</u>	<u>(33,287)</u>	<u>2,681,956</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	424,453	7,044	(3,342)	428,155
Equipment	171,881	16,375	(23,104)	165,152
Infrastructure	<u>360,592</u>	<u>13,389</u>	<u>(195)</u>	<u>373,786</u>
Total Capital Assets, Being Depreciated	<u>956,926</u>	<u>36,808</u>	<u>(26,641)</u>	<u>967,093</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	250,163	14,329	(2,794)	261,698
Equipment	122,239	15,176	(22,397)	115,018
Infrastructure	<u>194,823</u>	<u>9,161</u>	<u>(130)</u>	<u>203,854</u>
Total Accumulated Depreciation	<u>567,225</u>	<u>38,666</u>	<u>(25,321)</u>	<u>580,570</u>
Total Capital Assets, Being Depreciated, Net	<u>389,701</u>	<u>(1,858)</u>	<u>(1,320)</u>	<u>386,523</u>
Total Governmental Activities, Net	<u>\$ 2,989,965</u>	<u>\$ 113,121</u>	<u>\$ (34,607)</u>	<u>\$ 3,068,479</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, 2007

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>
Business-Type Activities:				
Capital Assets, Not Being				
Depreciated:				
Land and Property				
held for future use	\$ 46,916	\$ 4,249	\$ (45)	\$ 51,120
Construction				
Work-in-Progress	112,288	111,781	(162,664)	61,405
Total Capital Assets, Not				
Being Depreciated	159,204	116,030	(162,709)	112,525
Capital Assets, Being Depreciated:				
Distribution and Collection				
Systems, Infrastructure	1,416,574	116,736	(11,567)	1,521,743
Buildings and Improvements	315,044	38,213	(2,399)	350,858
Total Capital Assets, Being				
Depreciated	1,731,618	154,949	(13,966)	1,872,601
Less Accumulated				
Depreciation for:				
Distribution and Collection				
Systems, Infrastructure	579,518	47,843	(5,243)	622,118
Buildings and Improvements	121,733	11,686	(2,753)	130,666
Total Accumulated				
Depreciation	701,251	59,529	(7,996)	752,784
Total Capital Assets, Being				
Depreciated, Net	1,030,367	95,420	(5,970)	1,119,817
Total Business-Type				
Activities, Net	\$ 1,189,571	\$ 211,450	\$ (168,679)	\$ 1,232,342



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

Governmental Activities:	
General Government	\$ 3,691
Fire Services	3,568
Police Services	2,561
Health and Human Services	1,260
Economic & Community Development	11,280
Public Transportation	2,615
Public Works	9,871
Maintenance and Operations	3,820
Total – Governmental Activities	<u>\$ 38,666</u>
Business-Type Activities:	
Electric	\$ 25,995
Water	6,703
Wastewater	5,236
Refuse	388
Solid Waste	2,693
Port	4,108
Municipal Airport	1,811
Cooperative Services Authority	333
Total – Business-Type Activities	<u>47,267</u>
Depreciation expense offset by amortization of regulatory liability - contributed plant	<u>12,262</u>
Gross increase in accumulated depreciation	<u>\$ 59,529</u>

The 2008 Utility construction budgets are \$56,125,000, \$45,292,000, and \$31,214,000 for Electric, Water, and Wastewater, respectively.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**(b) Discretely Presented Component Units – ASD – Capital Assets**

The capital asset activity for the fiscal year ended June 30, 2007 is as follows:

	<b>Balance July 1, 2006</b>	<b>Additions/ Transfers</b>	<b>Deduction/ Transfers</b>	<b>Balance June 30, 2007</b>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 31,426,615	\$ —	\$ —	\$ 31,426,615
Construction in Progress	185,721,209	44,877,531	22,489,758	208,108,982
Total Capital Assets not Being Depreciated	217,147,824	44,877,531	22,489,758	239,535,597
Capital Assets Being Depreciated:				
Land Improvements	42,639,723	59,478	—	42,699,201
Buildings and Equipment	1,222,389,763	23,108,820	7,861,370	1,237,637,213
Pupil Transportation Equipment	8,921,297	37,340	165,391	8,793,246
Total Capital Assets Being Depreciated	1,273,950,783	23,205,638	8,026,761	1,289,129,660
Less Accumulated Depreciation for:				
Land Improvements	(30,337,368)	(1,465,755)	—	(31,803,123)
Buildings and Equipment	(293,618,052)	(27,624,089)	(4,293,123)	(316,949,018)
Pupil Transportation Equipment	(7,019,423)	(543,646)	(165,392)	(7,397,677)
Total Accumulated Depreciation	(330,974,843)	(29,633,490)	(4,458,515)	(356,149,818)
Total Capital Assets, Being Depreciated, Net	942,975,940	(6,427,852)	3,568,246	932,979,842
Governmental Activities Capital Assets, Net	\$ 1,160,123,764	\$ 38,449,679	\$ 26,058,004	\$ 1,172,515,439

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**(c) Discretely Presented Component Units – Authority – Capital Assets**

The capital asset activity for the year ended December 31, 2007 is as follows:

	<b>Balance January 1, 2007</b>	<b>Additions/ Transfers</b>	<b>Deduction/ Transfers</b>	<b>Balance December 31, 2007</b>
Business Type Activities:				
Capital Assets, not Being				
Depreciated:				
Land	\$ 11,058,632	\$ —	\$ —	\$ 11,508,632
Construction in Progress	13,724	—	13,724	—
Total Capital Assets not Being Depreciated	11,072,356	—	13,724	11,058,632
Capital Assets Being Depreciated:				
Parking Garages	35,575,124	799,906	—	36,375,030
Lot Improvements	443,692	34,119	—	477,811
Furniture and Fixtures	272,018	2,313	—	274,331
Equipment and Vehicles	2,419,341	266,492	—	2,685,833
Total Capital Assets Being Depreciated	38,710,175	1,102,830	—	39,813,005
Less Accumulated				
Depreciation for:				
Parking Garages	(18,644,820)	(1,151,228)	—	(19,796,048)
Lot Improvements	(259,412)	(50,919)	—	(310,331)
Furniture and Fixtures	(226,044)	(17,796)	—	(243,840)
Equipment and Vehicles	(1,506,353)	(267,644)	—	(1,773,997)
Total Accumulated Depreciation	(20,636,629)	(1,487,587)	—	(22,124,216)
Total Capital Assets, Being Depreciated, Net	18,073,546	(384,757)	—	17,688,789
Business Type Activities Capital Assets, Net	\$ 29,145,902	\$ (384,757)	\$ (13,724)	\$ 28,747,421

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**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	\$ 10,933
Nonmajor governmental funds	67,846
Internal service fund	884,904
Nonmajor enterprise fund	137,934
Total interfund payable to General Fund	1,101,617

Interfund payable to nonmajor governmental fund from:

Water enterprise fund	194,445
Wastewater enterprise fund	8,929,611
Total interfund payable to nonmajor governmental fund	9,124,056

Interfund payable between nonmajor governmental funds 2,576,374

Interfund payable between nonmajor internal service funds 908,016

Total interfund payable \$ 13,710,063

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 12/31/07 were as follows:

Advance payable to electric enterprise fund from nonmajor governmental fund for land acquisition	\$ 3,923,402
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Advance payable between nonmajor internal service funds for capital acquisition	4,523,966
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Total advances payable	\$ 8,447,368
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**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**(b) Interfund Transfers**

A summary of interfund transfers is as follows:

From General Fund to:	
Nonmajor governmental funds for capital construction	\$ 6,926,680
Nonmajor internal service fund for capital asset acquisition	150,000
Nonmajor governmental funds for grant matching	1,354,620
Nonmajor governmental funds for prefunding contribution	1,869,000
Nonmajor enterprise fund for debt service	862,599
Total Transfers from General Fund	<u>11,162,899</u>
From MOA Trust to General Fund for annual operating subsidy	6,400,000
From enterprise fund to General Fund for annual revenue distribution	5,969,152
From nonmajor enterprise funds to General Fund for annual revenue distribution	1,448,063
From nonmajor governmental funds to General Fund for debt service and other operating transfers	703,155
Between nonmajor governmental funds for capital construction	3,700,121
Total transfers	<u><u>\$ 29,383,390</u></u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**NOTE 7 Lease Agreements**

**(a) Operating Leases**

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

2008	\$	4,717
2009		4,288
2010		4,009
2011		3,862
2012		3,631
2013-2017		17,454
2018-2022		18,521
2023-2027		12,156
Total	\$	68,638
2007 rent expense	\$	5,827

**(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 (in thousands):

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	\$ 231	\$ 63	\$ 294
2009	242	53	295
2010	253	42	295
2011	193	31	224
2012	202	23	225
2013-2016	438	31	469
	\$ 1,559	\$ 243	\$ 1,802

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**(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, 2007 follow (in thousands):

	<b>Direct Financing</b>
Total minimum lease payment to be received	\$ 551
Less unearned interest income	(47)
Net investment in leases	504
Amount due within one year	(266)
Total noncurrent investment – included in deferred charges and other assets in the accompanying financial statements	\$ 238
Minimum lease payments to be received as follows:	
2008	302
2009	236
2010	13
	\$ 551

**(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 \$5,740,693, with a cost of \$9,073,238 and accumulated depreciation of \$3,332,545. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows (in thousands):

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

	<u>Amount</u>
Years:	
2008	\$ 4,038
2009	3,759
2010	2,931
2011	482
2012	138
2013-2017	344
2018-2022	344
2023-2027	322
Total	<u>\$ 12,358</u>
Lease revenue for 2007	<u>\$ 4,029</u>

**NOTE 8 Short Term Obligations – Tax Anticipation Notes**

On January 25, 2007 Anchorage issued tax anticipation notes with a face value of \$90,000,000. 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, 2007 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes \$	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>

**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 are generally issued as 20-year serial bonds with 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 \$1,401,428 net of unamortized discounts and losses on refundings of \$38,572 at December 31, 2007. ASD GO bonds are reported as obligations of the component unit since they are expected to be



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

repaid from ASD revenues; such amounts total \$769,665,000 at June 30, 2007. All other Anchorage GO bonds are reported in the government-wide financial statements.

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

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	\$ 26,130,000	\$ 19,833,000	\$ 45,963,000
2009	25,440,000	18,956,000	44,396,000
2010	25,895,000	17,818,000	43,713,000
2011	26,340,000	16,475,000	42,815,000
2012	26,955,000	15,229,000	42,184,000
2013-2017	136,885,000	56,900,000	193,785,000
2018-2022	119,550,000	25,129,000	144,679,000
2023-2027	48,905,000	5,276,000	54,181,000
	<u>436,100,000</u>	<u>175,616,000</u>	<u>611,716,000</u>
Add unamortized premiums/ (discounts), net	5,557,000	—	5,557,000
	<u>\$ 441,657,000</u>	<u>\$ 175,616,000</u>	<u>\$ 617,273,000</u>

	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	455,000	77,000	532,000
2009	480,000	53,000	533,000
2010	505,000	27,000	532,000
	<u>1,440,000</u>	<u>157,000</u>	<u>1,597,000</u>
Add unamortized premiums/ (discounts), net	(38,572)	—	(38,572)
	<u>\$ 1,401,428</u>	<u>\$ 157,000</u>	<u>\$ 1,558,428</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**(b) Revenue Bonds**

On April 15, 2000 Anchorage issued \$60,440,000 in Revenue Bonds to construct and operate 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 State of Alaska Department of Administration (DOA) 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 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:

<b>Governmental Activities - Excluding CIVICVentures</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	\$ 2,690,000	\$ 2,333,000	\$ 5,023,000
2009	2,830,000	2,186,000	5,016,000
2010	2,985,000	2,034,000	5,019,000
2011	3,150,000	1,885,000	5,035,000
2012	3,300,000	1,734,000	5,034,000
2013-2017	19,235,000	5,967,000	25,202,000
2018-2022	14,065,000	1,066,000	15,131,000
	\$ 48,255,000	\$ 17,205,000	\$ 65,460,000

On February 2, 2006, CIVICVentures, a blended component unit, issued \$110,920,000 in tax-exempt, non-recourse revenue bonds to finance 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 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 \$5,375,335 to \$8,448,825 including interest at 3.5% to 5.0% through 2038.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

	<b>CIVICVentures</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	305,000	5,070,000	5,375,000
2009	920,000	5,060,000	5,980,000
2010	1,070,000	5,027,000	6,097,000
2011	1,180,000	4,990,000	6,170,000
2012	1,300,000	4,946,000	6,246,000
2013-2017	8,490,000	23,862,000	32,352,000
2018-2022	12,655,000	21,647,000	34,302,000
2023-2027	17,885,000	18,461,000	36,346,000
2028-2032	24,920,000	13,593,000	38,513,000
2033-2037	34,110,000	6,702,000	40,812,000
2038	8,085,000	364,000	8,449,000
	<u>\$ 110,920,000</u>	<u>\$ 109,722,000</u>	<u>\$ 220,642,000</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 1.15 to 1.35 times the debt service requirement for that year.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	\$ 22,460,000	\$ 20,945,000	\$ 43,405,000
2009	22,320,000	19,757,000	42,077,000
2010	22,250,000	18,539,000	40,789,000
2011	22,090,000	17,269,000	39,359,000
2012	23,155,000	15,985,000	39,140,000
2013-2017	95,945,000	61,785,000	157,730,000
2018-2022	44,505,000	43,360,000	87,865,000
2023-2027	41,820,000	31,806,000	73,626,000
2028-2032	47,620,000	21,135,000	68,755,000
2033-2037	60,845,000	7,909,000	68,754,000
	403,010,000	258,490,000	661,500,000
Less unamortized premiums/ discounts, net	(6,618,731)	—	(6,618,731)
	\$ 396,391,269	\$ 258,490,000	\$ 654,881,269

**(c) Special Assessment District Bonds**

In 1989 Anchorage issued \$3,438,200 of Roads and Drainage Consolidated Special Assessment District 1 Bonds. In 1990 Anchorage issued \$590,770 for Water Utility Consolidated Special Assessment District 2 and \$985,448 for Water and Wastewater Utility Consolidated Special Assessment 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 Consolidated Special Assessment Districts 2 and 3 bonds is included in the Business-type Activities.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

<b>Governmental Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	\$ 225,000	\$ 27,000	\$ 252,000
2009	35,000	8,000	43,000
2010	35,000	6,000	41,000
2011	40,000	3,000	43,000
	\$ 335,000	\$ 44,000	\$ 379,000

<b>Business-Type Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	\$ —	\$ 3,200	\$ 3,200
2009	15,000	2,400	17,400
2010	25,000	1,200	26,200
	40,000	6,800	46,800
Less unamortized premiums/ discounts, net	—	—	—
	\$ 40,000	\$ 6,800	\$ 46,800

**(d) Notes and Contracts**

Anchorage has various clean water and drinking water fund loans in its Solid Waste, Water, and Wastewater Utilities.

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.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

<b>Governmental Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	100,000	237,000	337,000
2009	105,000	233,000	338,000
2010	110,000	229,000	339,000
2011	115,000	224,000	339,000
2012	120,000	220,000	340,000
2013-2017	675,000	1,021,000	1,696,000
2018-2022	825,000	868,000	1,693,000
2023-2027	1,040,000	658,000	1,698,000
2028-2032	1,335,000	367,000	1,702,000
2033-2037	635,000	47,000	682,000
	<u>\$ 5,060,000</u>	<u>\$ 4,104,000</u>	<u>\$ 9,164,000</u>

<b>Business-Type Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	4,222,000	859,000	5,081,000
2009	6,005,000	2,716,000	8,721,000
2010	6,056,000	1,317,000	7,373,000
2011	6,107,000	1,226,000	7,333,000
2012	6,158,000	1,134,000	7,292,000
2013-2017	28,532,000	4,339,000	32,871,000
2018-2022	23,964,000	2,288,000	26,252,000
2023-2027	14,842,000	790,000	15,632,000
2028-2032	2,124,000	32,000	2,156,000
	<u>\$ 98,010,000</u>	<u>\$ 14,701,000</u>	<u>\$ 112,711,000</u>

**(e) HUD Section 108 Loan**

Anchorage entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) in August of 2005 to borrow up to \$5,000,000 in HUD Section 108 Loan funds. As of December 31, 2007 Anchorage has borrowed \$2,000,000 of these funds.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2008	66,000	107,000	173,000
2009	70,000	104,000	174,000
2010	74,000	101,000	175,000
2011	78,000	97,000	175,000
2012	83,000	93,000	176,000
2013-2017	493,000	397,000	890,000
2018-2022	650,000	251,000	901,000
2023-2025	486,000	57,000	543,000
	<u>\$ 2,000,000</u>	<u>\$ 1,207,000</u>	<u>\$ 3,207,000</u>

*(f) Bonds Authorized But Unissued*

At December 31, 2007, Anchorage has the following authorized but unissued general obligation bonds (in thousands):

<b>Purpose</b>	<b>Ordinance Date</b>	<b>Interest Limitation</b>	<b>Amount Authorized</b>	<b>Amount Issued</b>	<b>Remaining Authorized</b>
Roads & Drainage upgrades and maintenance	April 2006	None	44,150	30,110	14,040
Anchorage Parks & Recreation	April 2007	None	4,995	2,500	2,495
Anchorage Roads & Drainage	April 2007	None	35,550	12,615	22,935
					<u>\$ 39,470</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**(g) Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2007, was as follows (in thousands):

	<b>Balance January 1, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2007</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 411,256	\$ 88,214	\$ (57,813)	\$ 441,657	\$ 26,130
Revenue Bonds	50,805	—	(2,550)	48,255	2,690
Special Assessment District Bonds	600	—	(265)	335	225
CIVICVentures Revenue Bonds	110,920	—	—	110,920	305
Capital Leases	2,015	—	(456)	1,559	231
Long-Term Contracts	5,160	—	(100)	5,060	100
HUD Section 108 Loan	2,000	—	—	2,000	66
<b>Total Debt Payable</b>	<b>582,756</b>	<b>88,214</b>	<b>(61,184)</b>	<b>609,786</b>	<b>29,747</b>
Compensated Absences	15,642	14,111	(11,318)	18,435	11,487
Unfunded Pension Obligation	18,283	2,722	—	21,005	—
Unfunded Post Empl Obligation	—	1,633	—	1,633	—
Post-employment Benefits	143,366	—	(2,267)	141,099	—
Claims payable and IBNR	18,561	47,088	(46,753)	18,896	6,531
<b>Total Governmental Activities</b>	<b>\$ 778,608</b>	<b>\$ 153,768</b>	<b>\$ (121,522)</b>	<b>\$ 810,854</b>	<b>\$ 47,765</b>
<b>Business-type activities:</b>					
General Obligation Bonds	\$ 1,798	\$ —	\$ (396)	\$ 1,402	\$ 455
Revenue Bonds	307,768	150,980	(62,357)	396,391	22,460
Special Assessment District Bonds	110	—	(70)	40	—
Long-term Contracts	83,648	18,229	(3,867)	98,010	4,222
<b>Total Bonds Payable</b>	<b>393,324</b>	<b>169,209</b>	<b>(66,690)</b>	<b>495,843</b>	<b>27,137</b>
Compensated Absences	4,730	5,557	(5,407)	4,880	4,802
Unfunded Pension Obligation	3,014	4,778	(4,201)	3,591	—
Unfunded Post Empl Obligation	—	3,508	(3,002)	506	—
Landfill Closure Liability	12,911	3,685	—	16,596	—
<b>Total Business- type Activities</b>	<b>\$ 413,979</b>	<b>\$ 186,737</b>	<b>\$ (79,300)</b>	<b>\$ 521,416</b>	<b>\$ 31,939</b>



## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

Governmental activities compensated absences are typically liquidated by the General Fund.

#### **(h) *Unfunded Pension & Post-Employment Obligations***

Anchorage and the Authority recognized unfunded pension and post-employment obligations in 2007 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) *Refunded Bond Issues***

In September 2007 Anchorage issued \$32,245,000 of new general obligation bonds to advance refund \$31,902,070 of outstanding general obligation bonds. This advance refunding reduces total debt service payments by \$1,453,595 over the next 16 years. The economic gain generated by this refunding was \$851,659 calculated as the difference between the present value of the debt service requirements of the new debt of \$32,024,283 and the present value of the debt service requirements of the refunded debt of \$32,875,942.

In May 2007 the Water Utility issued \$91,315,000 in Water Revenue and Refunding Bonds. Proceeds of \$93,032,202 were used to provide defeasance and redemption of \$1,250,000 principal amount of the 1998 Senior Lien Water Revenue and Refunding Bonds, \$12,240,000 principal amount of the 1999 Water Revenue and Refunding Bonds and \$11,175,000 principal amount of the 2004 Water and Revenue Refunding bonds and to reimburse the utility for capital improvement expenditures, to pay the costs of certain additions, betterments and extensions to the water system, and to pay costs of issuance of the water bonds. Proceeds of \$66,300,000 were deposited to the bond and grant capital acquisition and construction pool. The refunding resulted in a net present value savings of \$1,454,552 and an economic gain of \$775,152.

In May 2007, the Wastewater Utility issued \$59,665,000 in Wastewater Revenue and Refunding Bonds. Proceeds of \$60,642,392 were used to provide defeasance and redemption of \$4,125,000 principal amount of the 1999 Wastewater Revenue Bonds and \$14,575,000 principal amount of the 2004 Wastewater Revenue Bonds; and to reimburse the utility for capital improvement expenditures; to pay the costs of certain additions, betterments and extensions to the wastewater system; and to pay costs of issuance of the Wastewater bonds. Proceeds of \$40,500,000 were deposited to the bond and grant capital acquisition and construction pool. The refunding resulted in a net present value savings of \$665,233 and an economic gain of \$493,132.

#### **(j) *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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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, 2007 the amount of general obligation and revenue bonds considered defeased was \$440,775,000, including \$18,700,000 of revenue bonds from the Wastewater Utility and \$24,665,000 of revenue bonds from the Water Utility.

**(k) ASD Debt**

The following is a summary of long-term ASD debt transactions for fiscal year ended June 30, 2007 (in thousands):

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Amount Due within 1 year</u>
General Obligation Bonds	\$ 758,210	300,240	288,785	769,665	44,080
Compensated Absences	8,181	8,494	8,181	8,494	8,493
Workers Compensation	13,393	6,087	4,786	14,694	4,138
Net Pension Obligation	13,380	4,368	824	16,924	—
Medical Claims	6,528	19,026	18,423	7,131	7,131
	<u>\$ 799,692</u>	<u>\$ 338,215</u>	<u>\$ 320,999</u>	<u>816,908</u>	<u>\$ 63,842</u>
Unamortized premium on GO Bonds				<u>16,671</u>	
				<u>\$ 833,579</u>	

Bonds payable at June 30, 2007 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%.	\$ 16,935
\$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%	6,815
\$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%.	1,995

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

<u>General Obligation Bonds (continued)</u>	<u>Amount</u>
\$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%.	19,735
\$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 %.	7,895
\$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 %.	7,725
\$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%.	13,375
\$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%.	11,075
\$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%.	49,455
\$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%.	38,585
\$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%.	64,140
\$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%.	47,310
\$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%.	80,615
\$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%.	36,110
\$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%.	23,805
\$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%.	29,065

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

<b>General Obligation Bonds (continued)</b>	<b>Amount</b>
\$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
\$48,495,000 2006 series A school construction serial bonds due in annual installments of \$1,585,000 to \$3,640,000 through October 2026; interest at 3.75% to 5.0%	48,495
\$28,885,000 2006 series B school construction refunding bonds due in annual installments of \$40,000 to \$7,075,000 through October 2020; interest at 3.75% to 5.0%	28,885
\$51,705,000 2006 series C school construction refunding bonds due in annual installments of \$65,000 to \$9,770,000 through July 2021; interest at 3.75% to 5.0%	51,705
\$171,155,000 2007 series B school construction refunding bonds due in annual installments of \$50,000 to \$29,530,000 through September 2024; interest at 4.0% to 5.0%	171,155
	\$ 769,665

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2007, including interest payments in the amount of \$305,219,000 are as follows (in thousands):

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	44,080	34,605	78,685
2009	44,635	34,063	78,698
2010	46,490	32,045	78,535
2011	48,650	29,852	78,502
2012	50,820	27,485	78,305
2013-2017	254,345	100,112	354,457
2018-2022	203,320	41,698	245,018
2023-2027	77,325	5,359	82,684
	\$ 769,665	\$ 305,219	\$ 1,074,884

The amount of long-term liability that is due within one year as of June 30, 2007 is \$44,080,000.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

The Debt Service Fund has \$5,141,963 available to service the general obligation bonds.

There are a number of restrictions contained in the various bond indentures. ASD 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, 2007 is \$769,665,000.

#### **NOTE 10 Debt Issued Subsequent to Year End**

On January 22, 2008 Anchorage authorized a revolving \$50,000,000 Master Tax-Exempt Lease/Purchase Agreement to implement a cost effective financing alternative for the purchase of capital items. All draws or loans under the Agreement are subject to Assembly approval. On May 1, 2008 the first draw was made for a total of \$677,548. The term of each loan will be consistent with the depreciable life of the assets purchased.

On January 29, 2008 Anchorage approved the issuance of \$215,000,000 of Subordinate Lien Port Revenue Notes (Commercial Paper) to provide funds to finance capital expansion and improvements at the Port of Anchorage. On March 25, 2008 Anchorage appropriated \$75,000,000 in expenditures toward the Port of Anchorage improvements. On May 29, 2008, \$20,000,000 of Commercial Paper Notes were issued at a rate of 1.95% maturing on February 3, 2009. On June 6, 2008 an additional \$20,000,000 of Commercial Papers Notes were issued at a rate of 1.80% with a maturity date of November 14, 2008.

On February 7, 2008, Anchorage issued \$95,000,000 of General Obligation Tax Anticipation Notes. The interest rate on the Notes is 2.5% with a maturity date of December 30, 2008.

#### **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.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2007

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

	<u>Principal</u>
Years:	
2008	54,627
2009	58,453
2010	62,514
2011	66,867
2012	71,513
2013-2015	238,342
	<u>\$ 552,316</u>

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

	<u>Principal</u>
Years:	
2008	34,417
2009	36,749
2010	39,199
2011	41,824
2012	44,612
2013-2017	272,164
2018-2021	255,743
	<u>\$ 724,708</u>

**(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.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

A schedule of the remaining debt service follows:

	<u>Principal</u>
Years:	
2008	153,797
2009	164,542
2010	175,999
2011	188,253
2012	201,361
2013-2014	341,529
	<u>\$ 1,225,481</u>

**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).

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 2007, 2006, and 2005 were \$1,879,952, \$1,889,527, and \$1,822,055, respectively. One hundred percent of Anchorage's required contributions to the IBEW plan have been made through these contributions to the Alaska Electrical Trust Fund. Each year, the Alaska Electrical Trust Fund (AETF) issues audited financial statements that can be obtained by writing to AETF, 2600 Denali Street, Suite 200, 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 2007, 2006 and 2005 were \$943,863, \$976,169 and \$948,004, respectively. One hundred percent of Anchorage's required contributions to the Local 302 plan have been made through these contributions to the Local 302 International Operating Engineers Employers Construction Industry Retirement Fund. Each year, Local 302 issues audited financial statements that can be obtained by writing to the plan administrator at Welfare and Pension Administration Service, Inc., P.O. Box 34203, Seattle, Washington 98124.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

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. All pension and postemployment healthcare benefit obligations of Anchorage are included on the government-wide or proprietary financial statements.

**(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 with a component of defined benefit postemployment healthcare. Both plans were established and are administered by the State of Alaska (State) to provide pension, postemployment 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 and Postemployment Healthcare Cost - PERS Tier I-III Defined Benefit Plan**

Employer contribution rates are established by State statute. Employer contribution rates are established annually by a State sanctioned management board. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due.



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

Detailed information regarding rates for Anchorage and actuarial methods for the plan for the year ended 2007 is as follows:

	Pension		Postemployment Healthcare	
	1/1/07 - 6/30/07	7/1/07 - 12/31/07	1/1/07 - 6/30/07	7/1/07 - 12/31/07
<b>Contribution Rates:</b>				
<b>Employee Rate</b>				
Police Officers and Firefighters	4.43%	4.35%	3.07%	3.15%
Other Employees	3.98%	3.92%	2.77%	2.83%
<b>Actuarially Required Employer Rate</b>				
Police Officers and Firefighters	17.03%	12.37%	11.83%	8.95%
Other Employees	17.03%	21.23%	11.83%	15.38%
<b>Adjusted Actual Employer Rate</b>				
Police Officers and Firefighters	11.33%	12.37%	7.87%	8.95%
Other Employees	10.84%	12.76%	7.53%	9.24%
<b>Actuarial Valuation Date:</b>	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005
<b>Actuarial Cost Method:</b>	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
<b>Amortization Method:</b>	Level % Pay, Open	Level % Pay, Closed	Level % Pay, Open	Level % Pay, Closed
<b>Amortization Period:</b>	Fixed 25 Years	Fixed 25 Years	Fixed 25 Years	Fixed 25 Years
<b>Asset Valuation Method:</b>	Market	Market	Market	Market
<b>Actuarial Assumptions:</b>				
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 Merit				
Police	2.50%	2.50%	2.50%	2.50%
Other	2.00%	2.00%	2.00%	2.00%
Health Cost Trend			9.5% assumed to decrease 0.5% until reaching 5%	9.5% assumed to decrease 0.5% until reaching 5%
Rx Cost Trend			14% assumed to decrease 1% until reaching 5%	14% assumed to decrease 1% until reaching 5%

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

The components of annual pension and postemployment healthcare cost for the year ended 2007 (in thousands) are as follows:

	<b>Pension</b>	<b>Post- employment Healthcare</b>	<b>Total</b>
Annual Required Contribution (ARC)	\$ 25,267	\$ 17,963	\$ 43,230
Interest on the Net Obligation (NPO/NOO)	1,742	—	1,742
Adjustment to the ARC	(1,355)	—	(1,355)
Annual Pension Cost (APC)	25,654	17,963	43,617
Contributions made	(22,175)	(15,823)	(37,998)
Increase in Net Obligation	3,479	2,140	5,619
Net Obligation, beginning of year	21,117	—	21,117
Net Obligation, end of year	<u>\$ 24,596</u>	<u>\$ 2,140</u>	<u>\$ 26,736</u>

Three year trend information (in thousands) follows:

	<b>Year Ending December 31</b>	<b>APC</b>	<b>Percentage of APC Contributed</b>	<b>Net Obligation</b>
Pension	2005	19,560	59%	11,122
	2006	23,469	57%	21,117
	2007	25,654	86%	24,596
Postemployment Healthcare	2005	N/A	N/A	N/A
	2006	N/A	N/A	N/A
	2007	17,963	88%	2,140

**Funded Status and Funding Progress**

As of June 30, 2006, the most recent actuarial valuation date, the pension plan was 75 percent funded and the postemployment healthcare was 46 percent funded. The actuarial accrued liabilities for pension benefits was \$730 million resulting in an unfunded actuarial accrued liability (UAAL) of \$183 million. The actuarial accrued liability for the postemployment healthcare benefits was \$506 million, resulting in an UAAL of \$272 million. The covered payroll (annual payroll of active employees covered by the plan) was \$147 million and the ratio of the UAAL to the covered payroll was 125 percent for pension benefits and 186 percent for postemployment healthcare benefits.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress  
Pension and Post Employment Healthcare Benefits (in thousands)  
(unaudited)**

				(Overfunded) Unfunded			
	Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Pension Benefits	2004	402,824	571,767	168,943	70%	118,474	143%
	2005	422,067	645,658	223,591	65%	141,184	158%
	2006	546,870	729,672	182,801	75%	146,662	125%
Postemployment	2004	284,039	403,164	119,125	70%	118,474	101%
Healthcare	2005	306,884	469,456	162,573	65%	141,184	115%
	2006	234,073	506,185	272,112	46%	146,662	186%

**Funding Policy and Annual Pension and Postemployment Healthcare Costs – 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 postemployment healthcare. The plan requires both employer and employee contributions. Employees may make additional contributions into the plan, subject to limitations. Contribution rates are as follows:

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

	Police/Fire		Others	
	<u>1/1 - 6/30</u>	<u>7/1 - 12/31</u>	<u>1/1 - 6/30</u>	<u>7/1 - 12/31</u>
Employee Contribution	8.00%	8.00%	8.00%	8.00%
Employer Contribution				
Retirement	5.00%	5.00%	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%	3.00%	3.00%
Retiree Medical Plan	1.75%	0.99%	1.75%	0.99%
Death & Disability Benefit	<u>0.40%</u>	<u>1.33%</u>	<u>0.30%</u>	<u>0.58%</u>
Total employer contribution	10.15%	10.32%	10.05%	9.57%

\*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 per full time employee and a flat rate per hour for part time employees. Prior to July 1, 2007 a rate of \$66.78 per full time employee pay period and \$1.11 per part time hour worked was paid. For pay periods ending after July 1, 2007, a rate of \$58.89 per full time employee pay period and \$0.98 per part time hour worked was paid.

For the year ended December 31, 2007, Anchorage contributed \$428,852 to PERS Tier IV for retirement, retiree medical, and it contributed \$265,016 to PERS Tier IV for Health Reimbursement Arrangement on behalf of its employees. Employee contributions to the plan totaled \$543,253.

**On-Behalf Payments**

During 2007, the State of Alaska contributed \$7,448,612 for pension and post-employment healthcare to the PERS plan on behalf of Anchorage. Beginning July 1, 2007, these payments in addition to the contributions made by Anchorage, cover 100% of the actuarial required payments. These payments on behalf of Anchorage have been recognized as intergovernmental revenues and personnel services expenditures/expenses for 2007.

**(b) Police and Fire Pension 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

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

required to participate 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 the assets to liabilities ratio falls 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 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 five 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 they would have completed 20 years of credited service or upon reaching age 55. All benefits or refunds of the Plans are recognized when due and payable in accordance with the plan terms as noted. Disability benefits may be either occupational or nonoccupational.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

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.

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.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**Funding Status and Contribution Requirements**

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

	<b>Police and Fire Retirement Systems</b>		
	<b>Plan I</b>	<b>Plan II</b>	<b>Plan III</b>
Contribution rates:			
Employee:			
Peace officers and fire fighters	—	—	—
Other employees	—	—	—
Employer			
Annual pension cost (in thousands)	—	—	—
Contributions made (in thousands)	—	—	—
Actuarial valuation date	July 1, 2005	July 1, 2005	July 1, 2005
	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 is used to determine the annual required contribution of the employer for the Police and Fire Retirement Systems. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the plan.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

The components of annual pension cost for the year ended 2007 (in thousands) are as follows:

	<b>Police and Fire Retirement Systems</b>		
	<b>Plan I</b>	<b>Plan II</b>	<b>Plan III</b>
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	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Three year trend information (in thousands) follows:

	<b>Year Ending</b>	<b>APC</b>	<b>Percentage of APC Contributed</b>	<b>NPO</b>
Plan I	2005	—	100%	—
	2006	—	100%	—
	2007	—	100%	—
Plan II	2005	—	100%	—
	2006	—	100%	—
	2007	—	100%	—
Plan III	2005	—	100%	—
	2006	—	100%	—
	2007	—	100%	—



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Plan I	January 1, 2008	\$106,988	\$94,085	(12,903)	113.7%	\$336	-3840.2%
Plan II	January 1, 2008	74,765	67,463	(7,302)	110.8%	\$1,055	-692.1%
Plan III	January 1, 2008	232,051	207,442	(24,609)	111.9%	\$8,132	-302.6%

**(c) Investments**

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

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 2008.

**NOTE 13 Postemployment Healthcare Benefits**

Members of the Anchorage Police and Fire Retirement Plan participate in one of two postemployment healthcare 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, 2007, there were 271 retiree participants. For 2007 the monthly contribution for each member ranged between \$1,365 and \$1,867 per member depending on age and years of service. Benefit costs totaled

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

\$5,704,839, in 2007. 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 with both defined benefit and defined contribution characteristics, 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:

Retirement Age	Service at Retirement	Annual Adjustment
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%)

For 2007 the monthly contribution for each member ranges between \$496 and \$696 per member depending on age and years of service. Anchorage contributed \$2,630,547 to the Police and Fire Retiree Medical Trust Fund in 2007.

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 \$141,099,246 has been recorded as a liability in Anchorage’s financial statements based on a funding analysis performed in 2006.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

Concurrent with the establishment of the plan, Anchorage initiated a “Prefunding” arrangement. The terms of the prefunding call for annual deposits through 2014 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 2007, Anchorage contributed the annual \$1,869,000 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.

Detailed information regarding rates and actuarial methods for the plan for the year ended 2007 are as follows:

	<b>Postemployment Healthcare Plans</b>	
	<b>Gentile</b>	<b>Police and Fire</b>
Contribution Rates:		
Employee Contribution	-	-
Employer Contribution	-	-
Actuarial Valuation Date	January 1, 2007	January 1, 2007
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar, closed	Level Dollar, closed
Amortization Period	30 Years	30 Years
Asset Valuation Method	Unfunded	Market
Actuarial Assumptions:		
Annual Discount Rate	5.00%	8.00%
Healthcare Inflation Rate	11% assumed to decrease 0.5% until reaching 6%	11% assumed to decrease 0.5% until reaching 6%

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

The components of annual postemployment health costs for the year ended 2007 (in thousands) are as follows:

	<u>Postemployment Healthcare Components</u>	
	<u>Gentile Group</u>	<u>Police and Fire Retiree Medical</u>
Annual Required Contribution (ARC)	\$ 5,687	\$ 1,304
Interest on the Net OPEB Obligation (NOO)	—	—
Adjustment to the ARC	—	—
Annual OPEB Cost (APC)	<u>5,687</u>	<u>1,304</u>
Contributions made	<u>(5,705)</u>	<u>(2,631)</u>
Increase in NOO	<u>(18)</u>	<u>(1,327)</u>
NOO, beginning of year	—	—
NOO, end of year	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>
Percentage of Postemployment Health Cost Contributed	100.32%	201.76%

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress**

Postemployment Healthcare Benefits (in thousands)  
(unaudited)

	Actuarial Valuation Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Overfunded)	Funded Ratio
				Underfunded Actuarial Accrued Liability (UAAL)	
Gentile Group	2007	—	87,419	87,419	0%
Police & Fire	2007	32,800	41,986	9,186	78%

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

***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 postemployment 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 Municipality.

All municipal 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.

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, 2007, is dependent upon future developments. At December 31, 2007, claims incurred but not reported included in the liability accounts are \$12,363,657 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

Changes in the funds' claim liability amounts in 2006 and 2007 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>
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>
2007:				
General Liability/Workers'				
Compensation	\$ 13,522,232	\$ 6,943,260	\$ (5,755,821)	\$ 14,709,671
Medical/Dental	4,949,843	39,907,930	(40,733,929)	4,123,844
Unemployment	89,314	236,905	(264,766)	61,453
	<u>\$ 18,561,389</u>	<u>\$ 47,088,095</u>	<u>\$ (46,754,516)</u>	<u>\$ 18,894,968</u>

**NOTE 15 MOA Trust Fund**

On April 2, 2002, 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, 2007

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 years 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, 2007, \$6,700,000 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 that have taken more than one third of the Unit output) must offer to "underlifted" parties (parties that 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 future years, is subject to certain restrictions.

Settlements for 2003 and 2004 of \$17,136,139, (later reduced by \$1,200,615 due to adjustments by Conoco Phillips and Chevron Texaco) and \$19,852,555, respectively, were used first to reduce accrued regulatory assets, and then to fund BRU capital improvements. These transactions 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. At December 31, 2007 and 2006, the amount remaining for construction was \$11,024,070 and \$14,449,965, respectively.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

The Utility received monetary settlements totaling \$22,950,406 after lease burdens and taxes for the 2005 underlift in April 2006 were satisfied. 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 loan from the Gas Fund to the Electric Fund for the purpose of replacing the retired Unit 3. Repayment of the loan is scheduled to make funds available for gas purchases by the time those purchases are needed. The RCA approved this plan in Order No. U-06-89(2). The Utility recorded other deferred credits as of December 31, 2007 and 2006, which includes original principal plus interest earnings of \$24,953,894 and \$23,804,621, respectively.

***Regulatory Debits (Credits):*** The revenue requirement methodology approved by the RCA for setting the gas transfer price the Utility uses to produce power requires an estimate for the current year revenue requirement along with the prior year under- or over-recovered costs be used to compute the price to be charged. The Utility records an asset or a liability for under-recovered or over-recovered costs by recording the difference between the revenue received and the actual revenue requirement. At December 31, 2007, the Utility had under-recovered in the amount of \$2,284,452.

***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 Chugach Electric Association and ENSTAR Natural Gas Company. The Utility's petition proposed to remove the third party gas sales from the revenue requirement calculation and instead use these proceeds for future BRU capital expenditures and future gas purchases 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. As of January 2007 the Utility recorded gas sales proceeds as a deferred credit rather than revenue. At December 31, 2007, the Utility had recorded \$20,298,862 in other deferred credits.

In 2006, the Utility recorded gas well royalties as a reduction of gas sales revenue. Due to the change in methodology for recording third-party gas sales, gas sales proceeds less associated royalties were moved to the other deferred credits per RCA Order No. U-07-45(2), the portion of the royalties attributed to the Utility was moved to production expense and the comparable amount for 2006 was reclassified from a reduction of gas sales revenue to production expense.



## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

***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 Utility, Chugach Electric Association and Matanuska Electric Association. 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 Utility has a 53.33% ownership interest in the project and recorded costs of \$582,686 and \$708,548 in 2007 and 2006, respectively.

***Eklutna Project Transmission Line Upgrade:*** On November 5, 2002, the Utility received a grant from the State of Alaska, Alaska Energy Authority (AEA) in the amount of \$19,300,000. The grant was issued for the Eklutna Project Transmission Line Upgrade with a completion date due no later than December 31, 2006. The Utility requested and received an extension to the completion date of the grant. The completion date of the grant is now June 30, 2008. The Utility received an advance of 20% or \$3,860,000 on December 5, 2002. After the 2009 advance is expended the Utility issues a bill to the State each month for its expenditures up to the total amount of the grant. Project expenditures as of December 31, 2007 were \$19,035,098. The transmission line was completed in August 2007. The Utility therefore, recorded contributed plant of \$10,150,048 or 53.33% of the capital spending as of December 10, 2007.

***Bradley Lake Hydroelectric Project:*** The 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 Utility acquire 25.90% of the output of the Project. The Project went on line September 1, 1991. The Utility made payments to AEA of \$4,245,710 and \$3,777,295 in 2007 and 2006, respectively, for its portion of costs, and received 94,401 and 82,093 megawatt hours of power in 2007 and 2006, respectively, 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 \$141,932 for 2007. The Utility accrued a budget surplus of \$72,595 in 2007. The Utility's estimated cost of power from the project for 2008 is \$4,245,000.

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, 2007, is \$117,706,211. The pro rata share of the debt service costs of the Project for which the Utility is responsible, given its 25.90% share of the Project, is \$30,485,909. In the event of payment defaults by other power purchasers, the Utility's share could be increased by up to 25.00%, which would then cause its pro rata share of project debt service to be a total of \$38,107,386; the Utility does not now know of or anticipate any such defaults.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

**Inter-Fund Loan:** The Utility loaned the Municipality's Real Estate Services fund \$3,688,437 to acquire real property described as tract B, Muldoon Estates Subdivision. This loan was approved by Assembly Ordinance AO No. 2006 – 149(S) on October 24, 2006. The loan is not to exceed five years and will pay interest to the Utility based on the Municipality's Cash Pool Earnings Rate plus 50 basis points. The loan balance as of year end December 31, 2007 is \$3,923,402, including accrued interest.

**(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. 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 RCA on January 9, 2004, requesting permanent rate increases. The Water Utility requested increases of 14.20% and 7.17% for 2004 and 2005, respectively. The RCA approved interim refundable rates of 13.61% and 7.76%, effective February 24, 2004 and February 18, 2005, respectively. The Wastewater Utility requested 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 Municipal Utility Service Assessment (MUSA) on contributed plant. 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) and 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. On June 25, 2007 the State Superior Court upheld the RCA order that disallowed MUSA on contributed plant from rates. The Utilities appealed this decision to the State Supreme Court and were granted an additional extension on the stay on the payment of refunds associated with the MUSA decision until the Supreme Court has ruled on the issue. No decision from the Supreme Court is expected earlier than the first quarter of 2009. Revenue collected subject to refunds approximated \$11,800,000 and \$7,200,000 through December 31, 2007 for the Water and Wastewater Utilities, respectively. The Utilities believe the chance of ultimately being required to refund the revenue collected is possible, but not probable, and therefore have not recorded a liability for a refund payable.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

**2006 Rate Cases:** The Water Utility filed a rate case with the RCA on April 14, 2006, requesting an 8.90% across the board interim and refundable rate increase. On May 30, 2006 the RCA issued an order granting the full interim rates. A public hearing was held on January 16 through 18, 2007. On July 16, 2007 the Commission issued Order U-06-45(7), establishing a final revenue requirement that was approximately \$900,000 lower than the interim rates had been based on. Total refunds due were \$500,000 because interim rates had been in effect for only the final seven months of 2006. Pursuant to Order 7, the Utility filed a refund plan on August 27, 2007 and filed supplemental exhibits to its refund plan on February 18, 2008. On March 25, 2008 the RCA approved the refund plan as filed and required the Utility to implement its refund plan by June 20, 2008.

The Wastewater Utility filed a Revenue Requirement Study (RRS) with the RCA on November 10, 2005, requesting a permanent rate increase of 10.60% effective January 1, 2006. On June 29, 2006 the Utility filed a Cost of Service Study (COSS) based on the 2004 test year RRS as ordered by the RCA. On October 2, 2006, the AG 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. On October 19, 2007 the AG and the Utility jointly filed a settlement agreement resolving all remaining issues in the COSS. On January 18, 2008 the RCA rejected the settlement agreement. The Utility filed a petition for reconsideration and an offer of proof and a public hearing was held to provide new details to allow reconsideration of the rejection of the settlement agreement. The RCA rejected the petition for reconsideration and offer of proof but subsequently issued an order allowing into evidence the information presented in the petition for reconsideration, yet affirming the rejection of the petition. A public hearing in the form of a workshop was held to obtain additional information from the parties. On April 25, 2008 the Commission issued a final order accepting the COSS with required adjustments. The adjustments required by the Commission reduced the cost of service to the septage hauler class by approximately \$300,000 and allocated it to all other customer classes. This COSS and rate design will have no overall impact on the total revenues of the Utility, only individual rates paid by each customer class.

**2007 Rate Cases:** The Water and Wastewater Utilities filed simultaneous rate cases with the RCA on November 1, 2006 requesting permanent rate increases of 14.50% and 13.00%, respectively, effective January 1, 2007. At the same time, the Water Utility requested a 7.00% interim rate increase and the Wastewater Utility requested a 9.50% interim rate increase, both effective January 1, 2007. On December 18, 2006 the RCA consolidated the Water and Wastewater rate cases into one docket, suspended the filings, and granted both Utilities the requested interim and refundable rates effective January 1, 2007. The Utilities and the AG jointly filed a settlement agreement on October 19, 2007 settling all disputed issues in both of the rate cases with the exception of the outstanding MUSA on contributed plant issue. The settlement agreement included a stipulated rate level that allowed the

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

7.00% and 9.50% interim increases to remain in permanent rates. The RCA accepted the settlement agreement as filed on November 19, 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.

**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, 2007, 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

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

and hazardous waste contamination. The following is a summary of environmental concerns at December 31, 2007.

**(a) *Solid Waste Landfill Sites***

Anchorage's landfill at Merrill Field was closed during 1987 following approximately 50 years of usage. An active gas migration control system was constructed in 1992 and has since operated without fail. Operation of the gas control system has been effective in maintaining compliance with regulations pertaining to landfill gas and protecting public safety.

The Municipality also monitors two other closed landfill sites for groundwater quality and landfill gas migration. The former GAAB landfill beneath Della Vega Park was closed in 1977. The Peters Creek landfill closed in 1987.

In 1996, a project was undertaken to improve existing groundwater controls and to construct a new system to control and collect groundwater from beneath the site for treatment in municipal wastewater system. This collection system has operated without fail, and has been effective in mitigating potential offsite migration of contaminants. The Municipality continues to maintain landfill gas and groundwater control systems and to perform monitoring of this site in compliance with state and federal regulations governing closure of solid waste facilities.

**(b) *Landfill Closure and Postclosure Care Cost***

State and federal laws and regulations require Anchorage to place a final cover on its current regional 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, Solid Waste Services (SWS) records as an operating expense in each period an amount based on landfill capacity used as of each balance sheet date. During 2005, the future closure and postclosure were reevaluated and adjusted to reflect current conditions. As of December 2007, SWS had a recorded liability of \$16,596,153 associated with these future costs, based on the use of 33% of the estimated capacity of the landfill. Based upon the 2005 study, it is estimated that SWS will recognize an additional \$33,234,103 in liability expense between December 31, 2007 and the year 2043, the current estimated date the landfill is expected to reach full capacity. These amounts are based upon what it would cost to perform all the closure and postclosure functions in 2005. 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.

As of December 31, 2007, state laws and federal regulations that went into effect in 1997 require Anchorage to provide financial assurances for future closure and postclosure costs

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2007

by one of a number of allowable mechanisms available. Anchorage elected to use the “Local Government Test” financial assurance mechanism to comply with the regulation. Currently, no SWS assets are restricted for payment of closure and postclosure care costs.

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

<b>Balance January 1, 2007</b>	<b>Addition</b>	<b>Deletion</b>	<b>Balance December 31, 2007</b>	<b>Due Within One Year</b>
<u>\$ 12,911,374</u>	<u>\$ 3,684,779</u>	<u>\$ -</u>	<u>\$ 16,596,153</u>	<u>\$ -</u>

**(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 the Hank Nikkels Power Plant One and properties west/northwest of the plant. In 2006-2007, the Utility replaced Unit 3 at the plant. During the subsurface investigation, in addition to diesel contamination known from the 1964 spill, PCBs were detected in the soil. As required by the Alaska Department of Environmental Conservation (ADEC) and the Environmental Protection Agency (EPA), a Risk-Based Disposal Plan (RBDP) was prepared and submitted for approval. Upon approval, the RBDP will govern future construction activities at the site with respect to testing and contaminated media disposal. Future soil disturbing activities at the site may result in a significant cost increase for a project due to environmental requirements. The additional cost of compliance is currently not determinable.

**New Spill Prevention Requirements**

In 2006, ADEC revised its spill prevention regulations which affected diesel storage tanks and associated piping at Plant 2. The regulations require additional personnel training, upgrade of piping, and corrosion prevention monitoring and testing. In 2007, the Utility evaluated the condition of the piping and submitted a compliance plan to ADEC. The Utility plans to start piping upgrades and testing in 2008. The additional cost of compliance is currently not determinable.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2007

#### **New Air Regulations**

In 2007, ADEC issued a new air quality regulation named BART (Best Available Retrofit Technology). This regulation potentially may require retrofit of Units 5 and 7 with emission controls within 5-10 years. The Utility hired consultants to perform comprehensive modeling and technology analysis associated with BART. In March 2008 the Utility presented results of the exemption modeling to ADEC. If ADEC concurs with the modeling results, engineering studies and retrofits will not be required.

#### **New Generation Permitting**

Environmental permits will be obtained prior to construction of a new power plant. Air quality assessments and modeling, soil contamination investigations, and wastewater treatment and discharge are primary environmental permitting and compliance areas that will require a consultant's expertise. The additional cost of compliance is currently not determinable.

#### **NOTE 19 Subsequent Event**

On April 9, 2008, the State of Alaska legislature passed Senate Bill 125. This bill amended the structure of the PERS Tiers I-III Defined Benefit Plan changing it from a defined benefit agent multiple-employer retirement plan to a cost-sharing multiple-employer retirement plan. This bill was signed into law effective July 1, 2008. As a result of this change, Anchorage's net pension and net other postemployment healthcare benefit obligations will be written off in 2008.

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Required Supplementary  
Information

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Required Supplementary Information - Budgetary Comparison Schedule  
with Expenditures by Function for the General Fund and Sub-Funds  
Year ended December 31, 2007

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget – Favorable (Unfavorable)
	Original	Final				
<b>Revenues:</b>						
Taxes	\$ 212,955,990	\$ 419,308,021	\$ 415,894,569	\$ —	\$ 415,894,569	\$ (3,413,452)
Payment in lieu of tax/MUSA	17,737,430	17,737,430	15,794,202	—	15,794,202	(1,943,228)
Special assessments	—	557,000	320,986	—	320,986	(236,014)
Licenses and permits	13,559,110	13,747,180	12,288,396	—	12,288,396	(1,458,784)
Intergovernmental	25,629,380	23,083,159	21,205,612	—	21,205,612	(1,877,547)
Charges for services	25,616,720	27,334,830	26,540,905	—	26,540,905	(793,925)
Fines and forfeitures	10,827,900	10,221,200	8,803,070	—	8,803,070	(1,418,130)
Investment income	8,576,300	12,343,183	12,041,944	—	12,041,944	(301,239)
Restricted contributions	—	—	4,000	—	4,000	4,000
Other revenues	3,048,650	2,950,190	2,654,277	—	2,654,277	(295,913)
<b>Total revenues</b>	<b>317,951,480</b>	<b>527,282,193</b>	<b>515,547,961</b>	<b>—</b>	<b>515,547,961</b>	<b>(11,734,232)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	20,249,880	21,491,669	20,607,089	(1) (76,447)	20,530,642	884,580
Fire services	65,695,870	67,045,845	67,096,717	(1) (225,756)	66,870,961	(50,872)
Police services	86,793,210	87,710,421	87,304,046	(1) (19,513)	87,284,533	406,375
Health and human services	13,549,740	13,936,570	13,335,095	(1) (4,000)	13,331,095	601,475
Economic & community development	42,269,710	46,052,924	44,407,761	(1) (322,001)	44,085,760	1,645,163
Public transportation	18,711,700	19,572,023	19,406,989	(1) (28,754)	19,378,235	165,034
Public works	18,827,910	21,765,420	20,825,772	(1) (296,609)	20,529,163	939,648
Education	—	198,981,074	198,981,074	—	198,981,074	—
Maintenance and operations	29,730,800	31,712,001	29,881,220	(1) (161,776)	29,719,944	1,830,281
<b>Debt service:</b>						
Principal	25,959,114	25,015,574	26,517,234	—	26,517,234	(1,501,660)
Interest	19,938,696	23,286,249	21,507,145	—	21,507,145	1,779,104
<b>Total expenditures</b>	<b>341,726,630</b>	<b>556,569,770</b>	<b>549,870,642</b>	<b>(1,134,856)</b>	<b>548,735,786</b>	<b>6,699,128</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(23,775,150)</b>	<b>(29,287,577)</b>	<b>(34,322,681)</b>	<b>1,134,856</b>	<b>(33,187,825)</b>	<b>(5,035,104)</b>
<b>Other financing sources (uses):</b>						
Transfers in – from other funds	13,555,470	14,388,580	14,520,370	—	14,520,370	131,790
Transfers out – to other funds	(9,041,840)	(9,314,850)	(11,162,899)	—	(11,162,899)	(1,848,049)
Transfers from blended component units	485,000	485,000	—	—	—	(485,000)
Transfers to blended component units	—	(2,016,110)	—	—	—	2,016,110
Refunding bonds issued	—	—	32,245,000	—	32,245,000	32,245,000
Premium (Discount) on refunding bonds	—	—	(98,813)	—	(98,813)	(98,813)
Payments to refunding bond escrow agent	—	—	(31,902,070)	—	(31,902,070)	(31,902,070)
Insurance recoveries	—	—	22,316	—	22,316	22,316
Sale of capital assets	—	—	155,033	—	155,033	155,033
<b>Total other financing sources</b>	<b>4,998,630</b>	<b>3,542,620</b>	<b>3,778,937</b>	<b>—</b>	<b>3,778,937</b>	<b>236,317</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(18,776,520)</b>	<b>(25,744,957)</b>	<b>(30,543,744)</b>	<b>1,134,856</b>	<b>(29,408,888)</b>	<b>(4,798,787)</b>
<b>Fund balance, beginning of year</b>	<b>68,294,305</b>	<b>68,294,305</b>	<b>68,294,305</b>	<b>(2) 3,467,846</b>	<b>71,762,151</b>	<b>—</b>
<b>Fund balance, end of year</b>	<b>\$ 49,517,785</b>	<b>\$ 42,549,348</b>	<b>\$ 37,750,561</b>	<b>\$ 4,602,702</b>	<b>\$ 42,353,263</b>	<b>\$ (4,798,787)</b>

**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) 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.

Note: This schedule is for informational purposes only. The budget presented by function for the General Fund and Sub-Funds in this schedule is not the legal level of budget authority. This schedule provides a variance analysis of revenue, expenditures, and other financing sources (uses) to budget in a format similar to the government-wide financial statement presentation.

See accompanying notes to required supplementary information.

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
**Required Supplementary Information - Budgetary Comparison Schedule**  
**by General Fund and Sub-Funds**  
**Year ended December 31, 2007**

	Budget		Actual Budgetary Basis	Budget to GAAP Difference		Actual GAAP Basis	Variance With Final Budget – Favorable (Unfavorable)
	Original	Final					
<b>Revenues &amp; Other Financing Sources:</b>							
Areawide Service Area	\$ 106,371,830	\$ 292,846,638	\$ 285,803,377	\$ —	\$ 285,803,377	\$ (7,043,261)	
Areawide Service Area - Bond Refunding	—	—	31,902,070	—	31,902,070	31,902,070	
Former City Service Area	89,530	89,530	127,187	—	127,187	37,657	
Chugiak Fire Service Area	876,630	1,114,390	1,125,613	—	1,125,613	11,223	
Glen Alps Service Area	267,440	297,500	301,263	—	301,263	3,763	
Girdwood Valley Service Area	1,419,780	1,683,305	1,752,920	—	1,752,920	69,615	
Former Borough Roads & Drainage Service Area	—	—	6,055	—	6,055	6,055	
Fire Service Area	50,071,560	50,697,388	50,366,643	—	50,366,643	(330,745)	
Roads & Drainage Service Area	66,860,200	65,438,667	64,433,120	—	64,433,120	(1,005,547)	
Limited Service Areas	8,125,440	8,495,215	8,604,650	—	8,604,650	109,435	
Anchorage Metropolitan Police Service Area	66,857,440	88,391,686	87,227,622	—	87,227,622	(1,164,064)	
Parks & Recreation Service Area	17,894,820	18,542,190	17,984,720	—	17,984,720	(557,470)	
Eagle River - Chugiak Parks & Recreational Service Area	3,850,950	4,205,179	4,244,803	—	4,244,803	39,624	
Building Safety Service Area	8,574,050	8,767,441	6,991,825	—	6,991,825	(1,775,616)	
Public Finance & Investment	731,060	1,581,375	1,514,713	—	1,514,713	(66,662)	
Police/Fire Retiree Medical Defined Contribution Support	1,220	5,269	5,286	—	5,286	17	
<b>Total Revenues &amp; Other Finance Sources</b>	<b>331,991,950</b>	<b>542,155,773</b>	<b>562,391,867</b>	<b>—</b>	<b>562,391,867</b>	<b>20,236,094</b>	
<b>Expenditures &amp; Other Financing Uses:</b>							
Areawide Service Area	112,386,610	319,454,215	316,220,516	(1)	(602,166)	315,618,350	3,233,699
Areawide Service Area - Bond Refunding	—	—	31,902,070	—	—	31,902,070	(31,902,070)
Former City Service Area	89,530	89,530	89,821	—	—	89,821	(291)
Chugiak Service Area	876,630	1,521,900	1,301,023	(1)	7,970	1,308,993	220,877
Glen Alps Service Area	364,160	434,220	386,036	—	—	386,036	48,184
Girdwood Valley Service Area	1,419,790	1,683,305	1,370,193	—	—	1,370,193	313,112
Former Borough Roads & Drainage Service Area	—	—	—	—	—	—	—
Fire Service Area	50,071,580	50,728,548	50,970,696	(1)	(225,644)	50,745,052	(242,148)
Roads & Drainage Service Area	66,860,250	66,490,727	65,414,574	—	—	65,414,574	1,076,153
Limited Service Areas	8,243,730	9,582,145	8,382,206	(1)	(20)	8,382,186	1,199,939
Anchorage Metropolitan Police Service Area	82,877,500	84,754,576	84,423,085	(1)	(19,513)	84,403,572	331,491
Parks & Recreation Service Area	14,422,060	18,308,130	18,075,408	(1)	(802)	18,074,606	232,722
Eagle River - Chugiak Parks & Recreational Service Area	3,850,950	4,205,199	4,017,218	—	—	4,017,218	187,981
Building Safety Service Area	8,574,020	9,061,591	9,357,888	(1)	(287,909)	9,069,979	(296,297)
Public Finance & Investment	731,070	1,581,375	1,019,932	(1)	(6,772)	1,013,160	561,443
Police/Fire Retiree Medical Defined Contribution Support	590	5,269	4,945	—	—	4,945	324
<b>Total Expenditures &amp; Other Financing Uses</b>	<b>350,768,470</b>	<b>567,900,730</b>	<b>592,935,611</b>	<b>(1,134,856)</b>	<b>(1,134,856)</b>	<b>591,800,755</b>	<b>(25,034,881)</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(18,776,520)</b>	<b>(25,744,957)</b>	<b>(30,543,744)</b>	<b>1,134,856</b>	<b>(29,408,888)</b>	<b>(4,798,787)</b>	
Fund balance, beginning of year	68,294,305	68,294,305	68,294,305	(2)	3,467,846	71,762,151	—
Fund balance, end of year	\$ 49,517,785	\$ 42,549,348	\$ 37,750,561	\$ 4,602,702	\$ 42,353,263	\$ (4,798,787)	

**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) 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**  
**Required Supplementary Information - Budgetary Comparison Schedule**  
**by Department for the General Fund and Sub-Funds**  
**Year ended December 31, 2007**

	Budget		Actual Budgetary Basis	Budget to GAAP Difference		Actual GAAP Basis	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final					
<b>Expenditures &amp; Other Financing Uses:</b>							
Assembly	\$ 2,738,100	\$ 2,803,676	\$ 2,657,457	(1)	(7,023)	\$ 2,650,434	\$ 146,219
Chief Fiscal Officer	699,390	711,350	696,469		—	696,469	14,881
Development Services	9,732,000	11,298,366	11,374,528	(1)	(287,909)	11,086,619	(76,162)
Economic & Community Development	20,284,990	23,939,667	21,021,071	(1)	(322,001)	20,699,070	2,918,596
Education	—	198,981,074	198,981,074		—	198,981,074	—
Employee Relations	2,100,650	2,260,488	2,257,242	(1)	(8,108)	2,249,134	3,246
Office of Equal Opportunity	298,670	309,983	299,123		—	299,123	10,860
Equal Rights Commission	613,690	634,428	491,866	(1)	(175)	491,691	142,562
Finance	10,740,980	12,095,237	11,463,801	(1)	(26,896)	11,436,905	631,436
Fire	64,374,170	66,628,853	67,085,511	(1)	(225,756)	66,859,755	(456,658)
Fire - Bond Refunding	—	—	16,908,097		—	16,908,097	(16,908,097)
Health & Human Services	12,182,640	12,547,670	12,141,869	(1)	(4,000)	12,137,869	405,801
Heritage Land Bank/Real Estate Services	6,355,340	6,379,790	6,349,537		—	6,349,537	30,253
Information Technology	1,337,750	1,364,434	1,314,894		—	1,314,894	49,540
Internal Audit	485,260	512,163	493,035		—	493,035	19,128
Maintenance & Operations	80,221,150	82,466,071	80,114,204	(1)	(161,776)	79,952,428	2,351,867
Management & Budget	1,163,570	1,209,108	1,202,246		—	1,202,246	6,862
Mayor	1,410,550	1,453,678	1,410,992	(1)	(30,000)	1,380,992	42,686
Municipal Attorney	7,009,830	7,246,280	7,176,483	(1)	(4,200)	7,172,283	69,797
Municipal Manager	2,574,760	2,642,795	2,667,229	(1)	(45)	2,667,184	(24,434)
Municipal Manager - Bond Refunding	—	—	8,613,559		—	8,613,559	(8,613,559)
Non Departmental - TANS	—	2,034,750	1,716,581		—	1,716,581	318,169
Parks & Recreation	12,489,730	12,892,075	15,189,718		—	15,189,718	(2,297,643)
Planning	4,638,700	3,926,642	3,754,113		—	3,754,113	172,529
Police	76,321,900	78,130,876	78,173,081	(1)	(19,513)	78,153,568	(42,205)
Police/Fire Retiree Medical Defined							
Contribution Support	128,990	136,919	122,643		—	122,643	14,276
Project Management & Engineering	7,426,250	8,149,817	7,781,277	(1)	(8,700)	7,772,577	368,540
Public Transportation	18,885,540	19,765,473	19,505,454	(1)	(28,754)	19,476,700	260,019
Public Transportation - Bond Refunding	—	—	6,380,414		—	6,380,414	(6,380,414)
Purchasing	1,435,990	1,492,590	1,486,490		—	1,486,490	6,100
Traffic	6,253,950	6,449,247	6,390,702		—	6,390,702	58,545
<b>Total Expenditures &amp; Other Financing Uses</b>	<b>351,904,540</b>	<b>568,463,500</b>	<b>595,220,760</b>		<b>(1,134,856)</b>	<b>594,085,904</b>	<b>(26,757,260)</b>
Less: Net Intragovernmental Costs & Billings	(1,136,070)	(562,770)	(2,285,149)		—	(2,285,149)	1,722,379
<b>Total Expenditures &amp; Other Financing Uses</b>	<b>\$ 350,768,470</b>	<b>\$ 567,900,730</b>	<b>\$ 592,935,611</b>		<b>\$ (1,134,856)</b>	<b>\$ 591,800,755</b>	<b>\$ (25,034,881)</b>

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.

Note: This schedule does not provide detail by department for revenues and other financing sources. This is because the legal level of budgetary control is adopted only for expenditures and other financing uses at the department level. Intragovernmental Costs and Billings are not budgeted by the assembly. They are presented for comparison purposes for total expenditures only.

See accompanying notes to required supplementary information.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Required Supplementary Information – Budgetary Data

December 31, 2007

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 2007 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 2007 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 fund level for revenues and expenditures and the department level for expenditures and other financing uses.

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), the Convention Center Operating Reserve (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, 2007

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, 2007

	<b>Percentage of Lane – Miles in Good or Better Condition</b>	
	<b>2005</b>	<b>2002</b>
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%

	<b>Percentage of Lane – Miles in Fair Condition</b>	
	<b>2005</b>	<b>2002</b>
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)**

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Anchorage Road District:					
Needed	\$ 25,390	\$ 31,175	\$ 21,497	\$ 12,968	\$ 11,145
Actual	25,808	30,903	21,250	11,835	11,854
Chugiak/Eagle River Road District:					
Needed	5,571	4,636	1,585	1,819	1,783
Actual	5,082	4,692	1,480	1,460	1,584
Girdwood Road District:					
Needed	606	675	115	97	89
Actual	498	630	89	111	78
Other Road Districts:					
Needed	768	534	411	279	268
Actual	1,335	478	1,094	237	224
Overall System:					
Needed	32,335	37,020	23,608	15,163	13,285
Actual	32,723	36,703	23,913	13,643	13,740
Difference	388	(317)	305	(1,520)	455

**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.



Supplementary  
Information

Non-Major  
Governmental Funds

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

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

## 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 Projects Fund** accounts for 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.

