

## FINANCIAL SECTION

## **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, 2005. 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 2005 with reported net assets of \$3,124,179.
- Anchorage's total net assets increased approximately 1.4% over the course of this year's operations. The total increase reflects the net asset increase of our business-type activities of \$52,743 and governmental activities of \$14,573, taking into account the effects of retroactive infrastructure additions of \$54,804.
- As of December 31, 2005, Anchorage's governmental funds reported a combined ending fund balance of \$350,899, an increase of \$48,100 in comparison to the prior year. Of this total amount, \$209,285 is reserved. The remaining \$141,614 unreserved balance may be legally restricted in the future, otherwise limited as to its use, or previously designated by Assembly action. A more detailed discussion of fund balance appears later in this report.
- During the year, the business-type activities generated \$256,275 in revenues, including special items, which were offset by expenses and transfers of \$203,532. During 2004, business-type activities generated \$223,435 in revenues, including special items, which were offset by expenses and transfers of \$185,672.
- 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 \$30,278 as of December 31, 2005. As of December 31, 2005 and 2004, general fund unreserved fund balance was 9.4% and 9.6% of general fund revenues respectively. As of December 31, 2005, two of the five major general fund sub groups were outside the policy range and will be adjusted through the 2006 budgetary process.
- Proceeds from the 1999 sale of the Anchorage Telephone Utility were placed in the MOA Trust Fund to provide a perpetual revenue stream for Anchorage and tax relief for its citizens. The MOA Trust Fund is an endowment with a long-term performance focus—one that assumes a long-term average annual investment return of 8% and a long-term average annual inflation rate of 3%. The Trust provides revenue to general government calculated as 5% of the average market value of the trust during the preceding five year period. During 2004 and 2005, the MOA Trust Fund provided \$6,600 per year in support of government services.

## Overview of the Financial Statements

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

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

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

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

The government-wide financial statements include not only Anchorage itself, but also the following discretely presented component units for which Anchorage is financially accountable – the Anchorage School District, Cooperative Services Authority, and Anchorage Historic Properties, Inc. Financial information for the Anchorage School District, Cooperative Services Authority, and Anchorage Historical Properties, Inc. is reported separately from the financial information presented for the primary government itself. The Alaska Center for the Performing Arts, Inc., CIVICVentures, Inc., and Anchorage Community Development Authority, Inc., although legally separate, function

for all practical purposes as an integral part of the primary government and therefore have been included in business-type activities 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-two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and MOA Trust Fund, which are considered major funds. Information from the other twenty governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

government-wide financial statements, with the exception of the portion allocated to enterprise funds.

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

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

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

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

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

## **Government-wide Financial Analysis**

### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Anchorage's total assets exceeded liabilities by \$3,124,179 and \$3,056,863 at the fiscal years ended December 31, 2005 and 2004 (reference Table A-1).

The net assets for governmental activities were \$2,613,846 and \$2,599,273, with \$84,044 and \$87,866 classified as unrestricted deficits in 2005 and 2004 respectively. The significant portion (95%) 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 \$212,619 and \$214,684 in 2005 and 2004 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. Accrued liabilities include a \$197,481 long-term obligation for post-employment medical benefits associated with the Police and Fire Retiree Medical Trust which was recognized based upon a funding analysis performed in 2005. More detailed information about the Police and Fire Retiree Medical Trust is presented in Note 11, Post-Employment Health Care Benefits, in the basic financial statements.

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

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 514,725	\$ 447,204	\$ 261,910	\$ 265,666	\$ 776,635	\$ 712,870
Capital assets	2,938,344	2,903,188	1,155,449	1,114,361	4,093,793	4,017,549
Total assets	<u>3,453,069</u>	<u>3,350,392</u>	<u>1,417,359</u>	<u>1,380,027</u>	<u>4,870,428</u>	<u>4,730,419</u>
Long term liabilities	694,498	605,918	375,621	436,884	1,070,119	1,042,802
Other liabilities	144,725	90,397	531,405	485,553	676,130	575,950
Total liabilities	<u>839,223</u>	<u>696,315</u>	<u>907,026</u>	<u>922,437</u>	<u>1,746,249</u>	<u>1,618,752</u>
Net assets (deficit):						
Invested in capital assets, net of related debt	2,485,271	2,527,259	318,830	256,888	2,804,101	2,784,147
Restricted	212,619	214,684	103,454	98,379	316,073	313,063
Unrestricted	(84,044)	(87,866)	88,049	102,323	4,005	14,457
Total net assets	<u>\$ 2,613,846</u>	<u>\$ 2,654,077</u>	<u>\$ 510,333</u>	<u>\$ 457,590</u>	<u>\$ 3,124,179</u>	<u>\$ 3,111,667</u>

Current and other assets include \$391,347 and \$346,433 of cash and investments held for governmental activities at December 31, 2005 and 2004. Governmental activities long term liabilities increased by \$88,580 or approximately 14.6%. The increase in long term liabilities was primarily the result of new general obligation bonds issued in the amount of \$159,476 and net pension obligation increase of \$43,562, offset by debt service payments and bond refundings of \$86,600. Over 60% of the governmental activities long term liabilities are general obligation bonds.

For business-type activities, unrestricted net assets of \$88,049 (17%) and \$102,323 (22%) may be used to meet the ongoing needs of these organizations at December 31, 2005 and 2004 respectively. This represents a decrease of \$14,274 or approximately 14%. The most significant portion of net assets for the business-type activities, \$318,830 (63%) and \$256,888 (56%) as of December 31, 2005 and 2004 respectively, are invested in capital assets which are used to provide customers with the services they desire. Net assets invested in capital assets, net of related debt, increased \$61,942 or approximately 24% in 2005. Net assets of business-type activities subject to external restrictions were \$103,454 (20%) and \$98,379 (22%) in 2005 and

2004. External restrictions were related to debt service and construction acquisition requirements.

At the end of 2005 and 2004, Anchorage reported positive total net asset balances for both governmental and business-type activities.

Significant changes in net assets are discussed below under Governmental Activities and Business-Type Activities.

### **Governmental Activities**

During 2005, Anchorage's net assets increased \$14,573 for governmental activities (reference Table A-2). Highlights of governmental activities net asset changes are as follows:

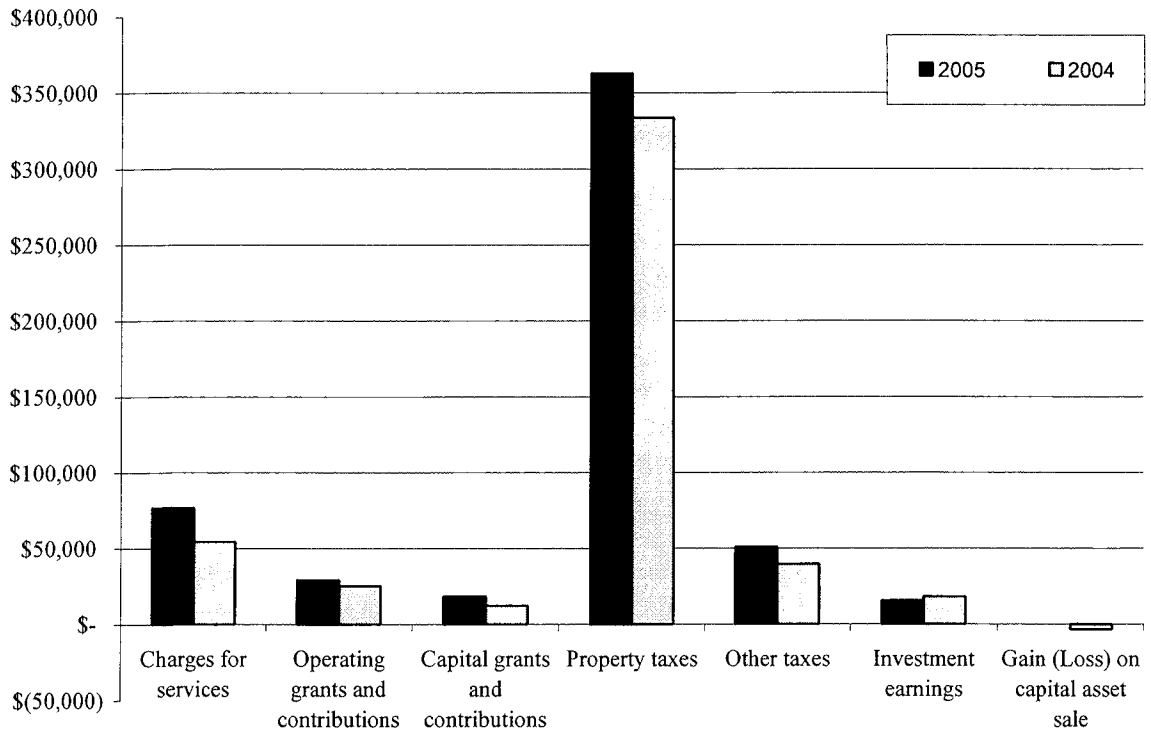
- Tobacco tax revenues increased \$5,428 due to an imposed increase in the tobacco tax rate of \$1 per pack for cigarettes effective October 1, 2004.
- A net pension obligation increase of \$6,710 was recognized during 2005 as a result of the unfunded actuarially determined pension obligation associated with the State of Alaska Public Employees' Retirement System.
- Retroactive capitalization of parks, trails, signal lighting and bridge infrastructure assets under GASB Statement No. 34 increased net assets by \$54,804.
- Expenses of Police and Fire services increased during 2005 in part due to recognition of a \$43,562 increase in the long term obligation for post-employment medical benefits for the Police and Fire Retiree Medical Trust. The increase was based on a funding analysis completed in 2005.

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

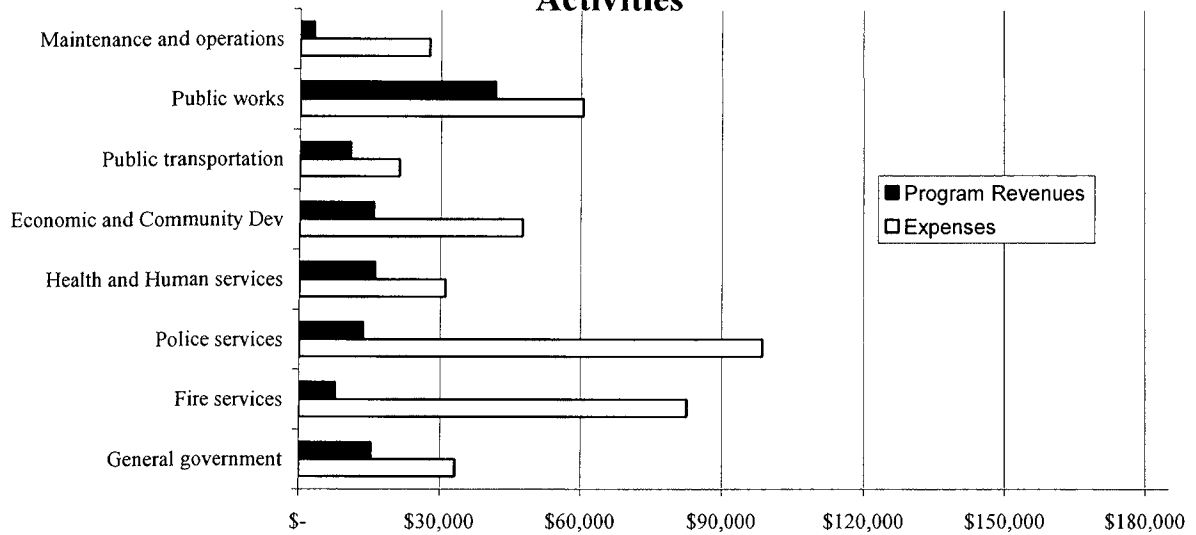
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 76,682	\$ 54,297	\$ 225,779	\$ 206,386	\$ 302,461	\$ 260,683
Operating grants and contributions	29,048	25,158	-	407	29,048	25,565
Capital grants and contributions	18,358	12,276	4,138	2,304	22,496	14,580
<b>General revenues:</b>						
Property taxes	362,963	333,690	-	-	362,963	333,690
Other taxes	50,890	39,626	-	-	50,890	39,626
Gain (Loss) on capital asset sale	-	(3,494)	-	109	-	(3,385)
Investment earnings	15,591	18,162	6,505	2,276	22,096	20,438
<b>Total revenues</b>	<b>553,532</b>	<b>479,715</b>	<b>236,422</b>	<b>211,482</b>	<b>789,954</b>	<b>691,197</b>
<b>Expenses:</b>						
General government	33,150	28,637	-	-	33,150	28,637
Fire services	82,518	55,209	-	-	82,518	55,209
Police services	98,669	69,372	-	-	98,669	69,372
Health and Human services	31,156	24,312	-	-	31,156	24,312
Economic and Community Dev	47,652	46,850	-	-	47,652	46,850
Public transportation	21,162	20,284	-	-	21,162	20,284
Public works	60,435	37,096	-	-	60,435	37,096
Education	170,393	154,280	-	-	170,393	154,280
Maintenance and Operations	27,658	26,663	-	-	27,658	26,663
Interest	21,569	19,944	-	-	21,569	19,944
Water	-	-	35,841	31,739	35,841	31,739
Wastewater	-	-	26,703	24,453	26,703	24,453
Electric	-	-	101,351	93,048	101,351	93,048
Port	-	-	9,676	8,166	9,676	8,166
Municipal Airport	-	-	2,570	2,152	2,570	2,152
Solid waste	-	-	13,614	13,087	13,614	13,087
Refuse	-	-	5,939	5,902	5,939	5,902
Development Authority	-	-	5,304	4,731	5,304	4,731
Performing Arts Center	-	-	1,935	1,726	1,935	1,726
<b>Total expenses</b>	<b>594,362</b>	<b>482,647</b>	<b>202,933</b>	<b>185,004</b>	<b>797,295</b>	<b>667,651</b>
Change in net assets prior to special items and transfers	(40,830)	(2,932)	33,489	26,478	(7,341)	23,546
Special items - regulatory adjustment	-	-	19,853	11,952	19,853	11,952
Transfers	599	691	(599)	(691)	-	-
Change in net assets	(40,231)	(2,241)	52,743	37,739	12,512	35,498
Net assets, beginning of year, as previously reported	2,599,273	2,601,514	457,590	419,851	3,056,863	3,021,365
Add adjustment for retroactive capitalization of infrastructure	54,804	-	-	-	54,804	-
Net assets, beginning of year, as restated	2,654,077	2,601,514	457,590	419,851	3,111,667	3,021,365
<b>Net assets, end of year</b>	<b>\$ 2,613,846</b>	<b>\$ 2,599,273</b>	<b>\$ 510,333</b>	<b>\$ 457,590</b>	<b>\$ 3,124,179</b>	<b>\$ 3,056,863</b>



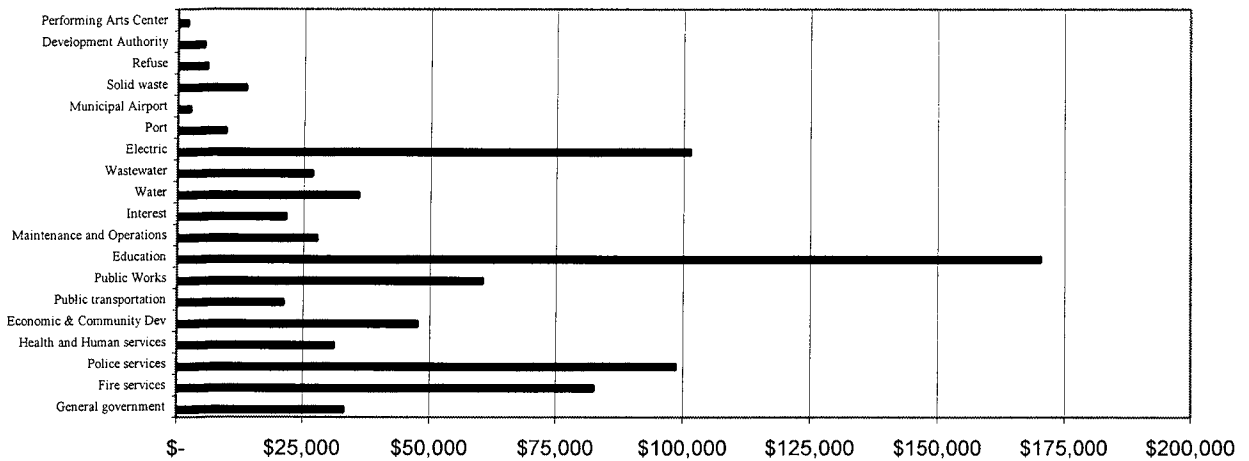
**Figure A-1**  
**Governmental Activities Revenues by Type**



**Figure A-2**  
**2005 Program Revenue vs Expense by Governmental Activities**



**Figure A-3**  
**2005 Expense by Functional Activity**



## **Business-type Activities**

Business-type activities increased Anchorage's net assets by \$52,743 in 2005. Key elements of the change in net assets are as follows:

- Electric revenues overall increased by 11% in 2005. This increase was attributable to increases in military sales, gas sales and other operating revenues. Military revenues increased by 69% in 2005 as a result of a contract to provide electrical power to Elmendorf Air Force Base beginning September 2005. Gas sales increased by 31% and other operating revenues increased by 111%.
- During 2005, water and wastewater operating revenues increased 15% and 8% respectively. Water revenue increases were attributable to an interim refundable rate increase of 7.76% effective February 18, 2005. Wastewater revenue increases were attributable to an interim refundable rate increase of 6.83% effective February 18, 2005 through August 1, 2005 after which the rate increase was 3.8%.

## **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 the current fiscal year end, Anchorage's governmental funds reported a combined ending fund balance of \$350,899, an increase of \$48,100 in comparison to the prior year. Of the total fund balance, \$209,285 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 (\$35,155), to meet debt service requirements (\$38,557), to generate income for perpetual care of the municipal cemetery (\$290), to recognize prepaid items, deposits and inventory (\$965), to satisfy long term loan principal payments (\$4,769), or is otherwise reserved in the MOA Trust Fund (\$129,549).

Approximately 40% of total fund balance (\$141,614) is classified as unreserved fund balance. Of the unreserved fund balance, approximately 69% is reported in Special Revenue Funds (\$10,396) and Capital Projects Funds (\$87,659) to be used for grant specified projects and capital construction. The remaining unreserved fund balance of approximately 31% (\$43,559) is reported in the General Fund. Of the General Fund unreserved fund balance of \$43,559, approximately 70% (\$30,278) 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, 2005 and 2004, the unreserved fund balance was \$43,559 and \$40,115, while the total fund balance was

\$46,262 and \$42,916. 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, 2005, unreserved fund balance represents 9.4% of total General Fund expenditures and total fund balance represents 10% of the same amount. Unreserved fund balance was 9.6% of total General Fund expenditures and total fund balance was 10.3% of the same amount at December 31, 2004.

Investment revenue in the MOA Trust Fund decreased \$3,495 or 31% due to the decrease in market returns experienced during 2005 in both the bond and equity markets.

A key factor in the overall increase in total governmental fund's fund balance was the increase in financing proceeds from the issuance of general obligation bonds and long term contracts in 2005 of \$96,805 which represented an increase of approximately 68% over prior year activities.

### **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.

- During 2005, Electric residential revenues decreased by 4% and commercial revenues decreased by 2% as compared to respective increases of 12% and 16% during 2004. The decreases in residential and commercial revenues in 2005 are the result of reducing electric customer bills for a tax refund from the State of Alaska. Gas revenues increased in 2005 by 31% as a result of an increase in the indices used to calculate the price for gas sales. These price indices are linked to oil prices which were higher in 2005 than in 2004. Also the volume of gas sold increased in 2005 by 6%.
- The Electric utility's overall expenses increased by 9% in 2005. Production expenses increased 16% or \$6,818; of this increase \$6,032 is related to the price of gas purchased. The contract price of gas for 2005 was \$3.53 per thousand cubic feet (Mcf), which represents an increase of \$.82 per Mcf purchased compared to 2004. The Electric utility purchased 7,289,437 Mcfs in 2005, 63,321 McFs less than 2004. Increases in transmission, distribution, customer accounts and services, and sales expenses can be attributed to a 3.3% wage increase that became effective January 1, 2005.
- The Electric utility recorded a Special Item of \$19,853, which is the amount received from the Beluga River partners for underlifted gas for 2004. The Electric utility requested that the Regulatory Commission of Alaska (RCA) allow the utility to utilize those monies to fund future capital construction at the gas field in lieu of borrowing funds for construction. The RCA agreed with the Electric utility's plan. The 2004 underlift amount which had been deferred awaiting the RCA order was recorded as a special item and the funds, along with any interest earnings on those funds, will be restricted for Beluga River projects.
- The Electric utility issued \$109,350 of senior lien electric revenue refunding bonds, series 2005A and \$25,745 of junior lien electric revenue refunding bonds, series 2005B to retire \$136,365 of outstanding senior lien revenue, senior lien revenue refunding and junior lien revenue bonds resulting in a loss on refunding of \$6,093 and writing off \$1,083 of old unamortized losses.

- In 2005 the Electric utility net pension obligation increased from \$122 to \$395 due to the actuarial determined employer contribution rate being higher than the State of Alaska determined contribution rate for the State of Alaska Public Employees Retirement System. The State of Alaska determined contribution rate is limited by state statute.
- Water operating revenues increased by \$5,078 from 2004, resulting from a RCA approved interim rate increase of 7.76%, effective February 18, 2005, along with customer growth. Operating expenses increased by \$1,363 from 2004. Severe winter conditions and a significant rise in gas and electric prices played a role in the increase of operating expenses from 2004. Another contributing factor was the increase in labor related expenses, including retirement benefits.
- Wastewater operating revenues increased \$2,157 during 2005, resulting from a RCA approved interim rate increase of 6.83% effective February 18, 2005 through August 1, 2005 after which the rate increase was 3.8%, along with customer growth. Operating expenses increased by \$534 from 2004. Severe winter conditions and a significant rise in gas and electric prices played a role in the increase of operating expenses from 2004. Another contributing factor was the increase in labor related expenses, including retirement benefits.
- During 2005 the Water and Wastewater utilities received approximately \$2,000 and \$3,200 respectively in low interest loans from the State of Alaska to finance capital improvements. No bonds were issued in 2005.
- In 2005 the Water and Wastewater utilities recognized net pension obligations of \$685 and \$489 respectively due to the actuarial determined employer contribution rate being higher than the State of Alaska determined contribution rate for the State of Alaska Public Employees Retirement System. The State of Alaska determined contribution rate is limited by state statute.

### **General Fund Budgetary Highlights**

The 2005 approved budget (adopted in late 2004) includes projected funding sources.

Annually after the end of the first quarter of the fiscal year, the rate of tax levy is established and taxes are levied for general purposes, which includes all service areas of Anchorage and the Anchorage School District (ASD). Expenditure revisions are usually made in conjunction with the tax levy. This first quarter budget revision establishes the budget for property taxes. A significant consistent difference between the original budget and the final revised budget is the amount contributed to ASD for taxes levied. The amount to be contributed to ASD is determined during the first quarter of the fiscal year when the budget for ASD is approved for its ensuing fiscal year, July 1 – June 30, and the resulting tax levy rate and tax amount are levied for ASD.

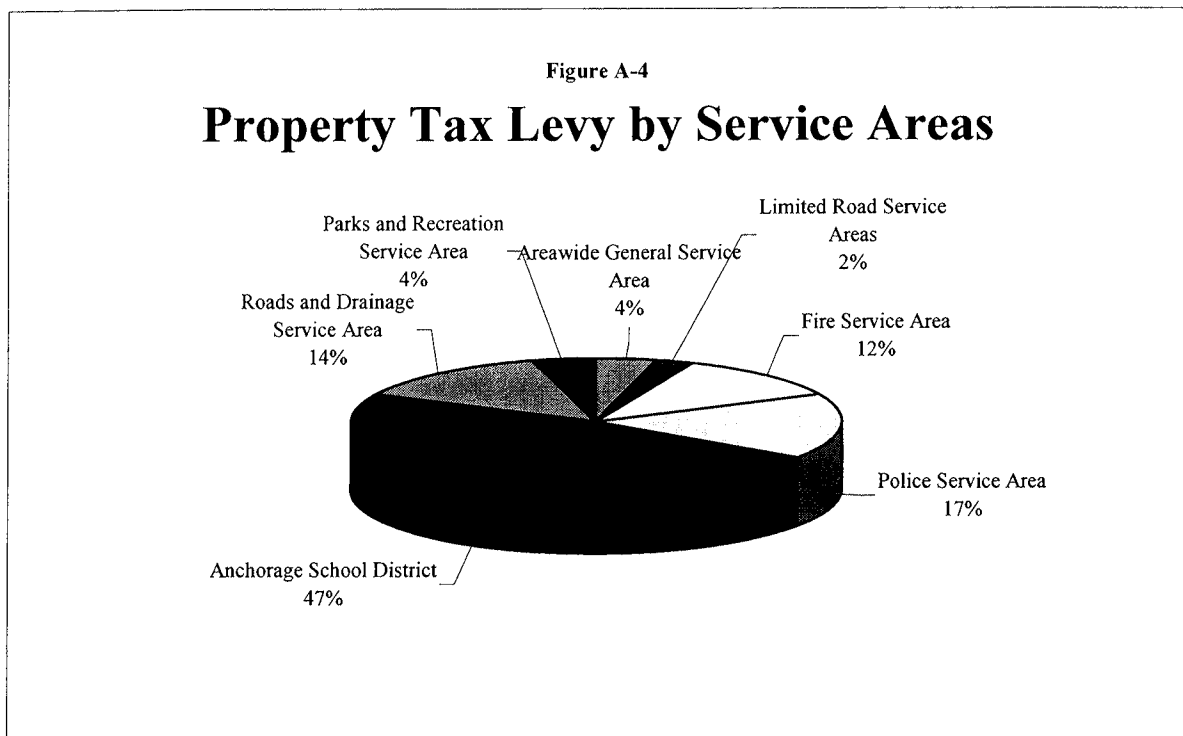
The following were major revisions to the approved budget during 2005, in thousands:

- Five Major Service Areas (Areawide, Fire, Roads and Drainage, Police, Parks and Recreation)

- \$170,080 contribution to the Anchorage School District for property taxes collected on their behalf by general government.
- \$2,148 to Police Service Area for overtime and legal settlements.
- \$1,864 to Anchorage Fire Department for debt service requirement adjustments and increased costs for repair and maintenance expenses, including fuel and labor.
- \$694 for increased Indigent Defense costs and retroactive pay to nurses within Health & Human Services Department.
- \$184 to Anchorage Parks & Recreation Service Area for increased debt service expense and a loan to Hilltop Ski Area.
- \$154 to Public Transportation for increased fuel costs and debt service requirements.
- (\$944) to Maintenance & Operations for debt service due to true-up and refunding of existing GO Bonds.
- \$424 to Maintenance & Operations for increased cost of maintaining State-owned streets funded from State Transfer of Responsibility.

▪ Other Service Areas

- \$3,213 for economic development activities from Heritage Land Bank revenues.
- \$218 for equipment purchase and other operational needs for Chugiak Volunteer Fire Service Area.
- \$1,270 to Building Safety Service Area for enhanced code enforcement staffing and tracking system.
- \$526 to various service areas for road maintenance and miscellaneous operational needs.



## Capital Asset and Debt Administration

### Capital Assets

At the end of 2005 and 2004, Anchorage had invested \$4,093,793 and \$4,017,549 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	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,206,888	\$ 1,195,735	\$ 58,290	\$ 58,277	\$ 1,265,178	\$ 1,254,012
Buildings and improvements	180,077	164,638	83,609	85,270	263,686	249,908
Art	14,281	13,943	-	-	14,281	13,943
Equipment	44,869	52,266	-	-	44,869	52,266
Distribution and collection systems	-	-	944,162	912,730	944,162	912,730
Infrastructure	1,448,917	1,446,748	-	-	1,448,917	1,446,748
Construction in progress	43,312	29,858	69,388	58,084	112,700	87,942
	\$ 2,938,344	\$ 2,903,188	\$ 1,155,449	\$ 1,114,361	\$ 4,093,793	\$ 4,017,549

Significant additions to governmental activities capital assets during 2005 were \$35,860 of building and improvement additions and \$12,252 of current year infrastructure additions. During 2005, an additional \$54,804 of infrastructure networks relating to parks, trails, and traffic signals were retroactively added to governmental activities capital assets.

Business-type activities capital assets increased during 2005 primarily due to distribution and collection system additions of \$74,957.

