

MUNICIPALITY OF ANCHORAGE, ALASKA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2008

**Mark Begich
Mayor**

**Prepared by:
Finance Department**

**Sharon Weddleton, CPA
CFO**

**Teresa L. Peterson, CPA
Controller**

Cover photo courtesy of Chris Richardson.

MUNICIPALITY OF ANCHORAGE, ALASKA

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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>

*Matt Claman,
Acting Mayor*

Department of Finance Controller Division

June 11, 2009

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, 2008, 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. Mikunda, Cottrell & Co. 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 2007 CAFR, a list of principal elected and appointed officials, and an organization chart. The Financial section includes the MD&A, the independent auditor's 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 auditor's reports on 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 auditor's 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.

Mikunda, Cottrell & Co. was retained to perform both the financial and the compliance audits of Federal and State financial assistance programs for the year ended December 31, 2008. These audits were performed in accordance with federal and state regulations and *Government Auditing Standards*.

Mikunda, Cottrell & Co. audited all 2008 financial records except for those of one component unit, Alaska Center for the Performing Arts, Inc., and the Police & Fire Retirement Pension Trust Funds. Mikunda, Cottrell & Co.'s reports are included in the financial section of the CAFR and in both financial assistance reports. The excluded component unit and pension trust funds were audited by certified public accountants who issued unqualified reports.

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.

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 (ASD), 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.

Major Initiatives

Port Expansion

The \$700 million expansion project of the Port of Anchorage (Port) is underway. 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) was completed on schedule and placed into service in September 2008. The construction of the Center is funded through the lodging 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 285,000 and has been experiencing growth at a rate of 0.4% 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, 2008, the ASD had 48,440 students enrolled for the 2007-2006 academic year, a slight decrease from prior year. Anchorage is also home to the University of Alaska Anchorage, a state operated university, and Alaska Pacific University, a private independent university. They have combined enrollments in excess of 20,000 students.

Employment growth in Anchorage has increased for the past twenty years, although the growth was slight in 2008 at less than 1%. The average unemployment rate in 2008 of 5.3% increased slightly from the 2007 rate, but was slightly under the national average of 5.8%.

Anchorage has several major sectors that drive the local economy, including oil/gas, construction, transportation, and tourism. These sectors, along with the supporting businesses that have developed around these core sectors, have provided twenty years of consecutive economic growth, although the growth has slowed. Statewide, mining and mineral production has continued to do well, although due to a sharp decline in commodity prices in late 2008, the industry has slowed. 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. The addition of the 240,000 square-foot Glenn Square retail development, and the 900,000 square-foot Tikahtnu Commons retail development, which both opened in 2008, have attracted new retailers to the area, such as Target. These developments will continue into 2009.

For most of 2008, the oil/gas sector continued to experience record high prices, which benefited the economy in many ways, including employment. Major oil/gas companies, such as ConocoPhillips and BP,

are continuing to invest billions in exploration and development projects. This is reflected in the record number of workers on the North Slope during 2008, increasing by 300 jobs over the prior year. The outlook for 2009 anticipates no significant changes in employment in the Anchorage. The industry also anticipates continued progress on the in-state gas line Denali, the joint venture between BP and ConocoPhillips, and also on the TransCanada natural gas pipeline project.

Anchorage has a large and growing 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. Thousands of military personnel are employed by these three military posts and, along with their family members, aid the local economy by supporting local businesses. The deployment in early 2009 of 3,500 soldiers from Fort Richardson will have an 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. The Ted Stevens Anchorage International Airport continues to be one of the busiest cargo airports in the world, although transit cargo volume decreased by 15% from the previous year. It was ranked fifth in tonnage volume in 2008, down from third in 2007. This sector of the local economy is expected to decline in 2009. The Alaska Railroad continued to have another year of growth during 2008, reporting \$12.6 million in net income. The Port 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 has begun construction of a \$700 million expansion project involving road/rail extensions and marine terminal redevelopment. Improving cargo flow through expanded berth 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 that 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. As a result of the slowdown in the national and international economies, tourism activities slowed during 2008 with lodging tax revenues exceeding \$22 million, a slight increase from 2007. The anticipation for 2009 is that this sector of the local economy will be affected considerably by the national economic situation. On a brighter note, the new Dena'ina Convention Center has booked numerous future national conventions. The 215,000 square foot Center will significantly increase the size and number of conventions that can be held locally. Anchorage's hotel industry continues to expand with the construction of three new hotels expected to open in 2009, adding over 400 rooms to Anchorage's approximate 8,000 existing rooms.

Long-term Financial Planning

Anchorage has no legal debt limit mandated by its Charter, Code or State law. 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 (S&P) and AA by Fitch Ratings (Fitch). These ratings were unchanged in 2008. The Anchorage Water Utility bond ratings are AA by S&P and AA- by Fitch. The Anchorage Wastewater Utility bond ratings are AA Stable by S&P and AA- Stable by Fitch. In January 2009, the Anchorage Water and the Wastewater Utility bond ratings were upgraded from AA- to AA for the Water and from A+ to AA for the Wastewater Bonds. The Anchorage Municipal Light & Power Senior Lien and Junior Lien Electric revenue bond ratings are A+Stable by S&P and A+Stable by Fitch. The Port was assigned the rating of A by S&P in March 2008. Revenue bond covenants stipulating debt service coverage requirements were met in 2008.

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 ASD debt, to assessed valuation was 1.56% as of December 31, 2008, and the net direct general obligation debt per capita was \$1,669. The respective amounts as of December 31, 2007 were 1.51% and \$1,557. When ASD debt is included, net direct general obligation debt to assessed value is 3.65% (3.21% in 2007) and the net direct general obligation debt per capita is \$3,918 (\$3,308 in 2007).

Awards and Acknowledgements

Anchorage 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, 2007. This was the twenty-first consecutive year that Anchorage has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. Our 2007 report satisfied both Generally Accepted Accounting Principles and applicable legal requirements.

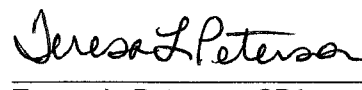
A Certificate of Achievement is valid for a period of one year only. It is believed that our current report continues to conform to the Certificate of Achievement program requirements. The report will be submitted to GFOA to determine its eligibility for another certification.

The preparation of the CAFR was made possible by the dedicated efforts of the entire Controller Division staff. We express sincere appreciation to our employees 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, 2007

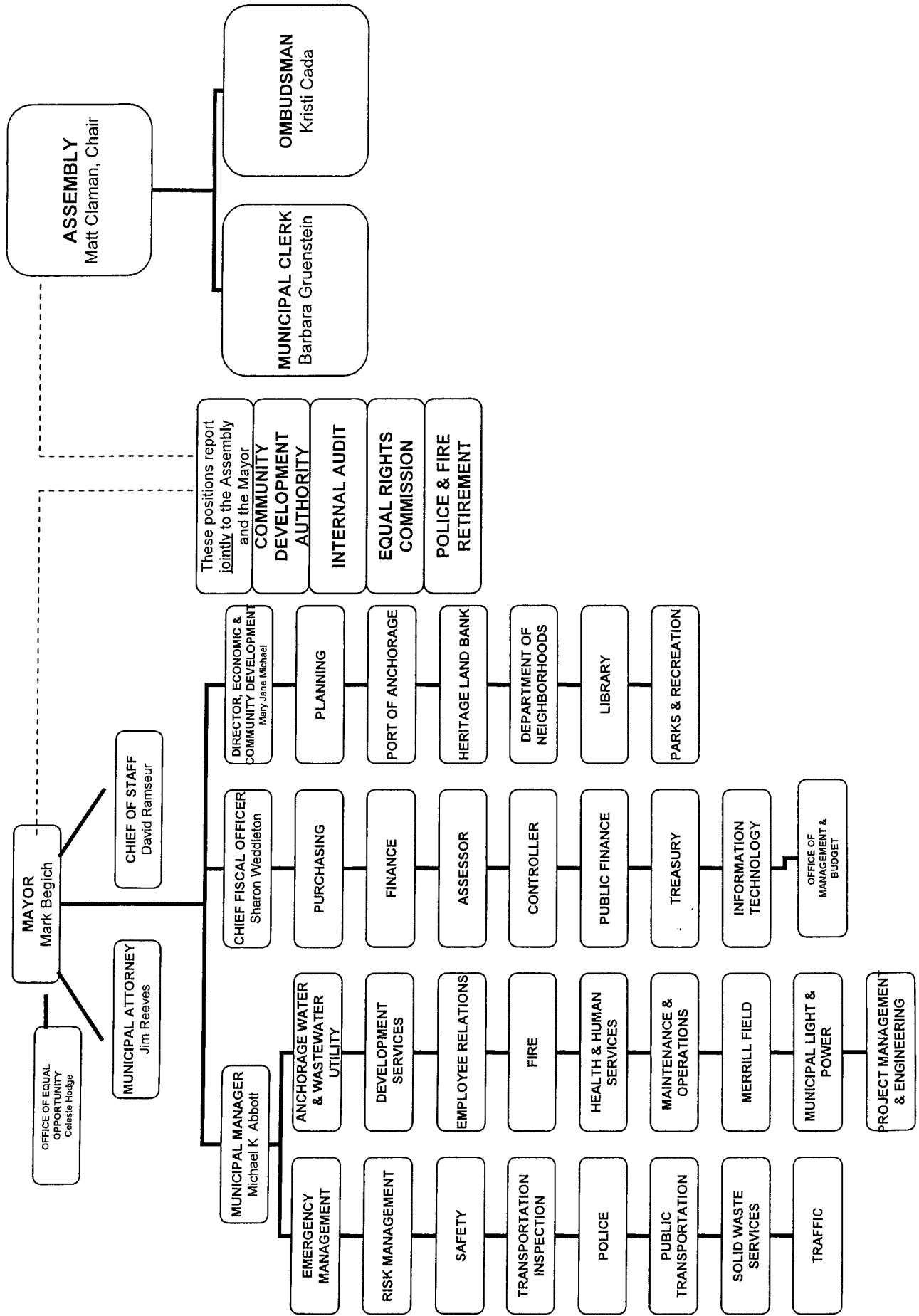
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

MOA ORGANIZATION CHART - 2008



MUNICIPALITY OF ANCHORAGE

2008

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, 2008, the following citizens were elected to serve on the Assembly.

Matt Claman, Chair

Chris Birch	Dan Coffey
Harriet Drummond, Vice Chair	Patrick Flynn
Elvi Gray-Jackson	Mike Gutierrez
Jennifer Johnston	Debbie Ossiander
Sheila Selkregg	Bill Starr

Barbara Gruenstein, Municipal Clerk

ADMINISTRATION

Mark Begich, Mayor

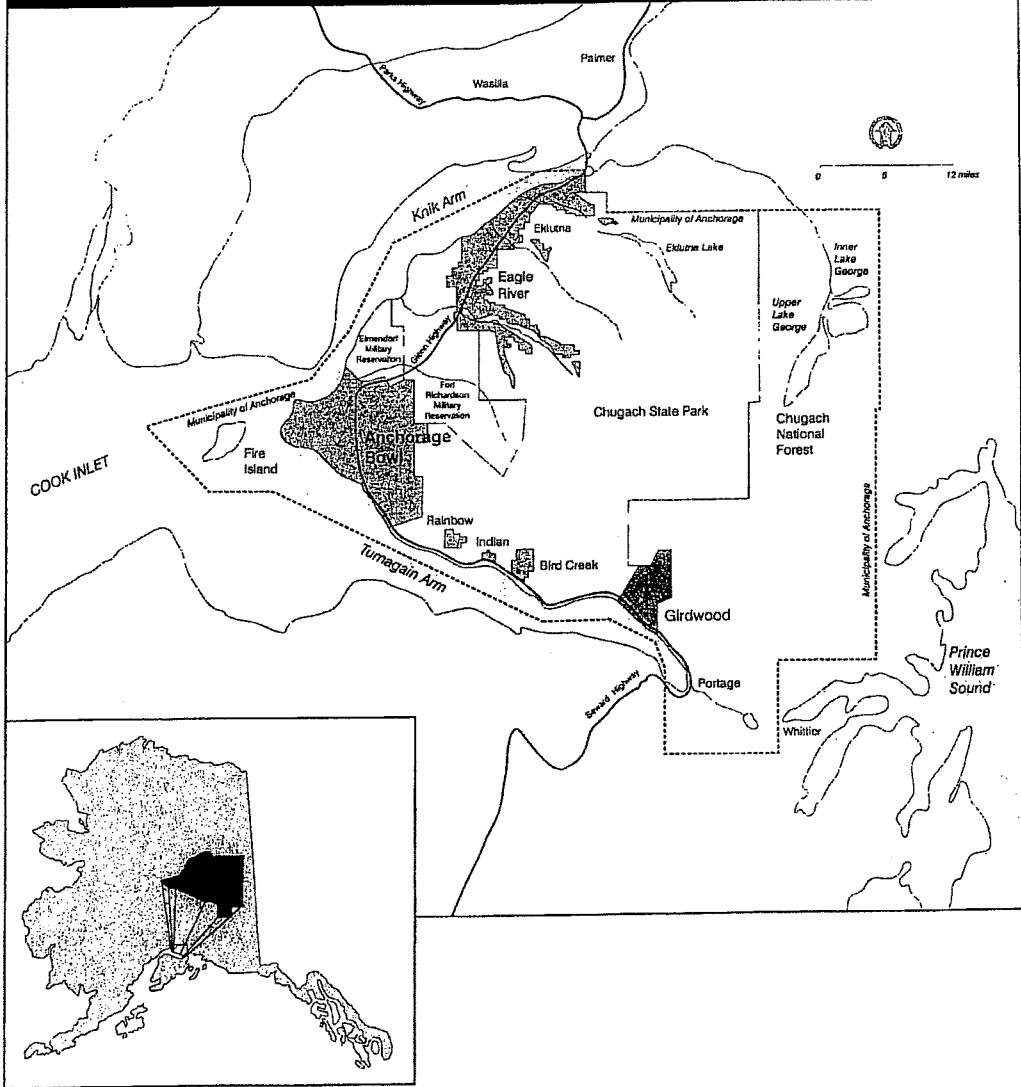
Michael K. Abbott, Municipal Manager

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

INDEPENDENT AUDITOR'S REPORT

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 (the Municipality) as of and for the year ended December 31, 2008, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality'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 Police/Fire Retirement System fiduciary funds which represent 50% and 55% of the assets and net assets/fund balance, respectively, of the aggregate remaining fund information. We also did not audit the financial statements of the Alaska Center for the Performing Arts which represents 0.1%, 0.2%, and 0.2% of the assets, net assets, and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police/Fire Retirement System fiduciary funds and the Alaska Center for the Performing Arts, is based on the report of the other auditors. The prior year summarized comparative information has been derived from the Municipality of Anchorage's 2007 financial statements. Those statements, before they were restated for the matter discussed in Note 6 to the financial statements, were audited by other auditors whose report, dated July 28, 2008, expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, 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. The financial statements of the Police/Fire Retirement System trust funds (part of the aggregate remaining fund information opinion unit), the Alaska Center for the Performing Arts and the Anchorage Community Development Authority (both part of the aggregate discretely presented component units) were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the other auditors provide a reasonable basis for our opinions.

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

In our opinion, based on our audits 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, 2008, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2009 on our consideration of the Municipality of Anchorage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress in note 12, the budgetary comparison schedule – General Fund, and the condition rating of Anchorage's road network, as 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's basic financial statements. The supplementary General Fund budgetary schedules, combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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.

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 11, 2009

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, 2008. 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 2008 with reported net assets of \$3,318,917.
- Anchorage's total net assets increased by \$59,539 or approximately .04% for 2008. The increase reflects a change in net assets of governmental activities of \$7,136 and a change in business-type activities of \$52,403.
- During the year, the business-type activities generated \$270,302 in revenues (excluding special items), which were offset by expenses and transfers of \$221,997.
- As of December 31, 2008, Anchorage's governmental funds reported a combined ending fund balance of \$254,829, a decrease of \$107,932. Of the fund balance, \$234,616 is reserved. The remaining \$20,213 is unreserved, although \$19,782 is designated for bond rating/emergency operations.
- Anchorage wrote off the net pension and other postemployment healthcare benefit (OPEB) liability in the amount of \$27,085 as of June 30, 2008, due to a change in the State of Alaska Public Employees' Retirement System to a cost-sharing plan.
- The Port Fund and the Capital Projects Roads and Drainage Fund met the eligibility criteria for the first time as major funds for 2008. The MOA Trust did not meet the eligibility criteria, but because of its significance to Anchorage taxpayers, it has been included as a major fund.
- 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 \$19,782. As of December 31, 2008 and 2007, general fund unreserved fund balance was 4.4% and 8.0% of general fund revenues, respectively.

As of December 31, 2008, all five major general fund sub-funds' fund balances were lower than required by the policy and were adjusted back into compliance through the 2009 budgetary process. The operating emergency designation range was set at 1%.

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, nonmajor enterprise 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 of roads and facilities, 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 (CSA), 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 CSA, 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, MOA Trust Fund and Capital Projects Roads and Drainage Fund, which are considered major funds. Information from the other

twenty-two governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Anchorage adopts an annual appropriated budget for its general fund. The Assembly approves operating budgets and appropriations of direct costs at the department level, and revenues, direct costs and indirect costs at the fund and sub-fund level. In addition to the budgetary comparison schedule by function, two budgetary comparison schedules at the department level and at the fund and sub-fund level for the general fund have been added as additional 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 CSA.

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 electric generation/distribution services, water services, wastewater services, and port services, all of which are considered to be major enterprise funds of Anchorage. Information from the other three 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 \$3,318,917 and \$3,259,378 at the fiscal years ended December 31, 2008 and 2007 respectively (reference Table A-1).

The net assets for governmental activities were \$2,712,756 and \$2,705,620, with \$124,957 and \$103,725 classified as unrestricted deficits in 2008 and 2007, respectively. The significant portion (96%) 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 \$244,061 and \$259,806 in 2008 and 2007, 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	
	2008	2007	2008	As Restated	2008	As Restated
				2007		2007
Current and other assets	\$ 457,545	\$ 555,080	\$ 407,591	\$ 326,103	\$ 865,136	\$ 881,183
Capital assets	3,194,105	3,068,479	1,286,247	1,244,184	4,480,352	4,312,663
Total assets	3,651,650	3,623,559	1,693,838	1,570,287	5,345,488	5,193,846
Long term liabilities	822,502	810,854	514,433	521,417	1,336,935	1,332,271
Other liabilities	116,392	107,085	573,244	495,112	689,636	602,197
Total liabilities	938,894	917,939	1,087,677	1,016,529	2,026,571	1,934,468
Net assets (deficit):						
Invested in capital assets, net of related debt	2,593,652	2,549,539	416,812	397,163	3,010,464	2,946,702
Restricted	244,061	259,806	124,717	101,772	368,778	361,578
Unrestricted	(124,957)	(103,725)	64,632	54,823	(60,325)	(48,902)
Total net assets	\$ 2,712,756	\$ 2,705,620	\$ 606,161	\$ 553,758	\$ 3,318,917	\$ 3,259,378

Current and other assets include \$206,652 and \$235,366 of unrestricted cash and investments held for governmental activities at December 31, 2008 and 2007, respectively. Governmental activities' long term liabilities increased by \$11,648 or approximately 1%. The increase in long term liabilities was primarily the result of general obligation bonds issued in the amount of \$60,789, offset by the debt service payments of \$26,665. General obligation bonds represent 58% of the total long-term debt for governmental activities (including CIVICVentures). Revenue bonds (including CIVICVentures) represent 19% of the debt outstanding for governmental activities.

For business-type activities, unrestricted net assets of \$64,632 (11% of total net assets) and \$54,823 (10% of total net assets), may be used to meet the ongoing needs of these organizations

at December 31, 2008 and 2007, respectively. This represents an increase of \$9,809 (18%). The primary contributor to the increase was the increase in the unrestricted net assets of the wastewater utility of \$10,170. The most significant portion of net assets for the business-type activities, \$416,812 (69%) and \$397,163 (72%) as of December 31, 2008 and 2007 respectively, are invested in capital assets which are used to provide customers with services. Net assets invested in capital assets, net of related debt, increased \$19,649 or approximately 5% in 2008. Net assets of business-type activities subject to external restrictions were \$124,717 (21%) and \$101,772 (18%) in 2008 and 2007, respectively. External restrictions were related to debt service and construction acquisition requirements.

Governmental Activities

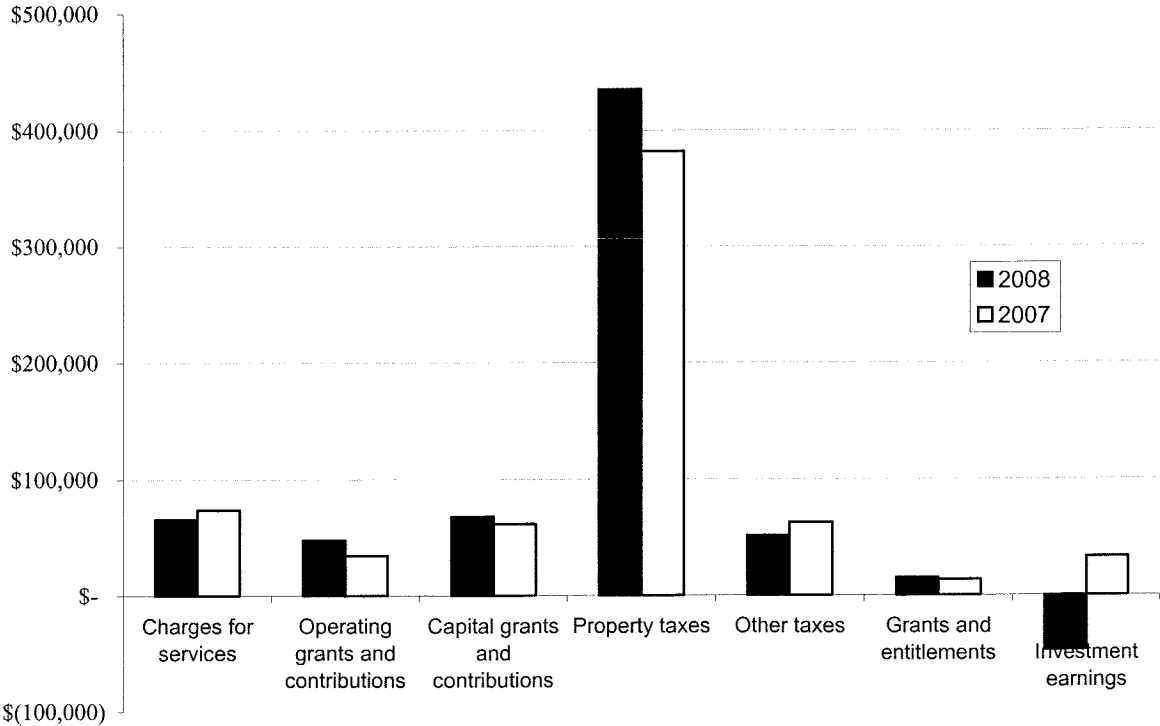
During 2008, Anchorage's net assets increased \$7,137 for governmental activities (reference Table A-2). Highlights of governmental activities' net asset changes are as follows:

- Operating grants and contributions increased by \$13,239. Included in the overall increase in operating grants and contributions was an increase in grants from the State of Alaska of \$2,332, as well as PERS retirement relief of \$8,994.
- Capital grants were \$6,364 higher in 2008 than in 2007, a 10% increase. Included in the increase were \$9,125 in federal transit grants to reimburse bus overhaul expenditures and the purchase of new buses.
- Education expenses increased by \$12,238 in 2008 to \$212,267 from \$200,029 in 2007.
- The total property tax levy for 2008 less property tax relief from the State of Alaska of \$15,636 was \$429,874, an increase from the 2007 tax levy of \$375,220 (less property tax relief of \$42,495). (Of the 2007 property tax relief, \$22,035 was received in 2006 to be applied towards the 2007 tax levy).
- Investment earnings (losses) decreased by \$80,368 in 2008 from \$33,099 in 2007 to \$(47,270) due to a sharp and historical decline in the global equity markets.
- The net pension and other postemployment benefits obligation was written-off and recognized as a Special Item \$(22,987), due to a change in State of Alaska Public Employees' Retirement System to a cost-sharing plan. Refer to Note 13 for more detail.

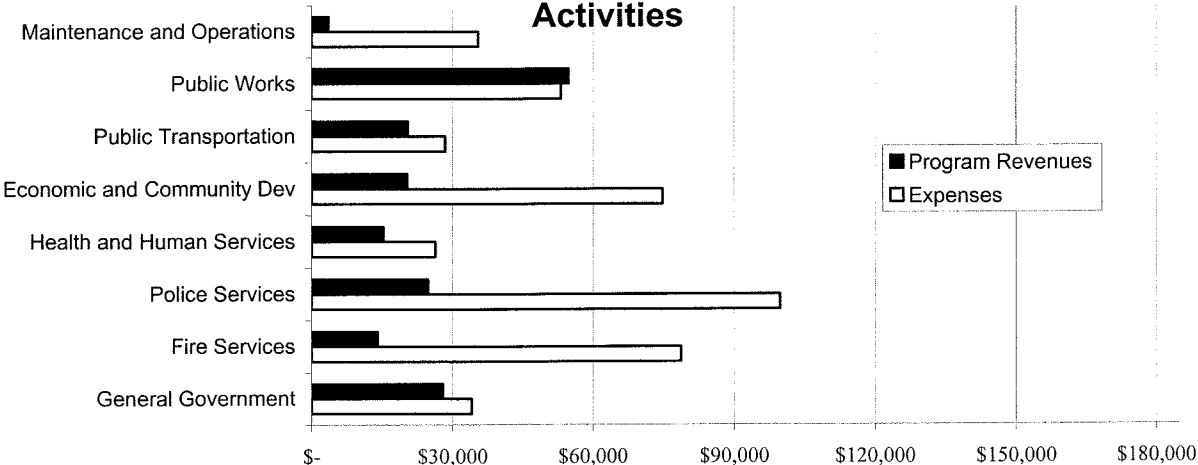
Table A-2
Anchorage's Changes in Net Assets
(in thousands)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 65,764	\$ 73,976	\$ 227,755	\$ 215,858	\$ 293,519	\$ 289,834
Operating grants & contributions	47,770	34,531	1,615	1,600	49,385	36,131
Capital grants & contributions	68,209	61,845	39,136	5,667	107,345	67,512
General revenues:						
Property taxes	435,203	381,996	-	-	435,203	381,996
Other taxes	51,455	48,837	-	-	51,455	48,837
Grants and entitlements not restricted to specific programs	15,113	13,536	-	-	15,113	13,536
Investment earnings	(47,270)	33,099	1,796	12,399	(45,474)	45,498
Total revenues	636,244	647,820	270,302	235,524	906,546	883,344
Expenses:						
General government	34,056	40,463	-	-	34,056	40,463
Fire services	78,741	72,221	-	-	78,741	72,221
Police services	99,834	87,247	-	-	99,834	87,247
Health and human services	26,458	25,973	-	-	26,458	25,973
Economic and community dev.	74,829	70,058	-	-	74,829	70,058
Public transportation	28,522	27,580	-	-	28,522	27,580
Public works	53,203	80,368	-	-	53,203	80,368
Education	212,267	200,029	-	-	212,267	200,029
Maintenance and operations	35,405	30,326	-	-	35,405	30,326
Interest	29,822	29,613	-	-	29,822	29,613
Water	-	-	39,389	36,270	39,389	36,270
Wastewater	-	-	31,804	28,458	31,804	28,458
Electric	-	-	90,760	78,901	90,760	78,901
Port	-	-	11,533	10,711	11,533	10,711
Municipal airport	-	-	3,230	2,981	3,230	2,981
Solid waste	-	-	15,556	17,261	15,556	17,261
Refuse	-	-	7,368	6,548	7,368	6,548
CSA	-	-	1,315	1,255	1,315	1,255
Total expenses	673,137	663,878	200,955	182,385	874,092	846,263
Change in net assets prior to special items and transfers	(36,893)	(16,058)	69,347	53,139	32,454	37,081
Transfers	21,042	20,573	(21,042)	(20,573)	-	-
Special Item - NPO/OPEB write-off	22,987	-	4,098	-	27,085	-
Change in net assets	7,136	4,515	52,403	32,566	59,539	37,081
Net assets, beginning of year, as restated	2,705,620	2,701,105	553,758	521,192	3,259,378	3,222,297
Net assets, end of year	\$ 2,712,756	\$ 2,705,620	\$ 606,161	\$ 553,758	\$ 3,318,917	\$ 3,259,378

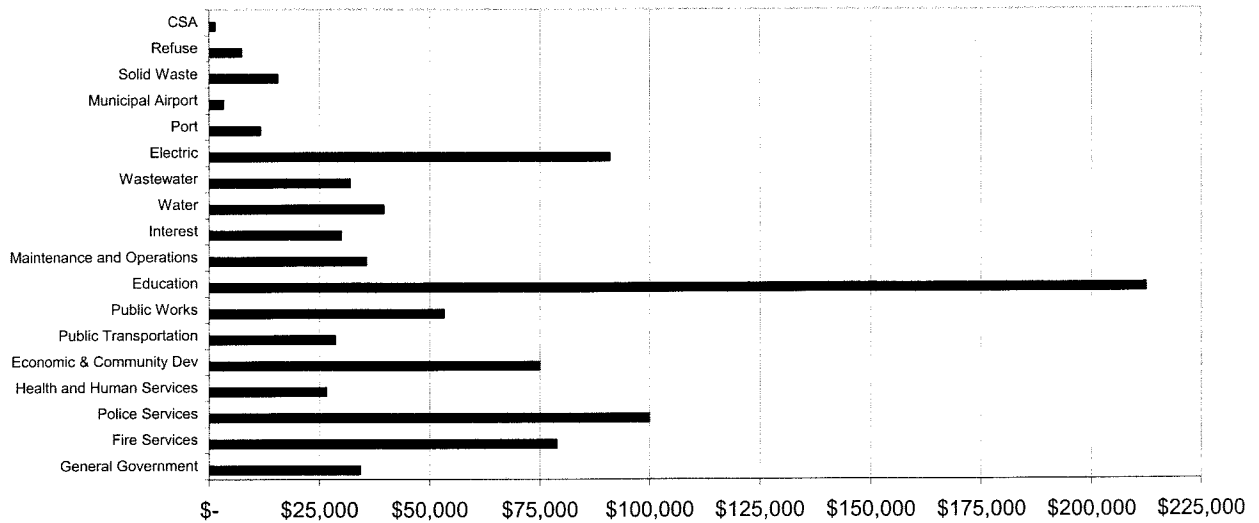
**Figure A-1
Governmental Activities Revenues by Type**



**Figure A-2
2008 Program Revenue vs Expense by Governmental Activities**



**Figure A-3
2008 Expense by Functional Activity**



Business-type Activities

Business-type activities increased Anchorage’s net assets by \$52,403 in 2008. Key elements of the change in net assets are as follows:

- Electric change in net assets was \$9,225.
- Change in net assets for Water and Wastewater was \$1,463 and \$1,407, respectively.
- Capital contributions to the Port were \$36,938, related to the expansion project.

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, 2008, Anchorage’s governmental funds reported a combined ending fund balance of \$254,829, a decrease of \$107,932 in comparison to the prior year. Of the total fund balance, \$234,616 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 (\$84,816), to meet debt service requirements (\$46,163), to generate income for perpetual care of the municipal cemetery (\$353), to recognize prepaid items, deposits and inventory (\$2,567), to satisfy long-term loan principal payments (\$4,345), or is otherwise reserved in the MOA Trust Fund (\$96,372).

Approximately 7.9% of total fund balance (\$20,213) is classified as unreserved fund balance. Of the unreserved fund balance, \$12,302 is reported in Special Revenue Funds to be used for grant specified projects and a deficit of \$16,859 is reported in the Capital Projects Funds as a result of

encumbrances approved before bonds are issued. The remaining unreserved fund balance of \$24,771 is reported in the General Fund. Of that amount \$19,782 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, 2008 and 2007, respectively, the unreserved fund balance was \$24,771 and \$41,143 while total fund balance was reported at \$26,068 and \$42,353 for 2008 and 2007, respectively. Investment losses of \$105 were reported for 2008, which was a decrease of \$12,147 from the 2007 investment income. Property tax revenue increased in 2008 by \$55,457, but because of the investment losses and increase in overall expenditures, fund balance decreased by \$16,285.

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, 2008, unreserved fund balance represents 4.1% of total General Fund expenditures and total fund balance represents 4.3% of the same amount. Unreserved fund balance was 7.5% of total General Fund expenditures and total fund balance was 7.7% of the same amount at December 31, 2007.

Investment losses in the MOA Trust Fund were \$37,225. This was a decrease of \$47,100 from the prior year income of \$9,875. This decrease in market return was attributable to a sharp and historical decline in the global equity markets.

The Capital Projects Roads and Drainage Fund is being included as a major fund in 2008, as a result of meeting the eligibility criteria for a major fund. In 2007, this fund was presented as a non-major governmental fund. Capital outlay in this fund increased in 2008 by \$37,660 over the prior year. This was primarily due to the E Street and F Street connectivity projects. Combined, the Capital Projects Roads and Drainage Fund and the other nonmajor governmental funds (in aggregate) reported a decrease in fund balance of \$47,126 in 2008, for an overall increase in spending of \$26,752 over 2007.

Overall, the net change in fund balance for governmental funds was a decrease of \$107,932, in part for the reasons described above.

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 net capital assets increased by \$12,003 or 4% in 2008, while increasing by \$14,385, or 4% in 2007. During 2008, the Utility completed several major capital projects, including Beluga River Unit gas wells.
- The Electric Utility's net assets increased by \$9,225 or 4% in 2008 compared to an increase of \$17,421 or 9% in 2007. The increase in net assets was affected largely because of investment earnings which decreased by \$5,138 from 2007 to 2008.
- In 2006 the Regulatory Commission of Alaska (RCA) issued Order Number 2 (Order) in Docket U-06-89 concerning the use of the funds received in settlement of the 2005 gas underlift that resulted in recognizing a deferred credit in the amount of \$23,804 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, 2008 the deferred credit account has a balance of \$26,041.
- In 2008, the Electric Utility paid a dividend of \$5,192 to Anchorage based on 2007 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 and payment of a gross receipts tax considered supplemental Municipal Utility Service Assessment (MUSA) at 1.25% times actual gross operating revenues (\$1,231). In addition to these MUSA payments, the Electric Utility paid MUSA on its net plant in service (\$3,083).

- The Electric Utility entered into a participation agreement with Chugach Electric Association, Inc. on August 28, 2008 to proceed with the joint development, construction and operation of the Southcentral Power Project ("the Project"). The approximate capacity of the Project is 180MW, of which the Utility's proportionate share will be 54MW, or 30%. The Utility's estimated share of the cost of the project at this time is \$110,561, including interest during construction. The Electric Utility has recorded capital expenditures of \$2,035 as of December 31, 2008. The Project is anticipated to enter commercial operation by January 1, 2014.
- The Water Utility's net capital assets increased by \$18,117 or 4.2% in 2008 compared with an \$18,784 or 4.6% increase in 2007. The increase is mostly due to additions to transmission and distribution systems, including the Anchorage Water Loop IV project (\$19,000).
- The Water Utility's net assets increased by \$1,463 or 2% during 2008. Operating revenues increased slightly \$430 due to modest customer growth. The decrease in non-operating revenues of \$1,100 due to lower return on investments and special items of \$1,331 due to the write-off of net pension and net OPEB obligations were contributing factors to the Water Utility's change in net assets.
- The Wastewater Utility's net capital assets increased by \$11,855 or 4.0% in 2008 compared with an \$11,876 or 4.2% increase in 2007. The increase is due to asset additions of \$21,600 but offset by accumulated depreciation of \$12,400.
- The Wastewater Utility's net assets increased \$1,407 or 2.6% during 2008. Operating revenues were steady in 2008, while operating expenses increased by \$1,978 in part due to a \$995 increase in depreciation expense associated with increased capital assets in service. Special items of \$1,239 due to the write-off of net pension and net OPEB obligations also contributed to the Utility's change in net assets.
- During 2008, the Port's total assets increased by \$76,068. Non-current assets increased by \$81,582 million due to an increase in advances to the Maritime Administration (MARAD) for the Port's intermodal expansion projects. Current and other assets decreased by \$5,514 due mostly to a decrease in both the general cash pool and construction cash pool.
- The Port has been presented as a major enterprise fund for 2008 because it met the major fund eligibility criteria.
- The Port's net assets increased by \$36,938 or 32% during 2008, due primarily from capital contributions of \$35,974 for the expansion project, largely from the State of Alaska.
- The Port's liabilities increased by \$39,130 in 2008, primarily from the issuance of \$40,000 of subordinate lien port revenue notes (commercial paper) for the expansion project.

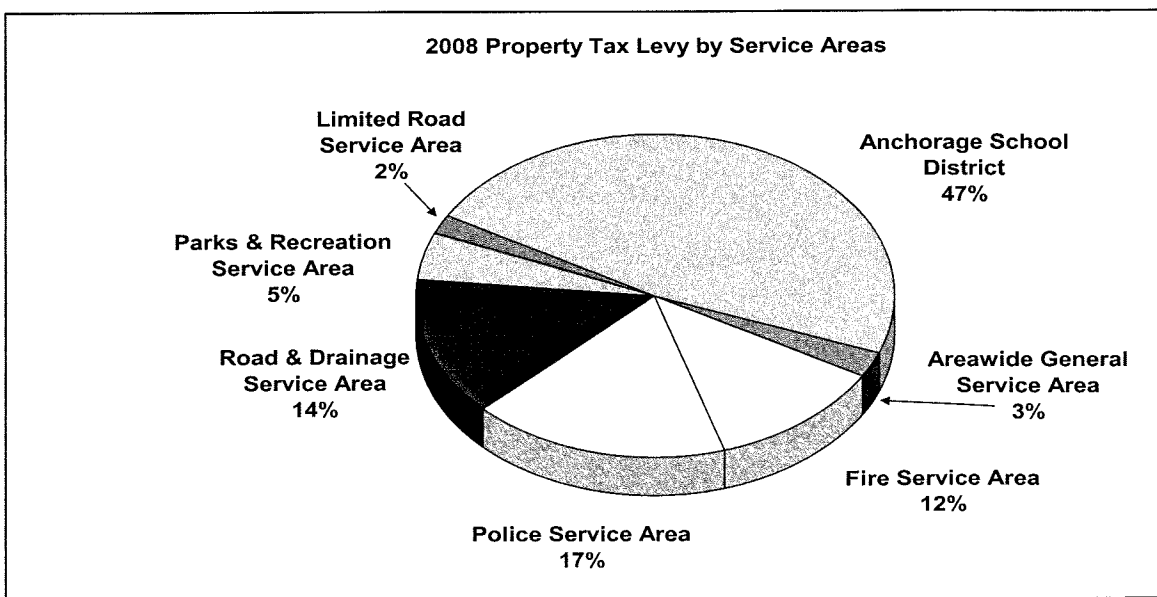
General Fund Budgetary Highlights

The 2008 approved budget (adopted in late 2007) includes projected funding sources.

In early May 2008, the rate of tax levy was established and taxes levied for general purposes that included all service areas of Anchorage and the Anchorage School District (ASD). With the benefit of actual fiscal year end financial data, the general purpose operating budget for 2008 was revised, including a calculation of the total amount of property tax revenue requirement. In addition to the revised general purpose operating budget, the annual operating budget for ASD had been approved for its fiscal year, July 1 – June 30. Based on the combination of the property tax revenue requirement of the two budgets, the property tax levy was set, net of State revenues shared with Anchorage and applied as tax relief.

Throughout the year supplemental appropriations are requested for unanticipated, high priority needs. The following were major revisions to the approved budget during 2008 (in thousands):

- Five Major Service Areas – Areawide, Fire, Roads and Drainage, Police, Parks and Recreation:
 - \$212,166 contribution to Anchorage School District for property taxes collected on their behalf by general government.
 - \$2,890 debt service associated with Tax Anticipation Notes.
 - \$1,000 to Areawide Capital Improvement program for Eagle River Town Center project.
 - \$1,808 to Development Services for Permitting Inspection and Licensing system.
 - \$1,258 to Heritage Land Bank Capital Fund for land purchases and capital projects.
 - \$1,700 to Anchorage Roads and Drainage Service Area for energy efficient roadway light fixtures.
 - \$674 to Anchorage Fire Department for emergency response fire apparatus.
 - \$1,826 to General Government Operating Budget and Anchorage Fire Service area to commensurate with 2008 expenditure projections for various departments and funds.
 - \$436 reimbursed cost revenues to Anchorage Fire Department Operating Budget Fire Service Area fund.
 - \$1,223 to various service areas for road maintenance and miscellaneous operational needs.



In 2008 the original tax requirement was \$233,344; however \$15,636 was dedicated to tax relief, reducing the actual levy to \$217,708.

Capital Asset and Debt Administration

Capital Assets

At the end of 2008 and 2007, Anchorage had invested \$4,480,352 and \$4,312,663 in a broad range of capital assets, including police and fire equipment, buildings, land, and infrastructure (reference Table A-3). More detailed information about Anchorage's capital assets is presented in Note 5, Capital Assets, in the basic financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	As Restated 2007	2008	2007
	Land	\$ 1,222,791	\$ 1,216,469	\$ 51,044	\$ 51,120	\$ 1,273,835
Buildings and building improvements	270,419	166,457	246,540	232,031	516,959	398,488
Art	16,808	16,007	-	-	16,808	16,007
Equipment	55,511	50,134	-	-	55,511	50,134
Distribution and collection systems	-	-	932,309	899,628	932,309	899,628
Infrastructure	1,482,854	1,484,811	-	-	1,482,854	1,484,811
Construction work- in-progress	145,722	134,601	56,354	61,405	202,076	196,006
Total	\$ 3,194,105	\$ 3,068,479	\$ 1,286,247	\$ 1,244,184	\$ 4,480,352	\$ 4,312,663

In 2008, total governmental activities capital asset additions were \$335,711, with the majority of the additions in construction work-in-progress, buildings and building improvements. Anchorage also purchased and traded land for various projects in 2008.

Significant additions to governmental activities capital assets during 2008 were \$119,773 of building and improvement additions, \$21,690 of equipment, and \$7,569 of infrastructure additions.

Business-type activities capital assets increased by \$211,689 during 2008 primarily due to distribution and collection system additions of \$83,825 and construction work-in-progress additions of \$99,256.

Long-term Debt

At December 31, 2008 Anchorage had \$1,133,951 in debt outstanding, an increase of 2.7% from 2007 debt outstanding of \$1,105,629 (reference Table A-4). More detailed information about Anchorage's long-term debt liabilities is presented in Note 10, 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	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 475,781	\$ 441,657	\$ 970	\$ 1,402	\$ 476,751	\$ 443,059
Revenue bonds	45,565	48,255	375,390	396,391	420,955	444,646
CIVICVentures revenue bonds	110,615	110,920	-	-	110,615	110,920
Special assessment debt with governmental commitment	-	335	-	40	-	375
Capital leases	4,089	1,559	-	-	4,089	1,559
Long-term contracts	4,960	5,060	114,647	98,010	119,607	103,070
HUD loans	1,934	2,000	-	-	1,934	2,000
Total	\$ 642,944	\$ 609,786	\$ 491,007	\$ 495,843	\$ 1,133,951	\$ 1,105,629

New debt in governmental activities resulted from the issuance of general obligation bonds in the amount of \$60,789.

Anchorage's general obligation bonds are rated AA Stable by both Standard & Poor's and 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 2008 actual road infrastructure maintenance and preservation expense was 13% more than estimated.

A condition assessment was performed in 2008 and indicated approximately 80.18% of total paved roads as being in good or better condition. This assessment result increased slightly from the assessment results of 80.01% received during the 2005 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 2011.

Economic Factors and Next Year's Budgets and Rates

Anchorage's population rose 0.41% from July 1, 2007 to July 1, 2008; and preliminary unemployment data stands at 6.6%, which is above the national average of 5.8%.

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 2009, the property tax levy represents 54% of the General Government Operating Budget

(GGOB) revenue. However, an areawide tax credit in the amount of \$18,000,000 brings the total property tax support down to 53%. Local taxes and program revenues account for the majority of the remaining revenues (33%) with intra-governmental charges outside of general government (5%) and Federal and State revenues (5%) forming the balance.

The 2009 GGOB as revised at first quarter is \$9 million less than the revised budget approved at first quarter for 2008. This includes a \$1.9 million increase in debt service for voter-approved bonds. Thirteen police positions were postponed in the 2009 operating budget. Property taxes supporting the 2009 budget increased from \$217.7 million in 2008 to \$232.3 million in 2009 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 50% in 2008 to 51% in 2009.

In 2008, the investments for the Police & Fire Retirement Pension Trust fund sustained substantial losses of \$(115,668) to its investment portfolios. In April 2009, the Police & Fire Retirement Board adopted the actuary's recommendation to recover the underfunding that occurred in 2008. The Retirement Board approved a 15 year amortization period that will require annual Municipal contributions of \$12 million beginning in 2010. If the Plan I, II, and III investments recover during 2009, it is possible that the required 2011 contribution may be reduced.

The 2009 Anchorage Utilities' operating budgets total \$248,303 and Utilities' capital budgets total \$299,743.

Anchorage 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, the Water Utility and Wastewater 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:

On September 2, 2005, the RCA issued an order establishing a revenue requirement for the Water's and Wastewater's Utility rates that excluded MUSA expense associated with the contributed portion of the Utilities' plant balances. The Utilities filed an appeal with the Alaska Superior Court in 2005 where the Superior Court upheld the Commission decision. The Superior Court decision was appealed to the State of Alaska Supreme Court. On May 8, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the 2005 exclusion of MUSA from the Utilities' revenue requirement. The Court remanded the case to the RCA for further proceedings to make a determination on the merits of the reasonableness of the Utility's proposed rate increase. Revenue collected subject to refunds approximated \$15 million and \$9.5 million through December 31, 2008 for Water and Wastewater, respectively, and approximately \$3 million and \$2.5 million of which was associated with revenues collected in 2008. In light of the May 8th Supreme Court decision, the Utilities believe that it is unlikely that they will be required to refund the revenue collected, and therefore have not recorded a liability for refunds payable.

For more information on current rate cases, see the notes to the financial statements.

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. 6th 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, 2008

(With summarized financial information at December 31, 2007)

Assets	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Anchorage School District
Current assets:				
Cash	\$ 24,623	\$ 5,025	\$ 29,648	\$ —
Cash in central treasury	180,858,871	59,952,000	240,810,871	—
Master lease agreement	1,265,125	—	1,265,125	—
Investments	24,503,166	—	24,503,166	216,700,632
Interest receivable	—	510,687	510,687	348,282
Receivables (net of allowance for uncollectibles)	24,676,987	32,440,833	57,117,820	19,060,769
Due from primary government	—	—	—	109,196,480
Due from component unit	229,824	—	229,824	—
Inventories	1,334,715	25,021,026	26,355,741	2,911,107
Prepaid items and deposits	2,203,319	56,498	2,259,817	8,329,851
Deferred charges	—	177,584	177,584	6,889,363
Restricted assets:				
Investments	118,882,426	—	118,882,426	—
Investments in TCH, LLC	395,691	—	395,691	—
Investment, art collection	—	—	—	—
Customer deposits	—	1,202,234	1,202,234	—
Restricted deposits	—	44,529,449	44,529,449	—
Bond acquisition and construction	—	83,766,466	83,766,466	—
Bond operation and maintenance	—	8,412,337	8,412,337	—
Debt service accounts	—	4,914,157	4,914,157	—
Landfill post closure cash reserve	—	1,383,415	1,383,415	—
Mitigation reserve investment	—	3,692,107	3,692,107	—
Interest receivable	974,721	—	974,721	—
Receivables	—	336,748	336,748	—
Intergovernmental receivables	50,841,118	969,429	51,810,547	—
Total current assets	406,190,586	267,369,995	673,560,581	363,436,484
Noncurrent assets:				
Deferred charges and other assets	4,787,920	8,745,877	13,533,797	—
Internal balances	(5,737,147)	5,737,147	—	—
Loans and leases receivable, net	52,303,223	13,185	52,316,408	—
Restricted assets:				
Customer deposits	—	780,987	780,987	—
Advances to Marad	—	98,800,001	98,800,001	—
Revenue bond reserve investments	—	26,143,690	26,143,690	—
Capital assets, not being depreciated	2,700,200,503	107,397,851	2,807,598,354	274,004,402
Capital assets, being depreciated, net	493,904,769	1,178,849,122	1,672,753,891	916,300,202
Total noncurrent assets	3,245,459,268	1,426,467,860	4,671,927,128	1,190,304,604
Total assets	\$ 3,651,649,854	\$ 1,693,837,855	\$ 5,345,487,709	\$ 1,553,741,088
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 16,363,492	\$ 17,938,465	\$ 34,301,957	\$ 14,778,143
Accrued expenses	—	—	—	—
Accrued interest payable	6,815,214	5,049,619	11,864,833	11,955,144
Accrued payroll liabilities	11,017,646	2,134,781	13,152,427	10,058,096
Current portion of long-term obligations	51,627,637	33,994,353	85,621,990	65,703,680
Notes payable	—	40,000,000	40,000,000	—
Due to primary government	—	—	—	—
Due to component unit	72,657,237	—	72,657,237	—
Unearned revenue	8,101,013	113,914	8,214,927	109,642,132
Liabilities payable from restricted assets	874,665	6,978,443	7,853,108	—
Total current liabilities	167,456,904	106,209,575	273,666,479	212,137,195
Noncurrent liabilities:				
Liabilities payable from restricted assets	—	780,987	780,987	—
Deferred credits	561,878	500,247,097	500,808,975	—
Noncurrent portion of long-term obligations	770,875,144	480,439,050	1,251,314,194	789,326,962
Total noncurrent liabilities	771,437,022	981,467,134	1,752,904,156	789,326,962
Total liabilities	938,893,926	1,087,676,709	2,026,570,635	1,001,464,157
Net assets (deficit):				
Invested in capital assets, net of related debt	2,593,651,856	416,812,027	3,010,463,883	459,600,531
Restricted for:				
Debt service	39,374,953	30,636,683	70,011,636	2,709,623
Maintenance and operations	—	—	—	—
Acquisition and construction	85,634,865	94,080,439	179,715,304	20,687,437
Convention center operating reserve	4,386,055	—	4,386,055	—
Grant activity	17,226,072	—	17,226,072	—
Heritage land bank	713,705	—	713,705	—
Perpetual care:				
Nonexpendable	352,673	—	352,673	—
MOA trust:				
Nonexpendable	89,372,426	—	89,372,426	—
Expendable	7,000,000	—	7,000,000	—
Endowment	—	—	—	—
Unrestricted	(124,956,677)	64,631,997	(60,324,680)	69,279,340
Total net assets	2,712,755,928	606,161,146	3,318,917,074	552,276,931
Total liabilities and net assets	\$ 3,651,649,854	\$ 1,693,837,855	\$ 5,345,487,709	\$ 1,553,741,088

See accompanying notes to basic financial statements.

Component Units (Continued)		Total Reporting Entity	
Anchorage Community Development Authority	Alaska Center for the Performing Arts	December 31, 2008	December 31, 2007
\$ 2,797,424	\$ 1,237,532	\$ 4,064,604	\$ 4,639,070
—	—	240,810,871	271,928,506
—	—	1,265,125	—
—	—	241,203,798	197,514,410
—	—	858,969	2,392,475
242,111	27,147	76,447,847	70,610,404
—	—	109,196,480	104,074,207
—	—	229,824	173,161
—	—	29,266,848	24,546,135
15,983	47,869	10,653,520	5,202,944
—	—	7,066,947	7,236,133
—	—	118,882,426	196,747,331
—	—	395,691	—
—	127,042	127,042	—
—	—	1,202,234	1,093,868
20,507	658,887	45,208,843	19,210,544
—	—	83,766,466	45,562,272
—	—	8,412,337	89,202,738
—	—	4,914,157	4,542,531
—	—	1,383,415	—
—	—	3,692,107	—
—	—	974,721	1,036,636
—	—	336,748	498,639
—	—	51,810,547	28,406,465
<u>3,076,025</u>	<u>2,098,477</u>	<u>1,042,171,567</u>	<u>1,074,618,469</u>
3,578,546	—	17,112,343	17,592,670
2,975,000	—	55,291,408	58,965,935
—	—	780,987	825,818
—	—	98,800,001	17,039,618
—	—	26,143,690	27,275,837
11,059,217	—	3,092,661,973	3,045,076,452
17,203,521	—	2,606,257,614	2,468,849,854
<u>34,816,284</u>	<u>—</u>	<u>5,897,048,016</u>	<u>5,635,626,184</u>
<u>\$ 37,892,309</u>	<u>\$ 2,098,477</u>	<u>\$ 6,939,219,583</u>	<u>\$ 6,710,244,653</u>
\$ 654,877	\$ 417,333	\$ 50,152,310	\$ 38,268,070
—	—	—	4,200,578
—	—	23,819,977	21,024,780
—	—	23,210,523	—
—	—	151,325,670	143,546,055
—	—	40,000,000	—
119,977	83,668	203,645	153,892
—	—	72,657,237	68,786,620
161,720	435,356	118,454,135	113,161,205
—	61,291	7,914,399	9,182,820
<u>936,574</u>	<u>997,648</u>	<u>487,737,896</u>	<u>398,324,020</u>
—	—	780,987	944,443
—	—	500,808,975	474,406,325
808,000	—	2,041,449,156	2,023,332,360
<u>808,000</u>	<u>—</u>	<u>2,543,039,118</u>	<u>2,498,683,128</u>
<u>1,744,574</u>	<u>997,648</u>	<u>3,030,777,014</u>	<u>2,897,007,148</u>
28,262,738	—	3,498,327,152	3,421,653,389
—	—	72,721,259	85,495,587
—	658,887	658,887	600,690
—	—	200,402,741	116,024,668
—	—	4,386,055	3,888,946
—	—	17,226,072	18,540,428
—	—	713,705	1,530,258
—	—	352,673	346,486
—	—	89,372,426	134,193,845
—	—	7,000,000	6,700,000
—	58,214	58,214	59,296
7,884,997	383,728	17,223,385	24,203,912
<u>36,147,735</u>	<u>1,100,829</u>	<u>3,908,442,569</u>	<u>3,813,237,505</u>
<u>\$ 37,892,309</u>	<u>\$ 2,098,477</u>	<u>\$ 6,939,219,583</u>	<u>\$ 6,710,244,653</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Activities

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

Functions/Programs	Expenses	Program Revenues			Net (Expense), Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 34,055,394	\$ 16,169,865	\$ 6,640,486	\$ 5,200,543	\$ (6,044,500)
Fire services	78,741,178	8,864,033	2,675,060	2,610,699	(64,591,386)
Police services	99,833,510	18,649,891	5,838,859	359,970	(74,984,790)
Health and human services	26,458,471	3,669,266	11,677,887	—	(11,111,318)
Economic & community development	74,829,162	5,406,449	9,207,445	5,819,603	(54,395,665)
Public transportation	28,522,303	4,545,387	3,286,559	12,692,430	(7,997,927)
Public works	53,203,163	8,256,833	6,981,122	39,563,578	1,598,370
Education	212,266,737	—	—	—	(212,266,737)
Maintenance and operations of roads and facilities	35,404,978	202,171	1,462,578	1,962,654	(31,777,575)
Interest on long-term debt	29,822,096	—	—	—	(29,822,096)
Total governmental activities	673,136,992	65,763,895	47,769,996	68,209,477	(491,393,624)
Business-type activities:					
Water	39,388,902	43,613,176	664,439	—	—
Wastewater	31,803,895	35,151,553	637,983	—	—
Electric	90,760,462	108,272,636	—	—	—
Port	11,533,424	12,574,534	57,205	35,974,275	—
Municipal Airport	3,229,657	1,289,585	29,234	3,161,649	—
Solid Waste	15,555,914	18,197,048	139,709	—	—
Refuse	7,367,979	8,013,803	86,480	—	—
Cooperative Services Authority	1,314,503	642,496	—	—	—
Total business-type activities	200,954,736	227,754,831	1,615,050	39,135,924	—
Total primary government	\$ 874,091,728	\$ 293,518,726	\$ 49,385,046	\$ 107,345,401	\$ (491,393,624)
Component Units:					
Anchorage School District	\$ 695,345,258	\$ 7,700,114	\$ 171,431,127	\$ 41,082,316	
Anchorage Community Development Authority	7,912,964	6,970,057	—	—	
Alaska Center for the Performing Arts	2,545,752	2,359,302	268,833	—	
Total Component Units	\$ 705,803,974	\$ 17,029,473	\$ 171,699,960	\$ 41,082,316	
General revenues:					
Property taxes					435,202,824
Motor vehicle taxes					10,535,938
Lodging taxes					22,173,862
Tobacco taxes					16,658,407
Assessments in lieu of taxes					2,086,576
Grants and entitlements not restricted to specific programs					15,112,751
Appropriation from Municipality of Anchorage					—
Investment income (losses)					(47,269,808)
Other					—
Transfers from (to) other funds					21,042,141
Special item:					
NPO/OPEB write-off					22,986,984
Total general revenues, transfers, and special item					498,529,675
Change in net assets					7,136,051
Net assets, beginning of year, as restated					2,705,619,877
Net assets, end of year					\$ 2,712,755,928

See accompanying notes to basic financial statements.

Net (Expense),
Revenue and Changes in Net Assets
(Continued)

Primary Government		Component Units			Total Reporting Entity	
Business-Type Activities	Total	Anchorage School District	Anchorage Community Development Authority	Alaska Center for the Performing Arts	2008	2007
\$ —	\$ (6,044,500)	\$ —	\$ —	\$ —	\$ (6,044,500)	\$ (8,311,213)
—	(64,591,386)	—	—	—	(64,591,386)	(62,456,061)
—	(74,984,790)	—	—	—	(74,984,790)	(68,439,611)
—	(11,111,318)	—	—	—	(11,111,318)	(11,213,976)
—	(54,395,665)	—	—	—	(54,395,665)	(44,815,975)
—	(7,997,927)	—	—	—	(7,997,927)	(17,467,969)
—	1,598,370	—	—	—	1,598,370	(26,552,797)
—	(212,266,737)	—	—	—	(212,266,737)	(200,028,978)
—	(31,777,575)	—	—	—	(31,777,575)	(24,624,886)
—	(29,822,096)	—	—	—	(29,822,096)	(29,613,108)
—	(491,393,624)	—	—	—	(491,393,624)	(493,524,574)
4,888,713	4,888,713	—	—	—	4,888,713	8,278,688
3,985,641	3,985,641	—	—	—	3,985,641	7,351,109
17,512,174	17,512,174	—	—	—	17,512,174	21,704,868
37,072,590	37,072,590	—	—	—	37,072,590	2,073,848
1,250,811	1,250,811	—	—	—	1,250,811	2,980,659
2,780,843	2,780,843	—	—	—	2,780,843	(1,647,932)
732,304	732,304	—	—	—	732,304	704,700
(672,007)	(672,007)	—	—	—	(672,007)	(705,838)
67,551,069	67,551,069	—	—	—	67,551,069	40,740,102
\$ 67,551,069	\$ (423,842,555)	\$ —	\$ —	\$ —	\$ (423,842,555)	\$ (452,784,472)
		\$ (475,131,701)	\$ —	\$ —	\$ (475,131,701)	\$ (472,872,719)
		—	(942,907)	—	(942,907)	1,159,266
		—	—	82,383	82,383	(402,301)
		\$ (475,131,701)	\$ (942,907)	\$ 82,383	\$ (475,992,225)	\$ (472,115,754)
—	435,202,824	—	—	—	435,202,824	381,995,766
—	10,535,938	—	—	—	10,535,938	10,291,028
—	22,173,862	—	—	—	22,173,862	20,209,303
—	16,658,407	—	—	—	16,658,407	16,560,416
—	2,086,576	—	—	—	2,086,576	1,775,622
—	15,112,751	293,416,067	—	—	308,528,818	303,901,289
—	—	206,359,861	—	—	206,359,861	191,602,288
1,796,671	(45,473,137)	8,523,023	301,594	41,934	(36,606,586)	53,679,181
—	—	2,794,520	—	—	2,794,520	1,861,280
(21,042,141)	—	—	—	—	—	—
4,097,662	27,084,646	—	220,978	—	27,305,624	—
(15,147,808)	483,381,867	511,093,471	522,572	41,934	995,039,844	981,876,173
52,403,261	59,539,312	35,961,770	(420,335)	124,317	95,205,064	56,975,947
553,757,885	3,259,377,762	516,315,161	36,568,070	976,512	3,813,237,505	3,756,261,558
\$ 606,161,146	\$ 3,318,917,074	\$ 552,276,931	\$ 36,147,735	\$ 1,100,829	\$ 3,908,442,569	\$ 3,813,237,505

MUNICIPALITY OF ANCHORAGE, ALASKA

Balance Sheet
Governmental Funds
December 31, 2008

(With summarized financial information at December 31, 2007)

Assets	General	MOA Trust	Capital Projects Roads & Drainage	Other Governmental Funds	Total Governmental Funds	
					December 31, 2008	December 31, 2007
Cash	\$ —	\$ —	\$ —	\$ 24,623	\$ 24,623	\$ 31,603
Cash in central treasury	101,840,027	—	10,875,634	41,133,544	153,849,205	174,900,593
Master lease agreement escrow	154,863	—	—	—	154,863	—
Investments	120,000	—	—	24,383,166	24,503,166	36,511,623
Due from other funds	1,414,031	—	12,650,999	47,309	14,112,339	12,802,047
Receivables (net of allowance for uncollectibles)	20,319,693	—	1,020,000	2,008,547	23,348,240	22,836,106
Interest receivable	—	—	—	4	4	4
Special assessments receivable	1,007,046	—	—	321,701	1,328,747	1,655,151
Due from component units	146,156	—	—	83,668	229,824	173,161
Inventories	973,023	—	—	—	973,023	1,012,982
Prepaid items and deposits	93,196	—	—	1,500,734	1,593,930	1,284,807
Advances to other funds	421,526	—	—	—	421,526	—
Restricted assets:						
Investments	—	96,615,703	—	16,416,489	113,032,192	192,370,480
Investments in TCH, LLC	—	—	—	395,691	395,691	—
Intergovernmental receivables	1,058,135	—	15,615,702	34,167,281	50,841,118	28,406,465
Interest receivables	—	34,248	—	—	34,248	33,320
Loans receivable, net	45,565,000	—	—	6,738,223	52,303,223	54,051,441
Total assets	\$ 173,112,696	\$ 96,649,951	\$ 40,162,335	\$ 127,220,980	\$ 437,145,962	\$ 526,069,783
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and retainages	\$ 6,760,046	\$ 76,739	\$ 4,094,886	\$ 4,212,193	\$ 15,143,864	\$ 20,987,406
Accrued payroll liabilities	10,096,976	—	—	394,573	10,491,549	—
Due to other funds	—	200,786	—	13,911,553	14,112,339	2,655,153
Due to component unit	72,657,237	—	—	—	72,657,237	68,786,620
Unearned revenue and deposits	57,530,047	—	—	7,844,012	65,374,059	66,956,036
Advances from other funds	—	—	—	4,537,779	4,537,779	3,923,402
Total liabilities	147,044,306	277,525	4,094,886	30,900,110	182,316,827	163,308,617
Fund balances:						
Reserved:						
Encumbrances	231,362	—	44,974,433	39,610,473	84,816,268	49,487,815
Inventories	973,023	—	—	—	973,023	1,012,982
Prepaid items and deposits	93,196	—	—	1,500,635	1,593,831	1,284,708
Long-term loans	—	—	—	4,344,600	4,344,600	5,341,722
Perpetual care	—	—	—	352,673	352,673	346,486
MOA trust	—	96,372,426	—	—	96,372,426	140,893,845
Debt service	—	—	—	46,163,122	46,163,122	57,375,154
Unreserved, designated:						
Bond rating and operating emergencies reported in General Fund	19,782,164	—	—	—	19,782,164	28,613,168
Special revenue funds	—	—	—	11,549,708	11,549,708	10,849,891
Capital projects funds	—	—	—	9,105,715	9,105,715	51,719,855
Unreserved, undesignated, reported in:						
General fund	4,988,645	—	—	—	4,988,645	12,529,965
Special revenue funds	—	—	—	752,158	752,158	837,020
Capital projects funds	—	—	(8,906,984)	(17,058,214)	(25,965,198)	2,468,555
Total fund balances	26,068,390	96,372,426	36,067,449	96,320,870	254,829,135	362,761,166
Total liabilities and fund balances	\$ 173,112,696	\$ 96,649,951	\$ 40,162,335	\$ 127,220,980	\$ 437,145,962	\$ 526,069,783

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, 2008

Amounts reported as fund balance on the governmental fund balance sheet		\$ 254,829,135
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.		3,194,105,272
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	\$ 46,505,469	
Property taxes	8,836,225	
HUD 108 receivable	1,585,624	
Long term loan receivable, net activity	1,329,665	
Deferred charges	<u>4,787,920</u>	
		63,044,903
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	35,391,257	
Net of amounts included in:		
Capital assets, net of depreciation	(30,056,409)	
Compensated absences	<u>1,107,236</u>	
		6,442,084
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	(475,781,420)	
Revenue bonds	(45,565,000)	
Master lease agreement	(175,000)	
Notes and contracts	(7,707,203)	
CIVICVentures revenue bonds	(110,615,000)	
Compensated absences	(20,387,555)	
Police and fire postemployment healthcare benefits liability	(138,662,444)	
Accrued interest payable	<u>(6,771,844)</u>	
		(805,665,466)
Net assets of governmental activities		<u><u>\$ 2,712,755,928</u></u>

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, 2008
(With summarized financial information for the year ended December 31, 2007)

	General	MOA Trust	Capital Projects Roads & Drainage	Other Governmental Funds	Total Governmental Funds	
					2008	2007
Revenues:						
Taxes	\$ 471,351,448	\$ —	\$ —	\$ 12,855,890	\$ 484,207,338	\$ 427,597,302
Payments in lieu of taxes	2,086,576	—	—	—	2,086,576	1,775,622
Special assessments	221,069	—	—	938,559	1,159,628	1,250,564
Licenses and permits	10,950,551	—	—	—	10,950,551	12,288,396
Intergovernmental	35,951,964	—	27,028,592	61,444,657	124,425,213	102,611,734
Charges for services	28,674,872	—	—	5,437,268	34,112,140	31,845,148
Fines and forfeitures	8,721,712	—	—	274,758	8,996,470	10,043,220
Investment income (loss)	(104,761)	(37,224,595)	129	(9,959,303)	(47,288,530)	31,072,851
Restricted contributions	560	—	495,705	2,829,921	3,326,186	1,855,989
Other	3,467,394	—	45,753	1,289,313	4,802,460	5,004,863
Total revenues	561,321,385	(37,224,595)	27,570,179	75,111,063	626,778,032	625,345,689
Expenditures:						
Current:						
General government	22,424,879	696,824	—	1,927,853	25,049,556	25,927,198
Fire services	73,862,934	—	—	2,459,692	76,322,626	69,692,211
Police services	97,561,988	—	—	3,975,594	101,537,582	90,424,063
Health and human services	14,400,872	—	—	11,552,267	25,953,139	25,043,484
Economic and community development	48,310,565	—	—	13,325,165	61,635,730	54,158,211
Public transportation	21,914,102	—	—	2,711,659	24,625,761	21,512,366
Public works	24,304,052	—	—	2,132,143	26,436,195	23,556,542
Education	212,165,785	—	—	100,952	212,266,737	200,028,978
Maintenance and operations of roads and facilities	35,830,185	—	—	—	35,830,185	29,719,944
Debt service:						
Principal	26,941,078	—	—	3,430,000	30,371,078	29,432,234
Interest	21,601,653	—	—	7,667,386	29,269,039	29,342,270
Bond issuance costs	—	—	398,602	42,556	441,158	102,345
Capital outlay	—	—	97,307,683	74,791,660	172,099,343	151,545,463
Total expenditures	599,318,093	696,824	97,706,285	124,116,927	821,838,129	750,485,309
Excess (deficiency) of revenues over expenditures	(37,996,708)	(37,921,419)	(70,136,106)	(49,005,864)	(195,060,097)	(125,139,620)
Other financing sources (uses):						
Transfers from other funds	32,648,365	—	11,173,354	27,930,921	71,752,640	47,630,377
Transfers to other funds	(11,146,111)	(6,600,000)	(534,264)	(28,499,240)	(46,779,615)	(27,207,181)
General obligation bonds issued	—	—	54,212,000	5,788,000	60,000,000	54,630,000
Refunding bonds issued	—	—	—	—	—	32,245,000
Premium on bond sale	—	—	712,866	76,109	788,975	1,437,390
Discount on refunding bonds	—	—	—	—	—	(98,813)
Payment to refunded bond escrow agent to extinguish debt	—	—	—	—	—	(31,902,070)
Loan proceeds	175,000	—	—	—	175,000	—
Insurance recoveries	4,523	—	34,197	—	38,720	22,316
Gain on disposition of capital assets	30,058	—	—	1,122,288	1,152,346	1,071,446
Total other financing sources (uses)	21,711,835	(6,600,000)	65,598,153	6,418,078	87,128,066	77,828,465
Net change in fund balances	(16,284,873)	(44,521,419)	(4,537,953)	(42,587,786)	(107,932,031)	(47,311,155)
Fund balances, beginning of year	42,353,263	140,893,845	40,605,402	138,908,656	362,761,166	410,072,321
Fund balances, end of year	\$ 26,068,390	\$ 96,372,426	\$ 36,067,449	\$ 96,320,870	\$ 254,829,135	\$ 362,761,166

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, 2008

Net change in fund balance – total governmental funds		\$ (107,932,031)
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	\$ 155,946,242	
Contributed assets	3,340,824	
Depreciation expense	<u>(34,296,800)</u>	
		124,990,266
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(880,136)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:		
Property taxes	305,991	
Jail lease receivable, net activity	(2,752,843)	
HUD 108 receivable	<u>(339,768)</u>	
		(2,786,620)
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	(60,000,000)	
Master lease agreement loan proceeds	(175,000)	
Principal repayment	30,371,078	
Net change in premium/discount	(788,975)	
Net change in bond issuance costs	(45,748)	
Net change in interest accrual	<u>(46,333)</u>	
		(30,684,978)
Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures or revenues in governmental funds.		
Compensated absences		(1,790,309)
Net pension obligation		(308,824)
Net other postemployment benefits obligation		(39,651)
HUD rehabilitation Loans payable		(29,720)
HUD section 108 loan payable, net activity		22,630
Police and fire postemployment healthcare benefits liability, net activity		2,436,802
Special Item - NPO/OPEB write-off		21,934,338
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>2,204,284</u>
Change in net assets of governmental activities		<u>\$ 7,136,051</u>

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

Proprietary Funds

December 31, 2008

(With summarized financial information at December 31, 2007)

Business-Type Activities – Enterprise Funds

Assets	Electric Utility	Water Utility	Wastewater Utility	Port
Current assets:				
Cash	\$ 1,600	\$ —	\$ —	\$ 150
Cash in central treasury	11,080,187	17,122,430	15,626,317	8,461,888
Master lease agreement escrow	—	—	—	—
Due from other funds	—	—	—	—
Due from component units	—	—	—	—
Receivables (net of allowance for uncollectibles)	21,694,653	3,657,960	2,894,138	570,746
Interest receivable	424,634	25,579	24,437	34,014
Current portion of lease receivable	—	—	—	224,622
Inventories	22,735,241	1,553,233	402,509	330,043
Prepaid items and deposits	—	—	—	31,922
Special assessments receivable	—	97,676	125,934	—
Unbilled reimbursable projects	203,778	375,701	278,940	—
Deferred charges and other assets	177,584	—	—	—
Restricted assets:				
Customer deposits	1,202,234	—	—	—
Restricted deposits	44,529,449	—	—	—
Receivables	—	—	—	—
Intergovernmental receivables	—	—	—	969,429
Bond and acquisition and construction accounts	—	36,861,520	14,207,631	15,505,292
Landfill post closure cash reserve	—	—	—	—
Mitigation reserve investment	—	—	—	3,692,107
Revenue bond operations and maintenance accounts	8,000,000	—	—	—
Debt service accounts	2,193,273	2,720,647	237	—
Total current assets	<u>112,242,633</u>	<u>62,414,746</u>	<u>33,560,143</u>	<u>29,820,213</u>
Noncurrent assets:				
Loans receivable, net	—	—	—	—
Advances to other funds	4,116,253	—	—	—
Deferred charges and other assets	3,575,683	2,483,584	2,672,812	13,596
Restricted assets:				
Customer deposits	—	354,958	426,029	—
Advances to Marad	—	—	—	98,800,001
Revenue bond reserve investments	26,143,690	—	—	—
Capital assets, net	359,710,904	446,033,545	307,075,272	63,939,588
Total noncurrent assets	<u>393,546,530</u>	<u>448,872,087</u>	<u>310,174,113</u>	<u>162,753,185</u>
Total assets	<u>\$ 505,789,163</u>	<u>\$ 511,286,833</u>	<u>\$ 343,734,256</u>	<u>\$ 192,573,398</u>

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		December 31, 2008	December 31, 2007
\$ 3,275	\$ 5,025	\$ —	\$ 5,025	\$ 330,069
7,661,178	59,952,000	27,009,666	86,961,666	97,027,913
—	—	1,110,262	1,110,262	—
—	—	1,626,255	1,626,255	908,016
—	—	—	—	707,804
2,316,685	31,134,182	—	31,134,182	22,049,732
2,023	510,687	—	510,687	807,798
—	224,622	—	224,622	266,023
—	25,021,026	361,692	25,382,718	19,705,799
24,576	56,498	609,389	665,887	577,452
—	223,610	—	223,610	190,122
—	858,419	—	858,419	804,881
—	177,584	—	177,584	187,160
—	1,202,234	—	1,202,234	1,093,868
—	44,529,449	—	44,529,449	18,593,058
336,748	336,748	—	336,748	498,639
—	969,429	—	969,429	—
17,192,023	83,766,466	5,850,234	89,616,700	49,939,123
1,383,415	1,383,415	—	1,383,415	—
—	3,692,107	—	3,692,107	—
412,337	8,412,337	—	8,412,337	89,202,738
—	4,914,157	—	4,914,157	4,542,531
<u>29,332,260</u>	<u>267,369,995</u>	<u>36,567,498</u>	<u>303,937,493</u>	<u>307,432,726</u>
13,185	13,185	—	13,185	14,102
—	4,116,253	3,382,176	7,498,429	8,447,368
202	8,745,877	—	8,745,877	9,179,871
—	780,987	—	780,987	825,818
—	98,800,001	—	98,800,001	17,039,618
—	26,143,690	—	26,143,690	27,275,837
109,487,664	1,286,246,973	30,056,409	1,316,303,382	1,272,724,712
109,501,051	1,424,846,966	33,438,585	1,458,285,551	1,335,507,326
<u>\$ 138,833,311</u>	<u>\$ 1,692,216,961</u>	<u>\$ 70,006,083</u>	<u>\$ 1,762,223,044</u>	<u>\$ 1,642,940,052</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets
Proprietary Funds

December 31, 2008

(With summarized financial information at December 31, 2007)

Business-Type Activities – Enterprise Funds

Liabilities and Net Assets	Electric Utility	Water Utility	Wastewater Utility	Port
Current liabilities:				
Accounts payable and retainages	\$ 15,798,365	\$ 1,143,451	\$ 403,004	\$ 175,887
Accrued payroll liabilities payable	920,670	569,876	512,711	—
Compensated absences payable	2,004,853	972,807	932,210	179,241
Claims payable	—	—	—	—
Claims incurred but not reported	—	—	—	—
Notes payable	—	—	—	40,000,000
Due to other funds	—	—	—	—
Accrued interest payable	833,501	2,775,748	1,250,842	—
Long-term obligations maturing within one year	17,270,000	6,244,755	3,976,018	—
Unearned revenue and deposits	—	—	—	—
Current liabilities payable from restricted assets:				
Customer deposits payable	1,705,217	—	—	—
Capital acquisition and construction accounts and retainage payable	—	2,450,283	2,377,509	6,123
Total current liabilities	38,532,606	14,156,920	9,452,294	40,361,251
Noncurrent liabilities:				
General obligation bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	—	490,177	—
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	142,135,791	143,942,582	66,993,046	—
Special assessment bonds payable (net of unamortized discounts)	—	—	—	—
Advances from other funds	—	—	—	—
Alaska water loan payable	—	46,964,219	43,615,100	—
Capital leases payable	—	—	—	—
Unearned revenue	—	—	—	—
Compensated absences payable	—	193,541	185,465	—
Net pension obligation	—	—	—	—
Net other postemployment benefits obligation	—	—	—	—
Liabilities payable from restricted assets:				
Customer deposits	—	354,958	426,029	—
Deferred credits and other liabilities:				
Pollution remediation obligation	—	155,000	102,500	—
Future landfill closure costs	—	—	—	—
Other deferred credits	70,731,758	19,575	—	—
Contributed capital	30,671,798	230,983,679	167,840,287	—
Total noncurrent liabilities	243,539,347	422,613,554	279,652,604	—
Total liabilities	282,071,953	436,770,474	289,104,898	40,361,251
Net assets (deficit):				
Invested in capital assets, net of related debt	169,633,315	54,759,830	38,368,275	63,939,588
Restricted for debt service	27,503,462	2,720,647	237	—
Restricted for acquisition and construction	—	—	—	77,991,277
Unrestricted	26,580,433	17,035,882	16,260,846	10,281,282
Total net assets	223,717,210	74,516,359	54,629,358	152,212,147
Total liabilities and net assets	\$ 505,789,163	\$ 511,286,833	\$ 343,734,256	\$ 192,573,398

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities.

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)			Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds	Governmental Activities – Internal Service Funds	December 31, 2008	December 31, 2007
\$ 417,758	\$ 17,938,465	\$ 1,271,802	\$ 19,210,267	\$ 8,353,230
131,524	2,134,781	526,097	2,660,878	—
607,599	4,696,710	—	4,696,710	5,747,330
—	—	8,128,823	8,128,823	6,469,858
—	—	12,327,800	12,327,800	12,363,657
—	40,000,000	—	40,000,000	—
—	—	1,626,255	1,626,255	11,762,714
189,528	5,049,619	—	5,049,619	4,120,049
1,806,870	29,297,643	731,940	30,029,583	27,136,545
113,914	113,914	43,468	157,382	143,867
—	1,705,217	—	1,705,217	1,104,514
439,311	5,273,226	874,665	6,147,891	8,824,126
3,706,504	106,209,575	25,530,850	131,740,425	86,025,890
—	490,177	—	490,177	946,428
(1,123)	353,070,296	—	353,070,296	373,931,269
—	—	—	—	40,000
—	—	3,382,176	3,382,176	4,523,966
17,570,898	108,150,217	—	108,150,217	93,788,707
—	—	2,411,792	2,411,792	—
—	—	561,878	561,878	740,441
—	379,006	1,107,236	1,486,242	78,404
—	—	—	—	4,485,702
—	—	—	—	664,606
—	780,987	—	780,987	825,818
—	257,500	—	257,500	—
18,091,854	18,091,854	—	18,091,854	16,596,153
—	70,751,333	—	70,751,333	43,458,540
—	429,495,764	—	429,495,764	429,889,270
35,661,629	981,467,134	7,463,082	988,930,216	969,969,304
39,368,133	1,087,676,709	32,993,932	1,120,670,641	1,055,995,194
90,111,019	416,812,027	21,904,246	438,716,273	420,271,295
412,337	30,636,683	—	30,636,683	29,146,974
16,089,162	94,080,439	5,850,234	99,930,673	72,625,042
(7,147,340)	63,011,103	9,257,671	72,268,774	64,901,547
99,465,178	604,540,252	37,012,151	641,552,403	586,944,858
<u>\$ 138,833,311</u>		<u>\$ 70,006,083</u>	<u>\$ 1,762,223,044</u>	<u>\$ 1,642,940,052</u>
	1,620,894			
	<u>\$ 606,161,146</u>			

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

Business-Type Activities – Enterprise Funds

	Electric Utility	Water Utility	Wastewater Utility	Port
Operating revenues:				
Charges for services	\$ 104,525,117	\$ 38,231,695	\$ 33,269,254	\$ 5,237,696
Other	2,682,686	4,825,193	1,311,881	4,691,702
Total operating revenues	<u>107,207,803</u>	<u>43,056,888</u>	<u>34,581,135</u>	<u>9,929,398</u>
Operating expenses:				
Operations	52,422,067	22,626,828	21,393,562	4,646,195
Amortization of future landfill closure costs	—	—	—	—
Depreciation and amortization	25,932,754	7,442,828	6,230,703	4,649,017
Total operating expenses	<u>78,354,821</u>	<u>30,069,656</u>	<u>27,624,265</u>	<u>9,295,212</u>
Operating income	<u>28,852,982</u>	<u>12,987,232</u>	<u>6,956,870</u>	<u>634,186</u>
Nonoperating revenues (expenses):				
Investment income (loss)	345,022	990,083	217,437	254,721
Other revenues	494,080	45,358	—	2,645,136
Intergovernmental revenue	—	664,439	637,983	57,205
Interest expense	(11,798,016)	(8,759,667)	(4,150,150)	—
Allowance for funds used during construction	570,753	510,930	570,418	—
Gain on disposition of assets	—	—	—	—
Amortization of deferred charges	(238,856)	(705,980)	(131,703)	—
Other expenses	(506,664)	—	—	(2,254,587)
Net nonoperating revenues (expenses)	<u>(11,133,681)</u>	<u>(7,254,837)</u>	<u>(2,856,015)</u>	<u>702,475</u>
Income before capital contributions, transfers and special item	17,719,301	5,732,395	4,100,855	1,336,661
Capital contributions	—	—	—	35,974,275
Transfers from other funds	93,205	162,315	155,951	13,855
Transfers to other funds	(9,508,030)	(5,762,882)	(4,088,967)	(480,867)
Special item - NPO/OPEB write-off	920,985	1,331,430	1,239,409	93,773
Change in net assets	9,225,461	1,463,258	1,407,248	36,937,697
Total net assets – beginning, as restated	<u>214,491,749</u>	<u>73,053,101</u>	<u>53,222,110</u>	<u>115,274,450</u>
Total net assets – ending	<u>\$ 223,717,210</u>	<u>\$ 74,516,359</u>	<u>\$ 54,629,358</u>	<u>\$ 152,212,147</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities.

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		2008	2007
\$ 27,521,768	\$ 208,785,530	\$ 88,473,685	\$ 297,259,215	\$ 278,237,073
457,419	13,968,881	—	13,968,881	16,447,229
<u>27,979,187</u>	<u>222,754,411</u>	<u>88,473,685</u>	<u>311,228,096</u>	<u>294,684,302</u>
19,969,054	121,057,706	77,863,596	198,921,302	178,948,499
1,495,701	1,495,701	—	1,495,701	3,684,778
5,745,830	50,001,132	6,301,771	56,302,903	54,271,341
<u>27,210,585</u>	<u>172,554,539</u>	<u>84,165,367</u>	<u>256,719,906</u>	<u>236,904,618</u>
768,602	50,199,872	4,308,318	54,508,190	57,779,684
(10,592)	1,796,671	81,565	1,878,236	14,479,404
95,188	3,279,762	76,835	3,356,597	2,033,017
255,423	1,615,050	640,396	2,255,446	2,613,874
(345,274)	(25,053,107)	(399,329)	(25,452,436)	(23,622,043)
—	1,652,101	—	1,652,101	3,442,874
68,557	68,557	201,373	269,930	143,931
—	(1,076,539)	—	(1,076,539)	(970,834)
<u>—</u>	<u>(2,761,251)</u>	<u>—</u>	<u>(2,761,251)</u>	<u>(2,321,505)</u>
63,302	(20,478,756)	600,840	(19,877,916)	(4,201,282)
831,904	29,721,116	4,909,158	34,630,274	53,578,402
3,161,649	39,135,924	—	39,135,924	5,666,752
475,404	900,730	664,064	1,564,794	(1,298,063)
(2,102,125)	(21,942,871)	(3,930,884)	(25,873,755)	(19,125,133)
512,065	4,097,662	1,052,646	5,150,308	—
<u>2,878,897</u>	<u>51,912,561</u>	<u>2,694,984</u>	<u>54,607,545</u>	<u>38,821,958</u>
96,586,281		34,317,167	586,944,858	548,122,900
<u>\$ 99,465,178</u>		<u>\$ 37,012,151</u>	<u>\$ 641,552,403</u>	<u>\$ 586,944,858</u>
	490,700			
	<u>\$ 52,403,261</u>			

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows

Proprietary Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

Business-Type Activities – Enterprise Funds

	Electric Utility	Water Utility	Wastewater Utility	Port
Cash flows from operating activities:				
Receipts from customers and users	\$ 136,193,316	\$ 42,190,770	\$ 34,279,181	\$ 12,612,288
Payments to employees	(23,463,414)	(13,890,297)	(12,822,250)	(2,265,892)
Payments to vendors	(36,981,683)	(7,857,640)	(7,571,179)	(4,815,928)
Net cash from operating activities	75,748,219	20,442,833	13,885,752	5,530,468
Cash flows from noncapital and related financing activities:				
Transfers to other funds	(9,700,880)	(5,762,882)	(4,088,967)	(480,867)
Transfers from other funds	93,205	162,315	155,950	13,855
Loan proceeds from interfund loans	—	—	—	—
Loan payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Due to other funds	—	—	—	—
Intergovernmental revenue	—	664,439	637,983	57,205
Net cash from noncapital and related financing activities	(9,607,675)	(4,936,128)	(3,295,034)	(409,807)
Cash flows from capital and related financing activities:				
Proceeds from issuance of long-term obligations	—	9,174,912	12,111,434	—
Principal payments on long-term obligations	(17,295,000)	(5,450,244)	(3,086,745)	—
Loan proceeds from interfund loans	—	—	(8,929,611)	—
Loan payments on interfund loans	—	(194,445)	—	—
Loan proceeds from line of credit	—	—	—	—
Payments to MARAD	—	—	—	(81,760,383)
Interest payments on long-term obligations	(10,946,579)	(8,145,552)	(3,800,724)	—
Acquisition and construction of capital assets	(33,384,851)	(31,521,583)	(20,102,448)	(5,292,711)
Landfill post closure cash reserve	—	—	—	—
Principal payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Intergovernmental revenue	444,119	—	—	—
Proceeds from issuance of debt	—	—	—	40,000,000
Proceeds from disposition of capital assets	818,420	—	—	57,111
Capital contributions – customers	1,140,600	326,820	842,664	—
Capital contributions – intergovernmental	780,765	2,659,376	797,334	35,004,846
Net cash from capital and related financing activities	(58,442,526)	(33,150,716)	(22,168,096)	(11,991,137)
Cash flows from investing activities:				
Proceeds from (payments for) purchase or sales and maturity of investments	—	14,899,397	13,468,336	—
Proceeds from investment in direct financing leases	—	—	—	266,023
Purchase of investments	(26,221,189)	—	—	(1,283,387)
Unrealized gains	—	—	—	—
Investment income (loss)	230,656	1,221,506	269,793	230,389
Net cash from investing activities	(25,990,533)	16,120,903	13,738,129	(786,975)
Net increase (decrease) in cash	(18,292,515)	(1,523,108)	2,160,751	(7,657,451)
Cash, beginning of year	30,576,536	19,000,496	13,891,595	31,624,781
Cash, end of year	\$ 12,284,021	\$ 17,477,388	\$ 16,052,346	\$ 23,967,330
Cash	\$ 1,600	\$ —	\$ —	\$ 150
Cash in central treasury	11,080,187	17,122,430	15,626,317	8,461,888
Capital acquisition and construction accounts	—	—	—	15,505,292
Customer deposits	1,202,234	354,958	426,029	—
Cash, December 31	\$ 12,284,021	\$ 17,477,388	\$ 16,052,346	\$ 23,967,330

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		2008	2007
\$ 26,806,839 (10,431,404) (9,393,464)	\$ 252,082,394 (62,873,257) (66,619,894)	\$ 88,476,001 (13,309,219) (62,143,681)	\$ 340,558,395 (76,182,476) (128,763,575)	\$ 327,944,836 (71,118,190) (148,488,606)
6,981,971	122,589,243	13,023,101	135,612,344	108,338,040
(2,102,125) 475,404 — — — —	(22,135,721) 900,729 — — — —	(3,543,919) — 1,087,575 (343,185) (162,782) (884,904)	(25,679,640) 900,729 1,087,575 (343,185) (162,782) (884,904)	(21,435,795) 1,012,599 673,052 (963,312) — (2,694,734)
331,626	1,691,253	469,887	2,161,140	2,022,440
(1,295,095)	(19,543,739)	(3,377,328)	(22,921,067)	(21,385,750)
— (1,786,870) — — — (272,346) (6,078,299) (1,383,415) (845,738) (22,243) — — 546,431 — 3,204,234	21,286,346 (27,618,859) (8,929,611) (194,445) — (81,760,383) (23,165,201) (96,379,892) (1,383,415) (845,738) (22,243) 444,119 40,000,000 1,421,962 2,310,084 42,446,555	— (26,815) — — — (10,943) (6,994,249) — (423,551) (225,604) 170,509 2,067,757 283,560 — —	21,286,346 (27,645,674) (8,929,611) (194,445) — (81,760,383) (23,176,144) (103,374,141) (1,383,415) (1,269,289) (247,847) 614,628 42,067,757 1,705,522 2,310,084 42,446,555	124,337,856 (27,227,015) (12,585,610) — — — (21,080,720) (120,134,447) — — — — — 100,114 4,785,895 15,017,244
(6,638,246)	(132,390,721)	(5,159,336)	(137,550,057)	(36,786,683)
— — — — (16,167) (16,167) (967,537) 25,824,013 \$ 24,856,476	28,367,733 266,023 (27,504,576) — 1,936,177 3,065,357 (26,279,860) 120,917,421 \$ 94,637,561	— — — — 74,093 74,093 4,560,530 28,299,370 \$ 32,859,900	28,367,733 266,023 (27,504,576) — 2,010,270 3,139,450 (21,719,330) 149,216,791 \$ 127,497,461	(94,484,248) 304,265 (1,452,721) 41,358 14,345,404 (81,245,942) (31,080,335) 180,297,126 \$ 149,216,791
\$ 3,275 7,661,178 17,192,023 — \$ 24,856,476	\$ 5,025 59,952,000 32,697,315 1,983,221 \$ 94,637,561	\$ — 27,009,666 5,850,234 — \$ 32,859,900	\$ 5,025 86,961,666 38,547,549 1,983,221 \$ 127,497,461	\$ 330,069 97,027,913 49,939,123 1,919,686 \$ 149,216,791

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows

Proprietary Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

Business-Type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Port
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income	\$ 28,852,982	\$ 12,987,232	\$ 6,956,870	\$ 634,186
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	25,932,754	7,442,828	6,230,703	4,649,017
Amortization of future landfill closure costs	—	—	—	—
Allowance for uncollectible accounts	48,946	38,752	(16,254)	—
Port convention fees	—	—	—	(728,753)
Security contract	—	—	—	(1,525,834)
Security fees	—	—	—	1,541,818
Right-of-way fees	—	—	—	177,083
Reimbursable costs	—	—	—	873,765
Other revenues / expenses	(12,584)	45,358	—	—
Special item - NPO/OPEB write-off	920,985	1,331,430	1,239,409	93,773
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	(7,927,633)	(130,940)	60,934	90,224
Accrued payroll liabilities	920,670	569,876	512,711	—
Notes receivable	—	—	—	—
Unbilled reimbursable projects	(174,902)	20,058	101,306	—
Prepaid items and deposits	—	—	—	2,227
Inventories	(5,592,113)	(194,240)	77,689	—
Customer deposits	—	2,036	(46,867)	—
Deferred charges and other assets	380,064	(404,598)	(123,584)	—
Accounts payable and retainages	5,488,392	(176,737)	(36,198)	(217,156)
Claims payable	—	—	—	—
Deferred credits and other liabilities	27,273,217	19,575	—	—
Due to other funds	—	—	—	—
Unearned revenue and deposits	600,703	—	—	—
Net pension obligation	(801,565)	(1,165,721)	(1,087,535)	(85,241)
Net other postemployment benefits obligation	(119,420)	(165,709)	(151,874)	(8,532)
Pollution remediation obligation	—	155,000	102,500	—
Compensated absences payable	(42,277)	68,633	65,942	33,891
Total cash provided by operating activities	<u>\$ 75,748,219</u>	<u>\$ 20,442,833</u>	<u>\$ 13,885,752</u>	<u>\$ 5,530,468</u>
Noncash investing, capital, and financing activities:				
Capital purchases on account	\$ 5,514,488	\$ 1,228,177	\$ 1,093,564	\$ —
Contributed capital and equipment	—	2,553,338	2,561,489	—
Portion of plant from AFUDC	570,753	—	—	—
	<u>\$ 6,085,241</u>	<u>\$ 3,781,515</u>	<u>\$ 3,655,053</u>	<u>\$ —</u>

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		2008	2007
\$ 768,602	\$ 50,199,872	\$ 4,308,318	\$ 54,508,190	\$ 58,277,200
5,745,830	50,001,132	6,301,771	56,302,903	54,271,340
1,495,701	1,495,701	—	1,495,701	3,684,779
—	71,444	—	71,444	(5,735)
—	(728,753)	—	(728,753)	—
—	(1,525,834)	—	(1,525,834)	(1,619,796)
—	1,541,818	—	1,541,818	1,586,553
—	177,083	—	177,083	181,227
—	873,765	—	873,765	—
95,188	127,962	2,230	130,192	(591,914)
512,065	4,097,662	1,052,646	5,150,308	—
(1,281,922)	(9,189,337)	86	(9,189,251)	(1,165,335)
131,524	2,134,781	526,097	2,660,878	—
872	872	—	872	(17,139)
—	(53,538)	—	(53,538)	(165,831)
78,192	80,419	(178,264)	(97,845)	34,478
—	(5,708,664)	31,787	(5,676,877)	(3,278,052)
—	(44,831)	—	(44,831)	473,226
—	(148,118)	(169,153)	(317,271)	(675,775)
(134,799)	4,923,502	415,360	5,338,862	(18,780,981)
—	—	1,623,108	1,623,108	702,217
13,515	27,306,307	—	27,306,307	14,043,566
—	—	—	—	(137,934)
—	600,703	—	600,703	(319,383)
(451,360)	(3,591,422)	(894,280)	(4,485,702)	1,025,799
(60,705)	(506,240)	(158,366)	(664,606)	661,906
—	257,500	—	257,500	—
69,268	195,457	161,761	357,218	153,624
<u>\$ 6,981,971</u>	<u>\$ 122,589,243</u>	<u>\$ 13,023,101</u>	<u>\$ 135,612,344</u>	<u>\$ 108,338,040</u>
\$ —	\$ 7,836,229	\$ 173,645	\$ 8,009,874	\$ 8,916,847
—	5,114,827	—	5,114,827	3,833,916
—	570,753	—	570,753	1,631,778
<u>\$ —</u>	<u>\$ 13,521,809</u>	<u>\$ 173,645</u>	<u>\$ 13,695,454</u>	<u>\$ 14,382,541</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2008

(With financial information at December 31, 2007)

	<u>2008</u>		<u>2007</u>	
	Pension and Other Post Employee Benefits Trust Funds	Employee Benefits Agency Fund	Pension and Other Post Employee Benefits Trust Funds	Employee Benefits Agency Fund
Assets				
Cash in central treasury	\$ 58,040	\$ —	\$ 124,316	\$ 12,763,390
Cash, cash equivalents held under securities lending program	48,327,142	—	50,071,815	—
Investments, at fair value:				
Investment in master group trust	277,585,071	—	413,804,396	—
Other investments	9,504,565	—	9,688,143	—
Total investments	<u>287,089,636</u>	<u>—</u>	<u>423,492,539</u>	<u>—</u>
Capital assets, net	3,901	—	4,789	—
Total assets	<u>\$ 335,478,719</u>	<u>\$ —</u>	<u>\$ 473,693,459</u>	<u>12,763,390</u>
Liabilities				
Accounts payable	\$ 103,774	\$ —	\$ 133,133	\$ 98,952
Payable under securities lending program	48,327,142	—	50,071,815	—
Due to employees	—	—	—	7,595,529
Due to employees' retirement systems	—	—	—	3,380,267
Payroll liabilities	—	—	—	1,688,642
Total liabilities	<u>48,430,916</u>	<u>—</u>	<u>50,204,948</u>	<u>12,763,390</u>
Net Assets				
Held in trust for:				
Employees' pension benefits	277,541,506	—	413,798,622	—
Employees' post employment healthcare benefits	9,506,297	—	9,689,889	—
Total net assets	<u>287,047,803</u>	<u>—</u>	<u>423,488,511</u>	<u>—</u>
Total liabilities and net assets	<u>\$ 335,478,719</u>	<u>\$ —</u>	<u>\$ 473,693,459</u>	<u>\$ 12,763,390</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, 2008

(With financial information for the year ended December 31, 2007)

	Pension and Other Post Employment Benefit Trust Funds	
	2008	2007
Additions:		
Contributions from other funds	\$ 2,352,982	\$ 2,210,941
Investment income (loss):		
Interest	6,788,450	6,523,572
Dividends	2,637,578	3,286,994
Net increase (decrease) in fair value of investments	(117,006,047)	13,496,151
Less: investment expense	(1,764,853)	(1,770,318)
Total additions	(106,991,890)	23,747,340
Deductions:		
Regular benefit payments	28,477,943	27,560,584
Administrative expenses	970,875	933,808
Total deductions	29,448,818	28,494,392
Change in net assets	(136,440,708)	(4,747,052)
Net assets – beginning	423,488,511	428,235,563
Net assets – ending	\$ 287,047,803	\$ 423,488,511

See accompanying notes to basic financial statements.

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MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2008

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MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2008

NOTE 1 Summary of Significant Accounting Policies

(a) *Reporting Entity*

The Municipality of Anchorage, Alaska (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 for Anchorage, as well as upgrades and improvements to the existing Egan Center. As of December 31, 2008, two 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) was a purchasing cooperative created to obtain savings through pooled purchasing power and managed vendor negotiation. Although CSA was legally separate from Anchorage, CSA was reported as part of the primary government because its primary customer was Anchorage. CSA's governing board and executive director were appointed by the Anchorage Mayor. CSA was fiscally dependent upon Anchorage to fund its operations and for approval of its annual budget. CSA is reported as an enterprise fund. As of December 31, 2008, CSA has ceased operations.

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, 2008.

The Anchorage Community Development Authority (Authority or ACDA) is a legally separate public corporation created to operate and manage on-street and off-street parking, and purchase, develop, and sell properties and engage in other economic development activities. The voting majority of the board is composed of members appointed by the Anchorage Mayor. The Authority provides services to the general public.

The Alaska Center for Performing Arts, Inc. (ACPA) is a legally separate non-profit entity that operates, maintains and promotes the performing arts center, which is owned by the primary government. The budget is required to be approved annually by the primary government, and the entity is fiscally dependant upon the primary government. ACPA manages the performing arts center and provides facility management services for Anchorage to the general public.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2008

Complete financial statements of individual component units other than 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 6th Avenue, Suite 206
Anchorage, Alaska 99501

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

(b) Government-Wide and Fund Financial Statements

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

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

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

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

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2008

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, based on the major fund eligibility criteria:

- The *General Fund* is the government's primary operating fund. It is used to account for resources that are not required legally or by sound management to be accounted for in any other fund.
- The *Roads and Drainage Capital Projects Fund* accounts for capital projects in the Anchorage, Eagle River, Chugiak and Birchwood Road Service Area.

Additionally, Anchorage has elected to present the following fund as a major governmental fund because of its significance to the public:

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

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.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2008

- The *Agency Fund* was previously used to account for payroll related liabilities. As of the December 31, 2008, the ending balances have been reclassified to their respective funds.

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.

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, 2008 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.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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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.

Property Taxes

Property taxes attach a lien on property on the first day of the tax year in which taxes are levied. For 2008, real property taxes were levied on April 29. 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 \$108,985,854 for financing half of the 2008-2009 budget as of June 30, 2008. Taxes receivable of \$11,480,995 at December 31, 2008, include interest and penalties of \$1,620,276 and is net of an allowance for uncollectible property taxes receivable of \$105,474.

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.

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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 its capital assets. ASD, under Alaska law, cannot legally hold title to real property nor incur long-term debt. However, Anchorage has delegated the construction management of school projects to 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 2008 in the amounts of \$1,631,778, \$510,930, and \$570,418 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.

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

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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, 2008, Electric, Water and Wastewater Utility deferred liability balances were \$30,671,798, \$230,983,679, and \$167,840,287, 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) 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.

(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. A prior period adjustment has also been included as discussed in Note 6.

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 or sub-fund level.

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For the year ended December 31, 2008, no departments had expenditures that exceeded their appropriations. For the year ended December 31, 2008, expenditures exceeded appropriations in the following funds: Former City Service Area by \$345 and Metropolitan Police Service Area by \$679,921.

These over-expenditures were funded by fund balance appropriations approved by the Assembly in first quarter 2009 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.

TCH, LLC: In 2008, Anchorage entered into an agreement with the Alaska Club Partners, LLC to form Town Center Holdings, LLC (TCH), a limited liability company, to purchase and renovate the Valley River Center in Eagle River. Under this agreement, Anchorage is a fifty percent owner, and its interest in TCH is recorded in the Areawide Capital Projects Fund using the equity method of accounting. Anchorage is a member of the board of directors but does not have a controlling interest in the LLC.

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Notes to Basic Financial Statements

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NOTE 3 Cash and Investments

At December 31, 2008, Anchorage had the following cash and investments, with fixed income maturities as noted:

Investment Type	Fair Value	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Petty Cash	\$ 29,948				
Master Lease Agreement	1,265,125				
Restricted Central Treasury					
Cash & Money Market Funds	12,178,947				
Repurchase Agreements	251,997	251,997	-	-	-
Certificates of Deposit	8,845,240	8,845,240	-	-	-
Bankers' Acceptances	456,426	456,426	-	-	-
U.S. Treasuries	9,809,609	-	6,383,294	2,780,854	645,461
U.S. Agencies	70,793,478	60,490,484	5,151,790	1,301,081	3,850,123
Commercial Paper	13,025,430	13,025,430	-	-	-
Corporate Securities	41,333,438	20,380,274	11,801,385	1,946,473	7,205,306
Unrestricted Central Treasury					
Cash & Money Market Funds	15,589,131				
Repurchase Agreements	1,232,405	1,232,405	-	-	-
Certificates of Deposit	-	-	-	-	-
Bankers' Acceptances	1,029,436	1,029,436	-	-	-
U.S. Treasuries	47,974,408	-	31,217,833	13,599,914	3,156,661
U.S. Agencies	89,706,565	55,784,362	8,729,969	6,363,006	18,829,228
Commercial Paper	7,364,806	7,364,806	-	-	-
Corporate Securities	102,063,384	10,461,500	46,844,627	9,519,329	35,237,928
	<u>\$ 421,654,700</u>	<u>\$ 179,322,360</u>	<u>\$ 110,128,898</u>	<u>\$ 35,510,657</u>	<u>\$ 68,924,707</u>
MOA Trust Fund					
Cash & Money Market Funds	\$ 177,414				
Fixed Income Funds	37,176,438	-	-	37,176,438	-
Domestic Equities	10,626,162				
Domestic Equity Funds	28,197,768				
American Depositary Receipts	1,356,876				
International Equity Funds	12,352,381				
Real Estate Funds	6,761,834				
	<u>\$ 96,648,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,176,438</u>	<u>\$ -</u>

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December 31, 2008

Investment Type	Fair Value	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Police & Fire Retiree Medical Trust Fund					
Cash & Money Market Funds	\$ 6,336,560				
Fixed Income Funds	1,190,052	-	-	1,190,052	-
Domestic Equity Funds	1,379,348				
International Equity Funds	598,605				
	<u>\$ 9,504,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190,052</u>	<u>\$ -</u>
Police & Fire Retiree Medical Liability Fund					
Cash & Money Market Funds	158,230				
Fixed Income Funds	7,039,669	-	-	7,039,669	-
Domestic Equities	3,368,333				
Domestic Equity Funds	5,831,488				
American Depositary Receipts	467,659				
International Equity Funds	3,826,527				
Real Estate Funds	3,255,436				
	<u>\$ 23,947,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,039,669</u>	<u>\$ -</u>
HUD Section 108 Loan Program Investment					
Cash & Money Market Funds	88,645				
U.S. Treasuries	322,997	322,997	-	-	-
	<u>\$ 411,642</u>	<u>\$ 322,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CIVICVentures Component Unit					
Cash & Money Market Funds	3,585,559				
U.S. Agencies	12,830,930	12,830,930	-	-	-
	<u>\$ 16,416,489</u>	<u>\$ 12,830,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Police and Fire Retirement Pension Trust Fund					
Cash & Money Market Funds	2,285,403				
Fixed Income Funds	3,133,828	3,133,828	-	-	-
U.S. Treasuries	4,833,124	-	1,555,632	-	3,277,492
U.S. Agencies	35,566,455	-	58,438	35,508,017	-
Corporate Fixed Income Securities	33,789,199	476,463	9,423,436	20,530,520	3,358,780
Foreign Government Debt Securities	1,199,172	512,108	281,136	-	405,928
Balanced Funds	26,306,433				
Domestic Equities	96,792,227				
International Equity Funds	40,160,813				
Real Estate Funds	33,518,417				
	<u>\$ 277,585,071</u>	<u>\$ 4,122,399</u>	<u>\$ 11,318,642</u>	<u>\$ 56,038,537</u>	<u>\$ 7,042,200</u>
Total Cash & Investments	<u><u>\$ 847,463,755</u></u>	<u><u>\$ 196,598,686</u></u>	<u><u>\$ 121,447,540</u></u>	<u><u>\$ 136,955,353</u></u>	<u><u>\$ 75,966,907</u></u>

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Governmental Activities	\$ 325,534,211
Business-Type Activities	234,781,868
Fiduciary Funds	287,147,676
	<u>\$ 847,463,755</u>

Anchorage Central Treasury

Anchorage manages its Central Treasury in four portfolios; one internally managed portfolio and three externally managed duration portfolios based on liability duration and cash needs: working capital, contingency reserve and strategic reserve.

Both externally and internally managed investments are subject to the primary investment objectives outlined in Anchorage Municipal Code (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 Standard & Poor's Rating Service (S&P) or P-1 by Moody's Rating Service (Moody's) or F-1 by Fitch.
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (with maturities of not more than 365 days), and deposits with any bank, the short-term obligations of which are rated at least A-1 by S&P or P-1 by Moody's or F-1 by Fitch and is either:
 - a. Incorporated under the laws of the United States of America, or any state thereof, and subject to supervision and examination by federal or state banking authorities; or
 - b. Issued through a foreign bank with a branch or agency licensed under the laws of the United States of America, or any state thereof, or under the laws of a country with a Moody's sovereign rating for bank deposits of Aaa, or an S&P sovereign rating of AAA, or a Fitch national rating of AAA, and subject to supervision and examination by federal or state banking authorities.
- Repurchase agreements secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies.
- Dollar denominated corporate debt instruments rated BBB- or better by S&P (investment grade) or the equivalent by another nationally recognized rating agency.
- Dollar denominated corporate debt instruments, rated below BBB- by S&P (investment grade) or the equivalent by another nationally recognized rating agency, including emerging markets.

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- Asset Backed Securities (ABS), other than commercial paper, collateralized by: credit cards, automobile loans, leases and other receivables which must have a credit rating of AA- or above by S&P or the equivalent by another nationally recognized rating agency.
- Mortgage Backed Securities, including generic mortgage-backed pass-through securities issued by GNMA, FHLMC, FNMA, Non-agency mortgage-backed securities, Collateralized Mortgage Obligations (CMO), or Commercial mortgage-backed securities, which must have a credit rating of AA- or better by S&P or the equivalent by another nationally recognized rating agency.
- Fixed income derivative instruments used in an un-levered manner to implement Portfolio strategies.
- Money Market Mutual Funds rated Am or better by S&P, or the equivalent by another nationally recognized rating agency.
- Alaska Municipal League Investment Pool (AMLIP).
- Mutual Fund Investments consisting of a diversified mutual fund, registered under the Securities Act of 1933 and Investment Company Act of 1940.
- Interfund Loans from a Municipal Cash Pool to a Municipal Fund.

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The Investment Management Agreement (IMA) 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:

<u>Investment Type</u>	<u>Concentration Limit</u>	<u>Working Capital Portfolio</u>	<u>Internally Managed Portfolio</u>
		Holding % at 12/31/2008	Holding % at 12/31/2008
U.S. Government Securities	50% to 100% of investment portfolio	58%	55%
Repurchase Agreements	0% to 50% of investment portfolio	0%	1%
Certificates of Deposit*	0% to 50% of investment portfolio Maximum 5% per issuer	0%	8%
Bankers' Acceptances	0% to 25% of investment portfolio Maximum 5% per issuer	0%	0%
Commercial paper	0% to 15% of investment portfolio Maximum 5% per issuer	8%	10%
Corporate Bonds	0% to 15% of investment portfolio Maximum 5% per issuer	10%	17%
AMLIP**	0% to 25% of investment portfolio	0%	0%
Money Market Mutual Funds	0% to 25% of investment portfolio	24%	9%
Dollar Denominated Fixed Income Securities, other than those listed herein, rated by at least one nationally recognized rating agency	0% to 15% of investment portfolio Maximum 5% per issuer	0%	0%
		<u>100%</u>	<u>100%</u>

*The policy limits CDs that are not secured by U.S. Government securities to 20% of the internally managed portfolio.

**The Working Capital Portfolio may not be invested in AMLIP

Anchorage's internal portfolio exceeded the concentration limit for corporate securities by 2% at December 31, 2008. Concentration limits are reviewed at the time investments are made, but because of significant cash flow activity, market volatility and varying investment maturities, compliance may fall outside of the diversification requirements at times. Steps are taken to move the internal portfolio to within the target limits as existing securities mature and new investments are

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compliance may fall outside of the diversification requirements at times. Steps are taken to move the internal portfolio to within the target limits as existing securities mature and new investments are made. The contingency reserve and strategic reserve portfolios have no specific limitations on concentration of assets.

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 utilizing both equity and fixed income instruments.

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

- All investments eligible for purchase by the Anchorage Central Treasury.
- 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 BBB- 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 which limits the pooled trusts' liability.
- Alternative, basket clause investments utilizing special purpose investment vehicles.
- 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.

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The MOA 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 12/31/2008</u>
Domestic equities	40%	50%	42%
International equities	12%	18%	13%
Fixed income	30%	40%	38%
Real Estate	3%	7%	7%
Cash equivalents	0%	15%	0%
			<u>100%</u>

The MOA Trust provides further diversification within the domestic equity allocation by using a passive core position indexed to the S&P 500 index, with separate growth and value portfolios. The aggregation of all the large capitalization portfolios is balanced to avoid any produced style bias, and a separate small cap portfolio is utilized. The investment policy states that:

- Within the domestic equity portfolio, holdings in any one company should not exceed the greater of 5% of the respective portfolio or 1.5 times the stock's weighting in the S&P 500 (or other appropriate stock index) at the time of purchase.
- Within the international equity portfolio, holdings in any one company should not exceed more than 5% of the international equity portfolio. Countries represented by the Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI-EAFE), as well as emerging markets, are available for investment. Allocations between countries are expected to be diversified.
- Investments in fixed income instruments may not exceed 5% for a single issuer, excluding securities issued by the U.S. Government or agencies thereof.

Police and Fire Retiree Medical Trust Fund

The Police and Fire Retiree Medical Trust Fund (Medical Trust) investment objective is to earn a rate of return on fund assets that exceeds the rate of inflation by at least five percent in order to maintain funding of accrued liabilities and enhance member health benefits. The Medical Trust investment objective is based upon a 5 - 10 year investment horizon and short term market volatility is to be viewed with an appropriate perspective.

In accordance with its investment policy, participant allocated funds of the Medical Trust must be invested in cash equivalents. The Medical Trust's general funds may be invested in the following instruments:

- Domestic equities.
- International equities.
- Fixed income securities rated at least BBB by S&P or Baa by Moody's.
- Cash and money market instruments.

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The Medical Trust investment policy ensures that its portfolio remains sufficiently diversified by stipulating that:

- An individual equity investment shall not exceed 7% of the aggregate equity portfolio.
- The fixed income portfolio is required to have an average rating of A or better by Moody's or S&P, with no more than 10% of the portfolio invested in the lowest allowable rating of BBB by S&P or Baa by Moody's.
- The fixed income portfolio is required to maintain an average maturity of 12 years or less.

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

Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2008
General Funds:			
Domestic equities - large cap	31%	41%	33%
Domestic equities - small cap	6%	12%	10%
International equities	19%	27%	19%
Fixed income	28%	36%	38%
Cash equivalents	0%	5%	0%
			<u>100%</u>
Member Allocated Funds:			
Cash equivalents	100%	100%	100%
			<u>100%</u>

At December 31, 2008, the Medical Trust's fixed income portfolio exceeded its concentration limit by 2%. The Medical Trust's asset allocation is periodically reviewed and rebalanced as needed to meet the concentration limits mandated by its investment policy.

Police and Fire Retiree Medical Liability Fund

The Police & Fire Retiree Medical Liability Fund's investment objectives reflect the long-term nature of the Fund as well as its shorter-term liquidity needs. Its investment policy seeks growth of assets by combining equity, fixed income, and real estate for a balanced approach that emphasizes total return while avoiding excessive risk.

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.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2008</u>
Domestic Equity - Mid/Large Cap	31%	41%	30%
Domestic Equity - Small Cap	6%	12%	8%
International Equity	16%	22%	18%
Fixed Income	22%	30%	29%
Real Estate	6%	14%	14%
Cash & Cash Equivalents	N/A	N/A	1%
			<u>100%</u>

At December 31, 2008, the Police & Fire Retiree Medical Liability Fund's domestic equity portfolio was 1% below its minimum concentration limit. Asset allocations are reviewed quarterly and when monies are transferred to and from the Fund, and are rebalanced when they are found to be outside the limits established by the policy.

Police and Fire Retirement Pension Trust Fund

The Police and Fire Retirement Pension Trust Fund's (Retirement Trust) investment objectives are to be viewed over the long term with investments in both equity and fixed income instruments utilized to maximize return within the acceptable risk parameters outlined in its investment policy.

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

- Domestic equities.
- International equities.
- Fixed income securities, including commercial paper that is rated at least P-1 by Moody's and/or A-1 by S&P.
- Cash and money market instruments.
- Collateralized mortgage securities or mortgage-backed securities which have a Flow Uncertainty Index score of 15 or less.

The Retirement Trust investment policy further states that no security may be purchased unless it is traded on one of the major security exchanges or over-the-counter market, and that the average credit rating for the total fixed income portfolio must be maintained at an A rating by both Moody's and S&P.

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The Retirement Trust limits the concentration of its investments as follows:

Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2008
Domestic equities			
Large Cap Core	6%	10%	7%
Large Cap Growth	9%	15%	11%
Large Cap Value	5%	10%	8%
Small Cap Growth	3%	7%	4%
Small to Mid Cap Value	3%	7%	5%
International equities			
Equity EAFE	6%	10%	8%
Growth	6%	10%	7%
Balanced Allocation	7%	13%	9%
Fixed income	20%	26%	28%
Real Estate funds			
Equity REIT	4%	9%	4%
RESA Open-end	4%	8%	8%
Cash equivalents	0%	10%	1%
			100%

At December 31, 2008, the Retirement Trust's fixed income portfolio exceeded its concentration limit by 2%. Investment concentrations are evaluated quarterly and assets are rebalanced when they are found to be outside the limits established by the policy.

The Retirement Trust establishes further diversification for its portfolio 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 and 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 Depositary 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 lower than Baa by Moody's or BBB by S&P at the time of purchase. The total bond weighted average duration should not exceed 120% of the bond market's duration utilizing the Barclays Aggregate Bond Index (formerly the Lehman Aggregate Bond Index).

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Notes to Basic Financial Statements

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The externally managed portfolios of the Anchorage Central Treasury and the Police and Fire Retirement Pension Fund utilize the duration method to measure exposure to interest rate risk. The Police and Fire Retirement Medical Liability Fund measures interest rate risk by the weighted average maturity of its fixed income investments, and all other funds disclose interest rate risk through the segmented time distribution tables within this note, which categorize investments according to their maturities.

Duration is a measure of an investment's sensitivity to interest rate changes, and represents the sensitivity of an investment's market price to a 1% change in interest rates. The effective duration of an investment is determined by its expected future cash flows, factoring in uncertainties introduced through options, prepayments, and variable rates. The effective duration of a pool is the average fair value weighted duration of each security in the pool.

The effective durations of the externally managed portfolios of the Anchorage Central Treasury (working capital, contingency reserve and strategic reserve) at December 31, 2008, were 0.38 years, 2.82 years, and 3.79 years, respectively.

The Medical Trust's investment policy requires that the weighted average maturity of its fixed income portfolio not exceed 12 years. At December 31, 2008, the Medical Trust had fixed income investments with an average maturity of 6.10 years.

The Retirement Trust's investment policy states that the total fixed income portfolio's weighted average duration cannot exceed 120% of the market's duration utilizing the Barclays Aggregate Bond Index. At December 31, 2008, the effective duration of the Barclays Aggregate Bond Index was 3.71 years, and the effective duration of the Retirement Trust's fixed income portfolio was 3.50 years.

At December 31, 2008, the Retirement Trust had fixed income securities with variable and step terms as follows:

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Terms	Fair Value
Variable interest yield based upon underlying commercial mortgage investments with an average life of 7.5 years; expected maturity of October 12, 2015.	\$ 1,165,824
5/1 hybrid loans with a weighted average reset date of December 2011; at reset date, CMO becomes floating, indexed to 12 month LIBOR plus 1.77%; matures February 25, 2037.	925,797
5/1 hybrid loans with a weighted average reset date of September 2011; at reset date, CMO becomes floating, indexed 60% to 1 year CMT plus 2.49% and 40% to 12 month LIBOR plus 2%; matures February 25, 2047.	833,004
Fixed rate of 6.189% until April 15, 2011; thereafter, quarterly resets at 3 month LIBOR plus 1.02%, with a floor of 3.5%; may be called any time after April 15, 2011.	229,456
Fixed rate of 6.35% until May 15, 2017; thereafter, quarterly resets at 3 month LIBOR plus 2.21%; may be called at par + 0.3% prior to May 15, 2017, and at par thereafter; matures May 15, 2067.	136,531
Fixed rate of 5.853% until December 15, 2011; thereafter, quarterly resets at 3 month LIBOR plus .645%, with a floor of 4%; may be called any time after December 15, 2011.	135,650
	<u><u>3,426,262</u></u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For fixed income securities, this risk is generally expressed as a credit rating.

At December 31, 2008, the Anchorage Central Treasury's investment in commercial paper totaled \$20,390,236, and was rated A-1 by S&P and P-1 by Moody's. All commercial paper is purchased with a maturity of 270 days or less. The Anchorage Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$143,396,822 at December 31, 2008. The distribution of ratings on these securities was as follows:

Moody's		S&P	
Aaa	33%	AAA	43%
Aa	16%	AA	7%
A	25%	A	33%
Baa	14%	BBB	9%
Ba	0%	BB	1%
Not Rated	12%	Not Rated	7%
	<u><u>100%</u></u>		<u><u>100%</u></u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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At December 31, 2008, Anchorage's Central Treasury was invested in Asset and Mortgage Backed Securities valued at \$4,705,702 which fell below the minimum S&P rating of AA- required by AMC 6.50.030. These circumstances resulted from the downgrade of investments held in the contingency reserve and strategic reserve portfolios. Securities falling outside of compliance are divested as soon as it is prudent to do so.

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

At December 31, 2008, 99.9% of securities in the MOA Trust's \$37,176,438 fixed income portfolio were rated, with a weighted average quality rating of A+.

At December 31, 2008, the Medical Trust investment of \$1,190,052 in mutual fixed income funds had a 5-star Morningstar rating and a weighted average credit quality rating of AAA.

At December 31, 2008, the Police & Fire Retiree Medical Liability Fund investment of \$7,039,669 in mutual fixed income funds had a 3-star Morningstar rating and a weighted average credit quality rating of AAA.

At December 31, 2008, the Retirement Trust's total fixed income portfolio had a weighted average rating of Aa2 by Moody's. The Trust's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$34,988,371, with ratings distributed as follows:

Moody's		S&P	
Aaa	35%	AAA	41%
Aa	9%	AA	9%
A	22%	A	27%
Baa	22%	BBB	21%
Not Rated	12%	Not Rated	2%
	<u>100%</u>		<u>100%</u>

At December 31, 2008, the Retirement Trust's balanced mutual fund investment of \$26,306,433 had a 3-star Morningstar rating. The real estate mutual fund investment of \$10,394,764 had a 3-star Morningstar rating.

At December 31, 2008, the Retirement Trust's real estate mutual fund investment of \$23,123,653 is a limited partnership, consisting of both open- and closed-end commingled funds managed by real estate firms. 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. GASB Statement No. 40 requires disclosure when the amount invested in a single issuer exceeds 5% or more of net assets excluding U.S. Government, mutual funds, or other pooled investments.

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At December 31, 2008, all investments were in compliance with 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.

At December 31, 2008, the Anchorage Central Treasury had bank deposit carrying amounts of \$36,624,785, of which \$1,250,000 was covered by federal depository insurance. Additional bank balances of \$1,484,392 were invested in overnight repurchase agreements. Bank deposits of \$25,612,391 were secured by collateral held at the depository bank. Additional bank deposits totaling \$5,143,275 were secured by a tri-party collateral agreement, which requires collateral 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 collateral is held by the custodian in the pledging bank's name on behalf of Anchorage. All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.

Securities Lending

During 2008 and 2007, the Retirement Trust lent securities in its investment portfolio to financial institutions through a securities lending program administered by the Retirement Trust's custodian. At December 31, 2008, the amount of the collateral provided by borrowers averaged 102.4% of the value of securities lent. The Retirement Trust is authorized by its investment policies, approved by the Board, to lend its investment securities. The lending is managed by the Retirement Trust's custodian. All loans can be terminated on demand by either the Retirement Trust or the borrowers, although the average term of loans is one week. The agent lends the Retirement Trust's U.S. Government and Agency securities and domestic corporate fixed income and equity securities for securities or cash collateral of 102%. The securities lending contracts do not allow the system to pledge or sell any collateral securities unless the borrower defaults. Cash collateral is invested in the agent's collateral investment pool, whose share values are based on the amortized cost of the pool's investments. At December 31, 2008, the pool had a weighted average maturity of 28 days. There are no restrictions on the amount of securities that can be lent at one time or to one borrower. The investments are classified in category one because the securities are held by the Retirement Trust's agent (which is not affiliated with or related to the investment brokers) in the Retirement Trust's name. The following represents the balances relating to the securities lending transactions at December 31, 2008 (amounts in thousands):

Securities Lent	Fair Value of Underlying Securities	Collateral Received	Cash Collateral Investment Value
U.S. Government & Agency Securities	\$ 17,989,735	\$ 18,853,251	\$ 18,853,251
Domestic Corporate Fixed Income	5,312,460	4,724,479	4,724,479
Domestic Equities	25,024,947	25,920,357	25,920,357
	<u>\$ 48,327,142</u>	<u>\$ 49,498,087</u>	<u>\$ 49,498,087</u>

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The lending agent provides indemnification if the borrowers fail to return the underlying securities (and the collateral is inadequate to replace the securities lent) or if the borrowers fail to pay income distributions on borrowed securities. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year. There are no income distributions owing on the securities lent.

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 requirements of AMC 6.50.030 and the asset allocation policies of each portfolio.

Anchorage Central Treasury's exposure to foreign currency risk is limited by the AMC 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. At December 31, 2008 all debt obligations held in the Anchorage Central Treasury were payable in U.S. dollars with no foreign currency risk.

The MOA Trust's investments in international equity holdings do not exceed more than 5% of the international equity portfolio for any one company. At December 31, 2008 the MOA Trust's international equity holdings represented 14% of its aggregate portfolio. Exposure to foreign currency risk was as follows:

<u>Investment Type</u>	<u>Underlying Currency</u>	<u>Fair Value (U.S. Dollars)</u>
American Depositary Receipts	Euro	\$ 267,867
	Japanese Yen	58,896
	New Taiwan Dollar	124,474
	Pound Sterling	155,939
	Swedish Krona	78,100
International mutual equity funds	Various	12,352,381
		<u>\$ 13,037,657</u>

The Medical Trust's investment in international mutual equity funds exposes it to exchange risk in various foreign currencies. At December 31, 2008, this investment totaled \$598,605 and represented approximately 19% of the Trust's portfolio.

At December 31, 2008, the Police & Fire Retiree Medical Liability Fund's exposure to foreign currency risk represents 17% of its aggregate portfolio, and consists of the following:

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<u>Investment Type</u>	<u>Underlying Currency</u>	<u>Fair Value (U.S. Dollars)</u>
American Depositary Receipts	Canadian Dollar	\$ 75,636
	New Taiwan Dollar	76,354
	Pound Sterling	96,458
	Swiss Franc	17,838
International mutual equity funds	Various	3,826,526
		<u>\$ 4,092,812</u>

At December 31, 2008, all of the Retirement Trust's fixed income securities, including those issued by foreign entities, were U.S. dollar denominated and not subject to foreign currency risk. Investments in international mutual equity funds totaled \$40,160,813, and exposed the Retirement Trust to exchange risk in various foreign currencies. These investments represent 14% of the Retirement Trust's aggregate portfolio.

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, 2008:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Property taxes	\$ 10,058,437	\$ —	\$ 10,058,437
Accommodations taxes	3,427,362	—	3,427,362
Unbilled reimbursable projects	—	858,419	858,419
Special assessments receivable	1,328,747	223,610	1,552,357
Port leases	—	224,622	224,622
Trade accounts, including internal service funds	12,857,696	31,772,813	44,630,509
Total accounts receivable	27,672,242	33,079,464	60,751,706
Allowance for uncollectible accounts	(2,995,255)	(638,631)	(3,633,886)
	<u>\$ 24,676,987</u>	<u>\$ 32,440,833</u>	<u>\$ 57,117,820</u>
Miscellaneous loans	\$ 808,000	\$ 13,185	\$ 821,185
HUD loans (including section 108)	5,930,223	—	5,930,223
Jail lease	45,565,000	—	45,565,000
Total loans and leases, net	<u>\$ 52,303,223</u>	<u>\$ 13,185</u>	<u>\$ 52,316,408</u>

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

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Notes to Basic Financial Statements

December 31, 2008

NOTE 5 Capital Assets

Capital asset activity for the year ended December 31, 2008, 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	\$ 1,216,469	\$ 6,653	\$ (331)	\$ 1,222,791
Artwork	16,007	801	-	16,808
Construction				
Work-in-Progress	134,601	179,225	(168,104)	145,722
Infrastructure	1,314,879	-	-	1,314,879
Total Capital Assets, Not Being Depreciated	<u>2,681,956</u>	<u>186,679</u>	<u>(168,435)</u>	<u>2,700,200</u>
Capital Assets, Being Depreciated:				
Buildings & Imp	428,155	119,773	(739)	547,189
Equipment	165,152	21,690	(3,543)	183,299
Infrastructure	373,786	7,569	(93)	381,262
Total Capital Assets Being Depreciated	<u>967,093</u>	<u>149,032</u>	<u>(4,375)</u>	<u>1,111,750</u>
Less Accumulated Depreciation for:				
Buildings & Imp	261,698	15,540	(468)	276,770
Equipment	115,018	15,616	(2,846)	127,788
Infrastructure	203,854	9,443	(10)	213,287
Total Accumulated Depreciation	<u>580,570</u>	<u>40,599</u>	<u>(3,324)</u>	<u>617,845</u>
Total Capital Assets, Being Depreciated, Net	<u>386,523</u>	<u>108,433</u>	<u>(1,051)</u>	<u>493,905</u>
Total Governmental Activities, Net	<u>\$ 3,068,479</u>	<u>\$ 295,112</u>	<u>\$ (169,486)</u>	<u>\$ 3,194,105</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, 2008

	<u>Beginning Balance, As Restated</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and Property held for future use	\$ 51,120	\$ 23	\$ (99)	\$ 51,044
Construction Work-in-Progress	<u>61,405</u>	<u>99,256</u>	<u>(104,307)</u>	<u>56,354</u>
Total Capital Assets, Not Being Depreciated	<u>112,525</u>	<u>99,279</u>	<u>(104,406)</u>	<u>107,398</u>
Capital Assets, Being Depreciated:				
Distribution and Collection Systems, Infrastructure	1,521,743	83,825	(22,914)	1,582,654
Buildings and Improvements	<u>363,215</u>	<u>28,585</u>	<u>(8,120)</u>	<u>383,680</u>
Total Capital Assets, Being Depreciated	<u>1,884,958</u>	<u>112,410</u>	<u>(31,034)</u>	<u>1,966,334</u>
Less Accumulated Depreciation for:				
Distribution and Collection Systems, Infrastructure	622,115	48,855	(20,625)	650,345
Buildings and Improvements	<u>131,184</u>	<u>14,052</u>	<u>(8,096)</u>	<u>137,140</u>
Total Accumulated Depreciation	<u>753,299</u>	<u>62,907</u>	<u>(28,721)</u>	<u>787,485</u>
Total Capital Assets, Being Depreciated, Net	<u>1,131,659</u>	<u>49,503</u>	<u>(2,313)</u>	<u>1,178,849</u>
Total Business-Type Activities, Net	<u>\$ 1,244,184</u>	<u>\$ 148,782</u>	<u>\$ (106,719)</u>	<u>\$ 1,286,247</u>

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

Governmental Activities:	
General Government	\$ 2,983
Fire Services	3,689
Police Services	2,091
Health and Human Services	1,126
Economic & Community Development	12,619
Public Transportation	3,665
Public Works	10,158
Maintenance and Operations	4,268
Total – Governmental Activities	<u>\$ 40,599</u>
Business-Type Activities:	
Electric	\$ 25,933
Water	7,443
Wastewater	6,231
Refuse	443
Solid Waste	2,980
Port	4,649
Municipal Airport	2,015
Cooperative Services Authority	307
Total – Business-Type Activities	<u>50,001</u>
Depreciation expense offset by amortization of regulatory liability - contributed plant	<u>12,906</u>
Gross increase in accumulated depreciation	<u>\$ 62,907</u>

The 2009 Utility construction budgets are \$131,519,000, \$34,000,000 and \$25,600,000 for Electric, Water, and Wastewater, respectively.

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Notes to Basic Financial Statements

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

The capital asset activity for the fiscal year ended June 30, 2008 is as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deduction/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities:				
Capital Assets, not Being				
Depreciated:				
Land	\$ 31,426,615	\$ —	\$ —	\$ 31,426,615
Construction in Progress	208,108,982	52,313,007	(17,844,202)	242,577,787
	<u>239,535,597</u>	<u>52,313,007</u>	<u>(17,844,202)</u>	<u>274,004,402</u>
Total Capital Assets not Being Depreciated				
Capital Assets Being Depreciated:				
Land Improvements	42,699,201	4,043,709	—	46,742,910
Buildings and Equipment	1,237,637,213	14,120,899	(17,941,265)	1,233,816,847
Pupil Transportation Equipment	8,793,246	349,162	—	9,142,408
	<u>1,289,129,660</u>	<u>18,513,770</u>	<u>(17,941,265)</u>	<u>1,289,702,165</u>
Total Capital Assets Being Depreciated				
Less Accumulated				
Depreciation for:				
Land Improvements	31,803,123	1,407,345	—	33,210,468
Buildings and Equipment	316,949,018	27,721,341	(12,426,830)	332,243,529
Pupil Transportation Equipment	7,397,677	531,533	18,756	7,947,966
	<u>356,149,818</u>	<u>29,660,219</u>	<u>(12,408,074)</u>	<u>373,401,963</u>
Total Accumulated Depreciation				
Total Capital Assets, Being Depreciated, Net	<u>932,979,842</u>	<u>(11,146,449)</u>	<u>(5,533,191)</u>	<u>916,300,202</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,172,515,439</u>	<u>\$ 41,166,558</u>	<u>\$ (23,377,393)</u>	<u>\$ 1,190,304,604</u>

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(c) Discretely Presented Component Units – Anchorage Community Development Authority

– Capital Assets

The capital asset activity for the year ended December 31, 2008 is as follows:

	<u>Balance</u> <u>January 1, 2008</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deduction/</u> <u>Transfers</u>	<u>Balance</u> <u>December 31, 2008</u>
Business Type Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 11,058,632	\$ 585	\$ -	\$ 11,059,217
Construction in Progress	-	42,082	-	42,082
Total Capital Assets not Being Depreciated	<u>11,058,632</u>	<u>42,667</u>	<u>-</u>	<u>11,101,299</u>
Capital Assets Being Depreciated:				
Parking Garages	36,375,030	570,839	(893,049)	36,052,820
Lot Improvements	477,811	168,116	(16,269)	629,658
Furniture and Fixtures	274,331	2,909	(177,464)	99,776
Equipment and Vehicles	2,685,833	263,301	(364,885)	2,584,249
Total Capital Assets Being Depreciated	<u>39,813,005</u>	<u>1,005,165</u>	<u>(1,451,667)</u>	<u>39,366,503</u>
Less Accumulated Depreciation for:				
Parking Garages	19,796,048	1,164,416	(893,049)	20,067,415
Lot Improvements	310,331	66,631	(16,269)	360,693
Furniture and Fixtures	243,840	15,369	(177,464)	81,745
Equipment and Vehicles	1,773,997	244,017	(364,885)	1,653,129
Total Accumulated Depreciation	<u>22,124,216</u>	<u>1,490,433</u>	<u>(1,451,667)</u>	<u>22,162,982</u>
Total Capital Assets, Being Depreciated, Net	<u>17,688,789</u>	<u>(485,268)</u>	<u>-</u>	<u>17,203,521</u>
Business Type Activities Capital Assets, Net	<u>\$ 28,747,421</u>	<u>\$ (442,601)</u>	<u>\$ -</u>	<u>\$ 28,304,820</u>

NOTE 6 Port Expansion and Prior Period Adjustment

In March 2003, Anchorage, the Port and the Federal Maritime Administration (MARAD) entered into a Memorandum of Understanding with respect to funding and administering the Port of Anchorage Intermodal Expansion Project. Under this unprecedented agreement, the Port is responsible for providing overall program requirements and direction for the Port Expansion to MARAD.

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Because MARAD administers the construction of the project, the Port only recognizes capital assets upon transfer of the assets from MARAD. At such time, the Port recognizes non-operating revenue (contributed capital). In addition to the funds that the Port contributes to the expansion project, which are recorded as Advances to MARAD on the balance sheet, other federal agencies contribute funds directly to MARAD. Accordingly, those federal funds are not recorded on the Port's financial statements until such time that the completed asset is transferred to the Port from MARAD.

At the end of 2008, life-to-date transfers to MARAD total \$98,800,001 and are shown in the Proprietary Funds Balance Sheet in the Port Fund as "Advances to MARAD." The table below provides the detail of all life-to-date transfers to MARAD, as of December 31, 2008:

<u>Source of Contribution</u>	<u>Amounts</u>
State Grants	\$ 21,290,165
Commercial Paper	40,000,000
Port Funds	<u>37,509,836</u>
Total Contributions	\$ <u><u>98,800,001</u></u>

The Port discovered that inventory and capital assets constructed by MARAD had been transferred to the Port in 2006 but had not been recorded by the Port. The effect of the restatement was to increase 2007 beginning net assets as of December 31, 2007, by \$12,583,920. The 2007 statements were also adjusted for depreciation expense of \$411,899.

NOTE 7 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	\$ 200,786
Nonmajor governmental funds	<u>1,213,245</u>
Total interfund payable to General Fund	1,414,031
Interfund payable to Capital Projects Roads & Drainage Fund from:	
Nonmajor governmental funds	12,650,999
Interfund payable between nonmajor governmental funds	47,309
Total interfund payable, governmental funds	<u>14,112,339</u>
Interfund payable between internal service funds for capital assets	1,626,255
Total interfund payable	\$ <u><u>15,738,594</u></u>

All balances are expected to be settled within the next fiscal year, except for those interfund receivables and payables recorded as advances to/from other funds. Advances payable at 12/31/08 were as follows:

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Advance payable to Electric Enterprise Fund from nonmajor governmental fund for land acquisition	\$ 4,116,253
Advance payable between internal service funds for capital assets	3,382,176
Advance payable to General Fund from nonmajor governmental fund for capital assets	421,526
Total advances payable	\$ 7,919,955

(b) Interfund Transfers

A summary of interfund transfers is as follows:

From General Fund to:	
Capital Projects Roads and Drainage Fund for capital assets	\$ 3,037,350
Nonmajor governmental funds for capital assets	4,931,667
Nonmajor governmental funds for grant matching	1,108,094
Nonmajor governmental funds to fund pension liability	1,869,000
Nonmajor governmental funds for debt service	200,000
Total transfers from General Fund	11,146,111
From MOA Trust Fund to:	
General Fund for annual operating subsidy	6,600,000
From Capital Projects Roads and Drainage Fund to:	
General Fund for debt service	314,264
Nonmajor governmental funds for capital assets	220,000
Total transfers from Capital Projects Roads and Drainage Fund	534,264
From nonmajor governmental funds to:	
General Fund for debt service	762,576
Nonmajor governmental funds for debt service	5,827,392
Capital Projects Roads and Drainage Fund for capital assets	8,136,004
Nonmajor governmental funds for capital assets	13,773,268
Total transfers from nonmajor governmental funds	28,499,240
From Electric Enterprise Fund to:	
General Fund for annual revenue distribution	9,506,530
Nonmajor fund for grant matching	1,500
Total transfers from Electric Enterprise Fund	9,508,030
From Water Enterprise Fund to:	
General Fund for annual revenue distribution	5,762,882
From Wastewater Enterprise Fund to:	
General Fund for annual revenue distribution	4,088,967
From Port Enterprise Fund to:	
General Fund for annual revenue distribution	480,867

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Notes to Basic Financial Statements

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From nonmajor enterprise funds to:	
General Fund for annual revenue distribution	2,072,074
Nonmajor enterprise funds for capital assets	30,050
Total transfers from nonmajor enterprise funds	2,102,124
From internal service funds to:	
General Fund for distribution of net assets	3,060,205
Electric Enterprise Fund for distribution of net assets	93,205
Water Enterprise Fund for distribution of net assets	162,315
Wastewater Enterprise Fund for distribution of net assets	155,951
Port Enterprise Fund for distribution of net assets	13,855
Nonmajor enterprise funds for distribution of net assets	72,848
Nonmajor enterprise funds for dissolution	372,506
Total transfers from internal service funds	3,930,885
Transfer of governmental capital assets to internal service funds	664,064
Total transfers	\$ 73,317,434

NOTE 8 Lease Agreements

(a) Operating Leases

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

Years:	
2009	\$ 4,663
2010	4,076
2011	3,940
2012	3,734
2013	3,567
2014-2018	18,751
2019-2023	20,681
2024-2028	8,986
Total	\$ 68,398
2008 rent expense	\$ 6,099

(b) Capital Leases

Anchorage has various capital leases for equipment in its General Fund for the Fire Department. Anchorage has entered into a revolving Master Tax-Exempt Lease/Purchase (Master Lease) agreement with KeyBank to finance various capital expenditures by the Municipality. During 2008, Anchorage issued new leases in the amount of \$175,000 in governmental funds and \$3,170,548 in internal service funds.

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Notes to Basic Financial Statements

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
2009	\$ 945,273	\$ 166,322	\$ 1,111,595
2010	996,198	115,396	1,111,594
2011	888,473	73,514	961,987
2012	682,757	41,303	724,060
2013	575,863	12,478	588,341
	<u>\$ 4,088,564</u>	<u>\$ 409,013</u>	<u>\$ 4,497,577</u>

At December 31, 2008, \$3,143,732 of the outstanding principal balance is recorded in internal service funds.

(c) Investment in Direct Financing Leases

Anchorage has entered into direct financing leases for various capital assets located at the Port of Anchorage. Components of the investments in leases as of December 31, 2008 follow (in thousands):

	Direct Financing
Total minimum lease payment to be received	\$ 250
Less unearned interest income	(11)
Net investment in leases	239
Amount due within one year	(225)
Total noncurrent investment – included in deferred charges and other assets in the accompanying financial statements	<u>\$ 14</u>
Minimum lease payments to be received as follows:	
2009	236
2010	14
	<u>\$ 250</u>

(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 \$5,260,438, with a cost of \$9,073,238 and accumulated depreciation of \$3,812,800. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows (in thousands):

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	<u>Amount</u>
Years:	
2009	\$ 3,810
2010	2,769
2011	482
2012	136
2013	67
2014-2018	337
2019-2023	328
2024-2028	181
Total	<u>\$ 8,110</u>
Lease revenue for 2008	<u>\$ 4,158</u>

NOTE 9 Short Term Obligations

(a) Tax Anticipation Notes

On February 7, 2008 Anchorage issued tax anticipation notes in the General Fund with a face value of \$95,000,000. 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, 2008 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ -	\$ 95,000	\$ 95,000	\$ -

(b) Commercial Paper

In January 2008, the Anchorage Assembly authorized the issuance of Commercial Paper in one or more series in the aggregate principal amount not to exceed two hundred fifteen million dollars (\$215,000,000) as an interim financing program for the port expansion project until such time that the outstanding balance of commercial paper notes are refunded by long term Port Revenue Bonds. During 2008, commercial paper notes were issued in the amount of \$40,000,000 and are shown on the Port of Anchorage Enterprise Fund financial statements as a current liability since the lending term on commercial paper cannot exceed 270 days (less than one year). The expansion project is expected to continue until 2014. Anchorage anticipates reissuing notes as the previous ones mature during the construction phase of the expansion project. Because of the heightened liquidity crisis in the credit markets, the Anchorage Assembly passed an ordinance authorizing an interfund loan to the Port for a term of up to one year, only in the event that the Port is unable to reissue the commercial paper notes. The interfund loan authorization expires October 28, 2009. At December 31, 2008, the balance of the interfund loan was zero.

Short-term debt activity for the year ended December 31, 2008 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Commercial Paper	\$ -	\$ 40,000	\$ -	\$ 40,000

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Notes to Basic Financial Statements

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NOTE 10 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 \$970,177 net of unamortized discounts and losses on refundings of \$14,823 at December 31, 2008. ASD GO bonds are reported as obligations of the component unit since they are expected to be repaid from ASD revenues; such amounts total \$789,375,000 at June 30, 2008. 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:

	Governmental Activities		
	Principal	Interest	Total
Years:			
2009	\$ 26,685,000	\$ 20,800,000	\$ 47,485,000
2010	27,890,000	20,655,000	48,545,000
2011	28,415,000	19,232,000	47,647,000
2012	29,125,000	17,893,000	47,018,000
2013	29,415,000	16,499,000	45,914,000
2014-2018	150,270,000	61,573,000	211,843,000
2019-2023	124,415,000	27,771,000	152,186,000
2024-2028	53,755,000	6,311,000	60,066,000
	469,970,000	190,734,000	660,704,000
Add unamortized premiums/ (discounts), net	5,811,420	—	5,811,420
	\$ 475,781,420	\$ 190,734,000	\$ 666,515,420
	Business-Type Activities		
	Principal	Interest	Total
Years:			
2009	\$ 480,000	\$ 53,000	\$ 533,000
2010	505,000	27,000	532,000
	985,000	80,000	1,065,000
Add unamortized premiums/ (discounts), net	(14,823)	—	(14,823)
	\$ 970,177	\$ 80,000	\$ 1,050,177

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(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:

	Governmental Activities - Excluding CIVICVentures		
	Principal	Interest	Total
Years:			
2009	\$ 2,830,000	\$ 2,186,000	\$ 5,016,000
2010	2,985,000	2,035,000	5,020,000
2011	3,150,000	1,885,000	5,035,000
2012	3,300,000	1,734,000	5,034,000
2013	3,470,000	1,565,000	5,035,000
2014-2018	20,220,000	4,989,000	25,209,000
2019-2023	9,610,000	479,000	10,089,000
	<u>\$ 45,565,000</u>	<u>\$ 14,873,000</u>	<u>\$ 60,438,000</u>

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 annually from \$5,979,660 to \$8,448,825 including interest at 3.5% to 5.0% through 2038.

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

	CIVICVentures		
	Principal	Interest	Total
Years:			
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	1,425,000	4,897,000	6,322,000
2014-2018	9,230,000	23,502,000	32,732,000
2019-2023	13,580,000	21,121,000	34,701,000
2024-2028	19,165,000	17,603,000	36,768,000
2029-2033	26,565,000	12,400,000	38,965,000
2034-2038	36,180,000	5,105,000	41,285,000
	<u>\$ 110,615,000</u>	<u>\$ 104,651,000</u>	<u>\$ 215,266,000</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.

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

	Business-Type Activities		
	Principal	Interest	Total
Years:			
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	23,630,000	14,796,000	38,426,000
2014-2018	85,145,000	56,672,000	141,817,000
2019-2023	41,230,000	40,977,000	82,207,000
2024-2028	40,885,000	29,620,000	70,505,000
2029-2033	49,965,000	18,788,000	68,753,000
2034-2038	49,860,000	5,142,000	55,002,000
	<u>380,530,000</u>	<u>237,545,000</u>	<u>618,075,000</u>
Less unamortized premiums/ discounts, net	(5,139,704)	—	(5,139,704)
	<u>\$ 375,390,296</u>	<u>\$ 237,545,000</u>	<u>\$ 612,935,296</u>

(c) Special Assessment District Bonds

In 1989 Anchorage issued \$3,438,200 of Roads and Drainage Consolidated Special Assessment (CSA) District 1 Bonds. In 1990 Anchorage issued \$590,770 for Water Utility CSA District 2 and \$985,448 for Water and Wastewater Utility CSA District 3. In 1991 Anchorage issued \$728,721 for Roads and Drainage Special Assessment District 1P87. These bonds were issued to provide

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financing for improvements in certain identified special assessment districts. The bonds are backed only by the assessments levied in the identified districts and by the Roads and Drainage Guarantee Reserves and the Water and Wastewater Special Assessment Guarantee Reserves. The debt for Roads and Drainage bonds is included in the Governmental Activities while the debt for CSA Districts 2 and 3 bonds is included in the Business-type Activities.

All Special Assessment bonds outstanding were retired in 2008.

(d) Notes and Contracts

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.

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

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
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	125,000	215,000	340,000
2014-2018	700,000	993,000	1,693,000
2019-2023	865,000	832,000	1,697,000
2024-2028	1,090,000	606,000	1,696,000
2029-2033	1,405,000	299,000	1,704,000
2034	325,000	16,000	341,000
	<u>\$ 4,960,000</u>	<u>\$ 3,867,000</u>	<u>\$ 8,827,000</u>
	Principal	Interest	Total
Years:			
2009	\$ 6,499,000	\$ 2,216,000	\$ 8,715,000
2010	7,365,000	1,653,000	9,018,000
2011	7,409,000	1,512,000	8,921,000
2012	7,452,000	1,400,000	8,852,000
2013	6,848,000	1,289,000	8,137,000
2014-2018	33,271,000	4,913,000	38,184,000
2019-2023	26,822,000	2,553,000	29,375,000
2024-2028	18,048,000	831,000	18,879,000
2029-2033	933,000	14,000	947,000
	<u>\$ 114,647,000</u>	<u>\$ 16,381,000</u>	<u>\$ 131,028,000</u>

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(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, 2008 Anchorage has borrowed \$2,000,000 of these funds.

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
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	88,000	89,000	177,000
2014-2018	521,000	372,000	893,000
2019-2023	687,000	215,000	902,000
2024-2025	333,000	29,000	362,000
	<u>\$ 1,934,000</u>	<u>\$ 1,100,000</u>	<u>\$ 3,034,000</u>

(f) Bonds Authorized But Unissued

At December 31, 2008, Anchorage has the following authorized but unissued general obligation bonds (in thousands):

Purpose	Ordinance Date	Interest Limitation	Amount Authorized	Amount Issued	Remaining Authorized
Roads & Drainage upgrades and maintenance	April 2006	None	\$ 44,150	\$ 39,802	\$ 4,348
Anchorage Parks & Recreation	April 2007	None	4,995	2,500	2,495
	April 2008	None	2,000	500	1,500
Anchorage Roads & Drainage	April 2007	None	35,550	28,445	7,105
	April 2008	None	44,800	28,690	16,110
Public Facility Repairs	April 2008	None	6,900	1,500	5,400
Public Safety/Transportation	April 2008	None	1,688	1,438	250
Anchorage Fire Service Area	April 2008	None	3,622	2,350	1,272
					<u>\$ 38,480</u>

In April 2009, Anchorage voters approved the issuance of \$37,325,000 in roads, public safety and fire protection bonds.

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(g) Changes in Long-Term Liabilities

Long-term liability activity, net of related premium and discount amortizations, for the year ended December 31, 2008, was as follows (in thousands):

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 441,657	\$ 60,789	\$ (26,665)	\$ 475,781	\$ 26,685
Revenue Bonds	48,255	—	(2,690)	45,565	2,830
Special Assessment District Bonds	335	—	(335)	—	—
CIVICventures	110,920	—	(305)	110,615	920
Capital Leases	1,559	3,346	(816)	4,089	945
Long-Term Contracts	5,060	—	(100)	4,960	105
HUD Section 108 Loan	2,000	—	(66)	1,934	70
Total Debt Payable	<u>609,786</u>	<u>64,135</u>	<u>(30,977)</u>	<u>642,944</u>	<u>31,555</u>
Compensated Absences	18,435	15,404	(13,452)	20,387	11,891
Unfunded Pension Obligation	21,005	309	(21,314)	—	—
Unfunded Post Empl Obligation	1,633	40	(1,673)	—	—
Post-employment Benefits	141,099	—	(2,437)	138,662	—
Claims payable and IBNR	18,896	51,227	(49,614)	20,509	8,181
Total Governmental Activities	<u>\$ 810,854</u>	<u>\$ 131,115</u>	<u>\$ (119,467)</u>	<u>\$ 822,502</u>	<u>\$ 51,627</u>
Business-type activities:					
General Obligation Bonds	\$ 1,402	\$ —	(432)	\$ 970	\$ 480
Revenue Bonds	396,391	—	(21,001)	375,390	22,320
Special Assessment District Bonds	40	—	(40)	—	—
Long-term Contracts	98,010	21,286	(4,649)	114,647	6,497
Total Bonds Payable	495,843	21,286	(26,122)	491,007	29,297
Compensated Absences	4,880	5,507	(5,311)	5,076	4,697
Unfunded Pension Obligation	3,591	—	(3,591)	—	—
Unfunded Post Empl Obligation	506	—	(506)	—	—
Pollution Remediation	—	258	—	258	—
Landfill Closure Liability	16,596	1,496	—	18,092	—
Total Business- type Activities	<u>\$ 521,416</u>	<u>\$ 28,547</u>	<u>\$ (35,530)</u>	<u>\$ 514,433</u>	<u>\$ 33,994</u>

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

(h) Unfunded Pension & Post-Employment Obligations

Anchorage recognized unfunded pension and post-employment obligations in 2008 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 through June 30, 2008. Effective July 1,

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2008, the State of Alaska converted PERS to a cost-sharing plan. The net pension obligation and net OPEB obligation were written off as a special item as of July 1, 2008.

(i) Refunded Bond Issues

There were no refunded bond issues in 2008.

(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 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, 2008, the amount of general obligation and revenue bonds considered defeased was \$525,945,000, including \$18,700,000 of revenue bonds from the Wastewater Utility and \$23,415,000 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, 2008 (in thousands):

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amount Due within 1 year</u>
General Obligation Bonds	\$ 769,665	\$ 63,790	\$ 44,080	\$ 789,375	\$ 46,630
Compensated Absences	8,494	8,920	8,494	8,920	8,920
Workers Compensation	14,694	6,635	4,595	16,734	4,686
Net Pension Obligation	16,924	1,699	1,041	17,582	—
Medical Claims	7,131	18,418	20,081	5,468	5,468
	<u>\$ 816,908</u>	<u>\$ 99,462</u>	<u>\$ 78,291</u>	838,079	<u>\$ 65,704</u>
Unamortized premium on GO Bonds				16,951	
				<u>\$ 855,030</u>	

Bonds payable at June 30, 2008 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 \$3,490,000 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 \$3,300,000 to \$3,515,000 through October 2010; interest at 6.0%.	6,815

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General Obligation Bonds (continued)	Amount
\$20,735,000 1998 series A school construction refunding serial bonds due in annual installments of \$160,000 to \$5,120,000 through July 2014; interest at 4.2% to 5.0%.	19,580
\$55,900,000 1999 series A school construction serial bonds due in annual installments of \$2,630,000 to \$2,735,000 through December 2009; interest at 4.0% to 5.125 %.	5,365
\$35,000,000 2000 series A school construction serial bonds due in annual installments of \$1,460,000 to \$1,715,000 through December 2011; interest at 4.75% to 5.5 %.	6,340
\$77,900,000 2000 series B school construction serial bonds due in annual installments of \$3,260,000 to \$3,590,000 through December 2010; interest at 5%.	10,270
\$65,000,000 2001 series A school construction serial bonds due in annual installments of \$2,690,000 to \$2,995,000 through June 2011; interest at 5.5%.	8,525
\$51,805,000 2001 school construction refunding bonds due in annual installments of \$4,875,000 to \$10,345,000 through July 2013; interest 4.625% to 5.5%.	48,290
\$131,800,000 2002 series B school construction serial bonds due in annual installments of \$5,005,000 to \$6,350,000 through July 2022; interest 4.125% to 5.5%.	33,780
\$70,345,000 2002 school construction refunding bonds due in annual installments of \$4,700,000 to \$9,120,000 through July 2015; interest 3.75% to 5.5%.	53,885
\$126,770,000 2003 series B school construction serial bonds due in annual installments of \$1,145,000 to \$6,080,000 through September 2020; interest 3.0% to 4.8%.	42,550
\$80,735,000 2004 series B school construction refunding bonds due in annual installments of \$70,000 to \$27,390,000 through December 2017; interest 3.0% to 5.25%.	80,545
\$86,240,000 2004 series D school construction serial bonds due in annual installments of \$3,145,000 to \$4,385,000 through December 2016; interest 2.4% to 5.0%.	33,040
\$63,850,000 2005 series A school construction serial bonds due in annual installments of \$2,375,000 to \$3,050,000 through March 2016; interest 3.1% to 5.0%.	21,505
\$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 3.1% to 5.0%.	29,020
\$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 \$1,645,000 to \$3,640,000 through October 2026; interest at 3.75% to 5.0%	46,910
\$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%	25,835

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<u>General Obligation Bonds (continued)</u>	<u>Amount</u>
\$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%	51,550
\$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%	170,055
\$63,790,000 2007 series D school construction refunding bonds due in annual installments of \$1,995,000 to \$4,885,000 through August 2027; interest at 4.0% to 5.0%	63,790
	<u>\$ 789,375</u>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2008, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 46,630	\$ 37,075	\$ 83,705
2010	48,570	34,976	83,546
2011	50,815	32,698	83,513
2012	53,070	30,243	83,313
2013	53,150	27,798	80,948
2014-2018	261,670	99,059	360,729
2019-2023	208,505	39,713	248,218
2024-2028	66,965	5,434	72,399
	<u>\$ 789,375</u>	<u>\$ 306,996</u>	<u>\$ 1,096,371</u>

The amount of long-term liability that is due within one year as of June 30, 2008 is \$46,630,000.

The Debt Service Fund has \$2,709,624 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, 2008 is \$789,375,000.

NOTE 11 Debt Issued Subsequent to Year End

On April 16, 2009, Anchorage issued \$126,000,000 of General Obligation Tax Anticipation Notes. The interest rate on the Notes is 0.75% with a maturity date of September 1, 2009.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2008

NOTE 12 Conduit Debt Obligations

(a) Nonrecourse Revenue Bonds – United Way of Anchorage

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

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

	Principal
Years:	
2009	\$ 58,453
2010	62,514
2011	66,867
2012	71,513
2013	76,506
2014-2015	161,836
	\$ 497,689

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

	Principal
Years:	
2009	\$ 36,749
2010	39,199
2011	41,824
2012	44,612
2013	47,621
2014-2018	290,383
2019-2021	189,903
	\$ 690,291

(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. At December 31, 2007 the outstanding balance was \$1,225,481. These revenue bonds were fully paid off in 2008.

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Notes to Basic Financial Statements

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NOTE 13 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 increased contributions during 2008 from \$3.67 to \$6.00 to the Plan for each hour worked by a covered employee. The total employer contributions for 2008, 2007, and 2006 were \$3,002,367, \$1,879,952, and \$1,889,527, respectively. One hundred percent (100%) of Anchorage's required contributions to the IBEW plan have been made through these contributions to the Alaska Electrical Trust Fund. Each year, IBEW issues audited financial statements that can be obtained by writing the plan administrator, Alaska Electrical Trust Fund, 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 \$4.00 per hour worked by a covered employee, up from \$3.67 in 2007 and 2006. Total employer contributions for 2008, 2007 and 2006 were \$1,092,171, \$943,863, and \$976,169, respectively. One hundred percent (100%) 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 the plan administrator, Welfare and Pension Administration Service, Inc., P.O. Box 34203, Seattle, Washington, 98124.

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 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. The defined benefit plan was originally established as an agent multiple-employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather all plan costs and past service liabilities will be shared among all participating employers. Both plans are administered by the State of Alaska (State) to provide pension, postemployment healthcare, death and disability benefits to eligible employees.

MUNICIPALITY OF ANCHORAGE, ALASKA

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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. They 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 phoning (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 sufficient to accumulate sufficient assets to pay benefits when due.

Under the newly adopted cost-sharing arrangement, the employer contribution rate is statutorily capped at 22% of annual covered salary. State legislation currently provides that the State of Alaska will contribute any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate. This rate will be consistent with the actuarially determined rate.

Detailed information regarding rates for Anchorage and actuarial methods for the plan for the year ended 2008 are as follows:

	Pension		Postemployment Healthcare	
	1/1/08 to <u>6/30/08</u>	7/1/08 to <u>12/31/08</u>	1/1/08 to <u>6/30/08</u>	7/1/08 to <u>12/31/08</u>
Contribution Rates:				
Employee Rate				
Police Officers and Firefighters	4.35%	2.35%	3.15%	5.15%
Other Employees	3.92%	2.09%	2.83%	4.66%
Actuarially Required Employer Rate				
Police Officers and Firefighters	12.37%	10.91%	8.95%	24.31%
Other Employees	21.23%	10.91%	15.38%	24.31%
Adjusted Actual Employer Rate				
Police Officers and Firefighters	12.37%	6.82%	8.95%	15.18%
Other Employees	12.76%	6.82%	9.24%	15.18%

The employer contribution rate for the fiscal year ended June 30, 2008 was established in the June 30, 2005 actuarial valuation using the projected unit credit actuarial funding method. Effective with the June 30, 2006 valuation, which established the fiscal year end June 30, 2009 rates, the Entry Age Actuarial Cost Method has been employed. Under both methods, the rates were determined as a level percentage of payroll.

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The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between Anchorage and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

The significant actuarial information and assumptions used in the most recent valuation of the plan follow:

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay for Pension; Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	21 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.25% for pension, 4.5% for healthcare
Projected Salary Increases	<u>Peace Officer/Firefighter</u> : Merit: 2.5% per year for first 6 years employment, 0.5% thereafter; Productivity: 0.5% per year <u>Others</u> : Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of Service, 1.0% grading down to 0%. Productivity: 0.5% per year
Inflation	3.5%

The State of Alaska Public Employees' Retirement System retiree healthcare benefits are partially funded. The PERS plan uses the percentage of ARC methodology in the development of the investment rate of return.

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Notes to Basic Financial Statements

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Annual Pension and Postemployment Healthcare Cost – through June 30, 2008

Through June 30, 2008, the State of Alaska adopted contribution rates for each employer at an amount no less than 14.48% and no more than 22%. The Legislature then approved state funding in the form of an on-behalf payment for those amounts between the established employer rate and the actuarially determined rate. This on-behalf payment was transferred to the Alaska Division of Retirement and Benefits at July 1, but was allocated to the individual employer accounts on a prorata basis with each payroll reporting period. In accordance with GASB Statement Number 24, Anchorage has recorded \$8,192,950 in these financial statements as PERS relief and related PERS expenditures/expenses. The on-behalf payment is included in employer contributions for the purpose of calculating the ending net pension obligation and other postemployment benefit (OPEB) obligation as noted below.

Because of the conversion to cost-sharing, the net-pension obligation and net OPEB obligation will not be paid. As a result, these amounts have been written off as of July 1, 2008 as a special item.

Through June 30, 2008, Anchorage's annual pension and OPEB costs (in thousands) were as follows:

	<u>Pension</u>	<u>Postemploy- ment Healthcare</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 13,917	\$ 10,078	\$ 23,995
Interest on the Net Obligation (NPO/NOO)	1,201	176	1,377
Adjustment to the ARC	<u>(799)</u>	<u>(70)</u>	<u>(869)</u>
Annual Pension Cost (APC)	14,319	10,184	24,503
Contributions made	<u>(14,010)</u>	<u>(10,145)</u>	<u>(24,155)</u>
Increase in Net Obligation	309	39	348
Net Obligation, beginning of year	24,596	2,140	26,736
Net Obligation, July 1, Write-Off Special Item	<u>\$ 24,905</u>	<u>\$ 2,179</u>	<u>\$ 27,084</u>

Three year trend information (in thousands) prior to conversion to cost-sharing is as follows:

	<u>Period Ending</u>	<u>APC</u>	<u>Percentage of APC Contributed</u>	<u>Net Obligation</u>
Pension	12/31/2006	\$ 23,469	57%	\$ 21,117
	12/31/2007	25,654	86%	24,596
	6/30/2008	14,319	98%	24,905
Postemployment Healthcare	12/31/2006	N/A	N/A	N/A
	12/31/2007	17,973	88%	2,140
	6/30/2008	10,184	99%	2,179

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Annual Pension and Postemployment Healthcare Cost: July 1 - December 31, 2008

Effective July 1, 2008, the Plan has been converted to a cost-sharing arrangement. The statutorily established rate is 22% of covered payroll, subject to a wage floor. In addition, the State contributed approximately 13.22% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, Anchorage has recorded the state contribution in the amount of \$11,878,367 as a PERS on-behalf payment. However, because Anchorage is legally responsible only for the payments of up to 22% of covered payroll, this amount has been excluded from pension and OPEB cost as described here. Pension and OPEB payments for the six months from July 1st to December 31st are shown in thousands below:

<u>Six Months Ended December 31</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>Anchorage Contributions</u>	<u>% of TBC Contributed</u>
2008	\$ 5,035	\$ 11,874	\$ 16,909	\$ 16,909	100%

Funding Status and Funding Progress

As of June 30, 2007, the pension plan is 77.8% funded and the post-employment health plan is 28.5% funded. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (in thousands).

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as Percentage of Covered Payroll</u>
June 30, 2007:						
Pension	\$6,739,004	\$8,662,324	\$1,923,320	77.80%	\$1,605,819	119.80%
Postemployment healthcare	3,161,956	11,108,553	7,946,597	28.50%	1,605,819	494.90%
June 30, 2006:						
Pension	6,331,065	8,094,043	1,762,978	78.20%	1,590,693	110.80%
Postemployment healthcare	2,709,843	11,455,015	8,745,172	23.70%	1,590,693	549.80%

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Notes to Basic Financial Statements

December 31, 2008

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 post-employment health care. The plan requires both employer and employee contributions. Employees may make additional contributions into the plan, subject to limitations. Contribution rates are as follows:

	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	0.99%	0.99%	0.99%	0.99%
Death & Disability Benefit	<u>1.33%</u>	<u>1.33%</u>	<u>0.58%</u>	<u>0.58%</u>
Total Employer Contribution	10.32%	10.32%	9.57%	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, 2008 a rate of \$58.89 per full time employee per pay period and \$0.98 per part time hour worked was paid. For pay periods ending after July 1, 2008, a rate of \$62.18 per full time employee pay period and \$1.04 per part time hour worked was paid.

For the year ended December 31, 2008, Anchorage contributed \$1,065,761 to PERS Tier IV for retirement and retiree medical, and it contributed \$476,107 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$1,255,322.

Under the newly adopted cost-sharing arrangement for the PERS defined benefit plan (Tiers I – III), the state statute employer contribution rate of 22%, includes Tier IV employees. In addition to the amounts above, Anchorage contributed 11.68% on Tier IV employee payroll. This amount was applied to the obligation of the PERS defined benefit plan and is included in the contributions (ARC) recorded in the defined benefit cost-sharing plan.

(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 required to participate in a plan. No other person is eligible to participate. Membership is determined by date of initial employment or by employee election.

- Plan I - Members employed on or before June 30, 1977

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- Plan II - Members employed between July 1, 1977, and April 16, 1984, and
- Plan III - Members employed between April 16, 1984, and July 18, 1994. Members of Plans I and II were also 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 and any additional contributions to ensure that Plans I, II, and III are adequately funded as determined by the actuary and approved by the Retirement Board.

Benefit and contribution provisions are established by Code and may be amended only by the Assembly. The January 1, 2008 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 non-occupational 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 he or she 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 non-occupational.

Benefits are payable for life, and are subject to certain restrictions. To be eligible for non-occupational 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 non-occupational 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 non-occupational 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, 3650 E. Tudor Road, P.O. Box 196650, Anchorage, Alaska 99519-6650 or by phoning (907) 343-8400.

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Notes to Basic Financial Statements

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Funding Status and Contribution Requirements

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

	Police and Fire Retirement Systems		
	Plan I	Plan II	Plan III
Contribution rates:			
Employee:			
Peace officers and firefighters	—	—	—
Other employees	—	—	—
Employer			
Annual pension cost (in thousands)	—	—	—
Contributions made (in thousands)	—	—	—
Actuarial valuation date	January 1, 2008	January 1, 2008	January 1, 2008
Actuarial cost method	Modified Aggregate	Modified Aggregate	Modified Aggregate
Amortization period	15 years	15 years	15 years
Asset valuation method	Market	Market	Market
Actuarial assumptions:			
Inflation rate	3.0%	3.0%	3.0%
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increase	3.5%	3.5%	3.5%
Cost of living adjustment	N/A	N/A	0.75% to 1.50% *

* 0.75% for present retirees and after retirement for current active members after 20th anniversary of hire, and 1.50% after 25th anniversary of hire.

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

(c) Investments

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

In May 2003, the Retirement Board 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 currently no scheduled contributions for 2009.

In April 2009, the Retirement Board adopted the actuary's recommendation to recover underfunding that was created in 2008 as a result of substantial investment losses. The Retirement Board approved a 15 year amortization period that will require annual Municipal contributions of \$12 million beginning in 2010. If the Plan I, II, and III investments recover during 2009, it is possible that the required 2011 contribution may be reduced.

NOTE 14 Postemployment Healthcare Benefits

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

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(a) Gentile Group

Members of the Police & 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, 2008, there were 272 retiree participants. For 2008 the monthly contribution for each member ranged between \$1,452 and \$1,986 per member depending on age and years of service. Benefit costs totaled \$6,094,415, in 2008. There are no plans in place to terminate or discontinue this benefit for eligible members.

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

Active duty and non-command personnel members who were employed prior to January 1, 1995, but who were scheduled to retire after that date, as well as non-represented command personnel appointed after January 1, 1995 participate in the Police & 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. Additionally, members have access to Anchorage's health insurance program if they elect to pay the associated premium.

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 & Fire Retiree Medical Trust Fund. For all subsequent years, the amount to be contributed per retired employee is adjusted in accordance with the CPI factors indicated below:

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

For 2008 the monthly contribution for each member ranges between \$501 and \$721 per member depending on age and years of service. Anchorage contributed \$2,352,982 to the Police & Fire Retiree Medical Trust Fund in 2008.

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 \$138,662,444 has been recorded as a liability in Anchorage's financial statements based on a funding analysis performed in 2006.

Concurrent with the establishment of the plan, Anchorage initiated a "Prefunding" arrangement. The terms of the prefunding call for annual deposits through 2014 into a debt service fund for the purpose of accumulating resources to pay the annual required contributions to the Police & 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

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to fully fund the actuarially determined liability by the target date. In 2008, 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 and/or extend the final payment, though the latter would require a Code amendment.

Detailed information regarding rates and actuarial methods for the plan for the year ended 2008 are as follows:

Postemployment Healthcare Plans		
Gentile	Police and Fire	
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%

The components of annual postemployment health costs for the year ended 2008 (in thousands) are as follows:

	Postemployment Healthcare	
	Gentile Group	Police and Fire Retiree Medical Group
Annual Required Contribution (ARC)	\$ 5,687	\$ 1,304
Interest on the Net OPEB Obligation (NOO)	—	—
Adjustment to the ARC	—	—
Annual OPEB Cost (APC)	5,687	1,304
Contributions made	(6,094)	(2,353)
Decrease in NOO	(407)	(1,049)
NOO, beginning of year	—	—
NOO, end of year	\$ —	\$ —
Percentage of Post-Employment Health Cost Contributed	107.16%	180.44%

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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Schedule of Funding Progress
 Postemployment Healthcare Benefits (in thousands)
 (unaudited)

	Actuarial Valuation Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Underfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
Gentile Group	2007	-	\$ 87,419	\$ 87,419	0%
	2008	-	87,419	87,419	0%
Police & Fire	2007	\$ 32,800	\$ 41,986	\$ 9,186	78%
	2008	32,800	41,986	9,186	78%

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 15 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 primary 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 Anchorage.

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, 2008, is dependent upon future developments. At December 31, 2008, claims incurred but not reported included in the liability accounts are \$12,327,800 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

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Notes to Basic Financial Statements

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Changes in the funds' claim liability amounts in 2007 and 2008 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>
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>
2008:				
General Liability/Workers' Compensation	\$ 14,709,671	\$ 6,981,750	\$ (6,495,198)	\$ 15,196,223
Medical/Dental	4,123,844	44,020,522	(42,883,966)	5,260,400
Unemployment	61,453	225,235	(234,514)	52,174
	<u>\$ 18,894,968</u>	<u>\$ 51,227,507</u>	<u>\$ (49,613,678)</u>	<u>\$ 20,508,797</u>

NOTE 16 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.

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 twenty consecutive quarters ending on 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

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Notes to Basic Financial Statements

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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, 2008, \$6,600,000 of the MOA Trust Fund Balance was determined to be expendable.

Subsequent to December 31, 2008, the Assembly amended Code 6.50.060 in response to substantial 2008 investment losses. Effective January 1, 2010, no more than 4% of the market value of the MOA Trust Fund for the twenty consecutive quarters ending on March 31 of each year is available for appropriation by the Assembly to help fund the general government budget. This policy change will remain in effect until such time as the MOA Trust Fund's market value recovers to a level equal to or greater than the Trust's market value at December 31, 2007.

NOTE 17 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, 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. The Regulatory Commission of Alaska (RCA) approved these transactions 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 would be used for the approved purposes, which will reduce future rate payer costs for gas. At December 31, 2007 the amount remaining was \$11,024,070 and during 2008 that amount was depleted and funds for BRU construction were used from the Regulatory Liability Gas Sales account, as discussed in the Petition to Adjust Gas Transfer Price Methodology.

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 generating 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, 2008 and 2007, which includes original principal plus interest earnings of \$26,041,413 and \$24,953,894, 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, 2008 and 2007, the Utility had under-recovered in the amount of \$9,156,806 and \$2,284,452 respectively.

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

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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 those 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 thermal 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, or Regulatory Liability Gas Sales, rather than revenue. This has resulted in the Utility recording other deferred credits as of December 31, 2008 and 2007, in the amount of \$45,710,190 and \$20,298,862, respectively.

Revenue Requirement Study: In Order No. U-06-6(3), dated December 29, 2006, the RCA accepted a stipulation between the Utility and the Attorney General regarding its electric depreciation study. In that order, the RCA required the Utility to file by June 30, 2008, a revenue requirement study and cost of service/rate design study using a 2007 test year. In compliance with that order, on June 30, 2008 the Utility filed a revenue requirement and cost of service study. The revenue requirement study showed a test-year revenue deficiency of \$1,417,560 or 1.4%. Given the Utility's overall financial health and the relatively minor level of test year revenue deficiency from base rates, the Utility did not consider it in the best interest of its customers to ask for a rate change in the filing. On October 28, 2008, the RCA accepted the compliance filings and closed the docket in Order No. U08-77(1).

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 \$718,380 and \$582,686 in 2008 and 2007, 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, 2009. The Utility received an advance of 20% or \$3,860,000 on December 5, 2002. After the advance was expended the Utility issued a bill to the State each month for its expenditures up to the total amount of the grant. The advance was invested and earned interest of \$174,361, which was added to the authorized grant amount for a total spending limit of \$19,474,361, which was expended as of December 31, 2008. The transmission line was completed in May 2007. The Utility has recorded contributed plant of \$8,901,559 and an additional \$1,484,117 for cost of removal of the old transmission line or 53.33% of the capital spending as of December 31, 2008. The Utility is preparing to file the final grant report in 2009.

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 \$4,308,612 and \$4,245,710 in 2008 and 2007, respectively, for its portion of costs, and received 80,611 and 94,401 megawatt hours of power in 2008 and 2007, respectively, from the project. The Utility received a budget

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surplus refund in the amount of \$191,729 for 2008 and \$214,527 for 2007. The Utility's estimated cost of power from the project for 2009 is \$4,471,200.

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, 2008, is \$112,889,515. 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 \$29,238,384. In the event of payment defaults by other power purchasers, the Utility's share could be increased by up to 25%, which would then cause the Utility's pro rata share of project debt service to be a total of \$36,547,980; the Utility does not now know of or anticipate any such defaults.

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, 2008 is \$4,116,253, including accrued interest.

Southcentral Power Project: The Utility entered into a participation agreement with Chugach Electric Association, Inc. on August 28, 2008 to proceed with the joint development, construction and operation of the Southcentral Power Project ("the Project"). The approximate capacity of the Project is 180MW, of which the Utility's proportionate share will be 54MW, or 30%. The Utility's estimated share of the cost of the project at this time is \$110,561,000, including interest during construction. The Utility has recorded capital expenditures of \$2,034,787 as of December 31, 2008. The project is anticipated to enter commercial operation by January 1, 2014.

(b) **Water and Wastewater Utilities**

Water Utility

Municipal Utility Service Assessment (MUSA) on Contributed Plant: On September 2, 2005, the RCA issued an order establishing a revenue requirement for the Utility's rates that excluded MUSA expense associated with the contributed portion of the Utility's plant balances. The Utility filed an appeal with the Alaska Superior Court in 2005 where the Superior Court upheld the Commission decision. The Superior Court decision was appealed to the State of Alaska Supreme Court. On May 8, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the 2005 exclusion of MUSA from the Utility's revenue requirement. The Court remanded the case to the RCA for further proceedings to make a determination on the merits of the reasonableness of the Utility's proposed rate increase. Revenue collected subject to refunds approximated \$15 million through December 31, 2008 and approximately \$3 million of which was associated with revenues collected in 2008. In light of the May 8th Supreme Court decision, the Utility believes that it is unlikely that it will be required to refund the revenue collected, and therefore has not recorded a liability for a refund payable.

Refund of Revenues

Collected during 2006: The Utility collected revenues based on interim and refundable rates during the period from May 30, 2006 until December 31, 2006. The final approved revenue requirement was approximately \$0.9 million lower than the interim rates had been based on due to the disallowance of certain expense items. Because interim rates had been in effect for only the final seven months of 2006, the Utility refunded \$0.5 million to its customers during the month of May 2008.

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2007 Test Year / 2009 Rates: The Utility filed a revenue requirement study on November 14, 2008 requesting an interim and refundable rate increase of 7.0%. The RCA granted the requested interim rate increase effective January 1, 2009. The Utility anticipates a final order in this case by the first quarter of 2010.

Wastewater Utility

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.

MUSA on Contributed Plant: On September 2, 2005, the RCA issued an order establishing a revenue requirement for the Utility's rates that excluded MUSA expense associated with the contributed portion of the Utility's plant balances. The Utility filed an appeal with the Alaska Superior Court in 2005 where the Superior Court upheld the Commission decision. The Superior Court decision was appealed to the State of Alaska Supreme Court. On May 8, 2009 the Supreme Court issued a unanimous decision finding no reasonable basis for the 2005 exclusion of MUSA from the Utility's revenue requirement. The Court remanded the case to the RCA for further proceedings to make a determination on the merits of the reasonableness of the Utility's proposed rate increase. Revenue collected subject to refunds was approximated \$9.5 million through December 31, 2008, approximately \$2.5 million of which was associated with revenues collected in 2008. In light of the May 8th Supreme Court decision, the Utility believes that it is unlikely that it will ultimately be required to refund the revenue collected, and therefore has not recorded a liability for a refund payable.

2004 Test Year / 2008 Rates: On August 8, 2008, the RCA approved revised wastewater rates based on a cost of service study (COSS) and rate design that essentially increased rates to commercial and volumetric customers and decreased flat monthly usage charges paid by single-family residential customers. Although theoretically revenue neutral for the Utility, a decreasing rate of volumetric consumption during the year, in concert with the implementation of the new COSS acted to reduce the annual revenues of the Utility.

2007 Test Year / 2009 Rates: The Utility filed a revenue requirement study on November 14, 2008 requesting an interim and refundable rate increase of 6.5%. The RCA granted the requested interim rate increase effective January 1, 2009. The Utility anticipates a final order in this case by the first quarter of 2010.

NOTE 18 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

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Notes to Basic Financial Statements

December 31, 2008

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 19 Environmental Issues

Anchorage has adopted an aggressive proactive policy designed to identify and mitigate the potential effects of past, present and future activity that 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, 2008, there are environmental issues that meet both of these criteria and, accordingly, a provision has been made in the accompanying financial statements for the cost of mitigating environmental concerns of underground fuel and hazardous waste contamination. The following is a summary of environmental concerns at December 31, 2008.

(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.

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. Anchorage 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.

Anchorage is also responsible for postclosure care at two other closed landfill sites: the former landfill beneath Della Vega Park (closed in 1977) and the Peters Creek landfill (closed in 1987). Postclosure care requirements are limited to groundwater quality and landfill gas migration.

(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 each year, Solid Waste Services (SWS) records an operating

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December 31, 2008

expense an amount based on landfill capacity. During 2005, the future closure and postclosure were reevaluated and adjusted to reflect current conditions. At December 2008, SWS had a recorded liability of \$18,091,854 associated with these future costs, based on the use of 35% of the landfill's estimated capacity. Based upon the 2005 study, it is estimated SWS will recognize an additional \$33,877,031 in liability expense between December 31, 2008 and 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.

State laws and federal regulations require Anchorage to provide financial assurances for future closure and postclosure costs by one of a number of allowable mechanisms available. Anchorage elected to use the "Local Government Test" financial assurance mechanism to comply with the regulation. Pursuant to A0-2008-46, the Anchorage Assembly amended municipal code to establish a restricted account to fund the liability for landfill closure and postclosure purposes. At December 31, 2008, \$1,383,415 of SWS assets are in the restricted account 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:

Balance January 1, 2008	Addition	Deletion	Balance December 31, 2008	Due Within One Year
<u>\$ 16,596,153</u>	<u>\$ 1,495,701</u>	<u>\$ -</u>	<u>\$ 18,091,854</u>	<u>\$ -</u>

(c) Fuel/PCB Contaminated Site at Hank Nikkels Power Plant One

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 Electric Utility replaced generating 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. All soil disturbing activities at the site are governed by the Risk-Based Disposal Plan administered by the Alaska Department of Environmental Conservation (ADEC) and the Environmental Protection Agency (EPA). The additional cost of compliance cannot be measured at this time.

(d) Spill Prevention Requirements

In accordance with its compliance plan submitted to ADEC in 2007, the Electric Utility will perform fuel oil piping modifications and construct secondary containment for the diesel fuel loading/unloading area. The cost of planned upgrades is estimated at \$635,000.

(e) New Air Regulations

On March 10, 2009, the EPA issued a proposed rule for mandatory reporting of greenhouse gas (GHG) emissions. According to the new rule, both Electric Utility power plants meet the reporting threshold and must quantify GHG emissions starting in January 2010. To implement the new requirements, Utility employees will be trained on the applicability of this rule, emissions quantification methodologies, fuel monitoring and testing requirements, quality assurance and

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quality control procedures, and other applicable issues. Even though the proposed rule does not require the installation of emission monitoring or emission control devices, it mandates monthly fuel testing for carbon content as well as periodic calibration of fuel flow meters. The cost of compliance with the new rule cannot be estimated at this time.

(f) *New Generation Permitting*

Environmental permits will be obtained by the Electric Utility prior to construction of new generation units. Air quality assessments and modeling, soil contamination investigations, and wastewater treatment and discharge requirements are primary environmental permitting and compliance areas that will require a consultant's expertise. The additional cost of compliance cannot be measured at this time.

(g) *Pollution Remediation Obligation*

Water Utility

Beginning in 1993, in accordance with the ADEC regulations, the Utility commenced activities to remove three leaking underground fuel storage tanks and the surrounding contaminated soils. Additional contamination was identified on the affected property (unrelated to the tank leakage) requiring additional removal of soils. An ADEC report indicates the Utility performed some groundwater sampling at the site, but there is no documentation indicating a groundwater characterization had been completed. In 2009, the Utility's consultant submitted to the ADEC a plan for closing the case on this site. The Utility is awaiting the ADEC's input and or approval regarding the plan.

The Utility used the expected cash flow technique to measure the liability. The Utility estimated a reasonable range of potential outlays of \$75,000 to \$350,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$155,000. The potential for a material change in the estimate is possible depending upon the response received from ADEC.

Wastewater Utility

Beginning in 1992, in accordance with the ADEC regulations, the Utility commenced activities to remove two leaking underground fuel storage tanks and the surrounding contaminated soils. The Utility maintains monitoring wells and, performed soil and groundwater testing at the site. In 2009, the Utility's consultant submitted to the ADEC a plan for closing the case on this site. The Utility is awaiting the ADEC's input and or approval regarding the plan.

The Utility used the expected cash flow technique to measure the liability. The Utility estimated a reasonable range of potential outlays of \$75,000 to \$200,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$102,500. The potential for a material change in the estimate is possible depending upon the response received from ADEC.

NOTE 20 Subsequent Events

(a) *2009 Budget*

As a result of 2008 fund balance shortfalls and anticipated 2009 budget shortfalls, among other cost reduction measures, Anchorage entered into discussions with each of its organized labor associations to negotiate possible wage concessions to reduce the likelihood and scope of personnel layoffs. Subsequent to year end, Anchorage and many of its various unions were reached agreements on certain contract amendments that will greatly assist in the balancing the 2009 budget. Many of these agreements have been ratified by the Anchorage Assembly.

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(b) Property Taxes

In April 2009, Anchorage voters approved an amendment to the Municipal Charter changing the calculation of the property tax cap [refer to Note 18 (c) and (d)]. The amendment is required to be phased-in beginning in 2010.

(c) Environmental issues

In June of 2009, Anchorage was notified of certain potential environmental issues as follows:

The presence of PCBs exceeding applicable clean up levels was discovered in the soils on the Reeve Boulevard site, Parcel 3, Tract B, Municipal Industrial Subdivision (Site), owned by the Municipality. Those soils were transported to the Site by and under the supervision of potentially responsible third parties. The presence of PCBs on the Site has been reported to the ADEC and the EPA. Anchorage is working with ADEC and the EPA on proper characterization and remediation of the Site; the Municipality is also pursuing its rights and remedies against third parties. At this time, any range of expenditures that may be associated with the clean up are not reasonably estimable.

Kincaid Project Group, Inc., an Alaska nonprofit corporation (KPG), has undertaken certain projects to develop improvements within Kincaid Park, owned by Anchorage. During the course of such improvements, one or more contractors of KPG disturbed lead-contaminated soils at the site of the former biathlon range. The EPA issued a notice of violation to Anchorage. While KPG has essentially acknowledged responsibility for the violation and is working with EPA and the ADEC to remediate the site, Anchorage, as owner of the Park, remains as a potentially responsible party. At this time, any range of expenditures that may be associated with the clean up are not reasonably estimable.

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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, 2008

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget
	Original	Final				
Revenues:						
Taxes	\$ 260,137,631	\$ 469,480,061	\$ 471,351,448	\$ -	\$ 471,351,448	\$ 1,871,387
Payments in lieu of taxes	1,752,486	1,752,486	2,086,576	-	2,086,576	334,090
Special assessments	-	300,000	221,069	-	221,069	(78,931)
Licenses and permits	13,632,823	13,392,970	10,950,551	-	10,950,551	(2,442,419)
Intergovernmental	27,381,440	29,358,157	24,073,577	(3) 11,878,387	35,951,964	(5,284,580)
Charges for services	27,599,264	28,568,715	28,674,872	-	28,674,872	106,157
Fines and forfeitures	11,661,700	11,661,700	8,721,712	-	8,721,712	(2,939,988)
Investment income	8,709,700	11,572,096	(104,761)	-	(104,761)	(11,676,857)
Restricted contributions	-	-	560	-	560	560
Other revenues	3,371,838	3,081,040	3,467,394	-	3,467,394	386,354
Total revenues	354,246,882	569,167,225	549,442,998	11,878,387	561,321,385	(19,724,227)
Expenditures:						
Current:						
General government	23,819,342	23,934,108	20,565,473	(1), (3) 1,859,406	22,424,879	3,368,635
Fire services	70,625,355	72,019,149	71,653,217	(1), (3) 2,209,717	73,862,934	365,932
Police services	93,029,820	94,231,584	94,802,896	(1), (3) 2,759,092	97,561,988	(571,312)
Health and human services	14,794,618	14,832,726	13,852,821	(1), (3) 548,051	14,400,872	979,905
Economic and community development	49,443,766	49,834,588	47,772,237	(1), (3) 538,328	48,310,565	2,062,351
Public transportation	20,923,299	21,499,465	21,329,145	(1), (3) 584,957	21,914,102	170,320
Public works	22,174,722	23,737,343	21,610,121	(1), (3) 2,693,931	24,304,052	2,127,222
Education	-	212,165,785	212,165,785	-	212,165,785	-
Maintenance and operations of roads and facilities	32,967,021	36,640,235	35,305,581	(1), (3) 524,604	35,830,185	1,334,654
Debt service:						
Principal	26,287,170	26,991,193	26,941,078	-	26,941,078	50,115
Interest	19,924,060	22,826,586	21,601,653	-	21,601,653	1,224,933
Total expenditures	373,989,173	598,712,762	587,600,007	11,718,086	599,318,093	11,112,755
Excess (deficiency) of revenues over expenditures	(19,742,291)	(29,545,537)	(38,157,009)	160,301	(37,996,708)	(8,611,472)
Other financing sources (uses):						
Transfers in – from other funds	28,685,864	32,502,245	32,648,365	-	32,648,365	146,120
Transfers out – to other funds	(9,352,640)	(11,419,647)	(11,146,111)	-	(11,146,111)	273,536
Sale of capital assets	-	52,000	30,058	-	30,058	(21,942)
Insurance recoveries	-	-	4,523	-	4,523	4,523
Loan proceeds	-	175,000	175,000	-	175,000	-
Total other financing sources (uses)	19,333,224	21,309,598	21,711,835	-	21,711,835	402,237
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(409,067)	(8,235,939)	(16,445,174)	160,301	(16,284,873)	(8,209,235)
Fund balance, beginning of year	37,750,561	37,750,561	37,750,561	(2) 4,602,702	42,353,263	-
Fund balance, end of year	\$ 37,341,494	\$ 29,514,622	\$ 21,305,387	\$ 4,763,003	\$ 26,068,390	\$ (8,209,235)

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. For GAAP purposes, they are reported in the year goods and services are received.
- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing Anchorage'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.
- (3) Effective July 1, 2008, Anchorage changed its policy regarding the recording of on-behalf payments for PERS. The on-behalf payments are not cash transactions and there is no impact or cost to the taxpayers associated with these transactions. Also, the on-behalf payment amounts have fluctuated significantly over the past few years. This has made the amounts difficult to estimate for budgetary purposes. Therefore, effective July 1, 2008, Anchorage has elected to exclude this item from its budget, and it is shown here as a reconciling item to GAAP basis.

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

Notes to Required Supplementary Information – Budgetary Data

December 31, 2008

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 2008 operating budgets and appropriations of direct costs at the department level, and indirect costs at the fund or sub-fund level. Some departmental appropriations span more than one fund. The Assembly approved 2008 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 or sub-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 except CIVICVentures Bond Fund, 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.

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.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Required Supplementary Information – Budgetary Data

December 31, 2008

The Municipal Assembly is required to approve the School District budget (in total only) and appropriate by ordinance the necessary resources at least sixty 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, 2008

	Percentage of Lane – Miles in Good or Better Condition		
	2008	2005	2002
Anchorage Road District	75.51%	74.89%	76.61%
Chugiak/Eagle River Road District	95.87%	95.16%	95.25%
Girdwood Road District	76.15%	93.01%	73.75%
Other Road Districts	74.46%	87.62%	76.94%
Overall System	80.18%	80.01%	80.57%

	Percentage of Lane – Miles in Fair Condition		
	2008	2005	2002
Anchorage Road District	24.49%	25.11%	23.39%
Chugiak/Eagle River Road District	4.13%	4.84%	4.75%
Girdwood Road District	23.85%	6.99%	26.25%
Other Road Districts	25.54%	12.38%	23.06%
Overall System	19.82%	19.99%	19.43%

	Comparison of Estimated-to-Actual Maintenance/Preservation (in Thousands)				
	2008	2007	2006	2005	2004
Anchorage Road District:					
Needed	\$ 4,260	25,390	\$ 31,175	\$ 21,497	\$ 12,968
Actual	4,765	25,808	30,903	21,250	11,835
Chugiak/Eagle River Road District:					
Needed	1,767	5,571	4,636	1,585	1,819
Actual	1,278	5,082	4,692	1,480	1,460
Girdwood Road District:					
Needed	172	606	675	115	97
Actual	64	498	630	89	111
Other Road Districts:					
Needed	1,126	768	534	411	279
Actual	2,176	1,335	478	1,094	237
Overall System:					
Needed	7,325	32,335	37,020	23,608	15,163
Actual	8,283	32,723	36,703	23,913	13,643
Difference	958	388	(317)	305	(1,520)

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

SUPPLEMENTARY INFORMATION

Additional Budgetary Comparison Schedules

The **General Fund and Sub-Funds** budgetary comparison schedule and reconciliation to GAAP is presented for perspective purposes to demonstrate Anchorage's legal level of adopted budget for estimated revenues and appropriations at the fund and sub-fund level, which is different than the GAAP fund structure format presented in the Required Supplementary Information section.

The **Department** budgetary comparison schedule and reconciliation to GAAP **for the General Fund and Sub-Funds** is presented for perspective purposes to demonstrate Anchorage's legal level of adopted budget for estimated revenues and appropriations at the department level, which is different than the GAAP fund structure format presented in the Required Supplementary Information section.

MUNICIPALITY OF ANCHORAGE, ALASKA
 Required Supplementary Information - Budgetary Comparison Schedule
 by General Fund and Sub-Funds
 Year ended December 31, 2008

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget
	Original	Final				
Revenues & other financing sources:						
Areawide Service Area	\$ 125,634,296	\$ 338,709,825	\$ 329,204,801	\$ -	\$ 329,204,801	\$ (9,505,024)
Former City Service Area	-	-	2,747	-	2,747	2,747
Chugiak Fire Service Area	1,118,945	1,118,945	1,077,537	-	1,077,537	(41,408)
Glen Alps Service Area	310,039	306,579	295,245	-	295,245	(11,334)
Girdwood Valley Service Area	1,662,607	1,441,620	1,413,574	-	1,413,574	(28,046)
Former Borough Roads & Drainage Service Area	-	-	13	-	13	13
Fire Service Area	53,432,770	54,918,228	54,112,708	-	54,112,708	(805,520)
Roads & Drainage Service Area	67,831,112	68,319,235	66,426,130	-	66,426,130	(1,893,105)
Limited Service Areas	9,405,764	8,872,134	8,631,684	-	8,631,684	(240,450)
Anchorage Metropolitan Police Service Area	88,260,647	92,269,240	89,951,593	-	89,951,593	(2,317,647)
Anchorage Parks & Recreation Service Area	20,385,829	21,270,154	20,177,169	-	20,177,169	(1,092,985)
Eagle River - Chugiak Parks & Recreational Service Area	4,305,800	4,325,426	4,137,790	-	4,137,790	(187,636)
Building Safety Service Area	9,181,288	8,941,435	5,483,165	-	5,483,165	(3,458,270)
Public Finance & Investment	1,393,043	1,393,043	1,381,706	-	1,381,706	(11,337)
Police/Fire Retiree Medical Defined Contribution Support	10,606	10,606	5,082	-	5,082	(5,524)
SOA PERs On-Behalf Payments	-	-	-	(3)	11,878,387	-
Total revenues & other financing sources	<u>382,932,746</u>	<u>601,896,470</u>	<u>582,300,944</u>	<u>11,878,387</u>	<u>594,179,331</u>	<u>(19,595,526)</u>
Expenditures & other financing uses:						
Areawide Service Area	125,933,676	342,473,308	334,349,094	(1)	334,270,604	8,124,214
Former City Service Area	-	-	345	-	345	(345)
Chugiak Fire Service Area	1,118,943	1,118,943	1,069,256	(1)	1,077,226	49,687
Glen Alps Service Area	310,037	406,577	329,061	-	329,061	77,516
Girdwood Valley Service Area	1,662,600	1,970,612	1,830,011	-	1,830,011	140,601
Former Borough Roads & Drainage Service Area	-	-	-	-	-	-
Fire Service Area	53,432,750	54,782,703	54,057,042	(1)	54,024,011	725,661
Roads & Drainage Service Area	67,831,071	70,121,520	69,666,942	-	69,666,942	454,578
Limited Service Areas	9,516,166	10,561,536	9,407,421	-	9,310,291	1,154,115
Anchorage Metropolitan Police Service Area	88,260,476	90,213,532	90,893,453	-	90,893,453	(679,921)
Anchorage Parks & Recreation Service Area	20,385,778	20,755,736	20,365,051	(1)	20,320,744	390,685
Eagle River - Chugiak Parks & Recreational Service Area	4,305,787	5,325,413	5,184,530	-	5,184,530	140,883
Building Safety Service Area	9,181,270	10,749,270	10,102,689	(1)	10,090,246	646,581
Public Finance & Investment	1,393,032	1,643,032	1,583,353	-	1,583,353	59,679
Police/Fire Retiree Medical Defined Contribution Support	10,227	10,227	5,000	-	5,000	5,227
SOA PERs On-Behalf Payments	-	-	-	(3)	11,878,387	-
Total expenditures & other financing uses	<u>383,341,813</u>	<u>610,132,409</u>	<u>598,843,248</u>	<u>11,718,086</u>	<u>610,464,204</u>	<u>11,289,161</u>
Deficiency of revenues & other financing sources over expenditures & other financing uses	<u>(409,067)</u>	<u>(8,235,939)</u>	<u>(16,542,304)</u>	<u>160,301</u>	<u>(16,284,873)</u>	<u>(8,306,365)</u>
Fund balance, beginning of year	<u>37,750,561</u>	<u>37,750,561</u>	<u>37,750,561</u>	<u>(2)</u>	<u>42,353,263</u>	<u>-</u>
Fund balance, end of year	<u>\$ 37,341,494</u>	<u>\$ 29,514,622</u>	<u>\$ 21,208,257</u>	<u>\$ 4,763,003</u>	<u>\$ 26,068,390</u>	<u>\$ (8,306,365)</u>

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. For GAAP purposes, they are reported in the year goods and services are received.
- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing Anchorage'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.
- (3) Effective July 1, 2008, Anchorage changed its policy regarding the recording of on-behalf payments for PERS. The on-behalf payments are not cash transactions and there is no impact or cost to the taxpayers associated with these transactions. Also, the on-behalf payment amounts have fluctuated significantly over the past few years. This has made the amounts difficult to estimate for budgetary purposes. Therefore, effective July 1, 2008, Anchorage has elected to exclude this item from its budget, and it is shown here as a reconciling item to GAAP basis.

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, 2008

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget
	Original	Final				
Expenditures & other financing uses:						
Assembly	\$ 2,895,815	\$ 2,895,815	\$ 2,669,798	(1),(2) 76,174	\$ 2,745,972	\$ 226,017
Chief Fiscal Officer	847,844	974,029	642,420	(2) 23,557	665,977	331,609
Development Services	11,676,208	13,244,208	12,024,990	(1),(2) 1,168,437	13,193,427	1,219,218
Economic & Community Development	22,313,803	23,333,429	22,887,421	(1),(2) 264,568	23,151,989	446,008
Education	-	212,165,785	212,165,785	-	212,165,785	-
Employee Relations	2,517,226	2,517,226	2,301,020	(2) 103,948	2,404,968	216,206
Office of Equal Opportunity	392,421	392,421	324,999	(2) 9,706	334,705	67,422
Equal Rights Commission	723,367	723,367	620,689	(2) 34,618	655,307	102,678
Finance	12,712,233	13,137,233	12,189,325	(1),(2) 411,572	12,600,897	947,908
Fire	69,543,322	72,392,045	71,509,841	(1),(2) 2,211,859	73,721,700	882,204
Health & Human Services	13,394,223	13,453,223	12,629,152	(1),(2) 550,193	13,179,345	824,071
Heritage Land Bank/Real Estate Services	6,805,063	6,905,063	6,846,953	(2) 34,815	6,881,768	58,110
Information Technology	1,430,519	1,430,519	1,399,926	(2) 444,627	1,844,553	30,593
Internal Audit	568,647	568,647	505,074	(2) 21,444	526,518	63,573
Maintenance & Operations	83,590,222	88,035,129	86,234,962	(1),(2) 526,746	86,761,708	1,800,167
Management & Budget	1,155,448	1,155,448	1,016,669	(2) 36,034	1,052,703	138,779
Mayor	1,627,247	1,627,247	1,474,018	(1),(2) 31,226	1,505,244	153,229
Municipal Attorney	7,518,468	7,518,468	7,401,089	(2) 252,507	7,653,596	117,379
Municipal Manager	3,138,098	3,138,099	2,982,798	(2) 289,834	3,272,632	155,301
Non Departmental - TANS	-	1,358,105	799,023	-	799,023	559,082
Anchorage Parks & Recreation	17,446,414	17,995,680	17,452,735	(1),(2) 219,842	17,672,577	542,945
Planning	4,322,480	4,497,480	3,900,856	(1),(2) 60,341	3,961,197	596,624
Police	81,788,602	83,741,658	83,729,066	(1),(2) 2,761,234	86,490,300	12,592
Police/Fire Retiree Medical	151,285	151,285	126,557	-	126,557	24,728
Project Management & Engineering	9,160,571	9,160,571	8,416,660	(2) 828,032	9,244,692	743,911
Public Transportation	21,246,621	21,878,834	21,203,922	(1),(2) 587,098	21,791,020	674,912
Purchasing	1,578,241	1,611,241	1,521,054	(2) 65,789	1,586,843	90,187
Traffic	7,246,630	7,246,630	7,151,478	(2) 703,885	7,855,363	95,152
Total expenditures & other financing uses	385,791,018	613,248,885	602,128,280	11,718,086	613,846,366	11,120,605
Less: net intragovernmental costs & billings	(2,449,205)	(3,116,476)	(3,382,162)	-	(3,382,162)	265,686
Total expenditures & other financing uses	\$ 383,341,813	\$ 610,132,409	\$ 598,746,118	\$ 11,718,086	\$ 610,464,204	\$ 11,386,291

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. For GAAP purposes, they are reported in the year goods and services are received.
- (2) Effective July 1, 2008, Anchorage changed its policy regarding the recording of on-behalf payments for PERS. The on-behalf payments are not cash transactions and there is no impact or cost to the taxpayers associated with these transactions. Also, the on-behalf payment amounts have fluctuated significantly over the past few years. This has made the amounts difficult to estimate for budgetary purposes. Therefore, effective July 1, 2008, Anchorage has elected to exclude this item from its budget, and it is shown here as a reconciling item to GAAP basis.

Note: This schedule does not provide detail by departments 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.

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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 **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, 2008
(With summarized financial information at December 31, 2007)

Assets	Special Revenue					
	Heritage Land Bank	Police Investigations	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants
Cash	\$ —	\$ 16,106	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	715,027	1,546,955	2,544,380	6,703,848	—	957,549
Investments	—	—	—	—	435,778	—
Due from other funds	—	—	—	—	—	—
Due from component units	—	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	1,879,934	—	91,923	36,690
Intergovernmental receivables	—	—	—	6,174,851	6,138,681	—
Interest receivable	—	—	—	—	—	—
Special assessments receivable	725	—	—	—	—	—
Prepaid items and deposits	—	—	1,000,000	2,510	—	—
Loans receivable	808,000	—	—	—	5,930,223	—
Restricted assets:	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Investments in TCH, LLC	—	—	—	—	—	—
Total assets	\$ 1,523,752	\$ 1,563,061	\$ 5,424,314	\$ 12,881,209	\$ 12,596,605	\$ 994,239
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and retainages	\$ 1,322	\$ 66,524	\$ 988,202	\$ 679,418	\$ 779,655	\$ 86,717
Accrued payroll liabilities	—	—	—	263,049	131,524	—
Due to other funds	—	—	50,057	—	1,146,575	—
Unearned revenue and deposits	808,725	—	—	420,807	6,307,970	36,690
Advances from other funds	—	—	—	—	—	—
Total liabilities	810,047	66,524	1,038,259	1,363,274	8,365,724	123,407
Fund balances (deficits):						
Reserved:						
Encumbrances	—	37,092	—	2,189,439	3,202,483	112,161
Prepays and deposits	—	—	1,000,000	2,510	—	—
Long-term loans	—	—	—	—	4,344,600	—
Perpetual care	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Unreserved, reported in:						
Special revenue funds:						
Designated	713,705	1,459,445	3,386,055	9,325,986	(3,316,202)	6,513
Undesignated	—	—	—	—	—	752,158
Capital project funds:						
Designated	—	—	—	—	—	—
Undesignated	—	—	—	—	—	—
Total fund balances	713,705	1,496,537	4,386,055	11,517,935	4,230,881	870,832
Total liabilities and fund balances	\$ 1,523,752	\$ 1,563,061	\$ 5,424,314	\$ 12,881,209	\$ 12,596,605	\$ 994,239

See accompanying independent auditors' report.

Special Revenue (Continued)		Debt Service						
Other Restricted Resources	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
\$ —	\$ 16,106	\$ —	\$ —	\$ —	\$ 8,517	\$ —	\$ —	\$ 8,517
—	12,467,759	897,592	6,539,204	—	—	231,998	—	7,668,794
—	435,778	46	—	23,947,342	—	—	—	23,947,388
—	—	—	—	—	—	—	47,309	47,309
—	—	—	—	—	—	83,668	—	83,668
—	2,008,547	—	—	—	—	—	—	—
—	12,313,532	—	—	—	—	—	—	—
—	—	—	—	—	4	—	—	4
49,402	50,127	72,631	—	—	—	—	—	72,631
99	1,002,609	—	—	—	—	—	—	—
—	6,738,223	—	—	—	—	—	—	—
—	—	—	—	—	—	—	14,361,856	14,361,856
<u>\$ 49,501</u>	<u>\$ 35,032,681</u>	<u>\$ 970,269</u>	<u>\$ 6,539,204</u>	<u>\$ 23,947,342</u>	<u>\$ 8,521</u>	<u>\$ 315,666</u>	<u>\$ 14,409,165</u>	<u>\$ 46,190,167</u>
\$ 11,373	\$ 2,613,211	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	394,573	—	—	—	—	—	—	—
63,922	1,260,554	—	—	—	—	—	—	—
—	7,574,192	27,045	—	—	—	—	—	27,045
—	—	—	—	—	—	—	—	—
<u>75,295</u>	<u>11,842,530</u>	<u>27,045</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,045</u>
—	5,541,175	—	—	—	—	—	—	—
—	1,002,510	—	—	—	—	—	—	—
—	4,344,600	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	943,224	6,539,204	23,947,342	8,521	315,666	14,409,165	46,163,122
(25,794)	11,549,708	—	—	—	—	—	—	—
—	752,158	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>(25,794)</u>	<u>23,190,151</u>	<u>943,224</u>	<u>6,539,204</u>	<u>23,947,342</u>	<u>8,521</u>	<u>315,666</u>	<u>14,409,165</u>	<u>46,163,122</u>
<u>\$ 49,501</u>	<u>\$ 35,032,681</u>	<u>\$ 970,269</u>	<u>\$ 6,539,204</u>	<u>\$ 23,947,342</u>	<u>\$ 8,521</u>	<u>\$ 315,666</u>	<u>\$ 14,409,165</u>	<u>\$ 46,190,167</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2008

(With summarized financial information at December 31, 2007)

Capital Projects						
Assets	Areawide	Public Safety	Public Transportation	Miscellaneous	Parks and Recreation	Historic Preservation
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	8,157,683	5,149,753	—	—	5,119,068	337,081
Investments	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Due from component units	—	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—	—	—
Intergovernmental receivables	5,127,518	1,717,960	6,702,402	5,840,820	2,465,049	—
Interest receivable	—	—	—	—	—	—
Special assessments receivable	—	—	—	198,943	—	—
Prepaid items and deposits	498,125	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Restricted assets:						
Investments	—	—	—	—	—	—
Investments in TCH, LLC	395,691	—	—	—	—	—
Total assets	\$ 14,179,017	\$ 6,867,713	\$ 6,702,402	\$ 6,039,763	\$ 7,584,117	\$ 337,081
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and retainages	\$ 374,085	\$ 433,944	\$ 85,070	\$ 217,077	\$ 321,121	\$ —
Accrued payroll liabilities	—	—	—	—	—	—
Due to other funds	—	—	7,790,056	4,860,943	—	—
Unearned revenue and deposits	—	—	—	242,775	—	—
Advances from other funds	4,116,253	421,526	—	—	—	—
Total liabilities	4,490,338	855,470	7,875,126	5,320,795	321,121	—
Fund balances (deficits):						
Reserved:						
Encumbrances	10,048,330	16,424,627	519,997	6,097,179	949,978	—
Prepays and deposits	498,125	—	—	—	—	—
Long-term loans	—	—	—	—	—	—
Perpetual care	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Unreserved, reported in:						
Special revenue funds						
Designated	—	—	—	—	—	—
Undesignated	—	—	—	—	—	—
Capital project funds:						
Designated	—	—	—	—	5,892,648	—
Undesignated	(857,776)	(10,412,384)	(1,692,721)	(5,378,211)	420,370	337,081
Total fund balances	9,688,679	6,012,243	(1,172,724)	718,968	7,262,996	337,081
Total liabilities and fund balances	\$ 14,179,017	\$ 6,867,713	\$ 6,702,402	\$ 6,039,763	\$ 7,584,117	\$ 337,081

See accompanying independent auditors' report.

Capital Projects (Continued)			Permanent Fund	Total Nonmajor Governmental Funds	
Heritage Land Bank	CIVICVentures	Total Capital Projects	Cemetery Perpetual Maintenance	December 31, 2008	December 31, 2007
\$ —	\$ —	\$ —	\$ —	\$ 24,623	\$ 31,603
1,880,733	—	20,644,318	352,673	41,133,544	69,580,846
—	—	—	—	24,383,166	36,237,423
—	—	—	—	47,309	11,700,430
—	—	—	—	83,668	81,702
—	—	—	—	2,008,547	2,740,380
—	—	21,853,749	—	34,167,281	27,520,628
—	—	—	—	4	4
—	—	198,943	—	321,701	515,932
—	—	498,125	—	1,500,734	1,237,574
—	—	—	—	6,738,223	5,761,914
—	2,054,633	2,054,633	—	16,416,489	51,393,479
—	—	395,691	—	395,691	—
<u>\$ 1,880,733</u>	<u>\$ 2,054,633</u>	<u>\$ 45,645,459</u>	<u>\$ 352,673</u>	<u>\$ 127,220,980</u>	<u>\$ 206,801,915</u>
\$ 11,139	\$ 156,546	\$ 1,598,982	\$ —	\$ 4,212,193	\$ 14,043,460
—	—	—	—	394,573	—
—	—	12,650,999	—	13,911,553	2,644,220
—	—	242,775	—	7,844,012	6,676,775
—	—	4,537,779	—	4,537,779	3,923,402
<u>11,139</u>	<u>156,546</u>	<u>19,030,535</u>	<u>—</u>	<u>30,900,110</u>	<u>27,287,857</u>
29,187	—	34,069,298	—	39,610,473	49,372,427
—	—	498,125	—	1,500,635	1,237,475
—	—	—	—	4,344,600	5,307,195
—	—	—	352,673	352,673	346,486
—	—	—	—	46,163,122	57,375,154
—	—	—	—	11,549,708	10,849,911
—	—	—	—	752,158	837,000
1,314,980	1,898,087	9,105,715	—	9,105,715	51,719,855
525,427	—	(17,058,214)	—	(17,058,214)	2,468,555
<u>1,869,594</u>	<u>1,898,087</u>	<u>26,614,924</u>	<u>352,673</u>	<u>96,320,870</u>	<u>179,514,058</u>
<u>\$ 1,880,733</u>	<u>\$ 2,054,633</u>	<u>\$ 45,645,459</u>	<u>\$ 352,673</u>	<u>\$ 127,220,980</u>	<u>\$ 206,801,915</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	Special Revenue					
	Heritage Land Bank	Police Investigations	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants
Revenues:						
Hotel and motel taxes	\$ —	\$ —	\$ 12,855,890	\$ —	\$ —	\$ —
Special assessments	—	—	—	—	—	—
Intergovernmental	24,205	—	—	17,161,103	9,376,995	—
Charges for services	—	—	—	—	—	—
Fines and forfeitures	—	274,758	—	—	—	—
Investment income (loss)	(5,762)	(11,832)	(135,686)	(11,054)	(130,060)	(7,848)
Restricted contributions	—	—	—	—	—	367,921
Other	326,691	4,006	—	—	(101,013)	501
Total revenues	<u>345,134</u>	<u>266,932</u>	<u>12,720,204</u>	<u>17,150,049</u>	<u>9,145,922</u>	<u>360,574</u>
Expenditures:						
Current:						
General government	1,026,189	—	—	(34,281)	—	15,884
Fire services	—	—	—	105,875	1,220,150	—
Police services	—	787,898	—	774,183	1,096,803	97,395
Health and human services	—	—	—	7,508,193	3,960,427	83,647
Economic and community development	—	—	4,945,703	3,136,264	4,579,278	184,217
Public transportation	—	—	—	2,353,834	357,825	—
Public works	—	—	—	1,907,152	224,991	—
Education	—	—	—	100,952	—	—
Debt service:						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond issuance costs	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—
Total expenditures	<u>1,026,189</u>	<u>787,898</u>	<u>4,945,703</u>	<u>15,852,172</u>	<u>11,439,474</u>	<u>381,143</u>
Excess (deficiency) of revenues over expenditures	<u>(681,055)</u>	<u>(520,966)</u>	<u>7,774,501</u>	<u>1,297,877</u>	<u>(2,293,552)</u>	<u>(20,569)</u>
Other financing sources (uses):						
Transfers from other funds	—	—	—	582,688	527,846	1,500
Transfers to other funds	(1,257,786)	—	(7,277,392)	—	—	—
General obligation bonds issued	—	—	—	—	—	—
Premium on bond sale	—	—	—	—	—	—
Gain on disposition of capital assets	1,122,288	—	—	—	—	—
Total other financing sources (uses)	<u>(135,498)</u>	<u>—</u>	<u>(7,277,392)</u>	<u>582,688</u>	<u>527,846</u>	<u>1,500</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(816,553)</u>	<u>(520,966)</u>	<u>497,109</u>	<u>1,880,565</u>	<u>(1,765,706)</u>	<u>(19,069)</u>
Fund balances, beginning of year,	<u>1,530,258</u>	<u>2,017,503</u>	<u>3,888,946</u>	<u>9,637,370</u>	<u>5,996,587</u>	<u>889,901</u>
Fund balances, end of year	<u>\$ 713,705</u>	<u>\$ 1,496,537</u>	<u>\$ 4,386,055</u>	<u>\$ 11,517,935</u>	<u>\$ 4,230,881</u>	<u>\$ 870,832</u>

See accompanying independent auditors' report.

Special Revenue (Continued)		Debt Service						
Other Restricted Resources	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
\$ —	\$ 12,855,890	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
747,569	747,569	66,994	—	—	—	—	—	66,994
—	26,562,303	—	—	—	—	—	—	—
—	—	—	—	—	5,022,538	—	—	5,022,538
—	274,758	—	—	—	—	—	—	—
(3,330)	(305,572)	(5,606)	(53,755)	(10,661,346)	441	(755)	280,198	(10,440,823)
—	367,921	—	—	—	—	—	—	—
28,350	258,535	—	—	—	—	277,085	—	277,085
772,589	40,761,404	61,388	(53,755)	(10,661,346)	5,022,979	276,330	280,198	(5,074,206)
797,450	1,805,242	—	—	122,611	—	—	—	122,611
—	1,326,025	—	—	1,133,667	—	—	—	1,133,667
—	2,756,279	—	—	1,219,315	—	—	—	1,219,315
—	11,552,267	—	—	—	—	—	—	—
—	12,845,462	—	—	—	—	—	—	—
—	2,711,659	—	—	—	—	—	—	—
—	2,132,143	—	—	—	—	—	—	—
—	100,952	—	—	—	—	—	—	—
—	—	335,000	—	—	2,690,000	100,000	305,000	3,430,000
—	—	27,701	—	—	2,332,538	236,812	5,070,335	7,667,386
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
797,450	35,230,029	362,701	—	2,475,593	5,022,538	336,812	5,375,335	13,572,979
(24,861)	5,531,375	(301,313)	(53,755)	(13,136,939)	441	(60,482)	(5,095,137)	(18,647,185)
—	1,112,034	—	—	1,869,000	—	—	15,119,655	16,988,655
—	(8,535,178)	—	—	—	—	—	(9,906,783)	(9,906,783)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	1,122,288	—	—	—	—	—	—	—
—	(6,300,856)	—	—	1,869,000	—	—	5,212,872	7,081,872
(24,861)	(769,481)	(301,313)	(53,755)	(11,267,939)	441	(60,482)	117,735	(11,565,313)
(933)	23,959,632	1,244,537	6,592,959	35,215,281	8,080	376,148	14,291,430	57,728,435
\$ (25,794)	\$ 23,190,151	\$ 943,224	\$ 6,539,204	\$ 23,947,342	\$ 8,521	\$ 315,666	\$ 14,409,165	\$ 46,163,122

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	Capital Projects					
	<u>Areawide</u>	<u>Public Safety</u>	<u>Public Transportation</u>	<u>Miscellaneous</u>	<u>Parks and Recreation</u>	<u>Historic Preservation</u>
Revenues:						
Hotel and motel taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special assessments	—	—	—	123,996	—	—
Intergovernmental	7,530,217	3,308,164	12,692,430	7,872,023	3,479,520	—
Charges for services	405,580	—	—	—	—	—
Fines and forfeitures	—	—	—	—	—	—
Investment income (loss)	1,843	2,913	—	—	5,271	767
Restricted contributions	2,462,000	—	—	—	—	—
Other	225,363	—	—	—	528,330	—
Total revenues	10,625,003	3,311,077	12,692,430	7,996,019	4,013,121	767
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Fire services	—	—	—	—	—	—
Police services	—	—	—	—	—	—
Health and human services	—	—	—	—	—	—
Economic and community development	—	—	—	—	—	—
Public transportation	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Education	—	—	—	—	—	—
Debt service:						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond issuance costs	21,602	17,278	—	—	3,676	—
Capital projects	15,258,449	5,037,808	13,910,558	7,929,867	8,370,678	—
Total expenditures	15,280,051	5,055,086	13,910,558	7,929,867	8,374,354	—
Excess (deficiency) of revenues over expenditures	(4,655,048)	(1,744,009)	(1,218,128)	66,152	(4,361,233)	767
Other financing sources (uses):						
Transfers from other funds	4,037,589	600,000	9,838	—	1,640,499	—
Transfers to other funds	(68,727)	(687,181)	(3,768)	—	(2,900)	(2,440)
General obligation bonds issued	2,288,000	2,350,000	650,000	—	500,000	—
Premium on bond sale	34,865	30,901	3,768	—	6,575	—
Gain on disposition of capital assets	—	—	—	—	—	—
Total other financing sources (uses)	6,291,727	2,293,720	659,838	—	2,144,174	(2,440)
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,636,679	549,711	(558,290)	66,152	(2,217,059)	(1,673)
Fund balances, beginning of year	8,052,000	5,462,532	(614,434)	652,816	9,480,055	338,754
Fund balances, end of year	\$ 9,688,679	\$ 6,012,243	\$ (1,172,724)	\$ 718,968	\$ 7,262,996	\$ 337,081

See accompanying independent auditors' report.

Capital Projects (Continued)			Permanent Fund	Total Nonmajor Governmental Funds	
Heritage Land Bank	CIVICVentures	Total Capital Projects	Cemetery Perpetual Maintenance	2008	2007
\$ —	\$ —	\$ —	\$ —	\$ 12,855,890	\$ 11,702,733
—	—	123,996	—	938,559	929,578
—	—	34,882,354	—	61,444,657	81,406,122
—	—	405,580	9,150	5,437,268	5,304,243
—	—	—	—	274,758	1,240,150
713	778,548	790,055	(2,963)	(9,959,303)	9,156,174
—	—	2,462,000	—	2,829,921	1,851,989
—	—	753,693	—	1,289,313	2,350,586
713	778,548	39,417,678	6,187	75,111,063	113,941,575
—	—	—	—	1,927,853	4,393,569
—	—	—	—	2,459,692	2,821,250
—	—	—	—	3,975,594	3,139,530
—	—	—	—	11,552,267	11,712,389
—	479,703	479,703	—	13,325,165	10,072,451
—	—	—	—	2,711,659	2,134,131
—	—	—	—	2,132,143	3,027,379
—	—	—	—	100,952	1,047,904
—	—	—	—	3,430,000	2,915,000
—	—	—	—	7,667,386	7,835,125
—	—	42,556	—	42,556	102,345
1,025,584	23,258,716	74,791,660	—	74,791,660	151,545,463
1,025,584	23,738,419	75,313,919	—	124,116,927	200,746,536
(1,024,871)	(22,959,871)	(35,896,241)	6,187	(49,005,864)	(86,804,961)
1,257,786	2,284,520	9,830,232	—	27,930,921	19,091,427
—	(9,292,263)	(10,057,279)	—	(28,499,240)	(9,644,282)
—	—	5,788,000	—	5,788,000	54,630,000
—	—	76,109	—	76,109	1,437,390
—	—	—	—	1,122,288	916,413
1,257,786	(7,007,743)	5,637,062	—	6,418,078	66,430,948
232,915	(29,967,614)	(30,259,179)	6,187	(42,587,786)	(20,374,013)
1,636,679	31,865,701	56,874,103	346,486	138,908,656	199,888,071
\$ 1,869,594	\$ 1,898,087	\$ 26,614,924	\$ 352,673	\$ 96,320,870	\$ 179,514,058

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
Heritage Land Bank
Special Revenue Fund
Year ended December 31, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment income (loss)	\$ 115,590	\$ 115,590	\$ (5,762)	\$ (121,352)
Intergovernmental	45,615	45,615	24,205	(21,410)
Other revenues	90,000	90,000	326,691	236,691
Total revenues	<u>251,205</u>	<u>251,205</u>	<u>345,134</u>	<u>93,929</u>
Expenditures:				
General government	1,170,042	1,231,042	1,026,189	204,853
Total expenditures	<u>1,170,042</u>	<u>1,231,042</u>	<u>1,026,189</u>	<u>204,853</u>
Deficiency of revenues over expenditures	<u>(918,837)</u>	<u>(979,837)</u>	<u>(681,055)</u>	<u>298,782</u>
Other financing sources (uses):				
Transfers to other funds	—	(1,257,786)	(1,257,786)	—
Gain on disposition of capital assets	918,840	979,840	1,122,288	142,448
Total other financing sources (uses)	<u>918,840</u>	<u>(277,946)</u>	<u>(135,498)</u>	<u>142,448</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	3	(1,257,783)	(816,553)	441,230
Fund balance, beginning of year	<u>2,611,400</u>	<u>1,536,280</u>	<u>1,530,258</u>	<u>(6,022)</u>
Fund balance, end of year	<u>\$ 2,611,403</u>	<u>\$ 278,497</u>	<u>\$ 713,705</u>	<u>\$ 435,208</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
Convention Center Operating Reserve
Special Revenue Fund
Year ended December 31, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Hotel and motel taxes	\$ 12,926,630	\$ 13,203,890	\$ 12,855,890	\$ (348,000)
Investment loss	—	—	(135,686)	(135,686)
Total revenues	<u>12,926,630</u>	<u>13,203,890</u>	<u>12,720,204</u>	<u>(483,686)</u>
Expenditures:				
Economic and community development	12,926,630	11,753,890	4,945,703	6,808,187
Total expenditures	<u>12,926,630</u>	<u>11,753,890</u>	<u>4,945,703</u>	<u>6,808,187</u>
Excess of revenues over expenditures	<u>—</u>	<u>1,450,000</u>	<u>7,774,501</u>	<u>6,324,501</u>
Other financing uses:				
Transfers to other funds	—	(1,450,000)	(7,277,392)	(5,827,392)
Total other financing uses	<u>—</u>	<u>(1,450,000)</u>	<u>(7,277,392)</u>	<u>(5,827,392)</u>
Excess of revenues over expenditures and other financing uses	—	—	497,109	497,109
Fund balance, beginning of year	—	—	3,888,946	3,888,946
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,386,055</u>	<u>\$ 4,386,055</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Special Assessment Bonds

Debt Service Fund

Year ended December 31, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Special assessments	\$ 424,626	\$ 424,626	\$ 66,994	\$ (357,632)
Investment loss	—	—	(5,606)	(5,606)
Total revenues	<u>424,626</u>	<u>424,626</u>	<u>61,388</u>	<u>(363,238)</u>
Expenditures:				
Debt service:				
Principal	395,865	395,865	335,000	60,865
Interest	28,761	28,761	27,701	1,060
Total expenditures	<u>424,626</u>	<u>424,626</u>	<u>362,701</u>	<u>61,925</u>
Deficiency of revenues over expenditures	—	—	(301,313)	(301,313)
Fund balance, beginning of year	<u>1,318,562</u>	<u>1,318,562</u>	<u>1,244,537</u>	<u>(74,025)</u>
Fund balance, end of year	<u>\$ 1,318,562</u>	<u>\$ 1,318,562</u>	<u>\$ 943,224</u>	<u>\$ (375,338)</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 Retirement Certificates of Participation
 Debt Service Fund
 Year ended December 31, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment loss	\$ —	\$ —	\$ (53,755)	\$ (53,755)
Total revenues	—	—	(53,755)	(53,755)
Expenditures:				
Debt service:				
Principal	—	—	—	—
Interest	—	—	—	—
Total expenditures	—	—	—	—
Deficiency of revenues over expenditures	—	—	(53,755)	(53,755)
Fund balance, beginning of year	17,121,643	17,121,643	6,592,959	(10,528,684)
Fund balance, end of year	<u>\$ 17,121,643</u>	<u>\$ 17,121,643</u>	<u>\$ 6,539,204</u>	<u>\$ (10,582,439)</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, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment loss	\$ —	\$ —	\$ (10,661,346)	\$ (10,661,346)
Total revenues	—	—	(10,661,346)	(10,661,346)
Expenditures:				
General government	—	—	122,611	(122,611)
Fire services	1,174,050	1,174,050	1,133,667	40,383
Police services	1,262,750	1,262,750	1,219,315	43,435
Total expenditures	2,436,800	2,436,800	2,475,593	(38,793)
Deficiency of revenues over expenditures	(2,436,800)	(2,436,800)	(13,136,939)	(10,700,139)
Other financing sources:				
Transfers 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	—
Deficiency of revenues and other financing sources over expenditures	(567,800)	(567,800)	(11,267,939)	(10,700,139)
Fund balance, beginning of year	21,829,445	31,549,445	35,215,281	3,665,836
Fund balance, end of year	\$ 21,261,645	\$ 30,981,645	\$ 23,947,342	\$ (7,034,303)

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 Jail Revenue Bond
 Debt Service Fund
 Year ended December 31, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 5,022,538	\$ 5,022,538	\$ 5,022,538	\$ —
Investment income	—	—	441	441
Total revenues	5,022,538	5,022,538	5,022,979	441
Expenditures:				
Debt service:				
Principal	2,690,000	2,690,000	2,690,000	—
Interest	2,332,538	2,332,538	2,332,538	—
Bond issuance costs	—	—	—	—
Total expenditures	5,022,538	5,022,538	5,022,538	—
Excess of revenues over expenditures	—	—	441	441
Fund balance, beginning of year	6,212	6,212	8,080	1,868
Fund balance, end of year	\$ 6,212	\$ 6,212	\$ 8,521	\$ 2,309

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 ACPA Surcharge Revenue Bond
 Debt Service Fund
 Year ended December 31, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment loss	—	—	(755)	(755)
Other	336,820	336,820	277,085	(59,735)
Total revenues	<u>336,820</u>	<u>336,820</u>	<u>276,330</u>	<u>(60,490)</u>
Expenditures:				
Debt service:				
Principal	100,000	100,000	100,000	—
Interest	236,820	236,820	236,812	8
Total expenditures	<u>336,820</u>	<u>336,820</u>	<u>336,812</u>	<u>8</u>
Deficiency of revenues over expenditures	—	—	(60,482)	(60,482)
Fund balance, beginning of year	<u>503,710</u>	<u>503,710</u>	<u>376,148</u>	<u>(127,562)</u>
Fund balance, end of year	<u>\$ 503,710</u>	<u>\$ 503,710</u>	<u>\$ 315,666</u>	<u>\$ (188,044)</u>

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 **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, 2008

(With summarized financial information at December 31, 2007)

Assets	Refuse Utility	Solid Waste	Municipal Airport
Current assets:			
Cash	\$ 300	\$ 2,775	\$ 200
Cash in central treasury	2,685,410	4,975,768	—
Receivables (net of allowance for uncollectibles)	545,836	1,758,585	12,264
Interest receivable	—	1,644	379
Current portion of lease receivable	—	—	—
Inventories	—	—	—
Prepaid items and deposits	1,181	2,920	20,475
Restricted assets:			
Receivables	—	—	336,748
Bond and acquisition and construction accounts	2,195,268	13,893,894	1,102,861
Landfill post closure cash reserve	—	1,383,415	—
Revenue bond operations and maintenance accounts	—	412,337	—
Total current assets	5,427,995	22,431,338	1,472,927
Noncurrent assets:			
Restricted assets:			
Advances to other funds	—	—	—
Loans receivable, net	—	—	13,185
Deferred charges and other assets	—	202	—
Capital assets, net	3,125,282	57,251,471	49,110,911
Total noncurrent assets	3,125,282	57,251,673	49,124,096
Total assets	\$ 8,553,277	\$ 79,683,011	\$ 50,597,023

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	December 31, 2008	December 31, 2007
\$ —	\$ 3,275	\$ 328,469
—	7,661,178	22,581,005
—	2,316,685	1,695,688
—	2,023	16,015
—	—	266,023
—	—	329,915
—	24,576	136,917
—	336,748	455,536
—	17,192,023	34,539,320
—	1,383,415	—
—	412,337	2,811,172
—	29,332,260	63,160,060
—	—	17,039,618
—	13,185	14,102
—	202	238,832
—	109,487,664	173,339,217
—	109,501,051	190,631,769
\$ —	\$ 138,833,311	\$ 253,791,829

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

December 31, 2008

(With summarized financial information at December 31, 2007)

Liabilities and Net Assets	Refuse Utility	Solid Waste	Municipal Airport
Current liabilities:			
Accounts payable and retainages	\$ 49,721	\$ 340,953	\$ 27,084
Compensated absences payable	100,538	426,725	80,336
Due to other funds	—	—	—
Accrued payroll liabilities payable	—	131,524	—
Accrued interest payable	—	189,528	—
Long-term obligations maturing within one year	—	1,806,870	—
Unearned revenue and deposits	2,733	—	111,181
Current liabilities payable from restricted assets:			
Customer deposits payable	—	—	—
Capital acquisition and construction accounts and retainage payable	12,352	397,023	29,936
Total current liabilities	165,344	3,292,623	248,537
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	(1,123)	—
Alaska clean water loan payable	—	17,570,898	—
Net pension obligation	—	—	—
Net postemployment benefits obligation	—	—	—
Total noncurrent liabilities	—	17,569,775	—
Deferred credits and other liabilities:			
Future landfill closure costs	—	18,091,854	—
Total liabilities	165,344	38,954,252	248,537
Net assets (deficit):			
Invested in capital assets, net of related debt	3,125,282	37,874,826	49,110,911
Restricted for debt service	—	412,337	—
Restricted for operations and maintenance	—	—	—
Restricted for capital construction	2,195,268	13,893,894	—
Unrestricted	3,067,383	(11,452,298)	1,237,575
Total net assets	8,387,933	40,728,759	50,348,486
Total liabilities and net assets	\$ 8,553,277	\$ 79,683,011	\$ 50,597,023

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	December 31, 2008	December 31, 2007
\$ —	\$ 417,758	\$ 945,600
—	607,599	683,681
—	—	845,738
—	131,524	—
—	189,528	144,784
—	1,806,870	1,786,870
—	113,914	100,399
—	—	—
—	439,311	850,920
—	3,706,504	5,357,992
—	(1,123)	353,348
—	17,570,898	19,017,767
—	—	536,601
—	—	69,237
—	17,569,775	19,976,953
—	18,091,854	16,596,153
—	39,368,133	41,931,098
—	90,111,019	151,450,450
—	412,337	2,811,172
—	—	—
—	16,089,162	50,206,579
—	(7,147,340)	7,392,530
—	99,465,178	211,860,731
\$ —	\$ 138,833,311	\$ 253,791,829

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Nonmajor Enterprise Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	Refuse Utility	Solid Waste	Municipal Airport
Operating revenues:			
Charges for sales and services	\$ 7,986,036	\$ 17,711,500	\$ 1,244,727
Other	27,559	429,860	—
Total operating revenues	<u>8,013,595</u>	<u>18,141,360</u>	<u>1,244,727</u>
Operating expenses:			
Operations	6,946,439	10,815,069	1,222,576
Amortization of future landfill closure costs	—	1,495,701	—
Depreciation and amortization	443,430	2,979,683	2,015,427
Total operating expenses	<u>7,389,869</u>	<u>15,290,453</u>	<u>3,238,003</u>
Operating income (loss)	<u>623,726</u>	<u>2,850,907</u>	<u>(1,993,276)</u>
Nonoperating revenues (expenses):			
Investment income (loss)	20,337	(16,855)	(14,074)
Other revenues	—	—	32,197
Intergovernmental revenue	86,480	139,709	29,234
Interest expense	—	(323,031)	—
Gain (loss) on disposition of capital assets	208	55,688	12,661
Other expenses	—	—	—
Net nonoperating revenues (expenses)	<u>107,025</u>	<u>(144,489)</u>	<u>60,018</u>
Income (loss) before capital contributions, transfers and special item	730,751	2,706,418	(1,933,258)
Capital contributions	—	—	3,161,649
Transfers from other funds	38,776	41,565	22,557
Transfers to other funds	(407,519)	(1,660,103)	(34,503)
Special item - NPO/OPEB write-off	168,578	283,722	59,765
Change in net assets	530,586	1,371,602	1,276,210
Total net assets – beginning	<u>7,857,347</u>	<u>39,357,157</u>	<u>49,072,276</u>
Total net assets – ending	<u>\$ 8,387,933</u>	<u>\$ 40,728,759</u>	<u>\$ 50,348,486</u>

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	2008	2007
\$ 579,505	\$ 27,521,768	\$ 29,326,811
	457,419	5,135,369
<u>579,505</u>	<u>27,979,187</u>	<u>34,462,180</u>
984,970	19,969,054	23,479,411
—	1,495,701	3,684,778
<u>307,290</u>	<u>5,745,830</u>	<u>9,744,524</u>
1,292,260	27,210,585	36,908,713
<u>(712,755)</u>	<u>768,602</u>	<u>(2,446,533)</u>
—	(10,592)	3,817,887
62,991	95,188	1,881,245
—	255,423	270,612
(22,243)	(345,274)	(332,224)
—	68,557	(119,000)
<u>—</u>	<u>—</u>	<u>(1,619,796)</u>
<u>40,748</u>	<u>63,302</u>	<u>3,898,724</u>
(672,007)	831,904	1,452,191
—	3,161,649	5,666,752
372,506	475,404	862,599
—	(2,102,125)	(2,667,907)
<u>—</u>	<u>512,065</u>	<u>—</u>
(299,501)	2,878,897	5,313,635
<u>299,501</u>	<u>96,586,281</u>	<u>206,547,096</u>
<u>\$ —</u>	<u>\$ 99,465,178</u>	<u>\$ 211,860,731</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Municipal Airport</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 7,567,588	\$ 17,291,927	\$ 1,304,829
Payments to employees	(1,981,164)	(6,980,811)	(1,019,947)
Payments to vendors	(4,968,056)	(3,746,357)	(231,677)
Net cash from operating activities	<u>618,368</u>	<u>6,564,759</u>	<u>53,205</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(407,519)	(1,660,103)	(34,503)
Transfers from other funds	38,776	41,565	22,557
Due to other funds	—	—	—
Intergovernmental revenue	86,480	139,709	105,437
Net cash from noncapital and related financing activities	<u>(282,263)</u>	<u>(1,478,829)</u>	<u>93,491</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term obligations	—	(1,786,870)	—
Loan proceeds from long-term obligations	—	—	—
Interest payments on long-term obligations	—	(272,346)	—
Principal payments on interfund loans	—	—	—
Interest payments on interfund loans	—	—	—
Acquisition and construction of capital assets	(1,461,547)	(1,596,668)	(3,020,084)
Landfill post closure cash reserve	—	(1,383,415)	—
Proceeds (losses) from disposition of capital assets	5,754	104,524	12,661
Intergovernmental revenue	—	—	3,204,234
Net cash from capital and related financing activities	<u>(1,455,793)</u>	<u>(4,934,775)</u>	<u>196,811</u>
Cash flows from investing activities:			
Purchase of investments	—	—	—
Proceeds from investment in direct financing leases	—	—	—
Unrealized gains	—	—	—
Investment income (loss)	20,337	(22,256)	(14,248)
Net cash from investing activities	<u>20,337</u>	<u>(22,256)</u>	<u>(14,248)</u>
Net increase (decrease) in cash	(1,099,351)	128,899	329,259
Cash, beginning of year	<u>5,980,329</u>	<u>18,743,538</u>	<u>773,802</u>
Cash, end of year	<u>\$ 4,880,978</u>	<u>\$ 18,872,437</u>	<u>\$ 1,103,061</u>
Cash	\$ 300	\$ 2,775	\$ 200
Cash in central treasury	2,685,410	4,975,768	—
Capital acquisition and construction accounts	2,195,268	13,893,894	1,102,861
Cash, December 31	<u>\$ 4,880,978</u>	<u>\$ 18,872,437</u>	<u>\$ 1,103,061</u>

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	2008	2007
\$ 642,495	\$ 26,806,839	\$ 35,995,510
(449,482)	(10,431,404)	(11,884,361)
(447,374)	(9,393,464)	(12,782,396)
(254,361)	6,981,971	11,328,753
—	(2,102,125)	(2,667,907)
372,506	475,404	862,599
—	—	(382,721)
—	331,626	270,612
372,506	(1,295,095)	(1,917,417)
—	(1,786,870)	(1,807,693)
—	—	1,561,398
—	(272,346)	(313,300)
(845,738)	(845,738)	—
(22,243)	(22,243)	—
—	(6,078,299)	(23,298,615)
—	(1,383,415)	—
423,492	546,431	(237,924)
—	3,204,234	5,879,904
(444,489)	(6,638,246)	(18,216,230)
—	—	(1,452,721)
—	—	304,265
—	—	41,358
—	(16,167)	3,750,518
—	(16,167)	2,643,420
(326,344)	(967,537)	(6,161,474)
326,344	25,824,013	63,610,268
\$ —	\$ 24,856,476	\$ 57,448,794
\$ —	\$ 3,275	\$ 328,469
—	7,661,178	22,581,005
—	17,192,023	34,539,320
\$ —	\$ 24,856,476	\$ 57,448,794

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Municipal Airport</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 623,726	\$ 2,850,907	\$ (1,993,276)
Adjustments to reconcile operating income to net cash provided or used by operating activities:			
Depreciation and amortization	443,430	2,979,683	2,015,427
Amortization of landfill closure costs	—	1,495,701	—
Security contract	—	—	—
Security fees	—	—	—
Right-of-way fees	—	—	—
Other revenues	—	—	32,197
Special item - NPO/OPEB write-off	168,578	283,722	59,765
Changes in assets and liabilities which increase (decrease) cash:			
Accounts receivable	(446,007)	(849,433)	13,518
Prepaid items and deposits	(16)	203	(18,740)
Notes receivable	—	—	872
Accounts payable and retainages	(20,760)	(74,854)	(30,553)
Accrued payroll liabilities	—	131,524	—
Due to other funds	—	—	—
Deferred credits	—	—	13,515
Compensated absences payable	17,995	31,028	20,245
Net pension obligation	(148,074)	(251,316)	(51,970)
Net postemployment benefits obligation	(20,504)	(32,406)	(7,795)
Total cash provided (used) by operating activities	<u>\$ 618,368</u>	<u>\$ 6,564,759</u>	<u>\$ 53,205</u>

See accompanying independent auditors' report.

Cooperative Services Authority	Total Nonmajor Enterprise Funds	
	2008	2007
\$ (712,755)	\$ 768,602	\$ (2,446,533)
307,290	5,745,830	9,744,524
—	1,495,701	3,684,779
—	—	(1,619,796)
—	—	1,586,553
—	—	181,227
62,991	95,188	71,406
—	512,065	—
—	(1,281,922)	(287,927)
96,745	78,192	(92,406)
—	872	(17,139)
(8,632)	(134,799)	351,791
—	131,524	—
—	—	(137,934)
—	13,515	(790)
—	69,268	133,769
—	(451,360)	110,692
—	(60,705)	66,537
<u>\$ (254,361)</u>	<u>\$ 6,981,971</u>	<u>\$ 11,328,753</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, 2008

(With summarized financial information at December 31, 2007)

Assets	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Current assets:				
Cash in central treasury	\$ 11,049,965	\$ 12,209,922	\$ 1,041,012	\$ 2,708,767
Master lease agreement escrow	—	—	—	—
Advances to other funds	1,626,255	—	—	—
Due from component units	—	—	—	—
Inventories	—	—	—	361,692
Prepaid items and deposits	319,475	1,415	—	—
Restricted assets:				
Capital acquisition and construction accounts	—	—	—	4,993,007
Total current assets	12,995,695	12,211,337	1,041,012	8,063,466
Noncurrent assets:				
Advances to other funds	3,382,176	—	—	—
Capital assets, net	—	—	—	20,992,197
Total noncurrent assets	3,382,176	—	—	20,992,197
Total assets	\$ 16,377,871	\$ 12,211,337	\$ 1,041,012	\$ 29,055,663
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and retainages	\$ 265,746	\$ 71,966	\$ 52,174	\$ 455,569
Accrued payroll liabilities	—	—	—	131,524
Claims payable	7,065,292	1,063,531	—	—
Due to other funds	—	—	—	—
Claims incurred but not reported	8,130,931	4,196,869	—	—
Unearned revenue and deposits	—	—	—	—
Long term obligations maturing within one year	—	—	—	—
Current liabilities payable from restricted assets:				
Capital acquisition and construction accounts and retainage payable	—	—	—	701,020
Total current liabilities	15,461,969	5,332,366	52,174	1,288,113
Noncurrent liabilities:				
Advances from other funds	—	—	—	—
Unearned revenue	—	—	—	—
Capital leases payable	—	—	—	—
Compensated absences payable	2,964	8,393	—	251,963
Net pension obligation	—	—	—	—
Net postemployment benefits obligation	—	—	—	—
Total noncurrent liabilities	2,964	8,393	—	251,963
Total liabilities	15,464,933	5,340,759	52,174	1,540,076
Net assets (deficit):				
Invested in capital assets, net of related debt	—	—	—	20,992,197
Restricted for capital acquisitions	—	—	—	4,993,007
Unrestricted	912,938	6,870,578	988,838	1,530,383
Total net assets	912,938	6,870,578	988,838	27,515,587
Total liabilities and net assets	\$ 16,377,871	\$ 12,211,337	\$ 1,041,012	\$ 29,055,663

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	December 31, 2008	December 31, 2007
\$ —	\$ 27,009,666	\$ 23,922,519
1,110,262	1,110,262	—
—	1,626,255	908,016
—	—	707,804
—	361,692	393,565
288,499	609,389	440,535
<u>857,227</u>	<u>5,850,234</u>	<u>4,376,851</u>
<u>2,255,988</u>	<u>36,567,498</u>	<u>30,749,290</u>
—	3,382,176	4,523,966
<u>9,064,212</u>	<u>30,056,409</u>	<u>28,540,654</u>
<u>9,064,212</u>	<u>33,438,585</u>	<u>33,064,620</u>
<u>\$ 11,320,200</u>	<u>\$ 70,006,083</u>	<u>\$ 63,813,910</u>
\$ 426,347	\$ 1,271,802	\$ 856,442
394,573	526,097	—
—	8,128,823	6,469,858
1,626,255	1,626,255	1,792,920
—	12,327,800	12,363,657
43,468	43,468	43,468
731,940	731,940	—
<u>173,645</u>	<u>874,665</u>	<u>707,870</u>
<u>3,396,228</u>	<u>25,530,850</u>	<u>22,234,215</u>
3,382,176	3,382,176	4,523,966
561,878	561,878	740,441
2,411,792	2,411,792	—
843,916	1,107,236	945,475
—	—	894,280
—	—	158,366
<u>7,199,762</u>	<u>7,463,082</u>	<u>7,262,528</u>
<u>10,595,990</u>	<u>32,993,932</u>	<u>29,496,743</u>
912,049	21,904,246	23,108,672
857,227	5,850,234	4,376,851
(1,045,066)	9,257,671	6,831,644
<u>724,210</u>	<u>37,012,151</u>	<u>34,317,167</u>
<u>\$ 11,320,200</u>	<u>\$ 70,006,083</u>	<u>\$ 63,813,910</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Internal Service Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Operating revenues:				
Charges for sales and services	\$ 9,455,755	\$ 47,087,695	\$ 440,263	\$ 11,758,559
Total operating revenues	<u>9,455,755</u>	<u>47,087,695</u>	<u>440,263</u>	<u>11,758,559</u>
Operating expenses:				
Operations	9,243,810	44,880,502	225,235	7,145,081
Depreciation and amortization	—	—	—	3,619,424
Total operating expenses	<u>9,243,810</u>	<u>44,880,502</u>	<u>225,235</u>	<u>10,764,505</u>
Operating income	<u>211,945</u>	<u>2,207,193</u>	<u>215,028</u>	<u>994,054</u>
Nonoperating revenues (expenses):				
Investment income (loss)	153,364	(91,240)	(8,612)	1,227
Other revenues	—	—	—	74,605
Intergovernmental revenue	4,870	8,001	—	170,509
Interest expense	—	—	—	—
Gain (loss) on disposition of capital assets	—	—	—	612,335
Net nonoperating revenues (expenses)	<u>158,234</u>	<u>(83,239)</u>	<u>(8,612)</u>	<u>858,676</u>
Income before transfers and special item	370,179	2,123,954	206,416	1,852,730
Transfers from other funds	—	—	—	664,064
Transfers to other funds	—	(3,558,378)	—	—
Special item - NPO/OPEB write-off	10,486	17,167	—	334,284
Change in net assets	380,665	(1,417,257)	206,416	2,851,078
Total net assets – beginning	<u>532,273</u>	<u>8,287,835</u>	<u>782,422</u>	<u>24,664,509</u>
Total net assets – ending	<u>\$ 912,938</u>	<u>\$ 6,870,578</u>	<u>\$ 988,838</u>	<u>\$ 27,515,587</u>

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	2008	2007
\$ 19,731,413	\$ 88,473,685	\$ 84,528,709
19,731,413	88,473,685	84,528,709
16,368,968	77,863,596	73,627,963
2,682,347	6,301,771	6,593,401
19,051,315	84,165,367	80,221,364
680,098	4,308,318	4,307,345
26,826	81,565	2,080,178
2,230	76,835	97,765
457,016	640,396	570,014
(399,329)	(399,329)	(599,768)
(410,962)	201,373	262,931
(324,219)	600,840	2,411,120
355,879	4,909,158	6,718,465
—	664,064	150,000
(372,506)	(3,930,884)	—
690,709	1,052,646	—
674,082	2,694,984	6,868,465
50,128	34,317,167	27,448,702
\$ 724,210	\$ 37,012,151	\$ 34,317,167

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows

Internal Service Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,455,755	\$ 47,087,695	\$ 440,263	\$ 11,758,559
Payments to employees	(99,581)	(200,067)	—	(3,759,516)
Payments to vendors	(8,628,915)	(43,514,349)	(234,514)	(3,051,505)
Net cash provided by operating activities	<u>727,259</u>	<u>3,373,279</u>	<u>205,749</u>	<u>4,947,538</u>
Cash flows from noncapital and related financing activities:				
Transfers to other funds	—	(3,171,413)	—	—
Transfers from other funds	—	—	—	—
Loan proceeds from interfund loans	1,087,575	—	—	—
Loan payments on interfund loans	(664,024)	320,839	—	—
Interest payments on interfund loans	—	—	—	—
Due to other funds	—	—	—	—
Intergovernmental revenue	4,870	8,001	—	—
Net cash provided (used) by noncapital and related financing activities	<u>428,421</u>	<u>(2,842,573)</u>	<u>—</u>	<u>—</u>
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	—	—	—	(4,054,844)
Principal payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Intergovernmental revenue	—	—	—	170,509
Proceeds from issuance of debt	—	—	—	—
Proceeds (losses) from disposition of capital assets	—	—	—	693,226
Net cash used by capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,191,109)</u>
Cash flows from investing activities:				
Investment income (loss)	153,364	(91,240)	(8,612)	1,227
Net cash provided (used) by investing activities	<u>153,364</u>	<u>(91,240)</u>	<u>(8,612)</u>	<u>1,227</u>
Net increase in cash	1,309,044	439,466	197,137	1,757,656
Cash, beginning of year	9,740,921	11,770,456	843,875	5,944,118
Cash, end of year	<u>\$ 11,049,965</u>	<u>\$ 12,209,922</u>	<u>\$ 1,041,012</u>	<u>\$ 7,701,774</u>
Cash in central treasury	\$ 11,049,965	\$ 12,209,922	\$ 1,041,012	\$ 2,708,767
Capital acquisition and construction accounts	—	—	—	4,993,007
Cash, December 31	<u>\$ 11,049,965</u>	<u>\$ 12,209,922</u>	<u>\$ 1,041,012</u>	<u>\$ 7,701,774</u>
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income	\$ 211,945	\$ 2,207,193	\$ 215,028	\$ 994,054
Adjustments to reconcile operating income (loss) to net cash provided or used by operating activities:				
Depreciation and amortization	—	—	—	3,619,424
Other revenues	—	—	—	—
Special item - NPO/OPEB write-off	10,486	17,167	—	334,284
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	—	—	—	—
Accrued payroll liabilities	—	—	—	131,524
Prepaid items	1,714	(1,415)	—	—
Inventories	—	—	—	31,787
Deferred charges and other assets	—	—	—	—
Accounts payable and retainages	24,797	29,180	(9,279)	100,786
Unearned revenue and deposits	—	—	—	—
Claims payable	486,552	1,136,556	—	—
Compensated absences payable	2,251	1,765	—	69,963
Net pension obligation	(8,986)	(14,339)	—	(292,688)
Net postemployment benefits obligation	(1,500)	(2,828)	—	(41,596)
Total cash provided by operating activities	<u>\$ 727,259</u>	<u>\$ 3,373,279</u>	<u>\$ 205,749</u>	<u>\$ 4,947,538</u>
Noncash investing, capital, and financing activities:				
Capital purchases on account	\$ —	\$ —	\$ —	\$ —

See accompanying independent auditors' report.

Total Internal Service Funds

Information Technology	2008	2007
\$ 19,733,729	\$ 88,476,001	\$ 84,501,588
(9,250,055)	(13,309,219)	(13,378,421)
(6,714,398)	(62,143,681)	(59,067,956)
<u>3,769,276</u>	<u>13,023,101</u>	<u>12,055,211</u>
(372,506)	(3,543,919)	—
—	—	150,000
—	1,087,575	908,016
—	(343,185)	(580,591)
(162,782)	(162,782)	—
(884,904)	(884,904)	(2,694,734)
<u>457,016</u>	<u>469,887</u>	<u>422,089</u>
<u>(963,176)</u>	<u>(3,377,328)</u>	<u>(1,795,220)</u>
(26,815)	(26,815)	(25,058)
(10,943)	(10,943)	(599,768)
(2,939,405)	(6,994,249)	(6,681,000)
(423,551)	(423,551)	—
(225,604)	(225,604)	—
—	170,509	147,925
2,067,757	2,067,757	—
<u>(409,666)</u>	<u>283,560</u>	<u>338,038</u>
<u>(1,968,227)</u>	<u>(5,159,336)</u>	<u>(6,819,863)</u>
<u>19,354</u>	<u>74,093</u>	<u>2,080,178</u>
<u>19,354</u>	<u>74,093</u>	<u>2,080,178</u>
857,227	4,560,530	5,520,306
—	28,299,370	22,779,064
<u>\$ 857,227</u>	<u>\$ 32,859,900</u>	<u>\$ 28,299,370</u>
\$ —	\$ 27,009,666	\$ 23,922,519
857,227	5,850,234	4,376,851
<u>\$ 857,227</u>	<u>\$ 32,859,900</u>	<u>\$ 28,299,370</u>
\$ 680,098	\$ 4,308,318	\$ 4,307,345
2,682,347	6,301,771	6,593,400
2,230	2,230	38,389
690,709	1,052,646	—
86	86	63
394,573	526,097	—
(178,563)	(178,264)	126,884
—	31,787	(59,903)
(169,153)	(169,153)	104,827
269,876	415,360	50,114
—	—	(211,348)
—	1,623,108	702,217
87,782	161,761	4,208
(578,267)	(894,280)	240,649
(112,442)	(158,366)	158,366
<u>\$ 3,769,276</u>	<u>\$ 13,023,101</u>	<u>\$ 12,055,211</u>
<u>\$ 173,645</u>	<u>\$ 173,645</u>	<u>\$ 53,205</u>

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Fiduciary & 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, 2008

(With financial information at December 31, 2007)

	Police/Fire Retirement Trust Funds			Total
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	
Assets				
Cash in central treasury	\$ 14,555	\$ 10,175	\$ 31,578	\$ 56,308
Cash, cash equivalents held under securities lending program	12,289,592	8,645,726	27,391,824	48,327,142
Investments, at fair value:				
Investment in master group trust	70,585,012	49,648,925	157,351,134	277,585,071
Other investments	—	—	—	—
Total investments	<u>70,585,012</u>	<u>49,648,925</u>	<u>157,351,134</u>	<u>277,585,071</u>
Capital assets, net	1,008	705	2,188	3,901
Total assets	<u>\$ 82,890,167</u>	<u>\$ 58,305,531</u>	<u>\$ 184,776,724</u>	<u>\$ 325,972,422</u>
Liabilities				
Accounts payable	\$ 26,826	\$ 18,751	\$ 58,197	\$ 103,774
Payable under securities lending program	12,289,592	8,645,726	27,391,824	48,327,142
Total liabilities	<u>\$ 12,316,418</u>	<u>\$ 8,664,477</u>	<u>\$ 27,450,021</u>	<u>\$ 48,430,916</u>
Net Assets				
Held in trust for:				
Employees' pension benefits	\$ 70,573,749	\$ 49,641,054	\$ 157,326,703	\$ 277,541,506
Employees' postemployment healthcare benefits	—	—	—	—
Total net assets	<u>\$ 70,573,749</u>	<u>\$ 49,641,054</u>	<u>\$ 157,326,703</u>	<u>\$ 277,541,506</u>

See accompanying independent auditors' report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2008	December 31, 2007
\$ 1,732	\$ 58,040	\$ 124,316
—	48,327,142	50,071,815
—	277,585,071	413,804,396
9,504,565	9,504,565	9,688,143
<u>9,504,565</u>	<u>287,089,636</u>	<u>423,492,539</u>
—	3,901	4,789
<u>\$ 9,506,297</u>	<u>\$ 335,478,719</u>	<u>\$ 473,693,459</u>
\$ —	\$ 103,774	\$ 133,133
—	48,327,142	50,071,815
<u>\$ —</u>	<u>\$ 48,430,916</u>	<u>\$ 50,204,948</u>
\$ —	\$ 277,541,506	\$ 413,798,622
9,506,297	9,506,297	9,689,889
<u>\$ 9,506,297</u>	<u>\$ 287,047,803</u>	<u>\$ 423,488,511</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended December 31, 2008

(With summarized financial information for the year ended December 31, 2007)

	Police/Fire Retirement Pension Trust Funds			
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	Total
Additions:				
Contributions from other funds	\$ —	\$ —	\$ —	\$ —
Interest	1,721,697	1,207,747	3,792,539	6,721,983
Dividends	600,630	421,351	1,323,431	2,345,412
Net increase (decrease) in fair value of investments	(29,590,556)	(20,773,606)	(65,304,041)	(115,668,203)
Less investments expense	(456,214)	(318,910)	(989,729)	(1,764,853)
Total additions	(27,724,443)	(19,463,418)	(61,177,800)	(108,365,661)
Deductions:				
Regular benefit payments	8,468,540	5,486,804	13,014,742	26,970,086
Administrative expenses	210,072	171,259	540,038	921,369
Total deductions	8,678,612	5,658,063	13,554,780	27,891,455
Change in net assets	(36,403,055)	(25,121,481)	(74,732,580)	(136,257,116)
Net assets – beginning	106,976,804	74,762,535	232,059,283	413,798,622
Net assets – ending	\$ 70,573,749	\$ 49,641,054	\$ 157,326,703	\$ 277,541,506

See accompanying independent auditors' report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2008	December 31, 2007
\$ 2,352,982	\$ 2,352,982	\$ 2,210,941
66,467	6,788,450	6,523,572
292,166	2,637,578	3,286,994
(1,337,844)	(117,006,047)	13,496,151
—	(1,764,853)	(1,770,318)
<u>1,373,771</u>	<u>(106,991,890)</u>	<u>23,747,340</u>
1,507,857	28,477,943	27,560,584
49,506	970,875	933,808
<u>1,557,363</u>	<u>29,448,818</u>	<u>28,494,392</u>
(183,592)	(136,440,708)	(4,747,052)
<u>9,689,889</u>	<u>423,488,511</u>	<u>428,235,563</u>
<u>\$ 9,506,297</u>	<u>\$ 287,047,803</u>	<u>\$ 423,488,511</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended December 31, 2008

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Employee Benefits				
Assets:				
Equity in general cash pool	\$ 12,763,390	\$ 287,800,513	\$ 300,563,903	\$ —
Accounts receivable	—	3,127	3,127	—
Total assets	<u>\$ 12,763,390</u>	<u>\$ 287,803,640</u>	<u>\$ 300,567,030</u>	<u>\$ —</u>
Liabilities:				
Accounts payable	\$ 98,952	\$ 9,990,192	\$ 10,089,144	\$ —
Due to employees	7,595,529	148,434,751	156,030,280	—
Due to employees' retirement system	3,380,267	49,158,885	52,539,152	—
Payroll liabilities	1,688,642	80,213,556	81,902,198	—
Total liabilities	<u>\$ 12,763,390</u>	<u>\$ 287,797,384</u>	<u>\$ 300,560,774</u>	<u>\$ —</u>

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 7-12 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 13-17 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 18-19 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 20-21 is provided to help understand our operations and resources as well as provide a context for understanding and assessing our economic condition.

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MUNICIPALITY OF ANCHORAGE, ALASKA

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

	Fiscal Year						
	2008	As Restated 2007	2006	2005	2004	2003	2002
Governmental activities:							
Invested in capital assets, net of related debt	\$ 2,593,651,856	\$ 2,549,539,076	\$ 2,537,136,632	\$ 2,485,270,733	\$ 2,472,454,545	\$ 2,491,806,336	\$ 2,524,921,113
Restricted	244,060,749	259,806,239	241,714,127	212,619,180	214,684,422	210,664,439	186,928,803
Unrestricted	<u>(124,956,677)</u>	<u>(103,725,438)</u>	<u>(77,746,279)</u>	<u>(84,043,560)</u>	<u>(87,866,060)</u>	<u>(100,957,081)</u>	<u>(75,930,173)</u>
Total governmental activities net assets	<u>\$ 2,712,755,928</u>	<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>	<u>\$ 2,635,919,743</u>
Business-type activities:							
Invested in capital assets, net of related debt	\$ 416,812,027	\$ 397,162,624	\$ 388,614,000	\$ 318,829,727	\$ 257,844,237	\$ 277,360,904	\$ 234,298,478
Restricted	124,717,122	101,772,016	105,727,434	103,454,088	98,379,013	67,696,691	58,145,668
Unrestricted	<u>64,631,997</u>	<u>54,823,246</u>	<u>50,592,777</u>	<u>88,048,950</u>	<u>101,389,544</u>	<u>74,793,074</u>	<u>103,192,210</u>
Total business-type activities net assets	<u>\$ 606,161,146</u>	<u>\$ 553,757,886</u>	<u>\$ 544,934,211</u>	<u>\$ 510,332,765</u>	<u>\$ 457,612,794</u>	<u>\$ 419,850,669</u>	<u>\$ 395,636,356</u>
Total primary government:							
Invested in capital assets, net of related debt	\$ 3,010,463,883	\$ 2,946,701,700	\$ 2,925,750,632	\$ 2,804,100,460	\$ 2,730,298,782	\$ 2,769,167,240	\$ 2,759,219,591
Restricted	368,777,871	361,578,255	347,441,561	316,073,268	313,063,435	278,361,130	245,074,471
Unrestricted	<u>(60,324,680)</u>	<u>(48,902,192)</u>	<u>(27,153,502)</u>	<u>4,005,390</u>	<u>13,523,484</u>	<u>(26,164,007)</u>	<u>27,262,037</u>
Total primary government net assets	<u>\$ 3,318,917,074</u>	<u>\$ 3,259,377,763</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>	<u>\$ 3,031,556,099</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.

Net assets for 2007 Business-type activities have been restated for a prior period adjustment to the Port. Refer to Note 6.

This table is presented from 2002, when Anchorage implemented GASB Statement 34.

Source: Municipality of Anchorage, Finance Department.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

	Fiscal Year						
	2008	As Restated 2007	2006	2005	2004	2003	2002
Expenses:							
Governmental activities:							
General government	\$ 34,055,394	\$ 40,462,811	\$ 44,414,290	\$ 33,149,639	\$ 28,412,366	\$ 32,474,401	\$ 39,514,625
Fire services	78,741,178	72,220,757	39,818,913	82,517,923	55,208,871	48,198,463	53,757,939
Police services	99,833,510	87,247,323	52,291,313	98,669,291	69,371,463	61,282,774	67,287,822
Health and human services	26,458,471	25,972,527	25,045,197	31,155,930	24,312,243	30,287,357	36,166,795
Economic & community development	74,829,162	70,057,933	62,090,686	47,652,399	46,849,814	-	-
Public transportation	28,522,303	27,579,961	24,039,863	21,162,017	20,283,370	17,611,333	17,611,047
Public works	53,203,163	80,368,055	92,686,550	60,434,830	37,096,194	184,797,027	22,743,616
Education	212,266,737	200,028,978	184,566,884	170,393,368	154,278,770	144,095,089	142,419,697
Maintenance and operations of roads and facilities	35,404,978	30,325,886	32,036,221	27,657,703	26,663,041	27,312,986	25,221,296
Interest on long-term debt	29,822,096	29,613,108	29,723,363	21,568,745	19,944,303	20,075,030	19,411,686
Total governmental activities expenses	673,136,992	663,877,339	586,713,280	594,361,845	482,420,435	599,275,425	457,818,946
Business-type activities:							
Water	39,388,902	36,269,883	37,215,822	35,840,802	31,739,512	27,353,319	27,144,704
Wastewater	31,803,895	28,457,829	28,187,998	26,702,698	24,452,663	21,222,484	20,128,260
Electric	90,760,462	78,901,165	99,850,090	101,351,360	93,047,721	83,461,874	77,971,266
Port	11,533,424	10,710,625	10,076,243	9,676,376	8,165,915	7,394,998	6,939,378
Municipal airport	3,229,657	2,980,806	2,983,778	2,569,643	2,152,012	2,040,292	2,191,356
Solid waste	15,555,914	17,261,224	14,250,955	13,613,706	13,086,817	12,883,742	14,096,344
Refuse	7,367,979	6,548,379	6,304,451	5,938,896	5,902,024	5,669,170	5,710,857
Cooperative Services Authority	1,314,503	1,255,318	-	-	202,210	-	-
Anchorage Community Development Authority	-	-	6,533,183	5,304,643	4,731,366	4,619,659	4,243,346
Alaska Center for the Performing Arts	-	-	1,986,912	1,934,907	1,726,324	1,793,186	1,705,129
Total business-type expenses	200,954,736	182,385,229	207,389,432	202,933,031	185,206,564	166,438,724	160,130,640
Total primary government expenses	\$ 874,091,728	\$ 846,262,568	\$ 794,102,712	\$ 797,294,876	\$ 667,626,999	\$ 765,714,149	\$ 617,949,586
Program revenues: (see also Table 3)							
Governmental activities:							
Charges for services	\$ 65,763,895	\$ 73,976,441	\$ 70,933,148	\$ 76,681,737	\$ 54,296,556	48,495,723	46,155,906
Operating grants and contributions	47,769,996	34,531,461	53,470,466	29,048,223	25,158,092	44,299,109	59,264,178
Capital grants and contributions	68,209,477	61,844,863	48,274,799	18,358,385	12,275,783	11,714,829	11,045,522
Total governmental activities program revenues	181,743,368	170,352,765	172,678,413	124,088,345	91,730,431	104,509,661	116,465,606
Business-type activities:							
Charges for services	227,754,831	215,858,228	231,062,446	225,779,021	206,386,340	179,533,964	163,113,176
Operating grants and contributions	1,615,050	1,600,351	975,495	-	407,337	152,806	3,043,512
Capital grants and contributions	39,135,924	5,666,752	7,555,178	4,137,718	2,303,543	3,897,033	11,672,890
Total business-type activities expenses	268,505,805	223,125,331	239,593,119	229,916,739	209,097,220	183,583,803	177,829,578
Total primary government program revenues	\$ 450,249,173	\$ 393,478,096	\$ 412,271,532	\$ 354,005,084	\$ 300,827,651	\$ 288,093,464	\$ 294,295,184
Net (Expense)/Revenue							
Governmental activities	\$(491,393,624)	\$(493,524,574)	\$(414,034,867)	\$(470,273,500)	\$(390,690,004)	(494,765,764)	(341,353,340)
Business-type activities	67,551,069	40,740,102	32,203,687	26,983,708	23,890,656	17,145,079	17,698,938
Total primary government net expense	\$(423,842,555)	\$(452,784,472)	\$(381,831,180)	\$(443,289,792)	\$(366,799,348)	\$(477,620,685)	\$(323,654,402)

MUNICIPALITY OF ANCHORAGE, ALASKA

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

	Fiscal Year						
	2008	As Restated 2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:							
Governmental activities:							
Taxes:							
Property taxes	\$ 435,202,824	\$ 381,995,766	\$ 392,314,240	\$ 362,963,283	\$ 333,690,024	\$ 311,917,530	\$ 292,396,169
Motor vehicle taxes	10,535,938	10,291,028	10,021,797	9,962,376	10,131,578	9,617,492	10,123,166
Lodging taxes	22,173,862	20,209,303	19,093,196	11,933,792	11,680,274	10,287,972	11,007,248
Tobacco taxes	16,658,407	16,560,416	17,676,774	14,060,448	8,631,780	4,734,327	5,349,091
Assessments in lieu of taxes	2,086,576	1,775,622	16,200,594	14,933,858	9,181,929	6,608,739	6,570,767
Grants and entitlements not restricted to specific programs	15,112,751	13,536,127	-	-	-	-	-
Investment earnings (loss)	(47,269,808)	33,098,513	39,161,900	15,590,837	18,162,086	30,409,566	(5,065,814)
Other	-	-	-	-	(3,494,292)	858,959	1,363,556
Transfers	21,042,141	20,573,196	6,824,493	598,704	465,838	1,603,773	(495,778)
Special item - NPO/OPEB write-off	22,986,984	-	-	-	-	-	-
Retroactive infrastructure capitalization	-	-	-	54,803,648	-	84,321,357	-
Total governmental activities	<u>498,529,675</u>	<u>498,039,971</u>	<u>501,292,994</u>	<u>484,846,946</u>	<u>388,449,217</u>	<u>460,359,715</u>	<u>321,248,405</u>
Business-type activities:							
Investment earnings	1,796,671	12,399,226	9,222,252	6,505,202	2,276,444	1,934,832	3,843,173
Other	-	-	-	-	109,211	43,121	178,460
Regulatory adjustment	-	-	-	19,852,555	11,951,652	6,695,054	(5,968,283)
Special item - NPO/OPEB write-off	4,097,662	-	-	-	-	-	-
Transfers	(21,042,141)	(20,573,196)	(6,824,493)	(598,704)	(465,838)	(1,603,773)	495,778
Total business-type activities	<u>(15,147,808)</u>	<u>(8,173,970)</u>	<u>2,397,759</u>	<u>25,759,053</u>	<u>13,871,469</u>	<u>7,069,234</u>	<u>(1,450,872)</u>
Total primary government	<u>\$ 483,381,867</u>	<u>\$ 489,866,001</u>	<u>\$ 503,690,753</u>	<u>\$ 510,605,999</u>	<u>\$ 402,320,686</u>	<u>\$ 467,428,949</u>	<u>\$ 319,797,533</u>
Change in net assets:							
Governmental activities	\$ 7,136,051	\$ 4,515,397	\$ 87,258,127	\$ 14,573,446	\$ (2,240,787)	\$ (34,406,049)	\$ (20,104,935)
Business-type activities	52,403,261	32,566,132	34,601,446	52,742,761	37,762,125	24,214,313	16,248,066
Total primary government	<u>\$ 59,539,312</u>	<u>\$ 37,081,529</u>	<u>\$ 121,859,573</u>	<u>\$ 67,316,207</u>	<u>\$ 35,521,338</u>	<u>\$ (10,191,736)</u>	<u>\$ (3,856,869)</u>

Notes: In 2004, the Cooperative Services Authority (CSA) was established as a fund and function of Anchorage. 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.

This table is presented from 2002, when Anchorage implemented GASB Statement 34.

Amounts for 2007 have been restated to include a prior period adjustment to the Port. Refer to Note 6.

Source: Municipality of Anchorage, Finance Department.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Program revenues - charges for services:							
Governmental activities:							
General government	\$ 16,169,865	\$ 13,310,411	\$ 12,030,314	\$ 11,525,168	\$ 14,016,015	\$ 11,628,477	\$ 7,004,896
Fire services	8,864,033	8,267,074	7,672,974	6,636,585	5,655,912	4,827,098	4,996,684
Police services	18,649,891	21,147,627	17,614,934	12,707,148	9,784,179	9,372,528	7,944,839
Health and human services	3,669,266	3,715,952	3,787,127	4,334,673	3,781,694	3,600,320	3,571,237
Economic & community development	5,406,449	7,666,960	7,555,914	6,278,744	5,817,018	3,252,157	3,021,068
Public transportation	4,545,387	3,987,108	3,941,306	3,250,901	3,002,525	2,494,514	2,427,133
Public works	8,256,833	15,136,381	16,911,964	30,394,761	10,332,321	11,430,058	14,899,123
Maintenance and operations of roads and facilities	202,171	744,928	1,418,615	1,553,757	1,906,892	1,890,571	2,290,926
Total governmental activities	<u>65,763,895</u>	<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>	<u>46,155,906</u>
Business-type activities:							
Water	43,613,176	43,870,404	39,545,747	38,473,142	33,397,222	28,773,495	26,673,203
Wastewater	35,151,553	35,157,366	31,269,830	28,746,892	26,590,207	24,489,897	24,271,600
Electric	108,272,636	100,606,033	115,656,934	117,032,992	107,656,289	90,100,903	77,644,481
Port	12,574,534	11,768,704	11,881,314	11,793,322	10,284,368	9,109,782	5,744,707
Municipal airport	1,289,585	1,235,026	1,196,622	1,111,842	1,055,742	927,573	1,007,230
Solid waste	18,197,048	15,493,404	15,185,485	15,593,309	15,722,106	15,502,159	17,285,331
Refuse	8,013,803	7,177,811	6,785,718	6,596,336	6,033,272	5,603,363	5,664,885
Cooperative Services Authority	642,496	549,480	-	-	-	-	-
Anchorage Community Development Authority	-	-	5,361,114	5,335,641	4,951,013	4,347,489	4,212,113
Alaska Center for the Performing Arts	-	-	1,244,739	1,095,545	696,121	679,303	609,626
Total business-type activities	<u>227,754,831</u>	<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>	<u>163,113,176</u>
Total primary government	<u>\$ 293,518,726</u>	<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>	<u>\$ 209,269,082</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.

This table is presented from 2002, when Anchorage implemented GASB Statement 34.

Amounts for 2007 have been restated to include a prior period adjustment to the Port. Refer to Note 6.

Source: Municipality of Anchorage, Finance Department.

MUNICIPALITY OF ANCHORAGE, ALASKA

Fund Balances - Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Fund							
Reserved	\$ 1,297,581	\$ 1,210,130	\$ 2,174,624	\$ 2,702,499	\$ 2,800,697	\$ 5,835,127	\$ 7,228,604
Unreserved - designated	19,782,164	28,613,168	53,275,788	30,278,253	27,843,180	27,742,439	20,145,093
Unreserved - undesignated	4,988,645	12,529,965	16,311,739	13,280,944	12,271,734	7,717,915	15,138,912
Total general funds	<u>26,068,390</u>	<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>	<u>42,512,609</u>
All other governmental funds							
Reserved	233,318,362	254,532,582	241,709,679	206,582,469	205,545,886	198,179,612	175,434,621
Unreserved - designated	20,655,423	91,182,914	-	-	-	-	-
Unreserved - undesignated, reported in:							
Special revenue funds	752,158	837,020	7,905,228	10,396,106	12,570,336	16,010,905	16,760,953
Capital project funds	(25,965,198)	2,468,555	88,689,016	87,658,628	41,766,862	23,138,051	38,064,536
Total all other governmental funds	<u>228,760,745</u>	<u>349,021,071</u>	<u>338,303,923</u>	<u>259,883,084</u>	<u>237,328,568</u>	<u>237,328,568</u>	<u>230,260,110</u>
Total governmental funds							
Reserved	234,615,943	255,742,712	243,884,303	209,284,968	208,346,583	204,014,739	182,663,225
Unreserved - designated	40,437,587	91,182,914	53,275,788	30,278,253	27,843,180	27,742,439	20,145,093
Unreserved - undesignated, reported in:							
General fund	4,988,645	12,529,965	16,311,739	13,280,944	12,271,734	7,717,915	15,138,912
Special revenue funds	752,158	837,020	7,905,228	10,396,106	12,570,336	16,010,905	16,760,953
Capital project funds	(25,965,198)	2,468,555	88,689,016	87,658,628	41,766,862	23,138,051	38,064,536
Total governmental funds fund balance	<u>\$ 254,829,135</u>	<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>	<u>\$ 272,772,719</u>

Notes: In 2002, the Municipality adopted a fund balance designation policy to support the municipal bond rating. This designation is 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.

This table is presented from 2002, when Anchorage implemented GASB Statement 34.

Source: Municipality of Anchorage, Finance Department.

MUNICIPALITY OF ANCHORAGE, ALASKA

Changes in Fund Balance - Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Revenues:							
Taxes	\$ 486,293,914	\$ 429,372,924	\$ 455,172,329	\$ 398,135,665	\$ 372,606,202	\$ 344,146,857	\$ 324,217,752
Special assessments	1,159,628	1,250,564	1,287,799	1,717,412	1,650,613	1,297,844	1,284,172
Licenses and permits	10,950,551	12,288,396	13,840,537	13,012,040	12,624,998	11,568,910	10,743,088
Intergovernmental	124,425,213	102,611,734	82,592,145	49,406,608	37,433,876	56,013,938	69,971,256
Charges for services	34,112,140	31,845,148	35,348,493	41,918,152	24,776,906	22,283,909	21,797,570
Fines and forfeitures	8,996,470	10,043,220	5,678,880	9,098,207	6,957,579	6,088,988	5,235,801
Investment income	(47,288,530)	31,072,851	37,853,203	12,455,565	14,727,452	26,915,807	(8,256,977)
Restricted contributions	3,326,186	1,855,989	1,203,042	485,249	1,294,335	52,450	260,530
Other	4,802,460	5,004,863	5,440,632	3,457,580	3,261,388	3,690,183	3,912,262
Total revenues	626,778,032	625,345,689	638,417,060	529,686,478	475,333,349	472,058,886	429,165,454
Expenditures:							
General government	25,049,556	25,927,198	25,864,299	17,373,936	16,514,722	22,961,766	31,171,319
Fires services	76,322,626	69,692,211	63,512,191	58,252,110	50,902,167	45,955,347	44,726,659
Police services	101,537,582	90,424,063	82,191,066	74,316,323	66,316,356	60,157,670	57,980,046
Health and human services	25,953,139	25,043,484	24,360,212	26,190,221	23,765,640	29,841,949	35,628,099
Cultural and recreation services	-	-	-	-	-	23,836,321	23,692,791
Economic and community development	61,635,730	54,158,211	53,881,037	44,120,594	37,949,866	-	-
Public transportation	24,625,761	21,512,366	20,644,987	19,819,015	18,002,811	15,350,897	14,886,117
Public works	26,436,195	23,556,542	20,456,482	16,774,304	14,987,397	29,832,140	19,887,224
Education	212,266,737	200,028,978	185,077,206	170,393,368	154,278,770	144,095,089	142,419,697
Maintenance and operations of roads and facilities	35,830,185	29,719,944	30,028,685	27,206,940	24,357,789	26,892,534	23,844,750
Capital outlay	172,099,343	151,545,463	130,232,159	75,629,256	58,750,450	59,954,574	45,875,719
Debt service							
Principal	30,371,078	29,432,234	34,949,110	30,128,791	27,501,762	25,791,483	24,505,708
Interest	29,269,039	29,342,270	28,066,471	19,837,168	19,652,378	19,227,244	20,751,022
Bond issuance costs	441,158	102,345	2,722,984	1,281,946	843,788	444,379	1,137,292
Total expenditures	821,838,129	750,485,309	701,986,889	581,323,972	513,823,896	504,341,393	486,506,443
Deficiencies of revenues over expenditures	(195,060,097)	(125,139,620)	(63,569,829)	(51,637,494)	(38,490,547)	(32,282,507)	(57,340,989)
Other financing sources (uses):							
Transfers in	71,752,640	47,630,377	47,837,359	20,395,441	24,108,152	22,646,876	16,691,306
Transfers out	(46,779,615)	(27,207,181)	(41,012,866)	(19,996,737)	(25,083,344)	(23,154,015)	(19,307,735)
Contributions to component unit	-	-	-	(300,000)	-	-	-
Bonds issued	60,000,000	54,630,000	110,920,000	198,895,000	73,840,000	35,000,000	127,100,000
Other long-term debt issues	-	-	-	350,000	5,365,000	-	-
Premium on bonds	788,975	1,681,507	33,142	8,504,209	4,226,536	714,292	6,042,090
Payment to bond escrow agent	-	-	-	(109,094,800)	(23,087,336)	-	(75,227,604)
Capital leases	-	-	673,553	-	1,146,807	-	-
Loan Proceeds	175,000	-	-	-	-	-	-
Insurance recoveries	38,720	22,316	41,915	114,300	-	-	-
Sale of capital assets	1,152,346	1,071,446	4,243,901	870,285	2,149,378	2,926,684	1,363,556
Net other financing sources (uses)	87,128,066	77,828,465	122,737,004	99,737,698	62,665,193	38,133,837	56,661,613
Net change in fund balances	\$(107,932,031)	\$(47,311,155)	\$ 59,167,175	\$ 48,100,204	\$ 24,174,646	\$ 5,851,330	\$(679,376)

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

This table is presented from 2002, when Anchorage implemented GASB Statement 34.

For years 2007 and later, Municipal Utility/Enterprise Service Assessments have been reclassified from tax revenue to transfers in accordance with GAAP.

Source: Municipality of Anchorage, Finance Department.

MUNICIPALITY OF ANCHORAGE, ALASKA

Debt Service As a Percentage of Noncapital Expenditures
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenditures:							
General government	\$ 25,049,556	\$ 25,927,198	\$ 25,864,299	\$ 17,373,936	\$ 16,514,722	\$ 22,961,766	\$ 31,171,319
Fires services	76,322,626	69,692,211	63,512,191	58,252,110	50,902,167	45,955,347	44,726,659
Police services	101,537,582	90,424,063	82,191,066	74,316,323	66,316,356	60,157,670	57,980,046
Health and human services	25,953,139	25,043,484	24,360,212	26,190,221	23,765,640	29,841,949	35,628,099
Cultural and recreation services		-	-	-	-	23,836,321	23,692,791
Economic and community development	61,635,730	54,158,211	53,881,037	44,120,594	37,949,866	-	-
Public transportation	24,625,761	21,512,366	20,644,987	19,819,015	18,002,811	15,350,897	14,886,117
Public works	26,436,195	23,556,542	20,456,482	16,774,304	14,987,397	29,832,140	19,887,224
Education	212,266,737	200,028,978	185,077,206	170,393,368	154,278,770	144,095,089	142,419,697
Maintenance and operations of roads and facilities	35,830,185	29,719,944	30,028,685	27,206,940	24,357,789	26,892,534	23,844,750
Capital outlay	172,099,343	151,545,463	126,763,050	75,629,256	58,750,450	59,954,574	45,875,719
Debt service							
Principal	30,371,078	29,432,234	34,949,110	30,128,791	27,501,762	25,791,483	24,505,708
Interest	29,268,039	29,342,270	28,066,471	19,837,168	19,652,378	19,227,244	20,751,022
Bond issuance costs	441,158	102,345	2,722,984	1,281,946	843,788	444,379	1,137,292
Total expenditures	<u>821,837,129</u>	<u>750,485,309</u>	<u>698,517,780</u>	<u>581,323,972</u>	<u>513,823,896</u>	<u>504,341,393</u>	<u>486,506,443</u>
Less:							
Debt Service	60,080,275	58,876,849	65,738,565	51,247,905	47,997,928	45,463,106	46,394,022
Amounts capitalized	155,946,242	104,733,796	78,490,668	87,813,000	48,282,000	43,361,000	41,930,000
Total non-capital expenditures	<u>\$ 605,810,612</u>	<u>\$586,874,664</u>	<u>\$554,288,547</u>	<u>\$442,263,067</u>	<u>\$417,543,968</u>	<u>\$415,517,287</u>	<u>\$398,182,421</u>
 Debt service as a percentage of non-capital expenditures	<u>9.92%</u>	<u>10.03%</u>	<u>11.86%</u>	<u>11.59%</u>	<u>11.50%</u>	<u>10.94%</u>	<u>11.65%</u>

Notes: This table is presented from 2002, when Anchorage 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>Lodging</u>	<u>Tobacco</u>	<u>PILT & MUSA</u>	<u>Other</u>	<u>Total</u>
2008	393,226,611	37,984,281	5,183,112	5,339,159	22,081,280	16,524,753	-	3,868,142	484,207,338
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

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
 Use of Property Taxes
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Anchorage School District Property Taxes</u>	<u>Anchorage School District Enrollment</u>	<u>Property Tax Support Per Pupil</u>	<u>Municipality of Anchorage Property Taxes</u>	<u>Municipality of Anchorage Population</u>	<u>Property Tax Support Per Citizen</u>	<u>Total Property Taxes</u>
2008	\$ 212,165,785	48,440	\$ 4,380	\$ 219,045,107	284,994	\$ 769	\$ 431,210,892
2007	\$ 198,981,074	48,707	\$ 4,085	\$ 178,572,818	283,823	\$ 629	\$ 377,553,892
2006	\$ 184,379,644	49,320	\$ 3,738	\$ 204,403,801	282,813	\$ 723	\$ 388,783,445
2005	\$ 170,080,162	49,182	\$ 3,458	\$ 189,275,507	278,241	\$ 680	\$ 359,355,669
2004	\$ 153,993,490	49,265	\$ 3,126	\$ 175,929,531	277,498	\$ 634	\$ 329,923,021
2003	\$ 144,035,890	49,545	\$ 2,907	\$ 165,518,581	274,003	\$ 604	\$ 309,554,471
2002	\$ 139,237,827	50,029	\$ 2,783	\$ 148,716,395	269,070	\$ 553	\$ 287,954,222
2001	\$ 131,060,303	48,856	\$ 2,683	\$ 147,465,087	264,937	\$ 557	\$ 278,525,390
2000	\$ 122,679,177	48,157	\$ 2,547	\$ 134,886,765	260,283	\$ 518	\$ 257,565,942
1999	\$ 112,983,347	48,116	\$ 2,348	\$ 133,331,877	259,390	\$ 514	\$ 246,315,224

Source: Municipality of Anchorage, Finance Department; Anchorage School District, Annual Financial Report; and the U.S. Census Bureau.

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			
2008	\$ 19,467,058,556	\$ 8,706,338,583	\$ 28,173,397,139	\$ 2,407,424,007	\$ 30,580,821,146	7.31
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

Notes: 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>2008</u>	<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>
Areawide:										
General Government	0.37	0.23	0.46	0.64	1.10	1.50	1.56	1.24	1.64	2.11
Schools	<u>6.94</u>	<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>
Total Areawide	<u>7.31</u>	<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>
Former City Service Area	0.00	0.02	0.02	0.01	0.02	0.00	0.02	0.03	0.02	0.02
Chugiak Service Area	0.99	1.00	0.91	1.00	0.89	0.88	0.99	1.00	1.00	1.00
Glen Alps Service Area	2.75	2.75	2.75	2.75	2.75	2.25	2.47	2.76	2.69	2.92
Girdwood Service Area	3.03	4.00	3.97	3.47	3.47	3.39	3.25	3.35	3.40	3.17
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	0.00
Fire Service Area	1.77	1.73	1.76	1.97	1.87	1.64	1.68	1.82	1.61	1.59
Roads and Drainage Service Area	2.60	2.59	2.80	2.75	2.90	3.10	2.97	3.61	3.03	3.28
Limited Service Areas	1.30	1.28	1.21	1.31	1.26	0.99	1.29	1.29	1.29	1.29
Anchorage Metropolitan Police Service Area	2.56	2.60	2.57	2.71	2.37	2.25	2.39	2.40	2.63	2.56
Parks and Recreation Service Area	0.65	0.60	0.56	0.62	0.68	0.74	0.73	0.72	0.74	0.82
Building Safety Service Area	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01
Eagle River/Chugiak Parks & Recreation Service Area	1.08	1.11	1.13	1.17	1.18	0.69	0.69	0.70	0.53	0.53

Source: Municipality of Anchorage, Assembly Ordinances.

MUNICIPALITY OF ANCHORAGE, ALASKA

Principal Property Tax Payers
Current Year and Nine Years Ago

2008		
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
ACS of Anchorage Inc.	\$ 260,924,339	0.85 %
Calais Company Inc.	139,585,485	0.46
Fred Meyer Stores Inc.	132,937,279	0.43
GCI Communication Corp.	129,315,068	0.42
Galen Hospital Alaska Inc.	123,585,487	0.40
Anchorage Fueling & Svc Co.	115,263,550	0.38
B.P. Exploration (Alaska) Inc.	111,930,658	0.37
Wec 2000A-Alaska LLC	100,637,469	0.33
Hickel Investment Company	98,010,070	0.32
Enstar Natural Gas Company	92,469,804	0.30
	<u>\$ 1,304,659,209</u>	<u>4.27 %</u>
1999		
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Hickel Investment Company	\$ 92,481,606	0.64 %
Carr-Gottstein Associates	85,073,995	0.58
Galen Hospital Alaska Inc.	74,642,509	0.51
Calais Company Inc.	72,237,217	0.50
ARCO	64,214,853	0.44
Federal Express Corp.	59,219,243	0.41
Cook Inlet Region Inc.	56,853,239	0.39
Hilton Hotels Corp.	54,447,291	0.37
B. P. Exploration (Alaska) Inc.	54,411,134	0.37
Seibu Alaska Inc.	53,119,504	0.37
TOTALS	<u>\$ 666,700,591</u>	<u>4.58 %</u>

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		Collections in Subsequent Years	Total Collections to Date		Outstanding Balance
		Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy	
2008	438,158,786	430,346,262	98.22%	-	430,346,262	98.22%	7,812,524
2007	386,615,505	378,829,566	97.99%	5,956,003	384,785,569	99.53%	1,829,936
2006	398,955,490	389,483,559	97.63%	9,179,437	398,662,996	99.93%	292,494
2005	357,895,662	353,993,904	98.91%	3,876,005	357,869,909	99.99%	25,753
2004	337,190,170	325,033,543	96.39%	12,140,890	337,174,433	100.00%	15,737
2003	315,403,940	311,915,068	98.89%	3,483,185	315,398,253	100.00%	5,687
2002	299,084,667	298,771,844	99.90%	307,628	299,079,472	100.00%	5,195
2001	279,861,463	277,508,664	99.16%	2,347,677	279,856,341	100.00%	5,122
2000	262,257,722	258,051,374	98.40%	4,200,331	262,251,705	100.00%	6,017
1999	258,141,619	253,456,190	98.18%	4,680,915	258,137,105	100.00%	4,514

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	
2008	\$ 475,781,420	\$ 156,180,000	\$ -	\$ -	\$ 6,894,000	\$ 4,088,564	\$ 642,943,984
2007	441,657,000	159,175,000	335,000	-	7,060,000	1,558,751	609,785,751
2006	411,256,115	161,725,000	600,000	-	7,160,000	2,014,682	582,755,797
2005	440,262,898	53,620,000	630,000	3,360,000	9,255,000	1,565,243	508,693,141
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

Fiscal Year	Business-type Activities				Total Business-Type Activities	Total Primary Government	Ratio of Total Debt to Assessed Value of Property (Table 9)	Total Debt to Population (Table 14)
	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Notes and Loans				
2008	\$ 970,177	\$ 375,390,296	\$ -	\$ 114,647,859	\$ 491,008,332	\$ 1,133,952,316	3.71%	\$ 3,979
2007	1,401,428	396,391,269	40,000	98,010,000	495,842,697	1,105,628,448	3.78%	3,895
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

Notes: Details regarding the Anchorage's outstanding debt can be found in the notes to the financial statements. Anchorage routinely issues debt on an annual basis to finance new construction and refund prior existing debt for lower cost.

This schedule excludes debt related to the Anchorage School District, Anchorage'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>
2008	284,994	\$ 30,580,821,146	\$ 476,714,180	\$ 1,007,077	\$ 475,707,103	1.56%	\$ 1,669
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

Notes: This schedule includes all general obligation bonds 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 15, direct and overlapping debt.

Source: Municipality of Anchorage, Treasury Division.

MUNICIPALITY OF ANCHORAGE, ALASKA

Direct & Overlapping Debt

December 31, 2008

	<u>Debt Outstanding</u>	<u>Percentage Overlap</u>	<u>Share of Direct and Overlapping Debt</u>
Anchorage School District overlapping debt	789,375,000	100%	789,375,000
Anchorage's direct debt			<u>642,943,984</u>
Total direct and overlapping debt			\$ <u>1,432,318,984</u>

Notes: Anchorage School District overlapping debt includes general obligation school bonds. Anchorage's direct debt includes all debt reported for governmental activities (see Table 13).

Percentage of overlap is based on assessed property values.

Source: Debt outstanding balance obtained from Anchorage School District 2008 CAFR.

MUNICIPALITY OF ANCHORAGE, ALASKA

Legal Debt Margin
December 31, 2008

Legal Debt Margin

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	Interest	Total	
2008	\$ 108,120,323	\$ 56,737,791	\$ 51,382,532	\$ 17,295,000	\$ 9,775,653	\$ 27,070,653	1.90
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

(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.

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	
2008	\$ 18,319,902	\$ 12,310,770	\$ 6,009,132	\$ 340,000	\$ 23,919	\$ 363,919	16.51
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

(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	
2008	\$ 12,543,838	\$ 6,900,782	\$ 5,643,056	\$ -	\$ -	\$ -	-
2007	12,981,129	6,212,308	6,768,821	-	-	-	-
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

(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	
2008	\$ 44,264,376	\$ 326,820	\$ 27,725,271	\$ 16,865,925	\$ 4,250,000	\$ 7,836,288	\$ 12,086,288	1.40
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

(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	
2008	\$ 34,954,522	\$ 842,664	\$ 24,844,546	\$ 10,952,640	\$ 575,000	\$ 3,225,638	\$ 3,800,638	2.88
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		
2008	\$ 195,300	n/a	\$ 195,300	\$ 145,000	\$ 11,056	\$ 156,056	1.25	
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	

CIVICVentures								
Fiscal Year	Bed Tax Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage	
				Principal	Interest	Total		
2008	\$ 5,827,392	n/a	\$ 5,827,392	\$ 305,000	\$ 5,070,335	\$ 5,375,335	1.08	
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>
2008	284,994	48,440	5.9	264,880
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

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

2008			1999		
<u>Public/Private Employers</u>	<u>Average Monthly Employment</u>	<u>% of Total Employment</u>	<u>Public/Private Employers</u>	<u>Average Monthly Employment</u>	<u>% of Total Employment</u>
U.S. Uniformed Military	23,416	26.73%	U.S. Uniformed Military	18,684	24.31%
State of Alaska	17,500	19.98%	U.S. Government (civilian)	16,872	21.96%
Federal Civilians	16,800	19.18%	State of Alaska	15,889	20.68%
University of Alaska	7,105	8.11%	University of Alaska	5,883	7.66%
Anchorage School District	6,699	7.65%	Anchorage School District	5,538	7.21%
Providence Health & Services	4,000	4.57%	Safeway Stores/Carr Gottstein Foods	3,902	5.08%
Carrs/Safeway	3,249	3.71%	Municipality of Anchorage	3,160	4.11%
Municipality of Anchorage	3,072	3.51%	Providence Alaska Medical Center	3,027	3.94%
Fred Meyer	2,999	3.42%	Fred Meyer	2,015	2.62%
Wal-Mart/Sam's Club	2,749	3.14%	Fairbanks North Star Borough School District	1,872	2.44%
Total Monthly Employment	87,589			76,842	

Source: State of Alaska Department of Labor and Workforce Development

MUNICIPALITY OF ANCHORAGE, ALASKA

Full-Time Equivalent Employees
Last Seven Fiscal Years

Function	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Government							
Fire services	403	401	385	363	352	350	347
Police services	552	532	521	517	484	475	474
Subtotal - public safety	<u>955</u>	<u>933</u>	<u>906</u>	<u>880</u>	<u>836</u>	<u>825</u>	<u>821</u>
General government	345	369	337	331	328	341	352
Health and human services	141	166	145	159	157	161	154
Economic and community development	202	259	215	192	194	225	209
Public transportation	159	158	156	153	141	140	135
Public works	405	430	408	386	380	390	396
Subtotal - other	<u>1,252</u>	<u>1,382</u>	<u>1,261</u>	<u>1,221</u>	<u>1,200</u>	<u>1,257</u>	<u>1,246</u>
Total - general government	<u>2,207</u>	<u>2,315</u>	<u>2,167</u>	<u>2,101</u>	<u>2,036</u>	<u>2,082</u>	<u>2,067</u>
Enterprise Funds							
Water	133	129	126	129	128	125	123
Wastewater	134	129	125	128	127	125	123
Electric	240	240	235	227	224	218	209
Port	21	25	21	20	21	19	19
Municipal airport	9	10	10	10	10	10	11
Solid Waste	72	76	68	60	64	61	57
Refuse	20	20	21	20	19	19	20
Total - enterprise funds	<u>629</u>	<u>629</u>	<u>606</u>	<u>594</u>	<u>593</u>	<u>577</u>	<u>562</u>
Total	<u>2,836</u>	<u>2,944</u>	<u>2,773</u>	<u>2,695</u>	<u>2,629</u>	<u>2,659</u>	<u>2,629</u>

Notes: This table is presented from 2002, when Anchorage 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

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Fire services										
Number of stations	14	14	19	19	13	12	11	11	11	11
Fire suppression incidents	9,645	9,936	9,032	9,044	9,086	7,939	6,691	6,439	13,087	13,810
Emergency medical service incidents	18,716	18,297	18,730	17,480	17,727	16,547	17,452	16,297	15,582	14,042
Police services										
Number of stations	16	16	14	14	13	12	12	13	13	13
Health and human services										
Health clinic visits:										
Disease prevention and control	14,005	14,519	17,423	18,750	18,919	23,398	24,300	22,890	22,890	21,157
Reproductive health clinic	7,003	6,704	9,370	10,467	10,784	11,724	12,300	12,009	12,009	19,535
Maternal child health clinic	0	0	1,011	3,167	2,828	1,924	3,200	2,733	2,733	3,337
Women, Infants and Children	59,647	49,575	51,695	16,054	56,281	58,916	59,543	73,409	73,409	71,550
Environmental service customers:										
Customer service counter	10,238	21,390	21,890	27,565	26,917	25,764	31,020	29,689	29,689	33,938
Public facility inspections	3,002	3,683	3,210	2,587	4,012	4,118	4,317	2,558	2,558	1,923
Noise, nuisance, housing	1,141	760	361	1,080	921	734	1,048	1,222	1,222	1,227
Air quality and vehicle IM	92,514	103,765	105,037	110,131	114,622	104,520	104,987	5,886	5,886	6,406
Daycare assistance families	2,838	2,075	2,000	3,007	1,913	1,708	1,872	1,734	1,734	2,001
Licensed child care centers	111	118	113	124	125	119	128	125	125	131
Licensed child care homes	207	215	210	225	236	267	153	na	na	na
Economic and community development										
Cultural and recreation services:										
Total park acres	16,000	16,000	16,000	10,938	15,068	14,958	14,946	14,900	14,900	14,848
Parks	248	248	248	242	237	236	236	236	234	233
Swim pools, indoor	5	5	6	5	6	6	6	6	6	6
Bike/ski trails (Miles)	270	270	270	250	128	128	127	127	127	127
Ski trails (Km)	134	134	na	na	134	133	133	133	133	134
Community recreation centers	16	16	16	4	6	6	6	6	6	6
Historic sites	27	27	27	27	27	27	27	19	19	19
Anchorage Museum at Rasmuson Center:										
Number of visitors	119,854	132,309	142,843	164,311	183,956	209,113	139,529	182,679	182,679	228,746
Value of museum collection	9,732,176	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
Value of 1% for Art collection	11,104,208	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
Anchorage Public Library:										
Branches	6	5	5	5	5	5	5	6	6	6
Items	605,000	675,000	644,332	654,418	615,480	576,195	571,213	552,390	552,390	574,056
Items circulated	1,600,000	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
Reference responses	219,043	115,903	181,414	180,877	156,033	116,642	108,126	145,236	145,236	170,950
William Egan Civic and Convention Center:										
Events	443	513	458	323	396	314	321	620	620	526
Attendance	196,102	219,643	263,946	232,882	247,172	223,346	276,402	382,353	382,353	266,040
Alaska Center for the Performing Arts:										
Events	597	542	483	598	588	463	695	678	678	442
Attendance	251,258	230,436	221,744	238,300	244,017	239,113	227,917	244,599	244,599	238,929
George Sullivan Sports Arena:										
Events	163	169	172	171	156	134	138	169	169	101
Attendance	347,993	385,738	380,043	384,952	356,088	302,190	298,392	443,168	443,168	462,213
Anchorage Golf Course:										
Rounds played	27,861	31,564	29,075	35,250	33,933	35,221	32,034	36,044	36,044	34,201
Department of Neighborhoods:										
Weatherization Clients	226	187	171	142	204	223	200	236	236	358
Total dwellings upgraded	601	506	607	436	750	686	624	801	801	1,432
Number of people served										

MUNICIPALITY OF ANCHORAGE, ALASKA

Miscellaneous Statistical Data by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public transportation										
Average daily ridership:										
Weekdays	14,297	13,564	13,401	13,498	11,921	11,395	10,675	11,480	11,480	11,363
Saturdays	6,864	6,632	6,629	6,619	5,904	5,411	4,930	5,452	5,452	5,247
Sundays	3,670	3,486	3,518	3,499	3,034	2,517	2,151	2,223	2,223	2,215
Total annual ridership	4,220,677	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
Annual mileage	2,578,229	2,318,543	2,433,270	2,417,503	2,318,088	2,144,670	2,031,615	1,963,534	1,963,534	2,010,217
Timetable revenue hours	132,120	130,184	130,324	131,037	124,724	114,604	110,176	104,507	104,507	107,414
Public works										
Miles of streets and alleys:										
Anchorage Road Service Area										
Unpaved	12	12	12	12	12	18	45	97	97	97
Paved	600	596	595	594	591	617	590	498	498	498
Limited Road Service Area	298	298	297	297	297	296	295	289	289	289
Alleys	44	44	53	53	53	53	40	40	40	40
Water										
Number of customers	54,697	54,525	54,316	53,906	52,742	53,847	52,628	50,920	50,920	50,257
Average treatment plant production (gallons/day)	21,930,000	22,850,000	22,095,359	22,958,708	21,189,127	24,141,578	22,597,170	19,880,000	19,680,000	19,193,731
Treatment plant capacity (gallons/day)	75,000,000	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
Average well production (gallons/day)	1,400,000	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
Miles of water mains	828	828	882	864	808	838	732	732	732	732
Public fire hydrants	5,817	5,786	5,775	5,724	5,645	5,546	5,367	5,304	5,304	5,304
Private fire hydrants	1,204	1,344	1,255	1,115	1,100	1,014	868	841	841	841
Wastewater										
Number of customers	55,635	55,470	55,272	54,892	54,171	53,639	52,869	51,343	51,343	50,560
Average treatment (gallons/day)	31,210,000	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
Treatment plant capacity (gallons/day)	61,270,000	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
Miles of wastewater lines:										
Interceptors	45	45	45	45	45	45	45	42	42	42
Trunks	82	82	82	82	82	167	176	176	176	176
Laterals	616	596	594	590	585	594	482	483	483	483
Electric										
Number of customers	30,352	30,244	30,091	30,100	29,876	29,771	29,696	29,690	29,643	29,621
Number of street lights	4,132	4,146	4,167	4,187	4,207	4,224	4,238	4,259	4,338	4,467
Circuit miles of overhead distribution lines	136	136	135	137	138	136	137	137	137	138
Miles of underground distribution lines	243	237	236	232	228	224	222	217	215	213
Plan generation capacity (30 degrees Fahrenheit) - KW	366,100	366,100	333,200	333,200	333,200	353,700	353,700	353,700	353,700	353,700
Port										
Tonnage	4,370,276	4,316,391	4,347,289	5,101,816	4,628,009	4,412,628	3,950,668	3,997,123	3,827,867	3,530,831
Municipal airport										
Landings and take-offs	169,313	174,848	187,798	190,816	191,516	202,278	184,670	190,508	190,508	200,836
Solid Waste										
Total landfill/disposal customers	247,788	273,262	267,639	279,735	367,614	358,446	370,257	348,807	348,807	341,017
Total waste landfilled (tons)	338,498	359,165	356,387	368,182	277,038	270,155	265,389	232,160	232,160	217,971
Refuse Collection										
Average residential billed customers	9,879	10,102	9,929	9,978	9,946	9,975	10,022	9,948	9,948	10,055
Residential tons collected	12,528	13,246	13,519	13,946	14,757	15,643	15,770	15,694	15,694	15,097
Average commercial billed customers	1,884	1,895	1,895	1,824	1,835	1,837	1,815	1,911	1,911	1,834
Commercial tons collected	27,100	27,958	28,401	29,146	29,244	28,880	29,423	29,006	29,006	29,156

Source: Municipality of Anchorage, Various Departments.

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