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**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2007  
(With summarized financial information at December 31, 2006)

Assets	Special Revenue						
	Heritage Land Bank	Police Investigations	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants	Other Restricted Resources
Cash	\$ —	\$ 23,527	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	1,540,752	2,154,295	2,124,487	8,057,970	320,413	910,962	—
Investments	—	—	—	—	1,022,105	—	—
Due from other funds	—	—	—	—	—	—	—
Due from component units	—	—	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	1,589,771	—	87,353	43,256	—
Intergovernmental receivables	—	—	—	3,018,271	4,790,286	—	—
Interest receivable	—	—	—	—	—	—	—
Special assessments receivable	725	—	—	—	—	—	66,814
Prepaid items and deposits	—	—	1,000,000	2,510	—	—	99
Loans receivable	808,000	—	—	—	4,953,914	—	—
Restricted assets:	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—
<b>Total assets</b>	<b>\$ 2,349,477</b>	<b>\$ 2,177,822</b>	<b>\$ 4,714,258</b>	<b>\$ 11,078,751</b>	<b>\$ 11,174,071</b>	<b>\$ 954,218</b>	<b>\$ 66,913</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable and retainages	\$ 2,494	\$ 160,319	\$ 825,312	\$ 1,007,922	\$ 211,973	\$ 27,627	\$ —
Due to other funds	—	—	—	—	—	—	67,846
Unearned revenue and deposits	816,725	—	—	433,459	4,965,511	36,690	—
Advances from other funds	—	—	—	—	—	—	—
<b>Total liabilities</b>	<b>819,219</b>	<b>160,319</b>	<b>825,312</b>	<b>1,441,381</b>	<b>5,177,484</b>	<b>64,317</b>	<b>67,846</b>
Fund balances (deficits):							
Reserved:							
Encumbrances	—	3,465	—	3,189,111	3,077,406	46,315	—
Prepays and deposits	—	—	1,000,000	2,510	—	—	—
Long-term loans	—	—	—	—	4,953,914	—	—
Perpetual care	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Unreserved, reported in:							
Special revenue fund	1,530,258	2,014,038	2,888,946	6,445,749	(2,034,733)	837,020	(933)
Capital project funds:							
Designated	—	—	—	—	—	—	—
Undesignated	—	—	—	—	—	6,566	—
<b>Total fund balances (deficits)</b>	<b>1,530,258</b>	<b>2,017,503</b>	<b>3,888,946</b>	<b>9,637,370</b>	<b>5,996,587</b>	<b>889,901</b>	<b>(933)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,349,477</b>	<b>\$ 2,177,822</b>	<b>\$ 4,714,258</b>	<b>\$ 11,078,751</b>	<b>\$ 11,174,071</b>	<b>\$ 954,218</b>	<b>\$ 66,913</b>

See accompanying independent auditors' report.

Debt Service

Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	ACPA Surcharge Revenue Bond	CIVICVentures	Total Debt Service
\$ 23,527	\$ —	\$ —	\$ —	\$ 8,076	\$ —	\$ —	\$ 8,076
15,108,879	1,197,454	6,592,959	—	—	294,446	—	8,084,859
1,022,105	37	—	35,215,281	—	—	—	35,215,318
—	—	—	—	—	—	—	—
1,720,380	—	—	—	—	81,702	—	81,702
7,808,557	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
67,539	127,940	—	—	4	—	—	4
1,002,609	—	—	—	—	—	—	127,940
5,761,914	—	—	—	—	—	—	—
—	—	—	—	—	—	14,291,430	14,291,430
<u>\$ 32,515,510</u>	<u>\$ 1,325,431</u>	<u>\$ 6,592,959</u>	<u>\$ 35,215,281</u>	<u>\$ 8,080</u>	<u>\$ 376,148</u>	<u>\$ 14,291,430</u>	<u>\$ 57,809,329</u>
\$ 2,235,647	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
67,846	—	—	—	—	—	—	—
6,252,385	80,894	—	—	—	—	—	80,894
—	—	—	—	—	—	—	—
<u>8,555,878</u>	<u>80,894</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>80,894</u>
6,316,297	—	—	—	—	—	—	—
1,002,510	—	—	—	—	—	—	—
4,953,914	353,281	—	—	—	—	—	353,281
—	—	—	—	—	—	—	—
—	891,256	6,592,959	35,215,281	8,080	376,148	14,291,430	57,375,154
11,680,345	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
6,566	—	—	—	—	—	—	—
<u>23,959,632</u>	<u>1,244,537</u>	<u>6,592,959</u>	<u>35,215,281</u>	<u>8,080</u>	<u>376,148</u>	<u>14,291,430</u>	<u>57,728,435</u>
<u>\$ 32,515,510</u>	<u>\$ 1,325,431</u>	<u>\$ 6,592,959</u>	<u>\$ 35,215,281</u>	<u>\$ 8,080</u>	<u>\$ 376,148</u>	<u>\$ 14,291,430</u>	<u>\$ 57,809,329</u>

(Continued)

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2007  
(With summarized financial information at December 31, 2006)

<b>Capital Projects</b>						
<b>Assets</b>	<b>Areawide</b>	<b>Public Safety</b>	<b>Roads and Drainage</b>	<b>Public Transportation</b>	<b>Miscellaneous</b>	<b>Parks and Recreation</b>
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	8,746,013	6,902,656	20,793,549	—	220,748	7,356,120
Investments	—	—	—	—	—	—
Due from other funds	2,576,374	—	9,124,056	—	—	—
Due from other funds	—	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	1,020,000	—	—	—
Intergovernmental receivables	691,404	2,138,534	13,037,022	1,088,594	493,187	2,263,330
Interest receivable	—	—	—	—	—	—
Special assessments receivable	—	—	—	—	320,453	—
Prepaid items and deposits	234,965	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Restricted assets:	—	—	—	—	—	—
Investments	—	—	—	—	—	—
<b>Total assets</b>	<b>\$ 12,248,756</b>	<b>\$ 9,041,190</b>	<b>\$ 43,974,627</b>	<b>\$ 1,088,594</b>	<b>\$ 1,034,388</b>	<b>\$ 9,619,450</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and retainages	\$ 273,354	\$ 2,389,067	\$ 3,023,409	\$ 662,061	\$ 38,076	\$ 139,395
Due to other funds	—	1,189,591	345,816	1,040,967	—	—
Unearned revenue and deposits	—	—	—	—	343,496	—
Advances from other funds	3,923,402	—	—	—	—	—
<b>Total liabilities</b>	<b>4,196,756</b>	<b>3,578,658</b>	<b>3,369,225</b>	<b>1,703,028</b>	<b>381,572</b>	<b>139,395</b>
<b>Fund balances (deficits):</b>						
<b>Reserved:</b>						
Encumbrances	4,549,090	1,444,918	25,930,178	9,076,149	507,259	1,496,555
Prepays and deposits	234,965	—	—	—	—	—
Long-term loans	—	—	—	—	—	—
Perpetual care	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
<b>Unreserved, reported in:</b>						
Special revenue fund	—	—	—	—	—	—
<b>Capital project funds:</b>						
Designated	3,333,790	3,140,250	14,304,675	(9,706,525)	140,126	7,581,854
Undesignated	(65,845)	877,364	370,549	15,942	5,431	401,646
<b>Total fund balances (deficits)</b>	<b>8,052,000</b>	<b>5,462,532</b>	<b>40,605,402</b>	<b>(614,434)</b>	<b>652,816</b>	<b>9,480,055</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,248,756</b>	<b>\$ 9,041,190</b>	<b>\$ 43,974,627</b>	<b>\$ 1,088,594</b>	<b>\$ 1,034,388</b>	<b>\$ 9,619,450</b>

See accompanying independent auditors' report.



Historic Preservation	Heritage Land Bank	CIVICVentures	Total Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds	
				Cemetery Perpetual Maintenance	December 31, 2007	December 31, 2006
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31,603	\$ 22,003
338,754	1,682,782	—	46,040,622	346,486	69,580,846	55,657,219
—	—	—	—	—	36,237,423	33,185,401
—	—	—	11,700,430	—	11,700,430	21,718,366
—	—	—	—	—	81,702	—
—	—	—	1,020,000	—	2,740,380	1,790,383
—	—	—	19,712,071	—	27,520,628	21,191,553
—	—	—	—	—	4	98
—	—	—	320,453	—	515,932	724,337
—	—	—	234,965	—	1,237,574	868,670
—	—	—	—	—	5,761,914	4,164,482
—	—	37,102,049	37,102,049	—	51,393,479	82,157,893
<u>\$ 338,754</u>	<u>\$ 1,682,782</u>	<u>\$ 37,102,049</u>	<u>\$ 116,130,590</u>	<u>\$ 346,486</u>	<u>\$ 206,801,915</u>	<u>\$ 221,480,405</u>
\$ —	\$ 46,103	\$ 5,236,348	\$ 11,807,813	\$ —	\$ 14,043,460	\$ 12,580,286
—	—	—	2,576,374	—	2,644,220	79,019
—	—	—	343,496	—	6,676,775	5,250,839
—	—	—	3,923,402	—	3,923,402	3,688,437
—	46,103	5,236,348	18,651,085	—	27,287,857	21,598,581
—	51,981	—	43,056,130	—	49,372,427	43,454,163
—	—	—	234,965	—	1,237,475	650,570
—	—	—	—	—	5,307,195	4,517,763
—	—	—	—	346,486	346,486	314,425
—	—	—	—	—	57,375,154	54,350,659
—	—	—	—	—	11,680,345	7,905,228
—	1,059,984	31,865,701	51,719,855	—	51,719,855	86,109,938
338,754	524,714	—	2,468,555	—	2,475,121	2,579,078
<u>338,754</u>	<u>1,636,679</u>	<u>31,865,701</u>	<u>97,479,505</u>	<u>346,486</u>	<u>179,514,058</u>	<u>199,881,824</u>
<u>\$ 338,754</u>	<u>\$ 1,682,782</u>	<u>\$ 37,102,049</u>	<u>\$ 116,130,590</u>	<u>\$ 346,486</u>	<u>\$ 206,801,915</u>	<u>\$ 221,480,405</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended December 31, 2007  
(With summarized financial information at December 31, 2006)

	Special Revenue						
	Heritage Land Bank	Police Investigations	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants	Other Restricted Resources
<b>Revenues:</b>							
Hotel and motel taxes	\$ —	\$ —	\$ 11,702,733	\$ —	\$ —	\$ —	\$ —
Special assessments	—	—	—	—	—	—	699,731
Intergovernmental	16,143	—	—	17,572,011	9,267,575	—	—
Charges for services	—	—	—	—	—	—	—
Fines and forfeitures	—	1,240,150	—	—	—	—	—
Investment income	121,996	115,549	212,461	74,208	423,595	57,585	(19,501)
Restricted contributions	—	—	—	—	—	240,410	—
Other	153,358	19,772	—	—	922,753	—	19,242
<b>Total revenues</b>	<b>291,497</b>	<b>1,375,471</b>	<b>11,915,194</b>	<b>17,646,219</b>	<b>10,613,923</b>	<b>297,995</b>	<b>699,472</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	858,697	—	—	2,705,686	—	22,536	696,255
Fire services	—	—	—	380,398	1,429,204	—	—
Police services	—	505,823	—	660,972	771,070	2,372	—
Health and human services	—	—	—	7,329,516	4,331,967	50,906	—
Economic and community development	—	—	9,848,503	1,575,713	3,807,643	81,598	—
Public transportation	—	—	—	1,775,929	358,202	—	—
Public works	—	—	—	2,187,948	839,431	—	—
Maintenance and operations	—	—	—	—	—	—	—
Education	—	—	—	1,047,904	—	—	—
<b>Debt service:</b>							
Principal	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—
Bond issuance costs	—	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—	—
<b>Total expenditures</b>	<b>858,697</b>	<b>505,823</b>	<b>9,848,503</b>	<b>17,664,066</b>	<b>11,537,517</b>	<b>157,412</b>	<b>696,255</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(567,200)</b>	<b>869,648</b>	<b>2,066,691</b>	<b>(17,847)</b>	<b>(923,594)</b>	<b>140,583</b>	<b>3,217</b>
<b>Other financing sources (uses):</b>							
Transfers in – from other funds	—	—	—	629,976	724,644	—	—
Transfers out – to other funds	(1,014,000)	—	—	—	—	—	—
General obligation bonds issued	—	—	—	—	—	—	—
Long term debt issued	—	—	—	—	—	—	—
Premium on bond sale	—	—	—	—	—	—	—
Capital Leases	—	—	—	—	—	—	—
Sale of capital assets	846,414	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>(167,586)</b>	<b>—</b>	<b>—</b>	<b>629,976</b>	<b>724,644</b>	<b>—</b>	<b>—</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>(734,786)</b>	<b>869,648</b>	<b>2,066,691</b>	<b>612,129</b>	<b>(198,950)</b>	<b>140,583</b>	<b>3,217</b>
<b>Fund balances (deficit), beginning of year,</b>	<b>2,265,044</b>	<b>1,147,855</b>	<b>\$ 1,822,255</b>	<b>\$ 9,025,241</b>	<b>\$ 6,195,537</b>	<b>\$ 749,318</b>	<b>\$ (4,150)</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 1,530,258</b>	<b>\$ 2,017,503</b>	<b>\$ 3,888,946</b>	<b>\$ 9,637,370</b>	<b>\$ 5,996,587</b>	<b>\$ 889,901</b>	<b>\$ (933)</b>

See accompanying independent auditors' report.

Debt Service

Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	ACPA Surcharge Revenue Bond	CIVICVentures Revenue Bond	Total Debt Service
\$ 11,702,733	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
699,731	69,792	—	—	—	—	—	69,792
26,855,729	—	—	—	—	—	—	—
—	—	—	—	5,023,369	—	5,241,006	10,264,375
1,240,150	—	—	—	—	—	—	—
985,893	82,240	435,568	2,810,434	966	20,637	599,302	3,949,147
240,410	—	—	—	—	—	—	—
1,115,125	—	—	66,290	—	253,905	—	320,195
<u>42,839,771</u>	<u>152,032</u>	<u>435,568</u>	<u>2,876,724</u>	<u>5,024,335</u>	<u>274,542</u>	<u>5,840,308</u>	<u>14,603,509</u>
4,283,174	—	—	110,395	—	—	—	110,395
1,809,602	—	—	1,011,648	—	—	—	1,011,648
1,940,237	—	—	1,199,293	—	—	—	1,199,293
11,712,389	—	—	—	—	—	—	—
15,313,457	—	—	—	—	—	—	—
2,134,131	—	—	—	—	—	—	—
3,027,379	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1,047,904	—	—	—	—	—	—	—
—	265,000	—	—	2,550,000	100,000	—	2,915,000
—	50,608	—	—	2,473,369	240,813	5,070,335	7,835,125
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>41,268,273</u>	<u>315,608</u>	<u>—</u>	<u>2,321,336</u>	<u>5,023,369</u>	<u>340,813</u>	<u>5,070,335</u>	<u>13,071,461</u>
1,571,498	(163,576)	435,568	555,388	966	(66,271)	769,973	1,532,048
1,354,620	—	—	1,869,000	—	—	1,154,784	3,023,784
(1,014,000)	—	—	—	—	—	(1,531,337)	(1,531,337)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
846,414	—	—	—	—	—	—	—
<u>1,187,034</u>	<u>—</u>	<u>—</u>	<u>1,869,000</u>	<u>—</u>	<u>—</u>	<u>(376,553)</u>	<u>1,492,447</u>
2,758,532	(163,576)	435,568	2,424,388	966	(66,271)	393,420	3,024,495
<u>21,201,100</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>\$ 23,959,632</u>	<u>\$ 1,244,537</u>	<u>\$ 6,592,959</u>	<u>\$ 35,215,281</u>	<u>\$ 8,080</u>	<u>\$ 376,148</u>	<u>\$ 14,291,430</u>	<u>\$ 57,728,435</u>

(Continued)

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended December 31, 2007  
(With summarized financial information at December 31, 2006)

<u>Capital Projects</u>						
	<u>Areawide</u>	<u>Public Safety</u>	<u>Roads and Drainage</u>	<u>Public Transportation</u>	<u>Miscellaneous</u>	<u>Parks and Recreation</u>
<b>Revenues:</b>						
Hotel and motel taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special assessments	—	—	—	—	160,055	—
Intergovernmental	19,535,005	3,646,089	20,062,295	3,585,153	6,678,213	1,043,638
Charges for services	271,424	—	—	—	—	—
Fines and forfeitures	—	—	—	—	—	—
Investment income	303,528	51,340	200,377	—	—	241,908
Restricted contributions	906,649	—	—	—	—	704,930
Other	389,272	7	31,599	144	—	494,244
<b>Total revenues</b>	<u>21,405,878</u>	<u>3,697,436</u>	<u>20,294,271</u>	<u>3,585,297</u>	<u>6,838,268</u>	<u>2,484,720</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	—	—	—	—	—	—
Fire services	—	—	—	—	—	—
Police services	—	—	—	—	—	—
Health and human services	—	—	—	—	—	—
Economic and community development	—	—	—	—	—	—
Public transportation	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Maintenance and operations	—	—	—	—	—	—
Education	—	—	—	—	—	—
<b>Debt service:</b>						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond issuance costs	8,779	9,209	78,139	1,646	—	4,572
Capital projects	26,031,048	11,663,261	59,648,152	6,922,667	6,678,212	3,271,782
<b>Total expenditures</b>	<u>26,039,827</u>	<u>11,672,470</u>	<u>59,726,291</u>	<u>6,924,313</u>	<u>6,678,212</u>	<u>3,276,354</u>
Excess (deficiency) of revenues over expenditures	<u>(4,633,949)</u>	<u>(7,975,034)</u>	<u>(39,432,020)</u>	<u>(3,339,016)</u>	<u>160,056</u>	<u>(791,634)</u>
<b>Other financing sources (uses):</b>						
Transfers in – from other funds	2,586,524	667,720	3,147,350	—	40,000	1,639,870
Transfers out – to other funds	(698,624)	(454)	(3,852)	—	—	(225)
General obligation bonds issued	4,685,919	4,915,333	41,709,555	878,610	—	2,440,583
Long term debt issued	—	—	—	—	—	—
Premium on bond sale	123,374	129,330	1,097,436	23,036	—	64,214
Capital Leases	—	—	—	—	—	—
Sale of capital assets	—	—	57,637	—	—	12,362
<b>Total other financing sources (uses)</b>	<u>6,697,193</u>	<u>5,711,929</u>	<u>46,008,126</u>	<u>901,646</u>	<u>40,000</u>	<u>4,156,804</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>2,063,244</u>	<u>(2,263,105)</u>	<u>6,576,106</u>	<u>(2,437,370)</u>	<u>200,056</u>	<u>3,365,170</u>
Fund balances (deficit), beginning of year	5,988,756	7,725,637	34,029,296	1,822,936	452,760	6,114,885
Fund balances (deficit), end of year	<u>\$ 8,052,000</u>	<u>\$ 5,462,532</u>	<u>\$ 40,605,402</u>	<u>\$ (614,434)</u>	<u>\$ 652,816</u>	<u>\$ 9,480,055</u>

See accompanying independent auditors' report.

Historic Preservation	Heritage Land Bank	CIVIC Ventures	Total Capital Projects	Permanent Fund		Total Nonmajor Governmental Funds	
				Cemetery Perpetual Maintenance		2007	2006
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,702,733	\$ 11,084,594	
—	—	—	160,055	—	929,578	1,012,720	
—	—	—	54,550,393	—	81,406,122	57,372,458	
—	—	—	271,424	9,450	10,545,249	11,029,870	
—	—	—	—	—	1,240,150	939,633	
19,028	90,115	3,292,227	4,198,523	22,611	9,156,174	10,570,966	
—	—	—	1,611,579	—	1,851,989	1,202,507	
—	—	—	915,266	—	2,350,586	2,708,596	
<u>19,028</u>	<u>90,115</u>	<u>3,292,227</u>	<u>61,707,240</u>	<u>32,061</u>	<u>119,182,581</u>	<u>95,921,344</u>	
—	—	—	—	—	4,393,569	4,117,184	
—	—	—	—	—	2,821,250	3,084,469	
—	—	—	—	—	3,139,530	4,174,166	
—	—	—	—	—	11,712,389	12,230,898	
—	—	—	—	—	15,313,457	17,441,252	
—	—	—	—	—	2,134,131	3,498,930	
—	—	—	—	—	3,027,379	2,135,591	
—	—	—	—	—	—	44,247	
—	—	—	—	—	1,047,904	697,562	
—	—	—	—	—	2,915,000	6,300,000	
—	—	—	—	—	7,835,125	5,946,335	
—	—	—	102,345	—	102,345	2,722,984	
93,396	705,019	36,531,926	151,545,463	—	151,545,463	130,232,159	
<u>93,396</u>	<u>705,019</u>	<u>36,531,926</u>	<u>151,647,808</u>	<u>—</u>	<u>205,987,542</u>	<u>192,625,777</u>	
(74,368)	(614,904)	(33,239,699)	(89,940,568)	32,061	(86,804,961)	(96,704,433)	
—	1,014,000	376,553	9,472,017	—	13,850,421	32,293,777	
—	—	(1,154,784)	(1,857,939)	—	(4,403,276)	(24,131,244)	
—	—	—	54,630,000	—	54,630,000	—	
—	—	—	—	—	—	110,920,000	
—	—	—	1,437,390	—	1,437,390	33,142	
—	—	—	—	—	—	673,553	
—	—	—	69,999	—	916,413	1,708,776	
—	1,014,000	(778,231)	63,751,467	—	66,430,948	121,498,004	
(74,368)	399,096	(34,017,930)	(26,189,101)	32,061	(20,374,013)	24,793,571	
413,122	1,237,583	\$ 65,883,631	123,668,606	314,425	199,888,071	175,088,253	
<u>\$ 338,754</u>	<u>\$ 1,636,679</u>	<u>\$ 31,865,701</u>	<u>\$ 97,479,505</u>	<u>\$ 346,486</u>	<u>\$ 179,514,058</u>	<u>\$ 199,881,824</u>	

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Heritage Land Bank

Special Revenue Fund

Year ended December 31, 2007

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 101,390	\$ 101,390	\$ 121,996	\$ 20,606
Intergovernmental	—	17,666	16,143	(1,523)
Other revenues	27,500	27,500	153,358	125,858
Total revenues	128,890	146,556	291,497	144,941
Expenditures:				
General government	1,089,850	1,108,846	858,697	250,149
Total expenditures	1,089,850	1,108,846	858,697	250,149
Deficiency of revenues over expenditures	(960,960)	(962,290)	(567,200)	395,090
Other financing sources (uses):				
Transfers out – to other funds	—	(1,014,000)	(1,014,000)	—
Proceeds from sale of assets	960,970	962,290	846,414	(115,876)
Total other financing sources (uses)	960,970	(51,710)	(167,586)	(115,876)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	10	(1,014,000)	(734,786)	279,214
Fund balance, beginning of year	2,611,390	1,536,280	2,265,044	728,764
Fund balance, end of year	\$ 2,611,400	\$ 522,280	\$ 1,530,258	\$ 1,007,978

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
 Budgetary Comparison Schedule  
 Convention Center Operating Reserve  
 Special Revenue Fund  
 Year ended December 31, 2007

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Hotel and motel taxes	\$ 11,242,410	\$ 12,088,263	\$ 11,702,732	\$ (385,531)
Investment income	—	—	212,461	212,461
Total revenues	<u>11,242,410</u>	<u>12,088,263</u>	<u>11,915,193</u>	<u>(173,070)</u>
Expenditures:				
Economic and community development	11,242,410	12,088,263	9,848,503	2,239,760
Total expenditures	<u>11,242,410</u>	<u>12,088,263</u>	<u>9,848,503</u>	<u>2,239,760</u>
Deficiency of revenues over expenditures	<u>—</u>	<u>—</u>	<u>2,066,690</u>	<u>2,066,690</u>
Excess of revenues over expenditures	—	—	2,066,690	2,066,690
Fund balance, beginning of year	—	—	1,822,255	1,822,255
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,888,945</u>	<u>\$ 3,888,945</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Special Assessment Bonds

Debt Service Fund

Year ended December 31, 2007

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ 315,640	\$ 315,640	\$ 69,792	\$ (245,848)
Investment income	—	—	82,240	82,240
Total revenues	<u>315,640</u>	<u>315,640</u>	<u>152,032</u>	<u>(163,608)</u>
Expenditures:				
Debt service:				
Principal	265,000	265,000	265,000	—
Interest	<u>50,640</u>	<u>50,640</u>	<u>50,608</u>	<u>32</u>
Total expenditures	<u>315,640</u>	<u>315,640</u>	<u>315,608</u>	<u>32</u>
Deficiency of revenues over expenditures	—	—	(163,576)	(163,576)
Fund balance, beginning of year	<u>1,318,562</u>	<u>1,318,562</u>	<u>1,408,113</u>	<u>89,551</u>
Fund balance, end of year	<u>\$ 1,318,562</u>	<u>\$ 1,318,562</u>	<u>\$ 1,244,537</u>	<u>\$ (74,025)</u>

See accompanying independent auditors' report.