### Long-term Debt

At year end Anchorage had \$918,777 in debt outstanding, an increase of 5.7% from 2004 debt outstanding of \$868,954 (reference Table A-4). More detailed information about Anchorage's long-term debt liabilities is presented in Note 8, Long Term Obligations, in the basic financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 440,263	\$ 367,387	\$ 8,165	\$ 15,997	\$ 448,428	\$ 383,384
Revenue Bonds	53,620	54,545	334,214	350,441	387,834	404,986
Special Assessment Debt with Governmental Commitment	630	690	186	272	816	962
Certificates of Participation	3,360	6,560	-	-	3,360	6,560
Long-term Contracts	6,820	6,855	69,519	66,207	76,339	73,062
HUD Section 108 Loans	2,000	-	-	-	2,000	-
<b>Total</b>	<b>\$ 506,693</b>	<b>\$ 436,037</b>	<b>\$ 412,084</b>	<b>\$ 432,917</b>	<b>\$ 918,777</b>	<b>\$ 868,954</b>

New debt in governmental activities resulted from the issuance of general obligation bonds in the amount of \$96,805.

Since 1999, Anchorage's general obligation bonds have been rated at (AA-) by Standard & Poor's and (Aa3) by Moody's.

### **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 2005 actual road infrastructure maintenance and preservation expense was 1.3% higher than estimated.

A condition assessment was performed in 2005 and indicated approximately 80.01% of total paved roads as being in good or better condition. This assessment result decreased slightly from the assessment results of 80.57% received during the 2002 assessment. The current assessment exceeds Anchorage's policy to maintain 60% of total paved roads in good or better condition.



## **Economic Factors and Next Year's Budgets and Rates**

Municipal population increased slightly in 2005 to 278,200 and the unemployment rate averaged 5.4%, which was comparable to the national average of 5.1%.

The Citizens Property Tax Cap allows for both economic growth (inflation and population) and for a number of other factors including new construction, debt service, voter-approved new services, special taxes, operations and maintenance costs, and judgments. Property taxes represent 55% of the General Government Operating Budget Revenue. Local taxes and program revenues account for the majority of the remaining revenues (38%). Intergovernmental charges outside of general government (6%), Federal/State revenues (1%), and applied fund balance account for the remaining balance.

The 2006 general government operating budget, as revised at first quarter 2006, is \$34.2 million more than the revised budget approved at first quarter for 2005. This includes a \$6.6 million increase in debt service for voter-approved bonds. Twenty new police positions were funded in the 2006 operating budget. While the property taxes supporting the 2006 budget increased from the 2005 level of \$187.8 million to \$202.7 million, the percentage of the 2006 budget supported by property taxes decreased from 57% in 2005 to 55% in 2006.

The 2006 Municipal Utilities' operating budgets total \$206,849,217 and Utilities' capital budgets total \$151,680,000.

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

The Water and Wastewater Utilities filed revenue requirements studies (RRS) with the Regulatory Commission of Alaska (RCA) on January 9, 2004, requesting rate increases in 2004 and 2005. The RCA approved interim refundable rate increases, and suspended the filings for further investigation. On July 8, 2005, the RCA accepted a stipulation between the Attorney General and the Utilities settling all contested issues except MUSA on contributed plant, and reducing Wastewater rates slightly on a go-forward basis. On September 2, 2005 the RCA issued an order establishing the Utilities' revenue requirements that excluded MUSA on contributed plant. The Utilities appealed the order to the Alaska Superior Court (Court). On December 21, 2005, the Court issued a stay of the RCA's final order, allowing the Utilities to continue collecting MUSA on contributed plant in interim rates pending resolution of the appeal. Revenue collected subject to refunds approximated \$9,000,000 at December 31, 2005. The Utilities intend to vigorously pursue the appeal and suit to permit the inclusion of MUSA on contributed plant in rates. The Utilities believe that the chance of ultimately being required to refund the revenue collected is reasonably possible, but not probable, and therefore have not recorded liabilities for a refund payable.

The Water and Wastewater Utilities filed RRSs with the RCA on November 10, 2005, requesting rate increases in 2006. The RCA suspended the Wastewater Utility's filing and granted substantially less than requested in interim rates. The Wastewater Utility filed a complaint with the court, asking that the stay apply to the 2006 rate case, and that the complaint be consolidated with the appeal. On May 26, 2006 the court issued two orders. The first order denied the Wastewater Utility's request for consolidation. On the second order the court issued a preliminary injunction to require the RCA to immediately allow the Wastewater Utility to implement requested interim rates. The RCA rejected the Water Utility's filing. The Water Utility resubmitted its RRS with the RCA, and on May 30, 2006, received an Order from the RCA granting full interim rates.

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

### **Contacting Anchorage's Financial Management**

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

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

## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2005, which collectively comprise Anchorage's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Municipality of Anchorage's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Anchorage School District, which represents 99.8 percent, 99.9 percent, and 99.8 percent, of the assets, net assets and revenues, respectively of the aggregate discretely presented component units. We also did not audit the financial statements of the Anchorage Community Development Authority, Inc, a blended component unit, which represents 2.5 percent, 6.6 percent and .06 percent of assets, net assets and revenues, respectively, of the business-type activities and 3.8 percent, 4.1 percent and 3.2 percent of assets, net assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Anchorage School District and Anchorage Development Authority is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the Municipality of Anchorage's 2004 financial statements and in our report, dated March 31, 2005, except for note 14(b), which was as of May 24, 2005, we expressed, based upon our audit and the reports of other auditors, unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

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



In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 2, 2006 on our consideration of Municipality of Anchorage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents, schedule of funding progress in Note 10, budgetary comparison schedule-general fund as listed in the table of contents, and 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 of Anchorage's basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

June 2, 2006



## BASIC FINANCIAL STATEMENTS

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MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

December 31, 2005

(With summarized financial information at December 31, 2004)

Assets	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Anchorage School District	Anchorage Historic Properties
Cash	\$ 12,023	\$ 5,155,918	\$ 5,167,941	\$ —	\$ 55,336
Cash in central treasury	238,203,274	76,189,612	314,392,886	—	—
Investments	21,187,215	—	21,187,215	250,909,077	351,864
Interest receivable	2,991,694	257,634	3,249,328	1,621,430	—
Receivables (net of allowance for uncollectibles)	85,269,265	44,879,189	130,148,454	21,062,200	242
Due from primary government	—	—	—	88,578,501	—
Due from component unit	1,354,351	—	1,354,351	—	—
Internal balances	8,328,305	(8,328,305)	—	—	—
Inventories	1,104,036	20,001,569	21,105,605	2,769,076	391
Prepaid items and deposits	524,855	109,609	634,464	2,192,191	750
Deferred charges	—	301,538	301,538	4,352,386	—
Restricted assets:					
Cash in central treasury	48,679	27,540,343	27,589,022	—	—
Investments	131,895,683	26,109,522	158,005,205	—	—
Customer deposits	—	1,805,095	1,805,095	—	—
Restricted deposits	—	610,442	610,442	—	—
Bond acquisition and construction	—	30,205,449	30,205,449	—	—
Bond operation and maintenance	—	9,382,195	9,382,195	—	—
Debt service accounts	—	15,535,508	15,535,508	—	—
Receivables	—	2,642,997	2,642,997	—	—
Intergovernmental receivables	20,625,084	—	20,625,084	—	—
Loans receivable, net	104,524	23,454	127,978	—	—
Deferred charges and other assets	3,076,093	9,487,875	12,563,968	—	—
Capital assets, not being depreciated	2,554,424,365	127,677,746	2,682,102,111	129,018,004	268,732
Capital assets, being depreciated, net	383,919,509	1,027,771,020	1,411,690,529	946,705,087	13,737
<b>Total assets</b>	<b>\$ 3,453,068,955</b>	<b>\$ 1,417,358,410</b>	<b>\$ 4,870,427,365</b>	<b>\$ 1,447,207,952</b>	<b>\$ 691,052</b>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Accounts payable	\$ 12,537,512	\$ 15,726,768	\$ 28,264,280	\$ 14,324,298	\$ —
Accrued expenses	—	—	—	35,273,233	—
Claims payable, including IBNR	18,431,408	—	18,431,408	16,221,224	—
Accrued interest payable	5,233,094	4,698,461	9,931,555	10,894,038	—
Due to primary government	—	—	—	—	—
Due to component unit	59,052,334	—	59,052,334	—	—
Unearned revenue	13,290,894	565,017	13,855,911	89,243,323	—
Deferred credits	—	458,034,185	458,034,185	—	—
Liabilities payable from restricted assets	980,255	6,847,895	7,828,150	—	—
Noncurrent liabilities:					
Due within one year	45,820,636	45,532,024	91,352,660	39,035,000	—
Due in more than one year	683,876,469	375,621,295	1,059,497,764	758,820,000	—
<b>Total liabilities</b>	<b>839,222,602</b>	<b>907,025,645</b>	<b>1,746,248,247</b>	<b>963,811,116</b>	<b>—</b>
Net assets (deficit):					
Invested in capital assets, net of related debt	2,485,270,733	318,829,727	2,804,100,460	277,868,091	282,469
Restricted for:					
Debt service	33,894,705	40,021,501	73,916,206	12,215,951	—
Maintenance and operations	—	610,442	610,442	—	—
Acquisition and construction	27,086,649	62,822,145	89,908,794	51,706,706	—
Grant activity	18,827,753	—	18,827,753	—	—
Heritage Land Bank	2,971,400	—	2,971,400	—	—
Other purposes	—	—	—	—	—
Perpetual care:					
Nonexpendable	289,723	—	289,723	—	—
MOA Trust:					
Nonexpendable	123,248,950	—	123,248,950	—	—
Expendable	6,300,000	—	6,300,000	—	—
Unrestricted	(84,043,560)	88,048,950	4,005,390	141,606,088	408,583
<b>Net assets</b>	<b>2,613,846,353</b>	<b>510,332,765</b>	<b>3,124,179,118</b>	<b>483,396,836</b>	<b>691,052</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,453,068,955</b>	<b>\$ 1,417,358,410</b>	<b>\$ 4,870,427,365</b>	<b>\$ 1,447,207,952</b>	<b>\$ 691,052</b>

See accompanying notes to financial statements.

<b>Total Reporting Entity</b>		
<b>Cooperative Services Authority</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
\$ 4,011	\$ 5,227,288	\$ 5,810,609
—	314,392,886	262,618,166
—	272,448,156	231,271,834
—	4,870,758	2,323,634
168,469	151,379,365	124,426,091
—	88,578,501	81,751,661
—	1,354,351	244,395
—	—	—
—	23,875,072	20,387,451
—	2,827,405	2,109,701
—	4,653,924	3,350,571
—	27,589,022	15,045,287
—	158,005,205	157,468,316
—	1,805,095	1,781,877
—	610,442	592,202
—	30,205,449	46,330,873
—	9,382,195	8,375,780
—	15,535,508	21,547,810
—	2,642,997	471,461
—	20,625,084	36,231,597
—	127,978	28,585
—	12,563,968	12,246,296
—	2,811,388,847	2,873,653,950
1,345,362	2,359,754,715	2,097,043,789
<b>\$ 1,517,842</b>	<b>\$ 6,319,844,211</b>	<b>\$ 6,005,111,936</b>
\$ 62,083	\$ 42,650,661	\$ 40,659,548
—	35,273,233	25,471,007
—	34,652,632	21,505,817
—	20,825,593	19,760,708
1,327,872	1,327,872	—
—	59,052,334	54,667,774
124,080	103,223,314	95,063,083
—	458,034,185	460,319,602
—	7,828,150	4,654,369
—	130,387,660	110,747,919
—	1,818,317,764	1,614,268,092
<b>1,514,035</b>	<b>2,711,573,398</b>	<b>2,447,117,919</b>
1,345,362	3,083,596,382	3,056,045,779
—	86,132,157	93,500,030
—	610,442	35,142
—	141,615,500	79,201,191
—	18,827,753	18,517,524
—	2,971,400	4,289,774
—	—	391
—	289,723	269,397
—	123,248,950	122,328,345
—	6,300,000	6,600,000
(1,341,555)	144,678,506	177,206,444
<b>3,807</b>	<b>3,608,270,813</b>	<b>3,557,994,017</b>
<b>\$ 1,517,842</b>	<b>\$ 6,319,844,211</b>	<b>\$ 6,005,111,936</b>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Activities

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 33,149,639	\$ 11,525,168	\$ 3,845,282	\$ 5,000
Fire services	82,517,923	6,636,585	558,894	462,900
Police services	98,669,291	12,707,148	816,097	103,988
Health and human services	31,155,930	4,334,673	11,771,291	5,209
Economic & community development	47,652,399	6,278,744	4,912,668	4,602,665
Public transportation	21,162,017	3,250,901	3,708,640	3,868,447
Public works	60,434,830	30,394,761	2,659,543	8,609,352
Education	170,393,368	—	—	—
Maintenance and operations	27,657,703	1,553,757	775,808	700,824
Interest on long-term debt	21,568,745	—	—	—
<b>Total governmental activities</b>	<b>594,361,845</b>	<b>76,681,737</b>	<b>29,048,223</b>	<b>18,358,385</b>
<b>Business-type activities:</b>				
Water	35,840,802	38,473,142	—	—
Wastewater	26,702,698	28,746,892	—	—
Electric	101,351,360	117,032,992	—	—
Port	9,676,376	11,793,322	—	529,912
Municipal Airport	2,569,643	1,111,842	—	3,607,806
Solid Waste	13,613,706	15,593,309	—	—
Refuse	5,938,896	6,596,336	—	—
CIVIC Ventures	—	—	—	—
Anchorage Community Development Authority	5,304,643	5,335,641	—	—
Alaska Center for the Performing Arts	1,934,907	1,095,545	—	—
<b>Total business-type activities</b>	<b>202,933,031</b>	<b>225,779,021</b>	<b>—</b>	<b>4,137,718</b>
<b>Total primary government</b>	<b>\$ 797,294,876</b>	<b>\$ 302,460,758</b>	<b>\$ 29,048,223</b>	<b>\$ 22,496,103</b>
<b>Component Units:</b>				
Anchorage School District	\$ 547,657,429	\$ 7,551,820	\$ 73,696,296	\$ 38,057,560
Anchorage Historic Properties	246,456	24,839	15,607	—
Cooperative Services Authority	1,061,460	742,477	—	—
<b>Total Component Units</b>	<b>\$ 548,965,345</b>	<b>\$ 8,319,136</b>	<b>\$ 73,711,903</b>	<b>\$ 38,057,560</b>

General revenues:

Property taxes  
 Motor vehicle taxes  
 Lodging taxes  
 Tobacco taxes  
 Assessments in lieu of taxes  
 Grants and entitlements not restricted to specific programs  
 Gain (loss) on sale of capital assets  
 Appropriation from Municipality of Anchorage  
 Investment earnings  
 Other

Special item:

Regulatory Adjustment

Transfers

Total general revenues, special item, and other transfers

Change in net assets

Net assets, beginning of year, as previously reported

Add adjustment for retroactive capitalization of infrastructure assets under GASB 34

Net assets, beginning of year, as restated

Net assets, end of year

See accompanying notes to financial statements.

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

Primary Government			Component Units			Total Reporting Entity	
Governmental Activities	Business-Type Activities	Total	Anchorage School District	Anchorage Historic Properties	Cooperative Services Authority	2005	2004
\$ (17,774,189)	\$ —	\$ (17,774,189)	\$ —	\$ —	\$ —	\$ (17,774,189)	\$ (11,379,227)
(74,859,544)	—	(74,859,544)	—	—	—	(74,859,544)	(47,451,443)
(85,042,058)	—	(85,042,058)	—	—	—	(85,042,058)	(58,264,930)
(15,044,757)	—	(15,044,757)	—	—	—	(15,044,757)	(10,383,998)
(31,858,322)	—	(31,858,322)	—	—	—	(31,858,322)	(36,208,654)
(10,334,029)	—	(10,334,029)	—	—	—	(10,334,029)	(10,459,604)
(18,771,174)	—	(18,771,174)	—	—	—	(18,771,174)	(19,335,966)
(170,393,368)	—	(170,393,368)	—	—	—	(170,393,368)	(154,278,770)
(24,627,314)	—	(24,627,314)	—	—	—	(24,627,314)	(22,983,109)
(21,568,745)	—	(21,568,745)	—	—	—	(21,568,745)	(19,944,303)
(470,273,500)	—	(470,273,500)	—	—	—	(470,273,500)	(390,690,004)
—	2,632,340	2,632,340	—	—	—	2,632,340	1,657,710
—	2,044,194	2,044,194	—	—	—	2,044,194	2,137,544
—	15,681,632	15,681,632	—	—	—	15,681,632	14,608,568
—	2,646,858	2,646,858	—	—	—	2,646,858	2,118,453
—	2,150,005	2,150,005	—	—	—	2,150,005	1,145,023
—	1,979,603	1,979,603	—	—	—	1,979,603	2,697,539
—	657,440	657,440	—	—	—	657,440	131,248
—	—	—	—	—	—	—	—
—	30,998	30,998	—	—	—	30,998	219,647
—	(839,362)	(839,362)	—	—	—	(839,362)	(622,866)
—	26,983,708	26,983,708	—	—	—	26,983,708	24,092,866
\$ (470,273,500)	\$ 26,983,708	\$ (443,289,792)	\$ —	\$ —	\$ —	\$ (443,289,792)	\$ (366,597,138)
			\$ (428,351,753)	\$ —	\$ —	\$ (428,351,753)	\$ (388,915,173)
			—	(206,010)	—	(206,010)	(131,693)
			—	—	(318,983)	(318,983)	(202,210)
			\$ (428,351,753)	\$ (206,010)	\$ (318,983)	\$ (428,876,746)	\$ (389,249,076)
362,963,283	—	362,963,283	—	—	—	362,963,283	333,690,024
9,962,376	—	9,962,376	—	—	—	9,962,376	10,131,578
11,933,792	—	11,933,792	—	—	—	11,933,792	11,680,274
14,060,448	—	14,060,448	—	—	—	14,060,448	8,631,780
14,933,858	—	14,933,858	—	—	—	14,933,858	9,181,929
—	—	—	241,489,416	—	—	241,489,416	219,201,438
—	—	—	—	—	—	—	(3,385,081)
—	—	—	163,503,322	—	300,000	163,803,322	144,983,658
15,590,837	6,505,202	22,096,039	4,693,350	26,682	—	26,816,071	22,812,574
—	—	—	1,824,565	—	—	1,824,565	2,204,733
—	19,852,555	19,852,555	—	—	—	19,852,555	11,951,652
598,704	(598,704)	—	—	—	—	—	—
430,043,298	25,759,053	455,802,351	411,510,653	26,682	300,000	867,639,686	771,084,559
(40,230,202)	52,742,761	12,512,559	(16,841,100)	(179,328)	(18,983)	(4,526,852)	15,238,345
2,599,272,907	457,590,004	3,056,862,911	500,237,936	870,380	22,790	3,557,994,017	3,542,755,672
54,803,648	—	54,803,648	—	—	—	54,803,648	—
2,654,076,555	457,590,004	3,111,666,559	500,237,936	870,380	22,790	3,612,797,665	3,542,755,672
\$ 2,613,846,353	\$ 510,332,765	\$ 3,124,179,118	\$ 483,396,836	\$ 691,052	\$ 3,807	\$ 3,608,270,813	\$ 3,557,994,017

MUNICIPALITY OF ANCHORAGE, ALASKA

Balance Sheet  
Governmental Funds

December 31, 2005

(With summarized financial information at December 31, 2004)

Assets	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				December 31, 2005	December 31, 2004
Cash	\$ —	\$ —	\$ 12,023	\$ 12,023	\$ 14,783
Cash in central treasury	94,054,971	—	126,662,550	220,717,521	177,256,667
Investments	366,700	—	20,820,515	21,187,215	24,389,203
Due from other funds	5,041,429	—	7,759,351	12,800,780	5,926,120
Receivables (net of allowance for uncollectibles)	77,388,983	—	5,767,100	83,156,083	77,741,895
Interest receivable	—	—	11,453	11,453	4,526
Special assessments receivable	—	—	969,408	969,408	2,540,737
Due from component units	239,826	—	—	239,826	244,395
Inventories	751,073	—	—	751,073	738,969
Prepaid items and deposits	213,129	—	3,912	217,041	220,671
Restricted assets:					
Cash in central treasury	—	48,679	—	48,679	10,576
Investments	—	127,731,477	4,164,206	131,895,683	132,683,533
Intergovernmental receivables	877,230	—	19,747,854	20,625,084	13,214,429
Interest receivables	—	1,866,850	—	1,866,850	466,236
Loans receivables, net	104,524	—	—	104,524	—
Advances to other funds	249,070	—	—	249,070	853,042
<b>Total assets</b>	<b>\$ 179,286,935</b>	<b>\$ 129,647,006</b>	<b>\$ 185,918,372</b>	<b>\$ 494,852,313</b>	<b>\$ 436,305,782</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and retainages	\$ 5,053,770	\$ —	\$ 6,724,559	\$ 11,778,329	\$ 8,496,403
Due to other funds	69,007	—	249,070	318,077	1,140,331
Due to component unit	59,052,334	—	—	59,052,334	54,667,774
Unearned revenue and deposits	68,850,128	—	3,856,490	72,706,618	69,038,695
Liabilities payable from restricted assets	—	98,056	—	98,056	163,884
<b>Total liabilities</b>	<b>133,025,239</b>	<b>98,056</b>	<b>10,830,119</b>	<b>143,953,414</b>	<b>133,507,087</b>
Fund balances:					
Reserved:					
Encumbrances	1,741,472	—	33,413,426	35,154,898	30,989,874
Inventories	751,073	—	—	751,073	738,969
Prepaid items and deposits	209,954	—	3,912	213,866	220,671
Long-term loans	—	—	4,769,167	4,769,167	5,480,089
Perpetual care	—	—	289,723	289,723	269,397
MOA trust	—	129,548,950	—	129,548,950	128,928,345
Debt service	—	—	38,557,291	38,557,291	41,719,238
Unreserved, designated for bond rating and operating emergencies, reported in:					
General fund	30,278,253	—	—	30,278,253	27,843,180
Unreserved, undesignated, reported in:					
General fund	13,280,944	—	—	13,280,944	12,271,734
Special revenue funds	—	—	10,396,106	10,396,106	12,570,336
Capital projects funds	—	—	87,658,628	87,658,628	41,766,862
<b>Total fund balances</b>	<b>46,261,696</b>	<b>129,548,950</b>	<b>175,088,253</b>	<b>350,898,899</b>	<b>302,798,695</b>
<b>Total liabilities and fund balances</b>	<b>\$ 179,286,935</b>	<b>\$ 129,647,006</b>	<b>\$ 185,918,372</b>	<b>\$ 494,852,313</b>	<b>\$ 436,305,782</b>

See accompanying notes to financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

December 31, 2005

Amounts reported as fund balance on the governmental fund balance sheet		\$ 350,898,899
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,907,120,212
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	\$ 54,733,391	
Property taxes	6,936,756	
Long term loan receivable, net activity	1,143,700	
Deferred charges	<u>3,076,093</u>	
		65,889,940
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.		23,767,821
Long term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore not reported in the funds:		
General obligation bonds	(440,262,898)	
Revenue bonds	(53,620,000)	
Special assessment bonds	(630,000)	
Certificates of participation	(3,360,000)	
Notes and contracts	(8,820,243)	
Compensated absences	(15,662,437)	
Police and fire post employment health care benefits liability	(197,480,650)	
Unfunded pension obligation	(8,761,197)	
Accrued interest payable	<u>(5,233,094)</u>	
		(733,830,519)
Net assets of governmental activities		<u><u>\$ 2,613,846,353</u></u>

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				2005	2004
Revenues:					
Taxes	\$ 398,135,665	\$ —	\$ —	\$ 398,135,665	\$ 372,606,202
Special assessments	499,201	—	1,218,211	1,717,412	1,650,613
Licenses and permits	13,012,040	—	—	13,012,040	12,624,998
Intergovernmental	3,076,303	—	46,330,305	49,406,608	37,433,876
Charges for services	36,597,251	—	5,320,901	41,918,152	24,776,906
Fines and forfeitures	8,738,432	—	359,775	9,098,207	6,957,579
Investment income	3,584,377	7,868,414	1,002,774	12,455,565	14,727,452
Restricted contributions	116,989	—	368,260	485,249	1,294,335
Other	1,804,845	—	1,652,735	3,457,580	3,261,388
Total revenues	465,565,103	7,868,414	56,252,961	529,686,478	475,333,349
Expenditures:					
Current:					
General government	15,057,769	647,809	1,668,358	17,373,936	16,514,722
Fire services	54,300,270	—	3,951,840	58,252,110	50,902,167
Police services	70,733,253	—	3,583,070	74,316,323	66,316,356
Health and human services	13,495,329	—	12,694,892	26,190,221	23,765,640
Economic and community development	37,449,226	—	6,671,368	44,120,594	37,949,866
Public transportation	16,053,331	—	3,765,684	19,819,015	18,002,811
Public works	15,375,721	—	1,398,583	16,774,304	14,987,397
Education	170,080,162	—	313,206	170,393,368	154,278,770
Maintenance and operations	27,153,962	—	52,978	27,206,940	24,357,789
Debt service:					
Principal	24,583,791	—	5,545,000	30,128,791	27,501,762
Interest	16,819,464	—	3,017,704	19,837,168	19,652,378
Bond issuance costs	562,497	—	719,449	1,281,946	843,788
Capital outlay	—	—	75,629,256	75,629,256	58,750,450
Total expenditures	461,664,775	647,809	119,011,388	581,323,972	513,823,896
Excess (deficiency) of revenues over expenditures	3,900,328	7,220,605	(62,758,427)	(51,637,494)	(38,490,547)
Other financing sources (uses):					
Transfers in – from other funds	9,225,827	—	11,169,614	20,395,441	24,108,152
Transfers out – to other funds	(10,944,207)	(6,600,000)	(2,452,530)	(19,996,737)	(25,083,344)
Transfers out – to component unit	(300,000)	—	—	(300,000)	—
General obligation bonds issued	—	—	96,805,000	96,805,000	52,375,000
Long term debt issued	—	—	350,000	350,000	5,365,000
Refunding bonds issued	61,255,000	—	40,835,000	102,090,000	21,465,000
Premium on bond sale	751,129	—	(267,104)	484,025	2,348,691
Premium on refunding bonds	5,422,081	—	2,598,103	8,020,184	1,877,845
Payment to refunded bond escrow agent to extinguish debt	(61,690,000)	—	(39,585,000)	(101,275,000)	(21,425,000)
Payment to refunded bond escrow agent	(4,424,584)	—	(3,395,216)	(7,819,800)	(1,662,336)
Capital leases	—	—	—	—	1,146,807
Insurance recoveries	114,300	—	—	114,300	—
Sale of capital assets	36,211	—	834,074	870,285	2,149,378
Total other financing sources (uses)	(554,243)	(6,600,000)	106,891,941	99,737,698	62,665,193
Net change in fund balances	3,346,085	620,605	44,133,514	48,100,204	24,174,646
Fund balances, beginning of year	42,915,611	128,928,345	130,954,739	302,798,695	278,624,049
Fund balances, end of year	\$ 46,261,696	\$ 129,548,950	\$ 175,088,253	\$ 350,898,899	\$ 302,798,695

See accompanying notes to 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, 2005

Net change in fund balance – total governmental funds		\$ 48,100,204
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	\$ 75,629,256	
Depreciation expense	(37,502,322)	
Reversal of capital outlay determined to be expensed under modified approach	(13,860,596)	
Equipment purchases expensed in fund statements	<u>13,503,090</u>	
		37,769,428
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(3,612,188)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:		
Property taxes	784,234	
Jail lease receivable, net activity	<u>(2,351,700)</u>	
		(1,567,466)
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	(96,805,000)	
Refunding issuance of general obligation bonds	(102,090,000)	
New issuance of long term debt	(2,000,000)	
Extinguishment of debt due to refunding	101,275,000	
Principal repayment	30,128,791	
Payment to escrow agent for refunding	7,819,800	
Net activity of premium discount, issuance, and interest of issued debt	<u>(8,364,450)</u>	
		(70,035,859)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(2,772,990)
Unfunded pension obligation		(6,416,680)
HUD Section 108 loan receivable, net activity		1,143,700
Police and fire post-employment healthcare benefits liability, net activity		(43,560,940)
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>722,589</u>
Change in net assets of governmental activities		<u>\$ (40,230,202)</u>

See accompanying notes to financial statements.



MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets  
Proprietary Funds

December 31, 2005

(With summarized financial information at December 31, 2004)

Business-Type Activities – Enterprise Funds

Assets	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Current assets:					
Cash	\$ 1,600	\$ —	\$ —	\$ 5,154,318	\$ 5,155,918
Cash in central treasury	29,654,151	14,804,060	7,853,499	23,877,902	76,189,612
Due from other funds	—	—	—	—	—
Due from component units	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	34,656,712	3,464,588	2,568,412	2,324,855	43,014,567
Interest receivable	95,883	60,634	98,055	3,062	257,634
Current portion of lease receivable	—	—	—	501,727	501,727
Inventories	18,358,858	1,642,711	—	—	20,001,569
Prepaid items and deposits	—	—	—	109,609	109,609
Special assessments receivable	—	94,352	306,696	—	401,048
Unbilled reimbursable work orders	34,485	667,095	260,267	—	961,847
Deferred charges and other assets	301,538	—	—	—	301,538
Restricted assets:					
Cash in central treasury	27,540,343	—	—	—	27,540,343
Customer deposits	986,018	—	—	—	986,018
Restricted deposits	—	—	—	610,442	610,442
Receivables	—	—	—	2,642,997	2,642,997
Bond and acquisition and construction accounts	—	—	—	30,205,449	30,205,449
Revenue bond operations and maintenance accounts	9,000,000	—	—	382,195	9,382,195
Debt service accounts	8,215,511	3,445,158	600,060	1,255,890	13,516,619
Total current assets	<u>128,845,099</u>	<u>24,178,598</u>	<u>11,686,989</u>	<u>67,068,446</u>	<u>231,779,132</u>
Noncurrent assets:					
Loans receivables, net	—	—	—	23,454	23,454
Advances to other funds	—	—	—	—	—
Due from component units	—	—	—	—	—
Revenue bond reserve investments	26,109,522	—	—	—	26,109,522
Debt service accounts	—	2,003,963	14,926	—	2,018,889
Customer deposits	—	349,859	469,218	—	819,077
Deferred charges and other assets	3,563,863	1,378,997	2,542,053	2,002,962	9,487,875
Capital assets, net	294,971,937	392,104,401	279,646,814	188,725,614	1,155,448,766
Total noncurrent assets	<u>324,645,322</u>	<u>395,837,220</u>	<u>282,673,011</u>	<u>190,752,030</u>	<u>1,193,907,583</u>
Total assets	<u>\$ 453,490,421</u>	<u>\$ 420,015,818</u>	<u>\$ 294,360,000</u>	<u>\$ 257,820,476</u>	<u>\$ 1,425,686,715</u>

See accompanying notes to financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	December 31, 2005	December 31, 2004
\$ —	\$ 5,155,918	\$ 5,343,645
12,768,220	88,957,832	78,759,920
908,019	908,019	908,019
343,000	343,000	—
74	43,014,641	41,656,578
—	257,634	254,525
—	501,727	457,236
352,963	20,354,532	16,910,620
307,814	417,423	361,705
—	401,048	260,416
—	961,847	549,650
—	301,538	304,052
—	27,540,343	15,034,711
—	986,018	1,781,877
—	610,442	592,202
—	2,642,997	5,225
4,717,533	34,922,982	52,798,436
—	9,382,195	8,375,780
—	13,516,619	21,547,810
<u>19,397,623</u>	<u>251,176,755</u>	<u>245,902,407</u>
—	23,454	28,585
4,926,603	4,926,603	6,789,033
771,525	771,525	—
—	26,109,522	24,784,783
—	2,018,889	—
—	819,077	—
—	9,487,875	9,661,402
31,223,662	1,186,672,428	1,144,935,981
<u>36,921,790</u>	<u>1,230,829,373</u>	<u>1,186,199,784</u>
<u>\$ 56,319,413</u>	<u>\$ 1,482,006,128</u>	<u>\$ 1,432,102,191</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets  
Proprietary Funds

December 31, 2005

(With summarized financial information at December 31, 2004)

<b>Business-Type Activities – Enterprise Funds</b>					
<b>Liabilities and Net Assets</b>	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Current liabilities:</b>					
Accounts payable and retainages	\$ 13,472,742	\$ 443,852	\$ 287,858	\$ 1,522,316	\$ 15,726,768
Compensated absences payable	1,810,015	850,781	850,781	547,694	4,059,271
Claims payable	—	—	—	—	—
Claims incurred but not reported	—	—	—	—	—
Due to other funds	—	4,118,118	3,541,036	939,636	8,598,790
Accrued interest payable	1,526,299	2,137,511	746,209	288,442	4,698,461
Long-term obligations maturing within one year	21,225,000	6,149,204	5,819,725	8,278,824	41,472,753
Unearned revenue and deposits	—	—	—	565,017	565,017
Deferred credits and other liabilities	—	—	279,178	—	279,178
<b>Current liabilities payable from restricted assets:</b>					
Customer deposits payable	1,012,749	—	—	80,725	1,093,474
Capital acquisition and construction accounts and retainage payable	2,086,775	1,619,769	711,411	517,389	4,935,344
<b>Total current liabilities</b>	<b>41,133,580</b>	<b>15,319,235</b>	<b>12,236,198</b>	<b>12,740,043</b>	<b>81,429,056</b>
<b>Noncurrent liabilities:</b>					
General obligation bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	—	1,753,117	—	1,753,117
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	191,604,713	86,409,181	26,913,298	990,034	305,917,226
Special assessment bonds payable (net of unamortized discounts)	—	173,167	13,279	—	186,446
Due to other funds	—	—	—	—	—
Alaska clean water loan payable	—	23,160,649	31,070,764	11,112,678	65,344,091
Unearned revenue	—	—	—	—	—
Compensated absences payable	—	208,516	208,516	—	417,032
Unfunded pension obligation	395,010	684,814	488,728	434,831	2,003,383
<b>Liabilities payable from restricted assets:</b>					
Customer deposits	—	349,859	469,218	—	819,077
<b>Deferred credits and other liabilities:</b>					
Future landfill closure costs	—	—	—	11,899,235	11,899,235
Other deferred credits	23,951,244	—	(33,722)	—	23,917,522
Contributed capital	17,213,407	228,820,917	175,903,926	—	421,938,250
<b>Total noncurrent liabilities</b>	<b>233,164,374</b>	<b>339,807,103</b>	<b>236,787,124</b>	<b>24,436,778</b>	<b>834,195,379</b>
<b>Total liabilities</b>	<b>274,297,954</b>	<b>355,126,338</b>	<b>249,023,322</b>	<b>37,176,821</b>	<b>915,624,435</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	64,928,817	47,391,283	38,172,705	168,336,922	318,829,727
Restricted for debt service	32,798,734	5,198,682	418,507	1,605,578	40,021,501
Restricted for operations and maintenance	—	—	—	610,442	610,442
Restricted for acquisition and construction	32,957,388	—	—	29,864,757	62,822,145
Unrestricted	48,507,528	12,299,515	6,745,466	20,225,956	87,778,465
<b>Total net assets</b>	<b>\$ 179,192,467</b>	<b>\$ 64,889,480</b>	<b>\$ 45,336,678</b>	<b>\$ 220,643,655</b>	<b>510,062,280</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					270,485
Net assets of business-type activities					<u><u>\$ 510,332,765</u></u>

See accompanying notes to financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	December 31, 2005	December 31, 2004
\$ 661,127	\$ 16,387,895	\$ 13,068,370
673,462	4,732,733	4,663,719
7,095,080	7,095,080	6,633,412
11,336,328	11,336,328	5,837,424
5,041,001	13,639,791	5,385,350
—	4,698,461	5,154,547
—	41,472,753	31,262,086
43,467	608,484	3,103,249
—	279,178	330,522
—	1,093,474	1,836,821
980,255	5,915,599	3,212,560
<u>25,830,720</u>	<u>107,259,776</u>	<u>80,488,060</u>
—	1,753,117	7,997,050
—	305,917,226	330,315,344
—	186,446	272,363
4,926,604	4,926,604	6,987,648
—	65,344,091	63,146,237
1,097,565	1,097,565	1,276,128
—	417,032	181,252
426,218	2,429,601	813,793
—	819,077	—
—	11,899,235	11,111,326
—	23,917,522	24,321,911
—	421,938,250	424,555,843
<u>6,450,387</u>	<u>840,645,766</u>	<u>870,978,895</u>
<u>32,281,107</u>	<u>947,905,542</u>	<u>951,466,955</u>
25,389,039	344,218,766	280,454,277
—	40,021,501	44,127,199
—	610,442	35,142
—	62,822,145	54,216,672
(1,350,733)	86,427,732	101,801,946
<u>\$ 24,038,306</u>	<u>\$ 534,100,586</u>	<u>\$ 480,635,236</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

**Business-Type Activities – Enterprise Funds**

	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
Operating revenues:					
Charges for services	\$ 93,787,142	\$ 34,263,118	\$ 27,682,364	\$ 34,869,178	\$ 190,601,802
Other	23,226,879	4,182,774	1,064,528	4,602,560	33,076,741
<b>Total operating revenues</b>	<b>117,014,021</b>	<b>38,445,892</b>	<b>28,746,892</b>	<b>39,471,738</b>	<b>223,678,543</b>
Operating expenses:					
Operations	68,989,888	18,733,157	16,401,620	24,547,326	128,671,991
Municipal service assessment	2,156,593	5,731,118	4,080,429	1,701,598	13,669,738
Amortization of future landfill closure costs	—	—	—	787,909	787,909
Depreciation	15,662,263	5,460,410	4,450,311	9,291,490	34,864,474
<b>Total operating expenses</b>	<b>86,808,744</b>	<b>29,924,685</b>	<b>24,932,360</b>	<b>36,328,323</b>	<b>177,994,112</b>
<b>Operating income (loss)</b>	<b>30,205,277</b>	<b>8,521,207</b>	<b>3,814,532</b>	<b>3,143,415</b>	<b>45,684,431</b>
Nonoperating revenues (expenses):					
Investment income	3,163,528	740,995	421,226	2,179,453	6,505,202
Other revenues	18,971	27,250	—	1,829,633	1,875,854
Intergovernmental revenue	—	—	—	4,137,718	4,137,718
Interest expense	(14,109,900)	(5,734,603)	(2,205,117)	(606,793)	(22,656,413)
Allowance for funds used during construction	431,512	587,732	574,921	—	1,594,165
Gain on disposition of assets	—	—	—	224,624	224,624
Amortization of deferred charges	(264,334)	(790,042)	(166,369)	(52,600)	(1,273,345)
Other expenses	(598,444)	—	—	(1,676,264)	(2,274,708)
<b>Net nonoperating revenues (expenses)</b>	<b>(11,358,667)</b>	<b>(5,168,668)</b>	<b>(1,375,339)</b>	<b>6,035,771</b>	<b>(11,866,903)</b>
<b>Income before capital contributions, special item and transfers</b>	<b>18,846,610</b>	<b>3,352,539</b>	<b>2,439,193</b>	<b>9,179,186</b>	<b>33,817,528</b>
Capital contributions	—	—	—	(392,230)	(392,230)
Special item – regulatory adjustment	19,852,555	—	—	—	19,852,555
Transfers in	—	—	—	1,282,330	1,282,330
Transfers out	—	—	—	(1,881,034)	(1,881,034)
<b>Change in net assets</b>	<b>38,699,165</b>	<b>3,352,539</b>	<b>2,439,193</b>	<b>8,188,252</b>	<b>52,679,149</b>
Total net assets – beginning	140,493,302	61,536,941	42,897,485	212,455,403	
Total net assets – ending	\$ 179,192,467	\$ 64,889,480	\$ 45,336,678	\$ 220,643,655	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					63,612
<b>Change in net assets of business-type activities</b>					<b>\$ 52,742,761</b>

See accompanying notes to financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2005	2004
\$ 67,079,281	\$ 257,681,083	\$ 214,543,755
—	33,076,741	24,525,858
<u>67,079,281</u>	<u>290,757,824</u>	<u>239,069,613</u>
60,958,545	189,630,536	147,451,999
—	13,669,738	9,181,928
—	787,909	786,694
6,079,973	40,944,447	39,376,652
<u>67,038,518</u>	<u>245,032,630</u>	<u>196,797,273</u>
<u>40,763</u>	<u>45,725,194</u>	<u>42,272,340</u>
830,194	7,335,396	2,606,255
52,999	1,928,853	382,740
132,370	4,270,088	2,428,543
(589,390)	(23,245,803)	(23,707,759)
—	1,594,165	1,528,327
119,265	343,889	73,009
—	(1,273,345)	(1,383,282)
—	(2,274,708)	(406,609)
<u>545,438</u>	<u>(11,321,465)</u>	<u>(18,478,776)</u>
586,201	34,403,729	23,793,564
—	(392,230)	(484,819)
—	19,852,555	11,951,652
200,000	1,482,330	1,148,500
—	(1,881,034)	(5,712,256)
<u>786,201</u>	<u>53,465,350</u>	<u>30,696,641</u>
<u>23,252,105</u>	<u>480,635,236</u>	<u>449,938,595</u>
<u>\$ 24,038,306</u>	<u>\$ 534,100,586</u>	<u>\$ 480,635,236</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows  
Proprietary Funds

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Wastewater Utility</b>
Cash flows from operating activities:			
Receipts from customers and users	\$ 119,658,882	\$ 36,863,178	\$ 27,159,140
Payments to employees	(20,717,094)	(11,271,618)	(9,108,654)
Payments to vendors	(55,061,197)	(12,823,918)	(11,003,769)
Net cash provided by operating activities	<u>43,880,591</u>	<u>12,767,642</u>	<u>7,046,717</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	—	—	—
Transfers from other funds	—	—	—
Loan proceeds from central treasury	—	—	—
Loan payments to central treasury	—	—	—
Loan to component unit	—	—	—
Other noncapital receipts	18,971	27,250	—
Other noncapital payments to vendors	(597,400)	—	—
Net cash provided (used) by noncapital and related financing activities	<u>(578,429)</u>	<u>27,250</u>	<u>—</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of long-term obligations	1,297,041	—	—
Principal payments on long-term obligations	(13,310,000)	(5,270,193)	(5,634,808)
Loan proceeds from central treasury	—	6,701,261	5,536,843
Loan payments to central treasury	—	—	—
Loan proceeds from line of credit	—	—	—
Interest payments on long-term obligations	(12,865,972)	(5,779,708)	(2,255,353)
Acquisition and construction of capital assets	(25,391,745)	(14,832,944)	(11,116,047)
Proceeds from disposition of capital assets	—	—	—
Intergovernmental revenue received	—	—	—
Proceeds from gas underlift settlement	19,852,555	—	—
Capital contributions – customers	798,802	475,004	919,373
Capital contributions – intergovernmental	227,383	1,564,974	979,803
Payments for interfund services used	—	—	—
Proceeds from Alaska Clean Water loans	—	2,024,485	3,238,758
Principal payments on Alaska Clean Water loans	—	(756,454)	(1,401,499)
Net cash used by capital and related financing activities	<u>(29,391,936)</u>	<u>(15,873,575)</u>	<u>(9,732,930)</u>
Cash flows from investing activities:			
Proceeds from sales and maturity of investments	—	6,007,950	1,592,364
Proceeds from investment in direct financing leases	—	—	—
Purchase of investments	(16,167,311)	—	—
Investment income received	3,157,161	733,783	431,093
Net cash provided (used) by investing activities	<u>(13,010,150)</u>	<u>6,741,733</u>	<u>2,023,457</u>
Net increase (decrease) in cash	900,076	3,663,050	(662,756)
Cash, beginning of year	29,741,694	11,490,869	8,985,473
Cash, end of year	<u>\$ 30,641,770</u>	<u>\$ 15,153,919</u>	<u>\$ 8,322,717</u>
Cash	\$ 1,600	\$ —	\$ —
Cash in central treasury	29,654,151	14,804,060	7,853,499
Customer deposits	986,018	349,859	469,218
Cash, December 31	<u>\$ 30,641,769</u>	<u>\$ 15,153,919</u>	<u>\$ 8,322,717</u>

See accompanying notes to financial statements.

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities – Internal Service Funds	Total Proprietary Funds	
			2005	2004
\$ 43,812,175 (18,307,990) (13,398,678)	\$ 227,493,375 (59,405,356) (92,287,562)	\$ 67,208,994 (15,990,024) (38,901,896)	\$ 294,702,369 (75,395,380) (131,189,458)	\$ 253,506,879 (56,168,008) (106,699,069)
12,105,507	75,800,457	12,317,074	88,117,531	90,639,802
(1,881,034)	(1,881,034)	—	(1,881,034)	(5,712,256)
1,282,330	1,282,330	200,000	1,482,330	1,373,500
—	—	1,388,336	1,388,336	918,486
—	—	(947,017)	(947,017)	(7,194,627)
—	—	(151,639)	(151,639)	—
150,678	196,899	48,992	245,891	239,911
—	(597,400)	—	(597,400)	(406,612)
(448,026)	(999,205)	538,672	(460,533)	(10,781,598)
—	1,297,041	—	1,297,041	38,364,410
(4,669,614)	(28,884,615)	(1,174,155)	(30,058,770)	(29,203,621)
783,438	13,021,542	—	13,021,542	962,886
—	—	—	—	(19,825,786)
3,474,103	3,474,103	—	3,474,103	—
(701,108)	(21,602,141)	(589,390)	(22,191,531)	(21,788,411)
(16,875,705)	(68,216,441)	(5,020,029)	(73,236,470)	(59,169,892)
463,669	463,669	123,039	586,708	455,821
2,618,773	2,618,773	132,370	2,751,143	2,169,836
—	19,852,555	—	19,852,555	11,951,652
(285,608)	1,907,571	—	1,907,571	2,176,678
—	2,772,160	—	2,772,160	2,760,079
—	—	—	—	(813,279)
—	5,263,243	—	5,263,243	16,943,415
—	(2,157,953)	—	(2,157,953)	(2,034,953)
(15,192,052)	(70,190,493)	(6,528,165)	(76,718,658)	(57,051,165)
—	7,600,314	—	7,600,314	—
342,157	342,157	—	342,157	568,160
—	(16,167,311)	—	(16,167,311)	(22,971,144)
2,167,673	6,489,710	830,194	7,319,904	3,071,961
2,509,830	(1,735,130)	830,194	(904,936)	(19,331,023)
(1,024,741)	2,875,629	7,157,775	10,033,404	3,476,016
30,056,961	80,274,997	5,610,445	85,885,442	82,543,442
\$ 29,032,220	\$ 83,150,626	\$ 12,768,220	\$ 95,918,846	\$ 86,019,458
\$ 5,154,318	\$ 5,155,918	\$ —	\$ 5,155,918	\$ 5,343,645
23,877,902	76,189,612	12,768,220	88,957,832	78,893,936
—	1,805,095	—	1,805,095	1,781,877
\$ 29,032,220	\$ 83,150,625	\$ 12,768,220	\$ 95,918,845	\$ 86,019,458

(Continued)



MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows  
Proprietary Funds

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Reconciliation of change in net assets to net cash provided by operating activities:			
Operating income	\$ 30,205,277	\$ 8,521,207	\$ 3,814,532
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	15,662,263	5,460,410	4,450,311
Amortization of future landfill closure costs	—	—	—
Allowance for uncollectible accounts	(27,408)	33,532	(3,161)
Capital equipment purchases	—	—	—
Changes in assets and liabilities which increase (decrease) cash:			
Accounts receivable	22,348,268	(702,869)	(888,492)
Notes receivable	—	—	—
Unbilled reimbursable work orders	(17,211)	(284,981)	(110,005)
Prepaid items and deposits	—	—	—
Inventories	(3,285,201)	(139,302)	—
Customer deposits	(76,034)	(43,175)	98,640
Deferred charges and other assets	610,702	(36,317)	198,334
Accounts payable and retainages	(3,110,039)	(473,602)	(817,420)
Claims payable	—	—	—
Deferred credits and other liabilities	(18,941,180)	—	—
Unearned revenue and deposits	—	—	—
Unfunded pension obligation	272,642	454,267	325,506
Compensated absences payable	238,512	(21,528)	(21,528)
Total cash provided by operating activities	<u>\$ 43,880,591</u>	<u>\$ 12,767,642</u>	<u>\$ 7,046,717</u>
Noncash investing, capital, and financing activities:			
Capital purchases on account	\$ 4,896,570	\$ 450,745	\$ 144,552
Contributed equipment	268,165	1,218,648	1,339,109
Portion of plant from AFUDC	431,512	—	—
Refunding of old debt	133,259,015	—	—
Refunding of new debt	(133,259,015)	—	—
	<u>\$ 5,596,247</u>	<u>\$ 1,669,393</u>	<u>\$ 1,483,661</u>

See accompanying notes to financial statements.

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities – Internal Service Funds	Total Proprietary Funds	
			2005	2004
\$ 3,143,415	\$ 45,684,431	\$ 40,763	\$ 45,725,194	\$ 42,071,244
9,291,490	34,864,474	6,079,973	40,944,447	39,376,652
787,909	787,909	—	787,909	786,694
—	2,963	—	2,963	52,902
49,745	49,745	—	49,745	30,558
(460,400)	20,296,507	69	20,296,576	15,159,959
5,344	5,344	—	5,344	6,500
—	(412,197)	—	(412,197)	(25,937)
(23,018)	(23,018)	(13,426)	(36,444)	2,777
—	(3,424,503)	(19,409)	(3,443,912)	195,295
29,538	8,969	—	8,969	24,342
(1,172,396)	(399,677)	9,770	(389,907)	539,999
45,326	(4,355,735)	65,891	(4,289,844)	3,743,819
—	—	5,960,572	5,960,572	—
(720)	(18,941,900)	—	(18,941,900)	(12,150,468)
107,977	107,977	34,152	142,129	(79,108)
269,711	1,322,126	293,682	1,615,808	813,793
31,586	227,042	(134,963)	92,079	90,781
<u>\$ 12,105,507</u>	<u>\$ 75,800,457</u>	<u>\$ 12,317,074</u>	<u>\$ 88,117,531</u>	<u>\$ 90,639,802</u>
\$ —	\$ 5,491,867	\$ 980,255	\$ 6,472,122	\$ 1,881,896
—	2,825,922	—	2,825,922	17,982,565
—	431,512	—	431,512	—
—	133,259,015	—	133,259,015	—
—	(133,259,015)	—	(133,259,015)	—
<u>\$ —</u>	<u>\$ 8,749,301</u>	<u>\$ 980,255</u>	<u>\$ 9,729,556</u>	<u>\$ 19,864,461</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Fiduciary Net Assets  
Fiduciary Funds

December 31, 2005

<b>Assets</b>	<b>Pension and Other Post Employment Benefit Trust Funds</b>	<b>Employee Benefits Agency Fund</b>
Cash in central treasury	\$ 91,611	\$ 7,999,009
Cash, cash equivalents held under securities lending program	19,534,978	—
Investments, at fair value:		
Investment in master group trust	395,248,621	—
Money market funds	643,455	—
Debt securities	1,006,679	—
Equity securities	5,293,010	—
Total investments	402,191,765	—
Accounts Receivable	—	7,789
Capital assets, net	18,362	—
Total assets	\$ 421,836,716	\$ 8,006,798
<b>Liabilities</b>		
Accounts payable	\$ 109,796	\$ 535,096
Payable under securities lending program	19,534,978	—
Due to employees	—	5,270,589
Due to employees' retirement systems	—	1,121,662
Payroll liabilities	—	1,079,451
Total liabilities	19,644,774	8,006,798
<b>Net Assets</b>		
Held in trust for:		
Employees' pension benefits	395,247,231	—
Employees' post employment healthcare benefits	6,944,711	—
Total net assets	\$ 402,191,942	\$ —

See accompanying notes to financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statements of Changes in Fiduciary Net Assets  
Fiduciary Funds

Years ended December 31, 2005 and 2004

	<b>Pension and Other Post Employment Benefit Trust Funds</b>	
	<b>2005</b>	<b>2004</b>
Additions:		
Contributions from other funds	\$ 1,799,268	\$ 1,495,890
Contributions	15,906	18,775
Investment income:		
Interest	6,438,690	5,892,040
Dividends	1,685,806	1,014,967
Net increase in fair value of investments	18,893,885	36,966,300
Less: investment expense	(1,439,353)	(1,430,934)
Total additions	<u>27,394,202</u>	<u>43,957,038</u>
Deductions:		
Regular benefit payments	25,004,848	23,317,352
Administrative expenses	1,133,825	867,850
Total deductions	<u>26,138,673</u>	<u>24,185,202</u>
Change in net assets	1,255,529	19,771,836
Net assets – beginning	<u>400,936,413</u>	<u>381,164,577</u>
Net assets – ending	<u>\$ 402,191,942</u>	<u>\$ 400,936,413</u>

See accompanying notes to financial statements.

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**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**MUNICIPALITY OF ANCHORAGE, ALASKA**

**NOTES TO THE FINANCIAL STATEMENTS**

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# MUNICIPALITY OF ANCHORAGE, ALASKA

## Notes to Basic Financial Statements

December 31, 2005

### NOTE 1 Summary of Significant Accounting Policies

#### (a) Reporting Entity

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

**Blended component units.** The Anchorage Community Development Authority, Inc. (Authority) is a public corporation created to manage Municipal land, facilities and parking. The Authority is reported as a blended component unit, as its sole purpose is to provide parking, land and facility management services to the primary government. The Alaska Center for Performing Arts, Inc. (ACPA) operates, maintains and promotes the performing arts center, which is owned by the primary government. The ACPA is reported as a blended component unit as it was created to manage the Municipal owned performing arts center and provides facility management services exclusively to the primary government. CIVICVentures is a nonprofit created to finance and construct a convention facility for the Municipality of Anchorage. The Authority, ACPA, and CIVICVentures are reported as enterprise funds.

**Discretely presented component units.** The Anchorage School District (School District) is responsible for elementary and secondary education within Anchorage. Members of the School Board are elected by the voters, however, the School District is fiscally dependent upon the primary government because the Assembly approves the total budget of the School District, levies the necessary taxes, and approves the borrowing of money and the issuance of bonds. The School District has a June 30 fiscal year end; therefore, the financial information presented in these financial statements is as of and for the year ended June 30, 2005. Anchorage Historic Properties, Inc. (Historic Properties) administers historic preservation projects. The Assembly approves the annual budget and the financing of historic preservation projects. The Cooperative Services Authority (CSA) is a purchasing cooperative created to obtain savings through pooled purchasing power and managed vendor negotiation. In 2004 the CSA provided services exclusively to the Municipality of Anchorage and was presented as a blended component unit. In 2005 CSA provided services to the Municipality of Anchorage and other government organizations.

Complete financial statements of individual component units, other than the Cooperative Services Authority, Anchorage Historic Properties, Inc. and CIVICVentures, can be obtained from their respective administrative offices in the following locations:

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

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

# MUNICIPALITY OF ANCHORAGE, ALASKA

## Notes to Basic Financial Statements

December 31, 2005

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 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. 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.



## MUNICIPALITY OF ANCHORAGE, ALASKA

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

Anchorage reports the following major governmental funds:

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

Anchorage reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

The regulated Electric, Water and Wastewater Utilities (Utilities) follow provisions of Financial Accounting Standards Board Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*. The Utilities' rates are regulated by the Regulatory Commission of Alaska (RCA), and

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

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as a result, revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utilities receive contributions in aid of construction which for rate-making purposes are amortized over the life of the respective utility plant as a reduction of depreciation expense. Consequently, contributions in aid of construction are recorded as a regulatory liability in the accompanying basic financial statements. The Utilities' rates also include an allowance for the cost of funds used during construction (AFUDC), which is capitalized in the accompanying financial statements. Associated rate case expenses are amortized over a period of 24 to 60 months.

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

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

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

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

##### **Cash and Investments**

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

Investments at December 31, 2005 are reported at fair value. Investment income on cash pool investments is allocated to the various funds based on their month-end cash pool equity balances. Funds which have negative balances in the cash pools are charged interest; the interest income is allocated to those funds having equity in the cash pools.

##### **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".

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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 2005, real property taxes were levied on May 4. Real property taxes were payable in two installments on June 15 and August 15, and personal property taxes in two installments on August 31 and October 31. The School District had accrued taxes and deferred revenue of \$88,578,501 for financing half of the 2005-2006 budget as of June 30, 2005. Taxes receivable of \$9,823,217 at December 31, 2005, include interest and penalties of \$1,350,752 and is net of an allowance for uncollectible property taxes receivable of \$111,514. The property taxes receivable allowance is equal to approximately 3.5% of outstanding personal property taxes at December 31, 2005.

#### **Inventories and Prepaid Items**

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

#### **Restricted Assets**

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

#### **Capital Assets**

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

Although Anchorage holds title to capital assets of the School District, the School District has the risk and benefits of ownership associated with their capital assets. The School District, under Alaska law, cannot legally hold title to real property nor incur long-term debt. However, Anchorage has delegated the construction management of school projects to the School District. In order to reflect

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all of the capital assets used for school purposes and the related obligations serviced by the School District, real property and the associated obligations have been reported in the financial statements of the school district.

