

	Current Healthcare		
	1% Decrease	Trend Rate	1% Increase
Gentile Group Plan	\$ 64,063,460	\$ 72,585,155	\$ 82,901,123

	Current Healthcare		
	1% Decrease	Trend Rate	1% Increase
Police & Fire Medical Group Plan	\$ 52,123,065	\$ 64,778,868	\$ 77,055,397

OPEB Plans Fiduciary Net Position

Detailed information about the Gentile Group and Police and Fire Medical Group OPEB Plan's fiduciary net position is available in the Municipality of Anchorage's annual comprehensive financial report as fiduciary funds and detailed disclosures are presented in Section A of this note.

B-2. Defined Contribution Plans- PERS Defined Contribution OPEB Plans

General Information About the Plans

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan (RMP). Information on these plans is included in the comprehensive annual financial report for the PERS Plans noted above. These plans provide for death, disability, and postemployment healthcare benefits.

Employer Contribution Rates

Employees do not contribute to the Defined Contribution OPEB plans. Employer contribution rates for the year ended December 31, 2021 were as follows:

	Tier IV Police/Fire		Tier IV Others	
	1/1 - 6/30	7/1 - 12/31	1/1 - 6/30	7/1 - 12/31
Employer Contribution				
Health Reimbursement Arrangement	3.00%	3.00%	3.00%	3.00%
Retiree Medical Plan	1.27%	1.07%	1.27%	1.07%
Death & Disability Benefit	0.70%	0.68%	0.31%	0.31%
Total Employer Contribution	4.97%	4.75%	4.58%	4.38%

Healthcare Reimbursement Arrangement

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan". Prior to July 1, 2021 a flat rate of approximately \$2,159 per year for full time employees and \$1.38 per part time hour worked was paid. For pay periods ending after July 1, 2021, a flat rate of approximately \$2,168 per year for full time employees and \$1.39 per part time hour worked were paid.

Annual Postemployment Healthcare Cost

In 2021, the Municipality contributed \$3,261,711 in Defined Contribution OPEB costs. These amounts have been recognized as expenditures/expenses.

NOTE 15 - FUND BALANCE - GOVERNMENTAL FUNDS

In the fund financial statements, the Municipality reports aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Assembly – the Municipality’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Assembly removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Municipality’s “intent” to be used for specific purposes but are neither restricted nor committed. The Assembly has given the Mayor or the Mayor’s designee the authority to assign amounts to be used for specific purposes through the budgetary process. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Municipality’s policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order, as needed.

In 2011, the Assembly approved AR 2011-345(S) which set the fund balance policy in accordance with GASB 54. In 2014, the Assembly approved AR 2014-221 which revised the method of calculating certain components of the fund balance categories, to better aid in assessing the needs of the Municipality. Management’s spending policy is to use restricted fund balance first when expenditures are incurred to which any resource is available, then to use unrestricted fund balances in the following order: committed, assigned, and unassigned. In 2015, the Assembly approved AR 2015-84 which amended the definition of expenditures used in the calculation of certain components of fund balance. As of December 31, 2021, there are no other amendments to the Fund Balance Policy.

Throughout 2020 and 2021, the Assembly approved several Emergency Orders (EOs), which provided temporary exemptions from the fund balance set-asides due to the COVID-19 pandemic beginning in March 2020. The Municipality anticipates FEMA reimbursements, along with additional federal assistance in 2022 to assist with the loss in revenue during the shutdowns and the additional expenditures that were incurred during the health emergency, which has caused the fund balance to dip below the set-asides set in AR 2015-84. The Municipality is also incurring continued costs associated with the earthquake that occurred on November 30, 2018. FEMA reimbursement and insurance recoveries were received in 2021 related to the earthquake and it is anticipated that this will continue into 2022.

Fund balance, reported in aggregate on the governmental funds balance sheet is subject to the following constraints:

	General	MOA Trust	Road & Drainage Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable					
Inventory	\$ 1,156,041	\$ -	\$ -	\$ -	\$ 1,156,041
Prepaid Items	152,784	-	-	2,396,540	2,549,324
Long-term Loans Receivable	-	-	-	50,995	50,995
Advances to Other Funds	12,848,836	-	-	935,000	13,783,836
Assets Held for Resale	4,888,761	-	-	-	4,888,761
Cemetery Perpetual Fund	-	-	-	150,000	150,000
Total Nonspendable	19,046,422	-	-	3,532,535	22,578,957