**MUNICIPALITY OF ANCHORAGE, ALASKA**  
 Budgetary Comparison Schedule  
 Retirement Certificates of Participation  
 Debt Service Fund  
 Year ended December 31, 2007

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 435,568	\$ 435,568
Total revenues	—	—	435,568	435,568
Expenditures:				
Debt service:				
Principal	—	—	—	—
Interest	—	—	—	—
Total expenditures	—	—	—	—
Excess of revenues over expenditures	—	—	435,568	435,568
Fund balance, beginning of year	17,121,643	17,121,643	6,157,391	(10,964,252)
Fund balance, end of year	<u>\$ 17,121,643</u>	<u>\$ 17,121,643</u>	<u>\$ 6,592,959</u>	<u>\$ (10,528,684)</u>

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
 Budgetary Comparison Schedule  
 Police/Fire Retiree Medical Liability  
 Debt Service Fund  
 Year ended December 31, 2007

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 2,810,434	\$ 2,810,434
Other revenues	—	—	66,290	66,290
Total revenues	—	—	2,876,724	2,876,724
Expenditures:				
General government	—	—	110,395	(110,395)
Fire services	883,768	1,037,459	1,011,648	25,811
Police services	1,047,692	1,229,891	1,199,293	30,598
Total expenditures	1,931,460	2,267,350	2,321,336	(53,986)
Deficiency of revenues over expenditures	(1,931,460)	(2,267,350)	555,388	2,822,738
Other financing sources:				
Transfers in – from other funds	1,869,000	1,869,000	1,869,000	—
Total other financing sources	1,869,000	1,869,000	1,869,000	—
Excess of revenues and other financing sources over expenditures	1,869,000	1,869,000	2,424,388	555,388
Fund balance, beginning of year	19,960,445	29,680,445	32,790,893	3,110,448
Fund balance, end of year	\$ 21,829,445	\$ 31,549,445	\$ 35,215,281	\$ 3,665,836

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
 Budgetary Comparison Schedule  
 Jail Revenue Bond  
 Debt Service Fund  
 Year ended December 31, 2007

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 5,023,370	\$ 5,023,370	\$ 5,023,369	\$ (1)
Investment income	—	—	966	966
Total revenues	<u>5,023,370</u>	<u>5,023,370</u>	<u>5,024,335</u>	<u>965</u>
Expenditures:				
Debt service:				
Principal	2,550,000	2,550,000	2,550,000	—
Interest	2,473,370	2,473,370	2,473,369	1
Bond issuance costs	—	—	—	—
Total expenditures	<u>5,023,370</u>	<u>5,023,370</u>	<u>5,023,369</u>	<u>1</u>
Deficiency of revenues over expenditures	—	—	966	966
Excess of revenues over expenditures	—	—	966	966
Fund balance, beginning of year	6,212	6,212	7,114	902
Fund balance, end of year	<u>\$ 6,212</u>	<u>\$ 6,212</u>	<u>\$ 8,080</u>	<u>\$ 1,868</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

ACPA Surcharge Revenue Bond

Debt Service Fund

Year ended December 31, 2007

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	—	—	20,637	20,637
Other	340,820	340,820	253,905	(86,915)
Total revenues	340,820	340,820	274,542	(66,278)
Expenditures:				
Debt service:				
Principal	100,000	100,000	100,000	—
Interest	240,820	240,820	240,813	7
Total expenditures	340,820	340,820	340,813	7
Deficiency of revenues over expenditures	—	—	(66,271)	(66,271)
Deficiency of revenues over expenditures	—	—	(66,271)	(66,271)
Fund balance, beginning of year	503,710	503,710	442,419	(61,291)
Fund balance, end of year	\$ 503,710	\$ 503,710	\$ 376,148	\$ (127,562)

See accompanying independent auditors' 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 **Cooperative Services Authority** accounts for the component unit that provides cooperative purchasing services and managed vendor negotiations.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

December 31, 2007

(With summarized financial information at December 31, 2006)

Assets	Refuse Utility	Solid Waste	Port	Municipal Airport
Current assets:				
Cash	\$ 300	\$ 1,475	\$ 150	\$ 200
Cash in central treasury	4,110,213	7,332,500	11,138,292	—
Receivables (net of allowance for uncollectibles)	99,829	909,152	660,970	25,737
Interest receivable	—	6,128	9,682	205
Current portion of lease receivable	—	—	266,023	—
Prepaid items and deposits	1,165	3,123	34,149	1,735
Restricted assets:				
Restricted deposits	—	—	—	—
Receivables	—	—	—	455,536
Bond and acquisition and construction accounts	1,869,816	11,409,563	20,486,339	773,602
Revenue bond operations and maintenance accounts	—	402,452	2,408,720	—
Total current assets	<u>6,081,323</u>	<u>20,064,393</u>	<u>35,004,325</u>	<u>1,257,015</u>
Noncurrent assets:				
Restricted assets:				
Advances	—	—	17,039,618	—
Loans receivables, net	—	—	—	14,102
Deferred charges and other assets	—	614	238,218	—
Capital assets, net	<u>2,107,316</u>	<u>58,286,298</u>	<u>52,051,191</u>	<u>48,321,524</u>
Total noncurrent assets	<u>2,107,316</u>	<u>58,286,912</u>	<u>69,329,027</u>	<u>48,335,626</u>
Total assets	<u>\$ 8,188,639</u>	<u>\$ 78,351,305</u>	<u>\$ 104,333,352</u>	<u>\$ 49,592,641</u>

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	December 31, 2007	December 31, 2006
\$ 326,344	\$ 328,469	\$ 6,696,086
—	22,581,005	20,841,556
—	1,695,688	1,878,203
—	16,015	10,637
—	266,023	304,265
96,745	136,917	142,899
—	—	620,602
—	455,536	668,688
—	34,539,320	42,702,619
—	2,811,172	1,337,817
<u>423,089</u>	<u>62,830,145</u>	<u>75,203,372</u>
—	17,039,618	620,602
—	14,102	20,943
—	238,832	3,894,457
730,782	161,497,111	191,734,678
<u>730,782</u>	<u>178,789,663</u>	<u>195,650,078</u>
<u>\$ 1,153,871</u>	<u>\$ 241,619,808</u>	<u>\$ 270,853,450</u>

(Continued)



**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
December 31, 2007  
(With summarized financial information at December 31, 2006)

<b>Liabilities</b>	<b>Refuse Utility</b>	<b>Solid Waste</b>	<b>Port</b>	<b>Municipal Airport</b>
<b>Current liabilities:</b>				
Accounts payable and retainages	\$ 70,481	\$ 415,807	\$ 393,043	\$ 176,262
Compensated absences payable	82,543	395,697	145,350	60,091
Due to other funds	—	—	—	—
Accrued interest payable	—	144,784	—	—
Long-term obligations maturing within one year	—	1,786,870	—	—
Unearned revenue and deposits	2,733	—	—	97,666
<b>Current liabilities payable from restricted assets:</b>				
Customer deposits payable	—	—	—	—
Capital acquisition and construction accounts and retainage payable	6,957	—	598,757	126,581
<b>Total current liabilities</b>	<u>162,714</u>	<u>2,743,158</u>	<u>1,137,150</u>	<u>460,600</u>
<b>Noncurrent liabilities:</b>				
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	353,348	—	—
Alaska clean water loan payable	—	19,017,767	—	—
Net pension obligation	148,074	251,316	85,241	51,970
Net postemployment benefits obligation	20,504	32,406	8,532	7,795
<b>Total noncurrent liabilities</b>	<u>168,578</u>	<u>19,654,837</u>	<u>93,773</u>	<u>59,765</u>
<b>Deferred credits and other liabilities:</b>				
Future landfill closure costs	—	16,596,153	—	—
<b>Total liabilities</b>	<u>331,292</u>	<u>38,994,148</u>	<u>1,230,923</u>	<u>520,365</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,107,316	37,128,313	52,051,191	48,321,524
Restricted for debt service	—	402,452	2,408,720	—
Restricted for operations and maintenance	—	—	—	—
Restricted for capital construction	1,869,816	11,409,563	36,927,200	—
Unrestricted	3,880,215	(9,583,171)	11,715,318	750,752
<b>Total net assets</b>	<u>7,857,347</u>	<u>39,357,157</u>	<u>103,102,429</u>	<u>49,072,276</u>
<b>Total liabilities and net assets</b>	<u>\$ 8,188,639</u>	<u>\$ 78,351,305</u>	<u>\$ 104,333,352</u>	<u>\$ 49,592,641</u>

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	December 31, 2007	December 31, 2006
\$ 8,632	\$ 1,064,225	\$ 2,678,999
—	683,681	549,912
845,738	845,738	620,730
—	144,784	136,275
—	1,786,870	1,503,350
—	100,399	481,544
—	—	66,809
—	732,295	1,392,831
<u>854,370</u>	<u>5,357,992</u>	<u>7,430,450</u>
—	353,348	683,656
—	19,017,767	18,905,213
—	536,601	633,204
—	69,237	—
—	19,976,953	20,222,073
—	16,596,153	12,911,374
<u>854,370</u>	<u>41,931,098</u>	<u>40,563,897</u>
—	139,608,344	170,642,459
—	2,811,172	1,337,817
—	—	604,363
—	50,206,579	41,148,379
299,501	7,062,615	16,556,535
<u>299,501</u>	<u>199,688,710</u>	<u>230,289,553</u>
<u>\$ 1,153,871</u>	<u>\$ 241,619,808</u>	<u>\$ 270,853,450</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds  
Year ended December 31, 2007  
(With summarized financial information for the year ended December 31, 2006)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>	<u>Municipal Airport</u>
Operating revenues:				
Charges for sales and services	\$ 7,150,569	\$ 15,179,180	\$ 5,326,021	\$ 1,184,140
Other	27,145	323,781	4,668,517	—
Total operating revenues	<u>7,177,714</u>	<u>15,502,961</u>	<u>9,994,538</u>	<u>1,184,140</u>
Operating expenses:				
Operations	6,187,629	10,635,566	4,592,512	1,181,812
Municipal service assessment	35,828	665,384	494,719	23,913
Amortization of future landfill closure costs	—	3,684,778	—	—
Depreciation	387,894	2,693,002	4,108,295	1,810,640
Total operating expenses	<u>6,611,351</u>	<u>17,678,730</u>	<u>9,195,526</u>	<u>3,016,365</u>
Operating income (loss)	<u>566,363</u>	<u>(2,175,769)</u>	<u>799,012</u>	<u>(1,832,225)</u>
Nonoperating revenues (expenses):				
Investment income	347,196	1,025,516	2,427,727	17,448
Other revenues	—	115,926	1,767,780	50,886
Intergovernmental revenue	75,268	119,888	47,046	28,410
Interest expense	—	(291,592)	—	—
Gain (loss) on disposition of capital assets	97	(125,483)	6,386	—
Other expenses	—	—	(1,619,796)	—
Amortization of deferred charges	—	—	—	—
Net nonoperating revenues	<u>422,561</u>	<u>844,255</u>	<u>2,629,143</u>	<u>96,744</u>
Income (loss) before transfers	<u>988,924</u>	<u>(1,331,514)</u>	<u>3,428,155</u>	<u>(1,735,481)</u>
Capital contributions	—	—	968,723	4,698,029
Transfers out	(350,915)	(1,097,148)	—	—
Transfers in	—	—	—	—
Change in net assets	<u>638,009</u>	<u>(2,428,662)</u>	<u>4,396,878</u>	<u>2,962,548</u>
Total net assets – beginning	<u>7,219,338</u>	<u>41,785,819</u>	<u>98,705,551</u>	<u>46,109,728</u>
Total net assets – ending	<u>\$ 7,857,347</u>	<u>\$ 39,357,157</u>	<u>\$ 103,102,429</u>	<u>\$ 49,072,276</u>

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	2007	2006
\$ 486,901	\$ 29,326,811	\$ 33,255,139
	5,019,443	5,299,546
<u>486,901</u>	<u>34,346,254</u>	<u>38,554,685</u>
881,892	23,479,411	27,578,647
—	1,219,844	1,816,722
—	3,684,778	1,012,139
<u>332,794</u>	<u>9,332,625</u>	<u>9,942,995</u>
<u>1,214,686</u>	<u>37,716,658</u>	<u>40,350,503</u>
<u>(727,785)</u>	<u>(3,370,404)</u>	<u>(1,795,818)</u>
—	3,817,887	3,261,046
62,579	1,997,171	1,562,038
—	270,612	177,999
(40,632)	(332,224)	(263,989)
—	(119,000)	1,538,269
—	(1,619,796)	(1,475,902)
—	—	(52,599)
<u>21,947</u>	<u>4,014,650</u>	<u>4,746,862</u>
<u>(705,838)</u>	<u>644,246</u>	<u>2,951,044</u>
—	5,666,752	7,555,178
—	(1,448,063)	(2,008,824)
<u>862,599</u>	<u>862,599</u>	<u>1,148,500</u>
156,761	5,725,534	9,645,898
<u>142,740</u>	<u>193,963,176</u>	<u>220,643,655</u>
<u>\$ 299,501</u>	<u>\$ 199,688,710</u>	<u>\$ 230,289,553</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

	Refuse Utility	Solid Waste	Port	Municipal Airport
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,145,649	\$ 15,399,392	\$ 9,776,327	\$ 1,166,129
Payments to employees	(1,808,753)	(6,695,771)	(2,072,117)	(935,201)
Payments to vendors	(4,301,984)	(4,487,364)	(2,742,397)	(231,135)
Net cash provided (used) by operating activities	1,034,912	4,216,257	4,961,813	(207)
Cash flows from noncapital and related financing activities:				
Transfers to other funds	(350,915)	(1,097,148)	—	—
Transfers from other funds	—	—	—	—
Loan payments to central treasury	—	—	—	(382,721)
Other noncapital payments	—	—	(1,619,796)	—
Other noncapital receipts	75,268	235,814	1,814,826	79,295
Net cash provided (used) by noncapital and related financing activities	(275,647)	(861,334)	195,030	(303,426)
Cash flows from capital and related financing activities:				
Principal payments on long-term obligations	—	(1,505,325)	—	—
Loan proceeds from long-term obligations	—	1,561,398	—	—
Interest payments on long-term obligations	—	(272,668)	—	—
Acquisition and construction of capital assets	(24,625)	(2,333,939)	(16,084,277)	(4,855,774)
Proceeds from disposition of capital assets	94	22,197	124,487	(546,140)
Contributed capital - intergovernmental	—	—	968,723	4,911,181
Net cash provided (used) by capital and related financing activities	(24,531)	(2,528,337)	(14,991,067)	(490,733)
Cash flows from investing activities:				
Purchase of Investments	—	—	(1,452,721)	—
Proceeds from investment in direct financing leases	—	—	304,265	—
Unrealized gains (losses)	—	41,358	—	—
Interest received	347,196	963,981	2,421,635	17,706
Net cash provided by investing activities	347,196	1,005,339	1,273,179	17,706
Net increase (decrease) in cash	1,081,930	1,831,925	(8,561,045)	(776,660)
Cash, beginning of year	4,898,399	16,911,613	40,185,826	1,550,462
Cash, end of year	\$ 5,980,329	\$ 18,743,538	\$ 31,624,781	\$ 773,802
Cash	\$ 300	\$ 1,475	\$ 150	\$ 200
Cash in central treasury	4,110,213	7,332,500	11,138,292	—
Capital acquisition and construction accounts	1,869,816	11,409,563	20,486,339	773,602
Cash, December 31	\$ 5,980,329	\$ 18,743,538	\$ 31,624,781	\$ 773,802

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	2007	2006
\$ 552,901	\$ 34,040,398	\$ 48,833,492
(372,519)	(11,884,361)	(14,964,172)
(619,564)	(12,382,444)	(21,200,898)
(439,182)	9,773,593	12,668,422
—	(1,448,063)	(1,642,627)
862,599	862,599	1,148,500
—	(382,721)	(400,717)
—	(1,619,796)	(1,915,982)
62,579	2,267,782	1,697,865
925,178	(320,199)	(1,112,961)
(302,368)	(1,807,693)	(4,819,831)
—	1,561,398	8,978,839
(40,632)	(313,300)	(422,465)
—	(23,298,615)	(17,324,152)
119,380	(279,982)	2,602,736
—	5,879,904	6,381,327
(223,620)	(18,258,288)	(4,603,546)
—	(1,452,721)	—
—	304,265	801,829
—	41,358	—
—	3,750,518	3,253,848
—	2,643,420	4,055,677
262,376	(6,161,474)	11,007,592
63,968	63,610,268	59,232,669
\$ 326,344	\$ 57,448,794	\$ 70,240,261
\$ 326,344	\$ 328,469	\$ 6,696,086
—	22,581,005	20,841,556
—	34,539,320	42,702,619
\$ 326,344	\$ 57,448,794	\$ 70,240,261

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year ended December 31, 2007  
(With summarized financial information for the year ended December 31, 2006)

	Refuse Utility	Solid Waste	Port	Municipal Airport
Reconciliation of change in net assets to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 566,363	\$ (2,175,769)	\$ 799,012	\$ (1,832,225)
Adjustments to reconcile operating income to net cash provided or used by operating activities:				
Depreciation	387,894	2,693,002	4,108,295	1,810,640
Amortization of landfill closure costs	—	3,684,779	—	—
Capital equipment purchases	—	—	—	—
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	(32,147)	(103,569)	(218,211)	—
Prepaid items and deposits	231	329	3,595	183
Notes receivable	—	—	—	(17,139)
Customer deposits	—	—	—	—
Deferred charges and other assets	—	—	—	—
Accounts payable	42,724	(32,402)	199,712	17,270
Due to other funds	—	—	—	—
Deferred credits	82	—	—	(872)
Unearned revenue	—	—	—	—
Compensated absences payable	17,528	66,938	47,114	2,189
Net pension obligation	31,733	50,543	16,464	11,952
Net postemployment benefits obligation	20,504	32,406	5,832	7,795
Total cash provided by operating activities	<u>\$ 1,034,912</u>	<u>\$ 4,216,257</u>	<u>\$ 4,961,813</u>	<u>\$ (207)</u>

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	2007	2006
\$ (727,785)	\$ (3,370,404)	\$ (1,795,818)
332,794	9,332,625	9,942,995
—	3,684,779	1,012,139
—	—	2,618,248
66,000	(287,927)	976,686
(96,744)	(92,406)	(33,290)
—	(17,139)	2,389
—	—	1,230
—	—	(2,216,483)
124,487	351,791	2,062,946
(137,934)	(137,934)	—
—	(790)	(4,366)
—	—	(98,845)
—	133,769	2,218
—	110,692	198,373
—	66,537	—
<u>\$ (439,182)</u>	<u>\$ 9,773,593</u>	<u>\$ 12,668,422</u>



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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, 2007

(With summarized financial information at December 31, 2006)

Assets	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Current assets:				
Cash in central treasury	\$ 9,740,921	\$ 11,770,456	\$ 843,875	\$ 1,567,267
Due from other funds	908,016	—	—	—
Due from component units	—	707,804	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—
Inventories	—	—	—	393,479
Prepaid items and deposits	321,189	—	—	—
Restricted assets:				
Capital acquisition and construction accounts	—	—	—	4,376,851
Total current assets	10,970,126	12,478,260	843,875	6,337,597
Noncurrent assets:				
Advances to other funds	4,523,966	—	—	—
Capital assets, net	—	—	—	19,852,644
Total noncurrent assets	4,523,966	—	—	19,852,644
Total assets	\$ 15,494,092	\$ 12,478,260	\$ 843,875	\$ 26,190,241
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and retainages	\$ 240,949	\$ 42,786	\$ 61,453	\$ 354,783
Compensated absences payable	713	6,628	—	182,000
Claims payable	5,965,522	504,336	—	—
Due to other funds	—	—	—	—
Claims incurred but not reported	8,744,149	3,619,508	—	—
Unearned revenue and deposits	—	—	—	—
Current liabilities payable from restricted assets:				
Capital acquisition and construction accounts and retainage payable	—	—	—	654,665
Total current liabilities	14,951,333	4,173,258	61,453	1,191,448
Noncurrent liabilities:				
Advances from other funds	—	—	—	—
Unearned revenue	—	—	—	—
Net pension obligation	8,986	14,339	—	292,688
Net postemployment benefits obligation	1,500	2,828	—	41,596
Total noncurrent liabilities	10,486	17,167	—	334,284
Total liabilities	14,961,819	4,190,425	61,453	1,525,732
Net assets (deficit):				
Invested in capital assets, net of related debt	—	—	—	19,852,644
Unrestricted	532,273	8,287,835	782,422	4,811,865
Total net assets	532,273	8,287,835	782,422	24,664,509
Total liabilities and net assets	\$ 15,494,092	\$ 12,478,260	\$ 843,875	\$ 26,190,241

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	December 31, 2007	December 31, 2006
\$ —	\$ 23,922,519	\$ 16,777,700
—	908,016	908,018
—	707,804	1,010,171
—	—	149
86	393,565	333,575
119,346	440,535	672,246
—	4,376,851	6,001,364
119,432	30,749,290	25,703,223
—	4,523,966	4,549,022
8,688,010	28,540,654	27,835,631
8,688,010	33,064,620	32,384,653
\$ 8,807,442	\$ 63,813,910	\$ 58,087,876
\$ 156,471	\$ 856,442	\$ 717,014
756,134	945,475	600,489
—	6,469,858	6,572,142
1,792,920	1,792,920	4,487,656
—	12,363,657	11,989,247
43,468	43,468	76,254
53,205	707,870	74,716
2,802,198	23,179,690	24,517,518
4,523,966	4,523,966	4,549,022
740,441	740,441	919,003
578,267	894,280	653,631
112,442	158,366	—
5,955,116	6,317,053	6,121,656
8,757,314	29,496,743	30,639,174
3,256,028	23,108,672	22,378,591
(3,205,900)	11,208,495	5,070,111
50,128	34,317,167	27,448,702
\$ 8,807,442	\$ 63,813,910	\$ 58,087,876

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Internal Service Funds

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Operating revenues:				
Charges for sales and services	\$ 8,865,147	\$ 45,076,891	\$ 416,941	\$ 10,357,807
Total operating revenues	<u>8,865,147</u>	<u>45,076,891</u>	<u>416,941</u>	<u>10,357,807</u>
Operating expenses:				
Operations	9,421,332	40,348,297	236,905	6,970,889
Depreciation	—	—	—	3,404,525
Total operating expenses	<u>9,421,332</u>	<u>40,348,297</u>	<u>236,905</u>	<u>10,375,414</u>
Operating income (loss)	<u>(556,185)</u>	<u>4,728,594</u>	<u>180,036</u>	<u>(17,607)</u>
Nonoperating revenues (expenses):				
Investment income	965,340	727,805	49,759	288,973
Other revenues	—	—	—	65,329
Intergovernmental revenue	2,506	10,300	—	147,925
Interest expense	—	—	—	—
Gain (loss) on disposition of capital assets	—	—	—	262,931
Contribution to component unit	—	—	—	—
Net nonoperating revenues (expenses)	<u>967,846</u>	<u>738,105</u>	<u>49,759</u>	<u>765,158</u>
Income (loss) before transfers	<u>411,661</u>	<u>5,466,699</u>	<u>229,795</u>	<u>747,551</u>
Transfer from other funds	—	—	—	—
Change in net assets	<u>411,661</u>	<u>5,466,699</u>	<u>229,795</u>	<u>747,551</u>
Total net assets – beginning	<u>120,612</u>	<u>2,821,136</u>	<u>552,627</u>	<u>23,916,958</u>
Total net assets – ending	<u>\$ 532,273</u>	<u>\$ 8,287,835</u>	<u>\$ 782,422</u>	<u>\$ 24,664,509</u>

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	2007	2006
\$ 19,805,970	\$ 84,522,756	\$ 73,853,618
19,805,970	84,522,756	73,853,618
16,650,540	73,627,963	65,509,162
3,188,876	6,593,401	6,238,890
19,839,416	80,221,364	71,748,052
(33,446)	4,301,392	2,105,566
48,301	2,080,178	1,364,260
38,389	103,718	124,239
409,283	570,014	423,720
(599,768)	(599,768)	(779,042)
—	262,931	958,653
—	—	(787,000)
(103,795)	2,417,073	1,304,830
(137,241)	6,718,465	3,410,396
150,000	150,000	—
12,759	6,868,465	3,410,396
37,369	27,448,702	24,038,306
\$ 50,128	\$ 34,317,167	\$ 27,448,702

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows

Internal Service Funds

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

	Risk Management			
	General Liability/Workers' Compensation	Medical/Dental	Unemployment Compensation	Equipment Maintenance
Cash flows from operating activities:				
Receipts from customers and users	\$ 8,865,147	\$ 45,076,891	\$ 416,941	\$ 10,357,807
Payments to employees	(109,043)	(216,059)	—	(3,621,169)
Payments to vendors	(8,032,328)	(40,971,303)	(264,766)	(3,176,053)
Net cash provided (used) by operating activities	723,776	3,889,529	152,175	3,560,585
Cash flows from noncapital and related financing activities:				
Transfers in	—	—	—	—
Loan proceeds from interfund loans	908,016	—	—	—
Loan payments on interfund loans	(882,958)	302,367	—	—
Contribution to component unit	—	—	—	—
Intergovernmental revenues received	2,506	10,300	—	—
Other	—	—	—	65,329
Net cash provided (used) by noncapital and related financing activities	27,564	312,667	—	65,329
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	—	—	—	(5,729,159)
Intergovernmental revenue received	—	—	—	147,925
Proceeds from disposition of capital assets	—	—	—	338,038
Net cash used by capital and related financing activities	—	—	—	(5,243,196)
Cash flows from investing activities:				
Interest received	965,340	727,805	49,759	288,973
Net cash provided by investing activities	965,340	727,805	49,759	288,973
Net increase (decrease) in cash	1,716,680	4,930,001	201,934	(1,328,309)
Cash, beginning of year	8,024,241	6,840,455	641,941	7,272,427
Cash, end of year	\$ 9,740,921	\$ 11,770,456	\$ 843,875	\$ 5,944,118
Cash in central treasury	\$ 9,740,921	\$ 11,770,456	\$ 843,875	\$ 1,567,267
Capital acquisition and construction accounts	—	—	—	4,376,851
Cash, December 31	\$ 9,740,921	\$ 11,770,456	\$ 843,875	\$ 5,944,118
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income (loss)	\$ (556,185)	\$ 4,728,594	\$ 180,036	\$ (17,607)
Adjustments to reconcile operating income (loss) to net cash provided or used by operating activities:				
Depreciation	—	—	—	3,404,525
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	—	—	—	—
Prepaid items	125,929	—	—	955
Inventories	—	—	—	(59,903)
Deferred charges and other assets	—	—	—	—
Accounts payable	(32,034)	(20,089)	(27,861)	117,356
Unearned revenue	—	—	—	—
Claims payable	1,187,439	(825,999)	—	—
Compensated absences payable	(5,176)	(59)	—	9,443
Net pension obligation	2,303	4,254	—	64,220
Net postemployment benefits obligation	1,500	2,828	—	41,596
Total cash provided (used) by operating activities	\$ 723,776	\$ 3,889,529	\$ 152,175	\$ 3,560,585
Noncash investing, capital, and financing activities:				
Capital purchases on account	\$ —	\$ —	\$ —	\$ —

See accompanying independent auditors' report.



Total Internal Service Funds

Information Technology	2007	2006
\$ 19,773,247 (9,432,150) (6,656,293)	\$ 84,490,033 (13,378,421) (59,100,743)	\$ 73,886,330 (9,265,478) (56,426,981)
<u>3,684,804</u>	<u>12,010,869</u>	<u>8,193,871</u>
150,000 — (2,694,734)	150,000 908,016 (3,275,325)	— 2,022,542 (2,093,951)
409,283 38,389	422,089 103,718	298,540 124,239
<u>(2,097,062)</u>	<u>(1,691,502)</u>	<u>(435,630)</u>
(25,058) (599,768) (1,011,217) — —	(25,058) (599,768) (6,740,376) 147,925 338,038	(377,583) (779,042) (4,741,939) 125,180 1,944,194
<u>(1,636,043)</u>	<u>(6,879,239)</u>	<u>(3,829,190)</u>
<u>48,301</u>	<u>2,080,178</u>	<u>1,364,260</u>
48,301	2,080,178	1,364,260
—	5,520,306	5,293,311
—	22,779,064	17,485,753
<u>\$ —</u>	<u>\$ 28,299,370</u>	<u>\$ 22,779,064</u>
\$ —	\$ 23,922,519	\$ 16,777,700
—	4,376,851	6,001,364
<u>\$ —</u>	<u>\$ 28,299,370</u>	<u>\$ 22,779,064</u>
\$ (33,446)	\$ 4,301,392	\$ 2,105,566
3,188,875	6,593,400	6,238,890
63 — — 104,827 12,742 (211,348) 340,777 — 169,872 112,442	63 126,884 (59,903) 104,827 50,114 (211,348) 702,217 4,208 240,649 158,366	(75) (364,432) 19,388 — 66,269 (145,775) 119,600 (72,973) 227,413 —
<u>\$ 3,684,804</u>	<u>\$ 12,010,869</u>	<u>\$ 8,193,871</u>
<u>\$ 53,205</u>	<u>\$ 53,205</u>	<u>\$ 74,716</u>

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Fiduciary and  
Agency Funds

## 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, 2007

(With financial information at December 31, 2006)

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	\$ 31,729	\$ 22,159	\$ 68,682	\$ 122,570
Cash, cash equivalents held				
under securities lending program	13,149,860	9,114,572	27,807,383	50,071,815
Investments, at fair value:				
Investment in master group trust	106,987,684	74,765,422	232,051,290	413,804,396
Money market funds	—	—	—	—
Debt securities	—	—	—	—
Equity securities	—	—	—	—
Total investments	<u>106,987,684</u>	<u>74,765,422</u>	<u>232,051,290</u>	<u>413,804,396</u>
Capital assets, net	1,240	866	2,683	4,789
Total assets	<u>\$ 120,170,513</u>	<u>\$ 83,903,019</u>	<u>\$ 259,930,038</u>	<u>\$ 464,003,570</u>
<b>Liabilities</b>				
Accounts payable	\$ 43,849	\$ 25,912	\$ 63,372	\$ 133,133
Unearned revenue	—	—	—	—
Payable under securities				
lending program	13,149,860	9,114,572	27,807,383	50,071,815
Total liabilities	<u>\$ 13,193,709</u>	<u>\$ 9,140,484</u>	<u>\$ 27,870,755</u>	<u>\$ 50,204,948</u>
<b>Net Assets</b>				
Held in trust for:				
Employees' pension benefits	\$ 106,976,804	\$ 74,762,535	\$ 232,059,283	\$ 413,798,622
Employees' postemployment healthcare benefits	—	—	—	—
Total net assets	<u>\$ 106,976,804</u>	<u>\$ 74,762,535</u>	<u>\$ 232,059,283</u>	<u>\$ 413,798,622</u>

See accompanying independent auditors' report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2007	December 31, 2006
\$ 1,746	\$ 124,316	\$ 22,523
—	50,071,815	17,998,065
—	413,804,396	419,853,194
5,258,607	5,258,607	4,375,063
1,186,860	1,186,860	1,045,206
3,242,676	3,242,676	3,233,181
<u>9,688,143</u>	<u>423,492,539</u>	<u>428,506,644</u>
—	4,789	9,691
<u>\$ 9,689,889</u>	<u>\$ 473,693,459</u>	<u>\$ 446,536,923</u>
\$ —	\$ 133,133	\$ 126,620
—	—	176,675
—	50,071,815	17,998,065
<u>\$ —</u>	<u>\$ 50,204,948</u>	<u>\$ 18,301,360</u>
\$ —	\$ 413,798,622	\$ 419,757,144
9,689,889	9,689,889	8,478,419
<u>\$ 9,689,889</u>	<u>\$ 423,488,511</u>	<u>\$ 428,235,563</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended December 31, 2007

(With summarized financial information for the year ended December 31, 2006)

	<b>Police/Fire Retirement Pension Trust Funds</b>			
	<b>Police/Fire Retirement System Plan I</b>	<b>Police/Fire Retirement System Plan II</b>	<b>Police/Fire Retirement System Plan III</b>	<b>Total</b>
<b>Additions:</b>				
Contributions from other funds	\$ —	\$ —	\$ —	\$ —
Interest	1,686,717	1,177,986	3,651,151	6,515,854
Dividends	754,200	526,726	1,632,578	2,913,504
Net increase in fair value of investments	3,551,241	2,455,294	7,451,218	13,457,753
Less investments expense	(461,180)	(321,019)	(988,119)	(1,770,318)
Total additions	<u>5,530,978</u>	<u>3,838,987</u>	<u>11,746,828</u>	<u>21,116,793</u>
<b>Deductions:</b>				
Regular benefit payments	8,406,234	5,273,690	12,483,495	26,163,419
Administrative expenses	246,880	168,879	496,137	911,896
Total deductions	<u>8,653,114</u>	<u>5,442,569</u>	<u>12,979,632</u>	<u>27,075,315</u>
Change in net assets	(3,122,136)	(1,603,582)	(1,232,804)	(5,958,522)
Net assets – beginning	<u>110,098,940</u>	<u>76,366,117</u>	<u>233,292,087</u>	<u>419,757,144</u>
Net assets – ending	<u>\$ 106,976,804</u>	<u>\$ 74,762,535</u>	<u>\$ 232,059,283</u>	<u>\$ 413,798,622</u>

See accompanying independent auditors' report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2007	December 31, 2006
\$ 2,210,941	\$ 2,210,941	\$ 2,001,039
7,718	6,523,572	6,567,423
373,490	3,286,994	2,332,759
38,398	13,496,151	43,902,229
—	(1,770,318)	(1,475,972)
<u>2,630,547</u>	<u>23,747,340</u>	<u>53,327,478</u>
1,397,165	27,560,584	26,296,580
21,912	933,808	987,277
<u>1,419,077</u>	<u>28,494,392</u>	<u>27,283,857</u>
1,211,470	(4,747,052)	26,043,621
<u>8,478,419</u>	<u>428,235,563</u>	<u>402,191,942</u>
<u>\$ 9,689,889</u>	<u>\$ 423,488,511</u>	<u>\$ 428,235,563</u>



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended December 31, 2007

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
Employee Benefits				
Assets:				
Equity in general cash pool	\$ 10,464,556	\$ 262,313,964	\$ 260,015,130	\$ 12,763,390
Accounts receivable	7,789	2,185	9,974	—
Total assets	\$ 10,472,345	\$ 262,316,149	\$ 260,025,104	\$ 12,763,390
Liabilities:				
Accounts payable	\$ 206,957	\$ 9,111,746	\$ 9,219,751	\$ 98,952
Due to employees	5,961,057	134,616,682	132,982,210	7,595,529
Due to employees' retirement system	2,866,769	43,207,160	42,693,662	3,380,267
Payroll liabilities	1,437,562	75,365,314	75,114,234	1,688,642
Total liabilities	\$ 10,472,345	\$ 262,300,902	\$ 260,009,857	\$ 12,763,390

See accompanying independent auditors' report.

Statistical  
Section

## STATISTICAL SECTION

The **Financial Trend Data** presented in Tables 1-6 is provided to help understand and assess how our financial position has changed over the past five years.

The **Revenue Capacity Data** presented in Tables 7-11 is provided to help understand and assess our ability to generate own-source revenues, such as property taxes.

The **Debt Capacity Data** presented in Tables 12-16 is provided to help understand and assess our debt burden and ability to issue additional debt in the future.

The **Demographic and Economic Information** presented in Tables 17-18 is provided to help understand our demographic and economic environment and facilitate comparisons of financial statement information over time.

The **Operating Information** presented in Tables 19-20 is provided to help understand our operations and resources as well as provide a context for understanding and assessing our economic condition.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Net Assets By Component  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 2,549,539,076	\$ 2,537,136,632	\$ 2,485,270,733	\$ 2,472,454,545	\$ 2,491,806,336
Restricted	255,917,293	241,714,127	212,619,180	214,684,422	210,664,439
Unrestricted	<u>(99,836,492)</u>	<u>(77,746,279)</u>	<u>(84,043,560)</u>	<u>(87,866,060)</u>	<u>(100,957,081)</u>
Total governmental activities net assets	<u>\$ 2,705,619,877</u>	<u>\$ 2,701,104,480</u>	<u>\$ 2,613,846,353</u>	<u>\$ 2,599,272,907</u>	<u>\$ 2,601,513,694</u>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	\$ 385,320,517	\$ 388,614,000	\$ 318,829,727	\$ 257,844,237	\$ 277,360,904
Restricted	97,395,165	105,727,434	103,454,088	98,379,013	67,696,691
Unrestricted	<u>58,870,182</u>	<u>50,592,777</u>	<u>88,048,950</u>	<u>101,389,544</u>	<u>74,793,074</u>
Total business-type activities net assets	<u>\$ 541,585,864</u>	<u>\$ 544,934,211</u>	<u>\$ 510,332,765</u>	<u>\$ 457,612,794</u>	<u>\$ 419,850,669</u>
<b>Total primary government:</b>					
Invested in capital assets, net of related debt	\$ 2,934,859,593	\$ 2,925,750,632	\$ 2,804,100,460	\$ 2,730,298,782	\$ 2,769,167,240
Restricted	353,312,458	347,441,561	316,073,268	313,063,435	278,361,130
Unrestricted	<u>(40,966,310)</u>	<u>(27,153,502)</u>	<u>4,005,390</u>	<u>13,523,484</u>	<u>(26,164,007)</u>
Total primary government net assets	<u>\$ 3,247,205,741</u>	<u>\$ 3,246,038,691</u>	<u>\$ 3,124,179,118</u>	<u>\$ 3,056,885,701</u>	<u>\$ 3,021,364,363</u>

Notes: In 2007, Anchorage Community Development Authority (ACDA) and Alaska Center for the Performing Arts (ACPA) were reclassified from blended component units to discretely presented component units. As a result, the ACDA and ACPA net assets will not be included as part of the totals for 2007 and subsequent years.

In 2007, the Cooperative Services Authority was reclassified from a discretely presented component unit to a blended component unit.

Source: Municipality of Anchorage, Finance Department.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Change in Net Assets  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Expenses:</b>					
Governmental activities:					
General government	\$ 37,912,811	\$ 44,414,290	\$ 33,149,639	\$ 28,412,366	\$ 32,474,401
Fire services	72,220,757	39,818,913	82,517,923	55,208,871	48,198,463
Police services	89,797,323	52,291,313	98,669,291	69,371,463	61,282,774
Health and human services	25,972,527	25,045,197	31,155,930	24,312,243	30,287,357
Cultural and recreation services	-	-	-	-	33,140,965
Economic & community development	70,057,933	62,090,686	47,652,399	46,849,814	-
Public transportation	27,579,961	24,039,863	21,162,017	20,283,370	17,611,333
Public works	80,368,055	92,686,550	60,434,830	37,096,194	184,797,027
Education	200,028,978	184,566,884	170,393,368	154,278,770	144,095,089
Maintenance and operations	30,325,886	32,036,221	27,657,703	26,663,041	27,312,986
Interest on long-term debt	29,613,108	29,723,363	21,568,745	19,944,303	20,075,030
Total governmental activities expenses	<u>663,877,339</u>	<u>586,713,280</u>	<u>594,361,845</u>	<u>482,420,435</u>	<u>599,275,425</u>
Business-type activities:					
Water	41,529,353	37,215,822	35,840,802	31,739,512	27,353,319
Wastewater	32,326,016	28,187,998	26,702,698	24,452,663	21,222,484
Electric	82,572,245	99,850,090	101,351,360	93,047,721	83,461,874
Port	10,793,445	10,076,243	9,676,376	8,165,915	7,394,998
Municipal airport	3,004,719	2,983,778	2,569,643	2,152,012	2,040,292
Solid waste	17,926,608	14,250,955	13,613,706	13,086,817	12,883,742
Refuse	6,584,207	6,304,451	5,938,896	5,902,024	5,669,170
Cooperative Services Authority	1,255,318	-	-	202,210	-
Anchorage Community Development Authority	-	6,533,183	5,304,643	4,731,366	4,619,659
Alaska Center for the Performing Arts	-	1,986,912	1,934,907	1,726,324	1,793,186
Total business-type expenses	<u>195,991,911</u>	<u>207,389,432</u>	<u>202,933,031</u>	<u>185,206,564</u>	<u>166,438,724</u>
Total primary government expenses	<u>\$ 859,869,250</u>	<u>\$ 794,102,712</u>	<u>\$ 797,294,876</u>	<u>\$ 667,626,999</u>	<u>\$ 765,714,149</u>
<b>Program revenues: (see also Table 3)</b>					
Governmental activities:					
Charges for services	\$ 73,976,441	\$ 70,933,148	\$ 76,681,737	\$ 54,296,556	\$ 48,495,723
Operating grants and contributions	48,067,588	53,470,466	29,048,223	25,158,092	44,299,109
Capital grants and contributions	61,844,863	48,274,799	18,358,385	12,275,783	11,714,829
Total governmental activities program revenues	<u>183,888,892</u>	<u>172,678,413</u>	<u>124,088,345</u>	<u>91,730,431</u>	<u>104,509,661</u>
Business-type activities:					
Charges for services	215,858,228	231,062,446	225,779,021	206,386,340	179,533,964
Operating grants and contributions	1,600,351	975,495	-	407,337	152,806
Capital grants and contributions	5,666,752	7,555,178	4,137,718	2,303,543	3,897,033
Total business-type activities expenses	<u>223,125,331</u>	<u>239,593,119</u>	<u>229,916,739</u>	<u>209,097,220</u>	<u>183,583,803</u>
Total primary government program revenues	<u>\$ 407,014,223</u>	<u>\$ 412,271,532</u>	<u>\$ 354,005,084</u>	<u>\$ 300,827,651</u>	<u>\$ 288,093,464</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (479,988,447)	\$ (414,034,867)	\$ (470,273,500)	\$ (390,690,004)	\$ (494,765,764)
Business-type activities	27,133,420	32,203,687	26,983,708	23,890,656	17,145,079
Total primary government net expense	<u>\$ (452,855,027)</u>	<u>\$ (381,831,180)</u>	<u>\$ (443,289,792)</u>	<u>\$ (366,799,348)</u>	<u>\$ (477,620,685)</u>

## MUNICIPALITY OF ANCHORAGE, ALASKA

Change in Net Assets  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>General revenues and other changes in net assets:</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 381,995,766	\$ 392,314,240	\$ 362,963,283	\$ 333,690,024	\$ 311,917,530
Motor vehicle taxes	10,291,028	10,021,797	9,962,376	10,131,578	9,617,492
Lodging taxes	20,209,303	19,093,196	11,933,792	11,680,274	10,287,972
Tobacco taxes	16,560,416	17,676,774	14,060,448	8,631,780	4,734,327
Assessments in lieu of taxes	15,794,202	16,200,594	14,933,858	9,181,929	6,608,739
Investment earnings (loss)	33,098,513	39,161,900	15,590,837	18,162,086	30,409,566
Other	-	-	-	(3,494,292)	858,959
Transfers	6,554,616	6,824,493	598,704	465,838	1,603,773
Retroactive infrastructure capitalization	-	-	54,803,648	-	84,321,357
Total governmental activities	<u>484,503,844</u>	<u>501,292,994</u>	<u>484,846,946</u>	<u>388,449,217</u>	<u>460,359,715</u>
Business-type activities:					
Investment earnings	12,399,226	9,222,252	6,505,202	2,276,444	1,934,832
Other	-	-	-	109,211	43,121
Regulatory adjustment	-	-	19,852,555	11,951,652	6,695,054
Transfers	(6,554,616)	(6,824,493)	(598,704)	(465,838)	(1,603,773)
Total business-type activities	<u>5,844,610</u>	<u>2,397,759</u>	<u>25,759,053</u>	<u>13,871,469</u>	<u>7,069,234</u>
Total primary government	<u>\$ 490,348,454</u>	<u>\$ 503,690,753</u>	<u>\$ 510,605,999</u>	<u>\$ 402,320,686</u>	<u>\$ 467,428,949</u>
<b>Change in net assets:</b>					
Governmental activities	\$ 4,515,397	\$ 87,258,127	\$ 14,573,446	\$ (2,240,787)	\$ (34,406,049)
Business-type activities	<u>32,978,030</u>	<u>34,601,446</u>	<u>52,742,761</u>	<u>37,762,125</u>	<u>24,214,313</u>
Total primary government	<u>\$ 37,493,427</u>	<u>\$ 121,859,573</u>	<u>\$ 67,316,207</u>	<u>\$ 35,521,338</u>	<u>\$ (10,191,736)</u>

Notes: In 2004, the Cooperative Services Authority (CSA) was established as a fund and function of the Municipality. In 2005 it was classified as a discreet component unit.

In 2004, the Cultural and Recreation Services Department was combined with the Economic and Community Development Department.

In 2007, Alaska Community Development Authority (ACDA) and Alaska Center for the Performing Arts (ACPA) were reclassified from blended component units to discretely presented component units.

As a result, the ACDA and ACPA expenses, revenues, and net assets will not be included as part of totals for 2007 and subsequent years.

In 2007, the Cooperative Services Authority was reclassified from a discretely presented component unit to a blended component unit.

Source: Municipality of Anchorage, Finance Department.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Charges for Services by Function/Program  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Program revenues - charges for services:</b>					
Governmental activities:					
General government	\$ 13,310,411	\$ 12,030,314	\$ 11,525,168	\$ 14,016,015	\$ 11,628,477
Fire services	8,267,074	7,672,974	6,636,585	5,655,912	4,827,098
Police services	21,147,627	17,614,934	12,707,148	9,784,179	9,372,528
Health and human services	3,715,952	3,787,127	4,334,673	3,781,694	3,600,320
Economic & community development	7,666,960	7,555,914	6,278,744	5,817,018	3,252,157
Public transportation	3,987,108	3,941,306	3,250,901	3,002,525	2,494,514
Public works	15,136,381	16,911,964	30,394,761	10,332,321	11,430,058
Maintenance and operations	<u>744,928</u>	<u>1,418,615</u>	<u>1,553,757</u>	<u>1,906,892</u>	<u>1,890,571</u>
Total governmental activities	<u>73,976,441</u>	<u>70,933,148</u>	<u>76,681,737</u>	<u>54,296,556</u>	<u>48,495,723</u>
Business-type activities:					
Water	43,870,404	39,545,747	38,473,142	33,397,222	28,773,495
Wastewater	35,157,366	31,269,830	28,746,892	26,590,207	24,489,897
Electric	100,606,033	115,656,934	117,032,992	107,656,289	90,100,903
Port	11,768,704	11,881,314	11,793,322	10,284,368	9,109,782
Municipal airport	1,235,026	1,196,622	1,111,842	1,055,742	927,573
Solid waste	15,493,404	15,185,485	15,593,309	15,722,106	15,502,159
Refuse	7,177,811	6,785,718	6,596,336	6,033,272	5,603,363
Cooperative Services Authority	549,480	-	-	-	-
Anchorage Community Development Authority	-	5,361,114	5,335,641	4,951,013	4,347,489
Alaska Center for the Performing Arts	-	1,244,739	1,095,545	696,121	679,303
Total business-type activities	<u>215,858,228</u>	<u>228,127,503</u>	<u>225,779,021</u>	<u>206,386,340</u>	<u>179,533,964</u>
 Total primary government	 <u>\$289,834,669</u>	 <u>\$299,060,651</u>	 <u>\$302,460,758</u>	 <u>\$260,682,896</u>	 <u>\$228,029,687</u>

Notes: In 2007, the Anchorage Community Development Authority and the Alaska Center for the Performing Arts were reclassified from blended component units to discretely presented component units.

In 2007, the Cooperative Services Authority was reclassified from a discretely presented component unit to a blended component unit.

Source: Municipality of Anchorage, Finance Department.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Fund Balances - Governmental Funds

Last Five Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>General Fund</b>					
Reserved	\$ 1,210,130	\$ 2,174,624	\$ 2,702,499	\$ 2,800,697	\$ 5,835,127
Unreserved - designated	28,613,168	53,275,788	30,278,253	27,843,180	27,742,439
Unreserved - undesignated	12,529,965	16,311,739	13,280,944	12,271,734	7,717,915
Total general funds	<u>42,353,263</u>	<u>71,762,151</u>	<u>46,261,696</u>	<u>42,915,611</u>	<u>41,295,481</u>
<b>All other governmental funds</b>					
Reserved	254,532,582	241,709,679	206,582,469	205,545,886	198,179,612
Unreserved - undesignated, reported in:					
Special revenue funds	11,680,345	7,905,228	10,396,106	12,570,336	16,010,905
Capital project funds	54,194,976	88,689,016	87,658,628	41,766,862	23,138,051
Total all other governmental funds	<u>320,407,903</u>	<u>338,303,923</u>	<u>304,637,203</u>	<u>259,883,084</u>	<u>237,328,568</u>
<b>Total governmental funds</b>					
Reserved	255,742,712	243,884,303	209,284,968	208,346,583	204,014,739
Unreserved - designated	28,613,168	53,275,788	30,278,253	27,843,180	27,742,439
Unreserved - undesignated, reported in:					
General fund	12,529,965	16,311,739	13,280,944	12,271,734	7,717,915
Special revenue funds	11,680,345	7,905,228	10,396,106	12,570,336	16,010,905
Capital project funds	54,194,976	88,689,016	87,658,628	41,766,862	23,138,051
Total governmental funds fund balance	<u>\$ 362,761,166</u>	<u>\$ 410,066,074</u>	<u>\$ 350,898,899</u>	<u>\$ 302,798,695</u>	<u>\$ 278,624,049</u>

Notes: In 2002 the Municipality adopted a fund balance designation policy to support the municipal bond rating. This designation is in the amount of 8.25% of prior year revenues.

In 2003 the Municipality adopted a fund balance designation policy to mitigate the risk of funding shortfalls, stabilize tax rates, and to facilitate long-range planning. The "emergency operations designation" is within a range of 2% to 3% of prior year revenues and is calculated after the 8.25% bond rating designation.

Source: Municipality of Anchorage, Finance Department.



## MUNICIPALITY OF ANCHORAGE, ALASKA

Changes in Fund Balance - Governmental Funds

Last Five Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Taxes	\$ 443,391,504	\$ 455,172,329	\$ 398,135,665	\$ 372,606,202	\$ 344,146,857
Special assessments	1,250,564	1,287,799	1,717,412	1,650,613	1,297,844
Licenses and permits	12,288,396	13,840,537	13,012,040	12,624,998	11,568,910
Intergovernmental	102,611,734	82,592,145	49,406,608	37,433,876	56,013,938
Charges for services	37,086,154	35,348,493	41,918,152	24,776,906	22,283,909
Fines and forfeitures	10,043,220	5,678,880	9,098,207	6,957,579	6,088,988
Investment income	31,072,851	37,853,203	12,455,565	14,727,452	26,915,807
Restricted contributions	1,855,989	1,203,042	485,249	1,294,335	52,450
Other	5,004,863	5,440,632	3,457,580	3,261,388	3,690,183
Total revenues	<u>644,605,275</u>	<u>638,417,060</u>	<u>529,686,478</u>	<u>475,333,349</u>	<u>472,058,886</u>
<b>Expenditures:</b>					
General government	25,927,198	25,864,299	17,373,936	16,514,722	22,961,766
Fires services	69,692,211	63,512,191	58,252,110	50,902,167	45,955,347
Police services	90,424,063	82,191,066	74,316,323	66,316,356	60,157,670
Health and human services	25,043,484	24,360,212	26,190,221	23,765,640	29,841,949
Cultural and recreation services	-	-	-	-	23,836,321
Economic and community development	59,399,217	53,881,037	44,120,594	37,949,866	-
Public transportation	21,512,366	20,644,987	19,819,015	18,002,811	15,350,897
Public works	23,556,542	20,456,482	16,774,304	14,987,397	29,832,140
Education	200,028,978	185,077,206	170,393,368	154,278,770	144,095,089
Maintenance and operations	29,719,944	30,028,685	27,206,940	24,357,789	26,892,534
Capital outlay	151,545,463	130,232,159	75,629,256	58,750,450	59,954,574
Debt service					
Principal	29,432,234	34,949,110	30,128,791	27,501,762	25,791,483
Interest	29,342,270	28,066,471	19,837,168	19,652,378	19,227,244
Bond issuance costs	102,345	2,722,984	1,281,946	843,788	444,379
Total expenditures	<u>755,726,315</u>	<u>701,986,889</u>	<u>581,323,972</u>	<u>513,823,896</u>	<u>504,341,393</u>
Excess of revenues over (under) expenditures	(111,121,040)	(63,569,829)	(51,637,494)	(38,490,547)	(32,282,507)
<b>Other financing sources (uses):</b>					
Transfers in	28,370,791	47,837,359	20,395,441	24,108,152	22,646,876
Transfers out	(21,966,175)	(41,012,866)	(19,996,737)	(25,083,344)	(23,154,015)
Contributions to component unit	-	-	(300,000)	-	-
Bonds issued	54,630,000	110,920,000	198,895,000	73,840,000	35,000,000
Other long-term debt issues	-	-	350,000	5,365,000	-
Premium on bonds	1,681,507	33,142	8,504,209	4,226,536	714,292
Payment to bond escrow agent	-	-	(109,094,800)	(23,087,336)	-
Capital leases	-	673,553	-	1,146,807	-
Insurance recoveries	22,316	41,915	114,300	-	-
Sale of capital assets	1,071,446	4,243,901	870,285	2,149,378	2,926,684
Net other financing sources (uses)	<u>63,809,885</u>	<u>122,737,004</u>	<u>99,737,698</u>	<u>62,665,193</u>	<u>38,133,837</u>
Net change in fund balances	<u>\$ (47,311,155)</u>	<u>\$ 59,167,175</u>	<u>\$ 48,100,204</u>	<u>\$ 24,174,646</u>	<u>\$ 5,851,330</u>

Notes: In 2004, the Cultural and Recreation Services Department was combined with the Economic and Community Development Department.

Source: Municipality of Anchorage, Finance Department.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Debt Service As a Percentage of Noncapital Expenditures

Last Five Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Expenditures:</b>					
General government	\$ 25,927,198	\$ 25,864,299	\$ 17,373,936	\$ 16,514,722	\$ 22,961,766
Fires services	69,692,211	63,512,191	58,252,110	50,902,167	45,955,347
Police services	90,424,063	82,191,066	74,316,323	66,316,356	60,157,670
Health and human services	25,043,484	24,360,212	26,190,221	23,765,640	29,841,949
Cultural and recreation services	-	-	-	-	23,836,321
Economic and community development	59,399,217	53,881,037	44,120,594	37,949,866	-
Public transportation	21,512,366	20,644,987	19,819,015	18,002,811	15,350,897
Public works	23,556,542	20,456,482	16,774,304	14,987,397	29,832,140
Education	200,028,978	185,077,206	170,393,368	154,278,770	144,095,089
Maintenance and operations	29,719,944	30,028,685	27,206,940	24,357,789	26,892,534
Capital outlay	151,545,463	126,763,050	75,629,256	58,750,450	59,954,574
Debt service					
Principal	29,432,234	34,949,110	30,128,791	27,501,762	25,791,483
Interest	29,342,270	28,066,471	19,837,168	19,652,378	19,227,244
Bond issuance costs	102,345	2,722,984	1,281,946	843,788	444,379
Total expenditures	<u>755,726,315</u>	<u>698,517,780</u>	<u>581,323,972</u>	<u>513,823,896</u>	<u>504,341,393</u>
<b>Less:</b>					
Debt Service	58,876,849	65,738,565	51,247,905	47,997,928	45,463,106
Amounts capitalized	104,733,796	78,490,668	87,813,000	48,282,000	43,361,000
Total non-capital expenditures	<u>\$ 592,115,670</u>	<u>\$ 554,288,547</u>	<u>\$ 442,263,067</u>	<u>\$ 417,543,968</u>	<u>\$ 415,517,287</u>
 Debt service as a percentage of non-capital expenditures	<u>9.94%</u>	<u>11.86%</u>	<u>11.59%</u>	<u>11.50%</u>	<u>10.94%</u>

Notes: This table is presented from 2002, when the Municipality implemented GASB Statement 34.

In 2004, Cultural and Recreation services were combined with various other activities into Economic and Community Development Department.

Source: Municipality of Anchorage, Finance Department.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Tax Revenues by Source - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Motor Vehicle</u>	<u>Motor Vehicle Rental</u>	<u>Hotel - Motel</u>	<u>Tobacco</u>	<u>PILT &amp; MUSA</u>	<u>Other</u>	<u>Total</u>
2007	\$ 342,486,565	\$ 35,067,327	\$ 5,156,698	\$ 5,088,735	\$ 20,162,405	\$ 16,559,744	\$ -	\$ 3,075,828	\$ 427,597,302
2006	351,930,570	36,852,875	5,283,655	4,756,868	19,021,469	17,662,355	-	3,463,943	438,971,735
2005	324,720,303	34,635,366	5,200,151	4,525,798	11,836,725	14,050,603	-	3,166,719	398,135,665
2004	295,913,480	34,009,541	5,351,524	4,503,742	11,627,259	8,627,333	9,642,123	2,931,200	372,606,202
2003	276,047,056	33,507,415	5,161,320	4,456,172	10,287,972	4,734,327	6,818,520	3,134,075	344,146,857
2002	253,109,459	34,844,763	5,237,900	4,682,406	11,007,248	5,349,091	6,972,333	3,014,552	324,217,752
2001	240,091,214	38,434,176	5,008,303	3,867,013	11,101,361	4,762,237	6,546,100	3,064,359	312,874,763
2000	222,377,444	35,188,498	5,071,956	447,191	10,995,951	5,393,623	6,319,647	2,633,150	288,427,460
1999	215,888,585	32,170,053	4,472,666	-	9,915,069	4,928,758	11,546,280	2,512,685	281,434,096
1998	208,179,876	30,277,629	5,864,711	-	9,728,493	4,204,101	11,363,921	2,388,532	272,007,263

Notes: Beginning in 2005, local Payment in Lieu of Taxes (PILT) and Municipal Utility Service Assessment (MUSA) payments have been removed from the tax category. "Other" consists of aircraft, tax cost recoveries, and penalties and interest.

Source: Municipality of Anchorage, Finance Department.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real			Personal Property	Total Taxable Assessed Value	Areawide Tax Rate (mils)
	Residential Property	Commercial Property	Total Real			
2007	\$ 18,938,470,451	\$ 7,771,561,687	\$ 26,710,032,138	\$ 2,559,073,381	\$ 29,269,105,519	7.02
2006	17,043,312,074	6,622,078,149	23,665,390,223	2,178,724,534	25,844,114,757	7.59
2005	14,498,860,789	5,682,627,289	20,181,488,078	1,908,057,825	22,089,545,903	8.23
2004	13,802,206,345	5,082,013,558	18,884,219,903	1,843,145,621	20,727,365,524	8.36
2003	12,131,461,007	5,094,240,309	17,225,701,316	1,854,219,932	19,079,921,248	8.87
2002	10,683,301,968	4,539,449,991	15,222,751,959	1,876,558,473	17,099,310,432	9.37
2001	9,467,392,125	4,307,602,373	13,774,994,498	1,885,868,114	15,660,862,612	9.44
2000	8,933,041,016	3,889,445,018	12,822,486,034	1,802,500,841	14,624,986,875	9.72
1999	8,544,630,978	3,692,584,653	12,237,215,631	1,515,269,767	13,752,485,398	9.90
1998	8,122,959,694	3,564,260,696	11,687,220,390	1,447,420,867	13,134,641,257	9.84

Notes: Municipality of Anchorage assesses properties at 100% of estimated actual value.

Source: Municipality of Anchorage, assessor's report to the State of Alaska.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Property Tax Rates  
Last Ten Fiscal Years  
(rate per \$1,000 assessed value)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Areawide:										
General Government	0.23	0.46	0.64	1.10	1.50	1.56	1.24	1.64	2.11	2.07
Schools	<u>6.79</u>	<u>7.13</u>	<u>7.59</u>	<u>7.26</u>	<u>7.37</u>	<u>7.81</u>	<u>8.20</u>	<u>8.08</u>	<u>7.79</u>	<u>7.77</u>
Total Areawide	<u>7.02</u>	<u>7.59</u>	<u>8.23</u>	<u>8.36</u>	<u>8.87</u>	<u>9.37</u>	<u>9.44</u>	<u>9.72</u>	<u>9.90</u>	<u>9.84</u>
Former City Service Area	0.02	0.02	0.01	0.02	0.00	0.02	0.03	0.02	0.02	0.05
Chugiak Service Area	1.00	0.91	1.00	0.89	0.88	0.99	1.00	1.00	1.00	1.00
Glen Alps Service Area	2.75	2.75	2.75	2.75	2.25	2.47	2.76	2.69	2.92	3.00
Girdwood Service Area	4.00	3.97	3.47	3.47	3.39	3.25	3.35	3.40	3.17	3.05
Former Borough Roads and										
Drainage Service Area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Fire Service Area	1.73	1.76	1.97	1.87	1.64	1.68	1.82	1.61	1.59	1.56
Roads and Drainage Service Area	2.59	2.80	2.75	2.90	3.10	2.97	3.61	3.03	3.28	3.52
Limited Service Areas	1.28	1.21	1.31	1.26	0.99	1.29	1.29	1.29	1.29	1.62
Anchorage Metropolitan Police										
Service Area	2.60	2.57	2.71	2.37	2.25	2.39	2.40	2.63	2.56	2.97
Parks and Recreation Service Area	0.60	0.56	0.62	0.68	0.74	0.73	0.72	0.74	0.82	0.85
Building Safety Service Area	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01
Eagle River/Chugiak Parks &										
Recreation Service Area	1.11	1.13	1.17	1.18	0.69	0.69	0.70	0.53	0.53	0.54

Notes: Municipality of Anchorage tax rates may only be increased by a majority vote of the City's residents.

Source: Municipality of Anchorage, Assembly Ordinances.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Principal Property Tax Payers  
Current Year and Nine Years Ago

2007		
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
ACS of Anchorage, Inc.	\$ 235,792,781	0.81 %
Fred Meyers Stores, Inc.	130,784,635	0.45
G.C.I. Communications Corp.	122,018,289	0.42
Calais Company, Inc.	118,145,504	0.40
Galen Hospital Alaska, Inc.	111,219,490	0.38
WEC 2000A-Alaska L.L.C.	96,329,216	0.33
B.P. Exploration (Alaska) Inc.	94,672,735	0.32
Hickel Investment Company	90,874,907	0.31
Enstar Natural Gas Company	89,881,836	0.31
Anchorage Fueling & Service Co.	83,151,505	0.28
	\$ 1,172,870,898	4.01 %

1998		
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Hickel Investment Company	\$ 92,425,556	0.69 %
Carr-Gottstein Associates	80,716,800	0.61
Galen Hospital Alaska Inc.	72,913,457	0.55
B. P. Exploration (Alaska), Inc.	64,115,843	0.48
ARCO	56,972,589	0.43
Wal-Mart Stores, Inc.	53,492,327	0.40
Hilton Hotels Corp.	53,056,107	0.40
Alascom Inc	50,550,316	0.38
Calais Co. Inc.	48,890,420	0.37
Federal Express Corp.	48,172,406	0.36
TOTALS	\$ 621,305,821	4.66 %

Notes: Assessed values include both real and personal property.

Source: Municipality of Anchorage, Property Appraisal Division.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Balance
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2007	\$ 386,615,505	\$ 378,829,566	97.99%	\$ -	\$ 378,829,566	97.99%	\$ 7,785,939
2006	398,955,490	389,483,559	97.63%	7,818,346	397,301,905	99.59%	1,653,585
2005	357,895,662	353,993,904	98.91%	3,785,877	357,779,781	99.97%	115,881
2004	337,190,170	325,033,543	96.39%	12,116,709	337,150,252	99.99%	39,918
2003	315,403,940	311,915,068	98.89%	3,462,671	315,377,739	99.99%	26,201
2002	299,084,667	298,771,844	99.90%	296,506	299,068,350	99.99%	16,317
2001	279,861,463	277,508,664	99.16%	2,343,813	279,852,477	100.00%	8,986
2000	262,257,722	258,051,374	98.40%	4,197,511	262,248,885	100.00%	8,837
1999	258,141,619	253,456,190	98.18%	4,676,367	258,132,557	100.00%	9,062
1998	245,907,069	244,407,757	99.39%	1,460,753	245,868,510	99.98%	38,559

Source: Municipality of Anchorage, Treasury Division.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Total Governmental Activities
	General Obligation Bonds	Revenue Bonds (1)	Special Assessment Bonds	Certificates of Participation	Notes and Loans	Capital Lease	
2007	\$ 441,657,000	\$ 159,175,000	\$ 335,000	\$ -	\$ 5,060,000	\$ 1,558,751	\$ 607,785,751
2006	411,256,115	161,725,000	600,000	-	5,160,000	2,014,682	580,755,797
2005	440,262,898	53,620,000	630,000	3,360,000	7,255,000	1,565,243	506,693,141
2004	367,386,459	54,545,000	690,000	6,560,000	5,441,032	1,414,000	436,036,491
2003	334,678,100	56,610,000	895,000	9,615,000	811,270	-	402,609,370
2002	320,699,475	58,575,000	1,020,000	12,530,000	1,613,766	-	394,438,241
2001	281,505,000	60,440,000	1,255,000	16,486,000	630,000	290,013	360,606,013
2000	300,635,000	60,440,000	1,521,000	20,519,000	736,000	412,464	384,263,464
1999	223,580,000	5,185,000	1,932,000	24,478,000	334,000	623,775	256,132,775
1998	178,345,000	5,185,000	2,008,000	26,050,000	631,000	609,754	212,828,754

Fiscal Year	Business-type Activities				Total Business-Type Activities	Total Primary Government	Ratio of Total Debt to Assessed Value of Property (Table 8)	Total Debt to Population (Table 13)
	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Notes and Loans				
2007	\$ 1,401,428	\$ 396,391,269	\$ 40,000	\$ 98,010,000	\$ 495,842,697	\$ 1,103,628,448	3.77%	\$ 3,888
2006	1,798,224	316,923,801	109,630	84,657,947	403,489,602	873,325,399	3.38%	3,088
2005	8,165,166	334,214,124	186,446	72,107,899	414,673,635	921,366,776	4.45%	3,311
2004	15,997,050	350,440,344	272,363	66,207,324	432,917,081	868,953,572	4.55%	3,131
2003	23,574,244	327,919,068	304,186	52,206,789	404,004,287	806,613,657	4.65%	2,944
2002	30,936,573	343,109,627	397,442	48,256,491	422,700,133	817,138,374	5.22%	3,037
2001	39,340,000	381,980,000	535,000	47,745,796	469,600,796	830,206,809	5.56%	3,134
2000	46,700,000	398,915,000	590,000	38,596,732	484,801,732	869,065,196	5.97%	3,339
1999	54,060,000	415,205,000	695,000	34,839,183	504,799,183	760,931,958	5.71%	2,934
1998	122,765,000	521,883,000	695,000	35,500,307	680,843,307	893,672,061	6.82%	3,453

Notes: Details regarding the Municipality's outstanding debt can be found in the notes to the financial statements. The Municipality routinely issues debt on an annual basis; both for the purposes of financing new construction as well as for refunding prior existing debt for lower cost.

This schedule excludes debt related to the Anchorage School District, the Municipality's largest component unit.

(1) Includes CIVICVentures revenue bonds as of 2006.

Source: Municipality of Anchorage, Finance Department.



## MUNICIPALITY OF ANCHORAGE, ALASKA

Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>General Obligation Bonds</u>	<u>Less: Available Resources</u>	<u>Net General Obligation Bonds</u>	<u>Ratio of GO Debt to Assessed Value of Property</u>	<u>Net GO Debt Per Capita</u>
2007	283,823	\$29,269,105,519	\$ 443,058,428	\$ 1,139,219	\$ 441,919,209	1.51%	\$ 1,557
2006	282,813	25,844,114,757	413,054,339	1,230,134	411,824,205	1.59%	1,456
2005	278,241	22,089,545,903	448,428,064	1,855,430	446,572,634	2.02%	1,605
2004	277,498	20,727,365,524	383,383,509	2,001,815	381,381,694	1.84%	1,374
2003	274,003	19,079,921,248	358,252,344	1,251,452	357,000,892	1.87%	1,303
2002	269,070	17,099,310,432	351,636,048	1,697,550	349,938,498	2.05%	1,301
2001	264,937	15,660,862,612	320,845,000	2,160,030	318,684,970	2.03%	1,203
2000	260,283	14,624,986,875	347,335,000	2,224,969	345,110,031	2.36%	1,326
1999	259,390	13,752,485,398	277,640,000	2,593,672	275,046,328	2.00%	1,060
1998	258,780	13,134,641,257	301,110,000	3,024,185	298,085,815	2.27%	1,152

Notes: This schedule includes all general obligation bonds of the Municipality of Anchorage including both governmental activities and business-type activities.

