

FINANCIAL SECTION

MUNICIPALITY OF ANCHORAGE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Municipality of Anchorage (Anchorage), we offer readers of Anchorage's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2003. 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 2003, equating to \$3,021,364 of net assets.
- Anchorage's total net assets decreased slightly over the course of this year's operations. While net assets of our business-type activities increased by \$24,214 (or nearly 6.1%), this was offset by a decrease of \$34,406 (or nearly 1.3%) in the net assets of our governmental activities.
- The \$34,406 decrease in net assets of governmental activities resulted from an adjustment of \$154,483 for capital outlay expensed under the modified approach to reporting roads infrastructure, offset by retroactive capitalization of drainage systems infrastructure of \$84,321. These infrastructure adjustments resulted from the continued implementation of infrastructure reporting under GASB Statement No. 34. Without these infrastructure transactions, net assets of governmental activities would have increased by \$35,756.
- At the end of 2003, Anchorage's governmental funds reported a combined ending fund balance of \$278,624, an increase of \$5,851 in comparison to the prior year. Of this total amount, \$204,015 is reserved. The \$74,609 unreserved balance may be legally restricted or limited as to its use, or previously designated by Assembly action. A more detailed discussion of fund balance appears later in this report.
- During the year, the business-type activities generated \$192,257 in revenues, including special items, which were offset by expenses and transfers of \$168,043. During 2002, business-type activities generated \$182,347 in revenues and transfers which were offset by expenses, including special items of \$166,099.
- During 2002, the Anchorage General Government and the Anchorage School District entered into a memorandum of agreement to maintain general fund balances in support of Anchorage's bond rating. The Memorandum of Agreement established a long-term policy to manage budgets to maintain the general fund unreserved fund balance at a level of at least 8.25% of prior year general fund revenues. At December 31, 2003, general fund unreserved fund balance was 9.1% of general fund revenues.
- Proceeds from the 1999 sale of the Anchorage Telephone Utility were placed in the MOA Trust Fund to provide a perpetual revenue stream for Anchorage and tax relief for its citizens. During 2002, Anchorage voters approved Proposition #4 which authorized management of the MOA Trust Fund as an endowment. Having changed to an endowment, the focus of performance has shifted from a short-term view to a long-term view—one that

assumes long-term average annual investment return of 8% and long-term average annual inflation rate of 3%. The Trust provides revenue to general government calculated as 5% of the average market value of the trust during the preceding five year period. During 2002 and 2003, the MOA Trust Fund provided \$7,000 and \$6,800, respectively, in support of government services.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements include not only Anchorage itself, but also the following discretely presented component units for which Anchorage is financially accountable – the Anchorage School District and Anchorage Historic Properties, Inc. Financial information for the Anchorage School District and Anchorage Historical Properties, Inc. is reported separately from the financial information presented for the primary government itself. The Alaska Center for the Performing Arts, Inc. and Anchorage Parking Authority, Inc., although legally separate, function for all practical purposes as an integral part of the primary government and therefore have been included in business-type activities as blended component units.

- The remaining statements are fund financial statements that focus on individual parts of the local government, reporting Anchorage’s operations in more detail than the government-wide statements. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.
- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on short-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government’s short-term financing requirements.

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Anchorage's total assets exceeded liabilities by \$3,021,364 and \$3,031,556 at the fiscal years ended December 31, 2003 and 2002 (reference Table A-1).

The net assets for governmental activities were \$2,601,514 and \$2,635,920, with \$100,957 and \$75,930 classified as unrestricted deficits in 2003 and 2002 respectively. By far, the largest portion of Anchorage's net assets for governmental activities (96%) 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 services to citizens and therefore these assets are not available for future spending. Restricted Net Assets of \$210,665 and \$186,929 in 2003 and 2002 respectively, result from restrictions imposed legally or externally by creditors, debt covenants or grantors. The deficit in unrestricted net assets represents accrued liabilities in excess of unrestricted assets. Accrued liabilities include a \$153,920 long-term obligation for post-employment medical benefits in the Police and Fire Retiree Medical Trust Fund. This long-term obligation was recorded based on a funding analysis performed in 2002. More detailed information about the Police and Fire Retiree Medical Trust Fund is presented in Note 12, Post-Employment Health Care Benefits, in the basic financial statements.

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

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 421,894	\$ 422,463	\$ 194,682	\$ 194,826	\$ 616,576	\$ 617,289
Capital assets	2,834,653	2,860,784	1,093,444	1,057,795	3,928,097	3,918,579
Total assets	3,256,547	3,283,247	1,288,126	1,252,621	4,544,673	4,535,868
Long term liabilities	569,894	561,060	408,135	426,576	978,029	987,636
Other liabilities	85,139	86,267	460,141	430,409	545,280	516,676
Total liabilities	655,033	647,327	868,276	856,985	1,523,309	1,504,312
Net assets (deficit):						
Invested in capital assets, net of related debt	2,491,806	2,524,921	277,361	234,298	2,769,167	2,759,219
Restricted	210,665	186,929	67,696	58,146	278,361	245,075
Unrestricted	(100,957)	(75,930)	74,793	103,192	(26,164)	27,262
Total net assets	\$ 2,601,514	\$ 2,635,920	\$ 419,850	\$ 395,636	\$ 3,021,364	\$ 3,031,556

Current and other assets include \$301,062 and \$289,763 of cash and investments held for governmental activities at December 31, 2003 and 2002. Governmental activities long term liabilities increased by \$8,834 or approximately 2%. The increase in long term liabilities was primarily the result of new general obligation bonds issued of \$35,000, offset by debt service payments of \$25,791. Over 58% of the governmental activities long term liabilities are general obligation bonds.

For business-type activities \$74,793 (18%) and \$103,192 (26%) of net assets is unrestricted and may be used to meet the ongoing needs of these organizations at December 31, 2003 and 2002. This represents a decrease of \$28,399 or approximately 28%. This decrease is due largely to investment of resources in capital assets. The largest portion of net assets for the business-type activities, or \$277,361 (66%) and \$234,298 (59%), is invested in capital assets which are used to provide customers with the services they desire. Net assets invested in capital assets increased \$43,063 or 18% in 2003. The business-type activities reported \$67,696 (16%) and \$58,146 (14%) of net assets that are subject to external restrictions on how they may be used in 2003 and 2002.

At the end of 2003 and 2002, Anchorage reported positive net asset balances for both governmental and business-type activities.

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

Governmental Activities

Governmental activities decreased Anchorage's net assets by \$34,406 and offset the increase of \$24,214 in net assets from the business-type activities in 2003 (reference Table A-2). Key elements of this decrease are as follow:

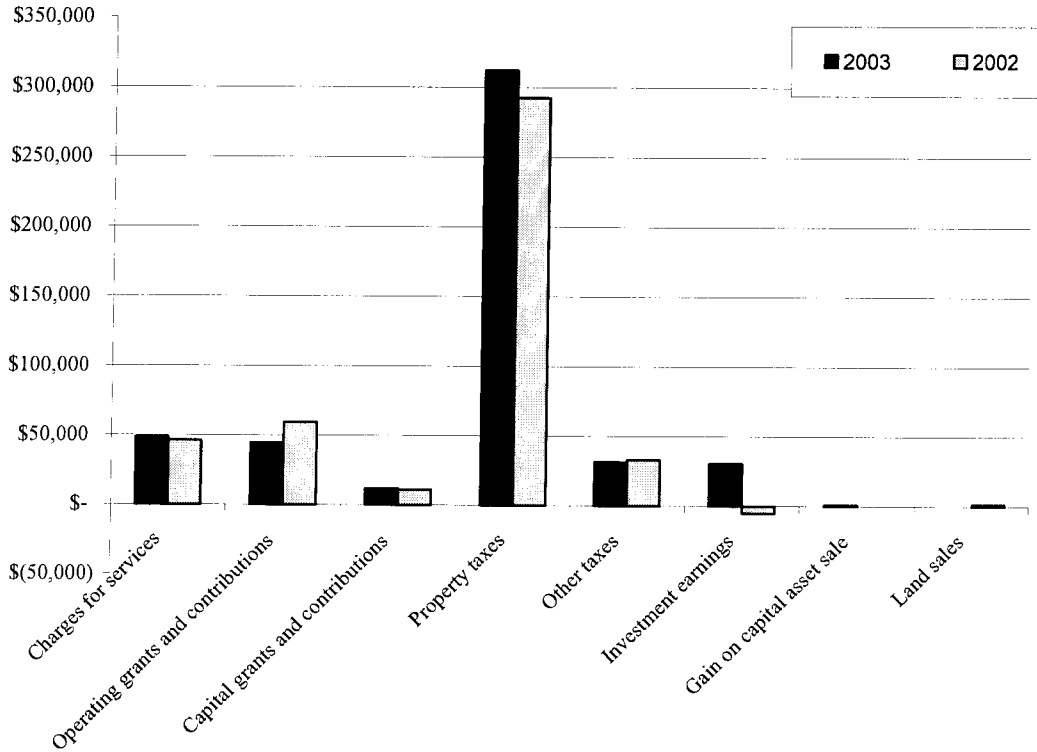
- During 2003, the MOA Trust Fund had realized and unrealized investment income of approximately \$21,776 which increased net assets by \$19,616.
- Capital outlay expensed under the modified approach to reporting roads infrastructure resulted in a decrease in net assets of approximately \$154,483 during 2003. This adjustment resulted in much higher than normal expenditures in Planning, Development and Public Works during 2003.
- Addition of retroactive capitalization of drainage systems infrastructure increased net assets by \$84,321 in 2003.

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

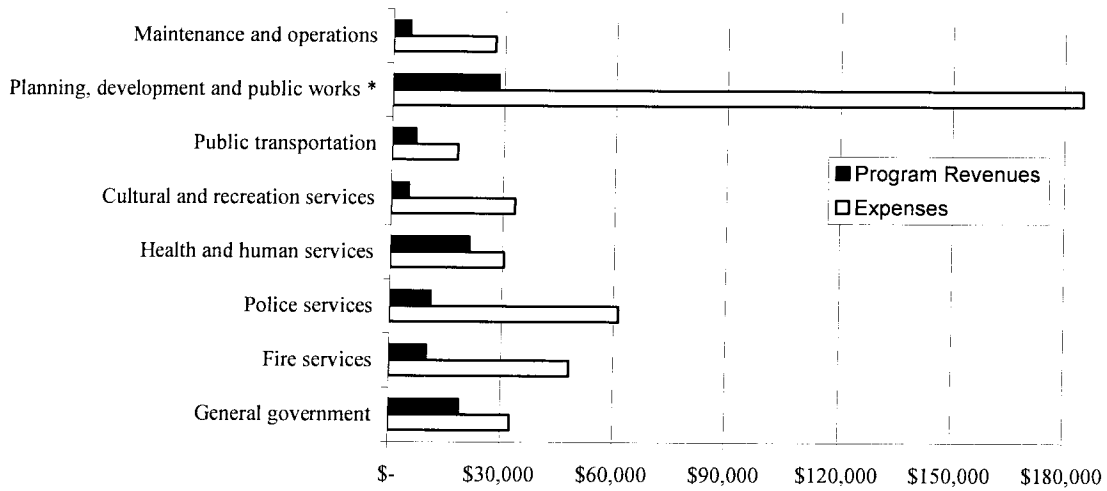
	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	48,496	46,156	179,534	163,113	228,030	209,269
Operating grants and contributions	44,299	59,264	153	3,044	44,452	62,308
Capital grants and contributions	11,715	11,046	3,897	11,673	15,612	22,719
General revenues:						
Property taxes	311,918	292,396	-	-	311,918	292,396
Other taxes	31,248	33,050	-	-	31,248	33,050
Gain on capital asset sale	859	-	43	178	902	178
Investment earnings	30,409	(5,066)	1,935	3,843	32,344	(1,223)
Land sales	-	1,364	-	-	-	1,364
Total revenues	478,944	438,210	185,562	181,851	664,506	620,061
Expenses:						
General government	32,474	39,515	-	-	32,474	39,515
Fire services	48,199	53,758	-	-	48,199	53,758
Police services	61,283	67,288	-	-	61,283	67,288
Health and human services	30,287	36,167	-	-	30,287	36,167
Cultural and recreation services	33,141	33,684	-	-	33,141	33,684
Public transportation	17,611	17,611	-	-	17,611	17,611
Planning, development and public works *	184,797	22,744	-	-	184,797	22,744
Education	144,095	142,420	-	-	144,095	142,420
Maintenance and Operations	27,313	25,221	-	-	27,313	25,221
Interest	20,075	19,411	-	-	20,075	19,411
Water	-	-	27,353	27,145	27,353	27,145
Wastewater	-	-	21,223	20,128	21,223	20,128
Electric	-	-	83,462	77,972	83,462	77,972
Port	-	-	7,395	6,940	7,395	6,940
Municipal Airport	-	-	2,040	2,191	2,040	2,191
Solid waste	-	-	12,884	14,096	12,884	14,096
Refuse	-	-	5,669	5,711	5,669	5,711
Parking Authority	-	-	4,620	4,243	4,620	4,243
Performing Arts Center	-	-	1,793	1,705	1,793	1,705
Total expenses	599,275	457,819	166,439	160,131	765,714	617,950
Special items - regulatory adjustment	-	-	6,695	(5,968)	6,695	(5,968)
Transfers	1,604	(496)	(1,604)	496	-	-
Change in net assets	(118,727)	(20,105)	24,214	16,248	(94,513)	(3,857)
Net assets, beginning of year, as previously reported	2,635,920	2,656,025	395,636	379,388	3,031,556	3,035,413
Add adjustment for retroactive capitalization of infrastructure	84,321	-	-	-	84,321	-
Net assets, beginning of year, as restated	2,720,241	2,656,025	395,636	379,388	3,115,877	3,035,413
Net assets, end of year	2,601,514	2,635,920	419,850	395,636	3,021,364	3,031,556

* Planning, development and public works 2003 expenditures include an adjustment of \$154,483 for capital outlay expensed under the modified approach to reporting infrastructure.