	General	MOA Trust	Road & Drainage Capital Projects	Nonmajor Governmental Funds	Total
Restricted					
Unspent MLP Sale Proceeds	\$ 637,433	\$ -	\$ -	\$ -	\$ 637,433
Unspent Special Levies	1,500,972	-	-	-	1,500,972
Nuisance Property Abatement	-	-	-	153,852	153,852
Capital Improvements	-	-	2,973,343	13,911,480	16,884,823
MOA Trust Fund	-	448,095,517	-	-	448,095,517
Police & Fire Retiree Medical Liability	-	-	-	41,576,247	41,576,247
E911 Surcharge	-	-	-	2,107,772	2,107,772
Federal Grants	-	-	-	614,025	614,025
State Grants	-	-	-	192,265	192,265
Alcoholic Beverage Sales Tax	-	-	-	8,759,743	8,759,743
Federal/State Fines & Forfeitures	-	-	-	1,047,140	1,047,140
Convention Center Operating Fund	-	-	-	20,841,916	20,841,916
49th State Angel Fund	-	-	-	10,143,520	10,143,520
Debt Service	-	-	-	14,015,185	14,015,185
Total Restricted	2,138,405	448,095,517	2,973,343	113,363,145	566,570,410
Committed					
10% Bond Rating	50,153,511	-	-	-	50,153,511
Capital Improvements	-	-	22,129	26,327,397	26,349,526
Heritage Land Bank	-	-	-	3,291,739	3,291,739
Miscellaneous Operational Grants	-	-	-	777,965	777,965
Assembly Appropriated Projects	821,189	-	-	-	821,189
Total Committed	50,974,700	-	22,129	30,397,101	81,393,930
Assigned					
Nuisance Property Abatement	-	-	-	8,358	8,358
Capital Improvements	-	-	-	359,057	359,057
Cemetery Perpetual Fund	-	-	-	483,355	483,355
E911 Surcharge	-	-	-	7,850	7,850
State Grants	-	-	-	8,293,129	8,293,129
Alcoholic Beverage Sales Tax	-	-	-	3,056	3,056
Federal/State Fines & Forfeitures	-	-	-	4,008	4,008
Miscellaneous Operational Grants	-	-	-	2,724	2,724
Convention Center Operating Fund	-	-	-	5,387,353	5,387,353
Total Assigned	-	-	-	14,548,890	14,548,890
Unassigned					
2% Working Capital Reserve	11,035,495	-	-	-	11,035,495
Other Unassigned (Deficit)	(71,589,440)	-	-	(1,050,351)	(72,639,791)
Total Unassigned (Deficit)	(60,553,945)	-	-	(1,050,351)	(61,604,296)
Total Fund Balance (Deficit)	\$ 11,605,582	\$ 448,095,517	\$ 2,995,472	\$ 160,791,320	\$ 623,487,891

Alaska State Statute 29.35.470 states that taxes levied within a differential tax zone that exceed the amount that would otherwise have been levied may only be used for the services provided in that zone. The Municipality did report \$972 in restricted fund balance in the General Fund equal to the excess of taxes collected for the EMS Special Lease Levy and \$1.5 million in restricted fund balance in the General Fund equal to the excess of tax collected for the APD IT System Special Levy. The Municipality did report \$637,433 in restricted fund balance in the General Fund equal to the unspent portion of the Electric Utility sale proceeds to be used for ongoing administration related to the sale.

The Municipality, by resolution, established a bond rating that is included in committed fund balance and a working capital reserve that is included in unassigned fund balance. For 2021, the full balance of \$50,153,511 of committed fund balance for bond rating is reported, however, none of the bond rating reserve is available due to

the total unassigned fund deficit, which exceeded the reserve. None of the unassigned fund balance for working capital reserve is available after offsetting the other unassigned fund deficit.

Set asides for Bond Rating and Working Capital Reserves are reported as follows:

Bond Rating:	
Committed	\$ 50,153,511
Net Unassigned Deficit	(60,553,946)
Available Bond Rating Reserve	<u>\$ -</u>

Working Capital Reserve:	
Unassigned for Working Capital	\$ 11,035,495
Unassigned Fund Deficit	(71,589,440)
Net Unassigned Deficit	(60,553,945)
Available Working Capital Reserve	<u>\$ -</u>

The Municipality has the following encumbrances outstanding at the end of the year:

Major Funds:	
Road and Drainage Capital Project Fund	<u>\$ 20,195,221</u>
Nonmajor Capital Project Funds:	
Public Safety	3,316,314
Parks & Recreation	1,542,548
Areawide	4,346,990
Public Transportation	2,021,522
Heritage Land Bank	92,221
Miscellaneous	587,209
Total Nonmajor Capital Project Funds	<u>\$ 11,906,804</u>

NOTE 16 - RISK MANAGEMENT AND SELF-INSURANCE

The Municipality 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 Municipality utilizes three risk management funds to account for and finance its uninsured risks of loss.

The Municipality provides coverage up to the maximum of \$3,000,000 per occurrence for automobile and general liability claims and for each workers' compensation claim. No settled claim exceeded this commercial coverage in 2021, 2020 or 2019.

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, 2021, is dependent upon future developments. On December 31, 2021, claims incurred but not reported included in the liability accounts are \$16,482,700 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

Changes in the funds' claim liability amounts in 2021 and 2020 are as follows: