

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska (the Municipality) as of and for the year ended December 31, 2009, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police/Fire Retirement System fiduciary funds which represent 49% and 58% of the assets and net assets/fund balance, respectively, of the aggregate remaining fund information. We also did not audit the financial statements of the Alaska Center for the Performing Arts which represents 0.1%, 0.2%, and 0.4% of the assets, net assets, and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police/Fire Retirement System fiduciary funds and the Alaska Center for the Performing Arts, is based on the report of the other auditors. The prior year summarized comparative information has been derived from the Municipality of Anchorage's 2008 financial statements. Those statements, before they were restated for the matter discussed in Note 22 to the financial statements, were audited by us and, in our report dated June 11, 2009, we expressed unqualified opinions on the respective 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Police/Fire Retirement System trust funds (part of the aggregate remaining fund information opinion unit), the Alaska Center for the Performing Arts and the Anchorage Community Development Authority (both part of the aggregate discretely presented component units) were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of December 31, 2009, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2010 on our consideration of the Municipality of Anchorage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 4, 2010

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, 2009. 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 2009 with reported net assets of \$3,550,797.
- Anchorage's total net assets increased by \$91,762 or approximately 2.6% for 2009. The increase reflects a change in net assets of governmental activities of \$61,481 and a change in business-type activities of \$30,281.
- During the year, the business-type activities generated \$269,155 in revenues (excluding special items), which were offset by expenses and transfers of \$238,875.
- As of December 31, 2009, Anchorage's governmental funds reported a combined ending fund balance of \$248,586, a decrease of \$6,244. Of the fund balance, \$214,627 is reserved. The remaining \$33,959 is unreserved, although \$33,059 is designated for bond rating/emergency operations.
- The Capital Roads and Drainage Fund and the MOA Trust Fund did not meet the eligibility criteria as major funds but because of their significance to Anchorage taxpayers they have been included.
- 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 \$33,059. As of December 31, 2009 and 2008, general fund unreserved fund balance was 7.0% and 4.1% of general fund expenditures, respectively.

As of December 31, 2009, two of the five major general fund sub-funds' fund balances were lower than required by the policy and were adjusted back into compliance through the 2010 budgetary process. The General Fund did not meet both the bond and emergency designation reserve and Anchorage Bowl Parks and Recreation Service Area did not meet the emergency reserve designation. The operating emergency designation range was set at 3%.

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 non major governmental funds, non major enterprise funds, internal service funds, and fiduciary funds.

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Anchorage's overall financial status, in a manner similar to a private-sector business.

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

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

The government-wide financial statements include not only Anchorage itself, but also the following discretely presented component units for which Anchorage is financially accountable – the Anchorage School District (ASD), Anchorage Community Development Authority (Authority or ACDA), and the Alaska Center for the Performing Arts (ACPA). Financial information for discrete component units is reported separately from the financial information presented for the primary government itself. CIVICVentures, although legally separate, functions for all practical purposes as an integral part of the primary government and therefore has been included with the primary government as a blended component unit.

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

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

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

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

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

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

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

The proprietary fund financial statements provide separate information for the electric generation/distribution services, water services, wastewater services, and port services, all of which are considered to be major enterprise funds of Anchorage. Information from the other three proprietary enterprise funds 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 and schedule of funding status for the Police and Fire Retirement System.

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 \$3,550,797 and \$3,459,035 at the fiscal years ended December 31, 2009 and 2008 respectively (reference Table A-1).

The net assets for governmental activities were \$2,914,355 and \$2,852,874, with \$18,194 and \$54,387 classified as unrestricted in 2009 and 2008, respectively. The significant portion (98%) 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 \$165,638 and \$149,818 in 2009 and 2008, respectively, result from restrictions imposed legally or externally by creditors, debt covenants or grantors. The deficit in unrestricted net assets represents accrued liabilities in excess of unrestricted assets.

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

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 462,028	\$ 459,001	\$ 518,274	\$ 407,591	\$ 980,302	\$ 866,592
Capital assets	3,238,999	3,194,105	1,380,428	1,286,247	4,619,427	4,480,352
Total assets	<u>3,701,027</u>	<u>3,653,106</u>	<u>1,898,702</u>	<u>1,693,838</u>	<u>5,599,729</u>	<u>5,346,944</u>
Long term liabilities	659,674	683,840	643,714	514,433	1,303,388	1,198,273
Other liabilities	126,998	116,392	618,546	573,244	745,544	689,636
Total liabilities	<u>786,672</u>	<u>800,232</u>	<u>1,262,260</u>	<u>1,087,677</u>	<u>2,048,932</u>	<u>1,887,909</u>
Net assets (deficit):						
Invested in capital assets, net of related debt	2,730,523	2,648,669	419,149	430,706	3,149,672	3,079,375
Restricted	165,638	149,818	136,376	113,884	302,014	263,702
Unrestricted	18,194	54,387	80,917	61,571	99,111	115,958
Total net assets	<u>\$ 2,914,355</u>	<u>\$ 2,852,874</u>	<u>\$ 636,442</u>	<u>\$ 606,161</u>	<u>\$ 3,550,797</u>	<u>\$ 3,459,035</u>

Current and other assets include \$207,142 and \$206,652 of unrestricted cash and investments held for governmental activities at December 31, 2009 and 2008, respectively. Governmental activities' long-term liabilities decreased by \$24,166 or approximately 3.5%. The decrease in long-term liabilities was primarily the result of debt service payments and no new issuance of bonds. General obligation bonds represent 68% of the total long-term debt for governmental activities (including CIVICVentures). Revenue bonds (including CIVICVentures) represent 23% of the debt outstanding for governmental activities.

For business-type activities, unrestricted net assets of \$80,917 (13% of total net assets) and \$61,571 (10% of total net assets), may be used to meet the ongoing needs of these organizations at December 31, 2009 and 2008, respectively. This represents an increase of \$19,346 (31%). The primary contributor to the increase was the increase in the unrestricted net assets of the

electric utility of \$25,812. The most significant portion of net assets for the business-type activities, \$419,149 (66%) and \$430,706 (71%) as of December 31, 2009 and 2008 respectively, are invested in capital assets which are used to provide customers with services. Net assets invested in capital assets, net of related debt, decreased \$11,557 or approximately 3% in 2009. Net assets of business-type activities subject to external restrictions were \$136,736 (21%) and \$113,884 (19%) in 2009 and 2008, respectively. External restrictions were related to debt service and construction acquisition requirements.

Governmental Activities

During 2009, Anchorage's net assets increased \$61,481 for governmental activities (reference Table A-2). Highlights of governmental activities' net asset changes are as follows:

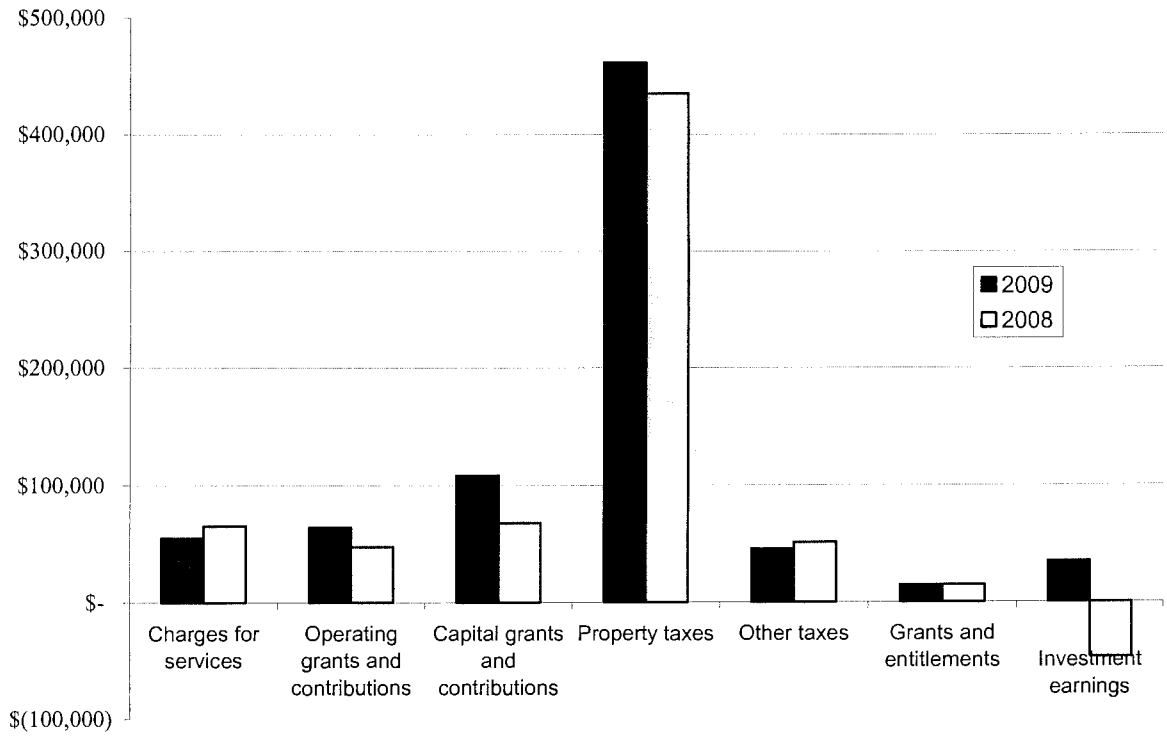
- Operating grants and contributions increased by \$16,850. Included in the overall increase in operating grants and contributions were \$8,500 ARRA grants (American Reinvestment and Recovery Act) and state increase of \$5,918 for education grants.
- Capital grants were \$40,078 higher in 2009 than in 2008, a 59% increase. Included in the increase were \$8,520 for fire apparatus and equipment and \$32,948 for Public Works including \$8,761 of roads capital contributions from the State.
- Education expenses increased by \$19,111 in 2009 to \$231,379 from \$212,267 in 2008.
- The total property tax levy for 2009 less property tax relief from the State of Alaska of \$18,000 was \$457,808, an increase from the 2008 tax levy of \$429,874 (less property tax relief of \$15,836).
- Investment earnings (losses) increased by \$82,335 in 2009 from \$(47,270) in 2008 to \$35,065 as the markets improved after the sharp and historical decline in the global equity markets in 2008.

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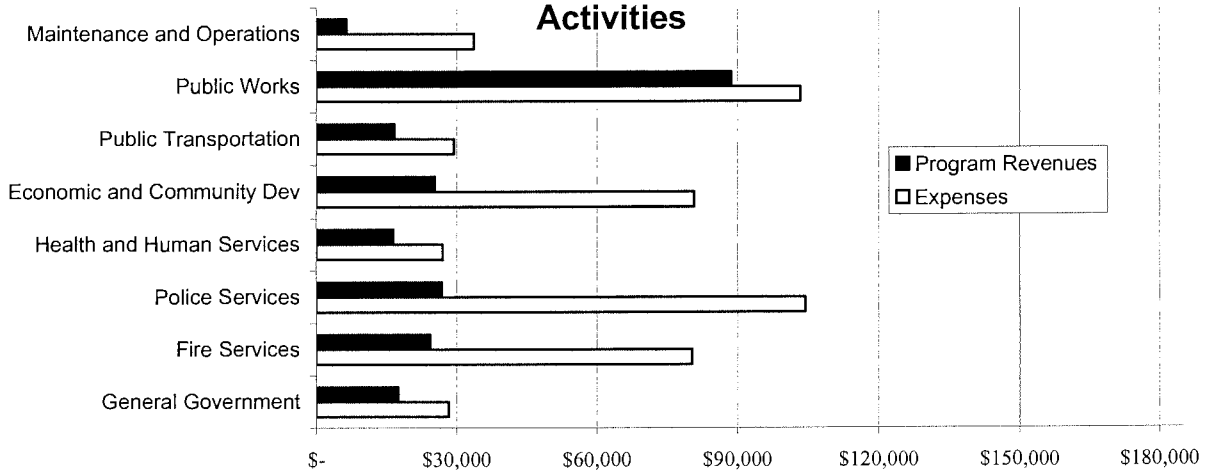
Table A-2
Anchorage's Changes in Net Assets
(in thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 55,518	\$ 65,764	\$ 245,176	\$ 227,755	\$ 300,694	\$ 293,519
Operating grants & contributions	64,620	47,770	109	1,615	64,729	49,385
Capital grants & contributions	108,287	68,209	14,582	39,136	122,869	107,345
General revenues:						
Property taxes	461,907	435,203	-	-	461,907	435,203
Other taxes	45,831	51,455	-	-	45,831	51,455
Gain (losses) on sale of capital assets	1,252	-	(95)	-	1,157	-
Grants and entitlements not restricted to specific programs	15,019	15,113	-	-	15,019	15,113
Investment earnings	35,065	(47,270)	9,288	1,796	44,353	(45,474)
Total revenues	787,499	636,244	269,060	270,302	1,056,559	906,546
Expenses:						
General government	28,324	34,056	-	-	28,324	34,056
Fire services	80,409	81,566	-	-	80,409	81,566
Police services	104,442	102,863	-	-	104,442	102,863
Health and human services	27,082	26,458	-	-	27,082	26,458
Economic and community dev.	80,812	74,829	-	-	80,812	74,829
Public transportation	29,426	28,522	-	-	29,426	28,522
Public works	103,414	53,203	-	-	103,414	53,203
Education	231,379	212,267	-	-	231,379	212,267
Maintenance and operations	33,750	35,405	-	-	33,750	35,405
Interest	29,600	29,822	-	-	29,600	29,822
Water	-	-	38,485	39,389	38,485	39,389
Wastewater	-	-	30,491	31,804	30,491	31,804
Electric	-	-	105,532	90,760	105,532	90,760
Port	-	-	11,105	11,533	11,105	11,533
Municipal airport	-	-	3,279	3,230	3,279	3,230
Solid waste	-	-	16,326	15,556	16,326	15,556
Refuse	-	-	7,816	7,368	7,816	7,368
CSA	-	-	-	1,315	-	1,315
Total expenses	748,638	678,991	213,034	200,955	961,672	879,946
Change in net assets prior to special items and transfers	38,861	(42,747)	56,026	69,347	94,887	26,600
Transfers	22,620	21,042	(25,745)	(21,042)	(3,125)	-
Special Item - NPO/OPEB write-off	-	22,987	-	4,098	-	27,085
Change in net assets	61,481	1,282	30,281	52,403	91,762	53,685
Net assets, beginning of year, as restated	2,852,874	2,846,719	606,161	553,758	3,459,035	3,400,477
Net assets, end of year	\$ 2,914,355	\$ 2,848,001	\$ 636,442	\$ 606,161	\$ 3,550,797	\$ 3,454,162

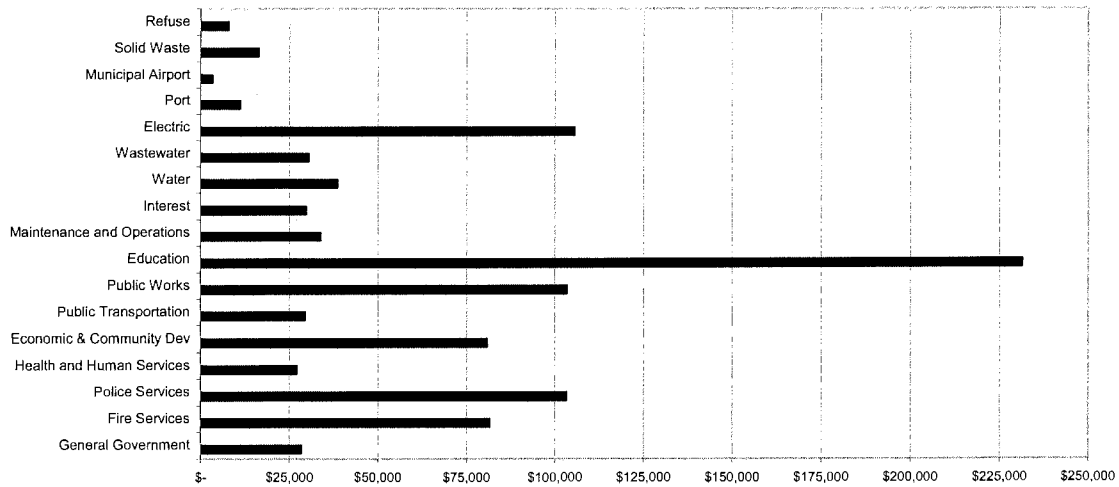
**Figure A-1
Governmental Activities Revenues by Type**



**Figure A-2
2009 Program Revenue vs Expense by Governmental Activities**



**Figure A-3
2009 Expense by Functional Activity**



Business-type Activities

Business-type activities increased Anchorage's net assets by \$30,281 in 2009. Key elements of the change in net assets are as follows:

- Electric Utility change in net assets was \$6,624.
- Change in net assets for Water and Wastewater was \$7,054 and \$3,686, respectively.
- Capital contributions to the Port were \$10,088, related to the expansion project.

Financial Analysis of Anchorage's Funds

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

Governmental Funds

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

As of December 31, 2009, Anchorage's governmental funds reported a combined ending fund balance of \$248,586, a decrease of \$6,244 in comparison to the prior year. Of the total fund balance, \$214,627 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 (\$52,272), to meet debt service requirements (\$44,272), to generate income for perpetual care of the municipal cemetery (\$385), to recognize prepaid items, deposits and inventory (\$2,165), to recognize long-term loans to other funds (\$2,837), or is otherwise reserved in the MOA Trust Fund (\$112,696).

Approximately 14% of total fund balance (\$33,959) is classified as unreserved fund balance. Of the unreserved fund balance, \$15,722 is reported in Special Revenue Funds to be used for grant specified projects and a deficit of \$23,079 is reported in the Capital Projects Funds as a result of encumbrances approved before bonds are issued. The remaining unreserved fund balance of \$41,316 is reported in the General Fund. Of that amount \$33,059 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, 2009 and 2008, respectively, the unreserved fund balance was \$41,316 and \$24,771 while total fund balance was reported at \$45,197 and \$26,068 for 2009 and 2008, respectively. Investment gains of \$3,029 were reported for 2009, which was an increase of \$3,133 from the 2008 investment income. The increase in fund balance of \$19,129 can be attributed to three major components: \$6.5 million transfer of the COPS fund balance, \$8.5 million Federal Stimulus Grants and \$4.0 million in expenditure savings.

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, 2009, unreserved fund balance represents 7% of total General Fund expenditures and total fund balance represents 7.7% of the same amount. Unreserved fund balance was 4.1% of total General Fund expenditures and total fund balance was 4.3% of the same amount at December 31, 2008.

Investment gains in the MOA Trust Fund were \$23,352. This was an increase of \$60,577 from the prior year loss of \$37,225. This increase in market return was attributable to an improvement from the sharp and historical decline in the global equity markets in 2008.

The Capital Projects Roads and Drainage Fund was included as a major fund for the first time in 2008, as a result of meeting the eligibility criteria for a major fund. Capital outlay in this fund decreased in 2009 by \$18,152 over the prior year. This was primarily due to the E Street and F Street connectivity projects that were completed in 2008. Combined, the Capital Projects Roads and Drainage Fund and the other non major governmental funds (in aggregate) reported a decrease in fund balance of \$41,696 in 2009, with an overall decrease in spending of \$8,198 over 2008.

Proprietary Funds

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

- The Electric Utility's net capital assets increased by \$22,033 or 6.1% in 2009, while increasing by \$12,003, or 4% in 2008. Several major projects were completed in 2009 including BRU gas well 211 (\$9.3 million), Substation 14 (\$7.1 million), Unit 5 turbine major overhaul (\$6.4 million), Unit 7 hot gas path inspection (\$5.3 million), and Alaska Power Administration substation modification (\$2.8 million).
- In 2006 the Regulatory Commission of Alaska (RCA) issued Order Number 2 (Order) in Docket U-06-89 concerning the use of the funds received in settlement of the 2005 gas underlift that resulted in recognizing a deferred credit in the amount of \$23,804 to be used for future gas purchases. The deferred credit consisted of the 2005 settlement of \$22,950 (final adjusted settlement) plus interest of \$854. The Order also agreed with the Electric Utility's proposal to loan the electric fund the gas underlift proceeds to construct a new generating unit with the condition that as the funds are returned, the loan amount plus interest will be restricted for future gas purchases. As of December 31, 2009 the deferred credit account has a balance of \$27,311.
- In 2009, the Electric Utility paid a dividend of \$5,401 to Anchorage based on 2008 revenues confirmed after audit. The dividend consists of a revenue distribution to general government of 5% of the Utility's gross revenues excluding restricted revenues and payment of a gross receipts tax considered supplemental Municipal Utility Service Assessment (MUSA) at 1.25% times actual gross operating revenues (\$1,340). In addition to these MUSA payments, the Electric Utility paid MUSA on its net plant in service (\$3,065).
- The Electric Utility entered into a participation agreement with Chugach Electric Association, Inc. on August 28, 2008 to proceed with the joint development, construction

and operation of the Southcentral Power Project (“the Project”). The approximate capacity of the Project is 180MW, of which the Utility’s proportionate share will be 54MW, or 30%. The Utility’s estimated share of the cost of the project at this time is \$110,561, including interest during construction. The Electric Utility has recorded capital expenditures of \$11,493 as of December 31, 2009. The Project is anticipated to enter commercial operation by January 1, 2014.

- The Water Utility’s net capital assets increased by \$30,402 or 7% in 2009 compared with an \$18,117 or 4.2% increase in 2008. The increase is mostly due to additions to transmission and distribution systems (\$27.2 million), pumping plant (\$3.3 million), water treatment plant upgrades (\$1.8 million) and general plant (\$4.7million).
- The Water Utility’s net assets increased by \$7,054 or 9.5% during 2009. Operating revenues increased \$4,179 (9.7%) due to RCA approved interim rate increase of 7.0% effective January 1, 2009 and an improvement in short-term investments.
- The Wastewater Utility’s net capital assets increased by \$40,866, or 13% in 2009 compared with an \$11,855 or 4.0% increase in 2008. The increase is due to asset additions of \$53,000 in wastewater plant but offset by additions to accumulated depreciation of \$12,400.
- The Wastewater Utility’s net assets increased \$3,686 or 7% during 2009. Operating revenues were up \$1,428 in 2009, while operating expenses decreased by \$1,428.
- During 2009, the Port’s total assets decreased by \$1,557. Current and other assets increased by \$13,447 due mostly to an increase in interfund receivable between the Port and several Capital Project Funds.
- The Port has been presented as a major enterprise fund since 2008 because it met the major fund eligibility criteria.
- The Port’s net assets increased by \$11,614 or 11% during 2009, due primarily from capital contributions of \$10,088 for the expansion project, largely from the State of Alaska.

General Fund Budgetary Highlights

The 2009 approved budget (adopted in late 2008) includes projected funding sources.

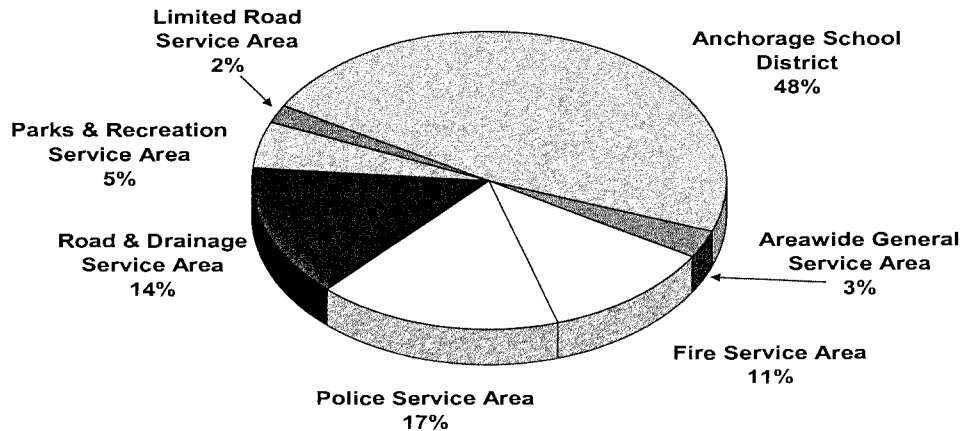
In late April 2009, the tax levy was set and taxes levied for general purposes, which included all service areas of Anchorage and the Anchorage School District (ASD). With the benefit of actual fiscal year end financial data, the general purpose operating budget for 2009 was revised, including a calculation of the total property tax revenue requirement. In addition to the revised general purpose operating budget, the annual operating budget for ASD had been approved for its fiscal year, July 1 – June 30. Based on the combination of the property tax revenue requirement of the two budgets, the property tax levy was set, net of State revenues shared with the Municipality and applied as local tax relief.

Throughout the year supplemental appropriations are requested for unanticipated, high priority needs. The following were revisions to the approved budget during 2009:

- Five Major Service Areas – Areawide, Fire, Roads and Drainage, Police, Parks and Recreation:
 - \$225,460 contribution to Anchorage School District for property taxes collected on their behalf by general government.
 - \$983 debt service associated with Tax Anticipation Notes.
 - \$73 to Health and Human Services for I/M software.
 - \$43 of proceeds from Vehicle Insurance Recoveries to the Public Transportation Department.
 - \$76 to Heritage Land Bank Department for leased Municipal building space.
 - \$625 to Anchorage Police Department for services at construction sites to be reimbursed by the State of Alaska.
 - \$193 to Employee Relations Department for George M. Sullivan Life Insurance Trust.
 - \$495 to Municipal Utilities for 2008 Municipal Utility Service Assessment.
 - \$236 to Girdwood Valley Service Area for the development of the Girdwood Community Center and Library.
 - \$595 to Heritage Land Bank Department for payment toward an interfund loan for the purchase of land.
 - \$1,460 to Development Services Department for the Hansen Project.

For 2009 the tax requirement for the Municipality Of Anchorage was \$250,348; however \$18,000 in state assistance was applied as tax relief, reducing the actual requirement to \$232,348.

2009 Property Tax Levy by Service Areas



Capital Asset and Debt Administration

Capital Assets

At the end of 2009 and 2008, Anchorage had invested \$4,619,427 and \$4,480,352 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,226,652	\$ 1,222,791	\$ 51,146	\$ 51,044	\$ 1,277,798	\$ 1,273,835
Buildings and building improvements	269,947	270,419	269,728	246,540	539,675	516,959
Art	17,310	16,808	-	-	17,310	16,808
Equipment	55,792	55,511	-	-	55,792	55,511
Distribution and collection systems	-	-	992,422	932,309	992,422	932,309
Infrastructure	1,519,942	1,482,854	-	-	1,519,942	1,482,854
Construction work-in-progress	149,356	145,722	67,132	56,354	216,488	202,076
Total	\$ 3,238,999	\$ 3,194,105	\$ 1,380,428	\$ 1,286,247	\$ 4,619,427	\$ 4,480,352

In 2009, total governmental activities capital asset additions were \$240,474, with the majority of the additions in construction work-in-progress, buildings and building improvements. Anchorage also purchased and traded land for various projects in 2009.

Significant additions to governmental activities capital assets during 2009 were \$18,904 of building and improvement additions, \$18,068 of equipment, and \$46,598 of infrastructure additions.

Business-type activities capital assets increased by \$309,965 during 2009 primarily due to distribution and collection system additions of \$115,682 and construction work-in-progress additions of \$159,574.

Long-term Debt

At December 31, 2009 Anchorage had \$1,229,428 in debt outstanding, an increase of 8.4% from 2008 debt outstanding of \$1,133,951 (reference Table A-4). More detailed information about Anchorage's long-term debt liabilities is presented in Note 10, Long-term Obligations, in the basic financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 448,590	\$ 475,781	\$ 504	\$ 970	\$ 449,094	\$ 476,751
Revenue bonds	42,735	45,565	486,026	375,390	528,761	420,955
CIVICVentures revenue bonds	109,695	110,615	-	-	109,695	110,615
Capital leases	3,144	4,089	-	-	3,144	4,089
Long-term contracts	4,855	4,960	132,017	114,647	136,872	119,607
HUD loans	1,864	1,934	-	-	1,864	1,934
Total	<u>\$ 610,883</u>	<u>\$ 642,944</u>	<u>\$ 618,547</u>	<u>\$ 491,007</u>	<u>\$ 1,229,430</u>	<u>\$ 1,133,951</u>

No new debt was issued for governmental activities in 2009 and the decrease is due to repayment of outstanding obligations. \$204,725 of revenue bonds and long-term notes were issued to fund capital projects in the business-type activities.

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

Infrastructure Modified Approach

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

A comparison of estimated to actual maintenance and preservation expense is presented in Required Supplementary Information. During 2009 actual road infrastructure maintenance and preservation expense was 0.5% more than estimated.

A condition assessment was performed in 2008 and indicated approximately 80.18% of total paved roads as being in good or better condition. This assessment result increased slightly from the assessment results of 80.01% received during the 2005 assessment. The current assessment exceeds Anchorage's policy to maintain 60% of total paved roads in good or better condition. The next scheduled assessment is in 2011.

Economic Factors and Next Year's Budgets and Rates

Anchorage's population rose 2.4% in 2009; and preliminary unemployment data stands at 6.8%, which is well below the national average of 9.3%.

The Property Tax Cap allows for both economic growth (inflation and population) and a number of other factors including new construction, debt service, voter-approved new services, special taxes, operations and maintenance costs of voter-approved projects, and judgments. In 2010, the property tax levy represents 56% of the General Government Operating Budget (GGOB) revenue. Local taxes and program generated revenues account for the majority of the remaining revenues (33%); intra-governmental charges outside of general government (6%); and Federal and State revenues (4%) for the balance.

The 2010 revised budget is \$281,057 less than 2009's revised budget. This includes a \$12.2 million decrease in debt service for voter-approved bonds. Property taxes supporting the 2010 budget increased from \$232.3 million in 2009 to \$245.4.

The 2010 Municipal Utilities approved operating budgets total \$247,867 and Utilities capital budgets total \$247,018.

In 2008, the investments for the Police & Fire Retirement Pension Trust fund sustained substantial losses of \$(115,668) to its investment portfolios. In April 2009, the Police & Fire Retirement Board adopted the actuary's recommendation to recover the underfunding that occurred in 2008. The Retirement Board approved a 15 year amortization period that will require annual Municipal contributions of \$12,000 beginning in 2010. In 2009, the investment portfolio improved as the market recovered and in April 2010, the Police & fire Retirement Board approved a 15 year amortization period that will require annual Municipal contributions of \$8,600, an improvement of \$3,400 from the previous year.

In 2004, Anchorage adopted a change in the formula used to calculate MUSA where payments are calculated on net plant in service which includes contributed plant. This change treats the Utilities, for MUSA purposes, similar to the private sector and in the manner in which business personal property taxes are calculated. In past years, the Water Utility and Wastewater Utility paid MUSA on the net non-contributed portion of plant in service, but prior to 1989 MUSA was calculated on net plant in service. The change in the formula has been legally challenged as discussed in more detail in the basic notes to the financial statements.

On September 2, 2005, the RCA issued an order establishing a revenue requirement for the Water's and Wastewater's Utility rates that excluded MUSA expense associated with the contributed portion of the Utilities' plant balances. The Utilities filed an appeal with the Alaska Superior Court in 2005 where the Superior Court upheld the Commission decision. The Superior Court decision was appealed to the State of Alaska Supreme Court. On September 4, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the 2005 exclusion of MUSA from the Utilities' revenue requirement. The Court remanded the case to the RCA for further proceedings to make a determination on the merits of the reasonableness of the Utility's proposed rate increase. Revenue collected subject to refunds approximated \$18 million and \$13 million through December 31, 2008 for Water and Wastewater, respectively, and approximately \$3.3 million and \$2.4 million of which was associated with revenues collected in 2009. In light of the May 8th Supreme Court decision, the Utilities believe that it is unlikely that they will be

required to refund the revenue collected, and therefore have not recorded a liability for refunds payable.

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

Contacting Anchorage's Financial Management

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

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Basic Financial Statements

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MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

December 31, 2009

(With summarized financial information at December 31, 2008)

Assets	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Anchorage School District
Current assets:				
Cash	\$ 31,284	\$ 5,425	\$ 36,709	\$ —
Cash in central treasury	177,261,232	85,614,330	262,875,562	—
Master lease agreement	759,080	—	759,080	—
Investments	28,479,074	—	28,479,074	188,955,168
Accrued Investments	611,063	980,710	1,591,773	—
Interest receivable	—	559,773	559,773	207,047
Receivables (net of allowance for uncollectible)	24,119,250	29,783,533	53,902,783	20,253,928
Due from primary government	—	—	—	116,473,790
Due from component unit	256,744	—	256,744	—
Inventories	1,415,467	24,453,426	25,868,893	2,999,780
Prepaid items and deposits	1,700,827	67,515	1,768,342	10,609,011
Deferred charges	—	245,841	245,841	6,347,111
Restricted assets:				
Investments	130,931,735	—	130,931,735	—
Investments in TCH, LLC	412,252	—	412,252	—
Investment, art collection	—	—	—	—
Customer deposits	—	1,164,559	1,164,559	—
Interim rate escrow investments	—	4,204,515	4,204,515	—
Restricted deposits	—	74,820,104	74,820,104	—
Bond acquisition and construction	—	102,571,731	102,571,731	—
Bond operation and maintenance	—	8,600,000	8,600,000	—
Debt service accounts	—	7,771,476	7,771,476	—
Landfill post closure cash reserve	—	2,920,700	2,920,700	—
Mitigation reserve investment	—	5,126,356	5,126,356	—
Interest receivable	902,706	—	902,706	—
Receivables	—	759,879	759,879	—
Intergovernmental receivables	64,632,721	28,725	64,661,446	—
Total current assets	431,513,435	349,678,598	781,192,033	345,845,835
Noncurrent assets:				
Deferred charges and other assets	4,350,070	10,108,360	14,458,430	—
Internal balances	(25,726,544)	25,726,544	—	—
Loans and leases receivable, net	50,813,369	12,109	50,825,478	—
Net OPEB	1,076,661	—	1,076,661	—
Restricted assets:				
Customer deposits	—	880,664	880,664	—
Advances to Marad	—	98,800,001	98,800,001	—
Revenue bond reserve investments	—	33,067,682	33,067,682	—
Capital assets, not being depreciated	2,727,062,187	118,277,869	2,845,340,056	129,136,696
Capital assets, being depreciated, net	511,936,992	1,262,150,320	1,774,087,312	1,087,471,566
Total noncurrent assets	3,269,512,735	1,549,023,549	4,818,536,284	1,216,608,262
Total assets	\$ 3,701,026,170	\$ 1,898,702,147	\$ 5,599,728,317	\$ 1,562,454,097
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 18,547,652	\$ 15,797,864	\$ 34,345,516	\$ 9,474,534
Accrued interest payable	7,981,067	3,961,820	11,942,887	11,841,518
Accrued payroll liabilities	10,979,866	2,876,851	13,856,717	11,604,984
Current portion of long-term obligations	59,377,300	36,952,274	96,329,574	68,895,025
Notes payable	—	40,000,000	40,000,000	—
Due to primary government	—	—	—	—
Due to component unit	77,663,030	—	77,663,030	—
Deferred revenue and deposits	11,488,220	222,242	11,710,462	117,098,869
Liabilities payable from restricted assets	338,173	4,749,878	5,088,051	—
Total current liabilities	186,375,308	104,560,929	290,936,237	218,914,930
Noncurrent liabilities:				
Liabilities payable from restricted assets	—	880,664	880,664	—
Deferred credits	383,316	550,056,125	550,439,441	—
Noncurrent portion of long-term obligations	599,912,897	606,762,474	1,206,675,371	750,212,967
Total noncurrent liabilities	600,296,213	1,157,699,263	1,757,995,476	750,212,967
Total liabilities	786,671,521	1,262,260,192	2,048,931,713	969,127,897
Net assets (deficit):				
Invested in capital assets, net of related debt	2,730,523,198	419,148,666	3,149,671,864	478,070,820
Restricted for:				
Debt service	36,291,415	41,280,221	77,571,636	2,046,009
Interim rate escrow requirement	—	2,385,041	2,385,041	—
Maintenance and operations	—	—	—	—
Acquisition and construction	2,198,468	92,710,970	94,909,438	—
Convention center operating reserve	5,564,732	—	5,564,732	—
Grant activity	7,496,344	—	7,496,344	—
Heritage land bank	1,005,448	—	1,005,448	—
Perpetual care:				
Nonexpendable	384,555	—	384,555	—
MOA trust:				
Nonexpendable	112,696,152	—	112,696,152	—
Expendable	—	—	—	—
Endowment	—	—	—	—
Unrestricted	18,194,337	80,917,057	99,111,394	113,209,371
Total net assets	2,914,354,649	636,441,955	3,550,796,604	593,326,200
Total liabilities and net assets	\$ 3,701,026,170	\$ 1,898,702,147	\$ 5,599,728,317	\$ 1,562,454,097

Component Units (Continued)		Total Reporting Entity	
Anchorage Community Development Authority	Alaska Center for the Performing Arts	December 31, 2009	As Restated December 31, 2008
\$ 2,962,941	\$ 1,406,230	\$ 4,405,880	\$ 4,064,604
—	—	262,875,562	240,810,871
—	—	759,080	1,265,125
—	—	217,434,242	241,203,798
—	—	1,591,773	—
—	—	766,820	858,969
27,990	8,229	74,192,930	76,447,847
226,648	—	116,700,438	109,196,480
—	—	256,744	229,824
—	—	28,868,673	29,266,848
61,238	54,808	12,493,399	10,653,520
—	—	6,592,952	7,066,947
—	—	130,931,735	118,882,426
—	—	412,252	395,691
—	127,042	127,042	127,042
—	—	1,164,559	1,202,234
—	—	4,204,515	—
20,138	666,416	75,506,658	45,208,843
—	—	102,571,731	83,766,466
—	—	8,600,000	8,412,337
—	—	7,771,476	4,914,157
—	—	2,920,700	1,383,415
—	—	5,126,356	3,692,107
—	—	902,706	974,721
—	—	759,879	336,748
—	—	64,661,446	51,810,547
<u>3,298,955</u>	<u>2,262,725</u>	<u>1,132,599,548</u>	<u>1,042,171,567</u>
10,618,825	—	25,077,255	17,112,343
—	—	—	—
—	—	50,825,478	55,291,408
—	—	1,076,661	1,456,000
—	—	880,664	780,987
—	—	98,800,001	98,800,001
—	—	33,067,682	26,143,690
11,059,217	—	2,985,535,969	3,092,661,973
15,770,987	—	2,877,329,865	2,606,257,614
<u>37,449,029</u>	<u>—</u>	<u>6,072,593,575</u>	<u>5,898,504,016</u>
<u>\$ 40,747,984</u>	<u>\$ 2,262,725</u>	<u>\$ 7,205,193,123</u>	<u>\$ 6,940,675,583</u>
\$ 525,411	\$ 360,564	\$ 44,706,025	\$ 50,152,310
—	—	23,784,405	23,819,977
—	—	25,461,701	23,210,523
—	—	165,224,599	151,989,861
—	—	40,000,000	40,000,000
108,417	130,800	239,217	203,645
—	—	77,663,030	72,657,237
118,955	539,117	129,467,403	118,454,135
—	62,634	5,150,685	7,914,399
<u>752,783</u>	<u>1,093,115</u>	<u>511,697,065</u>	<u>488,402,087</u>
—	—	880,664	780,987
—	—	550,439,441	500,808,975
3,920,599	—	1,960,808,937	1,902,122,521
<u>3,920,599</u>	<u>—</u>	<u>2,512,129,042</u>	<u>2,403,712,483</u>
<u>4,673,382</u>	<u>1,093,115</u>	<u>3,023,826,107</u>	<u>2,892,114,570</u>
26,830,029	—	3,654,572,713	3,568,094,943
—	—	79,617,645	72,721,259
—	—	2,385,041	—
—	666,416	666,416	658,887
—	—	94,909,438	101,699,139
—	—	5,564,732	4,386,055
—	—	7,496,344	8,375,538
—	—	1,005,448	713,705
—	—	384,555	352,673
—	—	112,696,152	89,372,426
—	—	—	7,000,000
—	60,791	60,791	58,214
9,244,573	442,403	222,007,741	195,128,174
<u>36,074,602</u>	<u>1,169,610</u>	<u>4,181,367,016</u>	<u>4,048,561,013</u>
<u>\$ 40,747,984</u>	<u>\$ 2,262,725</u>	<u>\$ 7,205,193,123</u>	<u>\$ 6,940,675,583</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Activities

Year ended December 31, 2009

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

Functions/Programs	Expenses	Program Revenues			Net (Expense), Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 28,324,403	\$ 6,519,429	\$ 5,875,113	\$ 5,141,733	\$ (10,788,128)
Fire services	80,408,887	7,551,666	5,693,698	11,130,963	(56,032,560)
Police services	104,441,531	17,866,612	8,989,249	4,946	(77,580,724)
Health and human services	27,082,391	3,748,435	12,689,756	—	(10,644,200)
Economic & community development	80,812,357	5,875,077	10,912,584	8,568,268	(55,456,428)
Public transportation	29,426,175	4,435,263	3,078,171	9,215,435	(12,697,306)
Public works	103,413,080	9,202,667	7,025,895	72,511,541	(14,672,977)
Education	231,378,123	—	5,918,478	—	(225,459,645)
Maintenance and operations of roads and facilities:	33,750,117	319,034	4,436,703	1,713,679	(27,280,701)
Interest on long-term debt	29,600,473	—	—	—	(29,600,473)
Total governmental activities	748,637,537	55,518,183	64,619,647	108,286,565	(520,213,142)
Business-type activities:					
Water	38,484,886	48,248,827	—	—	—
Wastewater	30,491,470	37,019,347	—	—	—
Electric	105,530,769	120,008,455	—	—	—
Port	11,105,399	11,140,822	—	10,087,667	—
Municipal Airport	3,279,054	1,236,229	108,584	4,494,210	—
Solid Waste	16,326,313	19,007,456	—	—	—
Refuse	7,816,221	8,515,349	—	—	—
Cooperative Services Authority	—	—	—	—	—
Total business-type activities	213,034,112	245,176,485	108,584	14,581,877	—
Total primary government	\$ 961,671,649	\$ 300,694,668	\$ 64,728,231	\$ 122,868,442	\$ (520,213,142)
Component Units:					
Anchorage School District	\$ 711,766,259	\$ 7,117,610	\$ 161,287,114	\$ 46,810,987	
Anchorage Community Development Authority	7,680,054	7,589,807	—	—	
Alaska Center for the Performing Arts	3,293,510	3,135,793	185,528	—	
Total Component Units	\$ 722,739,823	\$ 17,843,210	\$ 161,472,642	\$ 46,810,987	
General revenues:					
Property taxes					461,906,542
Motor vehicle taxes					9,078,006
Hotel and motel taxes					17,846,829
Tobacco taxes					16,581,627
Assessments in lieu of taxes					2,324,750
Grants and entitlements not restricted to specific programs					15,018,748
Appropriation from Municipality of Anchorage					—
Investment income (losses)					35,064,547
Gain (losses) on sale of capital assets					1,252,159
Other					—
Transfers from (to) other funds					22,620,211
Special item:					—
NPO/OPEB write-off					—
Total general revenues, transfers, and special item					581,693,419
Change in net assets					61,480,277
Net assets, beginning of year, as restated					2,852,874,372
Net assets, end of year					\$ 2,914,354,649

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

Primary Government		Component Units			Total Reporting Entity	
Business-Type Activities	Total	Anchorage School District	Anchorage Community Development Authority	Alaska Center for the Performing Arts	2009	As Restated 2008
\$ —	\$ (10,788,128)	\$ —	\$ —	\$ —	\$ (10,788,128)	\$ (5,380,436)
—	(56,032,560)	—	—	—	(56,032,560)	(65,066,440)
—	(77,580,724)	—	—	—	(77,580,724)	(75,490,538)
—	(10,644,200)	—	—	—	(10,644,200)	(11,111,318)
—	(55,456,428)	—	—	—	(55,456,428)	(54,395,665)
—	(12,697,306)	—	—	—	(12,697,306)	(7,997,927)
—	(14,672,977)	—	—	—	(14,672,977)	1,598,370
—	(225,459,645)	—	—	—	(225,459,645)	(212,266,737)
—	(27,280,701)	—	—	—	(27,280,701)	(31,777,575)
—	(29,600,473)	—	—	—	(29,600,473)	(29,822,096)
—	(520,213,142)	—	—	—	(520,213,142)	(491,710,362)
9,763,941	9,763,941	—	—	—	9,763,941	4,888,713
6,527,877	6,527,877	—	—	—	6,527,877	3,985,641
14,477,686	14,477,686	—	—	—	14,477,686	17,512,174
10,123,090	10,123,090	—	—	—	10,123,090	37,072,590
2,559,969	2,559,969	—	—	—	2,559,969	1,250,811
2,681,143	2,681,143	—	—	—	2,681,143	2,780,843
699,128	699,128	—	—	—	699,128	732,304
—	—	—	—	—	—	(672,007)
46,832,834	46,832,834	—	—	—	46,832,834	67,551,069
\$ 46,832,834	\$ (473,380,308)	\$ —	\$ —	\$ —	\$ (473,380,308)	\$ (424,159,293)
		\$ (496,550,548)	\$ —	\$ —	\$ (496,550,548)	\$ (475,131,701)
		—	(90,247)	—	(90,247)	(942,907)
		—	—	27,811	27,811	82,383
		\$ (496,550,548)	\$ (90,247)	\$ 27,811	\$ (496,612,984)	\$ (475,992,225)
—	461,906,542	—	—	—	461,906,542	435,202,824
—	9,078,006	—	—	—	9,078,006	10,535,938
—	17,846,829	—	—	—	17,846,829	22,173,862
—	16,581,627	—	—	—	16,581,627	16,658,407
—	2,324,750	—	—	—	2,324,750	2,086,576
—	15,018,748	297,067,191	—	—	312,085,939	308,528,818
—	—	217,971,708	—	—	217,971,708	206,359,861
9,288,490	44,353,037	3,148,355	53,420	40,970	47,595,782	(36,606,586)
(95,304)	1,156,855	—	(36,306)	—	1,120,549	—
—	—	1,830,426	—	—	1,830,426	2,794,520
(25,745,211)	(3,125,000)	—	—	—	(3,125,000)	(664,064)
—	—	17,582,137	—	—	17,582,137	27,305,624
(16,552,025)	565,141,394	537,599,817	17,114	40,970	1,102,799,295	994,375,780
30,280,809	91,761,086	41,049,269	(73,133)	68,781	132,806,003	94,224,262
606,161,146	3,459,035,518	552,276,931	36,147,735	1,100,829	4,048,561,013	3,954,336,751
\$ 636,441,955	\$ 3,550,796,604	\$ 593,326,200	\$ 36,074,602	\$ 1,169,610	\$ 4,181,367,016	\$ 4,048,561,013

MUNICIPALITY OF ANCHORAGE, ALASKA

Balance Sheet
Governmental Funds
December 31, 2009

(With summarized financial information at December 31, 2008)

Assets					Total Governmental Funds	
	General	MOA Trust	Capital Projects Roads & Drainage	Other Governmental Funds	December 31, 2009	December 31, 2008
Cash	\$ —	\$ —	\$ —	\$ 31,284	\$ 31,284	\$ 24,623
Cash in central treasury	119,283,500	124,956	3,310,670	21,495,480	144,214,606	153,849,205
Master lease agreement escrow	—	—	—	—	—	154,863
Investments	120,000	—	—	28,359,074	28,479,074	24,503,166
Accrued interest	611,063	—	—	—	611,063	—
Due from other funds	5,496,871	—	—	260,482	5,757,353	14,112,339
Receivables (net of allowance for uncollectibles)	21,362,835	—	—	1,673,723	23,036,558	23,348,240
Interest receivable	—	—	—	267	267	4
Special assessments receivable	814,460	—	—	268,232	1,082,692	1,328,747
Due from component units	125,944	—	—	130,800	256,744	229,824
Inventories	1,031,989	—	—	—	1,031,989	973,023
Prepaid items and deposits	12,446	—	—	1,120,397	1,132,843	1,593,930
Advances to other funds	1,911,354	—	—	—	1,911,354	421,526
Restricted assets:						
Investments	—	112,647,534	—	14,289,571	126,937,105	113,032,192
Investments in TCH, LLC	—	—	—	412,252	412,252	395,691
Intergovernmental receivables	1,084,420	—	24,529,452	39,018,849	64,632,721	50,841,118
Accrued Investments	—	21,236	—	—	21,236	34,248
Loans receivable, net	42,735,000	—	—	8,078,369	50,813,369	52,303,223
Total assets	\$ 194,589,882	\$ 112,793,726	\$ 27,840,122	\$ 115,138,780	\$ 450,362,510	\$ 437,145,962
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and retainages	\$ 6,183,129	\$ 97,574	\$ 4,056,684	\$ 7,393,903	\$ 17,731,290	\$ 15,143,864
Accrued payroll liabilities	9,928,743	—	2,280	515,002	10,446,025	10,491,549
Due to other funds	—	—	13,181,033	9,831,026	23,012,059	14,112,339
Due to component unit	77,663,030	—	—	—	77,663,030	72,657,237
Deferred revenue and deposits	55,617,912	—	155,502	11,551,360	67,324,774	65,374,059
Advances from other funds	—	—	—	5,599,791	5,599,791	4,537,779
Total liabilities	149,392,814	97,574	17,395,499	34,891,082	201,776,969	182,316,827
Fund balances:						
Reserved:						
Encumbrances	—	—	27,512,375	24,759,527	52,271,902	84,816,268
Inventories	1,031,989	—	—	—	1,031,989	973,023
Prepaid items and deposits	12,446	—	—	1,120,397	1,132,843	1,593,831
Long-term loans	2,837,070	—	—	—	2,837,070	—
Perpetual care	—	—	—	384,555	384,555	352,673
MOA trust	—	112,696,152	—	—	112,696,152	96,372,426
Debt service	—	—	—	44,272,482	44,272,482	46,163,122
Unreserved, designated:						
Bond rating and operating emergencies reported in General Fund	33,059,151	—	—	—	33,059,151	19,782,164
Special revenue funds	—	—	—	15,168,070	15,168,070	11,549,708
Capital projects funds	—	—	2,281,319	5,851,188	8,132,507	9,105,715
Unreserved, undesignated, reported in:						
General fund	8,256,412	—	—	—	8,256,412	4,988,645
Special revenue funds	—	—	—	554,232	554,232	752,158
Capital projects funds	—	—	(19,349,071)	(11,862,753)	(31,211,824)	(21,620,598)
Total fund balances	45,197,068	112,696,152	10,444,623	80,247,698	248,585,541	254,829,135
Total liabilities and fund balances	\$ 194,589,882	\$ 112,793,726	\$ 27,840,122	\$ 115,138,780	\$ 450,362,510	\$ 437,145,962

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
 Reconciliation of Net Assets Between the
 Government-wide and Fund Financial Statements
 December 31, 2009

Amounts reported as fund balance on the governmental fund balance sheet		\$ 248,585,541
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,238,999,179
Police and fire OPEB actuarial calculations reported overpayments for the current fiscal year		
Police and fire postemployment healthcare benefit asset		1,076,661
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	\$ 43,616,203	
Property taxes	9,859,141	
HUD 108 receivable	1,956,848	
Long term loan receivable, net activity	1,285,565	
Deferred charges	<u>4,350,070</u>	
		61,067,827
Internal service funds are used by management to charge the costs of fleet management, cost of insurance, and information technology to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		
Total internal service equity related to governmental activities	33,993,239	
Net of amounts included in:		
Capital assets, net of depreciation	(29,229,251)	
Compensated absences	<u>1,043,462</u>	
		5,807,450
Long term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds	(448,590,369)	
Revenue bonds	(42,735,000)	
Master lease agreement	(142,162)	
Pollution remediation	(3,041,319)	
Claims & judgments payable	(429,779)	
Notes and contracts	(7,350,262)	
CIVICVentures revenue bonds	(109,695,000)	
Compensated absences	(21,258,975)	
Accrued interest payable	<u>(7,939,143)</u>	
		<u>(641,182,009)</u>
Net assets of governmental activities		<u>\$ 2,914,354,649</u>

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2009

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

	General	MOA Trust	Capital Projects Roads & Drainage	Other Governmental Funds	Total Governmental Funds	
					2009	2008
Revenues:						
Taxes	\$ 493,877,672	\$ —	\$ —	\$ 10,498,254	\$ 504,375,926	\$ 484,207,338
Assessments in lieu of taxes	2,324,750	—	—	—	2,324,750	2,086,576
Special assessments	180,156	—	—	899,964	1,080,120	1,159,628
Licenses and permits	11,137,072	—	—	—	11,137,072	10,950,551
Intergovernmental	34,565,069	—	49,352,485	89,026,287	172,943,841	124,425,213
Charges for services	26,738,924	—	—	5,159,121	31,898,045	34,112,140
Fines and forfeitures	7,635,056	—	—	737,485	8,372,541	8,996,470
Investment income	3,028,660	23,351,892	184,563	6,567,895	33,133,010	(47,288,530)
Restricted contributions	436,284	—	39,000	270,910	746,194	3,326,186
Other	3,284,821	—	29,184	1,826,834	5,140,839	4,802,460
Total revenues	583,208,464	23,351,892	49,605,232	114,986,750	771,152,338	626,778,032
Expenditures:						
Current:						
General government	16,574,509	528,166	—	4,427,193	21,529,868	25,049,556
Fire services	71,596,329	—	—	4,668,957	76,265,286	76,322,626
Police services	93,423,558	—	—	6,550,716	99,974,274	101,537,582
Health and human services	13,970,546	—	—	12,619,077	26,589,623	25,953,139
Economic and community development	47,857,133	—	—	15,131,851	62,988,984	61,635,730
Public transportation	19,883,601	—	—	2,337,027	22,220,628	24,625,761
Public works	20,555,691	—	—	2,267,307	22,822,998	26,436,195
Education	225,459,645	—	—	5,918,478	231,378,123	212,266,737
Maintenance and operations of roads and facilities	29,768,402	—	—	2,983,898	32,752,300	35,830,185
Debt service:						
Principal	26,898,332	—	—	3,925,000	30,823,332	30,371,078
Interest	21,104,054	—	—	7,582,568	28,686,622	29,269,039
Bond issuance costs	—	—	—	—	—	441,158
Capital outlay	—	—	79,155,967	66,057,643	145,213,610	172,099,343
Total expenditures	587,091,800	528,166	79,155,967	134,469,715	801,245,648	821,838,129
Excess (deficiency) of revenues over expenditures	(3,883,336)	22,823,726	(29,550,735)	(19,482,965)	(30,093,310)	(195,060,097)
Other financing sources (uses):						
Transfers from other funds	35,472,549	—	3,842,482	16,850,141	56,165,172	71,752,640
Transfers to other funds	(12,538,006)	(6,500,000)	(4,744)	(14,396,875)	(33,439,625)	(46,779,615)
General obligation bonds issued	—	—	—	—	—	60,000,000
Premium on bond sale	—	—	—	—	—	788,975
Loan proceeds	—	—	—	—	—	175,000
Insurance recoveries	43,163	—	90,171	—	133,334	38,720
Sale of capital assets	34,308	—	—	956,527	990,835	1,152,346
Total other financing sources (uses)	23,012,014	(6,500,000)	3,927,909	3,409,793	23,849,716	87,128,066
Net change in fund balances	19,128,678	16,323,726	(25,622,826)	(16,073,172)	(6,243,594)	(107,932,031)
Fund balances, beginning of year	26,068,390	96,372,426	36,067,449	96,320,870	254,829,135	362,761,166
Fund balances, end of year	\$ 45,197,068	\$ 112,696,152	\$ 10,444,623	\$ 80,247,698	\$ 248,585,541	\$ 254,829,135

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 Year ended December 31, 2009

Net change in fund balance – total governmental funds		\$ (6,243,594)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay and equipment purchases	\$ 60,343,117	
Receipt of assets contributed by State of Alaska	8,761,087	
Contributed assets	1,793,492	
Depreciation expense	<u>(28,587,914)</u>	42,309,782
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		3,411,283
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:		
Property taxes	1,022,916	
Jail lease receivable, net activity	(2,889,266)	
HUD 108 receivable	<u>371,224</u>	(1,495,126)
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:		
Principal repayment	30,823,332	
Net change in bond issuance costs	(437,850)	
Net change in interest accrual	<u>(661,245)</u>	29,724,237
Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures or revenues in governmental funds.		
Compensated absences		(935,194)
Pollution remediation		(3,041,321)
Claims & judgments payable		(429,779)
HUD rehabilitation Loans payable		(44,100)
HUD section 108 loan payable, net activity		1,446
Police and fire postemployment healthcare benefits asset, net activity		(379,339)
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>(1,398,018)</u>
Change in net assets of governmental activities		<u>\$ 61,480,277</u>

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

Proprietary Funds

December 31, 2009

(With summarized financial information at December 31, 2008)

Business-Type Activities – Enterprise Funds

Assets	Electric Utility	Water Utility	Wastewater Utility	Port
Current assets:				
Cash	\$ 1,600	\$ —	\$ —	\$ 150
Cash in central treasury	39,023,414	11,864,976	12,816,987	13,025,310
Master lease agreement escrow	—	—	—	—
Due from other funds	—	6,583,628	—	22,225,306
Receivables (net of allowance for uncollectibles)	18,338,155	4,196,803	3,166,387	653,071
Accrued investments	531,757	130,630	28,683	180,122
Interest receivable	551,721	—	7,505	—
Current portion of lease receivable	—	—	—	13,596
Inventories	22,307,281	1,539,907	276,323	329,915
Prepaid items and deposits	—	—	—	42,905
Special assessments receivable	—	89,665	111,076	—
Unbilled reimbursable projects	16,476	393,025	192,297	—
Deferred charges and other assets	245,841	—	—	—
Restricted assets:				
Customer deposits	1,164,559	—	—	—
Restricted deposits	74,820,104	—	—	—
Interim rate escrow investments	—	2,385,041	1,819,474	—
Receivables	—	—	—	—
Intergovernmental receivables	—	—	—	28,725
Bond and acquisition and construction accounts	75,767,822	10,611,537	—	1,655,841
Landfill post closure cash reserve	—	—	—	—
Mitigation reserve investment	—	—	—	5,126,356
Revenue bond operations and maintenance accounts	8,600,000	—	—	—
Debt service accounts	2,790,200	4,981,276	—	—
Total current assets	244,158,930	42,776,488	18,418,732	43,281,297
Noncurrent assets:				
Loans receivable, net	—	—	—	—
Advances to other funds	3,688,437	—	—	—
Deferred charges and other assets	4,341,819	3,204,459	2,562,082	—
Restricted assets:				
Customer deposits	—	538,397	342,267	—
Advances to Marad	—	—	—	98,800,001
Revenue bond reserve investments	33,067,682	—	—	—
Capital assets, net	381,743,966	476,435,111	347,941,222	62,382,985
Total noncurrent assets	422,841,904	480,177,967	350,845,571	161,182,986
Total assets	\$ 667,000,834	\$ 522,954,455	\$ 369,264,303	\$ 204,464,283

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		December 31, 2009	December 31, 2008
\$ 3,675	\$ 5,425	\$ —	\$ 5,425	\$ 5,025
8,883,643	85,614,330	33,046,626	118,660,956	86,961,666
—	—	759,080	759,080	1,110,262
—	28,808,934	1,266,752	30,075,686	1,626,255
2,612,982	28,967,398	—	28,967,398	31,134,182
109,518	980,710	—	980,710	—
547	559,773	—	559,773	510,687
—	13,596	—	13,596	224,622
—	24,453,426	383,478	24,836,904	25,382,718
24,610	67,515	567,984	635,499	665,887
—	200,741	—	200,741	223,610
—	601,798	—	601,798	858,419
—	245,841	—	245,841	177,584
—	1,164,559	—	1,164,559	1,202,234
—	74,820,104	—	74,820,104	44,529,449
—	4,204,515	—	4,204,515	—
759,879	759,879	—	759,879	336,748
—	28,725	—	28,725	969,429
14,536,531	102,571,731	3,994,630	106,566,361	89,616,700
2,920,700	2,920,700	—	2,920,700	1,383,415
—	5,126,356	—	5,126,356	3,692,107
—	8,600,000	—	8,600,000	8,412,337
—	7,771,476	—	7,771,476	4,914,157
<u>29,852,085</u>	<u>378,487,532</u>	<u>40,018,550</u>	<u>418,506,082</u>	<u>303,937,493</u>
12,109	12,109	—	12,109	13,185
—	3,688,437	2,115,426	5,803,863	7,498,429
—	10,108,360	—	10,108,360	8,745,877
—	880,664	—	880,664	780,987
—	98,800,001	—	98,800,001	98,800,001
—	33,067,682	—	33,067,682	26,143,690
<u>111,924,905</u>	<u>1,380,428,189</u>	<u>29,229,251</u>	<u>1,409,657,440</u>	<u>1,316,303,382</u>
<u>111,937,014</u>	<u>1,526,985,442</u>	<u>31,344,677</u>	<u>1,558,330,119</u>	<u>1,458,285,551</u>
<u>\$ 141,789,099</u>	<u>\$ 1,905,472,974</u>	<u>\$ 71,363,227</u>	<u>\$ 1,976,836,201</u>	<u>\$ 1,762,223,044</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

Proprietary Funds

December 31, 2009

(With summarized financial information at December 31, 2008)

Business-Type Activities – Enterprise Funds

Liabilities and Net Assets	Electric Utility	Water Utility	Wastewater Utility	Port
Current liabilities:				
Accounts payable and retainages	\$ 12,523,517	\$ 1,127,835	\$ 1,190,998	\$ 228,302
Accrued payroll liabilities payable	1,028,360	855,690	366,046	110,009
Compensated absences payable	2,395,839	1,008,799	966,890	144,653
Claims payable	—	—	—	—
Claims incurred but not reported	—	—	—	—
Notes payable	—	—	—	40,000,000
Due to other funds	—	—	6,583,628	—
Accrued interest payable	1,378,411	1,467,961	945,024	—
Pollution remediation obligation	—	10,000	10,000	—
Long-term obligations maturing within one year	16,995,000	8,396,429	4,966,867	—
Deferred revenue and deposits	—	1,499	—	114,354
Current liabilities payable from restricted assets:				
Customer deposits payable	1,248,508	—	—	—
Capital acquisition and construction accounts and retainage payable	66,510	1,872,678	1,302,207	—
Total current liabilities	35,636,145	14,740,891	16,331,660	40,597,318
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)	256,368,882	140,396,758	66,395,533	—
Advances from other funds	—	—	—	—
Alaska water loan payable	—	51,450,906	56,005,183	—
Capital leases payable	—	—	—	—
Claims incurred but not reported	—	—	—	—
Deferred revenue and deposits	—	—	—	—
Compensated absences payable	—	251,716	241,258	40,971
Liabilities payable from restricted assets:				
Customer deposits	—	538,397	342,267	—
Deferred credits and other liabilities:				
Pollution remediation obligation	—	145,000	92,500	—
Future landfill closure costs	—	—	—	—
Other deferred credits	103,975,901	19,550	—	—
Contributed capital	40,679,193	233,840,865	171,540,616	—
Total noncurrent liabilities	401,023,976	426,643,192	294,617,357	40,971
Total liabilities	436,660,121	441,384,083	310,949,017	40,638,289
Net assets (deficit):				
Invested in capital assets, net of related debt	143,468,713	59,545,318	49,033,023	62,382,985
Restricted for debt service	34,479,471	4,981,276	1,819,474	—
Restricted for interim rate escrow requirement	—	2,385,041	—	—
Restricted for acquisition and construction	—	—	—	87,779,180
Unrestricted	52,392,529	14,658,737	7,462,789	13,663,829
Total net assets	230,340,713	81,570,372	58,315,286	163,825,994
Total liabilities and net assets	\$ 667,000,834	\$ 522,954,455	\$ 369,264,303	\$ 204,464,283

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

Net assets of business-type activities.

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)			Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds	Governmental Activities – Internal Service Funds	December 31, 2009	December 31, 2008
\$ 727,212	\$ 15,797,864	\$ 1,052,202	\$ 16,850,066	\$ 19,210,267
516,746	2,876,851	533,841	3,410,692	2,660,878
610,927	5,127,108	821,638	5,948,746	5,360,901
—	—	9,470,516	9,470,516	8,128,823
—	—	8,396,732	8,396,732	12,327,800
—	40,000,000	—	40,000,000	40,000,000
857,433	7,441,061	5,379,919	12,820,980	1,626,255
170,424	3,961,820	—	3,961,820	5,049,619
—	20,000	—	20,000	—
1,446,870	31,805,166	773,671	32,578,837	30,029,583
106,389	222,242	—	222,242	157,382
—	1,248,508	—	1,248,508	1,705,217
259,975	3,501,370	338,173	3,839,543	6,147,891
4,695,976	112,001,990	26,766,692	138,768,682	132,404,616
—	—	—	—	490,177
—	463,161,173	—	463,161,173	353,070,296
—	—	2,115,426	2,115,426	3,382,176
16,124,028	123,580,117	—	123,580,117	108,150,217
—	—	1,638,121	1,638,121	2,411,792
—	—	5,574,375	5,574,375	—
—	—	383,316	383,316	561,878
32,153	566,098	221,824	787,922	822,051
—	880,664	—	880,664	780,987
—	237,500	—	237,500	257,500
19,217,586	19,217,586	—	19,217,586	18,091,854
—	103,995,451	—	103,995,451	70,751,333
—	446,060,674	—	446,060,674	429,495,764
35,373,767	1,157,699,263	9,933,062	1,167,632,325	988,266,025
40,069,743	1,269,701,253	36,699,754	1,306,401,007	1,120,670,641
104,718,627	419,148,666	27,429,911	446,578,577	453,467,394
—	41,280,221	—	41,280,221	30,636,683
—	2,385,041	—	2,385,041	—
4,931,790	92,710,970	—	92,710,970	86,619,161
(7,931,061)	80,246,823	7,233,562	87,480,385	70,829,165
101,719,356	635,771,721	34,663,473	670,435,194	641,552,403
\$ 141,789,099		\$ 71,363,227	\$ 1,976,836,201	\$ 1,762,223,044
	670,234			
	\$ 636,441,955			

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2009

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

Business-Type Activities – Enterprise Funds

	Electric Utility	Water Utility	Wastewater Utility	Port
Operating revenues:				
Charges for services	\$ 117,372,156	\$ 41,904,840	\$ 34,535,148	\$ 4,976,854
Other	1,247,914	5,330,675	1,464,301	4,708,669
Total operating revenues	<u>118,620,070</u>	<u>47,235,515</u>	<u>35,999,449</u>	<u>9,685,523</u>
Operating expenses:				
Operations	67,091,597	21,941,142	22,007,019	5,119,025
Amortization of future landfill closure costs	—	—	—	—
Depreciation and amortization	26,250,618	7,201,903	4,189,089	4,660,449
Total operating expenses	<u>93,342,215</u>	<u>29,143,045</u>	<u>26,196,108</u>	<u>9,779,474</u>
Operating income (loss)	<u>25,277,855</u>	<u>18,092,470</u>	<u>9,803,341</u>	<u>(93,951)</u>
Nonoperating revenues (expenses):				
Investment income	1,765,615	2,856,542	1,197,783	2,043,010
Other revenues	12,587	92,221	741	1,455,299
Intergovernmental revenue	—	—	—	—
Interest expense	(11,324,696)	(8,357,771)	(3,975,309)	—
Allowance for funds used during construction	1,375,798	921,091	1,019,157	—
Gain (loss) on sale of capital assets	—	—	—	(128,649)
Amortization of deferred charges	(200,801)	(644,527)	(97,538)	—
Other expenses	(476,739)	—	—	(1,302,050)
Net nonoperating revenues (expenses)	<u>(8,848,236)</u>	<u>(5,132,444)</u>	<u>(1,855,166)</u>	<u>2,067,610</u>
Income (loss) before capital contributions transfers special item	16,429,619	12,960,026	7,948,175	1,973,659
Capital contributions	—	—	—	10,087,667
Transfers from other funds	—	—	4,500	—
Transfers to other funds	(9,806,116)	(5,906,013)	(4,266,747)	(447,479)
Special item - NPO/OPEB write-off	—	—	—	—
Change in net assets	<u>6,623,503</u>	<u>7,054,013</u>	<u>3,685,928</u>	<u>11,613,847</u>
Total net assets – beginning	<u>223,717,210</u>	<u>74,516,359</u>	<u>54,629,358</u>	<u>152,212,147</u>
Total net assets – ending	<u>\$ 230,340,713</u>	<u>\$ 81,570,372</u>	<u>\$ 58,315,286</u>	<u>\$ 163,825,994</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Change in net assets of business-type activities.

See accompanying notes to basic financial statements.

<u>Business-Type Activities</u>		Governmental Activities – Internal Service Funds	<u>Total Proprietary Funds</u>	
Other Enterprise Funds	Total Enterprise Funds		2009	2008
\$ 28,196,718	\$ 226,985,716	\$ 83,877,678	\$ 310,863,394	\$ 297,259,215
552,093	13,303,652	—	13,303,652	13,968,881
<u>28,748,811</u>	<u>240,289,368</u>	<u>83,877,678</u>	<u>324,167,046</u>	<u>311,228,096</u>
19,834,684	135,993,467	82,022,046	218,015,513	198,921,302
1,125,732	1,125,732	—	1,125,732	1,495,701
6,005,388	48,307,447	6,799,799	55,107,246	56,302,903
<u>26,965,804</u>	<u>185,426,646</u>	<u>88,821,845</u>	<u>274,248,491</u>	<u>256,719,906</u>
<u>1,783,007</u>	<u>54,862,722</u>	<u>(4,944,167)</u>	<u>49,918,555</u>	<u>54,508,190</u>
1,425,540	9,288,490	1,990,803	11,279,293	1,878,236
10,223	1,571,071	259,109	1,830,180	3,356,597
108,584	108,584	—	108,584	2,255,446
(277,375)	(23,935,151)	(252,606)	(24,187,757)	(25,452,436)
—	3,316,046	—	3,316,046	1,652,101
33,345	(95,304)	261,324	166,020	269,930
—	(942,866)	—	(942,866)	(1,076,539)
<u>—</u>	<u>(1,778,789)</u>	<u>—</u>	<u>(1,778,789)</u>	<u>(2,761,251)</u>
<u>1,300,317</u>	<u>(12,467,919)</u>	<u>2,258,630</u>	<u>(10,209,289)</u>	<u>(19,877,916)</u>
3,083,324	42,394,803	(2,685,537)	39,709,266	34,630,274
4,494,210	14,581,877	443,292	15,025,169	39,799,988
—	4,500	—	4,500	900,730
(5,323,356)	(25,749,711)	(106,433)	(25,856,144)	(25,873,755)
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,150,308</u>
<u>2,254,178</u>	<u>31,231,469</u>	<u>(2,348,678)</u>	<u>28,882,791</u>	<u>54,607,545</u>
<u>99,465,178</u>		<u>37,012,151</u>	<u>641,552,403</u>	<u>586,944,858</u>
<u>\$ 101,719,356</u>		<u>\$ 34,663,473</u>	<u>\$ 670,435,194</u>	<u>\$ 641,552,403</u>
	<u>(950,660)</u>			
	<u>\$ 30,280,809</u>			

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows
Proprietary Funds

Year ended December 31, 2009

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

Business-Type Activities – Enterprise Funds

	Electric Utility	Water Utility	Wastewater Utility	Port
Cash flows from operating activities:				
Receipts from customers and users	\$ 154,831,027	\$ 44,647,062	\$ 34,057,137	\$ 11,172,851
Payments to employees	(25,702,952)	(13,755,548)	(12,821,272)	(2,201,990)
Payments to vendors	(46,975,464)	(8,340,486)	(8,414,515)	(4,118,310)
Net cash from operating activities	82,152,611	22,551,028	12,821,350	4,852,551
Cash flows from noncapital and related financing activities:				
Transfers to other funds	(9,806,116)	(5,906,013)	(4,266,747)	(447,479)
Transfers from other funds	—	—	4,500	—
Loan proceeds from interfund loans	—	—	—	—
Loan payments on interfund loans	—	—	—	—
Interest payments on interfund loans	(181,840)	—	—	—
Interest payments from interfund loans	569,125	—	—	—
Due to other funds	—	—	—	—
Due from other funds	—	—	—	(22,225,306)
Intergovernmental revenue	544,599	—	—	—
Net cash from noncapital and related financing activities	(8,874,232)	(5,906,013)	(4,262,247)	(22,672,785)
Cash flows from capital and related financing activities:				
Proceeds from issuance of long-term obligations	129,361,782	5,745,965	16,801,626	—
Principal payments on long-term obligations	(17,270,000)	(6,863,375)	(4,539,368)	—
Loan proceeds from interfund loans	—	—	—	—
Loan payments on interfund loans	—	—	6,583,628	—
Payments for loan to Wastewater Utility CIP Fund	—	(6,583,628)	—	—
Payments to MARAD	—	—	—	—
Interest payments on long-term obligations	(9,968,524)	(8,554,690)	(4,281,127)	—
Acquisition and construction of capital assets	(37,378,388)	(40,608,604)	(47,985,061)	(3,006,923)
Landfill post closure cash reserve	—	—	—	—
Principal payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Intergovernmental revenue	—	—	—	—
Proceeds from issuance of debt	—	—	—	—
Proceeds from sales of capital assets	23,570	—	—	(174,518)
Due to other funds	—	—	—	—
Capital contributions – customers	453,657	301,479	420,981	—
Capital contributions – intergovernmental	2,587,798	5,904,277	6,153,226	11,028,371
Net cash from capital and related financing activities	67,809,895	(50,658,576)	(26,846,095)	7,846,930
Cash flows from investing activities:				
Proceeds from (payments for) purchase or sales and maturity of investments	—	26,186,556	14,207,868	—
Proceeds from sale of investments	—	—	—	224,622
Purchase of investments	(114,179,395)	—	—	(1,434,249)
Investment income	996,673	2,752,990	1,186,032	1,896,902
Net cash from investing activities	(113,182,722)	28,939,546	15,393,900	687,275
Net increase (decrease) in cash	27,905,552	(5,074,015)	(2,893,092)	(9,286,029)
Cash, beginning of year	12,284,021	17,477,388	16,052,346	23,967,330
Cash, end of year	\$ 40,189,573	\$ 12,403,373	\$ 13,159,254	\$ 14,681,301
Cash	\$ 1,600	\$ —	\$ —	\$ 150
Cash in central treasury	39,023,414	11,864,976	12,816,987	13,025,310
Capital acquisition and construction accounts	—	—	—	1,655,841
Customer deposits	1,164,559	538,397	342,267	—
Cash, December 31	\$ 40,189,573	\$ 12,403,373	\$ 13,159,254	\$ 14,681,301

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		2009	2008
\$ 28,456,288	\$ 273,164,365	\$ 84,093,234	\$ 357,257,599	\$ 340,558,395
(9,795,982)	(64,277,744)	(13,134,349)	(77,412,093)	(76,182,476)
(9,308,579)	(77,157,354)	(66,337,270)	(143,494,624)	(128,763,575)
9,351,727	131,729,267	4,621,615	136,350,882	135,612,344
(5,323,356)	(25,749,711)	(106,433)	(25,856,144)	(25,486,789)
—	4,500	—	4,500	900,729
—	—	1,626,253	1,626,253	1,087,575
857,433	857,433	—	857,433	(343,185)
—	(181,840)	—	(181,840)	(162,782)
—	569,125	—	569,125	—
—	—	3,653,125	3,653,125	(884,904)
—	(22,225,306)	—	(22,225,306)	—
—	544,599	—	544,599	2,161,140
(4,465,923)	(46,181,200)	5,172,945	(41,008,255)	(22,728,216)
—	151,909,373	—	151,909,373	21,286,346
(1,806,870)	(30,479,613)	(731,940)	(31,211,553)	(27,645,674)
—	—	—	—	(8,929,611)
—	6,583,628	—	6,583,628	(194,445)
—	(6,583,628)	—	(6,583,628)	—
—	—	—	—	(81,760,383)
(295,154)	(23,099,495)	(128,171)	(23,227,666)	(23,176,144)
(8,925,509)	(137,904,485)	(6,165,630)	(144,070,115)	(103,374,141)
(1,537,285)	(1,537,285)	—	(1,537,285)	(1,383,415)
—	—	(1,626,253)	(1,626,253)	(1,269,289)
—	—	(124,435)	(124,435)	(247,847)
—	—	—	—	614,628
—	—	—	—	42,067,757
336,889	185,941	712,514	898,455	1,705,522
—	—	460,042	460,042	—
—	1,176,117	—	1,176,117	2,310,084
4,179,663	29,853,335	—	29,853,335	42,446,555
(8,048,266)	(9,896,112)	(7,603,873)	(17,499,985)	(137,550,057)
—	40,394,424	—	40,394,424	28,367,733
412,337	636,959	—	636,959	266,023
—	(115,613,644)	—	(115,613,644)	(27,504,576)
1,317,498	8,150,095	1,990,669	10,140,764	1,817,419
1,729,835	(66,432,166)	1,990,669	(64,441,497)	2,946,599
(1,432,627)	9,219,789	4,181,356	13,401,145	(21,719,330)
24,856,476	94,637,561	32,859,900	127,497,461	149,216,791
\$ 23,423,849	\$ 103,857,350	\$ 37,041,256	\$ 140,898,606	\$ 127,497,461
\$ 3,675	\$ 5,425	\$ —	\$ 5,425	\$ 5,025
8,883,643	85,614,330	33,046,626	118,660,956	86,961,666
14,536,531	16,192,372	3,994,630	20,187,002	38,547,549
—	2,045,223	—	2,045,223	1,983,221
\$ 23,423,849	\$ 103,857,350	\$ 37,041,256	\$ 140,898,606	\$ 127,497,461

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows
Proprietary Funds

Year ended December 31, 2009

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

Business-Type Activities – Enterprise Funds

	Electric Utility	Water Utility	Wastewater Utility	Port
Reconciliation of change in net assets to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 25,277,855	\$ 18,092,470	\$ 9,803,341	\$ (93,951)
Transfer to escrow account	—	(2,385,041)	(1,819,474)	—
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	26,250,618	7,201,903	4,189,089	4,660,449
Amortization of future landfill closure costs	—	—	—	—
Allowance for uncollectible accounts	53,091	816	11,873	—
Port convention fees	—	—	—	—
Security contract	—	—	—	(1,302,050)
Security fees	—	—	—	1,312,465
Right-of-way fees	—	—	—	140,074
Reimbursable costs	—	—	—	2,760
Other revenues / expenses	(487,721)	92,221	741	—
Special item - NPO/OPEB write-off	—	—	—	—
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	3,303,407	(533,147)	(269,264)	(82,325)
Accrued payroll liabilities	107,690	285,814	(146,665)	110,009
Notes receivable	—	—	—	—
Unbilled reimbursable projects	187,302	(17,324)	86,643	—
Prepaid items and deposits	—	—	—	(10,983)
Inventories	427,960	13,326	126,186	—
Customer deposits	—	183,439	(83,762)	—
Deferred charges and other assets	(374,120)	(463,474)	44,175	—
Accounts payable and retainages	(5,771,892)	(15,616)	787,994	(4,634)
Claims payable	—	—	—	—
Deferred credits and other liabilities	33,244,144	1,474	—	—
Deferred revenue and deposits	(456,709)	—	—	114,354
Net pension obligation	—	—	—	—
Net other postemployment benefits obligation	—	—	—	—
Pollution remediation obligation	—	—	—	—
Compensated absences payable	390,986	94,167	90,473	6,383
Total cash provided by operating activities	\$ 82,152,611	\$ 22,551,028	\$ 12,821,350	\$ 4,852,551
Noncash investing, capital, and financing activities:				
Capital purchases on account	\$ 2,563,555	\$ 1,274,920	\$ 750,217	\$ 57,049
Contributed capital and equipment	—	2,678,593	3,245,836	10,087,667
Portion of plant from AFUDC	1,375,798	—	—	—
Deferred refunding loss	—	—	—	—
	\$ 3,939,353	\$ 3,953,513	\$ 3,996,053	\$ 10,144,716

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		2009	2008
\$ 1,783,007	\$ 54,862,722 (4,204,515)	\$ (4,944,167)	\$ 49,918,555 (4,204,515)	\$ 54,508,190
6,005,388	48,307,447	6,799,799	55,107,246	56,302,903
1,125,732	1,125,732	—	1,125,732	1,495,701
—	65,780	—	65,780	71,444
—	—	—	—	(728,753)
—	(1,302,050)	—	(1,302,050)	(1,525,834)
—	1,312,465	—	1,312,465	1,541,818
—	140,074	—	140,074	177,083
—	2,760	—	2,760	873,765
10,223	(384,536)	259,024	(125,512)	130,192
—	—	—	—	5,150,308
(296,245)	2,122,426	—	2,122,426	(9,189,251)
385,222	742,070	7,744	749,814	2,660,878
1,024	1,024	—	1,024	872
—	256,621	—	256,621	(53,538)
(34)	(11,017)	41,405	30,388	(97,845)
—	567,472	(21,786)	545,686	(5,676,877)
—	99,677	—	99,677	(44,831)
—	(793,419)	—	(793,419)	(317,271)
309,454	(4,694,694)	(219,599)	(4,914,293)	5,338,862
—	—	2,984,999	2,984,999	1,623,108
(7,525)	33,238,093	—	33,238,093	27,306,307
—	(342,355)	(222,030)	(564,385)	600,703
—	—	—	—	(4,485,702)
—	—	—	—	(664,606)
—	—	—	—	257,500
35,481	617,490	(63,774)	553,716	357,218
<u>\$ 9,351,727</u>	<u>\$ 131,729,267</u>	<u>\$ 4,621,615</u>	<u>\$ 136,350,882</u>	<u>\$ 135,612,344</u>
\$ 259,975	\$ 4,905,716	\$ 338,173	\$ 5,243,889	\$ 9,143,976
4,494,210	20,506,306	443,292	20,949,598	44,914,815
—	1,375,798	—	1,375,798	570,753
753	753	—	753	3,700
<u>\$ 4,754,938</u>	<u>\$ 26,788,573</u>	<u>\$ 781,465</u>	<u>\$ 27,570,038</u>	<u>\$ 54,633,244</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2009

(With financial information at December 31, 2008)

	<u>Pension and Other Post Employment Benefit Trust Funds</u>	
Assets	<u>2009</u>	<u>2008</u>
Cash in central treasury	\$ 26,472	\$ 58,040
Cash, cash equivalents held under securities lending program	26,432,372	48,327,142
Investments, at fair value:		
Cash & money market funds	15,367,336	8,621,963
Fixed income funds	1,235,590	4,323,880
U.S. treasuries	13,845,430	4,833,124
U.S. agencies	2,387,236	35,566,455
Corporate fixed income securities	19,956,363	33,789,199
Foreign government debt securities	1,199,840	1,199,172
Structured securities	36,628,496	—
Balanced funds	—	26,306,433
Domestic equity securities	136,526,046	98,171,575
International equity securities	54,053,889	40,759,418
Real estate funds	29,926,340	33,518,417
Total investments	<u>311,126,566</u>	<u>287,089,636</u>
Capital assets, net	3,950	3,901
Total assets	<u>\$ 337,589,360</u>	<u>\$ 335,478,719</u>
Liabilities		
Accounts payable	\$ 122,450	\$ 103,774
Payable under securities lending program	26,432,372	48,327,142
Total liabilities	<u>26,554,822</u>	<u>48,430,916</u>
Net Assets		
Held in trust for:		
Employees' pension benefits	299,911,563	277,541,506
Employees' post employment healthcare benefits	11,122,975	9,506,297
Total net assets	<u>311,034,538</u>	<u>287,047,803</u>
Total liabilities and net assets	<u>\$ 337,589,360</u>	<u>\$ 335,478,719</u>

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended December 31, 2009

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

	Pension and Other Post Employment Benefit Trust Funds	
	2009	2008
Additions:		
Contributions from other funds	\$ 2,514,661	\$ 2,352,982
Investment income (loss):		
Interest	5,543,547	6,788,450
Dividends	1,598,418	2,637,578
Net increase (decrease) in fair value of investments	46,181,448	(117,006,047)
Less: investment expense	<u>(1,263,330)</u>	<u>(1,764,853)</u>
Total additions	<u>54,574,744</u>	<u>(106,991,890)</u>
Deductions:		
Regular benefit payments	29,716,382	28,477,943
Administrative expenses	<u>871,627</u>	<u>970,875</u>
Total deductions	<u>30,588,009</u>	<u>29,448,818</u>
Change in net assets	23,986,735	(136,440,708)
Net assets – beginning	<u>287,047,803</u>	<u>423,488,511</u>
Net assets – ending	<u>\$ 311,034,538</u>	<u>\$ 287,047,803</u>

See accompanying notes to basic financial statements.

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MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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NOTE 1 Summary of Significant Accounting Policies

(a) Reporting Entity

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

Blended Component Units

CIVICVentures is a nonprofit corporation created to finance and construct a new convention center for Anchorage, as well as upgrades and improvements to the existing Egan Center. As of December 31, 2009, two of CIVICVentures' five-member board of directors were executive employees of Anchorage. All of the board is appointed by the Mayor. CIVICVentures is reported as a debt service fund and as a capital projects fund.

Discretely Presented Component Units

The Anchorage School District (ASD) is responsible for elementary and secondary education within Anchorage. Members of the School Board are elected by the voters; however, the ASD is fiscally dependent upon the primary government because the Assembly approves the total budget of the ASD, levies the necessary taxes, and approves the borrowing of money and the issuance of bonds. The ASD has a June 30 fiscal year end; therefore, the financial information presented in these financial statements is as of and for the year ended June 30, 2009.

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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

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

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

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

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

(b) Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property and other taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

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

Anchorage reports the following major governmental funds based on the quantitative criteria:

- 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.

Additionally, Anchorage has elected to present the following funds as major governmental funds because of their significance to the public:

- The Roads and Drainage Capital Project Funds.
- The MOA Trust Fund.

Anchorage reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

- The *Internal Service Funds* account for the management and maintenance of general government equipment and vehicles, information technology, and for general liability, workers' compensation, medical/dental and unemployment compensation insurance coverage provided to other departments on a cost-reimbursement basis.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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- 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.

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

The Electric, Water, and Wastewater Utilities meet the criteria, and accordingly, follow the accounting and reporting requirements of ASC 980, Regulated Operations. The Utilities rates are regulated by the Regulatory Commission of Alaska (RCA), and as a result revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utilities receive contributions in aid of construction (CIAC) which the Utilities record as contributed plant in service and deferred liability. For rate-making purposes, the Utilities amortize contributed plant over the life of the respective utility plant as a reduction of depreciation expense and a reduction of deferred liability. Consequently, CIAC are recorded as a regulatory liability in the accompanying basic financial statements. The Utilities' rates also include an allowance for the cost of funds used during construction (AFUDC), which is capitalized in the accompanying financial statements. The Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds includes AFUDC as an item of nonoperating revenues in a manner that indicates the basis for the amount capitalized

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

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

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

(d) Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

To obtain flexibility in cash management, Anchorage uses a central treasury. Pooled cash is invested in various securities to maximize return while maintaining reasonable liquidity to

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

meet maturing obligations. Investments in securities to satisfy bond reserve and other requirements are maintained in separate accounts.

Investments

Investments at December 31, 2009 are reported at fair value. Investment income on cash pool investments is allocated to the various funds based on their month-end cash pool equity balances. Funds that have negative balances in the cash pools are charged interest; the interest income is allocated to those funds having equity in the cash pools.

Receivables and Payables

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

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

Property Taxes

Property taxes attach a lien on property on the first day of the tax year in which taxes are levied. For 2009, real property taxes were levied on April 28. Real property taxes were payable in two installments on June 15 and August 15, and personal property taxes in two installments on August 31 and October 31. ASD had accrued taxes and deferred revenue of \$116,473,790 for financing half of the 2009-2010 budget as of June 30, 2009. Taxes receivable of \$12,490,210 at December 31, 2009, include interest and penalties of \$1,812,423 and is net of an allowance for uncollectible property taxes receivable of \$5,736.

Inventories and Prepaid Items

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

Restricted Assets

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

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Capital Assets

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

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

The Utilities capitalize interest on construction work in progress in accordance with regulatory requirements. Interest was capitalized in 2009 in the amounts of \$1,375,798, \$921,090, and \$1,019,157 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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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. Bonds payable are reported net of the applicable bond premiums, discounts, gains and losses on bond refundings.

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

Contributed Capital

The Utilities receive CIAC, which they record as contributed plant in service and deferred liability. For rate-making purposes the Utilities amortize contributed plant over the life of the respective Utility plant as a reduction of depreciation expense and a reduction of deferred liability. Consequently, CIAC are recorded as liabilities in the accompanying financial statements. The Utilities' rates also include an AFUDC, which is capitalized in the accompanying financial statements. At December 31, 2009, Electric, Water and Wastewater Utility deferred liability balances were \$40,679,193, \$233,840,865, and \$171,540,616, 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.

(g) Reclassifications

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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

(a) Excess of expenditures over appropriations

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

For the year ended December 31, 2009, expenditures exceeded appropriations in the following departments: Office of Equal Opportunity by \$10,012 and Project Management & Engineering by \$8,122. For the year ended December 31, 2009, expenditures exceeded appropriations in the following fund: Anchorage Building Safety Service Area by \$306,736.

(b) Related Party Transaction

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

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

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Notes to Basic Financial Statements

December 31, 2009

NOTE 3 Cash and Investments

At December 31, 2009, Anchorage had the following cash and investments, with fixed income maturities as noted:

Investment Type	Fair Value	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Petty Cash	\$ 37,009				
Master Lease Agreement	759,080				
Interim Rate Escrow Investments	4,204,515				
Central Treasury - Unrestricted					
Cash & Money Market Funds	7,485,277				
Repurchase Agreements	1,090,609	1,090,609	—	—	—
U.S. Treasuries	38,958,683	—	22,216,639	12,865,216	3,876,828
U.S. Agencies	69,907,823	31,558,214	34,202,195	4,147,414	—
International Agencies	1,366,435	1,366,435	—	—	—
Structured Securities*	44,825,821	2,406,758	12,619,305	2,869,397	26,930,361
Corporate Securities	100,968,467	23,131,446	65,166,738	8,999,493	3,670,790
	<u>\$ 264,603,115</u>	<u>\$ 59,553,462</u>	<u>\$ 134,204,877</u>	<u>\$ 28,881,520</u>	<u>\$ 34,477,979</u>
Central Treasury - Restricted					
Cash & Money Market Funds	6,930,883				
Repurchase Agreements	350,056	350,056	—	—	—
Commercial Paper	29,776,093	29,776,093	—	—	—
Certificates of Deposit	13,164,506	13,164,506	—	—	—
U.S. Treasuries	12,504,694	—	7,130,946	4,129,390	1,244,358
U.S. Agencies**	101,214,024	88,904,826	10,977,989	1,331,209	—
International Agencies***	5,386,512	5,386,512	—	—	—
Structured Securities*	14,387,887	772,503	4,050,459	921,000	8,643,925
Corporate Securities	57,192,403	29,316,739	23,808,843	2,888,596	1,178,225
	<u>\$ 240,907,058</u>	<u>\$ 167,671,235</u>	<u>\$ 45,968,237</u>	<u>\$ 9,270,195</u>	<u>\$ 11,066,508</u>
MOA Trust Fund					
Cash & Money Market Funds	100,528				
Fixed Income Funds	39,103,722	—	—	39,103,722	—
Domestic Equities & Equity Funds	49,075,515				
International Equities & Equity Funds	19,183,197				
Real Estate Funds	5,205,808				
	<u>\$ 112,668,770</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,103,722</u>	<u>\$ —</u>

*Includes asset-backed securities, commercial and residential mortgage-backed securities, and collateralized debt obligations.

**\$46,652,881 in callable 1-5 year notes are expected to be called within the next year and are classified as *Less Than 1*.

***\$4,947,923 in callable 1-5 year notes are expected to be called within the next year and are classified as *Less Than 1*.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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Investment Type	Fair Value	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Police & Fire Retiree Medical Trust Fund					
Cash & Money Market Funds	\$ 7,053,217				
Fixed Income Funds	1,235,590	—	—	1,235,590	—
Domestic Equity Funds	1,884,655				
International Equity Funds	947,678				
	<u>\$ 11,121,140</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,235,590</u>	<u>\$ —</u>
Police & Fire Retiree Medical Liability Fund					
Cash & Money Market Funds	41,649				
Fixed Income Funds	6,681,699	—	—	6,681,699	—
Domestic Equities & Equity Funds	12,320,082				
International Equities & Equity Funds	6,463,403				
Real Estate Funds	2,506,299				
	<u>\$ 28,013,132</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,681,699</u>	<u>\$ —</u>
Police and Fire Retirement Pension Trust Fund					
Cash & Money Market Funds	8,314,119				
U.S. Treasuries	13,845,430	—	10,773,355	—	3,072,075
U.S. Agencies	2,387,235	—	—	2,387,235	—
Corporate Fixed Income Securities	19,956,363	—	8,106,724	8,018,397	3,831,242
Foreign Government Debt Securities	1,199,840	—	—	792,163	407,677
Structured Securities*	36,628,496	—	524,625	407,223	35,696,648
Domestic Equities & Equity Funds	134,641,393				
International Equities & Equity Funds	53,106,210				
Real Estate Funds	29,926,340				
	<u>\$ 300,005,426</u>	<u>\$ —</u>	<u>\$ 19,404,704</u>	<u>\$ 11,605,018</u>	<u>\$ 43,007,642</u>
HUD Section 108 Loan Program Investment					
Cash & Money Market Funds	946				
U.S. Treasuries	344,996	344,996	—	—	—
	<u>\$ 345,942</u>	<u>\$ 344,996</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
CIVICventures Component Unit					
Cash & Money Market Funds	33,888				
U.S. Agencies	8,420,267	8,420,267	—	—	—
International Agencies	5,835,416	5,835,416	—	—	—
	<u>\$ 14,289,571</u>	<u>\$ 14,255,683</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total Cash & Investments	<u>\$ 976,954,758</u>	<u>\$ 241,825,376</u>	<u>\$ 199,577,818</u>	<u>\$ 96,777,744</u>	<u>\$ 88,552,129</u>
Governmental Activities	338,073,468				
Business-Type Activities	327,728,252				
Fiduciary Funds	311,153,038				
	<u>\$ 976,954,758</u>				

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Notes to Basic Financial Statements

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Anchorage Central Treasury

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

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

- Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies.
- Corporate Debt Securities that are guaranteed by the U.S. government or the Federal Deposit Insurance Corporation (FDIC) as to principal and interest.
- Taxable and tax-exempt municipal securities having a long-term rating of at least A- by a nationally recognized rating agency or taxable or tax-exempt municipal securities having a short-term rating of at least A-1 by Standard and Poor's, P-1 by Moody's, or F-1 by Fitch.
- Debt securities issued and guaranteed by the International Bank for Reconstruction and Development (IBRD) and rated AAA by a nationally recognized rating agency.
- Commercial paper, excluding asset-backed commercial paper, rated at least A-1 by Standard and Poor's, P-1 by Moody's, or F-1 by Fitch.
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (with maturities of not more than 365 days), and deposits with any bank, the short-term obligations of which are rated at least A-1 by Standard and Poor's, P-1 by Moody's, or F-1 by Fitch and which is either:
 - a. Incorporated under the laws of the United States of America, or any state thereof, and subject to supervision and examination by federal or state banking authorities; or
 - b. Issued through a foreign bank with a branch or agency licensed under the laws of the United States of America, or any state thereof, or under the laws of a country with a Standard and Poor's sovereign rating of AAA, or a Moody's sovereign rating for bank deposits of Aaa, or a Fitch national rating of AAA, and subject to supervision and examination by federal or state banking authorities.
- Repurchase agreements secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies.
- Dollar denominated corporate debt instruments rated BBB- or better (investment grade) by Standard and Poor's or the equivalent by another nationally recognized rating agency.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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- Dollar denominated corporate debt instruments rated lower than BBB- (non-investment grade) by Standard and Poor's or the equivalent by another nationally recognized rating agency, including emerging markets.
- Dollar denominated debt instruments of foreign governments rated BBB- or better (investment grade) by Standard and Poor's or the equivalent by another nationally recognized rating agency.
- Asset Backed Securities (ABS), excluding commercial paper, collateralized by: credit cards, automobile loans, leases and other receivables which must have a credit rating of AA- or above by Standard and Poor's or the equivalent by another nationally recognized rating agency.
- Mortgage Backed Securities, including generic mortgage-backed pass-through securities issued by Ginnie Mae, Freddie Mac, and Fannie Mae, as well as non-agency mortgage-backed securities, Collateralized Mortgage Obligations (CMOs), or Commercial mortgage-backed securities (CMBS), which must have a credit rating of AA- or better by Standard and Poor's or the equivalent by another nationally recognized rating agency.
- Debt issued by the Tennessee Valley Authority.
- Money Market Mutual Funds rated Am or better by Standard & Poor's, or the equivalent by another nationally recognized rating agency, as long as they consist of allowable securities as outlined above.
- The Alaska Municipal League Investment Pool (AMLIP).
- Mutual Funds consisting of allowable securities as outlined above.
- Interfund Loans from a Municipal Cash Pool to a Municipal Fund.

In addition to providing a list of authorized investments, AMC 06.50.030 specifically prohibits investment in the following:

- Structured Investment Vehicles.
- Asset Backed Commercial Paper.
- Short Sales.
- Securities not denominated in U.S. Dollars.
- Commodities.
- Real Estate Investments.
- Derivatives, except "to be announced" forward mortgage-backed securities (TBA) and derivatives for which payment is guaranteed by the U.S. government or an agency thereof.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Investment Type	Concentration Limit	Working Capital Portfolio	Internally Managed Portfolio
		Holding % at 12/31/2009	Holding % at 12/31/2009
U.S. Government Securities*	50% to 100% of investment portfolio	77%	50%
Repurchase Agreements	0% to 50% of investment portfolio	0%	1%
Certificates of Deposit**	0% to 50% of investment portfolio Maximum 5% per issuer	0%	10%
Bankers' Acceptances	0% to 25% of investment portfolio Maximum 5% per issuer	0%	0%
Commercial paper	0% to 15% of investment portfolio Maximum 5% per issuer	0%	15%
Corporate Bonds	0% to 15% of investment portfolio Maximum 5% per issuer	12%	15%
Alaska Municipal League Investment Pool (AMLIP)***	0% to 25% of investment portfolio	0%	0%
Money Market Mutual Funds	0% to 25% of investment portfolio	9%	4%
Dollar Denominated Fixed Income Securities, other than those listed herein, rated by at least one nationally recognized rating agency	0% to 15% of investment portfolio Maximum 5% per issuer	2%	5%
		<u>100%</u>	<u>100%</u>

*Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations, including corporate debt issued under the FDIC's Temporary Liquidity Guarantee program.

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

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

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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 utilizing both equity and fixed income instruments.

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

- All investments eligible for purchase by the Anchorage Central Treasury.
- Publicly traded equity investments.
- Debt instruments issued by the U.S. Government, its agencies and instrumentalities, and debt instruments that have been issued by domestic and non-domestic entities, subject to the following criteria:
 - No more than 5% of the fixed income portfolio may be invested in the fixed income securities of a single issuer, with the exception of the U.S. Government, its agencies and instrumentalities.
 - No more than 10% of the fixed income portfolio may be invested in domestic fixed income securities rated less than BBB- by Standard and Poor's or the equivalent by another nationally recognized rating agency.
 - No more than 30% of the fixed income portfolio may be invested in investment grade dollar denominated fixed income securities issued by non-domestic entities.
 - No more than 5% of the MOA Trust may be invested in non-dollar denominated fixed income securities.
- Real Estate investments in a diversified portfolio of institutional quality, income producing properties held in a collective investment vehicle which limits the MOA Trusts' liability.
- Alternative basket clause investments utilizing special purpose investment vehicles.
- Fixed income derivative instruments used in an unlevered manner to implement portfolio strategies consistent with other authorized investments.
- Cash and cash equivalents, including but not limited to repurchase agreements, certificates of deposit, and shares in money market or short-term investment funds consistent with the investment criteria outlined above.
- Mutual funds or other commingled investment vehicles that predominantly consist of the authorized investments listed above.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2009</u>
Domestic Equities	40%	50%	43%
International Equities	12%	18%	17%
Fixed Income	30%	40%	35%
Real Estate	3%	7%	5%
Cash Equivalents	0%	15%	0%
			<u>100%</u>

The MOA Trust provides further diversification within the domestic equity allocation by using a passive core position indexed to the S&P 500 index, with separate growth and value portfolios. The aggregation of all the large capitalization portfolios is balanced to avoid any produced style bias, and a separate small cap portfolio is utilized. According to AMC 06.50.060 and the investment policy:

- No more than 5% of the voting stock of any corporation may be acquired by the Trust.
- Within the domestic equity portfolio, holdings in any one company should not exceed the greater of 5% of the respective portfolio or 1.5 times the stock's weighting in the S&P 500 (or other appropriate stock index) at the time of purchase.
- Within the international equity portfolio, holdings in any one company should not exceed more than 5% of the international equity portfolio. Countries represented by the Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI-EAFE), as well as emerging markets, are available for investment. Allocations between countries are expected to be diversified.
- Investments in fixed income instruments may not exceed 5% for a single issuer, excluding securities issued by the U.S. Government or agencies thereof.

Police and Fire Retiree Medical Trust Fund

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

In accordance with its investment policy, Member Allocated funds of the Police & Fire Medical Trust must be invested in cash equivalents. The Trust's general funds may be invested in the following instruments:

- Domestic equities.

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

The Police & Fire Retiree Medical Trust investment policy controls risk by stipulating that:

- A maximum of 72% of the Trust's assets may be invested in equities.
- An individual equity investment shall not exceed 7% of the aggregate equity portfolio.
- The fixed income portfolio is required to have an average rating of A or better by Moody's or Standard & Poor's, with no more than 10% of the portfolio invested in the lowest allowable rating of BBB (Standard & Poor's) or Baa (Moody's).
- The fixed income portfolio is required to maintain an average maturity of 12 years or less.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2009</u>
General Funds:			
Domestic Equities - Large Cap	31%	41%	36%
Domestic Equities - Small Cap	6%	12%	10%
International Equities	19%	27%	23%
Fixed Income	28%	36%	31%
Cash Equivalents	0%	5%	0%
			<u>100%</u>
Member Allocated Funds:			
Cash Equivalents	100%	100%	100%
			<u>100%</u>

Police and Fire Retiree Medical Liability Fund

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

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

- Domestic equities.

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- International equities.
- Fixed income securities.
- Real estate equities.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2009</u>
Domestic Equity - Mid/Large Cap*	31%	41%	39%
Domestic Equity - Small Cap	6%	12%	9%
International Equity	16%	22%	19%
Fixed Income	22%	30%	24%
Real Estate	6%	14%	9%
Cash & Cash Equivalents	N/A	N/A	0%
			<u>100%</u>

*Includes American depositary receipts.

Police and Fire Retirement Pension Trust Fund

The investment objectives of the Police and Fire Retirement Pension Trust Fund (Police & Fire Retirement Trust) are to be viewed over the long term with investments in both equity and fixed income instruments utilized to maximize return while maintaining acceptable levels of risk and adequate liquidity for payment of benefits.

In accordance with its investment policy, the Police & Fire Retirement Trust may invest in the following types of securities, as long as they are traded on one of the major security exchanges or in the over-the-counter market:

- Domestic and International equities.
- Fixed income securities.
- Exchange-listed derivatives, subject to Board approval.
- Collateralized mortgage securities or mortgage-backed securities which have a Flow Uncertainty Index score of 15 or less.
- Cash and money market instruments.

The investment policy of the Police & Fire Retirement Trust also prohibits the following investments:

- Letter stocks.

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- Short sales.
- Tax exempt bonds that do not exceed the return on taxable bonds of equivalent duration and credit quality.
- Private placements other than Rule 144A securities with registration rights.
- Non-exchange listed derivatives.

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

Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2009
<i>Domestic equities</i>			
Large Cap Core	9.0%	12.5%	11.4%
Large Cap Growth	9.0%	12.5%	11.6%
Large Cap Value	10.0%	16.0%	11.9%
Subtotal - Large Cap	30.0%	38.0%	34.9%
Small Cap Growth	3.0%	7.0%	5.4%
Small/Mid Cap Value	3.0%	7.0%	5.3%
Subtotal - Small/Mid Cap	7.0%	13.0%	10.7%
Subtotal - Domestic Equity	39.0%	49.0%	45.6%
<i>International equities</i>			
Europe, Austraiasia, Far East (EAFE)	6.0%	10.0%	8.3%
Growth	6.0%	10.0%	8.5%
Subtotal - International Equity	13.0%	19.0%	16.8%
Subtotal - Equity	52.0%	68.0%	62.4%
<i>Fixed Income</i>			
Domestic Fixed Income	25.0%	35.0%	24.6%
<i>Real Estate funds</i>			
Equity Real Estate Investment Trust (REIT)	4.0%	9.0%	4.5%
Real Estate Separate Accounts (RESA) Open-end	4.0%	8.0%	5.5%
Subtotal - Real Estate	9.0%	15.0%	10.0%
<i>Cash & Cash equivalents</i>			
Cash Equivalents	0.0%	4.0%	3.0%
			100.0%

The Police & Fire Retirement Trust establishes further diversification for its portfolio through the following investment policy guidelines:

- No individual security shall constitute more than the greater of 150% of the security's weight in an appropriate market index or 5% of the market value of the assets of a specific managed portfolio unless specifically authorized by the trust investment board.
- Non-income producing issues shall not constitute more than 35% of a specific portfolio with the exception of small and mid cap portfolios.

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- No group or industry sectors shall constitute more than 120% of the sector's weight in an appropriate market index or 25% of the market value of the assets controlled by any fund manager.
- Listed American Depositary Receipts shall constitute no more than 20% of the market value of the assets controlled by any fund manager.
- No more than 15% of the fixed income portfolio may be in issues rated lower than Baa by Moody's or BBB by Standard & Poor's at the time of purchase.

Interest Rate Risk

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

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

The effective durations of the externally managed portfolios of the Anchorage Central Treasury (working capital, contingency reserve and strategic reserve) at December 31, 2009, were 0.45 years, 1.84 years, and 3.73 years, respectively.

The Police & Fire Retiree Medical Trust's investment policy requires that the weighted average maturity of its fixed income portfolio not exceed 12 years. At December 31, 2009, the Trust had fixed income investments with an average maturity of 6.46 years.

The Police & Fire Retirement Trust's investment policy states that the total fixed income portfolio's weighted average duration cannot exceed 120% of the market's duration utilizing the Barclays Capital Aggregate Index. At December 31, 2009, the duration of the Barclays Aggregate Index was 4.57 years, and the duration of the Trust's fixed income portfolio was 4.21 years.

Credit Risk

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

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At December 31, 2009, the Anchorage Central Treasury's investment in commercial paper totaled \$29,776,093, and was rated A-1 by Standard & Poor's and P-1 by Moody's. All commercial paper is purchased with a maturity of 270 days or less. The Anchorage Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$224,127,525 at December 31, 2009. The distribution of ratings on these securities was as follows:

Moody's		S&P	
Aaa	32%	AAA	37%
Aa	20%	AA	18%
A	24%	A	27%
Baa	12%	BBB	10%
Ba or lower	3%	BB or lower	2%
Not Rated	9%	Not Rated	6%
	<u>100%</u>		<u>100%</u>

At December 31, 2009, Anchorage's Central Treasury was invested in Asset Backed Securities and Mortgage Backed Securities valued at \$10,242,479 which fell below the minimum credit rating of AA-/Aa3 required by AMC 6.50.030. These circumstances resulted from the downgrade of investments held in the contingency reserve and strategic reserve portfolios. Securities falling outside of compliance are divested as soon as it is prudent to do so.

At December 31, 2009, securities in the MOA Trust's \$39,103,722 fixed income portfolio had a weighted average quality rating of A+.

At December 31, 2009, the Police and Fire Retiree Medical Trust investment of \$1,235,590 in mutual fixed income funds had a 5-star Morningstar rating and a weighted average credit quality rating of AA.

At December 31, 2009, the Police and Fire Retiree Medical Liability Fund investment of \$6,681,699 in mutual fixed income funds had a 3-star Morningstar rating and a weighted average credit quality rating of AA.

At December 31, 2009, the Police and Fire Retirement Trust's total fixed income portfolio had a weighted average rating of Aa1 by Moody's. The Trust's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$32,938,863, with ratings distributed as follows:

Moody's		S&P	
Aaa	19%	AAA	30%
Aa	18%	AA	12%
A	18%	A	30%
Baa	29%	BBB	24%
Ba or lower	2%	BB or lower	3%
Not Rated	14%	Not Rated	1%
	<u>100%</u>		<u>100%</u>

At December 31, 2009, the Police & Fire Retirement Trust's real estate mutual fund investment of \$13,308,498 had a 3-star Morningstar rating.

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At December 31, 2009, the Police & Fire Retirement Trust's real estate investment of \$16,617,842 is a limited partnership, consisting of both open- and closed-end commingled funds managed by real estate firms. These real estate investments are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure when the amount invested in a single issuer exceeds 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government, as well as mutual funds and other pooled investments, are exempted from this requirement.

At December 31, 2009, Anchorage held a total of \$86,385,037 in securities issued by the Federal National Mortgage Association (FNMA) and a total of \$49,333,660 in securities issued by the Federal Home Loan Mortgage Corporation (FHLMC). These investments compromised 8.9% and 5.1%, respectively, of the total portfolio. Securities issued by FNMA and FHLMC comprised \$79,735,840 (15.7%) and \$41,614,072 (8.2%), respectively, of the Anchorage Central Treasury.

Custodial Credit Risk

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

At December 31, 2009, the Anchorage Central Treasury had bank deposit carrying amounts totaling \$28,315,004, of which \$1,250,000 was covered by federal depository insurance. Bank deposits of \$13,627,550 were secured by collateral held at the depository bank, and additional bank deposits of \$772,948 were secured by a tri-party collateral agreement. The tri-party collateral agreement requires that collateral be transferred to the custodian of the tri-party agreement and held in the pledging bank's name on behalf of Anchorage. Additional bank balances of \$1,440,665 were invested in overnight repurchase agreements. Repurchase agreement investments were also collateralized through a tri-party collateral agreement. All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, with market value not less than the collateralized deposit balances.

Securities Lending

During 2009, the Police & Fire Retirement Trust lent securities in its investment portfolio to financial institutions through a securities lending program administered by the Trust's custodian. At December 31, 2009, the amount of the collateral provided by borrowers averaged 102.6% of the value of securities lent. The Trust is authorized to lend its investment securities by its statement of investment policy, which is approved by the Board. The lending is managed by the Trust's custodian. All loans can be terminated on demand by either the Trust or the borrowers. The average term of loans may vary from many months to one week. The agent lends the Trust's U.S. Government and Agency securities and domestic corporate fixed income and equity securities for securities or cash collateral of 102 percent. The securities lending contracts do not allow the system to pledge or sell any collateral securities. Cash collateral is invested in the agent's collateral investment

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pool, whose share values are based on the amortized cost of the pool's investments. At December 31, 2009, the pool had a weighted average maturity of 20 days. There are no restrictions on the amount of securities that can be lent at one time or to one borrower. The following represents the balances relating to the securities lending transactions at December 31, 2009:

<u>Securities Lent</u>	Fair Value of Underlying Securities	Collateral Received	Cash Collateral Investment Value
U.S. Government & Agency Securities	\$ 22,731,251	\$ 23,320,273	\$ 23,320,273
Domestic Corporate Fixed Income	1,102,791	1,124,780	1,124,780
Domestic Equities	2,598,330	2,676,035	2,676,035
	<u>\$ 26,432,372</u>	<u>\$ 27,121,088</u>	<u>\$ 27,121,088</u>

The lending agent provides indemnification if the borrowers fail to return the underlying securities (and the collateral is inadequate to replace the securities lent) or if the borrowers fail to pay income distributions on borrowed securities. The Trust is currently in dispute with the lending agent over improper collateral investments made between 2006 and 2009.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Anchorage has no specific policy addressing foreign currency risk; however foreign currency risk is managed through the requirements of AMC 6.50.030 and the asset allocation policies of each portfolio.

The Anchorage Central Treasury is not exposed to foreign currency risk because AMC 6.50.030 explicitly prohibits the purchase of securities not denominated in U.S. Dollars. At December 31, 2009 all debt obligations held in the Anchorage Central Treasury were payable in U.S. Dollars.

At December 31, 2009 the MOA Trust's international equity holdings represented 16% of its aggregate portfolio. Exposure to foreign currency risk was as follows:

<u>Investment Type</u>	<u>Underlying Currency</u>	<u>Fair Value (U.S. Dollars)</u>
American Depositary Receipts	Canadian Dollar	\$ 122,529
	Euro	310,202
	New Taiwan Dollar	98,798
	Pound Sterling	118,667
International Mutual Equity Funds	Various	17,549,236
		<u>\$ 18,199,432</u>

The Police and Fire Retiree Medical Trust's investment in international mutual equity funds exposes it to exchange risk in various foreign currencies. At December 31, 2009, this investment totaled \$947,678 and represented approximately 23% of the Trust's general funds.

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At December 31, 2009, the Police and Fire Retiree Medical Liability Fund's exposure to foreign currency risk represented 20% of its aggregate portfolio, and consisted of the following:

<u>Investment Type</u>	<u>Underlying Currency</u>	<u>Fair Value (U.S. Dollars)</u>
American Depositary Receipts	Swiss Franc	\$ 80,261
	New Taiwan Dollar	143,446
International Mutual Equity Funds	Various	5,319,467
		<u>\$ 5,543,174</u>

At December 31, 2009, the Police and Fire Retirement Trust's exposure to foreign currency risk represented 17% of its aggregate portfolio, and consisted of the following:

<u>Investment Type</u>	<u>Underlying Currency</u>	<u>Fair Value (U.S. Dollars)</u>
American Depositary Receipts	Swiss Franc	\$ 519,603
	New Taiwan Dollar	889,117
International Mutual Equity Funds	Various	50,597,068
		<u>\$ 52,005,788</u>

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NOTE 4 Receivables (Including Loans and Leases Receivable)

Anchorage's receivables including the applicable allowance for uncollectible accounts were reported as follows at December 31, 2009:

	Governmental Activities	Business- type Activities	Total
Current:			
Property taxes	\$ 12,495,946	\$ —	\$ 12,495,946
Accommodations taxes	3,200,573	—	3,200,573
Unbilled reimbursable projects	—	601,798	601,798
Special assessments receivable	1,082,692	200,741	1,283,433
Port leases	—	13,596	13,596
Trade accounts, including internal service funds	14,588,308	29,827,401	44,415,709
Total accounts receivable	31,367,519	30,643,536	62,011,055
Allowance for uncollectible accounts	(7,248,269)	(860,003)	(8,108,272)
	<u>\$ 24,119,250</u>	<u>\$ 29,783,533</u>	<u>\$ 53,902,783</u>
Noncurrent:			
Miscellaneous loans	\$ 808,000	\$ 12,109	\$ 820,109
HUD loans (including section 108)	7,270,369	—	7,270,369
Jail lease	42,735,000	—	42,735,000
Total loans and leases, net	<u>\$ 50,813,369</u>	<u>\$ 12,109</u>	<u>\$ 50,825,478</u>

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

In 1987 and 1988 the Municipality loaned the Performing Arts Center (PAC) \$2,720,000 for seating, carpeting and general capital improvements required to complete the construction project. Repayment of this non-interest bearing loan was from a ticket surcharge that was established in 1987. Loan repayments were made until 2003 when the balance owing on the loan was \$581,209. In 2004 a 30 year revenue bond was issued in the amount of \$5,365,000, the proceeds of which were used to pay for repairs to the roof of the PAC and the surcharge was increased and fully diverted to fund the repayment of the bonds. After the roof bonds are fully repaid in 2035, or once the debt service reserve fund is fully funded, whichever occurs first, surplus revenues from the surcharge above and beyond that required for debt service on the bonds will then be applied to the original loan until paid in full. Due to the extended timeline for repayment, the Municipality has fully reserved for this receivable.

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NOTE 5 Capital Assets

Capital asset activity for the year ended December 31, 2009, 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	\$ 1,222,791	\$ 4,314	\$ (453)	\$ 1,226,652
Artwork	16,808	502	-	17,310
Construction Work-in-Progress	145,722	152,088	(148,454)	149,356
Infrastructure	<u>1,314,879</u>	<u>18,865</u>	<u>-</u>	<u>1,333,744</u>
Total Capital Assets, Not Being Depreciated	<u>2,700,200</u>	<u>175,769</u>	<u>(148,907)</u>	<u>2,727,062</u>
Capital Assets, Being Depreciated:				
Buildings & Imp	547,189	18,904	(517)	565,576
Equipment	183,299	18,068	(17,799)	183,568
Infrastructure	<u>381,262</u>	<u>27,733</u>	<u>(745)</u>	<u>408,250</u>
Total Capital Assets Being Depreciated	<u>1,111,750</u>	<u>64,705</u>	<u>(19,061)</u>	<u>1,157,394</u>
Less Accumulated Depreciation for:				
Buildings & Imp	276,770	18,864	(5)	295,629
Equipment	127,788	16,462	(16,474)	127,776
Infrastructure	<u>213,287</u>	<u>8,893</u>	<u>(128)</u>	<u>222,052</u>
Total Accumulated Depreciation	<u>617,845</u>	<u>44,219</u>	<u>(16,607)</u>	<u>645,457</u>
Total Capital Assets, Being Depreciated, Net	<u>493,905</u>	<u>20,486</u>	<u>(2,454)</u>	<u>511,937</u>
Total Governmental Activities, Net	<u>\$ 3,194,105</u>	<u>\$ 196,255</u>	<u>\$ (151,361)</u>	<u>\$ 3,238,999</u>

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

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	<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	\$ 51,044	\$ 102	\$ —	\$ 51,146
Construction				
Work-in-Progress	<u>56,354</u>	<u>159,574</u>	<u>(148,796)</u>	<u>67,132</u>
Total Capital Assets, Not				
Being Depreciated	<u>107,398</u>	<u>159,676</u>	<u>(148,796)</u>	<u>118,278</u>
Capital Assets, Being Depreciated:				
Distribution and Collection				
Systems, Infrastructure	1,582,654	115,682	(21,636)	1,676,700
Buildings and Improvements	<u>383,680</u>	<u>34,607</u>	<u>(4,957)</u>	<u>413,330</u>
Total Capital Assets, Being				
Depreciated	<u>1,966,334</u>	<u>150,289</u>	<u>(26,593)</u>	<u>2,090,030</u>
Less Accumulated				
Depreciation for:				
Distribution and Collection				
Systems, Infrastructure	650,345	51,284	(17,351)	684,278
Buildings and Improvements	<u>137,140</u>	<u>11,619</u>	<u>(5,157)</u>	<u>143,602</u>
Total Accumulated				
Depreciation	<u>787,485</u>	<u>62,903</u>	<u>(22,508)</u>	<u>827,880</u>
Total Capital Assets, Being				
Depreciated, Net	<u>1,178,849</u>	<u>87,386</u>	<u>(4,085)</u>	<u>1,262,150</u>
Total Business-Type				
Activities, Net	<u>\$ 1,286,247</u>	<u>\$ 247,062</u>	<u>\$ (152,881)</u>	<u>\$ 1,380,428</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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

Governmental Activities:	
General Government	\$ 2,385
Fire Services	3,812
Police Services	2,162
Health and Human Services	2,003
Economic & Community Development	16,086
Public Transportation	3,759
Public Works	9,628
Maintenance and Operations	<u>4,384</u>
Total – Governmental Activities	<u>\$ 44,219</u>
Business-Type Activities:	
Electric	\$ 26,096
Water	7,701
Wastewater	4,487
Refuse	587
Solid Waste	3,381
Port	4,661
Municipal Airport	<u>2,075</u>
Total – Business-Type Activities	<u>48,988</u>
Depreciation expense offset by amortization of regulatory liability - contributed plant	<u>13,915</u>
Gross increase in accumulated depreciation	<u>\$ 62,903</u>

The 2010 Utility construction budgets are \$132,576,000, \$35,530,000 and \$30,780,000 for Electric, Water, and Wastewater, respectively.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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

Capital asset activity for the fiscal year ended June 30, 2009 is as follows (in thousands):

	<u>Balance July 1, 2008</u>	<u>Additions/ Transfers</u>	<u>Deduction/ Transfers</u>	<u>Balance June 30, 2009</u>
Governmental Activities:				
Capital Assets, not Being				
Depreciated:				
Land	\$ 31,427	\$ 10,930	\$ -	\$ 42,357
Construction in Progress	242,578	50,588	206,386	86,780
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets				
not Being Depreciated	274,005	61,518	206,386	129,137
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital Assets Being Depreciated:				
Land Improvements	46,743	331	-	47,074
Buildings and Equipment	1,233,817	207,920	8,388	1,433,349
Pupil Transportation	9,142	-	98	9,044
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets				
Being Depreciated	1,289,702	208,251	8,486	1,489,467
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less Accumulated				
Depreciation for:				
Land Improvements	(33,210)	(1,227)	-	(34,437)
Buildings and Equipment	(332,244)	(31,440)	(4,389)	(359,295)
Pupil Transportation	(7,948)	(413)	(98)	(8,263)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Accumulated				
Depreciation	(373,402)	(33,080)	(4,487)	(401,995)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets,				
Being Depreciated,				
Net	916,300	175,171	3,999	1,087,472
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental				
Activities Capital				
Assets, Net	\$ 1,190,305	\$ 236,689	\$ 210,385	\$ 1,216,609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

(c) Discretely Presented Component Units – Anchorage Community Development

Authority – Capital Assets

Capital asset activity for the year ended December 31, 2009 is as follows (in thousands):

	<u>Balance</u> <u>December 31, 2008</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deduction/</u> <u>Transfers</u>	<u>Balance</u> <u>December 31, 2009</u>
Business Type Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 11,059	\$ -	\$ -	\$ 11,059
Construction in Progress	-	-	-	-
Total Capital Assets not Being Depreciated	<u>11,059</u>	<u>-</u>	<u>-</u>	<u>11,059</u>
Capital Assets Being Depreciated:				
Parking Garages	36,053	84	-	36,137
Lot Improvements	630	32	(120)	542
Furniture and Fixtures	100	-	-	100
Equipment and Vehicles	<u>2,584</u>	<u>110</u>	<u>-</u>	<u>2,694</u>
Total Capital Assets Being Depreciated	<u>39,367</u>	<u>226</u>	<u>(120)</u>	<u>39,473</u>
Less Accumulated Depreciation for:				
Parking Garages	20,067	1,203	-	21,270
Lot Improvements	361	86	(84)	363
Furniture and Fixtures	82	10	-	92
Equipment and Vehicles	<u>1,653</u>	<u>324</u>	<u>-</u>	<u>1,977</u>
Total Accumulated Depreciation	<u>22,163</u>	<u>1,623</u>	<u>(84)</u>	<u>23,702</u>
Total Capital Assets, Being Depreciated, Net	<u>17,204</u>	<u>(1,397)</u>	<u>(36)</u>	<u>15,771</u>
Business Type Activities Capital Assets, Net	<u>\$ 28,263</u>	<u>\$ (1,397)</u>	<u>\$ (36)</u>	<u>\$ 26,830</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

NOTE 6 Port Expansion

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

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

At the end of 2009, life-to-date transfers to MARAD total \$98,800,001 and are shown in the Proprietary Fund Balance Sheet in the Port fund as "Advances to MARAD." The table below provides the detail of all life-to-date transfers to MARAD, as of December 31, 2009:

<u>Source of Contribution</u>	<u>Amounts</u>
State Grants	\$ 51,000,361
Commercial Paper	40,000,000
Port Funds	7,799,640
Total Contributions	<u>\$ 98,800,001</u>

Subsequent to 2009 MARAD requested and the Municipality transferred on March 22, 2010, \$19,600,000 to fund FY2010 3rd quarter construction activities for the Port of Anchorage Intermodal Expansion Project.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

NOTE 7 Interfund Receivables, Payables, and Transfers

(a) Interfund Receivables and Payables

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

Interfund payable to General Fund from:

Nonmajor governmental funds	\$ 986,313
Nonmajor enterprise fund	857,433
Internal service fund	<u>3,653,125</u>
Total interfund payable to General Fund	<u>5,496,871</u>

Interfund payable between nonmajor governmental funds	260,482
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Total interfund payable, governmental funds	<u>5,757,353</u>
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Interfund payable to Water Utility Fund from:

Wastewater Capital Projects Fund	6,583,628
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Interfund payable to Port Fund from:

Nonmajor governmental funds	8,584,231
Capital Projects Roads & Drainage Fund	13,181,033
Internal service fund	<u>460,042</u>
Total interfund payable to Port Capital Projects Fund	<u>22,225,306</u>

Interfund payable between internal service funds for capital assets	1,266,752
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Total interfund payable	<u><u>\$ 35,833,039</u></u>
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All balances are expected to be settled within the next fiscal year, except for those interfund receivables and payables recorded as advances to/from other funds. Advances payable at 12/31/09 were as follows:

Advance payable to Electric Enterprise Fund from nonmajor governmental fund for land acquisition	\$ 3,688,437
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Advance payable between internal service funds for capital assets	2,115,426
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Advance payable to General Fund from nonmajor governmental fund for capital assets	1,911,354
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Total advances payable	<u><u>\$ 7,715,217</u></u>
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MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

(b) Interfund Transfers

A summary of interfund transfers is as follows:

From General Fund to:	
Capital Projects Roads and Drainage Fund for capital assets	\$ 2,998,100
General sub-fund	6,156
Nonmajor governmental funds for capital assets	5,770,277
Nonmajor governmental funds for grant matching	1,176,501
Nonmajor governmental funds to fund pension liability	1,869,000
Nonmajor governmental funds for operating subsidy	506,156
Nonmajor governmental funds for debt service	211,816
Total transfers from General Fund	12,538,006
From MOA Trust Fund to:	
General Fund for annual operating subsidy	6,500,000
From Capital Projects Roads and Drainage Fund to:	
General Fund for debt service	4,744
From nonmajor governmental funds to:	
General Fund for operating subsidy	6,554,000
General Fund for debt service	19,988
Capital Projects Roads and Drainage Fund for capital assets	844,382
Nonmajor governmental funds for debt service	6,032,660
Nonmajor governmental funds for capital assets	923,788
Nonmajor governmental funds for grant matching	22,057
Total transfers from nonmajor governmental funds	14,396,875
From Electric Enterprise Fund to:	
General Fund for annual revenue distribution	9,806,116
From Water Enterprise Fund to:	
General Fund for annual revenue distribution	5,906,013
From Wastewater Enterprise Fund to:	
General Fund for annual revenue distribution	4,097,804
Nonmajor governmental fund for capital assets	168,943
Total transfers from Wastewater Enterprise Fund	4,266,747
From Port Enterprise Fund to:	
General Fund for annual revenue distribution	447,479
From nonmajor enterprise funds to:	
General Fund for annual revenue distribution	2,024,913
Nonmajor governmental fund for capital assets	168,943
Wastewater Enterprise Fund for capital assets	4,500
Total transfers from nonmajor enterprise funds	2,198,356
From nonmajor enterprise funds to:	
Water Enterprise Fund for capital assets	3,125,000

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

From internal service funds to:	
General Fund for annual operating subsidy	105,336
General Fund for capital assets	1,097
Total transfers from internal service funds	106,433
Total transfers	\$ 59,295,769

In the fund-level financial statements, total transfers out of \$59,295,769 exceeded transfers-in by \$3,126,097. This is comprised of a \$3,125,000 transfer from Solid Waste Services to the Water Utility, which is recorded to CIAC in the Water Utility in accordance with regulatory accounting provisions, and \$1,097 transfer of capital assets from a proprietary fund to a governmental fund. At the government-wide financial statement level, transfers out continue to exceed transfers in by the \$3,125,000.

In addition, governmental funds transferred capital assets to internal service funds in the amount of \$443,292. These items are not reflected as transfers at the fund level, but are included in capital contributions.

NOTE 8 Lease Agreements

(a) Operating Leases

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

Years:	
2010	\$ 4,652
2011	4,418
2012	4,169
2013	3,689
2014	3,671
2015-2019	18,421
2020-2024	19,262
2025-2029	4,971
2030-2034	4
2035-2039	4
2040-2044	4
2045-2049	4
2050-2054	4
2055-2059	1
Total	\$ 63,274
2009 rent expense	\$ 6,247

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

(b) Capital Leases

Anchorage has various capital leases for equipment in its General Fund for the Fire Department. Anchorage has entered into a revolving Master Tax-Exempt Lease/Purchase (Master Lease) agreement with KeyBank to finance various capital expenditures by the Municipality. During 2009, no additional leases were incurred.

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
2010	\$ 996,198	\$ 115,396	\$ 1,111,594
2011	888,473	73,514	961,987
2012	682,757	41,303	724,060
2013	575,863	12,478	588,341
	<u>\$ 3,143,291</u>	<u>\$ 242,691</u>	<u>\$ 3,385,982</u>

At December 31, 2009, \$2,411,792 of the outstanding principal balance is recorded in internal service funds.

(c) Investment in Direct Financing Leases

Anchorage has entered into direct financing leases for various capital assets located at the Port. Components of the investments in leases as of December 31, 2009 follow (in thousands):

	Direct Financing
Total minimum lease payment to be received	\$ 14
Less unearned interest income	0
	<hr/>
Net investment in leases	14
Amount due within one year	14
	<hr/>
Total noncurrent investment – included in deferred charges and other assets in the accompanying financial statements	\$ 0
	<hr/> <hr/>
Minimum lease payments to be received as follows:	
2010	14
	<hr/>
	\$ 14
	<hr/> <hr/>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

(d) Port of Anchorage Lease Agreements

The Port of Anchorage has leased to unrelated third parties 72.8 acres of space in the Port Industrial Park. The current carrying value of the leased assets is \$4,786,811, with a cost of \$9,084,342 and accumulated depreciation of \$4,297,531. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows (in thousands):

	<u>Amount</u>
Years:	
2010	\$ 3,902
2011	1,445
2012	1,097
2013	1,029
2014	717
2015-2019	1,348
2020-2024	1,324
2025-2029	281
Total	<u>\$ 11,143</u>
Lease revenue for 2009	<u>\$ 4,302</u>

NOTE 9 Short-Term Obligations

(a) Tax Anticipation Notes

On April 16, 2009 Anchorage issued tax anticipation notes in the General Fund with a face value of \$126,000,000. The purpose of the issuance was to raise money to pay current expenditures in anticipation of the collection of property taxes.

Short-term debt activity for the year ended December 31, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ -	\$ 126,000	\$ 126,000	\$ -

(b) Commercial Paper

In January 2008, the Anchorage Assembly authorized the issuance of Commercial Paper in one or more series in the aggregate principal amount not to exceed two hundred fifteen million dollars (\$215,000,000) as an interim financing program for the port expansion project until such time that the outstanding balance of commercial paper notes are refunded by long term Port Revenue Bonds. The expansion project is expected to continue until 2014. In 2008, commercial paper notes were issued in the amount of \$40,000,000 and were shown on the Port Enterprise Fund financial statements as a current liability since the lending term on commercial paper cannot exceed 270 days (less than one year). During 2009 the notes were reissued.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

Short-term debt activity for the year ended December 31, 2009 was as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
Commercial Paper	\$ 40,000	\$ -	\$ -	\$ 40,000

NOTE 10 Long Term Obligations

(a) General Obligation Bonds

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

A portion of Anchorage's GO bonds are reported in the proprietary funds since they are expected to be repaid from proprietary fund revenues; such amounts total \$503,673 net of unamortized discounts and losses on refundings of \$1,327 at December 31, 2009. ASD GO bonds are reported as obligations of the component unit since they are expected to be repaid from ASD revenues; such amounts total \$772,585,000 at June 30, 2009. All other Anchorage GO bonds are reported in the government-wide financial statements.

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
2010	\$ 27,890,000	\$ 20,655,000	\$ 48,545,000
2011	28,415,000	19,232,000	47,647,000
2012	29,125,000	17,893,000	47,018,000
2013	29,415,000	16,499,000	45,914,000
2014	32,465,000	15,081,000	47,546,000
2015-2019	149,185,000	54,480,000	203,665,000
2020-2024	110,905,000	22,364,000	133,269,000
2025-2028	35,885,000	3,730,000	39,615,000
	443,285,000	169,934,000	613,219,000
Add unamortized premiums/ (discounts), net	5,305,369	—	5,305,369
	\$ 448,590,369	\$ 169,934,000	\$ 618,524,369

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

	Business-Type Activities		
	Principal	Interest	Total
Years:			
2010	\$ 505,000	\$ 27,000	\$ 532,000
	505,000	27,000	532,000
Add unamortized premiums/ (discounts), net	(1,327)	—	(1,327)
	<u>\$ 503,673</u>	<u>\$ 27,000</u>	<u>\$ 530,673</u>

(b) Revenue Bonds

On April 15, 2000, Anchorage issued \$60,440,000 in Revenue Bonds to construct and operate the new municipal jail facility that is leased to the State of Alaska. Jail revenue bond covenants require an "absolute net lease" pursuant to which Anchorage shall not be expected or required to make any payment of any kind under the Agreement of Lease. The State of Alaska Department of Administration (DOA) is required to make all payments under the Agreement of Lease. The DOA's obligation to make lease payments and to perform and observe all other covenants and agreements is absolute and unconditional except as expressly provided in the Agreement of Lease. In March 2005, Anchorage issued \$40,835,000 in Lease Revenue Refunding Bonds to refund \$39,585,000 of the 2000 Revenue Bonds.

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

	Governmental Activities - Excluding CIVICVentures		
	Principal	Interest	Total
Years:			
2010	\$ 2,985,000	\$ 2,035,000	\$ 5,020,000
2011	3,150,000	1,885,000	5,035,000
2012	3,300,000	1,734,000	5,034,000
2013	3,470,000	1,565,000	5,035,000
2014	3,655,000	1,387,000	5,042,000
2015-2019	21,250,000	3,961,000	25,211,000
2020-2023	4,925,000	121,000	5,046,000
	<u>\$ 42,735,000</u>	<u>\$ 12,688,000</u>	<u>\$ 55,423,000</u>

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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The bonds are due in semi-annual installments ranging annually from \$6,097,000 to \$8,448,825 including interest at 3.5% to 5.0% through 2038.

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

	CIVCVentures		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2010	\$ 1,070,000	\$ 5,027,000	\$ 6,097,000
2011	1,180,000	4,990,000	6,170,000
2012	1,300,000	4,946,000	6,246,000
2013	1,425,000	4,897,000	6,322,000
2014	1,555,000	4,840,000	6,395,000
2015-2019	10,005,000	23,113,000	33,118,000
2020-2024	14,570,000	20,536,000	35,106,000
2025-2029	20,505,000	16,690,000	37,195,000
2030-2034	28,310,000	11,108,000	39,418,000
2035-2038	29,775,000	3,445,000	33,220,000
	<u>\$ 109,695,000</u>	<u>\$ 99,592,000</u>	<u>\$ 209,287,000</u>

Electric, Water, Wastewater, Solid Waste, Refuse Collection and Port revenue bond covenants require establishment of certain cash reserves. Revenue bond covenants further stipulate that operating income, as defined in the covenants, will be at least equal to 1.15 to 1.35 times the debt service requirement for that year.

In December 2009, the Electric Utility issued \$15,240,000 principal amount of Senior Lien Electric Revenue Bonds, 2009 series A (Tax Exempt) with a net effective rate of 4.23%, and \$114,760,000 principal amount of Senior Lien Electric Revenue Bonds, 2009 Series B (Taxable Build America Bonds) with a net effective rate of 6.53%. The Utility will receive a cash subsidy from the United States Treasury equal to 35% of the interest paid on the 2009 Series B Taxable Bonds. The proceeds of the bonds, together with other legally available funds, will be used for the following purposes: (i) to provide for the cost of certain capital improvement projects (ii) to reimburse the Utility for costs of such capital improvement projects; (iii) to pay costs of issuance; and (iv) to provide funds for deposit in the Reserve Account.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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

Years:	Business-Type Activities		
	Principal	Interest	Total
2010	\$ 22,865,000	\$ 25,289,000	\$ 48,154,000
2011	22,355,000	24,415,000	46,770,000
2012	23,395,000	23,155,000	46,550,000
2013	23,805,000	22,029,000	45,834,000
2014	25,476,000	20,858,000	46,334,000
2015-2019	69,030,000	89,677,000	158,707,000
2020-2024	54,790,000	76,290,000	131,080,000
2025-2029	68,580,000	61,559,000	130,139,000
2030-2034	91,150,000	39,759,000	130,909,000
2035-2039	85,995,000	12,579,000	98,574,000
	<u>487,441,000</u>	<u>395,610,000</u>	<u>883,051,000</u>
Less unamortized premiums/ discounts, net	(1,414,827)	—	(1,414,827)
	<u>\$ 486,026,173</u>	<u>\$ 395,610,000</u>	<u>\$ 881,636,173</u>

(c) Notes and Contracts

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

Years:	Governmental Activities		
	Principal	Interest	Total
2010	\$ 110,000	\$ 229,000	\$ 339,000
2011	115,000	224,000	339,000
2012	120,000	220,000	340,000
2013	125,000	215,000	340,000
2014	130,000	210,000	340,000
2015-2019	730,000	964,000	1,694,000
2020-2024	905,000	792,000	1,697,000
2025-2029	1,145,000	551,000	1,696,000
2030-2034	1,475,000	229,000	1,704,000
	<u>\$ 4,855,000</u>	<u>\$ 3,634,000</u>	<u>\$ 8,489,000</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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

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

	Business-Type Activities		
	Principal	Interest	Total
Years:			
2010	\$ 8,436,491	\$ 1,926,090	\$ 10,362,581
2011	8,853,161	1,844,236	10,697,397
2012	8,887,431	1,719,669	10,607,100
2013	8,273,295	1,586,966	9,860,261
2014	8,182,412	1,463,471	9,645,883
2015-2019	38,897,855	5,511,990	44,409,845
2020-2024	30,773,973	2,781,753	33,555,726
2025-2029	19,329,085	765,975	20,095,060
2030	382,906	5,744	388,650
	<u>\$ 132,016,609</u>	<u>\$ 17,605,894</u>	<u>\$ 149,622,503</u>

(d) HUD Section 108 Loan

Anchorage entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) in August of 2005 to borrow up to \$5,000,000 in HUD Section 108 Loan funds. As of December 31, 2009 Anchorage has borrowed \$2,000,000 of these funds.

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
2010	\$ 74,000	101,000	175,000
2011	78,000	97,000	175,000
2012	83,000	93,000	176,000
2013	88,000	89,000	177,000
2014	93,000	84,000	177,000
2015-2019	550,000	345,000	895,000
2020-2024	727,000	177,000	904,000
2025	171,000	10,000	181,000
	<u>\$ 1,864,000</u>	<u>\$ 996,000</u>	<u>\$ 2,860,000</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

(e) Bonds Authorized But Unissued

At December 31, 2009, Anchorage has the following authorized but unissued general obligation bonds (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>
Roads & Drainage upgrades and maintenance	April 2006	None	\$ 44,150	\$ 39,802	\$ 4,348
Anchorage Parks & Recreation	April 2007	None	4,995	2,500	2,495
	April 2008	None	2,000	500	1,500
Anchorage Roads & Drainage	April 2007	None	35,550	28,445	7,105
	April 2008	None	44,800	28,690	16,110
	April 2009	None	34,225	0	34,225
Public Facility Repairs	April 2008	None	6,900	1,500	5,400
Public Safety/Transportation	April 2008	None	1,688	1,438	250
	April 2009	None	1,300	0	1,300
Anchorage Fire Service Area	April 2008	None	3,622	2,350	1,272
	April 2009	None	1,800	0	1,800
					<u>\$ 75,805</u>

In April 2010, Anchorage voters approved the issuance of \$38,490,000 in roads, public safety and fire protection bonds.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

(f) Changes in Long-Term Liabilities

Long-term liability activity, net of related premium and discount amortizations, for the year ended December 31, 2009, was as follows (in thousands):

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 475,781	\$ —	\$ (27,191)	\$ 448,590	\$ 20,655
Revenue Bonds	45,565	—	(2,830)	42,735	2,985
CIVICVentures	110,615	—	(920)	109,695	1,070
Capital Leases	4,089	—	(945)	3,144	996
Long-Term Contracts	4,960	—	(105)	4,855	110
HUD Section 108 Loan	1,934	—	(70)	1,864	74
Total Debt Payable	<u>642,944</u>	<u>—</u>	<u>(32,061)</u>	<u>610,883</u>	<u>25,890</u>
Compensated Absences	20,387	15,673	(14,801)	21,259	14,339
Pollution Remediation	—	3,041	—	3,041	658
Arbitrage Rebate Payable	—	430	—	430	387
Claims Payable and IBNR	20,509	56,456	(53,287)	23,678	18,103
Total Governmental Activities	<u>\$ 683,840</u>	<u>\$ 75,600</u>	<u>\$ (100,149)</u>	<u>\$ 659,291</u>	<u>\$ 59,377</u>
Business-type activities:					
General Obligation Bonds	\$ 970	\$ —	(466)	\$ 504	\$ 504
Revenue Bonds	375,390	181,441	(70,805)	486,026	22,865
Long-Term Contracts	114,647	25,045	(7,675)	132,017	8,436
Total Debt Payable	<u>491,007</u>	<u>206,486</u>	<u>(78,946)</u>	<u>618,547</u>	<u>31,805</u>
Compensated Absences	5,076	1,019	(402)	5,693	5,127
Pollution Remediation	258	—	—	258	20
Landfill Closure Liability	18,092	1,126	—	19,218	—
Total Business- type Activities	<u>\$ 514,433</u>	<u>\$ 208,631</u>	<u>\$ (79,348)</u>	<u>\$ 643,716</u>	<u>\$ 36,952</u>

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

(g) Refunded Bond Issues

In May 2009 the Water Utility issued \$49,680,000 in Water Revenue and Refunding Bonds. Proceeds of \$51,921,374 were used to provide defeasance and redemption of \$10,120,000 principal amount of the 1998 Senior Lien Water Revenue and Refunding Bonds, \$40,325,000 principal amount of the 1999 Water Revenue and Refunding Bonds, and to pay costs of issuance of the water bonds. As a result of the refunding, the Water Utility reduced its total debt service requirements by \$9,677,110, which resulted in an economic gain of \$5,848,119.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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(h) 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, 2009, the amount of general obligation and revenue bonds considered defeased was \$491,680,000, including \$14,575,000 of revenue bonds from the Wastewater Utility and \$61,620,000 of revenue bonds from the Water Utility.

(i) ASD Debt

The following is a summary of long-term ASD debt transactions for fiscal year ended June 30, 2009 (in thousands):

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amount Due</u> <u>within 1 year</u>
General Obligation Bonds	\$ 789,375	\$ 29,840	\$ 46,630	\$ 772,585	\$ 49,520
Compensated Absences	8,920	9,387	8,920	9,387	9,387
Workers Compensation	16,734	3,309	4,812	15,231	4,365
Net Pension Obligation	17,582	—	17,582	—	—
Medical Claims	5,468	20,601	20,446	5,623	5,623
	<u>\$ 838,079</u>	<u>\$ 63,137</u>	<u>\$ 98,390</u>	<u>802,826</u>	<u>\$ 68,895</u>
Unamortized premium on GO Bonds				16,282	
				<u>\$ 819,108</u>	

Bonds payable at June 30, 2009 are comprised of the following individual issues (in thousands):

<u>General Obligation Bonds</u>	<u>Amount</u>
\$60,000,000 1995 series A school construction serial bonds due in annual installments of \$3,490,000 to \$5,030,000 through October 2015; interest at 5.0% to 6.0%.	\$ 16,935
\$29,765,000 1995 series A school construction refunding bonds due in annual installments of \$3,300,000 to \$3,515,000 through October 2010; interest at 6.0%.	6,815
\$20,735,000 1998 series A school construction refunding bonds due in annual installments of \$165,000 to \$5,120,000 through July 2014; interest at 4.25% to 5.0%.	19,420
\$55,900,000 1999 series A school construction serial bonds due in annual installments of \$2,735,000 through December 2009; interest at 5.125 %.	2,735
\$35,000,000 2000 series A school construction serial bonds due in annual installments of \$1,540,000 to \$1,715,000 through December 2011; interest at 5.0% to 5.5 %.	4,880
\$77,900,000 2000 series B school construction serial bonds due in annual installments of \$3,420,000 to \$3,590,000 through December 2010; interest at 5.0%.	7,010

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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<u>General Obligation Bonds (continued)</u>	<u>Amount</u>
\$65,000,000 2001 series A school construction serial bonds due in annual installments of \$2,840,000 to \$2,995,000 through June 2011; interest at 5.5%.	\$ 5,835
\$51,805,000 2001 school construction refunding bonds due in annual installments of \$5,155,000 to \$10,345,000 through July 2013; interest 4.625% to 5.5%.	43,415
\$131,800,000 2002 series B school construction serial bonds due in annual installments of \$5,225,000 to \$6,350,000 through July 2022; interest 4.125% to 5.5%.	28,775
\$70,345,000 2002 school construction refunding bonds due in annual installments of \$4,700,000 to \$9,120,000 through July 2015; interest 3.75% to 5.5%.	44,900
\$126,770,000 2003 series B school construction serial bonds due in annual installments of \$1,145,000 to \$6,080,000 through September 2020; interest 3.25% to 4.8%.	37,660
\$80,735,000 2004 series B school construction refunding bonds due in annual installments of \$70,000 to \$27,390,000 through December 2017; interest 3.5% to 5.25%.	80,475
\$86,240,000 2004 series D school construction serial bonds due in annual installments of \$3,123,000 to \$4,385,000 through December 2016; interest 2.4% to 5.0%.	29,895
\$63,850,000 2005 series A school construction serial bonds due in annual installments of \$2,450,000 to \$3,050,000 through March 2016; interest 3.25% to 5.0%.	19,130
\$29,155,000 2005 series B school construction refunding bonds due in annual installments of \$45,000 to \$8,140,000 through December 2020; interest 3.1% to 5.0%.	28,975
\$14,790,000 2005 series E school construction refunding bonds due in annual installments of \$3,035,000 to \$4,110,000 through December 2018; interest at 5.0%	14,790
\$48,495,000 2006 series A school construction serial bonds due in annual installments of \$1,710,000 to \$3,640,000 through October 2026; interest at 3.75% to 5.0%	45,265
\$28,885,000 2006 series B school construction refunding bonds due in annual installments of \$40,000 to \$7,075,000 through October 2020; interest at 3.75% to 5.0%	22,655
\$51,705,000 2006 series C school construction refunding bonds due in annual installments of \$65,000 to \$9,770,000 through July 2021; interest at 3.75% to 5.0%	51,380
\$171,155,000 2007 series B school construction refunding bonds due in annual installments of \$50,000 to \$29,530,000 through September 2024; interest at 4.0% to 5.0%	170,005
\$63,790,000 2007 series D school construction serial bonds due in annual installments of \$2,080,000 to \$4,885,000 through August 2027; interest at 4.0% to 5.0%	61,795
\$29,840,000 2008 series B school construction serial bonds due in annual installments of \$950,000 to \$2,285,000 through August 2028; interest at 3.0% to 5.25%	29,840
	<u>\$ 772,585</u>

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Notes to Basic Financial Statements

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The annual requirements to amortize all general obligation debt outstanding as of June 30, 2009 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 49,520	\$ 36,373	\$ 85,893
2011	51,795	34,064	85,859
2012	54,085	31,575	85,660
2013	54,210	29,086	83,296
2014	55,505	26,385	81,890
2015-2019	260,045	91,588	351,633
2020-2024	197,255	33,676	230,931
2025-2029	50,170	4,265	54,435
	<u>\$ 772,585</u>	<u>\$ 287,012</u>	<u>\$ 1,059,597</u>

The amount of long-term liability that is due within one year as of June 30, 2009 is \$49,520,000.

The Debt Service Fund has \$2,046,009 available to service the general obligation bonds.

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

NOTE 11 Debt Issued Subsequent to Year End

On February 9, 2010, Anchorage issued \$120,000,000 of General Obligation Tax Anticipation Notes. The interest rate on the Notes is 1.0% with a maturity date of December 29, 2010.

On March 18, 2010 Anchorage issued \$ 54,860,000 in new General Obligation, General Purpose Bonds. \$11,560,000 were issued as Tax-Exempt and \$ 43,300,000 were sold as Taxable Build America Bonds-Direct Payment. The purpose of these bonds is to provide funding for voter approved capital improvements.

On March 18, 2010, Anchorage issued \$23,750,000 of General Obligation Refunding Bonds to restructure previously outstanding General Obligation General Purpose Bonds.

On March 18, 2010, Anchorage issued \$20,025,000 of General Obligation School Bonds to finance voter approved educational capital projects.

NOTE 12 Conduit Debt Obligations

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

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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:	
2010	\$ 62,514
2011	66,867
2012	71,513
2013	76,506
2014	81,829
2015	80,007
	<u>\$ 439,236</u>

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

	<u>Principal</u>
Years:	
2010	\$ 39,199
2011	41,824
2012	44,612
2013	47,621
2014	50,802
2015-2019	309,831
2020-2021	119,653
	<u>\$ 653,542</u>

NOTE 13 Retirement Plans

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

IBEW members participate in a union sponsored cost-sharing defined benefit plan. Employer contributions are determined from hours of work reported by participating employers and the contractual employer contribution rate in effect. The current agreement increased contributions during 2009. Contributions to the plan for each hour or worked by a covered employee for 2009, 2008, and 2007 were \$6.50, \$6.00 and \$3.67, respectively. The total employer contributions for 2009, 2008, and 2007 were \$3,410,897, \$3,002,367, and \$1,879,952, respectively. One hundred percent (100%) of Anchorage's required contributions to the IBEW plan have been made through these contributions to the Alaska Electrical Trust Fund. Each year, IBEW issues audited financial statements that can be obtained by writing the plan administrator, Alaska Electrical Trust Fund, 2600 Denali Street, Suite 200, Anchorage, Alaska, 99503.

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Local 302 members participate in a union sponsored cost-sharing defined benefit plan. Employer contributions are determined from compensable work hours and the contractual employer contribution rate in effect. The current agreement provides for contributions of \$4.00 per hour worked by a covered employee, up from \$3.67 in 2007. Total employer contributions for 2009, 2008, and 2007 were \$1,209,578, \$1,092,171, and \$943,863, respectively. One hundred percent (100%) of Anchorage's required contributions to the Local 302 plan have been made through these contributions to the Local 302 International Operating Engineers Employers Construction Industry Retirement Fund. Each year, Local 302 issues audited financial statements that can be obtained by writing the plan administrator, Welfare and Pension Administration Service, Inc., P.O. Box 34203, Seattle, Washington, 98124.

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

(a) State of Alaska Public Employees' Retirement System

Plan Descriptions

Employees hired prior to July 1, 2006, and employees hired after July 1, 2006 who have PERS enrollment from prior employment, participate in PERS Tiers I-III, a defined benefit cost sharing plan that acts as a common investment and administrative agent for political subdivisions within the State of Alaska. Employees hired on or after July 1, 2006 who have no prior PERS participating employment participate in PERS Tier IV, a defined contribution plan with a component of defined benefit postemployment healthcare.

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

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

Each fiscal year, PERS issues publicly available financial reports that include financial statements and required supplementary information. They may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203, by phoning (907) 465-4460, or via the web at www.state.ak.us/dr/pers/.

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

Participating employees are required to contribute 6.75% of their annual covered salary, Police Officers and Firefighters contribute 7.5%. Employer contribution rates are established by state statute. Employer contribution rates are established annually by a state sanctioned management board. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The employer contribution rate is statutorily capped at 22% of annual covered salary. State legislation currently provides that the State of Alaska will contribute any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, but not the same as the Governmental Accounting Standards Board (GASB) Statement 45 accounting rate.

Detailed contribution rates for Anchorage and actuarial methods for the plan for the year ended 2009 are as follows:

	<u>Employee Rate</u>		<u>Contractual Rate</u>		<u>ARM Board Adopted Rate</u>		<u>GASB 45*</u>	
	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>
<u>Police Officers and Firefighters</u>								
Pension	2.35%	2.78%	6.82%	8.16%	10.91%	10.25%	8.47%	10.72%
Postemployment Healthcare	5.15%	4.72%	15.18%	13.84%	24.31%	17.40%	37.25%	53.96%
Total Contribution Rate	7.50%	7.50%	22.00%	22.00%	35.22%	27.65%	45.72%	64.68%
<u>Other Employees</u>								
Pension	2.09%	2.50%	6.82%	8.16%	10.91%	10.25%	8.47%	10.72%
Postemployment Healthcare	4.66%	4.25%	15.18%	13.84%	24.31%	17.40%	37.25%	53.96%
Total Contribution Rate	6.75%	6.75%	22.00%	22.00%	35.22%	27.65%	45.72%	64.68%

* This rate uses a 4.5% OPEB discount rate and disregards future Medical Part D payments.

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

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay for Pension; Level Dollar for Healthcare
Amortization Method	Level Dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year Smoothed Market
Investment Rate of Return	8.25% for pension, 4.5% for healthcare
Projected Salary Increases	<u>Police Officer/Firefighter</u> : Merit: 2.5% per year for first 6 years employment, 0.5% thereafter; Productivity: 0.5% per year <u>Others</u> : Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of Service, 1.0% grading down to 0%. Productivity: 0.5% per year
Inflation	3.5%

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

Annual Pension and Postemployment Healthcare Cost

Anchorage is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State contributed approximately 13.22% from January 1 through June 30 and 5.65% between July 1 and December 31, 2009 of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, Anchorage has recorded the state contribution in the General Fund in the amount of \$16,162,963 as a PERS on-behalf payment. However, because Anchorage is not statutorily obligated for these payments, this amount has been excluded from pension and OPEB cost as described here. Pension and OPEB payments for the eighteen months from July 1st 2008 to December 31st 2009 are shown in thousands below:

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Year	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	Anchorage Contributions	% of TBC Contributed
2009	\$ 12,760	\$ 22,989	\$ 35,749	\$ 35,749	100%
7/1 to 12/31/2008	5,035	11,874	16,909	16,909	100%

Funding Policy and Annual Pension and Postemployment HealthCare Costs – PERS Tier IV Defined Contribution Plan

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

	Police/Fire		Others	
	1/1 - 6/30	7/1 - 12/31	1/1 - 6/30	7/1 - 12/31
Employee Contribution	8.00%	8.00%	8.00%	8.00%
Employer Contribution				
Retirement	5.00%	5.00%	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%	3.00%	3.00%
Retiree Medical Plan	0.99%	0.83%	0.99%	0.83%
Death & Disability Benefit	<u>1.33%</u>	<u>1.33%</u>	<u>0.58%</u>	<u>0.30%</u>
Total Employer Contribution	10.32%	10.16%	9.57%	9.13%

*Health Reimbursement Arrangement - AS 39.30.370 requires that the employer contribute "an amount equal to three percent of the employer's average annual employee compensation." For actual remittance, this amount is calculated as a flat rate per full time employee and a flat rate per hour for part time employees. Prior to July 1, 2009 a rate of \$62.18 per full time employee per pay period and \$1.04 per part time hour worked was paid. For pay periods ending after July 1, 2009, a rate of \$65.37 per full time employee pay period and \$1.09 per part time hour worked was paid.

For the year ended December 31, 2009, Anchorage contributed \$1,549,311 to PERS Tier IV for retirement and retiree medical, and it contributed \$667,694 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$1,872,008.

Under the newly adopted cost-sharing arrangement for the PERS defined benefit plan (Tiers I – III), the state statute employer contribution rate of 22%, includes Tier IV employees. In addition to the amounts above, Anchorage contributed approximately 11.83% on Police & Fire Tier IV employee payroll and approximately 12.87% on other Tier IV employee payroll. This amount was applied to the obligation of the PERS defined benefit plan and is included in the contributions (ARC) recorded in the defined benefit cost-sharing plan.

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(b) Police and Fire Pension System Plans

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

All regular full-time police officers hired prior to October 6, 1994; paramedics and fire fighters hired prior to July 18, 1994; and command officers hired prior to May 24, 1994, are required to participate in a plan. No other person is eligible to participate. Membership is determined by date of initial employment or by employee election.

- Plan I - Members employed on or before June 30, 1977
- Plan II - Members employed between July 1, 1977, and April 16, 1984, and
- Plan III - Members employed between April 16, 1984, and July 18, 1994. Members of Plans I and II were also permitted to elect into Plan III at its inception.

Members of Plan I, II, and III are required to contribute an amount not to exceed 6% of compensation if the assets to liabilities ratio falls below 100%. Additionally, Anchorage is required to contribute 2.5:1 Anchorage/member contribution ratio and any additional contributions to ensure that Plans I, II, and III are adequately funded as determined by the actuary and approved by the Retirement Board.

Benefit and contribution provisions are established by Code and may be amended only by the Assembly. The January 1, 2009 actuarial valuation recommended contribution rates for Plans I, II and III are 6% for the employee and \$12 million for the Municipality. All past contributions were made in accordance with actuarial recommendations.

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

Plan I and II members may elect early retirement after five years of credited service and attainment of age 55 and receive a retirement benefit. Plan III members may elect early retirement after 15 years of credited service and either withdraw their contributions or start receiving a retirement benefit. All three plans have deferred retirement options for members who have at least five years credited service and have not reached age 55. Plan I and II members may either withdraw their contributions or remain in the plan and begin receiving a retirement benefit upon reaching age 55. Plan III members may either withdraw their contributions or receive a retirement benefit beginning the date on which he or she would have completed 20 years of credited service or upon reaching age 55. All benefits or refunds of the Plans are recognized when due and payable in accordance with the plan terms as noted. Disability benefits may be either occupational or non-occupational.

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

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

Information regarding the Plans is available upon request and may be obtained by writing to Anchorage Police and Fire Retirement System, 3650 E. Tudor Road, P.O. Box 196650, Anchorage, Alaska 99519-6650 or by phoning (907) 343-8400.

Funding Status and Funding Progress

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

	Police and Fire Retirement Systems		
	Plan I	Plan II	Plan III
Contribution rates:			
Employee:			
Employer			
Annual pension cost (in thousands)	—	—	—
Contributions made (in thousands)	—	—	—
Actuarial valuation date	January 1, 2009	January 1, 2009	January 1, 2009 Modified
Actuarial cost method	Modified Aggregate	Modified Aggregate	Aggregate
Amortization period	15 years	15 years	15 years
Asset valuation method	Market	Market	Market
Actuarial assumptions:			
Inflation rate	3.0%	3.0%	3.0%
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increase	3.5%	3.5%	3.5%
Cost of living adjustment	N/A	N/A	0.75% to 1.50% *

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

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.

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The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
January 1, 2010:						
Plan I	\$74,626	\$91,923	\$17,297	81.20%	\$119	14535.30%
Plan II	52,902	67,180	14,278	78.70%	515	2772.40%
Plan III	172,478	219,565	47,087	78.60%	7,005	672.20%
January 1, 2009:						
Plan I	\$70,585	\$93,118	\$22,533	75.80%	\$352	6395.10%
Plan II	49,649	67,290	17,641	73.80%	614	2874.90%
Plan III	157,351	212,132	54,781	74.20%	6,795	806.20%
January 1, 2008:						
Plan I	\$106,988	\$94,085	(\$12,093)	113.70%	\$336	-3834.80%
Plan II	74,765	67,463	(7,302)	110.80%	1,055	-692.30%
Plan III	232,051	207,442	(24,609)	111.90%	8,132	-302.60%

Contribution Requirements

In May 2003, the Retirement Board elected to change the methodology for calculating contributions to the modified aggregate actuarial cost method, effective with the plan year beginning January 1, 2004. Based on this methodology, Municipal contributions of \$12 million are required in 2010.

(c) Investments

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

NOTE 14 Postemployment Healthcare Benefits

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

(a) Gentile Group

Members of the Police & Fire Retirement Plan who retired prior to January 1, 1995, and command personnel who were employed prior to that date, but not retired at that date, participate in the "Gentile Group" Plan. Anchorage pays 100% of a defined benefit insurance premium including health for all eligible retirees as well as dental, audio and vision coverage for police retirees. Optional dental, audio and vision coverage is paid by the fire and command retirees. The plan is accounted for on a "pay as you go" method with costs recognized as expenditures as premiums are paid. At December 31, 2009, there were 267 retiree participants. For 2009 the monthly contribution for each member ranged between \$1,452 and \$1,986 per member depending on age and years of service. Benefit costs totaled \$6,072,075, in 2009. There are no plans in place to terminate or discontinue this benefit for eligible members.

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

Active duty and non-command personnel members who were employed prior to January 1, 1995, but who were scheduled to retire after that date, as well as non-represented command personnel appointed after January 1, 1995 participate in the Police & Fire Retiree Medical Plan. Established with both defined benefit and defined contribution characteristics, Anchorage contributes a fixed dollar contribution to each member on a monthly basis. Those funds are placed into individual member accounts and can be used to fund any qualifying medical costs or health insurance premiums. Additionally, members have access to Anchorage’s health insurance program if they elect to pay the associated premium.

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

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

For 2009 the monthly contribution for each member ranges between \$562 and \$739 per member depending on age and years of service. Anchorage contributed \$2,514,661 to the Police & Fire Retiree Medical Trust Fund in 2009.

Concurrent with the establishment of the plan, Anchorage initiated a “Prefunding” arrangement. The terms of the prefunding called for annual deposits through 2014 into a debt service fund for the purpose of accumulating resources to pay the annual required contributions to the Police & Fire Retiree Medical Plan. Based on an actuarial report dated September 2009, the original payment schedule would not fully prefund the plan by 2014. Anchorage opted to continue contributions to the Trust through 2021 to fully prefund the plan. This change required an Amendment to the Anchorage Municipal Code, which was approved by the Assembly in December 2009. In accordance with the new prefunding arrangement, Anchorage is required to contribute \$1,869,000 to the debt service fund on an annual basis in order to fully fund the actuarially determined liability by 2021.

In 2009, Anchorage contributed the annual \$1,869,000 to the fund. Anchorage will perform an actuarial funding study every three years and adjust the required annual contribution as needed and/or extend the final payment, as done in 2009 which requires a Code amendment.

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Detailed information regarding rates and actuarial methods for the plan for the year ended 2009 are as follows:

Postemployment Healthcare Plans		
	Gentile	Police and Fire
Contribution Rates:		
Employee Contribution	-	-
Employer Contribution	-	-
Actuarial Valuation Date	January 1, 2009	January 1, 2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar, closed	Level Dollar, closed
Amortization Period	28 Years	28 Years
Asset Valuation Method	Unfunded	Unfunded
Actuarial Assumptions:		
Annual Discount Rate	4.50%	8.00%

The components of annual postemployment health costs for the year ended 2009 (in thousands) are as follows:

	Postemployment Healthcare	
	Gentile Group	Police and Fire Retiree Medical Group
Annual Required Contribution (ARC)	\$ 5,768	\$ 3,187
Interest on the Net OPEB Asset	(18)	(84)
Adjustment to the ARC	25	88
Annual OPEB Cost (APC)	5,775	3,191
Contributions made	(6,072)	(2,515)
(Increase)/Decrease in NOO	(297)	676
NOO, beginning of year	(407)	(1,049)
NOO, end of year	\$ (704)	\$ (373)
Percentage of Postemployment Healthcare Cost Contributed		
Contributed	105.14%	78.82%

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Postemployment Healthcare Benefits (in thousands)
(unaudited)

	Actuarial Valuation Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
Gentile Group	2009	-	\$ 90,819	\$ 90,819	0%
	2008	-	87,419	87,419	0%
	2007	-	87,419	87,419	0%
Police & Fire	2009	\$ 9,506	\$ 41,433	\$ 31,927	23%
	2008	9,500	41,986	32,486	23%
	2007	9,500	41,986	32,486	23%

State Public Employee Retirement Plan

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

Deferred Compensation Plan

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

NOTE 15 Fund Balance – Governmental Funds

The unreserved, designated fund balance of \$15,168,070 reported as special revenue funds on Anchorage's Governmental Funds Balance Sheet consists entirely of amounts designated for subsequent year's expenditures.

NOTE 16 Risk Management and Self-Insurance

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

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

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

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

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 2009, is dependent upon future developments. At December 31, 2009, claims incurred but not reported included in the liability accounts are \$13,971,107 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

Changes in the funds' claim liability amounts in 2008 and 2009 are as follows:

	<u>Liability Balance January 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payment</u>	<u>Liability Balance December 31</u>
2008:				
General Liability/Workers' Compensation	\$ 14,709,671	\$ 6,981,750	\$ (6,495,198)	\$ 15,196,223
Medical/Dental	4,123,844	44,020,522	(42,883,966)	5,260,400
Unemployment	<u>61,453</u>	<u>225,235</u>	<u>(234,514)</u>	<u>52,174</u>
	<u>\$ 18,894,968</u>	<u>\$ 51,227,507</u>	<u>\$ (49,613,678)</u>	<u>\$ 20,508,797</u>
2009:				
General Liability/Workers' Compensation	\$ 15,196,223	\$ 7,760,952	\$ (6,764,370)	\$ 16,192,805
Medical/Dental	5,260,400	48,329,738	(46,235,550)	7,354,588
Unemployment	<u>52,174</u>	<u>365,352</u>	<u>(287,456)</u>	<u>130,070</u>
	<u>\$ 20,508,797</u>	<u>\$ 56,456,042</u>	<u>\$ (53,287,376)</u>	<u>\$ 23,677,463</u>

NOTE 17 MOA Trust Fund

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

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

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

Depending on the investment market conditions in any given year, the MOA Trust Fund may or may not generate sufficient realized and unrealized net earnings to cover the 5% dividend payout. Under the endowment model, however, up to 5% of the market value of the MOA Trust Fund for the twenty consecutive quarters ending on March 31 of each year is available for appropriation by the Assembly to help fund the general government budget. The endowment model is tied to an average market value, not to annual earnings, and it assumes a long-term investment return of 8% and inflation of 3%. During periods of market decline the MOA Trust Fund may experience a negative return; nonetheless the voter-approved endowment model for the MOA Trust Fund makes it possible for the Assembly to payout a 5% dividend by drawing from the fund's corpus. Over time the MOA Trust Fund is also expected to benefit from positive years in the market (i.e., years in which the real rate of return exceeds 5%); however the Assembly must abide by the 5% cap on annual distributions. This means that any excess returns generated during positive years in the market effectively are converted to corpus. The Municipal Treasurer is required by Code to 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, 2009, \$6,500,000 of the MOA Trust Fund Balance was determined to be expendable.

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

NOTE 18 Regulatory and Other Matters

(a) Electric Utility

Beluga River Unit (BRU) Underlift Cash Settlement: Each of the three participants in the BRU has a right to take one-third of the gas produced by the Unit each year. Imbalances between the Unit owners are resolved each year in accordance with the BRU Gas Balancing Agreement. "Overlifted" parties (parties that have taken more than one-third of the Unit output) must offer to "underlifted" parties (parties that have taken less than one-third of the Unit output) the option to either accept a cash settlement for their underlift for the year, or accept a right to take the underlift in future years, subject to certain restrictions.

Settlements for 2003 and 2004 of \$17,136,139, (later reduced by \$1,200,615 due to adjustments by Conoco Phillips and Chevron) and \$19,852,555, respectively, were used first to reduce accrued regulatory assets, and then to fund BRU capital improvements. These transactions were approved in Order U-04-63(5), Order U-04-63(6) and Order U-05-97(1), which also required the Electric Utility to maintain accounts demonstrating that the funds would be used for the approved purposes, which will reduce future rate payer costs for gas. At December 31, 2007 the amount remaining was \$11,024,070 and during 2008 that amount was spent and additional funds for BRU construction were used from the restricted investment account for future natural gas purchases or BRU construction, as discussed in the Petition to Adjust Gas Transfer Price Methodology.

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The Electric Utility received monetary settlements totaling \$22,950,406 after lease burdens and taxes were satisfied for the 2005 underlift in April 2006. The Electric Utility proposed to use this money to fund future gas purchases beginning in approximately 2018, and to preserve the value of the cash until that time by setting up a loan from the Gas Fund to the Electric Fund for the purpose of replacing the retired generating unit 3. Repayment of the loan is scheduled to make funds available for gas purchases by the time those purchases are needed. The Regulatory Commission of Alaska (RCA) approved this plan in Order U-06-89(2). The Electric Utility recorded a regulatory liability as of December 31, 2009 and 2008, which includes original principal plus interest earnings of \$27,310,766 and \$26,041,413, respectively.

Regulatory Debits/Credits: The revenue requirement methodology approved by the RCA for setting the gas transfer price the Electric Utility uses to produce power requires an estimate for the current year revenue requirement along with the prior year under or over recovered costs be used to compute the price to be charged. The Electric Utility records an asset and a regulatory credit for under recovered costs or a liability and a regulatory debit for over-recovered costs by recording the difference between the revenue received and the actual revenue requirement. At December 31, 2009 and 2008, the Electric Utility had under recovered in the amount of \$4,965,256 and \$9,156,806, respectively.

Petition to Adjust Gas Transfer Price Methodology: On April 3, 2007, the Electric Utility filed a petition with the RCA to adjust its gas transfer price methodology, which is the basis by which the gas price component in rates charged to customers is established. According to this methodology, the revenue requirement is reduced by revenue realized from third party gas sales to Chugach Electric Association and ENSTAR Natural Gas Company. The Electric Utility's petition proposed to remove the third party gas sales from the revenue requirement calculation and instead use those proceeds for future BRU construction and future natural gas purchases when the BRU gas field no longer meets all of the Electric Utility's gas requirements for thermal generation.

The RCA granted the Electric Utility's petition on May 15, 2007 in Order U-07-45(2), reiterating that the revenue must be dedicated directly to the benefit of the Electric Utility's rate payers. As of January 2007 the Electric Utility recorded gas sales as a regulatory liability, rather than revenue, which as of December 31, 2009 and 2008, totaled \$76,231,434 and \$45,710,190, respectively. Also, as of January 2007 the Electric Utility recorded gas sales proceeds as a restricted investment for future natural gas purchases or BRU construction.

Revenue Requirement Study: The Electric Utility has conducted a revenue requirement study based on an adjusted 2008 test year. The study shows an adjusted revenue requirement of \$107,745,572, and a revenue deficiency of \$6,283,657. This is 6.19% of total revenue, or 7.12% of the Electric Utility's revenue from demand and energy charges. In view of its pending investment requirements, the Electric Utility has a need to recover its full revenue requirement, and therefore filed a request with the RCA for a rate adjustment, based on this revenue requirement study and the associated cost of service study, in April 2010. The Electric Utility will ask for a 7.12% increase to demand and energy charges which would eliminate the test year revenue deficiency. The Electric Utility will also request a 5.7% interim refundable increase in the event that the RCA suspends this request into a docket of investigation, which could take a year to complete.

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 and Matanuska Electric Association. The project is jointly owned and operated by the participating utilities and each contributes their

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proportionate share for operation, maintenance, and capital improvement costs, as well as maintenance of the transmission line between Anchorage and the hydroelectric plant. The Electric Utility has a 53.33% ownership interest in the project and recorded costs of \$476,895 and \$718,380 in 2009 and 2008, respectively.

Eklutna Project Transmission Line Upgrade: On November 5, 2002, the Electric Utility received a grant from the State of Alaska, Alaska Energy Authority (AEA) in the amount of \$19,300,000. The grant was issued for the Eklutna Project Transmission Line Upgrade with a completion date due no later than December 31, 2006. The Electric Utility requested and received an extension to the completion date of the grant to June 30, 2009. The Electric Utility received an advance of 20% or \$3,860,000 on December 5, 2002. After the advance was expended the Electric Utility issued a bill to the State each month for its expenditures up to the total amount of the grant. The advance was invested and earned interest of \$174,361, which was added to the authorized grant amount for a total spending limit of \$19,474,361, which was expended as of December 31, 2008. The transmission line was completed in May 2007. The Electric Utility has recorded contributed plant of \$8,901,559 and an additional \$1,484,117 for cost of removal of the old transmission line or 53.33% of the capital spending as of December 31, 2008. The Electric Utility filed the final grant report March 31, 2009.

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 the Electric Utility acquire 25.9% of the output of the Project. The Project went on line September 1, 1991. The Electric Utility made payments to AEA of \$4,471,200 in 2009 for its portion of costs, and received 93,863 megawatt hours of power in 2009 from the Project. The Electric Utility received a budget surplus refund in the amount of \$73,749 for 2009. The Electric Utility's estimated cost of power from the Project for 2010 is \$4,570,080.

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, 2009, is \$107,488,189. The pro rata share of the debt service costs of the Project, for which the Electric Utility is responsible, given its 25.90% share of the Project, is \$27,839,441. 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 the Electric Utility's pro rata share of project debt service to be a total of \$34,799,301; the Electric Utility does not now know of or anticipate any such defaults.

Inter-Fund Loan: The Electric Utility loaned the Municipality's Real Estate Services fund \$3,688,437 to acquire real property described as tract B, Muldoon Estates Subdivision. This loan was approved by Assembly Ordinance AO 2006-149(S) on October 24, 2006. The loan is not to exceed five years and pays interest to the Electric Utility based on the Municipality's Cash Pool Earnings Rate plus 50 basis points. The loan balance at December 31, 2009 remains at \$3,688,437 as all interest has been paid.

Southcentral Power Project: The Electric Utility entered into a participation agreement with Chugach Electric Association, Inc. on August 28, 2008 to proceed with the joint development, construction and operation of the Southcentral Power Project (SPP). The approximate capacity of SPP is 180MW, of which the Electric Utility's proportionate share will be 54MW, or 30%. The Electric Utility's estimated share of the cost of SPP at this time is \$110,561,000, including interest during construction. The Electric Utility has recorded capital expenditures of \$11,493,075 as of December 31, 2009 and \$2,034,787 as of December 31, 2008. The project is anticipated to enter commercial operation by January 1, 2014.

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(b) *Water and Wastewater Utilities*

Water Utility

Municipal Utility Service Assessment (MUSA) Remand: On September 2, 2005, the Regulatory Commission of Alaska (RCA) issued an order establishing a revenue requirement for the Water Utility's rates that excluded Municipal Utility Service Assessment (MUSA) expense associated with the portion of the Water Utility's plant balances funded by contributions. The Superior Court upheld the Commission decision in 2005 in an appeal filed by the Water Utility. The Superior Court decision was appealed by the Water Utility to the State of Alaska Supreme Court. On September 4, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the 2005 exclusion of MUSA from the Water Utility's revenue requirement. The Court remanded the case to the RCA for further proceedings to make a determination on the merits of the reasonableness of the Water Utility's proposed rate increase. The Water Utility submitted written direct testimony in the remand proceeding on December 18, 2009. The remand will conclude following additional prefiled testimony from the Attorney General and the Water Utility and a final hearing on the matter scheduled for July 21 through July 27, 2010. A final decision on the MUSA matter is due from the RCA by October 25, 2010.

Revenue collected subject to refunds approximated \$18 million through December 31, 2009, of which approximately \$3.3 million was associated with revenues collected in 2009. In light of the Supreme Court decision, the Water Utility believes that it is unlikely that it will ultimately be required to refund the revenue collected, and therefore has not recorded a liability for a refund payable.

The Water Utility filed a revenue requirement study on November 14, 2008, requesting an interim and refundable rate increase of 7%. The RCA granted the requested interim rate increase effective January 1, 2009. On February 10, 2010, the RCA issued Order U-08-157(10). The Order resolved all issues remaining in the docket following a full adjudicatory proceeding and found that "no refund is necessary" for revenues collected based on interim and refundable rates during the period from January 1, 2009 until December 31, 2009. Upon close review of the RCA order, it appears that the final approved rate increase was actually approximately \$0.6 million lower than the interim rates collected from Water Utility customers. On February 19, 2010 the Water Utility filed a notice to the Commission informing it that errors may have been made in determination of the final order and that refunds would likely be required. The Utility anticipates an order from the Commission requiring refunds of approximately \$0.6 million to its customers during 2010. This anticipated refund, associated with 2009 sales, was accrued by the Water Utility in its 2009 financial statements.

2008 Test Year / 2010 Rates: The Water Utility filed a revenue requirement study on November 10, 2009, requesting an interim and refundable rate increase of 2.5%. The RCA granted the requested interim rate increase effective January 1, 2010. On March 12, 2010, the Water Utility negotiated a tentative settlement agreement with the Attorney General. A stipulation requesting that the 2.5% rate increase be approved on a permanent basis was filed with the RCA on April 13, 2010.

Wastewater Utility

Wastewater Treatment Facilities Discharge Permits: The State of Alaska Department of Environmental Conservation assumed authority for permitting wastewater discharge for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November, 2008. The Eagle River treatment facility's permit was reissued by federal authorities on May 1, 2006, and remains in effect under the auspices of the State until May 1, 2011. The State released a preliminary draft permit reauthorization for Girdwood WWTF in December,

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2009. The Wastewater Utility has commented on the preliminary draft permit, leading to ongoing discussions with the State regarding the permit language. Plans for capital improvements to the Girdwood WWTF are contingent upon the final language of the permit.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the federal Environmental Protection Agency (EPA). EPA is currently evaluating the Wastewater Utility's application for reauthorization of the permit, which includes consultation with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species, including the Cook Inlet beluga whale. If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Our discussions with federal agencies to date suggest that such a finding is unlikely.

MUSA Remand: On September 2, 2005, the RCA issued an order establishing a revenue requirement for the Wastewater Utility's rates that excluded MUSA expense associated with the portion of the Wastewater Utility's plant balances funded by contributions. The Superior Court upheld the RCA decision in 2005 in an appeal filed by the Wastewater Utility. The Superior Court decision was appealed by the Wastewater Utility to the State of Alaska Supreme Court. On September 4, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the 2005 exclusion of MUSA from the Wastewater Utility's revenue requirement. The Court remanded the case to the RCA for further proceedings to make a determination on the merits of the reasonableness of the Wastewater Utility's proposed rate increase. The Wastewater Utility submitted written direct testimony in the remand proceeding on December 18, 2009. The remand will conclude following additional pre-filed testimony from the Attorney General and the Wastewater Utility and a final hearing on the matter is scheduled for July 21 through July 27, 2010. A final decision on the MUSA matter is due from the RCA by October 25, 2010.

Revenue collected subject to refunds approximated \$13 million through December 31, 2009, and approximately \$2.4 million of which was associated with revenues collected in 2009. In light of the Supreme Court decision, the Wastewater Utility believes that it is unlikely that it will ultimately be required to refund the revenue collected, and therefore has not recorded a liability for a refund payable.

2007 Test Year / 2009 Rates: The Wastewater Utility filed a revenue requirement study on November 14, 2008, requesting an interim and refundable rate increase of 6.5%. The RCA granted the requested interim rate increase effective January 1, 2009. On February 10, 2010 the RCA issued Order U-08-158(10). The Order resolved all issues remaining in the docket following a full adjudicatory proceeding and found that "no refund is necessary" for revenues collected based on interim and refundable rates during the period from January 1, 2009 until December 31, 2009. Upon close review of the RCA order, it appears that the final approved rate increase was actually approximately \$0.6 million lower than the interim rates that had been collected from Wastewater Utility customers. On February 19, the Wastewater Utility filed a notice to the Commission informing it that errors may have been made in determination of the final order and that refunds would likely be required. The Wastewater Utility anticipates an order from the Commission requiring refunds of approximately \$0.6 million to its' customers during 2010. This anticipated refund, associated with 2009 sales, was accrued by the Wastewater Utility in its 2009 financials.

2008 Test Year / 2010 Rates: The Utility filed a revenue requirement study on November 10, 2009, requesting an interim and refundable rate increase of 2.5%. The RCA granted the requested interim rate increase effective January 1, 2010. On March 12, 2010 the Utility negotiated a tentative settlement agreement with the Attorney General. A stipulation

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requesting that the 2.5% rate increase be approved on a permanent basis was filed with the RCA on April 13, 2010.

NOTE 19 Contingencies

(a) Litigation

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

(b) Grants

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

(c) Property Tax Limitation

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

(d) Spending Limitation

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

NOTE 20 Environmental Issues

Anchorage has adopted an aggressive proactive policy designed to identify and mitigate the potential effects of past, present and future activity that may result in environmental impact. It is accounting policy to record a liability when the likelihood of responsibility for an environmental impact is probable and the cost of mitigating the impact is estimable within reasonable limits. At December 31, 2009, there are environmental issues that meet both of these criteria and, accordingly, a provision has been made in the accompanying financial statements for the cost of mitigating environmental concerns of underground fuel and hazardous waste contamination. The following is a summary of environmental concerns at December 31, 2009.

(a) Solid Waste Landfill Sites

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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

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

(b) Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require Anchorage to place a final cover on its current regional landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these future closure and postclosure costs each year, Solid Waste Services (SWS) records an operating expense based on landfill capacity. During 2005, the future closure and postclosure care costs were reevaluated and adjusted to reflect current conditions. At December 2009, SWS had a recorded liability of \$19,217,586 associated with these future costs, based on the use of 37% of the landfill's estimated capacity. Based upon the 2005 study, it is estimated SWS will recognize an additional \$33,430,100 in liability expense between December 31, 2009 and 2043, the current estimated date the landfill is expected to reach full capacity. These amounts are based upon what it would cost to perform all the closure and postclosure functions in 2009. Future inflation costs and additional costs that might arise from changes in requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

State laws and federal regulations require Anchorage to provide financial assurances for future closure and postclosure costs by one of a number of allowable mechanisms available. Anchorage elected to use the "Local Government Test" financial assurance mechanism to comply with the regulation. Pursuant to A0-2008-46, the Anchorage Assembly amended municipal code to establish a restricted account to fund the liability for landfill closure and postclosure purposes. At December 31, 2009, \$2,920,700 of SWS assets are in the restricted account for payment of closure and postclosure care costs.

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

Balance January 1, 2009	Addition	Deletion	Balance December 31, 2009	Due Within One Year
<u>\$ 18,091,854</u>	<u>\$ 1,125,732</u>	<u>\$ -</u>	<u>\$ 19,217,586</u>	<u>\$ -</u>

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

During the 1964 earthquake, approximately 250,000-400,000 gallons of diesel fuel spilled on the ground. According to several environmental investigations, the spill impacted soil and groundwater at the Hank Nikkels Power Plant One and properties west/northwest of

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

the plant. In 2006-2007, the Electric Utility replaced generating unit 3 at the plant. During the subsurface investigation, in addition to diesel contamination known from the 1964 spill, PCBs were detected in the soil. All soil disturbing activities at the site are governed by the Risk-Based Disposal Plan (RBDP) administered by the Alaska Department of Environmental Conservation (ADEC) and the Environmental Protection Agency (EPA). In 2010-2011 the Electric Utility will replace two black start engines with more efficient and lower emissions models. Contaminated soil testing and disposal during any excavations necessitated by the replacement will be conducted according to the RBDP. The additional cost of compliance cannot be measured at this time.

(d) New Spill Prevention Requirements

In accordance with its compliance plan submitted to ADEC in 2007, the Electric Utility will perform fuel oil piping modifications and construct secondary containment for the diesel fuel loading/unloading area. The construction will start in 2010 with the cost of planned upgrades estimated at \$3,500,000.

(e) New Air Regulations

On October 30, 2009, the EPA issued the final rule for mandatory reporting of greenhouse gas (GHG) emissions. According to the rule, the Electric Utility must start collecting data for both thermal generating power plants in January 2010, then report emissions in the first quarter of 2011. By April 1, 2010, the Utility will develop a monitoring plan that will address applicable standards of this rule, including emissions quantification methodologies, fuel monitoring and testing requirements, quality assurance and quality control procedures, and other applicable issues. To implement the GHG requirements, the Utility will need to upgrade some fuel metering devices in 2010. The cost of compliance with the new rule cannot be estimated at this time.

(f) New Generation Permitting

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

(g) Pollution Remediation Obligation

Water Utility

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

Wastewater Utility

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

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

Other Environmental issues

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

The presence of PCBs exceeding applicable clean up levels was discovered in the soils on the Reeve Boulevard site, Parcel 3, Tract B, Municipal Industrial Subdivision (Site), owned by the Municipality. Those soils were transported to the Site by and under the supervision of potentially responsible third parties. The presence of PCBs on the Site has been reported to the ADEC and the EPA. Anchorage is working with ADEC and the EPA on proper characterization and remediation of the Site; the Municipality is also pursuing its rights and remedies against third parties

Anchorage used the expected cash flow technique to measure liability. The Municipality estimated a reasonable range of potential outlays of \$500,000 to \$700,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$658,000. The potential for a material change in the estimate is possible depending on the final outcome of the remediation.

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

The presence of diesel range organics, tetrachloroethylene and trichloroethylene chemicals exceeding applicable clean up levels were discovered on a parcel of land at 4501 Lake Otis Parkway owned by the Municipality. From 1996 through 2008, this property was operated as a dry cleaning facility. The Municipality foreclosed on the property in 1993 but leased it back to the former owner until 2008.

Anchorage used the expected cash flow technique to measure liability. The Municipality estimated a reasonable range of potential outlays of \$922,000 to \$3,800,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$2,400,000. The potential for a material change in the estimate is possible depending on the final outcome of the remediation.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2009

NOTE 21 Subsequent Events

(a) Property Taxes

In April 2009, Anchorage voters approved an amendment to the Municipal Charter changing the calculation of the property tax cap [refer to Note 19 (c) and (d)]. The amendment is required to be phased-in beginning in 2010.

(b) Other Subsequent Event

See Note 11 for long-term debt issued after year end and Note 10 (e) for bonds approved after year end.

NOTE 22 Restatement

In connection with the Police and Fire Retiree Medical Group and Prefunding Arrangement, discussed at Note 14 b, the Municipality had previously recorded the capped ultimate cost of postemployment medical benefits on the government-wide Statement of Net Assets for those eligible employees and retirees. In 2009, the Municipality determined that the recognition of this liability does not conform with the provisions of GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" for the recording of postemployment medical benefits; nor do the terms of the Prefunding Arrangement constitute a liability as defined by generally accepted accounting principles. Thus, while the Municipality fully acknowledges its financial obligation under the terms of the prefunding arrangement, it has restated its 2008 financial statements to reflect the removal of this liability. Further, as a result of the removal of the liability from the financial statements, the Municipality has also recorded a net OPEB asset in accordance with the provisions of GASB Statement 45.

The affect to Net Assets of governmental activities as of December 31, 2008 is as follows

Governmental Net Assets, December 31, 2008, as previously presented	\$2,712,755,928
Removal of Liability	138,662,444
Addition of Net OPEB Asset	<u>1,456,000</u>
Governmental Net Assets, December 31, 2008, As restated	<u>\$2,852,874,372</u>

This restatement affects only the government-wide financial statements and has no impact to previously reported fund balance in the government funds, nor any impact on the budget or budgetary basis of accounting.

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Required Supplementary Information

MUNICIPALITY OF ANCHORAGE, ALASKA
 Required Supplementary Information - Budgetary Comparison Schedule
 with Expenditures by Function for the General Fund and Sub-Funds

Year ended December 31, 2009

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget
	Original	Final				
Revenues:						
Taxes	\$ 293,406,195	\$ 496,167,976	\$ 493,877,672	\$ -	\$ 493,877,672	\$ (2,290,304)
Payments in lieu of taxes	2,053,941	2,053,941	2,324,750	-	2,324,750	270,809
Special assessments	-	300,000	180,156	-	180,156	(119,844)
Licenses and permits	12,188,589	12,386,139	11,137,072	-	11,137,072	(1,249,067)
Intergovernmental	3,253,481	23,779,246	18,402,106	(3) 16,162,963	34,565,069	(5,377,140)
Charges for services	28,713,865	29,597,277	26,738,924	-	26,738,924	(2,858,353)
Fines and forfeitures	11,003,700	9,620,179	7,635,056	-	7,635,056	(1,985,123)
Investment income	8,732,510	5,519,457	3,028,660	-	3,028,660	(2,490,797)
Restricted contributions	-	36,000	436,284	-	436,284	400,284
Other revenues	2,577,908	3,262,990	3,284,821	-	3,284,821	21,831
Total revenues	361,930,189	582,723,205	567,045,501	16,162,963	583,208,464	(15,677,704)
Expenditures:						
Current:						
General government	17,214,270	15,918,591	14,112,955	(1), (3) 2,461,554	16,574,509	1,805,636
Fire services	73,487,667	71,841,851	68,611,511	(1), (3) 2,984,818	71,596,329	3,230,340
Police services	97,208,199	93,816,596	89,586,927	(1), (3) 3,836,631	93,423,558	4,229,669
Health and human services	14,430,677	13,805,638	13,230,999	(1), (3) 739,547	13,970,546	574,639
Economic and community development	51,379,040	49,119,674	46,836,969	(1), (3) 1,020,164	47,857,133	2,282,705
Public transportation	21,548,029	19,800,102	19,018,439	(1), (3) 865,162	19,883,601	781,663
Public works	18,468,640	17,130,598	16,921,433	(3) 3,634,258	20,555,691	209,165
Education	-	225,459,645	225,459,645	-	225,459,645	-
Maintenance and operations	37,124,744	35,346,135	29,064,796	(3) 703,606	29,768,402	6,281,339
Debt service:						
Principal	26,762,170	26,895,759	26,898,332	-	26,898,332	(2,573)
Interest	21,119,810	21,882,647	21,104,054	-	21,104,054	778,593
Total expenditures	378,743,246	591,017,236	570,846,060	16,245,740	587,091,800	20,171,176
Excess (deficiency) of revenues over expenditures	(16,813,057)	(8,294,031)	(3,800,559)	(82,777)	(3,883,336)	4,493,472
Other financing sources (uses):						
Transfers in – from other funds	29,037,859	35,920,933	35,472,549	-	35,472,549	(448,384)
Transfers out – to other funds	(9,847,890)	(12,682,043)	(12,538,006)	-	(12,538,006)	144,037
Sale of capital assets	-	-	34,308	-	34,308	34,308
Insurance recoveries	-	43,162	43,163	-	43,163	1
Total other financing source (uses)	19,189,969	23,282,052	23,012,014	-	23,012,014	(270,038)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,376,912	14,988,021	19,211,455	(82,777)	19,128,678	4,223,434
Fund balance, beginning of year	21,305,387	21,305,387	21,305,387	(2) 4,763,003	26,068,390	-
Fund balance, end of year	\$ 23,682,299	\$ 36,293,408	\$ 40,516,842	\$ 4,680,226	\$ 45,197,068	\$ 4,223,434

Explanation of differences:

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

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

See accompanying notes to required supplementary information.

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Required Supplementary Information – Budgetary Data

December 31, 2009

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 2009 operating budgets and appropriations of direct costs at the department level, and indirect costs at the fund or sub-fund level. Some departmental appropriations span more than one fund. The Assembly approved 2009 capital budgets with anticipated appropriation of resources for the general government and appropriations for each utility. Upon certification by the Chief Fiscal Officer that actual resources have become available for specific general government capital projects; e.g., when a grant is accepted, a bond sale or interfund transfer is approved, or a special assessment district is created, a supplemental appropriation is submitted to the Assembly for final approval. Supplemental appropriations are also submitted for approval upon certification by the Chief Fiscal Officer that operating grant funds have become available. The legal level of a budgetary control is the fund or sub-fund level for revenues and expenditures and the department level for expenditures and other financing uses.

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

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

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

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Required Supplementary Information – Budgetary Data

December 31, 2009

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

MUNICIPALITY OF ANCHORAGE, ALASKA

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

December 31, 2009

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

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

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

	2009	2008 *	2007	2006	2005
Anchorage Road District:					
Needed	\$ 87,279	\$ 21,213	\$ 25,390	\$ 31,175	\$ 21,497
Actual	86,236	21,718	25,808	30,903	21,250
Chugiak/Eagle River Road District:					
Needed	6,644	1,825	5,571	4,636	1,585
Actual	7,086	1,336	5,082	4,692	1,480
Girdwood Road District:					
Needed	297	234	606	675	115
Actual	270	127	498	630	89
Other Road Districts:					
Needed	1,097	1,126	768	534	411
Actual	2,207	2,176	1,335	478	1,094
Overall System:					
Needed	95,317	24,399	32,335	37,020	23,608
Actual	95,797	25,357	32,723	36,703	23,913
Difference	480	958	388	(317)	305

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.

* Restatement of 2008. Capital Fund Expenditures for Road Maintenance & Preservation were not accounted for.

MUNICIPALITY OF ANCHORAGE, ALASKA

Other Postemployment Benefits Information

Schedule of Funding Progress

Police and Fire Retirement Systems

Valuation Years 2009 through 2007
(dollars in thousands)

	Gentile Group		
	2009	2008	2007
Actuarial valuation date	1-Jan-09	1-Jan-07	1-Jan-07
Actuarial value of plan assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)*	\$ 90,819	\$ 87,419	\$ 87,419
Unfunded actuarial accrued liability (UAAL)	\$ 90,819	\$ 87,419	\$ 87,419
Funded ratio	0%	0%	0%
	Police & Fire Retiree Medical Group		
	2009	2008	2007
Actuarial valuation date	1-Jan-09	1-Jan-07	1-Jan-07
Actuarial value of plan assets	\$ 11,123	\$ 9,500	\$ 9,500
Actuarial accrued liability (AAL)*	\$ 41,433	\$ 41,986	\$ 41,986
Unfunded actuarial accrued liability (UAAL)	\$ 30,310	\$ 32,486	\$ 32,486
Funded ratio	27%	23%	23%

* Based on projected unit credit actuarial cost method.

Source: Municipality of Anchorage, Finance Department.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
January 1, 2010:						
Plan I	\$74,626	\$91,923	\$17,297	81.20%	\$119	14535.30%
Plan II	52,902	67,180	14,278	78.70%	515	2772.40%
Plan III	172,478	219,565	47,087	78.60%	7,005	672.20%
January 1, 2009:						
Plan I	\$70,585	\$93,118	\$22,533	75.80%	\$352	6395.10%
Plan II	49,649	67,290	17,641	73.80%	614	2874.90%
Plan III	157,351	212,132	54,781	74.20%	6,795	806.20%
January 1, 2008:						
Plan I	\$106,988	\$94,085	(\$12,093)	113.70%	\$336	-3834.80%
Plan II	74,765	67,463	(7,302)	110.80%	1,055	-692.30%
Plan III	232,051	207,442	(24,609)	111.90%	8,132	-302.60%

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Additional Supplementary Information

SUPPLEMENTARY INFORMATION

Additional Budgetary Comparison Schedules

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA
Additional Supplementary Information - Budgetary Comparison Schedule
by General Fund and Sub-Funds
Year ended December 31, 2009

	Budget		Actual Budgetary Basis	Budget to GAAP		Actual GAAP Basis	Variance With Final Budget
	Original	Final		Difference			
Revenues & other financing sources:							
Areawide Service Area	\$ 122,761,538	\$ 349,399,293	\$ 339,393,736	\$ -	\$ 339,393,736	\$ (10,005,557)	
Former City Service Area	-	-	183	-	183	183	
Chugiak Fire Service Area	1,106,266	1,112,650	1,092,356	-	1,092,356	(20,294)	
Glen Alps Service Area	313,784	310,403	314,017	-	314,017	3,614	
Girdwood Valley Service Area	1,656,853	1,978,342	2,028,780	-	2,028,780	50,438	
Former Borough Roads & Drainage Service Area	-	-	5,530	-	5,530	5,530	
Fire Service Area	54,627,858	54,315,782	54,008,746	-	54,008,746	(307,036)	
Roads & Drainage Service Area	72,396,478	73,502,215	71,465,198	-	71,465,198	(2,037,017)	
Limited Service Areas	9,765,964	9,063,255	9,186,386	-	9,186,386	123,131	
Anchorage Metropolitan Police Service Area	93,288,995	93,532,825	92,113,868	-	92,113,868	(1,418,957)	
Anchorage Bowl Parks & Recreation Service Area	22,020,838	21,954,861	21,185,287	-	21,185,287	(769,574)	
Eagle River - Chugiak Parks & Recreational Service Area	4,585,156	4,188,918	4,118,955	-	4,118,955	(69,963)	
Building Safety Service Area	6,940,326	7,824,764	6,254,189	-	6,254,189	(1,570,575)	
Public Finance & Investment	1,503,382	1,503,382	1,427,653	-	1,427,653	(75,729)	
Police/Fire Retiree Medical Defined Contribution Support	610	610	637	-	637	27	
SOA PERs On-Behalf Payments	-	-	-	(3)	16,162,963	-	
Total revenues & other finance sources	390,968,048	618,687,300	602,595,521	16,162,963	618,758,484	(16,091,779)	
Expenditures & other financing uses:							
Areawide Service Area	120,109,872	342,531,415	335,999,500	(1)	46,238	336,045,738	6,531,915
Former City Service Area	459	656	336	-	-	336	320
Chugiak Fire Service Area	1,106,265	1,352,650	1,064,845	(1)	-	1,064,845	287,805
Glen Alps Service Area	313,783	340,401	315,200	-	-	315,200	25,201
Girdwood Valley Service Area	1,656,852	1,978,343	1,841,293	-	-	1,841,293	137,050
Former Borough Roads & Drainage Service Area	-	-	-	-	-	-	-
Fire Service Area	54,627,858	53,790,617	50,523,934	(1)	-	50,523,934	3,266,683
Roads & Drainage Service Area	72,396,477	70,473,630	65,270,028	-	-	65,270,028	5,203,602
Limited Service Areas	9,765,281	10,007,203	9,097,810	-	-	9,097,810	909,393
Anchorage Metropolitan Police Service Area	93,288,995	89,727,394	86,235,250	-	-	86,235,250	3,492,144
Anchorage Parks & Recreation Service Area	22,020,837	20,758,463	20,366,710	(1)	36,539	20,403,249	391,753
Eagle River - Chugiak Parks & Recreational Service Area	4,585,155	4,085,736	3,864,141	-	-	3,864,141	221,595
Building Safety Service Area	7,099,650	7,135,044	7,441,780	(1)	-	7,441,780	(306,736)
Public Finance & Investment	1,619,042	1,517,118	1,363,260	-	-	1,363,260	153,858
Police/Fire Retiree Medical Defined Contribution Support	610	609	(21)	-	-	(21)	630
SOA PERs On-Behalf Payments	-	-	-	(3)	16,162,963	16,162,963	-
Total Expenditures & Other Financing Uses	388,591,136	603,699,279	583,384,066	16,245,740	599,629,806	20,315,213	
Deficiency of revenues & other financing sources over expenditures & other financing uses	2,376,912	14,988,021	19,211,455	(82,777)	19,128,678	4,223,434	
Fund balance, beginning of year	21,305,387	21,305,387	21,305,387	(2)	4,763,003	26,068,390	-
Fund balance, end of year	\$ 23,682,299	\$ 36,293,408	\$ 40,516,842	\$ 4,680,226	\$ 45,197,068	\$ 4,223,434	

Explanation of differences:

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

See accompanying notes to required supplementary information.

MUNICIPALITY OF ANCHORAGE, ALASKA

Additional Supplementary Information - Budgetary Comparison Schedule
by Department for the General Fund and Sub-Funds
Year ended December 31, 2009

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget
	Original	Final				
Expenditures & other financing uses:						
Assembly	\$ 2,777,840	\$ 2,773,622	\$ 2,638,308	(1),(2) \$ 99,433	\$ 2,737,741	\$ 135,314
Chief Fiscal Officer	732,396	493,044	422,779	(2) 24,840	447,619	70,265
Development Services	9,089,447	10,546,731	10,263,602	(2) 1,522,041	11,785,643	283,129
Economic & Community Development	22,473,960	21,386,134	20,741,703	(1),(2) 499,774	21,241,477	644,431
Education	-	225,459,645	225,459,645	-	225,459,645	-
Employee Relations	2,343,382	2,228,520	2,089,575	(2) 140,529	2,230,104	138,945
Office of Equal Opportunity	364,256	278,833	288,845	(2) 11,177	300,022	(10,012)
Equal Rights Commission	700,213	640,185	556,593	(2) 40,578	597,171	83,592
Finance	11,974,766	11,401,684	11,218,675	(1),(2) 579,972	11,798,647	183,009
Fire	71,394,848	70,384,292	68,895,502	(1),(2) 2,987,932	71,883,434	1,488,790
Health & Human Services	12,608,468	11,818,057	11,374,002	(1),(2) 742,659	12,116,661	444,055
Heritage Land Bank/Real Estate Services	6,799,786	7,539,451	7,482,728	(2) 48,352	7,531,080	56,723
Information Technology	1,406,434	1,283,030	1,267,960	(2) 612,116	1,880,076	15,070
Internal Audit	537,963	529,272	489,466	(2) 30,994	520,460	39,806
Maintenance & Operations	89,023,446	88,186,252	84,879,282	(2) 706,720	85,586,002	3,306,970
Management & Budget	1,001,613	892,363	839,724	(2) 46,268	885,992	52,639
Mayor	1,570,218	1,309,119	1,249,716	(2) 38,008	1,287,724	59,403
Municipal Attorney	7,185,262	7,172,017	7,168,997	(2) 352,604	7,521,601	3,020
Municipal Manager	2,925,258	2,650,974	2,623,145	(2) 316,043	2,939,188	27,829
Non Departmental - TANS	-	589,779	149,298	-	149,298	440,481
Anchorage Parks & Recreation	18,018,144	16,959,556	16,832,734	(1),(2) 436,066	17,268,800	126,822
Planning	4,168,071	3,788,918	3,691,490	(1),(2) 93,660	3,785,150	97,428
Police	84,341,193	82,086,197	80,370,819	(1),(2) 3,839,745	84,210,564	1,715,378
Police/Fire Retiree Medical	174,508	171,802	141,005	-	141,005	30,797
Project Management & Engineering	8,196,507	7,584,059	7,592,181	(2) 1,126,692	8,718,873	(8,122)
Public Transportation	21,720,040	20,119,013	19,952,516	(1),(2) 868,276	20,820,792	166,497
Purchasing	1,531,610	1,453,618	1,437,978	(2) 86,400	1,524,378	15,640
Traffic	7,317,631	7,048,545	6,701,379	(2) 994,861	7,696,240	347,166
Total expenditures & other financing uses	390,377,260	606,774,712	596,819,647	16,245,740	613,065,387	9,955,065
Less: net intragovernmental costs & billings	(1,786,124)	(3,075,433)	(13,435,581)	-	(13,435,581)	10,360,148
Total expenditures & other financing uses	\$ 388,591,136	\$ 603,699,279	\$ 583,384,066	\$ 16,245,740	\$ 599,629,806	\$ 20,315,213

Explanation of differences:

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

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

See accompanying notes to required supplementary information.

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Non-Major Govt 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 **Federal/State Fines and Forfeitures Fund** accounts for the proceeds from sale of property seized by the Police Department, State and Federal agencies.

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

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

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

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

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

Debt Service Funds

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

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

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

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

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

Permanent Fund

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

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

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MUNICIPALITY OF ANCHORAGE, ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009
(With summarized financial information at December 31, 2008)

Assets	Special Revenue					
	Heritage Land Bank	Federal/State Fines & Forfeitures	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants
Cash	\$ —	\$ 22,645	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	1,026,745	1,874,375	4,042,110	—	—	650,330
Investments	—	—	—	—	345,942	—
Due from other funds	—	—	—	—	—	—
Due from component units	—	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	1,641,038	—	—	32,685
Intergovernmental receivables	—	—	—	15,553,013	4,346,256	—
Accrued interest	—	—	—	—	—	—
Special assessments receivable	725	—	—	—	—	—
Prepaid items and deposits	—	26,887	1,000,000	93,510	—	—
Loans receivable	808,000	—	—	—	7,270,369	—
Restricted assets:	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Investments in TCH, LLC	—	—	—	—	—	—
Total assets	<u>\$ 1,835,470</u>	<u>\$ 1,923,907</u>	<u>\$ 6,683,148</u>	<u>\$ 15,646,523</u>	<u>\$ 11,962,567</u>	<u>\$ 683,015</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and retainages	\$ 1,000	\$ 35,742	\$ 855,766	\$ 2,315,822	\$ 676,102	\$ 14,334
Accrued payroll liabilities	20,297	—	—	347,107	127,676	52
Due to other funds	—	—	262,650	416,772	427,554	—
Deferred revenue and deposits	808,725	—	—	1,003,370	7,663,614	32,685
Advances from other funds	—	—	—	—	—	—
Total liabilities	<u>830,022</u>	<u>35,742</u>	<u>1,118,416</u>	<u>4,083,071</u>	<u>8,894,946</u>	<u>47,071</u>
Fund balances (deficits):						
Reserved:						
Encumbrances	—	9,030	—	3,123,435	3,629,629	74,807
Prepays and deposits	—	26,887	1,000,000	93,510	—	—
Perpetual care	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Unreserved, reported in:						
Special revenue funds:						
Designated	1,005,448	1,852,248	4,564,732	8,346,507	(562,008)	6,905
Undesignated	—	—	—	—	—	554,232
Capital project funds:						
Designated	—	—	—	—	—	—
Undesignated	—	—	—	—	—	—
Total fund balances	<u>1,005,448</u>	<u>1,888,165</u>	<u>5,564,732</u>	<u>11,563,452</u>	<u>3,067,621</u>	<u>635,944</u>
Total liabilities and fund balances	<u>\$ 1,835,470</u>	<u>\$ 1,923,907</u>	<u>\$ 6,683,148</u>	<u>\$ 15,646,523</u>	<u>\$ 11,962,567</u>	<u>\$ 683,015</u>

See accompanying independent auditors' report.

Special Revenue (Continued)		Debt Service						
Other Restricted Resources	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	ACPA Surcharge Revenue Bond	CIVICVentures	Total Debt Service
\$ —	\$ 22,645	\$ —	\$ —	\$ —	\$ 8,639	\$ —	\$ —	\$ 8,639
—	7,593,560	998,531	284,341	—	—	254,253	—	1,537,125
—	345,942	—	—	28,013,132	—	—	—	28,013,132
—	—	—	—	—	—	—	260,482	260,482
—	—	—	—	—	—	130,800	—	130,800
—	1,673,723	—	—	—	—	—	—	—
—	19,899,269	—	—	—	—	—	—	—
—	—	—	—	—	—	—	267	267
108,682	109,407	34,539	—	—	—	—	—	34,539
—	1,120,397	—	—	—	—	—	—	—
—	8,078,369	—	—	—	—	—	—	—
—	—	—	—	—	—	—	14,287,498	14,287,498
—	—	—	—	—	—	—	—	—
<u>\$ 108,682</u>	<u>\$ 38,843,312</u>	<u>\$ 1,033,070</u>	<u>\$ 284,341</u>	<u>\$ 28,013,132</u>	<u>\$ 8,639</u>	<u>\$ 385,053</u>	<u>\$ 14,548,247</u>	<u>\$ 44,272,482</u>
\$ 14,625	\$ 3,913,391	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	495,132	—	—	—	—	—	—	—
139,819	1,246,795	—	—	—	—	—	—	—
—	9,508,394	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>154,444</u>	<u>15,163,712</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
—	6,836,901	—	—	—	—	—	—	—
—	1,120,397	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	1,033,070	284,341	28,013,132	8,639	385,053	14,548,247	44,272,482
(45,762)	15,168,070	—	—	—	—	—	—	—
—	554,232	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>(45,762)</u>	<u>23,679,600</u>	<u>1,033,070</u>	<u>284,341</u>	<u>28,013,132</u>	<u>8,639</u>	<u>385,053</u>	<u>14,548,247</u>	<u>44,272,482</u>
<u>\$ 108,682</u>	<u>\$ 38,843,312</u>	<u>\$ 1,033,070</u>	<u>\$ 284,341</u>	<u>\$ 28,013,132</u>	<u>\$ 8,639</u>	<u>\$ 385,053</u>	<u>\$ 14,548,247</u>	<u>\$ 44,272,482</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009

(With summarized financial information at December 31, 2008)

Assets	Capital Projects					
	Areawide	Public Safety	Public Transportation	Miscellaneous	Parks and Recreation	Historic Preservation
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	3,425,322	1,914,230	—	—	4,607,428	334,556
Investments	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Due from component units	—	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—	—	—
Intergovernmental receivables	1,673,038	4,056,617	5,574,613	4,376,637	3,438,675	—
Accrued interest	—	—	—	—	—	—
Special assessments receivable	—	—	—	124,286	—	—
Prepaid items and deposits	—	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Restricted assets:						
Investments	—	—	—	—	—	—
Investments in TCH, LLC	412,252	—	—	—	—	—
Total assets	<u>\$ 5,510,612</u>	<u>\$ 5,970,847</u>	<u>\$ 5,574,613</u>	<u>\$ 4,500,923</u>	<u>\$ 8,046,103</u>	<u>\$ 334,556</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and retainages	\$ 767,514	\$ 647,315	\$ 707,815	\$ 1,167,515	\$ 176,666	\$ —
Accrued payroll liabilities	11,110	—	8,760	—	—	—
Due to other funds	—	403,138	3,750,557	1,679,889	2,750,647	—
Deferred revenue and deposits	—	—	872,165	1,168,082	2,719	—
Advances from other funds	5,399,426	200,365	—	—	—	—
Total liabilities	<u>6,178,050</u>	<u>1,250,818</u>	<u>5,339,297</u>	<u>4,015,486</u>	<u>2,930,032</u>	<u>—</u>
Fund balances (deficits):						
Reserved:						
Encumbrances	2,020,664	5,579,024	7,431,772	2,267,762	543,838	—
Prepays and deposits	—	—	—	—	—	—
Perpetual care	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Unreserved, reported in:						
Special revenue funds						
Designated	—	—	—	—	—	—
Undesignated	—	—	—	—	—	—
Capital project funds:						
Designated	—	586,799	—	—	3,950,969	334,556
Undesignated	(2,688,102)	(1,445,794)	(7,196,456)	(1,782,325)	621,264	—
Total fund balances	<u>(687,438)</u>	<u>4,720,029</u>	<u>235,316</u>	<u>485,437</u>	<u>5,116,071</u>	<u>334,556</u>
Total liabilities and fund balances	<u>\$ 5,510,612</u>	<u>\$ 5,970,847</u>	<u>\$ 5,574,613</u>	<u>\$ 4,500,923</u>	<u>\$ 8,046,103</u>	<u>\$ 334,556</u>

See accompanying independent auditors' report.

Capital Projects (Continued)			Permanent Fund	Total Nonmajor Governmental Funds	
Heritage Land Bank	CIVICVentures	Total Capital Projects	Cemetery Perpetual Maintenance	December 31, 2009	December 31, 2008
\$ —	\$ —	\$ —	\$ —	\$ 31,284	\$ 24,623
1,698,704	—	11,980,240	384,555	21,495,480	41,133,544
—	—	—	—	28,359,074	24,383,166
—	—	—	—	260,482	47,309
—	—	—	—	130,800	83,668
—	—	—	—	1,673,723	2,008,547
—	—	19,119,580	—	39,018,849	34,167,281
—	—	—	—	267	4
—	—	124,286	—	268,232	321,701
—	—	—	—	1,120,397	1,500,734
—	—	—	—	8,078,369	6,738,223
—	2,073	2,073	—	14,289,571	16,416,489
—	—	412,252	—	412,252	395,691
<u>\$ 1,698,704</u>	<u>\$ 2,073</u>	<u>\$ 31,638,431</u>	<u>\$ 384,555</u>	<u>\$ 115,138,780</u>	<u>\$ 127,220,980</u>
\$ 11,687	\$ 2,000	\$ 3,480,512	\$ —	\$ 7,393,903	\$ 4,212,193
—	—	19,870	—	515,002	394,573
—	—	8,584,231	—	9,831,026	13,911,553
—	—	2,042,966	—	11,551,360	7,844,012
—	—	5,599,791	—	5,599,791	4,537,779
<u>11,687</u>	<u>2,000</u>	<u>19,727,370</u>	<u>—</u>	<u>34,891,082</u>	<u>30,900,110</u>
79,566	—	17,922,626	—	24,759,527	39,610,473
—	—	—	—	1,120,397	1,500,635
—	—	—	384,555	384,555	352,673
—	—	—	—	44,272,482	46,163,122
—	—	—	—	15,168,070	11,549,708
—	—	—	—	554,232	752,158
978,791	73	5,851,188	—	5,851,188	9,105,715
628,660	—	(11,862,753)	—	(11,862,753)	(12,713,614)
<u>1,687,017</u>	<u>73</u>	<u>11,911,061</u>	<u>384,555</u>	<u>80,247,698</u>	<u>96,320,870</u>
<u>\$ 1,698,704</u>	<u>\$ 2,073</u>	<u>\$ 31,638,431</u>	<u>\$ 384,555</u>	<u>\$ 115,138,780</u>	<u>\$ 127,220,980</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2009

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

	Special Revenue					
	Heritage Land Bank	Federal/State Fines & Forfeitures	Convention Center Operating Reserve	State Grants	Federal Grants	Miscellaneous Operational Grants
Revenues:						
Hotel and motel taxes	\$ —	\$ —	\$ 10,498,254	\$ —	\$ —	\$ —
Special assessments	—	—	—	—	—	—
Intergovernmental	—	—	—	35,779,779	8,630,820	—
Charges for services	—	—	—	—	—	—
Fines and forfeitures	—	737,485	—	—	—	—
Investment income (loss)	47,102	89,291	330,355	49,883	81,098	58,205
Restricted contributions	—	—	—	—	—	226,444
Other	327,585	126,023	—	4,048	—	309
Total revenues	374,687	952,799	10,828,609	35,833,710	8,711,918	284,958
Expenditures:						
Current:						
General government	1,037,915	—	—	2,508,250	—	—
Fire services	—	—	—	2,574,693	899,786	15,355
Police services	—	561,171	—	3,042,294	1,610,200	1,514
Health and human services	—	—	—	8,641,912	3,965,159	12,006
Economic and community development	—	—	4,701,775	6,720,749	3,216,633	490,971
Public transportation	—	—	—	1,735,563	601,464	—
Public works	—	—	—	2,145,855	121,452	—
Maintenance and operations of roads and facilities	—	—	—	2,983,898	—	—
Education	—	—	—	5,918,478	—	—
Debt service:						
Principal	—	—	—	—	70,000	—
Interest	—	—	—	—	104,089	—
Bond issuance costs	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—
Total expenditures	1,037,915	561,171	4,701,775	36,271,692	10,588,783	519,846
Excess (deficiency) of revenues over expenditures	(663,228)	391,628	6,126,834	(437,982)	(1,876,865)	(234,888)
Other financing sources (uses):						
Transfers from other funds	—	—	500,000	483,499	713,605	—
Transfers to other funds	—	—	(5,448,157)	—	—	—
General obligation bonds issued	—	—	—	—	—	—
Premium on bond sale	—	—	—	—	—	—
Sale of capital assets	954,971	—	—	—	—	—
Total other financing sources (uses)	954,971	—	(4,948,157)	483,499	713,605	—
Net change in fund balance	291,743	391,628	1,178,677	45,517	(1,163,260)	(234,888)
Fund balances (deficits), beginning of year	713,705	1,496,537	4,386,055	11,517,935	4,230,881	870,832
Fund balances (deficits), end of year	\$ 1,005,448	\$ 1,888,165	\$ 5,564,732	\$ 11,563,452	\$ 3,067,621	\$ 635,944

See accompanying independent auditors' report.

Special Revenue (Continued)		Debt Service						
Other Restricted Resources	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	ACPA Surcharge Revenue Bond	CIVICVentures Revenue Bond	Total Debt Service
\$ —	\$ 10,498,254	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
778,264	778,264	33,652	—	—	—	—	—	33,652
—	44,410,599	—	—	—	—	—	—	—
—	—	—	—	—	5,016,006	—	—	5,016,006
—	737,485	—	—	—	—	—	—	—
(27,743)	628,191	56,194	299,137	4,795,333	118	11,815	86,082	5,248,679
—	226,444	—	—	—	—	—	—	—
26,656	484,621	—	—	—	—	395,385	—	395,385
777,177	57,763,858	89,846	299,137	4,795,333	5,016,124	407,200	86,082	10,693,722
797,145	4,343,310	—	—	83,883	—	—	—	83,883
—	3,489,834	—	—	1,179,123	—	—	—	1,179,123
—	5,215,179	—	—	1,335,537	—	—	—	1,335,537
—	12,619,077	—	—	—	—	—	—	—
—	15,130,128	—	—	—	—	—	—	—
—	2,337,027	—	—	—	—	—	—	—
—	2,267,307	—	—	—	—	—	—	—
—	2,983,898	—	—	—	—	—	—	—
—	5,918,478	—	—	—	—	—	—	—
—	70,000	—	—	—	2,830,000	105,000	920,000	3,855,000
—	104,089	—	—	—	2,186,006	232,813	5,059,660	7,478,479
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
797,145	54,478,327	—	—	2,598,543	5,016,006	337,813	5,979,660	13,932,022
(19,968)	3,285,531	89,846	299,137	2,196,790	118	69,387	(5,893,578)	(3,238,300)
—	1,697,104	—	—	1,869,000	—	—	6,916,745	8,785,745
—	(5,448,157)	—	(6,554,000)	—	—	—	(884,085)	(7,438,085)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	954,971	—	—	—	—	—	—	—
—	(2,796,082)	—	(6,554,000)	1,869,000	—	—	6,032,660	1,347,660
(19,968)	489,449	89,846	(6,254,863)	4,065,790	118	69,387	139,082	(1,890,640)
(25,794)	23,190,151	943,224	6,539,204	23,947,342	8,521	315,666	14,409,165	46,163,122
\$ (45,762)	\$ 23,679,600	\$ 1,033,070	\$ 284,341	\$ 28,013,132	\$ 8,639	\$ 385,053	\$ 14,548,247	\$ 44,272,482

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2009
(With summarized financial information for the year ended December 31, 2008)

	<u>Capital Projects</u>					
	<u>Areawide</u>	<u>Public Safety</u>	<u>Public Transportation</u>	<u>Miscellaneous</u>	<u>Parks and Recreation</u>	<u>Historic Preservation</u>
Revenues:						
Hotel and motel taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special assessments	—	—	—	88,048	—	—
Intergovernmental	7,197,453	10,568,221	9,170,969	12,897,051	4,781,994	—
Charges for services	132,815	—	—	—	—	—
Fines and forfeitures	—	—	—	—	—	—
Investment income (loss)	151,273	60,315	—	—	331,249	19,532
Restricted contributions	—	—	44,466	—	—	—
Other	468,233	80	1,680	240	476,595	—
Total revenues	<u>7,949,774</u>	<u>10,628,616</u>	<u>9,217,115</u>	<u>12,985,339</u>	<u>5,589,838</u>	<u>19,532</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Fire services	—	—	—	—	—	—
Police services	—	—	—	—	—	—
Health and human services	—	—	—	—	—	—
Economic and community development	—	—	—	—	—	—
Public transportation	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Maintenance and operations of roads and facilities	—	—	—	—	—	—
Education	—	—	—	—	—	—
Debt service:						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond issuance costs	—	—	—	—	—	—
Capital projects	22,082,884	12,415,682	7,991,324	13,258,870	9,253,643	—
Total expenditures	<u>22,082,884</u>	<u>12,415,682</u>	<u>7,991,324</u>	<u>13,258,870</u>	<u>9,253,643</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(14,133,110)</u>	<u>(1,787,066)</u>	<u>1,225,791</u>	<u>(273,531)</u>	<u>(3,663,805)</u>	<u>19,532</u>
Other financing sources (uses):						
Transfers from other funds	3,775,437	514,840	182,249	40,000	1,516,880	—
Transfers to other funds	—	(19,988)	—	—	—	(22,057)
General obligation bonds issued	—	—	—	—	—	—
Premium on bond sale	—	—	—	—	—	—
Sale of capital assets	1,556	—	—	—	—	—
Total other financing sources (uses)	<u>3,776,993</u>	<u>494,852</u>	<u>182,249</u>	<u>40,000</u>	<u>1,516,880</u>	<u>(22,057)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(10,356,117)</u>	<u>(1,292,214)</u>	<u>1,408,040</u>	<u>(233,531)</u>	<u>(2,146,925)</u>	<u>(2,525)</u>
Fund balances, beginning of year	9,688,679	6,012,243	(1,172,724)	718,968	7,262,996	337,081
Fund balances, end of year	<u>\$ (667,438)</u>	<u>\$ 4,720,029</u>	<u>\$ 235,316</u>	<u>\$ 485,437</u>	<u>\$ 5,116,071</u>	<u>\$ 334,556</u>

See accompanying independent auditors' report.

Capital Projects (Continued)			Permanent Fund	Total Nonmajor Governmental Funds	
Heritage Land Bank	CIVICVentures	Total Capital Projects	Cemetery Perpetual Maintenance	2009	2008
\$ —	\$ —	\$ —	\$ —	\$ 10,498,254	\$ 12,855,890
—	—	88,048	—	899,964	938,559
—	—	44,615,688	—	89,026,287	61,444,657
—	—	132,815	10,300	5,159,121	5,437,268
—	—	—	—	737,485	274,758
103,233	3,841	669,443	21,582	6,567,895	(9,959,303)
—	—	44,466	—	270,910	2,829,921
—	—	946,828	—	1,826,834	1,289,313
103,233	3,841	46,497,288	31,882	114,986,750	75,111,063
—	—	—	—	4,427,193	1,927,853
—	—	—	—	4,668,957	2,459,692
—	—	—	—	6,550,716	3,975,594
—	—	—	—	12,619,077	11,552,267
—	1,723	1,723	—	15,131,851	13,325,165
—	—	—	—	2,337,027	2,711,659
—	—	—	—	2,267,307	2,132,143
—	—	—	—	2,983,898	—
—	—	—	—	5,918,478	100,952
—	—	—	—	3,925,000	3,430,000
—	—	—	—	7,582,568	7,667,386
—	—	—	—	—	42,556
623,696	431,544	66,057,643	—	66,057,643	74,791,660
623,696	433,267	66,059,366	—	134,469,715	124,116,927
(520,463)	(429,426)	(19,562,078)	31,882	(19,482,965)	(49,005,864)
337,886	—	6,367,292	—	16,850,141	27,930,921
—	(1,468,588)	(1,510,633)	—	(14,396,875)	(28,499,240)
—	—	—	—	—	5,788,000
—	—	—	—	—	76,109
—	—	1,556	—	956,527	1,122,288
337,886	(1,468,588)	4,858,215	—	3,409,793	6,418,078
(182,577)	(1,898,014)	(14,703,863)	31,882	(16,073,172)	(42,587,786)
1,869,594	1,898,087	26,614,924	352,673	96,320,870	138,908,656
\$ 1,687,017	\$ 73	\$ 11,911,061	\$ 384,555	\$ 80,247,698	\$ 96,320,870

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Heritage Land Bank

Special Revenue Fund

Year ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 115,590	\$ 115,590	\$ 47,102	\$ (68,488)
Other revenues	90,000	90,000	327,585	237,585
Total revenues	<u>205,590</u>	<u>205,590</u>	<u>374,687</u>	<u>169,097</u>
Expenditures:				
General government	1,359,402	1,310,487	1,037,915	272,572
Total expenditures	<u>1,359,402</u>	<u>1,310,487</u>	<u>1,037,915</u>	<u>272,572</u>
Deficiency of revenues over expenditures	<u>(1,153,812)</u>	<u>(1,104,897)</u>	<u>(663,228)</u>	<u>441,669</u>
Other financing sources:				
Sale of capital assets	1,153,812	1,153,812	954,971	(198,841)
Total other financing sources	<u>1,153,812</u>	<u>1,153,812</u>	<u>954,971</u>	<u>(198,841)</u>
Net change in fund balance	—	48,915	291,743	242,828
Fund balance, beginning of year	<u>713,705</u>	<u>713,705</u>	<u>713,705</u>	<u>—</u>
Fund balance, end of year	<u>\$ 713,705</u>	<u>\$ 762,620</u>	<u>\$ 1,005,448</u>	<u>\$ 242,828</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
Convention Center Operating Reserve
Special Revenue Fund
Year ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Hotel and motel taxes	\$ 14,026,630	\$ 12,322,590	\$ 10,498,254	\$ (1,824,336)
Investment income	—	—	330,355	330,355
Total revenues	<u>14,026,630</u>	<u>12,322,590</u>	<u>10,828,609</u>	<u>(1,493,981)</u>
Expenditures:				
Economic and community development	14,026,630	12,322,590	4,701,775	7,620,815
Total expenditures	<u>14,026,630</u>	<u>12,322,590</u>	<u>4,701,775</u>	<u>7,620,815</u>
Excess of revenues over expenditures	<u>—</u>	<u>—</u>	<u>6,126,834</u>	<u>6,126,834</u>
Other financing sources (uses):				
Transfers to other funds	—	—	(5,448,157)	(5,448,157)
Transfers from other funds	—	—	500,000	500,000
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(4,948,157)</u>	<u>(4,948,157)</u>
Net change in fund balance	<u>—</u>	<u>—</u>	<u>1,178,677</u>	<u>1,178,677</u>
Fund balance, beginning of year	4,386,055	4,386,055	4,386,055	—
Fund balance, end of year	<u>\$ 4,386,055</u>	<u>\$ 4,386,055</u>	<u>\$ 5,564,732</u>	<u>\$ 1,178,677</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Special Assessment Bonds

Debt Service Fund

Year ended December 31, 2009

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Special assessments	\$ —	\$ —	\$ 33,652	\$ 33,652
Investment income	—	—	56,194	56,194
Total revenues	—	—	89,846	89,846
Fund balance, beginning of year	943,224	943,224	943,224	—
Fund balance, end of year	<u>\$ 943,224</u>	<u>\$ 943,224</u>	<u>\$ 1,033,070</u>	<u>\$ 89,846</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 Retirement Certificates of Participation
 Debt Service Fund
 Year ended December 31, 2009

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 299,137	\$ 299,137
Total revenues	—	—	299,137	299,137
Other financing uses:				
Transfers to other funds	—	(6,554,000)	(6,554,000)	—
Total other financing uses	—	(6,554,000)	(6,554,000)	—
Net change in fund balance	—	(6,554,000)	(6,254,863)	299,137
Fund balance, beginning of year	6,539,204	6,539,204	6,539,204	—
Fund balance, end of year	\$ 6,539,204	\$ (14,796)	\$ 284,341	\$ 299,137

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 Police/Fire Retiree Medical Liability
 Debt Service Fund
 Year ended December 31, 2009

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 4,795,333	\$ 4,795,333
Total revenues	—	—	4,795,333	4,795,333
Expenditures:				
General government	—	—	83,883	(83,883)
Fire services	1,213,471	1,213,471	1,179,123	34,348
Police services	1,374,439	1,374,439	1,335,537	38,902
Total expenditures	2,587,910	2,587,910	2,598,543	(10,633)
Excess (deficiency) of revenues over expenditures	(2,587,910)	(2,587,910)	2,196,790	4,784,700
Other financing sources:				
Transfers from other funds	1,869,000	1,869,000	1,869,000	—
Total other financing sources	1,869,000	1,869,000	1,869,000	—
Net change in fund balance	(718,910)	(718,910)	4,065,790	4,784,700
Fund balance, beginning of year	23,947,342	23,947,342	23,947,342	—
Fund balance, end of year	\$ 23,228,432	\$ 23,228,432	\$ 28,013,132	\$ 4,784,700

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule

Jail Revenue Bond

Debt Service Fund

Year ended December 31, 2009

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 5,016,010	\$ 5,016,010	\$ 5,016,006	\$ (4)
Investment income	—	—	118	118
Total revenues	<u>5,016,010</u>	<u>5,016,010</u>	<u>5,016,124</u>	<u>114</u>
Expenditures:				
Debt service:				
Principal	2,690,000	2,690,000	2,830,000	(140,000)
Interest	<u>2,326,010</u>	<u>2,326,010</u>	<u>2,186,006</u>	<u>140,004</u>
Total expenditures	<u>5,016,010</u>	<u>5,016,010</u>	<u>5,016,006</u>	<u>4</u>
Net change in fund balance	—	—	118	118
Fund balance, beginning of year	8,521	8,521	8,521	—
Fund balance, end of year	<u>\$ 8,521</u>	<u>\$ 8,521</u>	<u>\$ 8,639</u>	<u>\$ 118</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Schedule
 ACPA Surcharge Revenue Bond
 Debt Service Fund
 Year ended December 31, 2009

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment income	—	—	11,815	11,815
Other	342,917	342,917	395,385	52,468
Total revenues	<u>342,917</u>	<u>342,917</u>	<u>407,200</u>	<u>64,283</u>
Expenditures:				
Debt service:				
Principal	105,000	105,000	105,000	—
Interest	232,820	232,820	232,813	7
Total expenditures	<u>337,820</u>	<u>337,820</u>	<u>337,813</u>	<u>7</u>
Net change in fund balance	5,097	5,097	69,387	64,290
Fund balance, beginning of year	<u>315,666</u>	<u>315,666</u>	<u>315,666</u>	<u>—</u>
Fund balance, end of year	<u>\$ 320,763</u>	<u>\$ 320,763</u>	<u>\$ 385,053</u>	<u>\$ 64,290</u>

See accompanying independent auditors' report.