This schedule excludes the general obligation debt of the Anchorage School District. That debt is reported in Table 14, direct and overlapping debt.

Source: Municipality of Anchorage, Treasury Division.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Direct & Overlapping Debt  
December 31, 2007

	<u>Debt Outstanding</u>	<u>Percentage Overlap</u>	<u>Share of Direct and Overlapping Debt</u>
Anchorage School District overlapping debt	769,665,000	100%	769,665,000
Municipality of Anchorage direct debt			<u>497,031,000</u>
Total direct and overlapping debt			\$ <u>1,266,696,000</u>

Notes: Anchorage School District overlapping debt includes general obligation school bonds. Municipality of Anchorage direct debt includes all debt reported for governmental activities (see Table 12).

Percentage of overlap is based on assessed property values.

Source: Debt outstanding balance obtained from Anchorage School District 2007 CAFR.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Legal Debt Margin  
December 31, 2007

Legal Debt Margin

The Municipality of Anchorage has no legal debt limit mandated by the Municipal Charter, Municipal Code or state law.

Source: Municipality of Anchorage, Finance Department.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Pledged-Revenue Coverage Last Ten Fiscal Years

Electric Utility							
Fiscal Year	Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirement (accrual basis)			Coverage (3)
				Principal (4)	Interest	Total	
2007	\$ 103,846,120	\$ 42,968,092	\$ 60,878,028	\$ 17,725,000	\$ 10,714,687	\$ 28,439,687	2.14
2006	119,383,031	58,198,097	61,184,934	21,225,000	11,675,721	32,900,721	1.86
2005	119,283,380	71,146,481	48,136,899	13,310,000	12,650,207	25,960,207	1.85
2004	108,480,057	63,518,720	44,961,337	12,830,000	12,981,045	25,811,045	1.74
2003	90,828,692	52,565,630	38,263,062	11,815,000	13,423,715	25,238,715	1.52
2002	83,289,164	45,615,595	37,673,569	11,295,000	13,923,278	25,218,278	1.49
2001	87,430,201	45,059,976	42,370,225	11,290,000	15,052,657	26,342,657	1.61
2000	84,568,627	40,698,048	43,870,579	10,330,000	15,789,540	26,119,540	1.68
1999	82,155,446	38,287,619	43,867,827	9,828,000	16,584,048	26,412,048	1.66
1998	84,581,646	42,156,927	42,424,719	9,320,000	17,666,225	26,986,225	1.57

- (1) Excludes interest charged to construction and interest restricted for construction.  
(2) Includes Municipal Utility Service Assessment per Municipal Ordinance AO 83-58 and excludes depreciation.  
(3) Required minimum coverage 1.35.  
(4) 1998 Debt Service includes principal payment of \$460,000 due on 12/1/97 not called by bank until 1/98.

Solid Waste							
Fiscal Year	Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirement (accrual basis)			Coverage (3)
				Principal	Interest	Total	
2007	\$ 16,638,808	\$ 14,320,344	\$ 2,318,464	\$ 320,000	\$ 41,925	\$ 361,925	6.41
2006	16,004,058	11,723,024	4,281,034	305,000	58,923	363,923	11.76
2005	16,250,609	9,837,244	6,413,365	290,000	74,844	364,844	17.58
2004	16,205,018	8,230,463	7,974,555	270,000	89,026	359,026	22.21
2003	15,909,306	7,989,612	7,919,694	255,000	102,009	357,009	22.18
2002	17,993,884	9,048,235	8,945,649	245,000	114,068	359,068	24.91
2001	15,499,373	6,805,685	8,693,688	230,000	125,349	355,349	24.47
2000	15,349,338	6,873,598	8,475,740	220,000	135,731	355,731	23.83
1999	14,625,332	5,858,312	8,767,020	205,000	145,252	350,252	25.03
1998	14,059,943	5,959,709	8,100,234	200,000	153,786	353,786	22.90

- (1) Excludes interest charged to construction.  
(2) Excludes depreciation and Municipal Utility Service Assessment.  
(3) Required minimum coverage 1.25.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Pledged-Revenue Coverage Last Ten Fiscal Years

Port							
Fiscal Year	Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirement (accrual basis)			Coverage (3)
				Principal	Interest	Total	
2007	\$ 12,981,129	\$ 4,592,512	\$ 8,388,617	\$ -	\$ -	\$ -	-
2006	12,599,691	4,270,976	\$ 8,328,715	1,330,000	39,900	1,369,900	6.08
2005	12,888,242	3,788,630	9,099,612	1,250,000	117,300	1,367,300	6.66
2004	10,470,461	4,608,950	5,861,511	1,180,000	190,200	1,370,200	4.28
2003	9,332,885	3,690,890	5,641,995	1,190,000	258,900	1,448,900	3.89
2002	10,601,900	2,986,761	7,615,139	1,054,242	321,075	1,375,317	5.54
2001	10,028,331	2,896,854	7,131,477	990,000	354,900	1,344,900	5.30
2000	9,244,449	3,078,259	6,166,190	935,000	413,441	1,348,441	4.57
1999	8,725,934	3,254,049	5,471,885	890,000	462,146	1,352,146	4.05
1998	8,872,368	3,056,704	5,815,664	850,000	505,983	1,355,983	4.29

(1) Excludes interest charged to construction.

(2) Excludes depreciation and Municipal Utility Service Assessment.

(3) Required minimum coverage 1.35.

Water Utility								
Fiscal Year	Revenue (1)	Assessment Collections (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirement (accrual basis)			Coverage (4)
					Principal	Interest	Total	
2007	\$ 44,755,119	\$ 292,321	\$ 26,714,777	\$ 18,332,663	\$ 3,960,000	\$ 5,549,972	\$ 9,509,972	1.93
2006	39,480,462	605,444	18,964,994	21,120,912	5,375,000	5,174,576	10,549,576	2.00
2005	39,214,137	475,004	18,733,157	20,955,984	5,185,000	5,394,050	10,579,050	1.98
2004	33,688,579	560,866	17,094,054	17,155,391	4,595,000	5,277,793	9,872,793	1.74
2003	30,602,246	452,608	15,449,834	15,605,020	4,400,000	5,165,863	9,565,863	1.63
2002	31,158,976	523,688	15,428,722	16,253,942	4,220,000	5,358,150	9,578,150	1.70
2001	30,724,971	627,537	13,785,272	17,567,236	4,060,000	5,540,110	9,600,110	1.83
2000	31,068,412	544,581	14,286,981	17,326,012	4,415,000	5,267,792	9,682,792	1.79
1999	30,381,736	763,343	14,511,524	16,633,555	2,490,000	1,991,279	4,481,279	3.71
1998	29,414,571	1,275,631	13,693,825	16,996,377	2,405,000	1,805,140	4,210,140	4.04

(1) Excludes interest restricted for construction, interest on advanced grants, amortization of premiums on investments, includes Antenna Revenue.

(2) Assessment collections represent payments made by benefited property owners.

(3) Excludes depreciation and PERS relief distributed to labor, includes Municipal Utility Service Assessment as per the 2007 bond covenants.

(4) Required minimum coverage 1.35 for bonds issued prior to 1999, 1.15 times for bonds in subsequent years.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Pledged-Revenue Coverage  
Last Ten Fiscal Years

Wastewater Utility								
Fiscal Year	Revenue (1)	Assessment Collections (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirement (accrual basis)			Coverage (4)
					Principal	Interest	Total	
2007	\$ 35,566,755	\$ 481,651	\$ 23,627,253	\$ 12,421,153	\$ 520,000	\$ 1,672,649	\$ 2,192,649	5.66
2006	31,163,232	1,017,357	17,576,955	14,603,634	95,000	1,361,319	1,456,319	10.03
2005	29,168,118	919,373	16,401,620	13,685,871	90,000	1,365,706	1,455,706	9.40
2004	26,802,108	886,986	15,821,938	11,867,156	90,000	707,312	797,312	14.88
2003	25,318,049	725,096	14,717,225	11,325,920	85,000	284,573	369,573	30.65
2002	25,593,935	952,980	14,189,645	12,357,270	80,000	288,093	368,093	33.57
2001	24,848,166	1,102,733	13,650,933	12,299,966	75,000	291,318	366,318	33.58
2000	25,719,749	1,131,036	13,461,586	13,389,199	110,000	260,057	370,057	36.18

(1) Excludes interest restricted for construction, interest on advanced grants, amortization of premiums on investments.

(2) Assessment collections represent payments made by benefited property owners.

(3) Excludes depreciation and PERS relief distributed to labor, includes Municipal Utility Service Assessment as per the 2007 bond covenants.

(4) Required minimum coverage 1.15.

Note: The Wastewater Utility did not have any debt from 1998 through 1999.

Roads and Drainage Special Assessments								
Fiscal Year	Assessment Collected	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage	
				Principal	Interest	Total		
2007	\$ 172,235	n/a	\$ 172,235	\$ 35,000	\$ 13,725	\$ 48,725	3.53	
2006	252,409	n/a	252,409	30,000	51,083	81,083	3.11	
2005	349,442	n/a	349,442	60,000	55,658	115,658	3.02	
2004	649,186	n/a	649,186	205,000	72,775	277,775	2.34	
2003	534,422	n/a	534,422	125,000	83,031	208,031	2.57	
2002	471,957	n/a	471,957	205,000	99,714	304,714	1.55	
2001	777,225	n/a	777,225	-	115,561	115,561	6.73	
2000	646,248	n/a	646,248	-	142,618	142,618	4.53	
1999	514,586	n/a	514,586	-	142,618	142,618	3.61	
1998	663,177	n/a	663,177	-	178,711	178,711	3.71	

CIVICVentures							
Fiscal Year	Bed Tax Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2007	\$ 5,241,006	n/a	\$ 5,241,006	-	\$ 5,070,335	\$ 5,070,335	1.03
2006	5,053,453	n/a	5,053,453	-	2,943,611	2,943,611	1.72

Source: Municipality of Anchorage, Finance Department; Municipal Light & Power, Finance Department and Anchorage Water & Wastewater, Finance Department.

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Demographic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Unemploy- ment Rate</u>	<u>Registered Voters</u>
2007	283,823	48,707	6.0	244,452
2006	282,813	49,320	5.0	201,440
2005	278,241	49,182	5.4	201,007
2004	277,498	49,265	5.7	184,162
2003	274,003	49,545	5.7	191,458
2002	269,070	50,029	5.4	194,218
2001	264,937	48,856	4.3	205,733
2000	260,283	48,157	4.1	205,733
1999	259,390	48,116	3.9	195,149
1998	258,780	47,316	4.1	185,944

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Census Bureau; and the Anchorage School District, Annual Financial Report.

## MUNICIPALITY OF ANCHORAGE, ALASKA

Principal Employers  
Current Year and Nine Years Ago

	2007		1998		
	Average Monthly Employment	% of Total Employment	Private Employers	Average Monthly Employment	% of Total Employment
<u>Private Employers</u>			<u>Private Employers</u>		
Uniformed military	22,675	14.69%	Uniformed military	18,020	15.32%
State of Alaska	17,442	11.30%	Federal government other	16,573	14.09%
Federal government other	16,694	10.81%	State of Alaska	15,948	13.56%
University of Alaska	7,080	4.59%	University of Alaska	5,635	4.79%
Anchorage School District	6,806	4.41%	Anchorage School District	5,486	4.66%
Providence Health Systems	3,991	2.59%	Municipality of Anchorage	3,561	3.03%
Carrs/Safeway	3,117	2.02%	Carr-Gottstein	3,132	2.66%
Municipality of Anchorage	3,035	1.97%	Providence Alaska Medical Center	2,971	2.53%
Fred Meyer	2,766	1.79%	Fred Meyer	1,933	1.64%
Wal-Mart/Sam's Club	2,608	1.69%	Fairbanks North Star Borough School I	1,769	1.50%
Trident Seafoods	1,951	1.26%	Alaska Airlines	1,556	1.32%
ASRC Energy Services	1,749	1.13%	ARCO Alaska	1,483	1.26%
Alaska Airlines	1,585	1.03%	Wal-Mart/Sam's Club	1,434	1.22%
VECO	1,553	1.01%	National Bank of Alaska	1,178	1.00%
BP Exploration Alaska	1,508	0.98%	Alaska Petroleum Contractors	1,110	0.94%
Total Monthly Employment	154,368			117,624	

Source: State of Alaska Department of Labor and Workforce Development



## MUNICIPALITY OF ANCHORAGE, ALASKA

Full-Time Equivalent Employees  
Last Five Fiscal Years

Function/Program	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General government	369	337	331	328	341
Fires services	401	385	363	352	350
Police services	532	521	517	484	475
Health and human services	166	145	159	157	161
Economic and community development	259	215	192	194	225
Public transportation	158	156	153	141	140
Public works	430	408	386	380	390
Water	129	126	129	128	125
Wastewater	129	125	128	127	125
Electric	240	235	227	224	218
Port	25	21	20	21	19
Municipal airport	10	10	10	10	10
Solid Waste	76	68	60	64	61
Refuse	20	21	20	19	19
<b>Total</b>	<u><u>2,944</u></u>	<u><u>2,773</u></u>	<u><u>2,695</u></u>	<u><u>2,629</u></u>	<u><u>2,659</u></u>

Notes: This table is presented from 2002, when the Municipality implemented GASB Statement 34.  
This table includes regular, seasonal and temporary full-time employees.  
All election workers Assembly members and Board and Commission members were excluded.

Source: Municipality of Anchorage, Employee Relations Department

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Miscellaneous Statistical Data by Function  
Last Ten Fiscal Years

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Fires services</b>										
Number of stations	14	19	19	13	12	11	11	11	11	11
Fire suppression incidents	9,936	9,032	9,044	9,086	7,939	6,691	6,439	13,087	13,810	12,554
Emergency medical service incidents	18,297	18,730	17,480	17,727	16,547	17,452	16,297	15,582	14,042	14,702
<b>Police services</b>										
Number of stations	16	14	14	13	12	12	13	13	13	12
<b>Health and human services</b>										
Health clinic visits:										
Disease prevention and control	14,519	17,423	18,750	18,919	23,398	24,300	22,890	22,890	21,157	34,848
Reproductive health clinic	6,704	9,370	10,467	10,784	11,724	12,300	12,009	12,009	19,535	14,342
Maternal child health clinic	0	1,011	3,167	2,828	1,924	3,200	2,733	2,733	3,337	4,312
Women, Infants & Children	49,575	51,695	16,054	56,281	58,916	59,543	73,409	73,409	71,550	71,550
Environmental service customers:										
Customer service counter	21,390	21,890	27,565	26,917	25,764	31,020	29,689	29,689	33,938	28,693
Public facility inspections	3,683	3,210	2,587	4,012	4,118	4,317	2,558	2,558	1,923	na
Noise, nuisance, housing	760	361	1,080	921	734	1,048	1,222	1,222	1,227	na
Air quality and vehicle IM	103,765	105,037	110,131	114,622	104,520	104,987	5,886	5,886	6,406	na
Daycare assistance families	2,075	2,000	3,007	1,913	1,708	1,872	1,734	1,734	2,001	na
Licensed child care centers	118	113	124	125	119	128	125	125	131	129
Licensed child care homes	215	210	225	236	267	153	na	na	na	na
<b>Economic and community development</b>										
Cultural and recreation services:										
Total park acres	16,000	16,000	10,938	15,068	14,958	14,946	14,900	14,900	14,848	14,745
Parks	248	248	209	237	236	236	24	234	233	258
Swim pools, indoor	5	6	5	6	6	6	6	6	6	6
Bike/ski trails (Miles)	270	270	250	128	128	127	127	127	127	127
Ski trails (Km)	134	na	na	134	133	133	133	133	134	134
Community recreation centers	16	16	4	6	6	6	6	6	6	6
Historic sites	27	27	27	27	27	27	19	19	19	19
Anchorage Museum of History and Art:										
Number of visitors	132,309	142,843	164,311	183,956	209,113	139,529	182,679	182,679	228,746	267,907
Value of museum collection	9,623,771	9,442,409	9,211,480	8,916,030	8,782,030	5,994,107	7,968,966	7,968,966	7,681,901	7,337,004
Value of 1% for Art collection	10,331,978	9,875,328	8,033,818	7,852,168	7,069,136	6,175,076	5,823,788	5,823,788	5,618,657	5,380,134
Anchorage Public Library:										
Branches	5	5	5	5	5	5	6	6	6	6
Items	675,000	644,332	654,418	615,480	576,195	571,213	552,390	552,390	574,056	554,686
Items circulated	1,542,800	1,542,800	1,442,997	1,438,887	1,499,246	1,383,688	1,243,489	1,243,489	1,230,833	1,265,599
Reference responses	115,903	181,414	180,877	156,033	116,642	108,126	145,236	145,236	170,950	196,352
William Egan Civic and Convention Center:										
Events	513	458	323	396	314	321	620	620	526	389
Attendance	219,643	263,946	232,882	247,172	223,346	276,402	382,353	382,353	266,040	278,491
Alaska Center for the Performing Arts:										
Events	542	483	598	588	463	695	678	678	442	643
Attendance	230,436	221,744	238,300	244,017	239,113	227,917	244,599	244,599	238,929	248,415
George Sullivan Sports Arena:										
Events	169	172	171	156	134	138	169	169	101	105
Attendance	385,738	380,043	384,952	356,088	302,190	298,392	443,168	443,168	462,213	464,552
Anchorage Golf Course:										
Rounds played	31,564	29,075	35,250	33,933	35,221	32,034	36,044	36,044	34,201	na
Department of Neighborhoods:										
Weatherization Clients										
Total dwellings upgraded	187	171	142	204	223	200	236	236	358	450
Number of people served	506	607	436	750	686	624	801	801	1,432	1,800

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Miscellaneous Statistical Data by Function  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Public transportation</b>										
Average Daily Ridership:										
Weekdays	13,564	13,401	13,498	11,921	11,395	10,675	11,480	11,480	11,363	11,122
Saturdays	6,632	6,529	6,619	5,904	5,411	4,930	5,452	5,452	5,247	5,078
Sundays	3,486	3,518	3,499	3,034	2,517	2,151	2,223	2,223	2,215	2,012
Total annual ridership	3,989,137	3,948,228	3,975,074	3,536,059	3,339,451	3,120,567	3,356,982	3,356,982	3,316,060	3,220,524
Annual mileage	2,318,543	2,433,270	2,417,503	2,318,308	2,144,670	2,031,615	1,963,534	1,963,534	2,010,217	2,039,720
Timetable revenue hours	130,184	130,324	131,037	124,724	114,604	110,176	104,507	104,507	107,414	108,688
<b>Public works</b>										
Miles of streets and alleys:										
Anchorage Road Service Area										
Unpaved	12	12	12	12	18	45	97	97	97	97
Paved	596	595	594	591	617	590	498	498	498	498
Limited Road Service Area	298	297	297	297	296	295	289	289	289	289
Alleys	44	53	53	53	53	40	40	40	40	40
<b>Water</b>										
Number of customers	54,525	54,316	53,906	52,742	53,847	52,628	50,920	50,920	50,257	47,152
Average treatment plant production (gallons/day)	22,850,000	22,095,359	22,958,708	21,189,127	24,141,578	22,597,170	19,680,000	19,680,000	19,193,731	20,329,077
Treatment plant capacity (gallons/day)	75,000,000	59,000,000	59,000,000	59,000,000	59,000,000	59,000,000	59,000,000	59,000,000	59,000,000	59,000,000
Average well production (gallons/day)	2,540,000	3,941,915	4,164,856	5,321,938	3,564,366	4,764,033	6,225,000	6,225,000	6,911,652	5,571,845
Miles of water mains	828	882	864	808	838	732	732	732	732	717
Public fire hydrants	5,786	5,775	5,724	5,645	5,546	5,367	5,304	5,304	5,304	5,067
Private fire hydrants	1,344	1,255	1,115	1,100	1,014	868	841	841	841	816
<b>Wastewater</b>										
Number of customers	55,470	55,272	54,892	54,171	53,639	52,869	51,343	51,343	50,560	48,748
Average treatment (gallons/day)	29,400,000	30,141,960	30,170,000	31,280,000	30,180,000	31,280,000	31,356,000	31,356,000	31,746,000	35,325,000
Treatment plant capacity (gallons/day)	61,270,000	61,270,000	61,100,000	61,100,000	61,100,000	61,100,000	61,100,000	61,100,000	61,500,000	61,500,000
Miles of wastewater lines:										
Interceptors	45	45	45	45	45	45	42	42	42	42
Trunks	82	82	82	82	167	176	176	176	176	176
Laterals	596	594	590	585	594	492	483	483	483	479
<b>Electric</b>										
Number of customers	30,244	30,091	30,100	29,876	29,771	29,696	29,643	29,643	29,621	29,286
Number of street lights	4,146	4,167	4,187	4,207	4,224	4,238	4,338	4,338	4,467	4,529
Circuit miles of overhead distribution lines	136	135	137	138	136	137	137	137	138	139
Miles of underground distribution lines	237	236	232	228	224	222	215	215	213	210
Plan generation capacity (30 degrees fahrenheit) - KW	366,100	333,200	333,200	333,200	353,700	353,700	353,700	353,700	353,700	349,070
<b>Port</b>										
Tonnage	4,315,491	2,926,156	5,101,816	4,628,009	4,412,628	3,950,668	2,793,270	2,793,270	2,647,423	2,947,642
<b>Municipal airport</b>										
Landings and take-offs	174,848	187,798	190,816	191,516	202,278	184,670	190,508	190,508	200,836	207,015
<b>Solid Waste</b>										
Total landfill/disposal customers	273,262	267,639	279,735	367,614	358,446	370,257	348,807	348,807	341,017	303,618
Total waste landfilled (tons)	359,165	356,387	368,182	277,038	270,155	265,389	232,160	232,160	217,971	211,280
<b>Refuse Collection</b>										
Average residential billed customers	10,102	9,929	9,978	9,946	9,975	10,022	9,948	9,948	10,055	9,939
Residential tons collected	13,246	13,519	13,946	14,757	15,643	15,770	15,694	15,694	15,097	16,237
Average commercial billed customers	1,895	1,895	1,824	1,835	1,837	1,815	1,911	1,911	1,834	1,840
Commercial tons collected	27,958	28,401	29,146	29,244	28,880	29,423	29,006	29,006	29,156	29,125

Notes: Wastewater Trunks and Laterals restated previous years' data based on updated information from GIS and removing Non-AWWU owned pipe.

Source: Municipality of Anchorage, Various Departments.

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