The Utilities capitalize interest on construction work in progress in accordance with regulatory requirements. Interest was capitalized in 2005 in the amounts of \$431,512, \$587,732, and \$574,921 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 refundings, and issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

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Bonds payable are reported net of the applicable bond premiums, discounts, gains and losses on bond refundings. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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

#### **Contributed Capital**

The Electric, Water and Wastewater Utilities meet the criteria, and accordingly, follow the accounting and reporting requirements of Financial Accounting Standards Board Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* (SFAS 71). The Utilities rates are regulated by the Regulatory Commission of Alaska, and as a result revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utilities receive contributions in aid of construction, which they record as contributed plant in service and deferred liability. The Utilities amortize contributed plant over the useful life of the utility plant and record amortization as a reduction of the deferred liability. At December 31, 2005, the balances of the Electric, Water and Wastewater Utilities deferred liabilities were \$17,213,407, \$228,820,917, and \$175,903,926, respectively.

#### **Fund Equity**

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

#### **(e) Revenues**

##### **Utility Revenues**

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

#### **(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. Anchorage has excluded the construction investment pool within the central treasury and restricted assets, other than customer deposits, which are not considered demand deposits.

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**(g) Reclassifications**

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

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

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

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Notes to Basic Financial Statements

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**NOTE 3 Cash and Investments**

As of December 31, 2005, Anchorage had the following investments with maturities as noted.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Central Treasury					
Debt Securities:					
Repurchase agreements	\$ 1,055,028	\$ 1,055,028	\$ -	\$ -	\$ -
U.S. Treasuries	1,214,563	-	1,214,563	-	-
U.S. Agencies	342,050,911	312,229,161	29,821,750	-	-
Commercial paper	63,320,039	63,320,039	-	-	-
Corporate notes	24,027,300	-	24,027,300	-	-
MOA Trust Fund					
Debt Securities:					
Domestic mutual fixed income funds	46,151,690	-	-	46,151,690	-
International mutual fixed income funds	1,493,698	-	-	1,493,698	-
Equity Securities:					
Domestic mutual equity funds	61,832,871	-	-	-	-
International mutual equity funds	18,253,218	-	-	-	-
Police & Fire Retiree Medical Trust					
Debt Securities:					
Domestic mutual fixed income funds	1,006,679	-	5,667	1,001,012	-
Equity Securities:					
Domestic mutual equity funds	4,904,911	-	-	-	-
International mutual equity funds	388,099	-	-	-	-

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Notes to Basic Financial Statements

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<u>Investment Type (Continued)</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Police & Fire Retiree Medical Liability Fund					
Debt Securities:					
Domestic mutual fixed income funds	7,241,136	-	-	7,241,136	-
Equity Securities:					
Domestic equities	3,425,430	-	-	-	-
International equities	414,796	-	-	-	-
Domestic mutual equity funds	7,031,239	-	-	-	-
International mutual equity funds	1,766,724	-	-	-	-
HUD Section 108 Loan Program Investment					
U.S. Treasuries	854,059	854,059	-	-	-
	<u>\$ 586,432,391</u>	<u>\$377,458,287</u>	<u>\$ 55,069,280</u>	<u>\$55,887,536</u>	<u>\$ -</u>
Central Treasury					
Money market funds	5,120,402	-	-	-	-
Cash in bank	874,719	-	-	-	-
Police and Fire Retiree Medical Trust Fund					
Money market funds	643,455	-	-	-	-
Police and Fire Retiree Medical Liability Fund					
Money market funds	81,120	-	-	-	-
	<u>\$ 593,152,087</u>	<u>\$377,458,287</u>	<u>\$ 55,069,280</u>	<u>\$55,887,536</u>	<u>\$ -</u>



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<u>Investment Type (Continued)</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Component units:					
Alaska Center for the Performing Arts					
Cash in bank	1,173,356	-	-	-	-
Anchorage Community Development Authority					
Cash in bank	3,973,837	-	-	-	-
CIVICVentures					
Cash in bank	5,000	-	-	-	-
	<u>\$ 5,152,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Police and Fire Retirement Pension Trust Fund					
	395,248,621	-	-	-	-
<b>Total</b>	<u><u>\$ 993,552,901</u></u>	<u><u>\$377,458,287</u></u>	<u><u>\$55,069,280</u></u>	<u><u>\$55,887,536</u></u>	<u><u>\$ -</u></u>
Governmental activities	391,346,874				
Business-Type activities	191,923,642				
Fiduciary funds	<u>410,282,385</u>				
	<u><u>\$ 993,552,901</u></u>				

***Anchorage Central Treasury***

As of December 31, 2005, Anchorage Central Treasury had bank deposit carrying amounts of \$874,719 of which \$338,394 was covered by federal depository insurance. Additional bank balances of \$7,542,478 were invested in overnight repurchase agreements. Bank carrying amounts in excess of federal insurance coverage and repurchase agreement investments were covered by a tri-party collateral agreement. The agreement requires eligible securities with a market value not less than the uninsured deposit balances be transferred to and held by Anchorage's collateral custodian. The eligible securities are held by the custodian in the pledging bank's name on behalf of Anchorage. Eligible securities are defined by the agreement as obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.

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

- obligations of, or obligations insured or guaranteed by, the United States of America or an agency or instrumentality of the United States
- commercial paper with no more than nine month maturities issued by entities having the highest rating of a nationally recognized rating service.
- banker's acceptances, accepted by a rated bank with a rating of 30 or higher by Sheshunoff Information Services and eligible for rediscount with or purchase by Federal Reserve System banks.
- bank deposits or certificates of deposit secured by federal depository insurance or collateralized by obligations insured or guaranteed by the United States or agencies with rated banks or banks with a main or branch office within Anchorage.
- repurchase agreements secured by obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States.
- corporate bonds rated AA or higher by Standard & Poors or Moody's Investors Service.
- Money market mutual funds consisting of securities authorized for direct purchase.

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

<u>Investment Type</u>	<u>Maximum Holdings</u>
U.S. Government securities	100% of investment portfolio
Repurchase agreements	50% of investment portfolio
Certificates of deposit, collateralized	50% of investment portfolio
Banker's acceptances	25% of investment portfolio 5% per issuer
Certificates of deposit, insured	20% of investment portfolio
Commercial paper	15% of investment portfolio 5% per issuer
Corporate bonds	15% of investment portfolio 5% per issuer
Money market mutual funds	15% of investment portfolio 5% per issuer

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### Notes to Basic Financial Statements

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#### ***MOA Trust Fund***

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

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

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

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>
Domestic equities	43%	53%
International equities	9%	15%
Fixed income	35%	45%
Cash equivalents	0%	15%

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

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

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

The Police and Fire Retiree Medical Trust Fund (Police and Fire Retiree Medical Trust) investment objective is to earn a rate of return on fund assets that is at least five percentage points greater than the rate of inflation to maintain funding of related liabilities and enhance member health benefits. The Police & Fire Retiree Medical Trust investment objective is to be based upon a 5 - 10 year investment horizon and interim fluctuations are to be viewed in an appropriate perspective. The average maturity of the fixed income portfolio will not exceed 12 years. As of December 31, 2005, the Police & Fire Retiree Medical Trust has no fixed income securities with a maturity exceeding 12 years.

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

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

As of December 31, 2005, the Police & Fire Retiree Medical Trust investments allocated to member accounts in domestic mutual equity funds of \$2,518,527 and money market funds of \$643,455 were not covered by its investment policy.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>
Domestic equities	45%	55%
International equities	5%	15%
Fixed income	25%	35%
Real estate funds	5%	15%
Cash equivalents	0%	5%

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

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***Police and Fire Retiree Medical Liability Fund***

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

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

- domestic equities.
- international equities.
- fixed income securities.
- cash and money market instruments.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>
Domestic equities		
Large Cap Value	20%	30%
Large Cap Core	20%	30%
Mid to Small Cap	0%	10%
International equities - Large Cap Core	0%	15%
Fixed income - Core	30%	40%
Cash equivalents	0%	10%

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

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

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

- domestic equities.
- international equities.

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- fixed income securities with commercial paper required to be rated P-1 by Moody's or A-1 by S&P.
- cash and money market instruments.
- collateralized mortgage securities or mortgage-backed securities must have a Flow Uncertainty Index score of 15 or less.
- no security shall be purchased unless it is traded on one of the major security exchanges or Over-The-Counter market.
- the average credit rating for the total fixed income portfolio will be maintained at an A rating by both Moody's and S&P.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>
Domestic equities		
Large Cap Index	10.0%	16.0%
Large Cap Growth	7.5%	12.5%
Large Cap Value	7.5%	12.5%
Small Cap Growth	2.0%	7.0%
Mid to Small Cap Value	3.0%	7.0%
International equities		
Equity EAFE	6.0%	10.0%
Growth	6.0%	10.0%
Fixed income	25.0%	35.0%
Real Estate funds		
Equity REIT	2.0%	6.0%
RESA Open-end	3.0%	7.0%
Cash equivalents	0.0%	10.0%

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

- no individual security shall constitute more than 5% of the market value of the assets of a specific managed portfolio unless specifically authorized by the trust investment board.
- non-income producing issues shall not constitute more than 35% of a specific portfolio with the exception of small/mid cap portfolios.
- no group or industry sectors shall constitute more than 25% of the market value of the assets controlled by any fund manager.

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### Notes to Basic Financial Statements

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- American Depository Receipts shall constitute no more than 10% of the market value of the assets controlled by any fund manager.
- no more than 10% of the fixed income portfolio may be in issues rated as low as Baa by Moody's or BBB by S&P at time of purchase. Total bond weighted average duration should not exceed 120% of the bond market's duration utilizing the Lehman Aggregate Bond Index.

#### *Alaska Center for the Performing Arts*

As of December 31, 2005, the carrying amount of cash for the Alaska Center for the Performing Arts, Inc. was \$1,173,356 and the bank balance was \$1,249,664. Of the bank balance \$108,842 was covered by federal depository insurance, \$843,705 was collateralized with securities, and \$297,117 was uninsured and uncollateralized.

#### **Interest Rate Risk**

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

As a means of limiting its exposure to fair value losses arising from rising interest rates, Anchorage's Central Treasury investment policy requires investments with maturities exceeding two years to be specifically authorized in writing by the Chief Fiscal Officer and be reviewed by an investment advisory commission. As of December 31, 2005, Anchorage had no Central Treasury investments with maturities in excess of two years.

As of December 31, 2005, Anchorage Central Treasury had corporate notes of \$24,027,300 which have floating interest rates. The corporate notes have maturities not exceeding two years and interest rate adjustments occur every three months.

As of December 31, 2005, the Police and Fire Retiree Medical Trust has no fixed income securities with a maturity exceeding 12 years in accordance with its investment policy.

The Police and Fire Retirement Trust utilizes the duration method for assessing and disclosing interest rate risk. Duration is a measure of interest rate risk. It measures the sensitivity of a 100 basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows. The calculation takes into account various possible future interest rates, historical and estimated prepayment rates, options and other variable cash flows for purposes of the effective duration calculation. Police and Fire Retirement Trust's investment policy requires that the total fixed income portfolio's weighted average duration amount cannot exceed 120% of the market's duration utilizing the Lehman Aggregate Bond Index. At December 31, 2005, the duration of the Lehman Brothers Aggregate Bond Index was 4.57 years, and the duration of the Police and Fire Retirements Trust's fixed income portfolio was 4.57 years.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

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As of December 31, 2005, the Police & Fire Retirement Trust had fixed income securities with variable and step terms as follows:

Terms	Fair Value
Quarterly interest rate resets at .04% above quarterly LIBOR with a maturity date of March 10, 2008.	\$1,100,506
Interest rate step from 8% to 8.5% if the security credit rating is downgraded below A3/A-. The interest rate would be reset to original rate if the credit rating is subsequently upgraded to A3/A- or above. The security is currently rated A3 by Moody's and has a maturity date of June 15, 2010.	\$340,125
Monthly interest rate resets at 1 Month LIBOR plus .4% with a maturity date of July 25, 2014.	\$622,852
Monthly interest rate resets at 1 Month LIBOR plus .4% with a maturity date of September 25, 2017.	\$592,899
One time step up of .5% after the outstanding mortgage pool factor drops below .10. The step has been activated and the coupon rate has increased from 7.39% to 7.89%. The security has a maturity date of September 25, 2023.	\$235,636
One time step up of .5% after the outstanding mortgage pool factor drops below .20. The step has not been activated and the security has a maturity date of December 25, 2011.	\$678,752
Variable interest yield based upon underlying mortgage investments with a maturity date of October 12, 2015.	\$2,220,923

**Credit Risk**

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

As of December 31, 2005, Anchorage's Central Treasury investments in commercial paper were rated A-1 by S&P and had maturities of less than nine months. Anchorage's Central Treasury's investments in



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

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corporate notes in the amounts of \$8,009,200 and \$16,018,100 were rated AAA and A+ respectively by S&P as of December 31, 2005. Repurchase agreement investments were collateralized through tri-party collateral agreements with securities issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation and in an amount having a market value not less than the repurchase agreement investment amounts.

As of December 31, 2005, the MOA Trust fixed income portfolio had a weighted average quality rating of AAA by S&P. The mutual fixed income fund investments had 4 star Morningstar ratings as of December 31, 2005.

As of December 31, 2005, the Police and Fire Retiree Medical Trust investments in mutual fixed income funds of \$5,666 and \$1,001,012 had weighted average ratings of AA and AAA respectively. The mutual fund investments of \$5,666 and \$1,001,012 had Morningstar ratings of 3 star and 5 star respectively.

As of December 31, 2005, the Police and Fire Retiree Medical Liability Fund investment in a mutual fixed income fund of \$7,241,136 had a 4 star Morningstar rating.

As of December 31, 2005, the Police and Fire Retirement Trust's investments in its total fixed income portfolio of \$104,949,380 had a weighted average rating of Aa2 by Moody's. The aggregated credit risk disclosures relating to individual fixed income securities of \$44,525,605 held in the fixed income portfolio had the following ratings by Moody's, expressed as an aggregate percentage by rating scale.

Aaa	35%
Aa1	5%
Aa2	4%
Aa3	3%
A1	13%
A2	8%
A3	10%
Baa1	10%
Baa2	9%
Baa3	3%

As of December 31, 2005, the Police & Fire Retirement Trust's balanced mutual fund investment of \$19,967,366 had a 5 star Morningstar rating and the weighted average credit quality of the fund's fixed income portfolio was rated Aa/AA by Moody's and S&P.

As of December 31, 2005, the Police & Fire Retirement Trust's mutual fixed income investment of \$3,731,067 and real estate mutual fund investment of \$35,186,738 had 3 star Morningstar ratings.

The Police and Fire Retirement Trust's real estate mortgage investment portfolio of \$65,152 as of December 31, 2005, consisted of ownership interests in residential and commercial property mortgages. The commercial mortgage loan investment of \$1,772 was a 10 year note accruing interest at 9.5% with a

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

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final maturity date of August 22, 2006. The residential mortgage loan investment of \$63,380 was a 30 year mortgage accruing interest at 10.75% with a final maturity date of March 1, 2009. The real estate mortgage investments are not rated.

#### Concentration of Credit Risk

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

At December 31, 2005, all of Anchorage's investments were in compliance with its investment policies relating to concentration of credit risk and investment allocation with no investments in any single issuer exceeding 5% of total investment market value.

#### Custodial Credit Risk

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

As of December 31, 2005, cash deposits and investments, with the exception of cash deposits related to the Alaska Center for the Performing Arts, Inc., are not exposed to custodial credit risk. Cash deposits of \$297,117 relating to the Alaska Center for the Performing Arts, Inc. are uninsured and uncollateralized as of December 31, 2005.

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Foreign currency risk is managed through the asset allocation policy.

As of December 31, 2005, Anchorage's Central Treasury's exposure to foreign currency risk is as follows and represents approximately 5% of total portfolio value:

<u>Investment Type</u>	<u>Currency</u>	<u>Fair Value</u>
Corporate note		
Bank of Ireland	European euro	\$ 9,920,200
Norddeutsche Landesbank	European euro	<u>9,929,800</u>
		<u>\$ 19,850,000</u>

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Notes to Basic Financial Statements

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The MOA Trust's exposure to foreign currency risk is as follows and represents approximately 16% of total portfolio value as of December 31, 2005:

Investment Type	Fair Value
International mutual equity funds	\$ 18,253,218
International mutual debt funds	<u>1,493,698</u>
	<u>\$ 19,746,916</u>

The Police and Fire Retiree Medical Trust's exposure to foreign currency risk is as follows and represents approximately 6% of total portfolio value as of December 31, 2005:

Investment Type	Fair Value
International mutual equity funds	\$ 388,099

The Police and Fire Retiree Medical Liability Fund's exposure to foreign currency risk is as follows and represents approximately 11% of total portfolio value as of December 31, 2005:

Investment Type	Currency	Fair Value
International equities		
ABB Ltd ADR	Swiss franc	\$ 73,872
Canadian Natural Resources Ltd ADR	Canadian dollar	49,620
Koninklijke Philips Electronic ADR	European euro	69,975
Nokia Corporation ADR	European euro	106,140
Novartis AG ADR	Swiss franc	60,352
Rio Tinto PLC ADR	British pound	54,837
International mutual equity funds		<u>1,766,724</u>
		<u>\$ 2,181,520</u>

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The Police and Fire Retirement Trust's exposure to foreign currency risk is as follows and represents approximately 18% of total portfolio value as of December 31, 2005:

<u>Investment Type</u>	<u>Currency</u>	<u>Fair Value</u>
Foreign government notes		
Province of Ontario	Canadian dollar	\$ 701,113
Province of Quebec	Canadian dollar	485,905
Italy Republic Global	European euro	597,372
United Mexican	Mexican peso	621,632
International corporate notes		
Alcan Inc.	Canadian dollar	380,911
Canadian National Railway	Canadian dollar	571,058
Deutsche Telekom International	European euro	340,125
Diageo Capital PLC Global	British pound	484,065
Vodafone Airtouch PLC	British pound	246,709
Scottish Power PLC	British pound	525,326
International mutual equity funds	various	<u>66,362,286</u>
		<u>\$ 71,316,502</u>

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Notes to Basic Financial Statements

December 31, 2005

**NOTE 4      Receivables**

Receivables as of year end for Anchorage’s individual governmental major fund, governmental nonmajor funds and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	<b>Total</b>
	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Enterprise Funds</b>	
	Property Taxes	\$ 9,823,217	\$ —	
Unbilled Reimbursable Work Orders	—	—	961,847	961,847
Special Assessments Receivable	1,855,431	969,408	401,048	3,225,887
Capital Lease Receivable	53,620,000	—	501,727	54,121,727
HUD Secion 108 Loan Receivable	1,143,700	—	—	1,143,700
Trade Accounts, including internal service funds	15,124,815	5,767,175	43,751,249	64,643,239
	81,567,163	6,736,583	45,615,871	133,919,617
Allowance for Uncollectible Accounts	(3,034,480)	(1)	(736,682)	(3,771,163)
	\$ 78,532,683	\$ 6,736,582	\$ 44,879,189	\$ 130,148,454

Special assessment receivables and the portion outside of amount due within one year of capital leases and HUD Section 108 Loan receivables are not expected to be collected within one year.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**NOTE 5 Capital Assets**

Capital asset activity for the year ended December 31, 2005, 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	\$ 1,195,735	\$ 15,725	\$ (4,572)	\$ 1,206,888
Artwork	13,943	350	(12)	14,281
Construction				
Work-in-Progress	29,858	83,204	(69,750)	43,312
Infrastructure	<u>1,287,100</u>	<u>3,013</u>	<u>(170)</u>	<u>1,289,943</u>
Total Capital Assets, Not				
Being Depreciated	<u>2,526,636</u>	<u>102,292</u>	<u>(74,504)</u>	<u>2,554,424</u>
Capital Assets, Being				
Depreciated:				
Buildings and				
Improvements	380,247	35,860	(48)	416,059
Equipment	154,899	7,159	(1,642)	160,416
Infrastructure	<u>336,757</u>	<u>12,252</u>	<u>(3,940)</u>	<u>345,069</u>
Total Capital Assets, Being				
Depreciated	<u>871,903</u>	<u>55,271</u>	<u>(5,630)</u>	<u>921,544</u>
Less Accumulated				
Depreciation for:				
Buildings and				
Improvements	215,609	20,373	—	235,982
Equipment	102,633	13,972	(1,058)	115,547
Infrastructure	<u>177,109</u>	<u>9,235</u>	<u>(249)</u>	<u>186,095</u>
Total Accumulated				
Depreciation	<u>495,351</u>	<u>43,580</u>	<u>(1,307)</u>	<u>537,624</u>
Total Capital Assets, Being				
Depreciated, Net	<u>376,552</u>	<u>11,691</u>	<u>(4,323)</u>	<u>383,920</u>
Total Governmental				
Activities, Net	<u>\$ 2,903,188</u>	<u>\$ 113,983</u>	<u>\$ (78,827)</u>	<u>\$ 2,938,344</u>

Anchorage has elected to use the modified approach for its paved road infrastructure network and to depreciate all other infrastructure networks. In 2005, Anchorage retroactively reported its parks, trails, bridges and signals infrastructure networks, net of depreciation. At December 31, 2005 paved roads, drainage systems, parks, trails, bridges and signals infrastructure networks are reported retroactively. Other infrastructure networks in governmental activities are reported prospectively.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and Property held for future use	\$ 58,277	\$ 23	\$ (10)	\$ 58,290
Construction Work-in-Progress	<u>58,084</u>	<u>86,589</u>	<u>(75,285)</u>	<u>69,388</u>
Total Capital Assets, Not Being Depreciated	116,361	86,612	(75,295)	127,678
Capital Assets, Being Depreciated:				
Distribution and Collection Systems, Infrastructure	1,498,230	74,957	(11,452)	1,561,735
Buildings and Improvements	<u>153,323</u>	<u>2,749</u>	<u>(192)</u>	<u>155,880</u>
Total Capital Assets, Being Depreciated	<u>1,651,553</u>	<u>77,706</u>	<u>(11,644)</u>	<u>1,717,615</u>
Less Accumulated Depreciation for:				
Distribution and Collection Systems, Infrastructure	585,500	43,170	(11,097)	617,573
Buildings and Improvements	<u>68,053</u>	<u>4,411</u>	<u>(193)</u>	<u>72,271</u>
Total Accumulated Depreciation	<u>653,553</u>	<u>47,581</u>	<u>(11,290)</u>	<u>689,844</u>
Total Capital Assets, Being Depreciated, Net	<u>998,000</u>	<u>30,125</u>	<u>(354)</u>	<u>1,027,771</u>
Total Business-Type Activities, Net	<u>\$ 1,114,361</u>	<u>\$ 116,737</u>	<u>\$ (75,649)</u>	<u>\$ 1,155,449</u>

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

Governmental Activities:	
General Government	\$ 3,568
Fire Services	3,892
Police Services	1,455
Health and Human Services	5,047
Economic & Community Development	13,898
Public Transportation	2,428
Public Works	9,900
Maintenance and Operations	<u>3,392</u>
Total – Governmental Activities	<u>\$ 43,580</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

Business-Type Activities:		
Electric	\$	15,662
Water		5,461
Wastewater		4,450
Refuse		399
Solid Waste		2,523
Port		3,536
Municipal Airport		1,630
Anchorage Community Development Authority		<u>1,203</u>
Total – Business-Type Activities		34,864
Depreciation expense offset by amortization of regulatory liability - contributed plant		<u>12,717</u>
Gross increase in accumulated depreciation	\$	<u><u>47,581</u></u>



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

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

The capital asset activity for the fiscal year ended June 30, 2005 is as follows:

	<u>Balance July 1, 2004</u>	<u>Additions/ Transfers</u>	<u>Deduction/ Transfers</u>	<u>Balance June 30, 2005</u>
Governmental Activities:				
Capital Assets, not Being				
Depreciated:				
Land	\$ 31,389,247	\$ 37,368	\$ —	\$ 31,426,615
Construction in Progress	198,217,621	120,638,291	221,264,523	97,591,389
Total Capital Assets not Being Depreciated	<u>229,606,868</u>	<u>120,675,659</u>	<u>221,264,523</u>	<u>129,018,004</u>
Capital Assets Being Depreciated:				
Land Improvements	41,094,867	1,437,574	—	42,532,441
Buildings and Equipment	1,027,244,705	218,348,256	20,893,158	1,224,699,803
Pupil Transportation Equipment	<u>9,039,694</u>	<u>621,704</u>	<u>627,205</u>	<u>9,034,193</u>
Total Capital Assets Being Depreciated	<u>1,077,379,266</u>	<u>220,407,534</u>	<u>21,520,363</u>	<u>1,276,266,437</u>
Less Accumulated				
Depreciation for:				
Land Improvements	(27,135,000)	(3,156,823)	—	(30,291,823)
Buildings and Equipment	(266,561,648)	(36,421,132)	(10,289,867)	(292,692,913)
Pupil Transportation Equipment	<u>(6,400,418)</u>	<u>(803,401)</u>	<u>(627,205)</u>	<u>(6,576,614)</u>
Total Accumulated Depreciation	<u>(300,097,066)</u>	<u>(40,381,356)</u>	<u>(10,917,072)</u>	<u>(329,561,350)</u>
Total Capital Assets, Being Depreciated, Net	<u>777,282,200</u>	<u>180,026,178</u>	<u>10,603,291</u>	<u>946,705,087</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,006,889,068</u>	<u>\$ 300,701,837</u>	<u>\$ 231,867,814</u>	<u>\$ 1,075,723,091</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**NOTE 6 Interfund Receivables, Payables, and Transfers**

**(a) Interfund Receivables and Payables**

A summary of interfund receivables and payables is as follows:

	Receivables			Payables		
	Interfund	Blended Component Unit/Primary Government	Discretely Presented Component Unit/Primary Government	Interfund	Blended Component Unit/Primary Government	Discretely Presented Component Unit/Primary Government
General Fund	\$ 5,234,498	\$ 56,001	\$ 239,826	\$ 69,007	\$ —	\$ 59,052,334
Nonmajor Governmental Funds	7,659,154	100,197	—	249,070	—	—
Water Utility	—	—	—	4,118,118	—	—
Wastewater Utility	—	—	—	3,541,036	—	—
Nonmajor Enterprise Funds	—	—	—	783,438	156,198	—
Internal Service Funds	5,834,622	—	1,114,525	9,967,605	—	—
Total Primary Government	18,728,274	156,198	1,354,351	18,728,274	156,198	59,052,334
Discretely Presented Component Units						
Cooperative Services Authority	—	—	—	—	—	1,327,872
Anchorage School District, June 30, 2005	—	—	88,578,501	—	—	—
Adjustment:						
Activity Occurring Between July 1, 2005 and December 31, 2005	—	—	(29,526,167)	—	—	26,479
Total Reporting Entity	<u>\$ 18,728,274</u>	<u>\$ 156,198</u>	<u>\$ 60,406,685</u>	<u>\$ 18,728,274</u>	<u>\$ 156,198</u>	<u>\$ 60,406,685</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.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**(b) Interfund Transfers**

A summary of interfund transfers is as follows:

	Transfers in		Transfers out	
	Interfund	Blended Component Unit/Primary Government	Interfund	Blended Component Unit/Primary Government
General Fund	\$ 8,725,140	\$ 500,687	\$ 9,795,707	\$ 1,148,500
MOA Trust Fund	—	—	6,600,000	—
Nonmajor Governmental Funds	10,864,267	305,347	2,318,700	133,830
Nonmajor Enterprise Funds	—	1,282,330	1,075,000	806,034
Internal Service Funds	200,000	—	—	—
Total Primary Government	\$ 19,789,407	\$ 2,088,364	\$ 19,789,407	\$ 2,088,364

Significant transfers were as follows:

- General Fund transferred \$1,148,500 to the Alaska Center for the Performing Arts component unit to fund operations;
- General Fund transferred \$5,714,173 to Capital Projects Funds for the acquisition and construction of capital assets;
- General Fund transferred \$1,800,000 to the Police & Fire Retiree Medical Liability Debt Service Fund for pre-funding post-employment health care benefits;
- Heritage Land Bank Fund transferred \$1,400,000 to the Heritage Land Bank Capital Fund to fund the acquisition of land for future capital construction;
- MOA Trust Fund transferred \$6,600,000 to the General Fund to fund operations;
- Solid Waste Services Fund transferred \$780,000 to the General Fund as a dividend;
- Refuse Fund transferred \$295,000 to the General Fund as a dividend.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**NOTE 7 Lease Agreements**

**(a) Operating Leases**

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

	<b>Anchorage</b>
Years:	
2006	\$ 5,518
2007	4,690
2008	4,522
2009	4,514
2010	4,505
2011-2015	22,523
2016-2020	22,523
2021-2025	22,523
2026-2030	4,143
2031-2035	156
	<b>Total</b>
	<b>\$ 95,617</b>
2005 rent expense	<b>\$ 5,213</b>

**(b) Capital Leases**

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

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

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 224,114	\$ 65,416	\$ 289,530
2007	233,898	55,631	289,529
2008	244,118	45,411	289,529
2009	254,794	34,735	289,529
2010	208,001	24,086	232,087
2011-2015	400,318	27,606	427,924
	<b>\$ 1,565,243</b>	<b>\$ 252,885</b>	<b>\$ 1,818,128</b>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**(c) Investment in Direct Financing Leases**

Anchorage has entered into direct financing leases for various plant and equipment located at the Port of Anchorage.

Components of the investments in leases as of December 31, 2005 follow (in thousands):

	<b>Direct Financing</b>
Total minimum lease payment to be received	\$ 1,519
Less unearned interest income	(208)
Net investment in leases	1,311
Amount due within one year	(502)
Total noncurrent investment – included in deferred charges and other assets in the accompanying financial statements	\$ 809
Minimum lease payments to be received as follows:	
2006	603
2007	364
2008	302
2009	236
2010	14
	\$ 1,519

**(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 leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows (in thousands):

	<b>Amount</b>
Years:	
2006	\$ 3,025
2007	2,684
2008	2,624
2009	2,365
2010	1,973
2011-2015	98
2016-2020	98
2021-2025	98
Total	\$ 12,965
Lease revenue for 2005	\$ 3,472

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**(e) Anchorage Community Development Authority Lease Revenue**

Leases to unrelated third parties of 9,150 square feet of retail space in Sixth Avenue Parking Mall provide for adjustments to rent based on the Consumer Price Index and additional rents based on gross revenue. The lease to an unrelated party of Fifth Avenue Garage retail space through September 13, 2007 provides for a minimum rental of \$480,000 per year and additional rent equal to 50% of net income each calendar year as defined by the lease. Future minimum rental on noncancelable operating leases follow (in thousands):

	<b>Sixth Avenue</b>	<b>Fifth Avenue</b>
Years:		
2006	\$ 67	\$ 480
2007	37	340
2008	21	—
2009	20	—
2010	19	—
2011	11	—
Total	\$ 175	\$ 820
Lease revenue for 2005	\$ 117	\$ 480

**(f) Anchorage Community Development Authority Lease Expense**

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

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

Future minimum lease payments for each of the fiscal years subsequent to December 31, 2005 are as follows:

Year ended December 31,	
2006	\$ 174
2007	174
2008	154
2009	60
2010	60
Thereafter	600
Total	\$ 1,222

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**NOTE 8 Long Term Obligations**

**(a) General Obligation Bonds**

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

A portion of Anchorage's GO bonds are reported in the proprietary funds since they are expected to be repaid from proprietary fund revenues; such amounts total \$8,165,166, net of unamortized discounts and losses on refundings of \$119,834 at December 31, 2005. School District GO bonds are reported as obligations of the component unit since they are expected to be repaid from School District revenues; such amounts total \$797,855,000 at June 30, 2005. All other Anchorage GO bonds are reported in the government-wide financial statements.

In September 2005, Anchorage issued \$96,805,000 of new general obligation bonds to provide funding for capital acquisition and construction projects.

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

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 28,425,000	\$ 19,569,911	\$ 47,994,911
2007	25,735,000	18,683,493	44,418,493
2008	24,130,000	17,547,222	41,677,222
2009	23,560,000	16,550,872	40,110,872
2010	23,915,000	15,505,578	39,420,578
2011-2015	124,215,000	59,486,986	183,701,986
2016-2020	122,020,000	29,888,581	151,908,581
2021-2025	61,885,000	7,064,915	68,949,915
	433,885,000	184,297,558	618,182,558
Add unamortized premiums/ discounts, net	6,377,898	—	6,377,898
	<b>\$ 440,262,898</b>	<b>\$ 184,297,558</b>	<b>\$ 624,560,456</b>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 6,415,000	\$ 259,748	\$ 6,674,748
2007	430,000	99,640	529,640
2008	455,000	77,065	532,065
2009	480,000	52,950	532,950
2010	505,000	27,270	532,270
	8,285,000	516,673	8,801,673
Less unamortized premiums/ discounts, net	(119,834)	—	(119,834)
	\$ 8,165,166	\$ 516,673	\$ 8,681,839

**(b) Revenue Bonds**

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

Electric, Water, Wastewater, Solid Waste, Refuse Collection and Port revenue bond covenants require establishment of certain cash reserves. Revenue bond covenants further stipulate that operating income, as defined in the covenants, will be at least equal to 1.25 to 1.40 times the debt service requirement for that year. All such requirements were met in 2005.

Subsequent to year end, on February 2, 2006, CIVICVentures issued \$110,920,000 in revenue bonds for the construction of a new downtown civic and convention center.



**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

<b>Governmental Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 2,815,000	\$ 2,605,463	\$ 5,420,463
2007	2,550,000	2,473,369	5,023,369
2008	2,690,000	2,332,538	5,022,538
2009	2,830,000	2,186,006	5,016,006
2010	2,985,000	2,034,431	5,019,431
2011-2015	17,415,000	7,773,075	25,188,075
2016-2020	22,335,000	2,879,038	25,214,038
	\$ 53,620,000	\$ 22,283,920	\$ 75,903,920

<b>Business-Type Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 28,330,000	\$ 18,920,252	\$ 47,250,252
2007	22,525,000	17,189,745	39,714,745
2008	22,315,000	16,000,290	38,315,290
2009	22,170,000	14,818,269	36,988,269
2010	22,095,000	13,606,326	35,701,326
2011-2015	117,080,000	49,197,181	166,277,181
2016-2020	50,985,000	23,748,562	74,733,562
2021-2025	34,835,000	11,848,432	46,683,432
2026-2030	16,750,000	4,477,472	21,227,472
2031-2034	9,185,000	971,316	10,156,316
	346,270,000	170,777,845	517,047,845
Less unamortized premiums/ discounts, net	(12,055,876)	—	(12,055,876)
	\$ 334,214,124	\$ 170,777,845	\$ 504,991,969

**(c) Special Assessment District Bonds**

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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Roads and Drainage bonds is included in the Governmental Activities while the debt for CSA Districts 2 and 3 bonds is included in the Business-type Activities.

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

<b>Governmental Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 280,000	\$ 51,083	\$ 331,083
2007	115,000	27,920	142,920
2008	120,000	18,535	138,535
2009	35,000	8,769	43,769
2010	40,000	6,100	46,100
2011-2015	40,000	3,050	43,050
	\$ 630,000	\$ 115,457	\$ 745,457
<b>Business-Type Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 30,000	\$ 15,150	\$ 45,150
2007	35,000	12,763	47,763
2008	40,000	9,975	49,975
2009	45,000	6,788	51,788
2010	40,000	3,200	43,200
	190,000	47,876	237,876
Less unamortized premiums/ discounts, net	(3,554)	—	(3,554)
	\$ 186,446	\$ 47,876	\$ 234,322

**(d) Certificates of Participation**

In 1986 Anchorage issued \$57,000,000 of Certificates of Participation, Series 1986A to pay existing pension obligations. The debt is not backed by a pledge of the full faith and credit of Anchorage and is subject to annual appropriation by the Assembly.

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Annual debt service requirements to maturity for certificates of participation are as follows:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	3,360,000	84,000	3,444,000
	<u>\$ 3,360,000</u>	<u>\$ 84,000</u>	<u>\$ 3,444,000</u>

*(e) Notes and Contracts*

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

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

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

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 95,000	\$ 244,613	\$ 339,613
2007	100,000	240,813	340,813
2008	100,000	236,812	336,812
2009	105,000	232,812	337,812
2010	110,000	228,612	338,612
2011-2015	625,000	1,072,738	1,697,738
2016-2020	760,000	934,464	1,694,464
2021-2025	945,000	751,156	1,696,156
2026-2030	1,205,000	492,519	1,697,519
2031-2035	1,210,000	155,000	1,365,000
	<u>\$ 5,255,000</u>	<u>\$ 4,589,539</u>	<u>\$ 9,844,539</u>

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Notes to Basic Financial Statements

December 31, 2005

	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ 6,763,808	\$ 943,640	\$ 7,707,448
2007	4,244,631	1,487,682	5,732,313
2008	4,279,952	1,142,773	5,422,725
2009	4,315,987	1,055,808	5,371,795
2010	4,352,756	977,704	5,330,460
2011-2015	20,929,152	3,717,322	24,646,474
2016-2020	17,785,080	1,882,334	19,667,414
2021-2025	8,291,975	495,356	8,787,331
2026-2030	1,144,558	18,049	1,162,607
	<u>\$ 72,107,899</u>	<u>\$ 11,720,668</u>	<u>\$ 83,828,567</u>

*(f) HUD Section 108 Loan*

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

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

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2006	\$ —	\$ 112,000	\$ 112,000
2007	—	112,000	112,000
2008	20,000	110,316	130,316
2009	40,000	106,507	146,507
2010	66,000	102,479	168,479
2011-2015	416,000	443,401	859,401
2016-2020	477,000	301,729	778,729
2021-2025	981,000	114,400	1,095,400
	<u>\$ 2,000,000</u>	<u>\$ 1,402,832</u>	<u>\$ 3,402,832</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

**(g) Bonds Authorized But Unissued**

Anchorage has no authorized but unissued general obligation bonds as of December 31, 2005.

There are \$48,495,000 authorized but unissued general obligation school bonds of the Municipality of Anchorage at December 31, 2005 as follows (in thousands):

<u>Purpose</u>	<u>Ordinance Date</u>	<u>Interest Limitation</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized</u>
Construction/renovation/ replacement/major maintenance	April 2003	None	72,585	62,115	10,470
Construction/renovation/ replacement/major maintenance	April 2004	None	36,380	17,855	18,525
Construction/renovation/ replacement/major maintenance	November 2004	None	81,600	62,100	<u>19,500</u>
					<u>\$ 48,495</u>

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

Long-term liability activity for the year ended December 31, 2005, was as follows (in thousands):

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 367,387	\$ 159,476	\$ (86,600)	\$ 440,263	\$ 28,425
Revenue Bonds	54,545	40,835	(41,760)	53,620	2,815
Special Assessment District Bonds	690	—	(60)	630	280
Certificates of Participation	6,560	—	(3,200)	3,360	3,360
Capital Leases	1,414	350	(199)	1,565	224
Long-Term Contracts	5,441	—	(186)	5,255	95
HUD Section 108 Loan	—	2,000	—	2,000	—
Total Debt Payable	<u>436,037</u>	<u>202,661</u>	<u>(132,005)</u>	<u>506,693</u>	<u>35,199</u>
Compensated Absences	13,485	14,261	(11,410)	16,336	10,621
Unfunded Pension Obligation	2,477	6,710	—	9,187	—
Post-employment Benefits	<u>153,919</u>	<u>43,562</u>	<u>—</u>	<u>197,481</u>	<u>—</u>
Total Governmental Activities	<u>\$ 605,918</u>	<u>\$ 267,194</u>	<u>\$ (143,415)</u>	<u>\$ 729,697</u>	<u>\$ 45,820</u>

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Notes to Basic Financial Statements

December 31, 2005

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
Business-type activities:					
General Obligation Bonds	\$ 15,997	\$ —	\$ (7,832)	\$ 8,165	\$ 6,412
Revenue Bonds	350,441	136,002	(152,229)	334,214	28,267
Special Assessment District Bonds	272	—	(86)	186	30
Long-term Contracts	66,207	9,370	(3,469)	72,108	6,764
Total Bonds Payable	432,917	145,372	(163,616)	414,673	41,473
Compensated Absences	4,249	4,639	(4,412)	4,476	4,059
Unfunded Pension Obligation	681	1,322	—	2,003	—
Total Business- type Activities	<u>\$ 437,847</u>	<u>\$ 151,333</u>	<u>\$ (168,028)</u>	<u>\$ 421,152</u>	<u>\$ 45,532</u>

Anchorage has recognized a liability for and expects to pay approximately \$1,137,000, plus interest, in 2006 for judgements. Governmental activities compensated absences are typically liquidated by the General Fund.

**(i) Unfunded Pension Obligation**

Anchorage and Anchorage Community Development Authority recognized unfunded pension obligations in 2005 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 state statute.

**(j) Refunded Bond Issues**

In March 2005 Anchorage issued \$18,145,000 of new general obligation bonds to advance refund \$17,945,000 of outstanding bonds. This advance refunding reduces total debt service payments over the next 15 years by \$1,145,996. The economic gain generated by this refunding was \$677,041, calculated as the difference between the present value of the debt service requirements of the new debt and the present value of the debt service requirements of the refunded debt.

In June 2005 Anchorage issued \$43,110,000 of new general obligation bonds to advance refund \$43,745,000 of outstanding bonds. This advance refunding reduces total debt service payments over the next 15 years by \$2,495,806. The economic gain generated by this refunding was \$1,970,599, calculated as the difference between the present value of the debt service requirements of the new debt and the present value of the debt service requirements of the refunded debt.

In March 2005 Anchorage issued \$40,835,000 of new revenue bonds to advance refund \$39,585,000 of outstanding jail lease revenue bonds. This advance refunding reduces total debt service payments over the next 15 years by \$2,833,444. The economic gain generated by this refunding was \$2,136,561, calculated as the difference between the present value of the debt service requirements of the new debt and the present value of the debt service requirements of the refunded debt.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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December 31, 2005

On November 3, 2005 the Electric Utility issued \$109,350,000 of Senior Lien Electric Revenue Refunding Bonds, Series 2005A and \$25,745,000 Junior Lien Electric Revenue Refunding Bonds, Series 2005B to advance refund \$136,365,000 of outstanding revenue bonds. The Senior Lien Electric Revenue Refunding Bonds, Series 2005A reduce total debt service payments over the next 21 years by \$13,907,000 and generated a net present value savings of \$8,298,000. The Junior Lien Electric Revenue Bonds, Series 2005B was issued to replace the Variable Rate Electric Revenue Bonds, Series 1996D and to reduce the maturity date of the bonds from 20 years to 3 years. These refundings also restructured the Electric Utility's debt service to meet the expected useful life of the Beluga River Gas Field.

**(k) 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, 2005 the amount of general obligation and revenue bonds considered defeased was \$524,035,000.

**(l) School District Debt**

The following is a summary of long-term debt transactions of the School District for fiscal year ended June 30, 2005 (in thousands):

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Amount Due within 1 year</u>
General Obligation Bonds	\$ 681,250	\$ 259,980	\$ 143,375	\$ 797,855	\$ 39,035

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Notes to Basic Financial Statements

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Bonds payable at June 30, 2005 are comprised of the following individual issues (in thousands):

<b>General Obligation Bonds</b>	<b>Amount</b>
\$41,635,000 1993 series B school construction refunding serial bonds due in annual installments of \$1,245,000 in September 2005; interest at 5.0%.	\$ 1,245
\$63,000,000 1994 series A school construction serial bonds due in annual installments of \$3,060,000 in July 2005; interest at 5.4%	3,060
\$60,000,000 1995 series A school construction serial bonds due in annual installments of \$110,000 to \$5,030,000 through October 2015; interest at 5.0% to 6.0%.	22,810
\$29,765,000 1995 series A school construction refunding serial bonds due in annual installments of \$1,505,000 to \$3,700,000 through October 2012; interest at 5.125% to 6.0%.	23,520
\$65,000,000 1996 series A school construction serial bonds due in annual installments of \$3,015,000 to \$3,865,000 through August 2006; interest at 6.0%.	6,880
\$43,850,000 1997 series A school construction serial bonds due in annual installments of \$1,790,000 to \$1,995,000 through December 2007; interest at 5.0% to 5.25%.	5,675
\$20,735,000 1998 series A school construction refunding serial bonds due in annual installments of \$140,000 to \$5,120,000 through July 2014; interest at 3.90% to 4.75%.	20,020
\$55,900,000 1999 series A school construction serial bonds due in annual installments of \$2,295,000 to \$4,270,000 through December 2018; interest at 4.0% to 5.125 %.	28,000
\$35,000,000 2000 series A school construction serial bonds due in annual installments of \$1,245,000 to \$1,810,000 through December 2012; interest at 4.75% to 5.75 %.	12,090
\$77,900,000 2000 series B school construction serial bonds due in annual installments of \$2,820,000 to \$6,235,000 through December 2020; interest at 4.75% to 5.125%.	31,330



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

<b>General Obligation Bonds (continued)</b>	<b>Amount</b>
\$65,000,000 2001 series A school construction serial bonds due in annual installments of \$2,350,000 to \$5,065,000 through June 2021; interest at 4.25% to 5.5%.	\$ 33,515
\$51,805,000 2001 school construction refunding bonds due in annual installments of \$1,070,000 to \$10,345,000 through July 2013; interest 4.125% to 5.5%.	51,640
\$131,800,000 2002 series B school construction serial bonds due in annual installments of \$4,385,000 to \$10,390,000 through July 2022; interest 3.2% to 5.5%.	108,155
\$70,345,000 2002 school construction refunding bonds due in annual installments of \$150,000 to \$10,255,000 through July 2015; interest 3.75% to 5.5%.	67,690
\$126,770,000 2003 series B school construction serial bonds due in annual installments of \$1,145,000 to \$9,420,000 through September 2023; interest 2.0% to 5.25%.	122,245
\$80,735,000 2004 series B school construction refunding bonds due in annual installments of \$60,000 to \$27,390,000 through December 2017; interest 3.0% to 5.25%.	80,735
\$86,240,000 2004 series D school construction serial bonds due in annual installments of \$2,915,000 to \$6,540,000 through December 2024; interest 2.0% to 5.0%.	86,240
\$63,850,000 2005 series A school construction serial bonds due in annual installments of \$2,240,000 to \$4,730,000 through March 2025; interest 2.5% to 5.0%.	63,850
\$29,155,000 2005 series B school construction refunding bonds due in annual installments of \$45,000 to \$8,140,000 through December 2020; interest 2.5% to 5.0%.	29,155
	<b>\$ 797,855</b>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2005, including interest payments in the amount of \$365,542,533 are as follows (in thousands):

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 39,035	\$ 37,637	\$ 76,672
2007	39,870	36,177	76,047
2008	41,145	34,537	75,682
2009	42,710	32,791	75,501
2010	44,525	30,824	75,349
2011-2015	244,675	119,847	364,522
2016-2020	216,020	60,086	276,106
2021-2025	129,875	13,644	143,519
	<b>\$ 797,855</b>	<b>\$ 365,543</b>	<b>\$ 1,163,398</b>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

The amount of long-term liability that is due within one year as of June 30, 2005 is \$39,035,000.

The Debt Service Fund has \$12,215,915 available to service the general obligation bonds.

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

The amount available and to be provided by Debt Service Fund to repay long-term debt obligations, general obligation bonds at June 30, 2005 is \$797,855,000.

**(m) Debt Issuance Subsequent to Year End**

On February 2, 2006, CIVICVentures issued \$110,950,000 of revenue bonds to construct a new downtown civic and convention center. The interest rate on the bonds ranges from 3.5% to 5% and the maturity date is September 1, 2038.

On February 15, 2006, Anchorage issued \$82,000,000 of General Obligation Tax Anticipation Notes. The interest rate on the bonds is 4.5% and the maturity date is December 28, 2006.

**NOTE 9 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:

	<u>Principal</u>
Years:	
2006	\$ 51,085
2007	54,627
2008	58,453
2009	62,514
2010	66,867
2011-2015	309,889
	<u>\$ 603,435</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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

	<u>Principal</u>
Years:	
2006	\$ 32,272
2007	34,477
2008	36,749
2009	39,199
2010	41,824
2011-2015	255,064
2016-2021	318,455
	<u>\$ 758,040</u>

**(b) Higher Education Revenue Bonds – Alaska Pacific University Project**

On January 5, 1993, Anchorage participated in the issuance of \$18,800,000 of Higher Education Variable Rate Demand Revenue Bonds, Series 1993, on behalf of Alaska Pacific University. The proceeds were used to refund all Anchorage's Higher Education Variable Rate Demand Revenue Bonds, Series 1987; to refund a portion of the Revenue Bonds, 1990 (Alaska Pacific University Project), issued by the City of Seward; to fund certain other indebtedness of the University; and to pay costs of issuance of the bonds. The bonds did not constitute a general obligation debt or pledge of the full faith and credit of Anchorage. The bonds were legally defeased in 2005.

**(c) 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.

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Notes to Basic Financial Statements

December 31, 2005

A schedule of the remaining debt service follows:

	<u>Principal</u>
Years:	
2006	\$ 249,164
2007	142,479
2008	152,400
2009	163,011
2010	174,361
2011-2014	756,296
	<u>\$ 1,637,711</u>

**NOTE 10 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 Electric Utility's current agreement provides for contributions of \$3.67 to the Plan for each hour worked by a covered employee. The total employer contributions for 2005, 2004, and 2003 were \$4,745,261, \$4,151,339, and \$4,291,098, respectively. Anchorage's obligation for IBEW employees' retirement is limited to the amount paid to the Alaska Electrical Trust Fund. Each year, IBEW issues audited financial statements that can be obtained by writing to International Brotherhood of Electrical Workers, 3333 Denali Street, Anchorage, Alaska 99503.

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

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**(a) State of Alaska Public Employees' Retirement System**

**Plan Description**

Anchorage contributes to PERS, a defined benefit, agent multiple-employer public employee retirement system which was established and is administered by the State of Alaska (State) to provide pension, post employment healthcare, death and disability benefits to eligible employees.

All full-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. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

**Funding Policy and Annual Pension Cost**

Employee contribution rates are required by State statute. 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.

Annual pension cost for the year ended 2005 and related information for Anchorage is as follows:

	<u>Anchorage</u>	
	<u>1/1/05 - 6/30/05</u>	<u>7/1/05 - 12/31/05</u>
Contribution Rates:		
Employee Rate:		
Police Officers and Firefighters	4.65%	4.43%
Other Employees	4.19%	3.98%
Actuarially Required Employer Rate:		
Police Officers and Firefighters	14.38%	14.67%
Other Employees	14.38%	14.67%
Adjusted Actual Employer Rate:		
Police Officers and Firefighters	6.14%	5.84%
Other Employees	5.19%	4.94%
Actuarial Valuation Date	June 30, 2002	June 30, 2003
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar, Open	Level Dollar, Open
Amortization Period	Rolling 25 Years	Rolling 25 Years
Asset Valuation Method	Market	Market
Actuarial Assumptions:		
Inflation Rate	3.50%	3.50%
Investment Return	8.25%	8.25%
Projected Salary Increase:		
Inflation	3.50%	3.50%
Productivity and Merit - Police	2.50%	2.50%
Productivity and Merit - Other	2.00%	2.00%

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

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The Authority has chosen to early implement GASB Statement No. 45 and recognize a post-employment healthcare liability. Anchorage did not early implement GASB Statement No. 45.

Annual pension and post-employment healthcare cost for the year ended 2005 and related information for the Authority is as follows:

	Authority			
	Pension		Post-employment Healthcare	
	<u>1/1/05 - 6/30/05</u>	<u>7/1/05 - 12/31/05</u>	<u>1/1/05 - 6/30/05</u>	<u>7/1/05 - 12/31/05</u>
Contribution Rates:				
Employee Rate:				
Police Officers and Firefighters	N/A	N/A	N/A	N/A
Other Employees	4.19%	4.20%	2.56%	2.55%
Actuarially Required Employer Rate:				
Police Officers and Firefighters	N/A	N/A	N/A	N/A
Other Employees	12.43%	12.27%	7.55%	8.20%
Adjusted Actual Employer Rate:				
Police Officers and Firefighters	N/A	N/A	N/A	N/A
Other Employees	5.71%	8.50%	3.47%	5.68%
Actuarial Valuation Date	June 30, 2002	June 30, 2003	June 30, 2002	June 30, 2003
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open
Amortization Period	Rolling 25 Years	Rolling 25 Years	Rolling 25 Years	Rolling 25 Years
Asset Valuation Method	Market	Market	Market	Market
Actuarial Assumptions:				
Inflation Rate	3.50%	3.50%	3.50%	3.50%
Investment Return	8.25%	8.25%	8.25%	8.25%
Projected Salary Increase:				
Inflation	3.50%	3.50%	3.50%	3.50%
Productivity and Merit - Police	N/A	N/A	N/A	N/A
Productivity and Merit - Other	2.00%	2.00%	2.00%	2.00%

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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The components of annual pension cost for the year ended 2005 (in thousands) are as follows:

	<u>Anchorage</u>	<u>Authority</u>		
	<u>Pension</u>	<u>Pension</u>	<u>Post-employment Healthcare</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 19,495	\$ 140	\$ 89	\$ 229
Interest on the Net Pension Obligation (NPO)	257	2	2	4
Adjustment to the ARC	(192)	(3)	(2)	(5)
Annual Pension Cost (APC)	19,560	139	89	228
Contributions made	(11,547)	(81)	(52)	(133)
Increase in NPO	8,013	58	37	95
NPO, beginning of year	3,109	34	21	55
NPO, end of year	\$ 11,122	\$ 92	\$ 58	\$ 150

Three year trend information (in thousands) follows:

<u>Anchorage</u>				
	<u>Year Ending December 31</u>	<u>APC</u>	<u>Percentage of APC Contributed</u>	<u>NPO</u>
Pension	2003	6,262	100%	—
	2004	9,818	68%	3,109
	2005	19,560	59%	11,122
<u>Authority</u>				
	<u>Year Ending December 31</u>	<u>APC</u>	<u>Percentage of APC Contributed</u>	<u>NPO</u>
Pension	2003	30	100%	—
	2004	76	56%	34
	2005	139	58%	92
Post-employment Healthcare	2003	13	100%	—
	2004	46	56%	21
	2005	89	59%	58

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Notes to Basic Financial Statements

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

		<b>Actuarial Valuation Year Ended June 30</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>(Overfunded) Unfunded Actuarial Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
Anchorage:								
Pension Benefits	2002	2002	408,083	525,540	117,457	78%	117,039	100%
	2003	2003	396,744	534,420	137,676	74%	124,211	111%
	2004	2004	402,824	571,767	168,943	70%	118,474	143%
Authority:								
Pension Benefits	2002	2002	1,801	2,432	631	74%	936	67%
	2003	2003	1,804	2,467	633	73%	964	69%
	2004	2004	2,068	2,778	710	74%	1,013	70%
Post-employment Healthcare	2002	2002	1,094	1,478	384	74%	936	41%
	2003	2003	1,206	1,649	443	73%	964	46%
	2004	2004	1,458	1,959	501	74%	1,013	49%

**On-Behalf Payments**

During 2005 the State of Alaska contributed \$6,615,843 for pension and post-employment healthcare to the PERS plan on behalf of Anchorage.

**(c) Police and Fire Retirement System Plans**

Plans I, II and III are defined benefit single-employer plans established by Chapter 3.85 of the Code. The plans are administered by the Police and Fire Retirement Board (Retirement Board). The cost of administering the plans is financed by the Retirement Board. The board consists of eight members appointed by the Mayor and confirmed by the Assembly.

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 employment or employee election. Members employed on or before June 30, 1977, are members of Plan I, members employed between July 1, 1977, and April 16, 1984, are members of Plan II and members employed after April 16, 1984, are members of Plan III. Members of Plans I and II were permitted to elect into Plan III at its inception.

Members of Plan I are required to contribute an amount not to exceed 6% of compensation. Members of Plan II and III are required to contribute not more than 2.5:1 Anchorage/member contribution ratio. Anchorage is responsible for any additional contributions to ensure that Plans I, II, and III are financially sound.



## MUNICIPALITY OF ANCHORAGE, ALASKA

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

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

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

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

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.