Non-Major Enterprise Funds

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

December 31, 2009

(With summarized financial information at December 31, 2008)

Assets	Refuse Utility	Solid Waste	Municipal Airport	Total Nonmajor Enterprise Funds	
				December 31, 2009	December 31, 2008
Current assets:					
Cash	\$ 700	\$ 2,775	\$ 200	\$ 3,675	\$ 3,275
Cash in central treasury	2,098,766	6,784,877	—	8,883,643	7,661,178
Receivables (net of allowance for uncollectibles)	621,207	1,989,284	2,491	2,612,982	2,316,685
Accrued interest receivable	20,617	88,901	—	109,518	—
Interest receivable	—	—	547	547	2,023
Prepaid items and deposits	1,587	3,924	19,099	24,610	24,576
Restricted assets:					
Receivables	—	—	759,879	759,879	336,748
Bond and acquisition and construction accounts	2,696,552	10,364,620	1,475,359	14,536,531	17,192,023
Landfill post closure cash reserve	—	2,920,700	—	2,920,700	1,383,415
Revenue bond operations and maintenance accounts	—	—	—	—	412,337
Total current assets	5,439,429	22,155,081	2,257,575	29,852,085	29,332,260
Noncurrent assets:					
Loans receivable, net	—	—	12,109	12,109	13,185
Deferred charges and other assets	—	—	—	—	202
Capital assets, net	4,025,192	56,079,306	51,820,407	111,924,905	109,487,664
Total noncurrent assets	4,025,192	56,079,306	51,832,516	111,937,014	109,501,051
Total assets	\$ 9,464,621	\$ 78,234,387	\$ 54,090,091	\$ 141,789,099	\$ 138,833,311
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and retainages	\$ 49,625	\$ 652,661	\$ 24,926	\$ 727,212	\$ 417,758
Compensated absences payable	105,035	438,970	66,922	610,927	535,659
Due to other funds	—	—	857,433	857,433	—
Accrued payroll liabilities payable	67,630	397,187	51,929	516,746	131,524
Accrued interest payable	—	170,424	—	170,424	189,528
Long-term obligations maturing within one year	—	1,446,870	—	1,446,870	1,806,870
Deferred revenue and deposits	2,816	—	103,573	106,389	113,914
Current liabilities payable from restricted assets:					
Capital acquisition and construction accounts and retainage payable	—	201,292	58,683	259,975	439,311
Total current liabilities	225,106	3,307,404	1,163,466	4,695,976	3,634,564
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	—	—	—	(1,123)
Alaska clean water loan payable	—	16,124,028	—	16,124,028	17,570,898
Compensated absences payable	12,729	5,369	14,055	32,153	71,940
Total noncurrent liabilities	12,729	16,129,397	14,055	16,156,181	17,641,715
Deferred credits and other liabilities:					
Future landfill closure costs	—	19,217,586	—	19,217,586	18,091,854
Total liabilities	237,835	38,654,387	1,177,521	40,069,743	39,368,133
Net assets (deficit):					
Invested in capital assets, net of related debt	4,025,192	48,873,028	51,820,407	104,718,627	104,004,913
Restricted for debt service	—	—	—	—	412,337
Restricted for capital construction	2,696,552	—	2,235,238	4,931,790	3,634,877
Unrestricted	2,505,042	(9,293,028)	(1,143,075)	(7,931,061)	(8,586,949)
Total net assets	9,226,786	39,580,000	52,912,570	101,719,356	99,465,178
Total liabilities and net assets	\$ 9,464,621	\$ 78,234,387	\$ 54,090,091	\$ 141,789,099	\$ 138,833,311

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Nonmajor Enterprise Funds

Year ended December 31, 2009

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

	Refuse Utility	Solid Waste	Municipal Airport	Total Nonmajor Enterprise Funds	
				2009	2008
Operating revenues:					
Charges for sales and services	\$ 8,480,557	\$ 18,490,155	\$ 1,226,006	\$ 28,196,718	\$ 27,521,768
Other	34,792	517,301	—	552,093	457,419
Total operating revenues	<u>8,515,349</u>	<u>19,007,456</u>	<u>1,226,006</u>	<u>28,748,811</u>	<u>27,979,187</u>
Operating expenses:					
Operations	7,202,981	11,420,490	1,211,213	19,834,684	19,969,054
Amortization of future landfill closure costs	—	1,125,732	—	1,125,732	1,495,701
Depreciation and amortization	567,243	3,381,306	2,056,839	6,005,388	5,745,830
Total operating expenses	<u>7,770,224</u>	<u>15,927,528</u>	<u>3,268,052</u>	<u>26,965,804</u>	<u>27,210,585</u>
Operating income (loss)	<u>745,125</u>	<u>3,079,928</u>	<u>(2,042,046)</u>	<u>1,783,007</u>	<u>768,602</u>
Nonoperating revenues (expenses):					
Investment income (loss)	349,466	1,048,364	27,710	1,425,540	(10,592)
Other revenues	—	—	10,223	10,223	95,188
Intergovernmental revenue	—	—	108,584	108,584	255,423
Interest expense	—	(277,375)	—	(277,375)	(345,274)
Gain (loss) on sale of capital assets	(4,986)	38,331	—	33,345	68,557
Net nonoperating revenues (expenses)	<u>344,480</u>	<u>809,320</u>	<u>146,517</u>	<u>1,300,317</u>	<u>63,302</u>
Income (loss) before capital contributions, transfers and special item	1,089,605	3,889,248	(1,895,529)	3,083,324	831,904
Capital contributions	—	—	4,494,210	4,494,210	3,161,649
Transfers from other funds	—	—	—	—	475,404
Transfers to other funds	(250,752)	(5,038,007)	(34,597)	(5,323,356)	(2,102,125)
Special item - NPO/OPEB write-off	—	—	—	—	512,065
Change in net assets	<u>838,853</u>	<u>(1,148,759)</u>	<u>2,564,084</u>	<u>2,254,178</u>	<u>2,878,897</u>
Total net assets – beginning	<u>8,387,933</u>	<u>40,728,759</u>	<u>50,348,486</u>	<u>99,465,178</u>	<u>96,586,281</u>
Total net assets – ending	<u>\$ 9,226,786</u>	<u>\$ 39,580,000</u>	<u>\$ 52,912,570</u>	<u>\$ 101,719,356</u>	<u>\$ 99,465,178</u>

See accompanying independent auditors' report.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year ended December 31, 2009

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

	Refuse Utility	Solid Waste	Municipal Airport	Total Nonmajor Enterprise Funds	
				2009	2008
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,440,061	\$ 18,776,757	\$ 1,239,470	\$ 28,456,288	\$ 26,806,839
Payments to employees	(1,812,815)	(7,008,570)	(974,597)	(9,795,982)	(10,431,404)
Payments to vendors	(5,305,812)	(3,817,939)	(184,828)	(9,308,579)	(9,393,464)
Net cash from operating activities	1,321,434	7,950,248	80,045	9,351,727	6,981,971
Cash flows from noncapital and related financing activities:					
Transfers to other funds	(250,752)	(5,038,007)	(34,597)	(5,323,356)	(2,102,125)
Transfers from other funds	—	—	—	—	475,404
Due to other funds	—	—	857,433	857,433	—
Intergovernmental revenue	—	—	—	—	331,626
Net cash from noncapital and related financing activities	(250,752)	(5,038,007)	822,836	(4,465,923)	(1,295,095)
Cash flows from capital and related financing activities:					
Principal payments on long-term obligations	—	(1,806,870)	—	(1,806,870)	(1,786,870)
Interest payments on long-term obligations	—	(295,154)	—	(295,154)	(272,346)
Principal payments on interfund loans	—	—	—	—	(845,738)
Interest payments on interfund loans	—	—	—	—	(22,243)
Acquisition and construction of capital assets	(1,484,491)	(2,703,430)	(4,737,588)	(8,925,509)	(6,078,299)
Landfill post closure cash reserve	—	(1,537,285)	—	(1,537,285)	(1,383,415)
Proceeds from sales of capital assets	—	336,889	—	336,889	546,431
Intergovernmental revenue	—	—	4,179,663	4,179,663	3,204,234
Net cash from capital and related financing activities	(1,484,491)	(6,005,850)	(557,925)	(8,048,266)	(6,638,246)
Cash flows from investing activities:					
Proceeds from sale of investments	—	412,337	—	412,337	—
Investment income (loss)	328,849	961,107	27,542	1,317,498	(16,167)
Net cash from investing activities	328,849	1,373,444	27,542	1,729,835	(16,167)
Net increase (decrease) in cash	(84,960)	(1,720,165)	372,498	(1,432,627)	(967,537)
Cash, beginning of year	4,880,978	18,872,437	1,103,061	24,856,476	25,824,013
Cash, end of year	\$ 4,796,018	\$ 17,152,272	\$ 1,475,559	\$ 23,423,849	\$ 24,856,476
Cash					
Cash in central treasury	\$ 700	\$ 2,775	\$ 200	\$ 3,675	\$ 3,275
Capital acquisition and construction accounts	2,098,766	6,784,877	—	8,883,643	7,661,178
Cash, December 31	2,696,552	10,364,620	1,475,359	14,536,531	17,192,023
	\$ 4,796,018	\$ 17,152,272	\$ 1,475,559	\$ 23,423,849	\$ 24,856,476
Reconciliation of change in net assets to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 745,125	\$ 3,079,928	\$ (2,042,046)	\$ 1,783,007	\$ 768,602
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	567,243	3,381,306	2,056,839	6,005,388	5,745,830
Amortization of landfill closure costs	—	1,125,732	—	1,125,732	1,495,701
Other revenues	—	—	10,223	10,223	95,188
Special item - NPO/OPEB write-off	—	—	—	—	512,065
Changes in assets and liabilities which increase (decrease) cash:					
Accounts receivable	(75,371)	(230,699)	9,825	(296,245)	(1,281,922)
Prepaid items and deposits	(406)	(1,004)	1,376	(34)	78,192
Notes receivable	—	—	1,024	1,024	872
Accounts payable and retainages	(96)	311,708	(2,158)	309,454	(134,799)
Accrued payroll liabilities	67,630	265,663	51,929	385,222	131,524
Deferred revenue and deposits	83	—	(7,608)	(7,525)	13,515
Compensated absences payable	17,226	17,614	641	35,481	69,268
Net pension obligation	—	—	—	—	(451,360)
Net postemployment benefits obligation	—	—	—	—	(60,705)
Total cash provided by operating activities	\$ 1,321,434	\$ 7,950,248	\$ 80,045	\$ 9,351,727	\$ 6,981,971
Noncash investing, capital, and financing activities:					
Capital purchases on account	\$ —	\$ 201,292	\$ 58,683	\$ 259,975	\$ 426,959
Contributed capital and equipment	—	—	4,494,210	4,494,210	3,161,649
Deferred refunding loss	—	753	—	753	3,700
	\$ —	\$ 202,045	\$ 4,552,893	\$ 4,754,938	\$ 3,592,308

See accompanying independent auditors' report.

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services 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, 2009

(With summarized financial information at December 31, 2008)

Assets	Risk Management			
	General Liability/Workers' Compensation	Medical/Dental	Unemployment Compensation	Equipment Maintenance
Current assets:				
Cash in central treasury	\$ 13,089,518	\$ 9,799,148	\$ 1,263,793	\$ 8,894,167
Master lease agreement escrow	—	—	—	—
Due from other funds	1,266,752	—	—	—
Inventories	—	—	—	383,478
Prepaid items and deposits	385,355	—	—	—
Restricted assets:				
Capital acquisition and construction accounts	—	—	—	—
Total current assets	14,741,625	9,799,148	1,263,793	9,277,645
Noncurrent assets:				
Advances to other funds	2,115,426	—	—	—
Capital assets, net	—	—	—	22,193,513
Total noncurrent assets	2,115,426	—	—	22,193,513
Total assets	\$ 16,857,051	\$ 9,799,148	\$ 1,263,793	\$ 31,471,158
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and retainages	\$ 270,821	\$ 173,541	\$ 130,070	\$ 297,957
Accrued payroll liabilities	3,344	10,218	—	164,100
Claims payable	8,049,270	1,421,246	—	—
Compensated absences payable	6,052	9,272	—	231,060
Due to other funds	—	—	—	460,042
Claims incurred but not reported	2,569,160	5,827,572	—	—
Deferred revenue and deposits	—	—	—	—
Long term obligations maturing within one year	—	—	—	—
Current liabilities payable from restricted assets:				
Capital acquisition and construction accounts and retainage payable	—	—	—	314,363
Total current liabilities	10,898,647	7,441,849	130,070	1,467,522
Noncurrent liabilities:				
Advances from other funds	—	—	—	—
Deferred revenue and deposits	—	—	—	—
Capital leases payable	—	—	—	—
Claims incurred but not reported	5,574,375	—	—	—
Compensated absences payable	253	2,386	—	20,547
Total noncurrent liabilities	5,574,628	2,386	—	20,547
Total liabilities	16,473,275	7,444,235	130,070	1,488,069
Net assets (deficit):				
Invested in capital assets, net of related debt	—	—	—	22,193,513
Restricted for capital acquisitions	—	—	—	—
Unrestricted	383,776	2,354,913	1,133,723	7,789,576
Total net assets	383,776	2,354,913	1,133,723	29,983,089
Total liabilities and net assets	\$ 16,857,051	\$ 9,799,148	\$ 1,263,793	\$ 31,471,158

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	December 31, 2009	December 31, 2008
\$ —	\$ 33,046,626	\$ 27,009,666
759,080	759,080	1,110,262
—	1,266,752	1,626,255
—	383,478	361,692
182,629	567,984	609,389
<u>3,994,630</u>	<u>3,994,630</u>	<u>5,850,234</u>
<u>4,936,339</u>	<u>40,018,550</u>	<u>36,567,498</u>
—	2,115,426	3,382,176
<u>7,035,738</u>	<u>29,229,251</u>	<u>30,056,409</u>
<u>7,035,738</u>	<u>31,344,677</u>	<u>33,438,585</u>
<u>\$ 11,972,077</u>	<u>\$ 71,363,227</u>	<u>\$ 70,006,083</u>
\$ 179,813	\$ 1,052,202	\$ 1,271,802
356,179	533,841	526,097
—	9,470,516	8,128,823
575,254	821,638	774,910
4,919,877	5,379,919	1,626,255
—	8,396,732	12,327,800
—	—	43,468
773,671	773,671	731,940
<u>23,810</u>	<u>338,173</u>	<u>874,665</u>
<u>6,828,604</u>	<u>26,766,692</u>	<u>26,305,760</u>
2,115,426	2,115,426	3,382,176
383,316	383,316	561,878
1,638,121	1,638,121	2,411,792
—	5,574,375	—
<u>198,638</u>	<u>221,824</u>	<u>332,326</u>
<u>4,335,501</u>	<u>9,933,062</u>	<u>6,688,172</u>
<u>11,164,105</u>	<u>36,699,754</u>	<u>32,993,932</u>
5,236,398	27,429,911	22,761,473
—	—	4,993,007
<u>(4,428,426)</u>	<u>7,233,562</u>	<u>9,257,671</u>
<u>807,972</u>	<u>34,663,473</u>	<u>37,012,151</u>
<u>\$ 11,972,077</u>	<u>\$ 71,363,227</u>	<u>\$ 70,006,083</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Internal Service Funds

Year ended December 31, 2009

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

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Operating revenues:				
Charges for sales and services	\$ 9,199,979	\$ 43,708,879	\$ 442,275	\$ 11,685,316
Total operating revenues	<u>9,199,979</u>	<u>43,708,879</u>	<u>442,275</u>	<u>11,685,316</u>
Operating expenses:				
Operations	10,433,082	49,039,680	365,351	6,440,019
Depreciation and amortization	—	—	—	3,878,518
Total operating expenses	<u>10,433,082</u>	<u>49,039,680</u>	<u>365,351</u>	<u>10,318,537</u>
Operating income (loss)	<u>(1,233,103)</u>	<u>(5,330,801)</u>	<u>76,924</u>	<u>1,366,779</u>
Nonoperating revenues (expenses):				
Investment income (loss)	809,277	815,136	67,961	382,289
Other revenues	—	—	—	14,730
Intergovernmental revenue	—	—	—	—
Interest expense	—	—	—	—
Gain on sale of capital assets	—	—	—	261,324
Net nonoperating revenues (expenses)	<u>809,277</u>	<u>815,136</u>	<u>67,961</u>	<u>658,343</u>
Income (loss) before contributions, transfers and special item	(423,826)	(4,515,665)	144,885	2,025,122
Capital contributions	—	—	—	442,380
Transfers to other funds	(105,336)	—	—	—
Special item - NPO/OPEB write-off	—	—	—	—
Change in net assets	<u>(529,162)</u>	<u>(4,515,665)</u>	<u>144,885</u>	<u>2,467,502</u>
Total net assets – beginning	<u>912,938</u>	<u>6,870,578</u>	<u>988,838</u>	<u>27,515,587</u>
Total net assets – ending	<u>\$ 383,776</u>	<u>\$ 2,354,913</u>	<u>\$ 1,133,723</u>	<u>\$ 29,983,089</u>

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	2009	2008
\$ 18,841,229	\$ 83,877,678	\$ 88,473,685
18,841,229	83,877,678	88,473,685
15,743,914	82,022,046	77,863,596
2,921,281	6,799,799	6,301,771
18,665,195	88,821,845	84,165,367
176,034	(4,944,167)	4,308,318
(83,860)	1,990,803	81,565
244,379	259,109	76,835
—	—	640,396
(252,606)	(252,606)	(399,329)
—	261,324	201,373
(92,087)	2,258,630	600,840
83,947	(2,685,537)	4,909,158
912	443,292	664,064
(1,097)	(106,433)	(3,930,884)
—	—	1,052,646
83,762	(2,348,678)	2,694,984
724,210	37,012,151	34,317,167
\$ 807,972	\$ 34,663,473	\$ 37,012,151

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows

Internal Service Funds

Year ended December 31, 2009

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

	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,199,979	\$ 43,708,879	\$ 442,275	\$ 11,700,046
Payments to employees	(115,902)	(244,474)	—	(3,889,031)
Payments to vendors	(9,374,718)	(46,690,315)	(287,455)	(2,698,166)
Net cash provided (used) by operating activities	(290,641)	(3,225,910)	154,820	5,112,849
Cash flows from noncapital and related financing activities:				
Transfers to other funds	(105,336)	—	—	—
Loan proceeds from interfund loans	1,626,253	—	—	—
Loan payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Due to other funds	—	—	—	—
Intergovernmental revenue	—	—	—	—
Net cash provided (used) by noncapital and related financing activities	1,520,917	—	—	—
Cash flows from capital and related financing activities:				
Principal payments on long-term obligations	—	—	—	—
Interest payments on long-term obligations	—	—	—	—
Acquisition and construction of capital assets	—	—	—	(5,475,301)
Due to other funds	—	—	—	460,042
Principal payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Intergovernmental revenue	—	—	—	—
Proceeds from issuance of debt	—	—	—	—
Proceeds from sales of capital assets	—	—	—	712,514
Net cash used by capital and related financing activities	—	—	—	(4,302,745)
Cash flows from investing activities:				
Investment income (loss)	809,277	815,136	67,961	382,289
Net cash provided (used) by investing activities	809,277	815,136	67,961	382,289
Net increase (decrease) in cash	2,039,553	(2,410,774)	222,781	1,192,393
Cash, beginning of year	11,049,965	12,209,922	1,041,012	7,701,774
Cash, end of year	<u>\$ 13,089,518</u>	<u>\$ 9,799,148</u>	<u>\$ 1,263,793</u>	<u>\$ 8,894,167</u>
Cash in central treasury				
	\$ 13,089,518	\$ 9,799,148	\$ 1,263,793	\$ 8,894,167
Capital acquisition and construction accounts				
	—	—	—	—
Cash, December 31	<u>\$ 13,089,518</u>	<u>\$ 9,799,148</u>	<u>\$ 1,263,793</u>	<u>\$ 8,894,167</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,233,103)	\$ (5,330,801)	\$ 76,924	\$ 1,366,779
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	—	—	—	3,878,518
Other revenues	—	—	—	14,730
Special item - NPO/OPEB write-off	—	—	—	—
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	—	—	—	—
Accrued payroll liabilities	3,344	10,218	—	32,576
Prepaid items and deposits	(65,880)	1,415	—	—
Inventories	—	—	—	(21,786)
Deferred charges and other assets	—	—	—	—
Accounts payable and retainages	5,075	101,576	77,896	(157,612)
Deferred revenue and deposits	—	—	—	—
Claims payable	996,582	1,988,417	—	—
Compensated absences payable	3,341	3,265	—	(356)
Net pension obligation	—	—	—	—
Net postemployment benefits obligation	—	—	—	—
Total cash provided (used) by operating activities	<u>\$ (290,641)</u>	<u>\$ (3,225,910)</u>	<u>\$ 154,820</u>	<u>\$ 5,112,849</u>
Noncash investing, capital, and financing activities:				
Capital purchases on account	—	—	—	314,363
Contributed capital and equipment	—	—	—	442,380
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 756,743</u>

See accompanying independent auditors' report.

Total Internal Service Funds

Information Technology	2009	2008
\$ 19,042,055	\$ 84,093,234	\$ 88,476,001
(8,884,942)	(13,134,349)	(13,309,219)
<u>(7,286,616)</u>	<u>(66,337,270)</u>	<u>(62,143,681)</u>
2,870,497	4,621,615	13,023,101
(1,097)	(106,433)	(3,543,919)
—	1,626,253	1,087,575
—	—	(343,185)
—	—	(162,782)
3,653,125	3,653,125	(884,904)
—	—	469,887
3,652,028	5,172,945	(3,377,328)
(731,940)	(731,940)	(26,815)
(128,171)	(128,171)	(10,943)
(690,329)	(6,165,630)	(6,994,249)
—	460,042	—
(1,626,253)	(1,626,253)	(423,551)
(124,435)	(124,435)	(225,604)
—	—	170,509
—	—	2,067,757
—	712,514	283,560
(3,301,128)	(7,603,873)	(5,159,336)
(83,994)	1,990,669	74,093
(83,994)	1,990,669	74,093
3,137,403	4,181,356	4,560,530
857,227	32,859,900	28,299,370
<u>\$ 3,994,630</u>	<u>\$ 37,041,256</u>	<u>\$ 32,859,900</u>
\$ —	\$ 33,046,626	\$ 27,009,666
3,994,630	3,994,630	5,850,234
<u>\$ 3,994,630</u>	<u>\$ 37,041,256</u>	<u>\$ 32,859,900</u>
\$ 176,034	\$ (4,944,167)	\$ 4,308,318
2,921,281	6,799,799	6,301,771
244,294	259,024	2,230
—	—	1,052,646
—	—	86
(38,394)	7,744	526,097
105,870	41,405	(178,264)
—	(21,786)	31,787
—	—	(169,153)
(246,534)	(219,599)	415,360
(222,030)	(222,030)	—
—	2,984,999	1,623,108
(70,024)	(63,774)	161,761
—	—	(894,280)
—	—	(158,366)
<u>\$ 2,870,497</u>	<u>\$ 4,621,615</u>	<u>\$ 13,023,101</u>
23,810	338,173	874,665
912	443,292	664,064
<u>\$ 24,722</u>	<u>\$ 781,465</u>	<u>\$ 1,538,729</u>

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Fiduciary Agency Funds

FIDUCIARY 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.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2009

(With financial information at December 31, 2008)

Assets	Police/Fire Retirement Trust Funds			Total
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	
Cash in central treasury	\$ 6,265	\$ 4,408	\$ 13,964	\$ 24,637
Cash, cash equivalents held under securities lending program	6,576,374	4,660,027	15,195,971	26,432,372
Investments, at fair value:				
Cash & money market funds	2,068,117	1,466,089	4,779,913	8,314,119
Fixed income funds	—	—	—	—
U.S. treasuries	3,444,017	2,441,466	7,959,947	13,845,430
U.S. agencies	593,819	420,959	1,372,458	2,387,236
Corporate fixed income securities	4,964,097	3,519,051	11,473,215	19,956,363
Foreign government debt securities	298,457	211,577	689,806	1,199,840
Structured securities	9,111,250	6,458,969	21,058,277	36,628,496
Balanced funds	—	—	—	—
Domestic equity securities	33,491,719	23,742,299	77,407,373	134,641,391
International equity securities	13,210,041	9,364,606	30,531,564	53,106,211
Real estate funds	7,444,104	5,277,130	17,205,106	29,926,340
Total investments	<u>74,625,621</u>	<u>52,902,146</u>	<u>172,477,659</u>	<u>300,005,426</u>
Capital assets, net	1,004	707	2,239	3,950
Total assets	<u>\$ 81,209,264</u>	<u>\$ 57,567,288</u>	<u>\$ 187,689,833</u>	<u>\$ 326,466,385</u>
Liabilities				
Accounts payable	\$ 31,139	\$ 21,906	\$ 69,405	\$ 122,450
Payable under securities lending program	6,576,374	4,660,027	15,195,971	26,432,372
Total liabilities	<u>\$ 6,607,513</u>	<u>\$ 4,681,933</u>	<u>\$ 15,265,376</u>	<u>\$ 26,554,822</u>
Net Assets				
Held in trust for:				
Employees' pension benefits	\$ 74,601,751	\$ 52,885,355	\$ 172,424,457	\$ 299,911,563
Employees' postemployment healthcare benefits	—	—	—	—
Total net assets	<u>\$ 74,601,751</u>	<u>\$ 52,885,355</u>	<u>\$ 172,424,457</u>	<u>\$ 299,911,563</u>

See accompanying independent auditors' report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2009	December 31, 2008
\$ 1,835	\$ 26,472	\$ 58,040
—	26,432,372	48,327,142
7,053,217	15,367,336	8,621,963
1,235,590	1,235,590	4,323,880
—	13,845,430	4,833,124
—	2,387,236	35,566,455
—	19,956,363	33,789,199
—	1,199,840	1,199,172
—	36,628,496	—
—	—	26,306,433
1,884,655	136,526,046	98,171,575
947,678	54,053,889	40,759,418
—	29,926,340	33,518,417
<u>11,121,140</u>	<u>311,126,566</u>	<u>287,089,636</u>
—	3,950	3,901
<u>\$ 11,122,975</u>	<u>\$ 337,589,360</u>	<u>\$ 335,478,719</u>
\$ —	\$ 122,450	\$ 103,774
—	26,432,372	48,327,142
<u>\$ —</u>	<u>\$ 26,554,822</u>	<u>\$ 48,430,916</u>
\$ —	\$ 299,911,563	\$ 277,541,506
11,122,975	11,122,975	9,506,297
<u>\$ 11,122,975</u>	<u>\$ 311,034,538</u>	<u>\$ 287,047,803</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended December 31, 2009

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

	Police/Fire Retirement Pension Trust Funds			
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	Total
Additions:				
Contributions from other funds	\$ —	\$ —	\$ —	\$ —
Interest	1,392,266	983,276	3,167,883	5,543,425
Dividends	370,118	261,165	839,024	1,470,307
Net increase (decrease) in fair value of investments	11,335,406	8,012,903	26,022,814	45,371,123
Less investments expense	<u>(317,816)</u>	<u>(224,327)</u>	<u>(721,187)</u>	<u>(1,263,330)</u>
Total additions	<u>12,779,974</u>	<u>9,033,017</u>	<u>29,308,534</u>	<u>51,121,525</u>
Deductions:				
Regular benefit payments	8,541,709	5,635,664	13,731,163	27,908,536
Administrative expenses	<u>210,263</u>	<u>153,052</u>	<u>479,617</u>	<u>842,932</u>
Total deductions	<u>8,751,972</u>	<u>5,788,716</u>	<u>14,210,780</u>	<u>28,751,468</u>
Change in net assets	4,028,002	3,244,301	15,097,754	22,370,057
Net assets – beginning	<u>70,573,749</u>	<u>49,641,054</u>	<u>157,326,703</u>	<u>277,541,506</u>
Net assets – ending	<u>\$ 74,601,751</u>	<u>\$ 52,885,355</u>	<u>\$ 172,424,457</u>	<u>\$ 299,911,563</u>

See accompanying independent auditors' report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2009	December 31, 2008
\$ 2,514,661	\$ 2,514,661	\$ 2,352,982
122	5,543,547	6,788,450
128,111	1,598,418	2,637,578
810,325	46,181,448	(117,006,047)
—	(1,263,330)	(1,764,853)
<u>3,453,219</u>	<u>54,574,744</u>	<u>(106,991,890)</u>
1,807,846	29,716,382	28,477,943
28,695	871,627	970,875
<u>1,836,541</u>	<u>30,588,009</u>	<u>29,448,818</u>
1,616,678	23,986,735	(136,440,708)
9,506,297	287,047,803	423,488,511
<u>\$ 11,122,975</u>	<u>\$ 311,034,538</u>	<u>\$ 287,047,803</u>

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