Each fiscal year, the Police and Fire Retirement System Plan issues a publicly available financial report. The report may be obtained by writing to Anchorage Police and Fire Retirement System, P.O. Box 196650, Anchorage, Alaska 99519-6650 or by calling (907) 343-8400.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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**Funding Status and Contribution Requirements**

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

	<b>Police and Fire Retirement Systems</b>		
	<b>Plan I</b>	<b>Plan II</b>	<b>Plan III</b>
Contribution rates:			
Employee:			
Peace officers and firefighters	—	—	—
Other employees	—	—	—
Employer			
Annual pension cost (in thousands)	—	—	—
Contributions made (in thousands)	—	—	—
Actuarial valuation date	January 1, 2005	January 1, 2005	January 1, 2005
	Modified	Modified	Modified
Actuarial cost method	Aggregate	Aggregate	Aggregate
Amortization period	15 years	15 years	15 years
Asset valuation method	Market	Market	Market
Actuarial assumptions:			
Inflation rate	3.5%	3.5%	3.5%
Investment rate of return	8%	8%	8%
Projected salary increase	4%	4%	4%
Cost of living adjustment	N/A	N/A	0.875%/1.75% *

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

The components of annual pension cost for the year ended 2005 (in thousands) are as follows:

	<b>Police and Fire Retirement Systems</b>		
	<b>Plan I</b>	<b>Plan II</b>	<b>Plan III</b>
Annual required contribution (ARC)	\$ —	\$ —	\$ 11
Interest on the net pension obligation (NPO)	—	—	—
Adjustment to the ARC	—	—	—
Annual pension cost (APC)	—	—	—
Contributions made	—	—	(11)
Increase in NPO	—	—	—
NPO, beginning of year	—	—	—
NPO, end of year	\$ —	\$ —	\$ —

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

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Three year trend information (in thousands) follows:

	<u>Year Ending</u>	<u>APC</u>	<u>Percentage of APC Contributed</u>	<u>NPO</u>
Plan I	2003	—	100%	—
	2004	752	100%	—
	2005	—	100%	—
Plan II	2003	—	100%	—
	2004	547	100%	—
	2005	—	100%	—
Plan III	2003	—	100%	—
	2004	2,519	100%	—
	2005	11	100%	—

**(d) Investments**

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

In May 2003, the Police and Fire Retirement System board of directors elected to change the methodology for calculating contributions to the modified aggregate actuarial cost method, effective with the plan year beginning January 1, 2004. Based upon this methodology, there are no scheduled contributions for 2006.

**NOTE 11 Post-Employment Health Care Benefits**

Prior to January 1, 1995, Anchorage was required to provide post-employment medical benefits for all retired police officers and fire fighters. In December 1994, Anchorage entered into a defined contribution program to provide medical benefits for police officers and fire fighters. The program went into effect January 1, 1995, and applied to those active duty, noncommand personnel who retire after January 1, 1995, and are members of the Police and Fire Retirement System. The program also applies to personnel appointed to nonrepresented command positions after January 1, 1995. 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 \$ 197,480,650 has been recorded based on a funding analysis performed in 2005.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

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

Anchorage contributed \$1,799,268 to the Police and Fire Retiree Medical Trust Fund in 2005.

Anchorage is prefunding the estimated cost of the program with annual payments to the Police and Fire Retiree Medical Liability Debt Service Fund of \$1,800,000, except for 2006 when \$9,800,000 will be contributed from the Retirement Certificates of Participation Debt Service Fund. Based on an actuarial report issued in July 2002 the annual payment in 2005 was \$1,800,000. Anchorage will perform an actuarial funding study every three years and adjust the required annual contribution as needed.

For other personnel retired under the Police and Fire Retirement Plan and command active personnel, Anchorage plans to continue pay-as-you-go post-employment health, dental, audio and vision benefits. To be eligible for post-employment defined health benefits, the participant must be receiving retirement benefits from the Police and Fire Retirement Plan. At December 31, 2005, there were 278 retirees who met the eligibility requirements. Anchorage pays 100% of the health portion for all eligible retirees and dental, audio and vision coverage for police retirees; optional dental, audio and vision coverage is paid by the fire and command retirees. The cost of retiree health benefits is recognized as an expenditure as premiums are paid. For 2005, those costs totaled \$5,038,162.

Anchorage employees, including new police and fire employees, who are members of the State Public Employee Retirement Plan will receive 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 12 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.

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

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

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

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, 2005, is dependent upon future developments. At December 31, 2005, claims incurred but not reported included in the liability accounts are \$11,336,328 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

Changes in the funds' claim liability amounts in 2004 and 2005 are as follows:

	<b>Liability Balance January 1</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payment</b>	<b>Liability Balance December 31</b>
2004:				
General Liability/Workers' Compensation	\$ 12,390,992	\$ 7,857,287	\$ (7,857,287)	\$ 12,390,992
Unemployment	137,392	411,787	(469,335)	79,844
	<u>\$ 12,528,384</u>	<u>\$ 8,269,074</u>	<u>\$ (8,326,622)</u>	<u>\$ 12,470,836</u>
2005:				
General Liability/Workers' Compensation	\$ 12,390,992	\$ 6,090,680	\$ (5,931,672)	\$ 12,550,000
Medical/Dental	—	34,363,624	(28,561,149)	5,802,475
Unemployment	79,844	251,617	(252,528)	78,933
	<u>\$ 12,470,836</u>	<u>\$ 40,705,921</u>	<u>\$ (34,745,349)</u>	<u>\$ 18,431,408</u>

Anchorage transferred its medical insurance coverage from a private insurance carrier to a self-insurance plan in 2005.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

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#### NOTE 13 MOA Trust Fund

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

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

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

Depending on the investment market conditions in any given year, the MOA Trust Fund may or may not generate sufficient realized and unrealized net earnings to cover the 5% dividend payout. Under the endowment model, however, up to 5% of the market value of the MOA Trust Fund for the twelve trailing quarters marked at March 31 of each year is available for appropriation by the Assembly to help fund the general government budget. The endowment model is tied to an average market value, not to annual earnings, and it assumes a long-term investment return of 8% and inflation of 3%. During periods of market decline the MOA Trust Fund may experience a negative return; nonetheless the voter-approved endowment model for the MOA Trust Fund makes it possible for the Assembly to payout a 5% dividend by drawing from the fund’s corpus. Over time the MOA Trust Fund is also expected to benefit from positive years in the market (i.e., years in which the real rate of return exceeds 5%), however the Assembly must abide by the 5% cap on annual distributions. This means that any excess returns generated during positive year in the market effectively are converted to corpus. The Municipal Treasurer is required by Code to determine whether the MOA Trust Fund’s purchasing power is being maintained, by performing an analysis at least every five years beginning in year 2007. At December 31, 2005, \$6,300,000 of the MOA Trust Fund Balance was determined to be expendable.

#### NOTE 14 Regulatory and Other Matters

##### (a) *Electric Utility*

***Beluga River Unit (BRU) Underlift Cash Settlement:*** Each of the three participants in the Beluga River Unit 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 Beluga River Unit Gas Balancing Agreement. “Overlifted” parties (parties which have taken more than one third of the Unit output) must offer to “underlifted” parties (parties which have taken less than one-third of the Unit output) the option to either accept a cash settlement for their underlift for the year, or accept a right to take the underlift in a future year, subject to certain restrictions. While it had been the Electric Utility’s practice, in keeping with its original intent to secure a future supply of gas for

## MUNICIPALITY OF ANCHORAGE, ALASKA

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generation, to accept the right to take future delivery of underlifted gas, its underlift position had reached a level by the end of 2003 such as to call into question its ultimate ability to recover all of its share of BRU gas before field closure. For this reason, the Electric Utility took cash settlements for its 2003 underlift in 2004 and for its 2004 underlift in 2005. The 2004 underlift settlements amounted to \$19,852,555 and the 2003 underlift settlement was \$17,136,139 (later reduced by \$1,200,615 due to adjustments by ConocoPhillips and Chevron).

In Order No. U-04-63(5), the RCA approved part of the Electric Utility's proposed disposition of its 2003 underlift settlement – utilizing \$3,983,871 to reduce accrued regulatory assets. The Electric Utility was ordered to provide further information concerning its request to use the balance of the 2003 settlement to fund BRU capital investments for 2005 and 2006. In Order No. U-04-63(6) the RCA approved the Electric Utility's recommended use and required the Electric Utility to restrict the remaining \$11,951,652 plus interest earnings for Beluga River Gas Field construction projects.

The Electric Utility opted to accept its partners monetary settlement for the 2004 underlift in the amount of \$19,852,555 for the same reasons it accepted the 2003 underlift and filed its proposed disposition of its 2004 underlift settlement in a letter to the Commission on October 7, 2005. In this letter, the Electric Utility proposed to use the 2004 settlement as a continuation of the 2003 underlift settlement plan to utilize the settlement proceeds to fund BRU capital improvements in 2007, 2008, 2009, 2010, and a portion of 2011. This use of settlement funds in this manner reduces future charges for gas in the Electric Utility's rates by eliminating borrowing and the associated debt service coverage allowance in the Electric Utility's approved revenue requirement for gas. The Commission approved this plan in Order No. U-05-97(1), requiring the Electric Utility to maintain the funds in a restricted account until used, to credit interest to the account, and to report quarterly on the status of the account, and to file separate plans for the disposition of any future underlift settlements.

The Electric Utility opted to accept Chevron U.S.A. and ConocoPhillips Alaska, Inc. monetary settlement in the amount of \$22,938,963 after lease burdens and taxes for the 2005 underlift. The Electric Utility will file with the RCA its proposed disposition of the monetary settlement in the second quarter of 2006 and therefore, has recorded this underlift settlement as a deferred credit rather than a special item until such time as the RCA determines how these funds are to be used.

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

On December 30, 2004, the Commission issued Order No. U-03-100(4) resolving all disputed issues in favor of the Petitioners. On January 31, 2005, MEA filed an appeal of that Order with the Superior Court of the State of Alaska. This appeal is still pending.

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

**Depreciation Study:** RCA Order No. U-99-139(17) required the Electric Utility to file a depreciation study within three years of the date of the order, which was January 22, 2003. The Electric Utility retained Gannett Fleming, Inc. on August 26, 2004 to perform the study and timely filed its depreciation study on January 23, 2006. The Commission acknowledged the study in Order No. U-06-006 (1) issued on February 14, 2006. The order established a schedule for comment, intervention, and hearing. The deadline for intervention was February 28, 2006, the matter is scheduled for hearing October 16 - 19, and the Commission expects to issue an order and close the Docket by January, 2007.

**Eklutna Hydroelectric Project:** On October 2, 1997, the ownership of the Eklutna Hydroelectric Project was formally transferred from the Alaska Power Administration, a unit of the United States Department of Energy, to the three participating utilities: the Electric Utility, Chugach Electric Association (CEA) and Matanuska Electric Association (MEA). The Project is jointly owned and operated by the participating utilities and each contributes their proportionate share for operation, maintenance, and capital improvement costs, as well as to the transmission line between Anchorage and the plant. The Electric Utility has a 53.33% ownership interest in the Project and recorded costs of \$816,088 and \$769,388 in 2005 and 2004, respectively.

**Grant Agreement 2195150 (Eklutna Project Transmission Line Upgrade):** On November 5, 2002, the Electric Utility received a grant from the AEA in the amount of \$19,300,000. The grant was issued for the Eklutna Project Transmission Line Upgrade which must be completed no later than December 31, 2006. The Electric Utility received an advance of 20% or \$3,860,000 on December 5, 2002. After the advance is expended, the Electric Utility will issue a bill to the State of Alaska each month for its expenditures up to the total amount of the grant. The advance monies were expended in January 2006. The Electric Utility has recorded expenditures of \$4,249,191 as of December 31, 2005. The Electric Utility requested and received an extension to the completion date of the grant. The completion date of the grant is now December 31, 2007.

**Bradley Lake Hydroelectric Project:** The Electric Utility agreed to acquire a portion of the output of the Bradley Lake Hydroelectric Project (Project) pursuant to a Power Sales Agreement (Agreement). The Agreement specifies that the Electric Utility acquire 25.9% of the output of the Project. The Bradley Lake Hydroelectric Project went on line September 1, 1991. The Electric Utility made payments to the AEA of \$4,273,508 and \$4,085,538 in 2005 and 2004 for its portion of the costs, and received 110,537 and 91,188 megawatt hours of power in 2005 and 2004 from the Project. The Electric Utility received a budget surplus refund in the amount of \$182,543 and \$170,124 for 2005



## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2005

and 2004, respectively. The Electric Utility's estimated cost of power from the Project for 2006 is \$4,300,000.

AEA issued the Power Revenue Bonds, First and Second Series in September 1989 and August 1990, respectively for the long term financing of the construction costs of the Project. The total amount of debt outstanding as of December 31, 2005, is \$126,373,975. The pro rata share of the debt service costs of the Project for which the Utility is responsible, given its 25.9% share of the Project, is \$32,730,859. In the event of payment defaults by other power purchasers, the Electric Utility's share could be increased by up to 25%, which would then cause its pro rata share of project debt service to be a total of \$40,913,574; the Electric Utility does not now know of or anticipate any such defaults.

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

#### **(b) *Water and Wastewater Utilities***

***Wastewater Treatment Facilities Discharge Permits:*** The Environmental Protection Agency's National Pollutant Discharge Elimination System (NPDES) 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 (5) years from the date of issuance. The Asplund and Girdwood treatment facilities' permits have been administratively extended. All requirements stay in effect indefinitely until the new permits are issued. Renewals are expected in 2006. Currently only the Asplund facility has a Section 301(h) waiver of secondary treatment.

***2004/2005 Rate Case:*** The Water and Wastewater Utilities filed two-stage rate cases with the Regulatory Commission of Alaska (RCA) on January 9, 2004, requesting permanent rate increases for Water and Wastewater Utilities of 14.20% and 8.06% for 2004 and 7.17% and 6.83% for 2005, respectively. The RCA approved these interim refundable rate increases effective February 24, 2004 and February 18, 2005, respectively, except for the Water Utility 2004 rate of 14.20% which was decreased to 13.61%. On July 8, 2005, the RCA accepted a stipulation between the Attorney General and AWWU settling all issues except MUSA on contributed plant. As part of the stipulation, the Wastewater Utility reduced the interim rates by 3.01%, effective August 1, 2005. On September 2, 2005 the RCA issued an order establishing the Utilities' revenue requirements that excluded MUSA on contributed plant. The Utilities filed an appeal with the Alaska Superior Court. On December 21, 2005, the Alaska Superior Court issued a stay of the RCA's final order, allowing the Utilities to continue collecting MUSA on contributed plant in interim rates pending resolution of the appeal. Revenues collected subject to refund approximate \$5,000,000 and \$3,800,000 for the Water and Wastewater Utilities respectively through December 31, 2005.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

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The Utilities intend to vigorously pursue the appeal and suit to permit the inclusion of MUSA on contributed plant in rates. The Utilities believe that the chance of ultimately being required to refund the revenue collected is reasonably possible, but not probable, and therefore have not recorded liabilities for a refund payable.

**2006 Rate Case:** The Water Utility filed a rate case with the RCA on November 10, 2005, requesting a permanent rate increase of 8.9% effective January 1, 2006. On December 27, 2005, the RCA rejected the filing, citing the lack of a corresponding Cost of Service Study (COSS). The Water Utility refiled its 2006 rate case, including a COSS, on February 17, 2006. On March 15, 2006, the RCA again rejected the filing, stating that the requirements of the order had not been satisfied because the COSS, though complete, was marked draft and subject to change pending the outcome of local public process. The AWWU Board held a public hearing and approved the recommendation of the study that no cost of service adjustments were necessary to the Water Utility's rate design. The Water Utility then refiled its 2006 rate case and COSS on April 14, 2006, requesting for the third time an 8.9% across the board interim and refundable rate increase. On May 30, 2006, the RCA issued an order granting full interim rates.

The Wastewater Utility filed a rate case with the RCA on November 10, 2005, requesting a permanent rate increase of 10.6% effective January 1, 2006. However, the RCA suspended the filing and eliminated MUSA on contributed plant from interim refundable rates, granting only a 4.01% increase regardless of the Alaska Superior Court stay allowing continued collection of MUSA on contributed plant in interim refundable rates pending resolution of the 2004/2005 rate case appeal. The Wastewater Utility filed a complaint with the Court, asked that the stay apply to the 2006 rate case, and that the complaint be consolidated with the appeal. On May 26, 2006, the Court issued two Orders. The first Order denied the Wastewater Utility's request for consolidation. On the second Order, the Court issued a preliminary injunction to require the RCA to immediately allow the Wastewater Utility to implement requested interim rates.

#### NOTE 15 Contingencies

**(a) Litigation**

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

**(b) Grants**

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

**(c) Property Tax Limitation**

On October 4, 1983, Anchorage voters approved a charter amendment limiting the amount of taxes Anchorage can levy except for debt service. With certain other exceptions, the amendment limits taxes to the amount levied in the previous year increased by Anchorage Consumer Price Index (CPI)

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2005

and 5-year average population growth. In the opinion of management, Anchorage is in compliance with this limitation.

**(d) *Spending Limitation***

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

**(e) *Internal Revenue Service Examination of Electric Utility Revenue Bonds***

In 1996, the Municipality of Anchorage issued tax-exempt electric revenue bonds to finance capital improvements and a portion of its purchase of the Beluga River Gas Field. These electric revenue bonds were selected for examination by the IRS as part of its expanded compliance program for tax-exempt bonds. In 2005, the examination of the bonds was resolved. Pursuant to a closing agreement with the IRS Office of Appeals, the bondholders will not be required to include, for income tax reporting purposes, interest on the bonds in their gross income; the Utility is not required to make any payment to the IRS; no bonds are required to be redeemed absent a change in circumstances; and the Utility promises to continue to comply with the private use limitations of the Internal Revenue Code of 1986.

#### **NOTE 16      *Environmental Issues***

Anchorage has adopted an aggressive proactive policy designed to identify and mitigate the potential effects of past, present and future activity which may result in environmental impact. It is accounting policy to record a liability when the likelihood of responsibility for an environmental impact is probable and the cost of mitigating the impact is estimable within reasonable limits. At December 31, 2005, there are environmental issues which meet both of these criteria and, accordingly, a provision has been made in the accompanying financial statements for the cost of mitigating environmental concerns of underground fuel and hazardous waste contamination. The following is a summary of environmental concerns at December 31, 2005.

**(a) *Solid Waste Landfill Site***

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2005

should alleviate any potential environmental problems. The water quality at 16 different locations at the Merrill Field landfill will continue to be monitored.

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

State and federal laws and regulations require Anchorage to place a final cover on its current landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these future closure and postclosure costs, Anchorage Solid Waste Services (SWS) is recording as an operating expense in each period an amount based on landfill capacity used as of each balance sheet date. During 1997 the future closure and postclosure were reevaluated and adjusted to reflect current conditions. As of December 2005, SWS had a recorded liability of \$11,899,235 associated with these future costs, based on the use of 28% of the estimated capacity of the landfill. It is estimated that SWS will recognize another \$30,566,929 in expense and liability between December 31, 2005, and the year 2037, the date the landfill is expected to reach full capacity. These amounts are based on what it would cost to perform all the closure and postclosure functions in 2005. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

As of December 31, 2005, there are no state laws or regulations requiring Anchorage to provide financial assurances for the closure and postclosure care of the landfill. Federal regulations that went into effect in 1997 do require Anchorage to provide financial assurances for future closure and postclosure costs by one of a number of allowable mechanisms available. Anchorage elected to use the "Local Government Test" financial assurance mechanism to be in compliance with the regulation. Currently no SWS assets are restricted for payment of closure and postclosure care costs. Future inflation costs and additional costs that might arise from changes in requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

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

<b>Balance January 1, 2005</b>	<b>Addition</b>	<b>Deletion</b>	<b>Balance December 31, 2005</b>	<b>Due Within 1 year</b>
\$ 11,111,326	\$ 787,909	\$ —	\$ 11,899,235	\$ —

**(c) Fuel Contamination Sites**

During the 1964 earthquake, approximately 250,000-400,000 gallons of diesel fuel spilled on the ground. According to numerous environmental investigations, the spill impacted soil and groundwater at Plant 1 of the Electric Utility, and properties west/northwest of Plant 1. Currently, no active remediation, environmental investigation, or monitoring is being requested by the Alaska Department of Environmental Conservation (ADEC) at this site. However, these activities may be triggered if soil-disturbing activities occur at Plant 1 or in the area impacted by the 1964 spill.

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REQUIRED SUPPLEMENTARY INFORMATION

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Fund  
Year ended December 31, 2005

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final				
<b>Revenues:</b>						
Taxes	\$ 42,247,460	\$ 399,444,892	\$ 398,135,665	\$ —	\$ 398,135,665	\$ (1,309,227)
Special assessments	557,000	557,000	499,201	—	499,201	(57,799)
Licenses and permits	11,896,220	12,148,980	13,012,040	—	13,012,040	863,060
Intergovernmental	3,763,920	3,169,930	3,076,303	—	3,076,303	(93,627)
Charges for services	33,236,850	36,285,290	36,597,251	—	36,597,251	311,961
Fines and forfeitures	11,132,030	12,372,900	8,738,432	—	8,738,432	(3,634,468)
Investment income	1,480,620	2,718,100	3,584,377	—	3,584,377	866,277
Restricted contributions	367,360	442,360	116,989	—	116,989	(325,371)
Other revenues	2,826,710	1,805,181	1,804,845	—	1,804,845	(336)
<b>Total revenues</b>	<b>107,508,170</b>	<b>468,944,633</b>	<b>465,565,103</b>	<b>—</b>	<b>465,565,103</b>	<b>(3,379,530)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	16,445,940	16,079,170	15,157,475	(1) (99,706)	15,057,769	921,695
Fire services	53,778,628	55,176,768	54,282,118	(1) 18,152	54,300,270	894,650
Police services	69,814,500	71,893,632	70,673,280	(1) 59,973	70,733,253	1,220,352
Health and human services	14,076,420	14,761,870	13,523,456	(1) (28,127)	13,495,329	1,238,414
Economic & community development	39,659,760	40,131,650	37,640,997	(1) (191,771)	37,449,226	2,490,653
Public transportation	16,002,620	16,098,010	16,045,103	(1) 8,228	16,053,331	52,907
Public works	15,957,820	17,354,180	16,178,342	(1) (802,621)	15,375,721	1,175,838
Education	—	170,080,162	170,080,162	—	170,080,162	—
Maintenance and operations	27,258,080	28,041,150	26,885,450	(1) 268,512	27,153,962	1,155,700
<b>Debt service:</b>						
Principal	24,155,300	24,496,710	24,583,791	—	24,583,791	(87,081)
Interest	17,894,210	17,204,440	16,819,464	—	16,819,464	384,976
Bond issuance costs	—	—	562,497	—	562,497	(562,497)
<b>Total expenditures</b>	<b>295,043,278</b>	<b>471,317,742</b>	<b>462,432,135</b>	<b>(767,360)</b>	<b>461,664,775</b>	<b>8,885,607</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(187,535,108)</b>	<b>(2,373,109)</b>	<b>3,132,968</b>	<b>767,360</b>	<b>3,900,328</b>	<b>5,506,077</b>
<b>Other financing sources (uses):</b>						
Transfers in - from other funds	7,010,100	8,375,140	9,225,827	—	9,225,827	850,687
Transfers out - to other funds	(8,531,432)	(9,822,793)	(10,944,207)	—	(10,944,207)	(1,121,414)
Transfers out - to component unit	—	(300,000)	(300,000)	—	(300,000)	—
Premium on bond sale	—	—	751,129	—	751,129	751,129
Refunding bonds issued	—	—	61,255,000	—	61,255,000	61,255,000
Premium on refunding bonds	—	—	5,422,081	—	5,422,081	5,422,081
Payments to extinguish debt	—	—	(61,690,000)	—	(61,690,000)	(61,690,000)
Payments to refunding bond escrow agent	—	—	(4,424,584)	—	(4,424,584)	(4,424,584)
Sale of capital assets	—	35,000	36,211	—	36,211	1,211
Insurance recoveries	—	112,420	114,300	—	114,300	1,880
<b>Total other financing uses</b>	<b>(1,521,332)</b>	<b>(1,600,233)</b>	<b>(554,243)</b>	<b>—</b>	<b>(554,243)</b>	<b>1,045,990</b>
<b>Deficiency of revenues and other financing sources over expenditures and other financing uses</b>	<b>(189,056,440)</b>	<b>(3,973,342)</b>	<b>2,578,725</b>	<b>767,360</b>	<b>3,346,085</b>	<b>6,552,067</b>
<b>Fund balance, beginning of year</b>	<b>41,941,499</b>	<b>41,941,499</b>	<b>41,941,499</b>	<b>(2) 974,112</b>	<b>42,915,611</b>	<b>—</b>
<b>Fund balance, end of year</b>	<b>\$ (147,114,941)</b>	<b>\$ 37,968,157</b>	<b>\$ 44,520,224</b>	<b>\$ 1,741,472</b>	<b>\$ 46,261,696</b>	<b>\$ 6,552,067</b>

**Explanation of differences:**

- (1) Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes.
- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Municipality's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund balances because of the cumulative effect of transactions such as those described above.

See accompanying notes to required supplementary information.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Required Supplementary Information – Budgetary Data

December 31, 2005

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 2005 operating budgets and appropriations of direct costs at the department level, and indirect costs at the fund level. Some departmental appropriations span more than one fund. The Assembly approved 2005 capital budgets with anticipated appropriation of resources for the general government and appropriations for each utility. Upon certification by the Chief Fiscal Officer that actual resources have become available for specific general government capital projects; e.g., when a grant is accepted, a bond sale or interfund transfer is approved, or a special assessment district is created, a supplemental appropriation is submitted to the Assembly for final approval. Supplemental appropriations are also submitted for approval upon certification by the Chief Fiscal Officer that operating grant funds have become available. The legal level of a budgetary control is the department and fund level.

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

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

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

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



**MUNICIPALITY OF ANCHORAGE, ALASKA**

**Notes to Required Supplementary Information – Budgetary Data**

December 31, 2005

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

December 31, 2005

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

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

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

	2005	2004	2003	2002
<b>Anchorage Road District:</b>				
Needed	\$ 21,497	\$ 12,968	\$ 11,145	\$ 6,914
Actual	21,250	11,835	11,854	6,997
<b>Chugiak/Eagle River Road District:</b>				
Needed	1,585	1,819	1,783	1,415
Actual	1,480	1,460	1,584	1,173
<b>Girdwood Road District:</b>				
Needed	115	97	89	104
Actual	89	111	78	103
<b>Other Road Districts:</b>				
Needed	411	279	268	616
Actual	1,094	237	224	338
<b>Overall System:</b>				
Needed	23,608	15,163	13,285	9,049
Actual	23,913	13,643	13,740	8,611
Difference	305	(1,520)	455	(438)

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

**SUPPLEMENTARY INFORMATION**

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

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

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

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

### Debt Service Funds

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

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

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

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

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

## Capital Projects Funds

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

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

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

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

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

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

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

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

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

## 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, 2005

(With summarized financial information at December 31, 2004)

Assets	Special Revenue				Miscellaneous
	Heritage Land Bank	Police Investigations	State Grants	Federal Grants	Operational Grants
Cash	\$ —	\$ 5,811	\$ —	\$ —	\$ —
Cash in central treasury	1,749,320	543,471	2,826,903	1,072,413	495,193
Investments	—	—	—	854,059	6,011
Due from other funds	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	1,250,000	—	—	4,497,340	19,760
Intergovernmental receivables	—	—	6,901,141	5,765,094	—
Interest receivable	—	—	—	—	44
Special assessments receivable	725	—	—	—	—
Prepaid items and deposits	3,653	—	259	—	—
Restricted assets:					
Investments	—	—	—	—	—
Total assets	<u>\$ 3,003,698</u>	<u>\$ 549,282</u>	<u>\$ 9,728,303</u>	<u>\$ 12,188,906</u>	<u>\$ 521,008</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and retainages	\$ 26,573	\$ 35,146	\$ 717,221	\$ 559,327	\$ 16,401
Due to other funds	—	—	—	—	—
Unearned revenue and deposits	5,725	—	47,267	2,910,039	19,760
Total liabilities	<u>32,298</u>	<u>35,146</u>	<u>764,488</u>	<u>3,469,366</u>	<u>36,161</u>
Fund balances (deficits):					
Reserved:					
Encumbrances	70,826	77,009	1,969,906	4,704,770	110,738
Prepays and deposits	3,653	—	259	—	—
Long-term loans	—	—	—	4,415,886	—
Perpetual care	—	—	—	—	—
Debt service	—	—	—	—	—
Unreserved, reported in:					
Special revenue fund	2,896,921	437,127	6,993,650	(401,116)	374,109
Capital project funds:					
Designated	—	—	—	—	—
Undesignated	—	—	—	—	—
Total fund balances	<u>2,971,400</u>	<u>514,136</u>	<u>8,963,815</u>	<u>8,719,540</u>	<u>484,847</u>
Total liabilities and fund balances	<u>\$ 3,003,698</u>	<u>\$ 549,282</u>	<u>\$ 9,728,303</u>	<u>\$ 12,188,906</u>	<u>\$ 521,008</u>

See accompanying independent auditor's report.



Debt Service							
Other Restricted Resources	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	PAC Surcharge Revenue Bond	Total Debt Service
\$ —	\$ 5,811	\$ —	\$ —	\$ —	\$ 6,212	\$ —	\$ 6,212
99,277	6,786,577	905,298	13,304,697	—	—	403,513	14,613,508
—	860,070	—	—	19,960,445	—	—	19,960,445
—	—	—	—	—	—	100,197	100,197
—	5,767,100	—	—	—	—	—	—
—	12,666,235	—	—	—	—	—	—
—	44	—	11,409	—	—	—	11,409
51,138	51,863	271,822	—	—	—	—	271,822
—	3,912	—	—	—	—	—	—
—	—	358,669	3,805,537	—	—	—	4,164,206
<u>\$ 150,415</u>	<u>\$ 26,141,612</u>	<u>\$ 1,535,789</u>	<u>\$ 17,121,643</u>	<u>\$ 19,960,445</u>	<u>\$ 6,212</u>	<u>\$ 503,710</u>	<u>\$ 39,127,799</u>
\$ 5,000	\$ 1,359,668	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	2,982,791	217,227	—	—	—	—	217,227
<u>5,000</u>	<u>4,342,459</u>	<u>217,227</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>217,227</u>
50,000	6,983,249	—	—	—	—	—	—
—	3,912	—	—	—	—	—	—
—	4,415,886	353,281	—	—	—	—	353,281
—	—	—	—	—	—	—	—
—	—	965,281	17,121,643	19,960,445	6,212	503,710	38,557,291
95,415	10,396,106	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>145,415</u>	<u>21,799,153</u>	<u>1,318,562</u>	<u>17,121,643</u>	<u>19,960,445</u>	<u>6,212</u>	<u>503,710</u>	<u>38,910,572</u>
<u>\$ 150,415</u>	<u>\$ 26,141,612</u>	<u>\$ 1,535,789</u>	<u>\$ 17,121,643</u>	<u>\$ 19,960,445</u>	<u>\$ 6,212</u>	<u>\$ 503,710</u>	<u>\$ 39,127,799</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Balance Sheet  
Nonmajor Governmental Funds

December 31, 2005

(With summarized financial information at December 31, 2004)

Assets	Capital Projects				
	Areawide	Public Safety	Roads and Drainage	Public Transportation	Miscellaneous
Cash	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	2,912,231	8,139,799	78,532,864	800,394	69,246
Investments	—	—	—	—	—
Due from other funds	7,659,154	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—	—
Intergovernmental receivables	1,047,988	184,529	3,895,390	1,534,973	335,155
Interest receivable	—	—	—	—	—
Special assessments receivable	—	—	—	—	645,723
Prepaid items and deposits	—	—	—	—	—
Restricted assets:					
Investments	—	—	—	—	—
<b>Total assets</b>	<b>\$ 11,619,373</b>	<b>\$ 8,324,328</b>	<b>\$ 82,428,254</b>	<b>\$ 2,335,367</b>	<b>\$ 1,050,124</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and retainages	\$ 709,691	\$ 130,183	\$ 2,882,138	\$ 160,078	\$ 50,485
Due to other funds	100,423	—	—	—	148,647
Unearned revenue and deposits	—	—	—	—	656,472
<b>Total liabilities</b>	<b>810,114</b>	<b>130,183</b>	<b>2,882,138</b>	<b>160,078</b>	<b>855,604</b>
Fund balances (deficits):					
Reserved:					
Encumbrances	854,475	270,845	21,570,151	2,233,322	625,505
Prepays and deposits	—	—	—	—	—
Long-term loans	—	—	—	—	—
Perpetual care	—	—	—	—	—
Debt service	—	—	—	—	—
Unreserved, reported in:					
Special revenue fund	—	—	—	—	—
Capital project funds:					
Designated	9,822,393	6,960,503	57,800,310	—	—
Undesignated	132,391	962,797	175,655	(58,033)	(430,985)
<b>Total fund balances</b>	<b>10,809,259</b>	<b>8,194,145</b>	<b>79,546,116</b>	<b>2,175,289</b>	<b>194,520</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,619,373</b>	<b>\$ 8,324,328</b>	<b>\$ 82,428,254</b>	<b>\$ 2,335,367</b>	<b>\$ 1,050,124</b>

See accompanying independent auditor's report.

Parks and Recreation	Historic Preservation	Heritage Land Bank	Total Capital Projects	Permanent Fund Cemetery Perpetual Maintenance	Total Nonmajor Governmental Funds	
					December 31, 2005	December 31, 2004
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,023	\$ 14,783
10,490,628	56,113	3,971,467	104,972,742	289,723	126,662,550	93,667,037
—	—	—	—	—	20,820,515	24,101,703
—	—	—	7,659,154	—	7,759,351	574,836
83,584	—	—	7,081,619	—	5,767,100	4,751,210
—	—	—	—	—	19,747,854	12,114,476
—	—	—	645,723	—	11,453	4,526
—	—	—	—	—	969,408	538,923
—	—	—	—	—	3,912	3,754
—	—	—	—	—	4,164,206	4,068,116
<u>\$ 10,574,212</u>	<u>\$ 56,113</u>	<u>\$ 3,971,467</u>	<u>\$ 120,359,238</u>	<u>\$ 289,723</u>	<u>\$ 185,918,372</u>	<u>\$ 139,839,364</u>
\$ 1,432,222	\$ —	\$ 94	\$ 5,364,891	\$ —	\$ 6,724,559	\$ 3,920,977
—	—	—	249,070	—	249,070	1,105,754
—	—	—	656,472	—	3,856,490	3,857,894
<u>1,432,222</u>	<u>—</u>	<u>94</u>	<u>6,270,433</u>	<u>—</u>	<u>10,830,119</u>	<u>8,884,625</u>
769,981	—	105,898	26,430,177	—	33,413,426	29,606,259
—	—	—	—	—	3,912	3,754
—	—	—	—	—	4,769,167	5,018,893
—	—	—	—	289,723	289,723	269,397
—	—	—	—	—	38,557,291	41,719,238
—	—	—	—	—	10,396,106	12,570,336
8,185,813	—	3,488,933	86,257,952	—	86,257,952	41,292,751
186,196	56,113	376,542	1,400,676	—	1,400,676	474,111
<u>9,141,990</u>	<u>56,113</u>	<u>3,971,373</u>	<u>114,088,805</u>	<u>289,723</u>	<u>175,088,253</u>	<u>130,954,739</u>
<u>\$ 10,574,212</u>	<u>\$ 56,113</u>	<u>\$ 3,971,467</u>	<u>\$ 120,359,238</u>	<u>\$ 289,723</u>	<u>\$ 185,918,372</u>	<u>\$ 139,839,364</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended December 31, 2005  
(With summarized financial information at December 31, 2004)

	Special Revenue				Miscellaneous Operational Grants
	Heritage Land Bank	Police Investigations	State Grants	Federal Grants	
Revenues:					
Special assessments	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	16,056,971	11,914,949	—
Charges for services	—	—	—	—	—
Fines and forfeitures	—	359,775	—	—	—
Investment income	132,192	16,868	15,447	42,777	17,268
Restricted contributions	—	—	—	—	368,260
Other	186,050	58,936	—	413,014	—
<b>Total revenues</b>	<b>318,242</b>	<b>435,579</b>	<b>16,072,418</b>	<b>12,370,740</b>	<b>385,528</b>
Expenditures:					
Current:					
General government	936,834	—	102,402	—	37,059
Fire services	—	—	34,339	3,106,513	1,317
Police services	—	392,963	360,251	1,761,961	78,298
Health and human services	—	—	7,991,245	4,555,248	148,399
Economic and community development	—	—	1,092,524	5,346,456	232,388
Public transportation	—	—	3,425,628	340,056	—
Public works	—	—	642,755	755,828	—
Maintenance and operations	—	—	52,978	—	—
Education	—	—	313,206	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond issuance costs	—	—	—	—	—
Capital projects	—	—	—	—	—
<b>Total expenditures</b>	<b>936,834</b>	<b>392,963</b>	<b>14,015,328</b>	<b>15,866,062</b>	<b>497,461</b>
Excess (deficiency) of revenues over expenditures	(618,592)	42,616	2,057,090	(3,495,322)	(111,933)
Other financing sources (uses):					
Transfers in – from other funds	—	—	538,094	1,402,920	1,710
Transfers out – to other funds	(1,533,830)	—	(203,700)	—	—
General obligation bonds issued	—	—	—	—	—
Long term debt issued	—	—	—	—	—
Refunding bonds issued	—	—	—	—	—
Premium on bond sale	—	—	—	—	—
Premium on refunding bonds	—	—	—	—	—
Payment to refunded bond escrow agent to extinguish debt	—	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—
Capital Leases	—	—	—	—	—
Sale of capital assets	834,048	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>(699,782)</b>	<b>—</b>	<b>334,394</b>	<b>1,402,920</b>	<b>1,710</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,318,374)	42,616	2,391,484	(2,092,402)	(110,223)
Fund balances (deficit), beginning of year	4,289,774	471,520	6,572,331	10,811,942	595,070
<b>Fund balances, end of year</b>	<b>\$ 2,971,400</b>	<b>\$ 514,136</b>	<b>\$ 8,963,815</b>	<b>\$ 8,719,540</b>	<b>\$ 484,847</b>

See accompanying independent auditor's report.

		Debt Service						
Other Restricted Resources	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	PAC Surcharge Revenue Bond	Total Debt Service	
\$ 642,254	\$ 642,254	\$ 223,935	\$ ---	\$ ---	\$ ---	\$ ---	\$ 223,935	
---	27,971,920	---	---	---	---	---	---	
---	---	---	---	---	4,656,778	---	4,656,778	
---	359,775	---	---	---	---	---	---	
---	224,552	40,204	(1,134,319)	1,248,501	156	87,986	242,528	
---	368,260	---	---	---	---	---	---	
---	658,000	---	---	---	---	---	---	
642,254	30,224,761	264,139	(1,134,319)	1,248,501	4,656,934	87,986	5,123,241	
563,500	1,639,795	---	---	28,563	---	---	28,563	
---	3,142,169	---	---	809,671	---	---	809,671	
---	2,593,473	---	---	989,597	---	---	989,597	
---	12,694,892	---	---	---	---	---	---	
---	6,671,368	---	---	---	---	---	---	
---	3,765,684	---	---	---	---	---	---	
---	1,398,583	---	---	---	---	---	---	
---	52,978	---	---	---	---	---	---	
---	313,206	---	---	---	---	---	---	
---	---	60,000	3,200,000	---	2,175,000	110,000	5,545,000	
---	---	57,605	250,060	---	2,481,778	228,261	3,017,704	
---	---	---	---	---	452,887	---	452,887	
---	---	---	---	---	---	---	---	
563,500	32,272,148	117,605	3,450,060	1,827,831	5,109,665	338,261	10,843,422	
78,754	(2,047,387)	146,534	(4,584,379)	(579,330)	(452,731)	(250,275)	(5,720,181)	
---	1,942,724	---	---	1,800,000	---	305,347	2,105,347	
---	(1,737,530)	---	---	---	---	---	---	
---	---	---	---	---	---	---	---	
---	---	---	---	---	40,835,000	---	40,835,000	
---	---	---	---	---	---	---	---	
---	---	---	---	---	2,598,103	---	2,598,103	
---	---	---	---	---	(39,585,000)	---	(39,585,000)	
---	---	---	---	---	(3,395,216)	---	(3,395,216)	
---	---	---	---	---	---	---	---	
---	834,048	---	---	---	---	---	---	
---	1,039,242	---	---	1,800,000	452,887	305,347	2,558,234	
78,754	(1,008,145)	146,534	(4,584,379)	1,220,670	156	55,072	(3,161,947)	
66,661	22,807,298	1,172,028	21,706,022	18,739,775	6,056	448,638	42,072,519	
\$ 145,415	\$ 21,799,153	\$ 1,318,562	\$ 17,121,643	\$ 19,960,445	\$ 6,212	\$ 503,710	\$ 38,910,572	

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2005

(With summarized financial information at December 31, 2004)

	Capital Projects				
	Areawide	Public Safety	Roads and Drainage	Public Transportation	Miscellaneous
Revenues:					
Special assessments	\$ —	\$ —	\$ —	\$ —	\$ 352,022
Intergovernmental	5,145,118	744,687	7,419,982	3,868,447	495,566
Charges for services	241,564	—	—	—	—
Fines and forfeitures	—	—	—	—	—
Investment income	167,326	52,146	57,627	—	6,297
Restricted contributions	—	—	—	—	—
Other	340,403	1,512	310,338	536	216
Total revenues	<u>5,894,411</u>	<u>798,345</u>	<u>7,787,947</u>	<u>3,868,983</u>	<u>854,101</u>
Expenditures:					
Current:					
General government	—	—	—	—	—
Fire services	—	—	—	—	—
Police services	—	—	—	—	—
Health and human services	—	—	—	—	—
Economic and community development	—	—	—	—	—
Public transportation	—	—	—	—	—
Public works	—	—	—	—	—
Maintenance and operations	—	—	—	—	—
Education	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond issuance costs	1,322	—	259,926	5,314	—
Capital projects	14,121,055	3,651,971	48,230,452	4,448,431	512,330
Total expenditures	<u>14,122,377</u>	<u>3,651,971</u>	<u>48,490,378</u>	<u>4,453,745</u>	<u>512,330</u>
Excess (deficiency) of revenues over expenditures	<u>(8,227,966)</u>	<u>(2,853,626)</u>	<u>(40,702,431)</u>	<u>(584,762)</u>	<u>341,771</u>
Other financing sources (uses):					
Transfers in – from other funds	1,696,552	436,030	2,270,070	35,871	40,000
Transfers out – to other funds	(365,000)	(350,000)	—	—	—
General obligation bonds issued	480,000	—	94,395,000	1,930,000	—
Long term debt issued	—	350,000	—	—	—
Refunding bonds issued	—	—	—	—	—
Premium on bond sale	(37,804)	(74,268)	(67,047)	5,314	—
Premium on refunding bonds	—	—	—	—	—
Payment to refunded bond escrow agent to extinguish debt	—	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—
Capital Leases	—	—	—	—	—
Sale of capital assets	26	—	—	—	—
Total other financing sources (uses)	<u>1,773,774</u>	<u>361,762</u>	<u>96,598,023</u>	<u>1,971,185</u>	<u>40,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(6,454,192)</u>	<u>(2,491,864)</u>	<u>55,895,592</u>	<u>1,386,423</u>	<u>381,771</u>
Fund balances (deficit), beginning of year	17,263,451	10,686,009	23,650,524	788,866	(187,251)
Fund balances, end of year	<u>\$ 10,809,259</u>	<u>\$ 8,194,145</u>	<u>\$ 79,546,116</u>	<u>\$ 2,175,289</u>	<u>\$ 194,520</u>

See accompanying independent auditor's report.

Parks and Recreation	Historic Preservation	Heritage Land Bank	Total Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds	
				Cemetery Perpetual Maintenance	2005	2004
\$ —	\$ —	\$ —	\$ 352,022	\$ —	\$ 1,218,211	\$ 792,611
684,585	—	—	18,358,385	—	46,330,305	34,181,663
403,824	—	7,685	653,073	11,050	5,320,901	5,605,967
—	—	—	—	—	359,775	245,096
147,792	1,679	93,551	526,418	9,276	1,002,774	2,071,708
—	—	—	—	—	368,260	1,260,049
341,730	—	—	994,735	—	1,652,735	855,729
<u>1,577,931</u>	<u>1,679</u>	<u>101,236</u>	<u>20,884,633</u>	<u>20,326</u>	<u>56,252,961</u>	<u>45,012,823</u>
—	—	—	—	—	1,668,358	2,011,492
—	—	—	—	—	3,951,840	1,872,490
—	—	—	—	—	3,583,070	2,962,472
—	—	—	—	—	12,694,892	10,970,946
—	—	—	—	—	6,671,368	4,038,441
—	—	—	—	—	3,765,684	3,147,466
—	—	—	—	—	1,398,583	1,113,614
—	—	—	—	—	52,978	562
—	—	—	—	—	313,206	285,280
—	—	—	—	—	5,545,000	5,325,000
—	—	—	—	—	3,017,704	3,627,906
—	—	—	266,562	—	719,449	588,279
4,247,420	—	417,597	75,629,256	—	75,629,256	58,750,450
<u>4,247,420</u>	<u>—</u>	<u>417,597</u>	<u>75,895,818</u>	<u>—</u>	<u>119,011,388</u>	<u>94,694,398</u>
<u>(2,669,489)</u>	<u>1,679</u>	<u>(316,361)</u>	<u>(55,011,185)</u>	<u>20,326</u>	<u>(62,758,427)</u>	<u>(49,681,575)</u>
1,239,350	—	1,403,670	7,121,543	—	11,169,614	11,588,946
—	—	—	(715,000)	—	(2,452,530)	(5,000,833)
—	—	—	96,805,000	—	96,805,000	52,375,000
—	—	—	350,000	—	350,000	5,365,000
—	—	—	—	—	40,835,000	—
(93,299)	—	—	(267,104)	—	(267,104)	591,593
—	—	—	—	—	2,598,103	—
—	—	—	—	—	(39,585,000)	—
—	—	—	—	—	(3,395,216)	—
—	—	—	—	—	—	1,146,807
—	—	—	26	—	834,074	2,145,910
<u>1,146,051</u>	<u>—</u>	<u>1,403,670</u>	<u>103,294,465</u>	<u>—</u>	<u>106,891,941</u>	<u>68,212,423</u>
(1,523,438)	1,679	1,087,309	48,283,280	20,326	44,133,514	18,530,848
10,665,428	54,434	2,884,064	65,805,525	269,397	130,954,739	112,423,891
<u>\$ 9,141,990</u>	<u>\$ 56,113</u>	<u>\$ 3,971,373</u>	<u>\$ 114,088,805</u>	<u>\$ 289,723</u>	<u>\$ 175,088,253</u>	<u>\$ 130,954,739</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Heritage Land Bank

Special Revenue Fund

Year ended December 31, 2005

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 92,370	\$ 123,240	\$ 132,192	\$ 8,952
Other revenues	72,300	140,070	186,050	45,980
Total revenues	164,670	263,310	318,242	54,932
Expenditures:				
General government	1,215,280	1,150,250	936,834	213,416
Total expenditures	1,215,280	1,150,250	936,834	213,416
Deficiency of revenues over expenditures	(1,050,610)	(886,940)	(618,592)	268,348
Other financing sources (uses):				
Transfers out – to other funds	—	(3,278,622)	(1,533,830)	1,744,792
Proceeds from sale of assets	1,050,600	1,020,740	834,048	(186,692)
Total other financing sources (uses)	1,050,600	(2,257,882)	(699,782)	1,558,100
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(10)	(3,144,822)	(1,318,374)	1,826,448
Fund balance, beginning of year	4,289,774	4,289,774	4,289,774	—
Fund balance, end of year	\$ 4,289,764	\$ 1,144,952	\$ 2,971,400	\$ 1,826,448

See accompanying independent auditor's report.



MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Special Assessment Bonds

Debt Service Fund

Year ended December 31, 2005

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ —	\$ 292,620	\$ 223,935	\$ (68,685)
Investment income	—	—	40,204	40,204
Total revenues	—	292,620	264,139	(28,481)
Expenditures:				
Debt service:				
Principal	—	235,000	60,000	175,000
Interest	—	57,620	57,605	15
Total expenditures	—	292,620	117,605	175,015
Excess of revenues over expenditures	—	—	146,534	146,534
Fund balance, beginning of year	1,172,028	1,172,028	1,172,028	—
Fund balance, end of year	\$ 1,172,028	\$ 1,172,028	\$ 1,318,562	\$ 146,534

See accompanying independent auditor's report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule  
Retirement Certificates of Participation  
Debt Service Fund

Year ended December 31, 2005

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ (1,134,319)	\$ (1,134,319)
Total revenues	—	—	(1,134,319)	(1,134,319)
Expenditures:				
Debt service:				
Principal	3,200,000	3,200,000	3,200,000	—
Interest	252,120	252,120	250,060	2,060
Total expenditures	3,452,120	3,452,120	3,450,060	2,060
Deficiency of revenues over expenditures	(3,452,120)	(3,452,120)	(4,584,379)	(1,132,259)
Fund balance, beginning of year	21,706,022	21,706,022	21,706,022	—
Fund balance, end of year	\$ 18,253,902	\$ 18,253,902	\$ 17,121,643	\$ (1,132,259)

See accompanying independent auditor's report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule  
Police/Fire Retiree Medical Liability  
Debt Service Fund

Year ended December 31, 2005

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 1,248,501	\$ 1,248,501
Total revenues	—	—	1,248,501	1,248,501
Expenditures:				
General government	—	—	28,562	(28,562)
Fire services	869,157	869,157	809,671	59,486
Police services	1,062,303	1,062,303	989,597	72,706
Total expenditures	1,931,460	1,931,460	1,827,830	103,630
Deficiency of revenues over expenditures	(1,931,460)	(1,931,460)	(579,329)	1,352,131
Other financing sources:				
Transfers in – from other funds	1,931,460	1,931,460	1,800,000	(131,460)
Total other financing sources	1,931,460	1,931,460	1,800,000	(131,460)
Excess of revenues and other financing sources over expenditures	1,931,460	1,931,460	1,220,671	1,117,041
Fund balance, beginning of year	18,739,775	18,739,775	18,739,775	—
Fund balance, end of year	<u>\$ 20,671,235</u>	<u>\$ 20,671,235</u>	<u>\$ 19,960,446</u>	<u>\$ 1,117,041</u>

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule  
Jail Revenue Bond  
Debt Service Fund

Year ended December 31, 2005

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ —	\$ 5,214,130	\$ 4,656,778	\$ (557,352)
Investment income	—	—	156	156
Total revenues	—	5,214,130	4,656,934	(557,196)
Expenditures:				
Debt service:				
Principal	—	2,175,000	2,175,000	—
Interest	—	3,039,130	2,481,778	557,352
Bond issuance costs	—	—	452,887	(452,887)
Total expenditures	—	5,214,130	5,109,665	104,465
Deficiency of revenues over expenditures	—	—	(452,731)	(452,731)
Other financing sources (uses):				
Refunding bonds issued	—	—	40,835,000	(40,835,000)
Premium on refunding bonds	—	—	2,598,103	(2,598,103)
Payment to refunded bond escrow agent to extinguish debt	—	—	(39,585,000)	39,585,000
Payment to refunded bond escrow agent	—	—	(3,395,216)	3,395,216
Total other financing sources (uses)	—	—	452,887	(452,887)
Excess of revenues and other financing sources over expenditures and other financing uses	—	—	156	(905,618)
Fund balance, beginning of year	6,056	6,056	6,056	—
Fund balance, end of year	\$ 6,056	\$ 6,056	\$ 6,212	\$ (905,618)

See accompanying independent auditor's report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule  
PAC Surcharge Revenue Bond  
Debt Service Fund

Year ended December 31, 2005

	Budget		Actual	Variance With Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Investment income	—	—	87,986	87,986
Total revenues	—	—	87,986	87,986
Expenditures:				
Debt service:				
Principal	—	—	110,000	(110,000)
Interest	338,500	338,500	228,261	110,239
Total expenditures	338,500	338,500	338,261	239
Deficiency of revenues over expenditures	(338,500)	(338,500)	(250,275)	88,225
Other financing sources:				
Transfers in – from other funds	338,500	338,500	305,347	33,153
Total other financing sources	338,500	338,500	305,347	33,153
Excess of revenues and other financing sources over expenditures	—	—	55,072	121,378
Fund balance, beginning of year	448,638	448,638	448,638	—
Fund balance, end of year	\$ 448,638	\$ 448,638	\$ 503,710	\$ 121,378

See accompanying independent auditor's report.

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NONMAJOR ENTERPRISE FUNDS

## NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

The **CIVICVentures** accounts for the blended component unit nonprofit created to finance and construct a convention facility for the Municipality of Anchorage.

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

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



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Net Assets  
Nonmajor Enterprise Funds

December 31, 2005

(With summarized financial information at December 31, 2004)

Assets	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Current assets:			
Cash	\$ 300	\$ 1,475	\$ 150
Cash in central treasury	2,740,553	11,001,945	10,135,404
Receivables (net of allowance for uncollectibles)	425,372	1,142,410	673,382
Interest receivable	—	1,590	743
Current portion of lease receivable	—	—	501,727
Prepaid items and deposits	1,329	3,287	35,946
Restricted assets:			
Restricted deposits	—	—	—
Receivables	—	—	529,912
Bond and acquisition and construction accounts	1,456,820	5,739,687	23,008,942
Revenue bond operations and maintenance accounts	—	382,195	—
Debt service accounts	—	—	1,255,890
Total current assets	<u>4,624,374</u>	<u>18,272,589</u>	<u>36,142,096</u>
Noncurrent assets:			
Loans receivables, net	—	—	—
Deferred charges and other assets	—	2,353	828,213
Capital assets, net	2,375,309	51,323,025	57,849,682
Total noncurrent assets	<u>2,375,309</u>	<u>51,325,378</u>	<u>58,677,895</u>
Total assets	<u>\$ 6,999,683</u>	<u>\$ 69,597,967</u>	<u>\$ 94,819,991</u>

See accompanying independent auditor's report.

Municipal Airport	CIVICVentures	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
				December 31, 2005	December 31, 2004
\$ 200	\$ 5,000	\$ 3,973,837	\$ 1,173,356	\$ 5,154,318	\$ 5,342,045
—	—	—	—	23,877,902	24,714,916
1,635	—	60,405	21,651	2,324,855	2,970,528
729	—	—	—	3,062	3,665
—	—	—	—	501,727	457,236
1,827	—	39,709	27,511	109,609	86,591
—	—	15,876	594,566	610,442	592,202
2,113,085	—	—	—	2,642,997	5,225
—	—	—	—	30,205,449	41,751,923
—	—	—	—	382,195	369,812
—	—	—	—	1,255,890	1,141,022
<u>2,117,476</u>	<u>5,000</u>	<u>4,089,827</u>	<u>1,817,084</u>	<u>67,068,446</u>	<u>77,435,165</u>
23,454	—	—	—	23,454	28,585
—	—	1,172,396	—	2,002,962	1,354,587
<u>44,011,764</u>	<u>3,469,103</u>	<u>29,696,731</u>	<u>—</u>	<u>188,725,614</u>	<u>170,065,366</u>
<u>44,035,218</u>	<u>3,469,103</u>	<u>30,869,127</u>	<u>—</u>	<u>190,752,030</u>	<u>171,448,538</u>
<u>\$ 46,152,694</u>	<u>\$ 3,474,103</u>	<u>\$ 34,958,954</u>	<u>\$ 1,817,084</u>	<u>\$ 257,820,476</u>	<u>\$ 248,883,703</u>

(Continued)

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Net Assets  
Nonmajor Enterprise Funds

December 31, 2005

(With summarized financial information at December 31, 2004)

<b>Liabilities</b>	<b>Refuse Utility</b>	<b>Solid Waste</b>	<b>Port</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Current liabilities:			
Accounts payable and retainages	\$ 70,652	\$ 202,239	\$ 209,241
Compensated absences payable	71,230	338,625	88,043
Due to other funds	—	—	—
Accrued interest payable	—	243,036	33,250
Long-term obligations maturing within one year	—	3,519,980	1,296,897
Unearned revenue and deposits	—	—	—
Deferred credits and other liabilities	—	—	—
Current liabilities payable from restricted assets:			
Customer deposits payable	—	—	—
Capital acquisition and construction accounts and retainage payable	—	79,036	340,692
Total current liabilities	<u>141,882</u>	<u>4,382,916</u>	<u>1,968,123</u>
Noncurrent liabilities:			
General obligation bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	—	—
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	990,034	—
Alaska clean water loan payable	—	11,112,678	—
Unfunded pension obligation	75,633	134,229	49,035
Total noncurrent liabilities	<u>75,633</u>	<u>12,236,941</u>	<u>49,035</u>
Deferred credits and other liabilities:			
Future landfill closure costs	—	11,899,235	—
Total liabilities	<u>217,515</u>	<u>28,519,092</u>	<u>2,017,158</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,375,309	35,700,333	56,552,785
Restricted for debt service	—	382,195	1,223,383
Restricted for operations and maintenance	—	—	—
Restricted for capital construction	1,456,820	5,739,687	22,668,250
Unrestricted	2,950,039	(743,340)	12,358,415
Total net assets	<u>6,782,168</u>	<u>41,078,875</u>	<u>92,802,833</u>
Total liabilities and net assets	<u>\$ 6,999,683</u>	<u>\$ 69,597,967</u>	<u>\$ 94,819,991</u>

See accompanying independent auditor's report.

Municipal Airport	CIVICVentures	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
				December 31, 2005	December 31, 2004
\$ 33,420	\$ —	\$ 757,569	\$ 249,195	\$ 1,522,316	\$ 1,228,919
49,796	—	—	—	547,694	516,108
783,438	—	56,001	100,197	939,636	360,217
—	12,156	—	—	288,442	433,681
—	3,461,947	—	—	8,278,824	4,907,931
102,056	—	114,910	348,051	565,017	216,764
—	—	—	—	—	260,004
—	—	15,509	65,216	80,725	54,944
97,661	—	—	—	517,389	585,189
<u>1,066,371</u>	<u>3,474,103</u>	<u>943,989</u>	<u>762,659</u>	<u>12,740,043</u>	<u>8,563,757</u>
—	—	—	—	—	2,267,230
—	—	—	—	990,034	2,541,526
—	—	—	—	11,112,678	11,779,341
26,299	—	149,635	—	434,831	165,120
<u>26,299</u>	<u>—</u>	<u>149,635</u>	<u>—</u>	<u>12,537,543</u>	<u>16,753,217</u>
—	—	—	—	11,899,235	11,111,326
<u>1,092,670</u>	<u>3,474,103</u>	<u>1,093,624</u>	<u>762,659</u>	<u>37,176,821</u>	<u>36,428,300</u>
44,011,764	—	29,696,731	—	168,336,922	148,569,338
—	—	—	—	1,605,578	1,446,334
—	—	15,876	594,566	610,442	35,142
—	—	—	—	29,864,757	42,024,979
1,048,260	—	4,152,723	459,859	20,225,956	20,379,610
<u>45,060,024</u>	<u>—</u>	<u>33,865,330</u>	<u>1,054,425</u>	<u>220,643,655</u>	<u>212,455,403</u>
<u>\$ 46,152,694</u>	<u>\$ 3,474,103</u>	<u>\$ 34,958,954</u>	<u>\$ 1,817,084</u>	<u>\$ 257,820,476</u>	<u>\$ 248,883,703</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Operating revenues:			
Charges for sales and services	\$ 6,565,860	\$ 14,976,789	\$ 5,945,222
Other	27,785	361,577	4,133,726
Total operating revenues	<u>6,593,645</u>	<u>15,338,366</u>	<u>10,078,948</u>
Operating expenses:			
Operations	5,507,172	9,049,335	3,788,630
Municipal service assessment	37,202	743,793	538,645
Amortization of future landfill closure costs	—	787,909	—
Depreciation	398,835	2,522,917	3,536,395
Total operating expenses	<u>5,943,209</u>	<u>13,103,954</u>	<u>7,863,670</u>
Operating income (loss)	<u>650,436</u>	<u>2,234,412</u>	<u>2,215,278</u>
Nonoperating revenues (expenses):			
Investment income	132,716	657,300	1,203,961
Other revenues	2,691	30,319	1,714,374
Intergovernmental revenue	—	—	529,912
Interest expense	—	(520,330)	(86,463)
Gain (loss) on disposition of assets	—	224,624	—
Other expenses	—	—	(1,676,264)
Amortization of deferred charges	—	—	(52,600)
Net nonoperating revenues (expenses)	<u>135,407</u>	<u>391,913</u>	<u>1,632,920</u>
Income (loss) before transfers	<u>785,843</u>	<u>2,626,325</u>	<u>3,848,198</u>
Capital contributions	—	—	—
Transfers out	(295,000)	(780,000)	—
Transfers in	—	—	—
Change in net assets	<u>490,843</u>	<u>1,846,325</u>	<u>3,848,198</u>
Total net assets -- beginning	<u>6,291,325</u>	<u>39,232,550</u>	<u>88,954,635</u>
Total net assets -- ending	<u>\$ 6,782,168</u>	<u>\$ 41,078,875</u>	<u>\$ 92,802,833</u>

See accompanying independent auditor's report.

Municipal Airport	CIVICVentures	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
				2005	2004
\$ 1,029,593	\$ —	\$ 5,307,814	\$ 1,043,900	\$ 34,869,178	\$ 34,005,001
—	—	27,827	51,645	4,602,560	4,949,709
1,029,593	—	5,335,641	1,095,545	39,471,738	38,954,710
928,964	—	3,338,318	1,934,907	24,547,326	23,128,824
10,953	—	371,005	—	1,701,598	1,564,550
—	—	—	—	787,909	786,694
1,630,253	—	1,203,090	—	9,291,490	8,735,931
2,570,170	—	4,912,413	1,934,907	36,328,323	34,215,999
(1,540,577)	—	423,228	(839,362)	3,143,415	4,738,711
8,703	—	129,195	47,578	2,179,453	759,407
82,249	—	—	—	1,829,633	195,249
3,607,806	—	—	—	4,137,718	2,303,543
—	—	—	—	(606,793)	(977,663)
—	—	—	—	224,624	109,211
—	—	—	—	(1,676,264)	—
—	—	—	—	(52,600)	(52,929)
3,698,758	—	129,195	47,578	6,035,771	2,336,818
2,158,181	—	552,423	(791,784)	9,179,186	7,075,529
—	—	(392,230)	—	(392,230)	(484,819)
—	—	(500,687)	(305,347)	(1,881,034)	(1,839,338)
—	—	133,830	1,148,500	1,282,330	1,148,500
2,158,181	—	(206,664)	51,369	8,188,252	5,899,872
42,901,843	—	34,071,994	1,003,056	212,455,403	206,555,531
\$ 45,060,024	\$ —	\$ 33,865,330	\$ 1,054,425	\$ 220,643,655	\$ 212,455,403

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 6,638,941	\$ 15,127,906	\$ 9,744,667
Payments to employees	(3,964,107)	(5,662,627)	(1,734,601)
Payments to vendors	(1,442,954)	(3,975,989)	(2,841,363)
Net cash provided (used) by operating activities	<u>1,231,880</u>	<u>5,489,290</u>	<u>5,168,703</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(295,000)	(780,000)	—
Transfers from other funds	—	—	—
Loan payments to central treasury	—	—	—
Other noncapital receipts	—	30,319	38,110
Net cash provided (used) by noncapital and related financing activities	<u>(295,000)</u>	<u>(749,681)</u>	<u>38,110</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term obligations	—	(3,419,614)	(1,250,000)
Loan proceeds from central treasury	—	—	—
Loan proceeds from line of credit	—	—	—
Interest payments on long-term obligations	—	(583,395)	(117,713)
Acquisition and construction of capital assets	(573,284)	(3,374,449)	(5,725,119)
Proceeds from disposition of capital assets	3,487	460,182	—
Grant proceeds	—	5,225	529,912
Contributed capital – customers	—	—	—
Net cash provided (used) by capital and related financing activities	<u>(569,797)</u>	<u>(6,912,051)</u>	<u>(6,562,920)</u>
Cash flows from investing activities:			
Proceeds from investment in direct financing leases	—	—	342,157
Interest received	132,716	646,361	1,203,218
Net cash provided by investing activities	<u>132,716</u>	<u>646,361</u>	<u>1,545,375</u>
Net increase (decrease) in cash	499,799	(1,526,081)	189,268
Cash, beginning of year	2,241,054	12,529,501	9,946,286
Cash, end of year	<u>\$ 2,740,853</u>	<u>\$ 11,003,420</u>	<u>\$ 10,135,554</u>
Cash	\$ 300	\$ 1,475	\$ 150
Cash in central treasury	2,740,553	11,001,945	10,135,404
Cash, December 31	<u>\$ 2,740,853</u>	<u>\$ 11,003,420</u>	<u>\$ 10,135,554</u>

See accompanying independent auditor's report.

Municipal Airport	CIVICVentures	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
				2005	2004
\$ 1,029,806 (787,867) (96,278)	\$ — — —	\$ 5,340,032 (1,739,326) (2,892,175)	\$ 5,930,823 (4,419,462) (2,149,919)	\$ 43,812,175 (18,307,990) (13,398,678)	\$ 42,685,507 (12,136,996) (15,988,555)
145,661	—	708,531	(638,558)	12,105,507	14,559,956
—	—	(500,687)	(305,347)	(1,881,034)	(1,839,338)
—	—	133,830	1,148,500	1,282,330	1,373,500
—	—	—	—	—	(310,332)
82,249	—	—	—	150,678	183,720
82,249	—	(366,857)	843,153	(448,026)	(592,450)
—	—	—	—	(4,669,614)	(5,012,932)
783,438	—	—	—	783,438	962,886
—	3,474,103	—	—	3,474,103	—
—	—	—	—	(701,108)	(980,567)
(3,103,589)	(3,469,103)	(542,910)	(87,251)	(16,875,705)	(18,188,822)
—	—	—	—	463,669	208,637
2,083,636	—	—	—	2,618,773	2,044,836
—	—	(285,608)	—	(285,608)	(312,239)
(236,515)	5,000	(828,518)	(87,251)	(15,192,052)	(21,278,201)
—	—	—	—	342,157	568,160
8,605	—	129,195	47,578	2,167,673	1,067,182
8,605	—	129,195	47,578	2,509,830	1,635,342
—	5,000	(357,649)	164,922	(1,024,741)	(5,675,353)
200	—	4,331,486	1,008,434	30,056,961	35,866,330
\$ 200	\$ 5,000	\$ 3,973,837	\$ 1,173,356	\$ 29,032,220	\$ 30,190,977
\$ 200	\$ 5,000	\$ 3,973,837	\$ 1,173,356	\$ 5,154,318	\$ 5,342,045
—	—	—	—	23,877,902	24,848,932
\$ 200	\$ 5,000	\$ 3,973,837	\$ 1,173,356	\$ 29,032,220	\$ 30,190,977

(Continued)



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 650,436	\$ 2,234,412	\$ 2,215,278
Adjustments to reconcile operating income to net cash provided or used by operating activities:			
Depreciation	398,835	2,522,917	3,536,395
Amortization of landfill closure costs	—	787,909	—
Capital equipment purchases	—	—	—
Changes in assets and liabilities which increase (decrease) cash:			
Accounts receivable	73,044	(210,551)	(334,281)
Prepaid items and deposits	37	91	987
Notes receivable	—	—	—
Customer deposits	—	—	—
Deferred charges and other assets	—	—	—
Accounts payable	41,311	28,681	(248,677)
Deferred credits	—	—	—
Unearned revenue	921	—	—
Compensated absences payable	17,404	46,575	(29,705)
Unfunded pension obligation	49,892	79,256	28,706
Total cash provided by operating activities	<u>\$ 1,231,880</u>	<u>\$ 5,489,290</u>	<u>\$ 5,168,703</u>

See accompanying independent auditor's report.

Municipal Airport	CIVICVentures	Anchorage Community Development Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
				2005	2004
\$ (1,540,577)	\$ —	\$ 423,228	\$ (839,362)	\$ 3,143,415	\$ 4,537,615
1,630,253	—	1,203,090	—	9,291,490	8,735,931
—	—	—	—	787,909	786,694
—	—	—	49,745	49,745	30,558
12,967	—	(9,374)	7,795	(460,400)	(189,664)
51	—	(39,709)	15,525	(23,018)	10,794
5,344	—	—	—	5,344	6,500
—	—	19,266	10,272	29,538	19,170
—	—	(1,172,396)	—	(1,172,396)	—
—	—	194,591	29,420	45,326	457,212
—	—	(720)	—	(720)	120,194
23,790	—	(4,781)	88,047	107,977	(79,108)
(2,688)	—	—	—	31,586	(41,060)
16,521	—	95,336	—	269,711	165,120
<u>\$ 145,661</u>	<u>\$ —</u>	<u>\$ 708,531</u>	<u>\$ (638,558)</u>	<u>\$ 12,105,507</u>	<u>\$ 14,559,956</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, 2005

(With summarized financial information at December 31, 2004)

Assets	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Current assets:				
Cash in central treasury	\$ 6,818,972	\$ 5,869,845	\$ 79,403	\$ —
Due from other funds	908,019	—	—	—
Due from component units	—	—	343,000	—
Receivables (net of allowance for uncollectibles)	—	—	—	—
Inventories	—	—	—	352,963
Prepaid items and deposits	217,828	22,246	—	—
Restricted assets:				
Capital acquisition and construction accounts	—	—	—	4,717,533
Total current assets	<u>7,944,819</u>	<u>5,892,091</u>	<u>422,403</u>	<u>5,070,496</u>
Noncurrent assets:				
Advances to other funds	4,926,603	—	—	—
Due from component units	—	—	771,525	—
Capital assets, net	—	—	—	19,061,380
Total noncurrent assets	<u>4,926,603</u>	<u>—</u>	<u>771,525</u>	<u>19,061,380</u>
Total assets	<u>\$ 12,871,422</u>	<u>\$ 5,892,091</u>	<u>\$ 1,193,928</u>	<u>\$ 24,131,876</u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and retainages	\$ 271,710	\$ 37,993	\$ —	\$ 253,701
Compensated absences payable	65	4,118	—	203,646
Claims payable	5,760,339	1,255,808	78,933	—
Due to other funds	—	—	—	—
Claims incurred but not reported	6,789,661	4,546,667	—	—
Long-term obligations maturing within one year	—	—	—	—
Unearned revenue and deposits	—	—	—	—
Current liabilities payable from restricted assets:				
Capital acquisition and construction accounts and retainage payable	—	—	—	716,441
Total current liabilities	<u>12,821,775</u>	<u>5,844,586</u>	<u>78,933</u>	<u>1,173,788</u>
Noncurrent liabilities:				
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Unfunded pension obligation	2,855	3,753	—	150,812
Total noncurrent liabilities	<u>2,855</u>	<u>3,753</u>	<u>—</u>	<u>150,812</u>
Total liabilities	<u>12,824,630</u>	<u>5,848,339</u>	<u>78,933</u>	<u>1,324,600</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	—	—	—	19,061,380
Unrestricted	46,792	43,752	1,114,995	3,745,896
Total net assets	<u>46,792</u>	<u>43,752</u>	<u>1,114,995</u>	<u>22,807,276</u>
Total liabilities and net assets	<u>\$ 12,871,422</u>	<u>\$ 5,892,091</u>	<u>\$ 1,193,928</u>	<u>\$ 24,131,876</u>

See accompanying independent auditor's report.

Information Technology	Total Internal Service Funds	
	December 31, 2005	December 31, 2004
\$ —	\$ 12,768,220	\$ 5,610,445
—	908,019	908,019
—	343,000	—
74	74	143
—	352,963	333,553
67,740	307,814	275,114
—	4,717,533	6,467,563
67,814	19,397,623	13,594,837
—	4,926,603	6,789,033
—	771,525	—
12,162,282	31,223,662	30,574,254
12,162,282	36,921,790	37,363,287
\$ 12,230,096	\$ 56,319,413	\$ 50,958,124
\$ 97,723	\$ 661,127	\$ 566,190
465,633	673,462	595,710
—	7,095,080	6,633,412
5,041,001	5,041,001	5,988,019
—	11,336,328	5,837,424
—	—	75,997
43,467	43,467	43,467
263,814	980,255	532,374
5,911,638	25,830,720	20,272,593
4,926,604	4,926,604	6,024,762
1,097,565	1,097,565	1,276,128
268,798	426,218	132,536
6,292,967	6,450,387	7,433,426
12,204,605	32,281,107	27,706,019
6,327,659	25,389,039	23,565,476
(6,302,168)	(1,350,733)	(313,371)
25,491	24,038,306	23,252,105
\$ 12,230,096	\$ 56,319,413	\$ 50,958,124

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	<b>Risk Management</b>			
	<b>General Liability/ Workers' Compensation</b>	<b>Medical/ Dental</b>	<b>Unemployment Compensation</b>	<b>Equipment Maintenance</b>
Operating revenues:				
Charges for sales and services	\$ 8,082,959	\$ 36,288,272	\$ (60,839)	\$ 10,268,393
Total operating revenues	<u>8,082,959</u>	<u>36,288,272</u>	<u>(60,839)</u>	<u>10,268,393</u>
Operating expenses:				
Operations	7,870,827	36,249,870	251,617	7,543,545
Depreciation	—	—	—	3,095,728
Total operating expenses	<u>7,870,827</u>	<u>36,249,870</u>	<u>251,617</u>	<u>10,639,273</u>
Operating income (loss)	<u>212,132</u>	<u>38,402</u>	<u>(312,456)</u>	<u>(370,880)</u>
Nonoperating revenues (expenses):				
Investment income	437,323	5,350	71,372	135,652
Intergovernmental revenue	—	—	—	132,370
Other revenues	—	—	—	—
Interest expense	—	—	—	—
Gain (loss) on disposition of assets	—	—	—	119,265
Net nonoperating revenues (expenses)	<u>437,323</u>	<u>5,350</u>	<u>71,372</u>	<u>387,287</u>
Income (loss) before transfers	649,455	43,752	(241,084)	16,407
Transfer to other funds	—	—	—	—
Transfer from other funds	—	—	—	200,000
Change in net assets	649,455	43,752	(241,084)	216,407
Total net assets (deficit) – beginning	<u>(602,663)</u>	<u>—</u>	<u>1,356,079</u>	<u>22,590,869</u>
Total net assets – ending	<u>\$ 46,792</u>	<u>\$ 43,752</u>	<u>\$ 1,114,995</u>	<u>\$ 22,807,276</u>

See accompanying independent auditor's report.



Information Technology	Total Internal Service Funds	
	2005	2004
\$ 12,500,496	\$ 67,079,281	\$ 32,643,723
12,500,496	67,079,281	32,643,723
9,042,686	60,958,545	29,953,832
2,984,245	6,079,973	6,064,333
12,026,931	67,038,518	36,018,165
473,565	40,763	(3,374,442)
180,497	830,194	329,811
—	132,370	125,000
52,999	52,999	14,953
(589,390)	(589,390)	(241,784)
—	119,265	(36,202)
(355,894)	545,438	191,778
117,671	586,201	(3,182,664)
—	—	(3,872,918)
—	200,000	—
117,671	786,201	(7,055,582)
(92,180)	23,252,105	30,307,687
\$ 25,491	\$ 24,038,306	\$ 23,252,105

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows  
Internal Service Funds

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Cash flows from operating activities:				
Receipts from customers and users	\$ 8,212,603	\$ 36,288,272	\$ (60,839)	\$ 10,268,393
Payments to employees	(7,776,550)	(172,085)	—	(2,864,404)
Payments to vendors	(91,356)	(30,251,692)	(252,528)	(4,527,327)
Net cash provided (used) by operating activities	<u>344,697</u>	<u>5,864,495</u>	<u>(313,367)</u>	<u>2,876,662</u>
Cash flows from noncapital and related financing activities:				
Transfers out	—	—	—	—
Transfers in	—	—	—	200,000
Loan proceeds from interfund loans	908,019	—	—	480,317
Loan payments on interfund loans	—	—	—	—
Loan to component unit	—	—	(151,639)	—
Other	(8,475)	—	—	4,468
Net cash provided (used) by noncapital and related financing activities	<u>899,544</u>	<u>—</u>	<u>(151,639)</u>	<u>684,785</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	—	—	—	(3,950,468)
Intergovernmental revenue received	—	—	—	132,370
Proceeds from disposition of capital assets	—	—	—	120,999
Net cash used by capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,697,099)</u>
Cash flows from investing activities:				
Interest received	437,323	5,350	71,372	135,652
Net cash provided by investing activities	<u>437,323</u>	<u>5,350</u>	<u>71,372</u>	<u>135,652</u>
Net increase (decrease) in cash	1,681,564	5,869,845	(393,634)	—
Cash, beginning of year	5,137,408	—	473,037	—
Cash, end of year	<u>\$ 6,818,972</u>	<u>\$ 5,869,845</u>	<u>\$ 79,403</u>	<u>\$ —</u>
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income (loss)	\$ 212,132	\$ 38,402	\$ (312,456)	\$ (370,880)
Adjustments to reconcile operating income to net cash provided or used by operating activities:				
Depreciation	—	—	—	3,095,728
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	—	—	—	—
Prepaid items	8,820	(22,246)	—	—
Inventories	—	—	—	(19,409)
Deferred charges and other assets	—	—	—	29,044
Accounts payable	(38,184)	37,993	—	—
Unearned revenue	—	—	—	—
Claims payable	159,008	5,802,475	(911)	—
Deferred credits	—	—	—	—
Compensated absences payable	66	4,118	—	39,416
Unfunded pension obligation	2,855	3,753	—	102,763
Total cash provided (used) by operating activities	<u>\$ 344,697</u>	<u>\$ 5,864,495</u>	<u>\$ (313,367)</u>	<u>\$ 2,876,662</u>

See accompanying independent auditor's report.

Total Internal Service Funds

<u>Information Technology</u>	<u>2005</u>	<u>2004</u>
\$ 12,500,565	\$ 67,208,994	\$ 32,692,329
(5,176,985)	(15,990,024)	(7,556,858)
(3,778,993)	(38,901,896)	(22,339,813)
<u>3,544,587</u>	<u>12,317,074</u>	<u>2,795,658</u>
—	—	(3,872,918)
—	200,000	—
—	1,388,336	918,486
(947,017)	(947,017)	(6,884,295)
—	(151,639)	—
52,999	48,992	14,953
<u>(894,018)</u>	<u>538,672</u>	<u>(9,823,774)</u>
(1,174,155)	(1,174,155)	(1,040,689)
(589,390)	(589,390)	(243,659)
(1,069,561)	(5,020,029)	(1,128,534)
—	132,370	125,000
2,040	123,039	108,614
<u>(2,831,066)</u>	<u>(6,528,165)</u>	<u>(2,179,268)</u>
180,497	830,194	329,811
<u>180,497</u>	<u>830,194</u>	<u>329,811</u>
—	7,157,775	(8,877,573)
—	5,610,445	14,488,018
<u>\$ —</u>	<u>\$ 12,768,220</u>	<u>\$ 5,610,445</u>
\$ 473,565	\$ 40,763	\$ (3,374,442)
2,984,245	6,079,973	6,064,333
69	69	1,496
—	(13,426)	(8,017)
—	(19,409)	46,509
(19,274)	9,770	157,225
66,082	65,891	32,213
34,152	34,152	—
—	5,960,572	—
—	—	(229,180)
(178,563)	(134,963)	(27,015)
184,311	293,682	132,536
<u>\$ 3,544,587</u>	<u>\$ 12,317,074</u>	<u>\$ 2,795,658</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, 2005

(With summarized financial information at December 31, 2004)

<b>Assets</b>	<b>Police/Fire Retirement Trust Funds</b>			<b>Total</b>
	<b>Police/Fire Retirement System Plan I</b>	<b>Police/Fire Retirement System Plan II</b>	<b>Police/Fire Retirement System Plan III</b>	
Cash in central treasury	\$ 24,405	\$ 16,648	\$ 48,991	\$ 90,044
Cash, cash equivalents held under securities lending program	5,294,760	3,611,822	10,628,396	19,534,978
Investments	—	—	—	—
Investments, at fair value:				
Investment in master group trust	105,294,423	72,409,795	217,544,403	395,248,621
Money market funds	—	—	—	—
Debt securities	—	—	—	—
Equity securities	—	—	—	—
Total investments	<u>105,294,423</u>	<u>72,409,795</u>	<u>217,544,403</u>	<u>395,248,621</u>
Capital assets, net	<u>4,977</u>	<u>3,395</u>	<u>9,990</u>	<u>18,362</u>
Total assets	<u>\$ 110,618,565</u>	<u>\$ 76,041,660</u>	<u>\$ 228,231,780</u>	<u>\$ 414,892,005</u>
<b>Liabilities</b>				
Accounts payable	\$ 34,147	\$ 20,993	\$ 54,656	\$ 109,796
Payable under securities lending program	5,294,760	3,611,822	10,628,396	19,534,978
Total liabilities	<u>\$ 5,328,907</u>	<u>\$ 3,632,815</u>	<u>\$ 10,683,052</u>	<u>\$ 19,644,774</u>
<b>Net Assets</b>				
Held in trust for:				
Employees' pension benefits	\$ 105,289,658	\$ 72,408,845	\$ 217,548,728	\$ 395,247,231
Employees' postemployment healthcare benefits	—	—	—	—
Total net assets	<u>\$ 105,289,658</u>	<u>\$ 72,408,845</u>	<u>\$ 217,548,728</u>	<u>\$ 395,247,231</u>

See accompanying independent auditor's report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2005	December 31, 2004
\$ 1,567	\$ 91,611	\$ 72,443
—	19,534,978	22,514,095
—	—	5,897,481
—	395,248,621	395,038,728
643,455	643,455	—
1,006,679	1,006,679	—
5,293,010	5,293,010	—
<u>6,943,144</u>	<u>402,191,765</u>	<u>395,038,728</u>
—	18,362	27,033
<u>\$ 6,944,711</u>	<u>\$ 421,836,716</u>	<u>\$ 417,652,299</u>
\$ —	\$ 109,796	\$ 99,272
—	19,534,978	22,514,095
<u>\$ —</u>	<u>\$ 19,644,774</u>	<u>\$ 22,613,367</u>
\$ —	\$ 395,247,231	\$ 395,037,416
6,944,711	6,944,711	5,898,997
<u>\$ 6,944,711</u>	<u>\$ 402,191,942</u>	<u>\$ 400,936,413</u>



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended December 31, 2005

(With summarized financial information for the year ended December 31, 2004)

	<b>Police/Fire Retirement Pension Trust Funds</b>			
	<b>Police/Fire Retirement System Plan I</b>	<b>Police/Fire Retirement System Plan II</b>	<b>Police/Fire Retirement System Plan III</b>	<b>Total</b>
<b>Additions:</b>				
Contributions from other funds	\$ —	\$ —	\$ —	\$ —
Contributions	4,311	2,941	8,654	15,906
Interest	1,719,705	1,178,264	3,505,247	6,403,216
Dividends	416,123	285,244	850,616	1,551,983
Net increase in fair value of investments	4,991,760	3,435,396	10,286,112	18,713,268
Less investments expense	(387,013)	(264,936)	(787,404)	(1,439,353)
<b>Total additions</b>	<b>6,744,886</b>	<b>4,636,909</b>	<b>13,863,225</b>	<b>25,245,020</b>
<b>Deductions:</b>				
Regular benefit payments	8,246,764	4,982,931	10,737,444	23,967,139
Administrative expenses	275,823	284,909	507,334	1,068,066
<b>Total deductions</b>	<b>8,522,587</b>	<b>5,267,840</b>	<b>11,244,778</b>	<b>25,035,205</b>
<b>Change in net assets</b>	<b>(1,777,701)</b>	<b>(630,931)</b>	<b>2,618,447</b>	<b>209,815</b>
Net assets – beginning	107,067,359	73,039,776	214,930,281	395,037,416
<b>Net assets – ending</b>	<b>\$ 105,289,658</b>	<b>\$ 72,408,845</b>	<b>\$ 217,548,728</b>	<b>\$ 395,247,231</b>

See accompanying independent auditor's report.

<b>Police/Fire Retiree Medical Trust Fund</b>	<b>Total Fiduciary Funds</b>	
	<b>December 31, 2005</b>	<b>December 31, 2004</b>
\$ 1,799,268	\$ 1,799,268	\$ 1,495,890
—	15,906	18,775
35,474	6,438,690	5,892,040
133,823	1,685,806	1,014,967
180,617	18,893,885	36,966,300
—	(1,439,353)	(1,430,934)
<u>2,149,182</u>	<u>27,394,202</u>	<u>43,957,038</u>
1,037,709	25,004,848	23,317,352
65,759	1,133,825	867,850
<u>1,103,468</u>	<u>26,138,673</u>	<u>24,185,202</u>
1,045,714	1,255,529	19,771,836
5,898,997	400,936,413	381,164,577
<u>\$ 6,944,711</u>	<u>\$ 402,191,942</u>	<u>\$ 400,936,413</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Changes in Assets and Liabilities  
Agency Fund

For the Year Ended December 31, 2005

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Employee Benefits				
Assets:				
Equity in general cash pool	\$ 6,623,869	\$ 212,332,513	\$ 210,957,373	\$ 7,999,009
Accounts receivable	9,974	—	2,185	7,789
Total assets	<u>\$ 6,633,843</u>	<u>\$ 212,332,513</u>	<u>\$ 210,959,558</u>	<u>\$ 8,006,798</u>
Liabilities:				
Accounts payable	\$ 164,394	\$ 9,963,865	\$ 9,593,163	\$ 535,096
Due to employees	5,031,105	114,856,882	114,617,398	5,270,589
Due to employees' retirement system	966,588	28,214,498	28,059,424	1,121,662
Payroll liabilities	471,756	69,252,758	68,645,063	1,079,451
Total liabilities	<u>\$ 6,633,843</u>	<u>\$ 222,288,003</u>	<u>\$ 220,915,048</u>	<u>\$ 8,006,798</u>

See accompanying independent auditor's report.