**Figure A-2
Governmental Activities Revenues by Type**

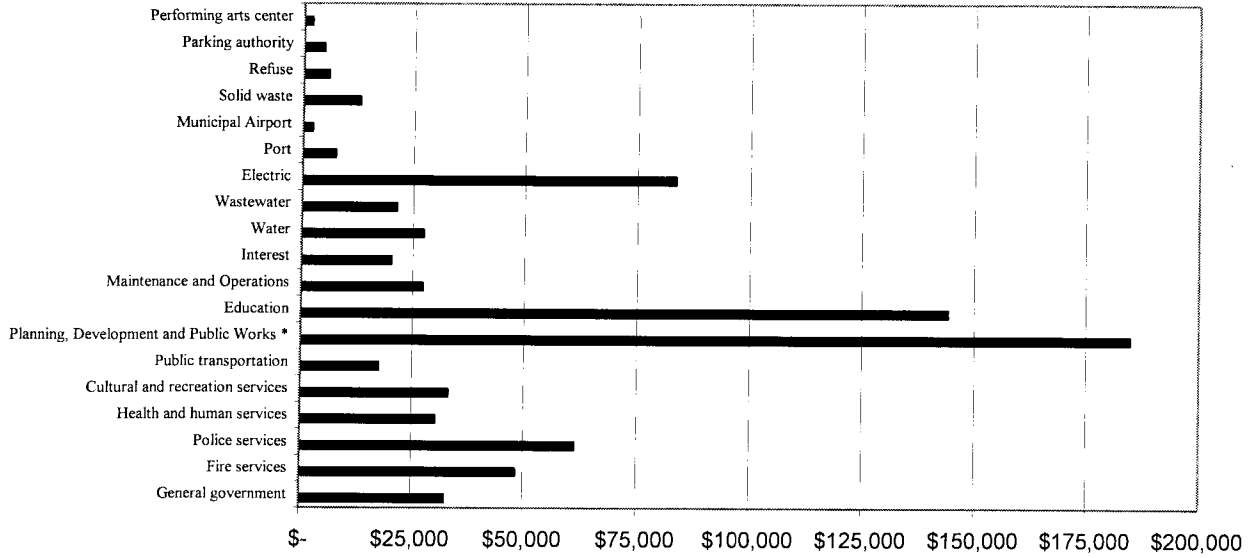


**Figure A-3
2003 Program Revenue vs Expense by Governmental Activities**



*Planning, development and public works 2003 expenditures include an adjustment of \$154,483 for capital outlay expensed under the modified approach to reporting infrastructure.

**Figure A-4
2003 Expense by Functional Activity**



*Planning, development and public works 2003 expenditures include an adjustment of \$154,483 for capital outlay expensed under the modified approach to reporting infrastructure.

Business-type Activities

Business-type activities increased Anchorage's net assets by \$24,214 in 2003. Key elements of the change in net assets are as follows:

- Electric revenues increased by 9%, while water and wastewater revenues decreased by 2% and 1% respectively in 2003. Electric revenues increased as a result of an interim rate increase of 4.035%, which became permanent on January 22, 2003, and a second phase increase of 3.474% effective October 9, 2003. The decrease in Water revenues was due primarily to a decrease in investment income of approximately \$618. While Wastewater Residential Sales increased by 1%, other revenues were down slightly from the prior year.

Financial Analysis of Anchorage's Funds

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

Governmental Funds

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

As of the current fiscal year end, Anchorage's governmental funds reported a combined ending fund balance of \$278,624, an increase of \$5,851 in comparison to the prior year. Of the total fund balance \$204,015 is reserved to indicate that it is not available for new spending because it has already been committed either to liquidate contracts and purchase orders of the prior period (\$28,988), to meet debt service requirements (\$42,717), to generate income for perpetual care of the municipal cemetery (\$257), to recognize prepaid items, deposits and inventory (\$908), to satisfy long term loan principal payments (\$6,240), or is otherwise reserved in the MOA Trust Fund (\$124,905).

Approximately 27% of total fund balance (\$74,609) is classified as unreserved fund balance. Approximately 52% of the unreserved fund balance is reported in Special Revenue Funds (\$16,011) and Capital Projects Funds (\$23,138) to be used for grant specified projects and capital construction. Approximately 48% of the unreserved fund balance (\$35,460) is reported in the General Fund. Of the \$35,460 unreserved fund balance reported in the General Fund approximately 74% (\$26,202) is in service area sub funds of the General Fund and must be used to support activities of those service areas. The remaining 26% (\$9,258) of the General Fund unreserved fund balance is in the Areawide Service Area sub fund. The unreserved fund balance may also be designated for specific purposes by Assembly action, such as the memorandum of agreement to maintain general fund unreserved fund balances of at least 8.25% of prior year general fund revenues.

The General Fund is the primary operational fund for Anchorage. At December 31, 2003 and 2002, the unreserved fund balance was \$35,460 and \$35,284, while the total fund balance was \$41,295 and \$42,513. In measuring the General Fund's liquidity, one can compare both the unreserved fund balance and the total fund balance to total expenditures. At December 31, 2003, unreserved fund balance represents 9% of total General Fund expenditures and total fund balance represents 10% of the same amount. Unreserved fund balance was 9% of total General Fund expenditures and total fund balance was 11% of the same amount at December 31, 2002.

A key factor in the overall increase in total governmental funds, fund balance was increased investment income in the MOA Trust Fund. During 2003 the MOA Trust Fund had investment income of \$21,776. The fund paid dividends of \$6,800 to the General Fund in 2003.

Proprietary Funds

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

- During 2003, Electric residential revenues increased by 6% and commercial revenues increased by 7%. The increased electric revenue can be attributed to an interim rate increase of 4.035% on demand and energy sales as of August 15, 2002, which became permanent on January 22, 2003. The utility also implemented the second phase increase which was a 3.474% increase to base rates and was effective October 9, 2003. Effective October 1, 2003, the utility began providing Fort Richardson Army Base with its power requirements. Gas revenues fell short of 2002 revenues due to a decrease in gas contract prices, which are determined by the contract agreements and in the volume of thousand cubic feet (Mcf) sold.
- The Electric utility's overall expenses increased by 7% in 2003. The major increases were in Production 18%, Customer Accounts and Services 14%, and Administrative and General 19%. Production expenses increased by 18% or \$4,690 over 2002, because of the increase in the contract price of gas to \$2.392 an Mcf in 2003 from \$2.377 an Mcf in 2002 as determined by the contract agreement with suppliers. The Electric utility purchased 6,065,134 Mcf in 2003 compared to 5,293,330 Mcf in 2002. The Regulatory Commission of Alaska decision in Docket U-96-36 also caused an increase to Production expenses by decreasing the amount the utility deferred as a regulatory asset to \$1,931 in 2003 from \$5,177 in 2002. Customer Accounts and Services Expense increased due to the reorganization of the department to better serve the utility's customers. The increase in Administrative and General expense is due in part to the addition of a Regulatory Affairs division in 2002.
- Water non-operating revenues declined by approximately \$526 in 2003 as a result of a decline in investment income. This was offset by a decline in non-operating expenses of approximately \$400 as a result of a decrease in bond interest expense.
- Wastewater change in net assets declined in 2003 from the previous year. While residential sales increased by 1%, other revenues were down slightly from the prior year. Operating expenses showed moderate increases in two classes: Collection System activity increased due to additional snow removal, disposal of scrapped pipe during cleaning activities, and the removal of a gravel pile to comply with a property lease

agreement; Treatment Plant increased as a result of negotiated labor agreements related to union contracts.

General Fund Budgetary Highlights

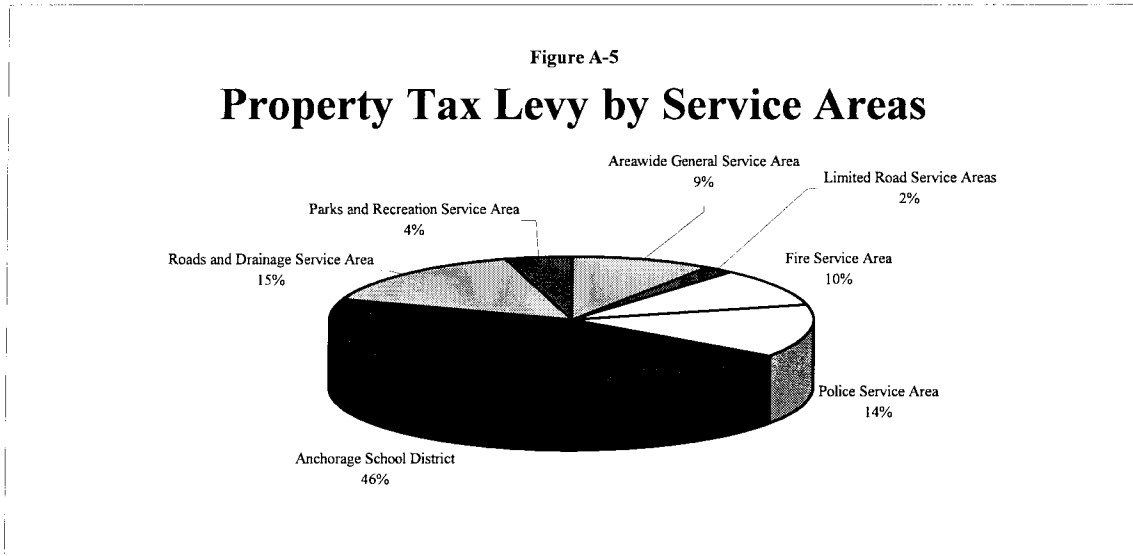
The 2003 approved budget (adopted in late 2002) includes projected funding sources.

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

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

- Five Major Service Areas (Areawide, Fire, Roads and Drainage, Police, Parks and Recreation)
 - \$144,045 to be contributed to Anchorage School District from General Government.
 - \$826 to provide additional funding for police services.
 - \$356 to provide Public Transportation funding for increased bus services.
 - \$324 to Anchorage Roads and Drainage Service Area for state road street sweeping.
 - \$248 to fund expansion of the Permit Center.
 - \$149 to provide funding for vehicle emissions and air quality programs.

- Other Service Areas
 - \$872 to fund various Limited Road Service Areas/Chugiak Birchwood Eagle River Rural Road Service Areas budgets to reflect anticipated additional summer and winter road maintenance
 - \$299 to the Building Safety Service Area to fund expansion of the Permit Center.



Major variances from the final approved budget are as follow:

- Intergovernmental revenues were approximately \$5 million lower than budget due to cuts in state revenue sharing from the State of Alaska.
- Hotel/Motel taxes were approximately \$1 million lower than budget due to a slower than expected tourist season. More competition in the Hotel/Motel sector also lead to lower room prices and less taxes.

Capital Asset and Debt Administration

Capital Assets

At the end of 2003 and 2002, Anchorage had invested \$3,928,097 and \$3,930,921 in a broad range of capital assets, including police and fire equipment, buildings, land, and paved roads (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	
	2003	2002	2003	2002	2003	2002
Land	\$ 1,193,603	\$ 1,193,852	\$ 58,214	\$ 58,176	\$ 1,251,817	\$ 1,252,028
Buildings and improvements	170,971	179,820	85,808	88,280	256,779	268,100
Art	12,970	12,274	-	-	12,970	12,274
Equipment	45,763	47,106	-	-	45,763	47,106
Distribution and collection systems	-	-	882,647	873,985	882,647	873,985
Infrastructure	1,369,333	1,276,208	-	-	1,369,333	1,276,208
Construction in progress	42,013	151,524	66,776	49,696	108,789	201,220
	<u>\$ 2,834,653</u>	<u>\$ 2,860,784</u>	<u>\$ 1,093,445</u>	<u>\$ 1,070,137</u>	<u>\$ 3,928,098</u>	<u>\$ 3,930,921</u>

Significant additions to Governmental activities capital assets during 2003 were \$84,321 of drainage systems infrastructure retroactively capitalized under GASB 34 and \$5,075 of current year drainage systems additions. During 2003, \$3,729 of paved roads infrastructure was added to Governmental activities capital assets. Construction in progress decreased in 2003, primarily as a result of capital outlay determined to be expensed under the modified approach to reporting roads infrastructure.

Business-type activities capital assets increased during 2003 primarily due to additions to Construction Work in Progress at all three utilities. This is indicative of the utilities' efforts to add new plant and rehabilitate existing plant. The Electric utility also had net additions to plant of \$5,866. These net additions were comprised mainly of improvements to the distribution plant, generators and turbines, new vehicles and computers, as well as meters and transformers.

Anchorage's fiscal year 2004 Governmental activities capital budget is \$194,958 principally for infrastructure improvements. The capital budget is funded primarily through general obligation bond proceeds and Federal grants.

Long-term Debt

At year end Anchorage had \$806,613 in debt outstanding, a decrease of 1.2% from 2002 debt outstanding of \$817,137 (reference Table A-4). More detailed information about Anchorage's long-term debt liabilities is presented in Note 9, Long Term Obligations, in the basic financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	\$ 334,678	\$ 320,699	\$ 23,574	\$ 30,936	\$ 358,252	\$ 351,635
Revenue Bonds	56,610	58,575	327,919	343,110	384,529	401,685
Special Assessment Debt with Governmental Commitment	895	1,020	304	397	1,199	1,417
Certificates of Participation	9,615	12,530	-	-	9,615	12,530
Long-term Contracts	811	1,614	52,207	48,256	53,018	49,870
Total	\$ 402,609	\$ 394,438	\$ 404,004	\$ 422,699	\$ 806,613	\$ 817,137

New debt in Governmental activities resulted from issuing general obligation bonds of \$35,000.

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

Infrastructure Modified Approach

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

As this is Anchorage's second year of implementation, the condition assessment will not be updated until 2005 when the next road condition assessment survey is performed. The 2002 assessed condition of the paved roads infrastructure network was approximately 81% of total paved roads as being in good or better condition. This exceeds Anchorage's policy to maintain 60% of total paved roads in good or better condition. Anchorage incurred slightly higher than estimated costs to maintain and preserve its paved road network in 2003. Relatively mild weather experienced during the first half of 2003 resulted in lower than anticipated street cleaning costs, allowing additional funds to be spent on asphalt maintenance.

Economic Factors and Next Year's Budgets and Rates

Municipal population rose 1.8% to 274,003 at year end 2003 and unemployment stood at 5.7%, which is below the national average of 6%.

The Citizens Property Tax Cap allows for both economic growth (inflation and population) and for a number of other factors including new construction, debt service, voter-approved new services, special taxes, operations and maintenance costs, and judgments. These other factors represented over seventy-five percent of the overall growth in allowable property taxes under the tax limit from 2003 to 2004. Property taxes represent 60% of the General Government Operating Budget (GGOB) Revenue. Local taxes and program revenues account for the majority of the remaining GGOB revenues (29%). Intergovernmental charges outside of general government (7%) and State sharing (4%) account for the balance.

The 2004 general government operating budget is \$14.3 million more than was approved for 2003. This includes a \$2.3 million increase in debt service for voter approved bonds and an additional \$2.0 million to operate a new fire station.

On November 18, 2003, an ordinance adopting and appropriating funds for the 2004 Municipal Utilities Operating and Capital budget for the Municipality of Anchorage was approved. The Utilities' Operating budgets total \$195,937 and Capital budgets total \$102,440.

The Water and Wastewater utilities' 2004 operating budgets do not allow for any increases in controllable costs over 2003. However, the utilities budgeted an additional \$961 and \$1,985 respectively for previously negotiated increases in labor contracts.

The Municipality adopted a change in the formula used to calculate Municipal Utility Service Assessment (MUSA). Currently, the utilities pay MUSA on the net non-contributed portion of plant in service. Beginning in 2004, payments will be calculated on net plant in service. This change treats the utilities, for MUSA purposes, similar to the private sector and in the manner in which business personal property taxes are calculated. Prior to 1989, MUSA was also calculated on net plant in service.

The Water and Wastewater Utilities filed revenue requirement studies with the Regulatory Commission of Alaska (RCA) on January 9, 2004, requesting rate increases of 14.20% and 8.06%, respectively, for 2004, and additional 7.17% and 6.83% increases, respectively, to be effective January 1, 2005. The RCA approved 13.61% and 8.06%, respectively; interim refundable rate increases effective February 24, 2004 for all recurring rates, and suspended the filing for further investigation. The rate increase was necessitated by the increase in MUSA, labor costs, and debt service on new plant added over the last several years.

Ordinance 2004-75 provides for issuance of not to exceed \$45,000 of Subordinate Water Revenue and Refunding Bonds and \$35,000 of Wastewater Revenue and Refunding Bonds. Approximately \$20,000 of the Subordinate Water Revenue and Refunding Bonds will be used for capital projects included in the Water utility's Capital Improvement Program. Approximately \$15,000 may be used to refund Senior Lien Water Revenue and Refunding

Bonds. Approximately \$25,000 of the Wastewater Revenue and Refunding Bonds will be used for capital projects included in the Wastewater utility's Capital Improvement Program. Approximately \$10,000 may be used to refund Wastewater Bonds if interest rates remain favorable.

Contacting Anchorage's Financial Management

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

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2003, which collectively comprise Anchorage's basic financial statements, as listed in the table of contents. We also have audited the financial statements of each of Anchorage's nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Municipality of Anchorage's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units and the Anchorage Parking Authority, a blended component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Anchorage School District, Anchorage Historic Properties, Inc, and Anchorage Parking Authority is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the Municipality of Anchorage's 2002 financial statements and in our report, dated May 7, 2003, we expressed, based upon our audit and the reports of other auditors, unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, each nonmajor governmental fund, each nonmajor enterprise fund, internal service funds and fiduciary funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test





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

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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service and fiduciary funds of the Municipality of Anchorage, Alaska, as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2004 on our consideration of Municipality of Anchorage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis as listed in the table of contents, schedule of funding progress in Note 11, budgetary comparison schedule-general fund as listed in the table of contents, and condition rating of Anchorage's road network as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, accordingly we express no opinion on it.

KPMG LLP

March 31, 2004

BASIC FINANCIAL STATEMENTS

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MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

December 31, 2003

(With summarized financial information at December 31, 2002)

Assets	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Anchorage School District	Anchorage Historic Properties
Cash	\$ 12,623	\$ 4,001,234	\$ 4,013,857	\$ 841,276	\$ 43,492
Cash in central treasury	146,970,928	62,246,880	209,217,808	—	—
Investments	25,411,080	—	25,411,080	177,917,608	787,617
Interest receivable	1,333,126	735,239	2,068,365	321,726	—
Receivables (net of allowance for uncollectibles)	81,298,215	33,006,562	114,304,777	884,984	—
Due from primary government	—	—	—	72,491,829	—
Due from component unit	587,093	—	587,093	—	—
Internal balances	19,981,096	(19,981,096)	—	—	—
Inventories	1,051,105	16,725,853	17,776,958	2,522,649	—
Prepaid items and deposits	661,349	97,541	758,890	15,455,176	624
Deferred charges	—	463,496	463,496	—	—
Restricted assets:					
Cash in central treasury	—	3,674,614	3,674,614	—	—
Investments	128,667,213	—	128,667,213	—	—
Customer deposits	—	1,807,310	1,807,310	—	—
Restricted deposits	—	524,363	524,363	—	—
Bond acquisition and construction	—	29,067,931	29,067,931	—	—
Bond operation and maintenance	—	7,126,426	7,126,426	—	—
Debt service accounts receivables	—	41,068,381	41,068,381	—	—
Intergovernmental receivables	13,203,655	—	13,203,655	22,157,257	—
Loans receivable, net	30,800	34,932	65,732	—	—
Deferred charges and other assets	2,262,985	13,792,373	16,055,358	2,895,880	—
Capital assets, not being depreciated	2,528,522,832	124,990,479	2,653,513,311	247,915,667	—
Capital assets, being depreciated, net	306,129,775	968,454,300	1,274,584,075	682,993,068	107,024
Total assets	\$ 3,256,547,071	\$ 1,288,126,895	\$ 4,544,673,966	\$ 1,226,397,120	\$ 938,757
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 10,596,633	\$ 7,395,318	\$ 17,991,951	\$ 14,406,512	\$ 129
Accrued expenses	—	—	—	22,887,896	217
Claims payable, including IBNR	12,390,992	—	12,390,992	9,299,687	—
Accrued interest payable	4,081,458	5,098,403	9,179,861	4,170,695	—
Due to component unit	48,327,886	—	48,327,886	—	—
Deferred revenue	9,598,462	296,686	9,895,148	71,954,432	—
Deferred credits	—	443,737,040	443,737,040	—	—
Liabilities payable from restricted assets	143,535	3,613,781	3,757,316	—	—
Noncurrent liabilities:					
Due within one year	40,042,565	33,965,164	74,007,729	28,745,000	—
Due in more than one year	529,851,846	374,169,834	904,021,680	554,480,000	—
Total liabilities	655,033,377	868,276,226	1,523,309,603	705,944,222	346
Net assets (deficit):					
Invested in capital assets, net of related debt	2,491,806,336	277,360,904	2,769,167,240	347,683,735	107,024
Restricted for:					
Debt service	39,544,218	39,284,761	78,828,979	17,791,262	—
Cultural and recreation	—	—	—	—	—
Maintenance and operations	—	524,363	524,363	—	—
Acquisition and construction	20,949,927	27,887,567	48,837,494	—	—
Grant activity	19,027,354	—	19,027,354	—	—
Heritage Land Bank	5,981,641	—	5,981,641	—	—
Other purposes	—	—	—	—	—
Perpetual care:					
Nonexpendable	256,622	—	256,622	—	—
Expendable	—	—	—	—	—
MOA Trust:					
Nonexpendable	118,304,677	—	118,304,677	—	—
Expendable	6,600,000	—	6,600,000	—	—
Unrestricted	(100,957,081)	74,793,074	(26,164,007)	154,977,901	831,387
Net assets	2,601,513,694	419,850,669	3,021,364,363	520,452,898	938,411
Total liabilities and net assets	\$ 3,256,547,071	\$ 1,288,126,895	\$ 4,544,673,966	\$ 1,226,397,120	\$ 938,757

See accompanying notes to financial statements.

Total Reporting Entity

December 31, 2003	December 31, 2002
\$ 4,898,625	\$ 4,508,156
209,217,808	228,507,434
204,116,305	318,496,251
2,390,091	3,221,032
115,189,761	99,430,306
72,491,829	71,527,546
587,093	180,578
—	—
20,299,607	21,167,634
16,214,690	2,891,543
463,496	675,789
3,674,614	4,164,181
128,667,213	108,874,281
1,807,310	1,908,293
524,363	—
29,067,931	23,227,369
7,126,426	7,033,451
41,068,381	43,075,479
713,273	746,019
35,360,912	42,059,786
65,732	786,351
18,951,238	25,473,828
2,901,428,978	2,862,495,702
1,957,684,167	1,896,965,591
<u>\$ 5,772,009,843</u>	<u>\$ 5,767,416,600</u>

\$ 32,398,592	\$ 35,421,162
22,888,113	21,968,600
21,690,679	21,311,459
13,350,556	13,148,947
48,327,886	47,651,527
81,849,580	81,019,760
443,737,040	410,592,468
3,757,316	3,386,902
102,752,729	95,949,434
<u>1,458,501,680</u>	<u>1,499,662,002</u>
<u>2,229,254,171</u>	<u>2,230,112,261</u>

3,116,957,999	2,992,126,650
96,620,241	88,704,222
—	35,530
524,363	1,655,871
48,837,494	136,407,781
19,027,354	21,464,868
5,981,641	—
—	4,621,317
256,622	194,600
—	48,890
118,304,677	98,488,984
6,600,000	6,800,000
129,645,281	186,755,626
<u>3,542,755,672</u>	<u>3,537,304,339</u>
<u>\$ 5,772,009,843</u>	<u>\$ 5,767,416,600</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Activities

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 32,474,401	\$ 11,628,477	\$ 7,213,467	\$ —
Fire services	48,198,463	4,827,098	4,287,445	882,068
Police services	61,282,774	9,372,528	1,525,890	—
Health and human services	30,287,357	3,600,320	17,318,554	111,656
Cultural and recreation services	33,140,965	3,252,157	125,175	1,269,446
Public transportation	17,611,333	2,494,514	2,002,581	1,896,706
Planning, development and public works	184,797,027	11,430,058	11,036,109	5,774,959
Education	144,095,089	—	—	—
Maintenance and operations	27,312,986	1,890,571	789,888	1,779,994
Interest on long-term debt	20,075,030	—	—	—
Total governmental activities	<u>599,275,425</u>	<u>48,495,723</u>	<u>44,299,109</u>	<u>11,714,829</u>
Business-type activities:				
Water	27,353,319	28,773,495	—	1,591,402
Wastewater	21,222,484	24,489,897	—	698,091
Electric	83,461,874	90,100,903	—	—
Port	7,394,998	9,109,782	—	—
Municipal Airport	2,040,292	927,573	—	1,561,780
Solid Waste	12,883,742	15,502,159	—	45,760
Refuse	5,669,170	5,603,363	—	—
Parking Authority	4,619,659	4,347,489	—	—
Performing Arts Center	1,793,186	679,303	152,806	—
Total business-type activities	<u>166,438,724</u>	<u>179,533,964</u>	<u>152,806</u>	<u>3,897,033</u>
Total primary government	<u>\$ 765,714,149</u>	<u>\$ 228,029,687</u>	<u>\$ 44,451,915</u>	<u>\$ 15,611,862</u>
Component Units:				
Anchorage School District	\$ 450,770,826	\$ 6,793,468	\$ 64,714,837	\$ 27,294,178
Anchorage Historic Properties	170,037	4,296	—	—
Totals -- Component Units	<u>\$ 450,940,863</u>	<u>\$ 6,797,764</u>	<u>\$ 64,714,837</u>	<u>\$ 27,294,178</u>

General revenues:

- Property taxes
- Motor vehicle taxes
- Lodging taxes
- Tobacco taxes
- Utility service assessment taxes
- Grants and entitlements not restricted to specific programs
- Gain (loss) on sale of capital assets
- Appropriation from Municipality of Anchorage
- Investment earnings
- Land sales
- Other

Special item:

- Regulatory Adjustment

Transfers

Total general revenues, special item, and other transfers

Change in net assets

Net assets, beginning of year, as previously reported

Add adjustment for retroactive capitalization of infrastructure assets under GASB 34

Net assets, beginning of year, as restated

Net assets, end of year

See accompanying notes to financial statements.

Net (Expense), Revenue and Changes in Net Assets

Primary Government			Component Units		Total Reporting Entity	
Governmental Activities	Business-Type Activities	Total	Anchorage School District	Anchorage Historic Properties	2003	2002
\$ (13,632,457)	\$ —	\$ (13,632,457)	\$ —	\$ —	\$ (13,632,457)	\$ (16,567,252)
(38,201,852)	—	(38,201,852)	—	—	(38,201,852)	(43,441,165)
(50,384,356)	—	(50,384,356)	—	—	(50,384,356)	(57,405,540)
(9,256,827)	—	(9,256,827)	—	—	(9,256,827)	(9,934,270)
(28,494,187)	—	(28,494,187)	—	—	(28,494,187)	(29,699,574)
(11,217,532)	—	(11,217,532)	—	—	(11,217,532)	(11,362,787)
(156,555,901)	—	(156,555,901)	—	—	(156,555,901)	9,972,680
(144,095,089)	—	(144,095,089)	—	—	(144,095,089)	(142,419,697)
(22,852,533)	—	(22,852,533)	—	—	(22,852,533)	(21,084,049)
(20,075,030)	—	(20,075,030)	—	—	(20,075,030)	(19,411,686)
(494,765,764)	—	(494,765,764)	—	—	(494,765,764)	(341,353,340)
—	3,011,578	3,011,578	—	—	3,011,578	3,221,460
—	3,965,504	3,965,504	—	—	3,965,504	5,241,690
—	6,639,029	6,639,029	—	—	6,639,029	3,858,298
—	1,714,784	1,714,784	—	—	1,714,784	1,708,076
—	449,061	449,061	—	—	449,061	1,469,626
—	2,664,177	2,664,177	—	—	2,664,177	3,188,987
—	(65,807)	(65,807)	—	—	(65,807)	(45,972)
—	(272,170)	(272,170)	—	—	(272,170)	(28,479)
—	(961,077)	(961,077)	—	—	(961,077)	(914,748)
—	17,145,079	17,145,079	—	—	17,145,079	17,698,938
\$ (494,765,764)	\$ 17,145,079	\$ (477,620,685)	\$ —	\$ —	\$ (477,620,685)	\$ (323,654,402)
			\$ (351,968,343)	\$ —	\$ (351,968,343)	\$ (379,715,230)
			—	(165,741)	(165,741)	(135,232)
			\$ (351,968,343)	\$ (165,741)	\$ (352,134,084)	\$ (379,850,462)
311,917,530	—	311,917,530	—	—	311,917,530	292,396,169
9,617,492	—	9,617,492	—	—	9,617,492	10,123,166
10,287,972	—	10,287,972	—	—	10,287,972	11,007,248
4,734,327	—	4,734,327	—	—	4,734,327	5,349,091
6,608,739	—	6,608,739	—	—	6,608,739	6,570,767
—	—	—	219,226,948	—	219,226,948	240,713,587
858,959	43,121	902,080	—	—	902,080	178,460
—	—	—	142,954,582	—	142,954,582	135,521,074
30,409,566	1,934,832	32,344,398	3,531,249	86,137	35,961,784	3,206,495
—	—	—	—	—	—	1,363,556
—	—	—	1,935,482	42,755	1,978,237	(455,334)
—	6,695,054	6,695,054	—	—	6,695,054	(5,968,283)
1,603,773	(1,603,773)	—	—	—	—	—
376,038,358	7,069,234	383,107,592	367,648,261	128,892	750,884,745	700,005,996
(118,727,406)	24,214,313	(94,513,093)	15,679,918	(36,849)	(78,870,024)	(3,498,868)
2,635,919,743	395,636,356	3,031,556,099	504,772,980	975,260	3,537,304,339	3,540,803,207
84,321,357	—	84,321,357	—	—	84,321,357	—
2,720,241,100	395,636,356	3,115,877,456	504,772,980	975,260	3,621,625,696	3,540,803,207
\$ 2,601,513,694	\$ 419,850,669	\$ 3,021,364,363	\$ 520,452,898	\$ 938,411	\$ 3,542,755,672	\$ 3,537,304,339

MUNICIPALITY OF ANCHORAGE, ALASKA

Balance Sheet
Governmental Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

Assets	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				December 31, 2003	December 31, 2002
Cash	\$ —	\$ —	\$ 12,623	\$ 12,623	\$ 8,108
Cash in central treasury	81,995,804	—	43,042,562	125,038,366	128,027,886
Investments	2,000	—	25,409,080	25,411,080	31,374,399
Due from other funds	493,847	—	31,418,886	31,912,733	31,914,175
Receivables (net of allowance for uncollectibles)	73,947,165	—	5,374,419	79,321,584	80,814,013
Interest receivable	—	—	14	14	65,397
Special assessments receivable	1,251,462	—	723,530	1,974,992	2,699,562
Due from component units	587,093	—	—	587,093	180,578
Inventories	671,043	—	—	671,043	608,850
Prepaid items and deposits	228,856	—	8,171	237,027	56,243
Restricted assets:					
Cash in central treasury	—	—	256,622	256,622	302,926
Investments	—	124,622,920	4,044,293	128,667,213	108,874,281
Intergovernmental receivables	1,085,035	—	12,118,620	13,203,655	20,475,033
Interest receivables	—	423,196	—	423,196	413,890
Loans receivables, net	30,800	—	—	30,800	748,900
Advances to other funds	646,859	—	—	646,859	2,236,589
Total assets	\$ 160,939,964	\$ 125,046,116	\$ 122,408,820	\$ 408,394,900	\$ 408,800,830
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and retainages	\$ 5,095,295	\$ —	\$ 4,658,725	\$ 9,754,020	\$ 12,711,774
Due to other funds	36,032	23,233	1,408,647	1,467,912	2,244,070
Due to component unit	48,327,886	—	—	48,327,886	47,651,527
Deferred revenue and deposits	66,185,270	—	3,917,557	70,102,827	73,348,586
Liabilities payable from restricted assets	—	118,206	—	118,206	72,154
Total liabilities	119,644,483	141,439	9,984,929	129,770,851	136,028,111
Fund balances:					
Reserved:					
Encumbrances	4,288,370	—	24,699,770	28,988,140	26,741,796
Inventories	671,043	—	—	671,043	608,850
Prepaid items and deposits	228,856	—	8,171	237,027	54,584
Long-term loans	646,858	—	5,593,357	6,240,215	8,208,444
Perpetual care	—	—	256,622	256,622	243,490
MOA trust	—	124,904,677	—	124,904,677	105,288,984
Debt service	—	—	42,717,015	42,717,015	41,517,077
Unreserved, reported in:					
General fund	35,460,354	—	—	35,460,354	35,284,005
Special revenue funds	—	—	16,010,905	16,010,905	16,760,953
Capital projects funds	—	—	23,138,051	23,138,051	38,064,536
Total fund balances	41,295,481	124,904,677	112,423,891	278,624,049	272,772,719
Total liabilities and fund balances	\$ 160,939,964	\$ 125,046,116	\$ 122,408,820	\$ 408,394,900	\$ 408,800,830

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

December 31, 2003

Amounts reported as fund balance on the governmental fund balance sheet		\$ 278,624,049
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,800,096,469
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	\$ 57,943,112	
Property taxes	5,443,140	
Deferred charges	2,262,985	
		65,649,237
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.		30,087,926
Long term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore not reported in the funds:		
General obligation bonds	(334,678,100)	
Revenue bonds	(56,610,000)	
Special assessment bonds	(895,000)	
Certificates of participation	(9,615,000)	
Notes and contracts	(403,989)	
Compensated absences	(12,742,605)	
Police and fire post employment health care benefits liability	(153,919,710)	
Accrued interest payable	(4,079,583)	
		(572,943,987)
Net assets of governmental activities		\$ 2,601,513,694

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	General	MOA Trust	Other Governmental Funds	Total Governmental Funds	
				2003	2002
Revenues:					
Taxes	\$ 344,146,857	\$ —	\$ —	\$ 344,146,857	\$ 324,217,752
Special assessments	555,280	—	742,564	1,297,844	1,284,172
Licenses and permits	11,568,910	—	—	11,568,910	10,743,088
Intergovernmental	8,830,825	—	47,183,113	56,013,938	69,971,256
Charges for services	16,383,270	—	5,900,639	22,283,909	21,797,570
Fines and forfeitures	5,735,924	—	353,064	6,088,988	5,235,801
Investment income	830,798	21,775,800	4,309,209	26,915,807	(8,256,977)
Restricted contributions	52,450	—	—	52,450	260,530
Other	1,703,106	—	1,987,077	3,690,183	3,912,262
Total revenues	389,807,420	21,775,800	60,475,666	472,058,886	429,165,454
Expenditures:					
Current:					
General government	20,581,819	567,486	1,812,461	22,961,766	31,171,319
Fire services	43,479,763	—	2,475,584	45,955,347	44,726,659
Police services	57,624,752	—	2,532,918	60,157,670	57,980,046
Health and human services	11,920,108	—	17,921,841	29,841,949	35,628,099
Cultural and recreation services	23,405,579	—	430,742	23,836,321	23,692,791
Public transportation	13,292,077	—	2,058,820	15,350,897	14,886,117
Planning, development, and public works	19,408,556	—	10,423,584	29,832,140	19,887,224
Education	144,035,890	—	59,199	144,095,089	142,419,697
Maintenance and operations	26,892,534	—	—	26,892,534	23,844,750
Debt service:					
Principal	20,786,483	—	5,005,000	25,791,483	24,505,708
Interest	15,346,464	—	3,880,780	19,227,244	20,751,022
Bond issuance costs	—	—	444,379	444,379	1,137,292
Capital outlay	—	—	59,954,574	59,954,574	45,875,719
Total expenditures	396,774,025	567,486	106,999,882	504,341,393	486,506,443
Excess (deficiency) of revenues over expenditures	(6,966,605)	21,208,314	(46,524,216)	(32,282,507)	(57,340,989)
Other financing sources (uses):					
Transfers in – from other funds	11,881,098	5,207,379	5,558,399	22,646,876	16,691,306
Transfers out – to other funds	(6,481,534)	(6,800,000)	(9,872,481)	(23,154,015)	(19,307,735)
General obligation bonds issued	—	—	35,000,000	35,000,000	54,365,000
Refunding bonds issued	—	—	—	—	72,735,000
Premium on bond sale	269,913	—	444,379	714,292	6,042,090
Payment to refunded bond escrow agent to extinguish debt	—	—	—	—	(71,935,000)
Payment to refunded bond escrow agent	—	—	—	—	(3,292,604)
Sale of capital assets	80,000	—	2,846,684	2,926,684	1,363,556
Total other financing sources (uses)	5,749,477	(1,592,621)	33,976,981	38,133,837	56,661,613
Net change in fund balances	(1,217,128)	19,615,693	(12,547,235)	5,851,330	(679,376)
Fund balances beginning of year as previously reported	42,512,609	105,288,984	124,971,126	272,772,719	267,715,963
Add adjustment for the cumulative effect of the adoption of GASB Interpretation No. 6	—	—	—	—	5,736,132
Fund balances, beginning of year, as adjusted	42,512,609	105,288,984	124,971,126	272,772,719	273,452,095
Fund balances, end of year	\$ 41,295,481	\$ 124,904,677	\$ 112,423,891	\$ 278,624,049	\$ 272,772,719

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year ended December 31, 2003

Net change in fund balance – total governmental funds		\$ 5,851,330
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	\$ 59,954,574	
Depreciation expense	(18,052,127)	
Reversal of capital outlay determined to be expensed under modified approach	(154,483,458)	
Equipment purchases expensed in fund statements	2,794,909	(109,786,102)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
		(2,052,820)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:		
Property taxes	(980,797)	
Jail lease receivable, net activity	(2,005,937)	(2,986,734)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
New issuance of general obligation bonds	(35,000,000)	
Principal repayment	25,791,483	
Net activity of premium discount, issuance, and interest of issued debt	(839,471)	(10,047,988)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(761,634)
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.		
		1,056,542
Change in net assets of governmental activities		\$ (118,727,406)

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets
Proprietary Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

Business-type Activities – Enterprise Funds					
Assets	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Current assets:					
Cash	\$ 1,600	\$ —	\$ —	\$ 3,999,634	\$ 4,001,234
Cash in central treasury	14,570,185	9,341,421	6,468,578	31,866,696	62,246,880
Due from other funds	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	25,385,199	2,477,225	1,503,722	2,498,103	31,864,249
Interest receivable	257,856	65,193	109,510	302,680	735,239
Current portion of lease receivable	—	—	—	416,691	416,691
Inventories	15,291,416	1,434,437	—	—	16,725,853
Prepaid items and deposits	—	—	—	97,541	97,541
Special assessments receivable	—	94,966	106,943	—	201,909
Unbilled reimbursable work orders	69,133	282,827	171,753	—	523,713
Deferred charges and other assets	463,496	—	—	—	463,496
Total current assets	56,038,885	13,696,069	8,360,506	39,181,345	117,276,805
Restricted assets:					
Cash in central treasury	3,674,614	—	—	—	3,674,614
Customer deposits	1,020,805	420,715	365,790	—	1,807,310
Restricted deposits	—	—	—	524,363	524,363
Receivables	—	226,467	34,178	29,432	290,077
Bond and acquisition and construction accounts	—	—	—	29,067,931	29,067,931
Revenue bond operations and maintenance accounts	6,389,554	—	—	736,872	7,126,426
Debt service accounts	31,952,071	7,823,820	—	1,292,490	41,068,381
Total restricted assets	43,037,044	8,471,002	399,968	31,651,088	83,559,102
Noncurrent assets:					
Loans receivables, net	—	—	—	34,932	34,932
Advances to other funds	—	—	—	—	—
Deferred charges and other assets	8,966,602	1,032,803	1,953,634	1,839,334	13,792,373
Capital assets, net	283,445,971	371,320,635	265,096,313	173,581,860	1,093,444,779
Total noncurrent assets	292,412,573	372,353,438	267,049,947	175,456,126	1,107,272,084
Total assets	\$ 391,488,502	\$ 394,520,509	\$ 275,810,421	\$ 246,288,559	\$ 1,308,107,991

See accompanying notes to financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	December 31, 2003	December 31, 2002
\$ —	\$ 4,001,234	\$ 3,692,790
14,488,018	76,734,898	100,479,548
908,019	908,019	8,966,967
1,639	31,865,888	13,330,127
—	735,239	1,164,902
—	416,691	377,770
380,062	17,105,915	17,898,498
424,322	521,863	1,009,725
—	201,909	126,014
—	523,713	617,792
—	463,496	675,789
<u>16,202,060</u>	<u>133,478,865</u>	<u>148,339,922</u>
—	3,674,614	3,861,255
—	1,807,310	1,908,293
—	524,363	—
—	290,077	332,129
7,187,922	36,255,853	23,227,369
—	7,126,426	7,033,451
—	41,068,381	43,075,479
<u>7,187,922</u>	<u>90,747,024</u>	<u>79,437,976</u>
—	34,932	37,451
6,734,166	6,734,166	—
—	13,792,373	19,513,736
34,556,138	1,128,000,917	1,090,965,035
<u>41,290,304</u>	<u>1,148,562,388</u>	<u>1,110,516,222</u>
<u>\$ 64,680,286</u>	<u>\$ 1,372,788,277</u>	<u>\$ 1,338,294,120</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets
Proprietary Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

Liabilities and Net Assets	Business-type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Current liabilities:					
Accounts payable and retainages	\$ 5,721,001	\$ 367,528	\$ 289,510	\$ 1,017,279	\$ 7,395,318
Compensated absences payable	1,523,173	876,455	876,455	557,169	3,833,252
Claims payable	—	—	—	—	—
Claims incurred but not reported	—	—	—	—	—
Due to other funds	—	7,933,945	11,891,841	375,071	20,200,857
Accrued interest payable	1,780,503	2,200,339	580,798	536,763	5,098,403
Long-term obligations maturing within one year	12,830,000	5,266,147	7,023,595	5,012,170	30,131,912
Deferred revenue and deposits	—	—	—	296,686	296,686
Deferred credits and other liabilities	3,899,913	—	—	138,996	4,038,909
Total current liabilities	25,754,590	16,644,414	20,662,199	7,934,134	70,995,337
Current liabilities payable from restricted assets:					
Customer deposits payable	1,020,805	420,715	365,790	35,594	1,842,904
Capital acquisition and construction accounts and retainage payable	—	939,305	762,983	68,589	1,770,877
Total current liabilities payable from restricted assets	1,020,805	1,360,020	1,128,773	104,183	3,613,781
Noncurrent liabilities:					
General obligation bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	—	10,994,280	4,654,964	15,649,244
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	221,234,979	78,750,800	4,610,448	4,027,842	308,624,069
Special assessment bonds payable (net of unamortized discounts)	—	257,856	46,330	—	304,186
Due to other funds	—	—	—	—	—
Alaska clean water loan payable	—	13,950,886	22,655,962	12,687,273	49,294,121
Other loans and contracts payable	—	—	—	—	—
Deferred revenue	—	—	—	—	—
Compensated absences payable	—	149,107	149,107	—	298,214
Total noncurrent liabilities	221,234,979	93,108,649	38,456,127	21,370,079	374,169,834
Deferred credits and other liabilities:					
Future landfill closure costs	—	—	—	10,324,632	10,324,632
Other deferred credits	17,316,835	—	—	—	17,316,835
Contributed capital	13,225,964	223,813,565	175,017,135	—	412,056,664
Total deferred credits and other liabilities	30,542,799	223,813,565	175,017,135	10,324,632	439,698,131
Total liabilities	278,553,173	334,926,648	235,264,234	39,733,028	888,477,083
Net assets:					
Invested in capital assets, net of related debt	36,155,028	49,281,381	44,724,884	147,199,611	277,360,904
Restricted for debt service	31,952,071	5,849,948	(546,620)	2,029,362	39,284,761
Restricted for operations and maintenance	—	—	—	524,363	524,363
Restricted for acquisition and construction	50,030	—	—	27,837,537	27,887,567
Unrestricted	44,778,200	4,462,532	(3,632,077)	28,964,658	74,573,313
Total net assets	112,935,329	59,593,861	40,546,187	206,555,531	419,630,908
Total liabilities and net assets	\$ 391,488,502	\$ 394,520,509	\$ 275,810,421	\$ 246,288,559	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					219,761
Net assets of business-type activities					\$ 419,850,669

See accompanying notes to financial statements.

Governmental Activities – Internal Service Funds	Total proprietary funds	
	December 31, 2003	December 31, 2002
\$ 476,429	\$ 7,871,747	\$ 11,536,888
622,725	4,455,977	4,257,972
6,567,269	6,567,269	8,074,931
5,961,115	5,961,115	5,087,930
11,001,409	31,202,266	30,700,263
1,875	5,100,278	5,447,967
331,284	30,463,196	29,073,844
42,867	339,553	224,988
---	4,038,909	386,755
25,004,973	96,000,310	94,791,538
---	1,842,904	1,756,548
143,535	1,914,412	1,630,354
143,535	3,757,316	3,386,902
---	15,649,244	23,061,573
---	308,624,069	325,124,447
---	304,186	397,442
7,642,185	7,642,185	10,173,398
---	49,294,121	45,738,661
75,998	75,998	407,282
1,505,908	1,505,908	---
---	298,214	339,424
9,224,091	383,393,925	405,242,227
---	10,324,632	9,557,559
---	17,316,835	---
---	412,056,664	400,648,154
---	439,698,131	410,205,713
34,372,599	922,849,682	913,626,380
26,506,671	303,867,575	250,739,825
---	39,284,761	34,403,647
---	524,363	1,430,871
---	27,887,567	23,237,945
3,801,016	78,374,329	114,855,452
30,307,687	449,938,595	424,667,740
\$ 64,680,286		\$ 1,338,294,120

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	Business-type Activities – Enterprise Funds				
	Electric Utility	Water Utility	Wastewater Utility	Other Enterprise Funds	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 81,432,344	\$ 26,635,289	\$ 24,129,170	\$ 32,612,459	\$ 164,809,262
Other	8,662,216	3,700,205	1,058,818	3,530,147	16,951,386
Total operating revenues	<u>90,094,560</u>	<u>30,335,494</u>	<u>25,187,988</u>	<u>36,142,606</u>	<u>181,760,648</u>
Operating expenses:					
Operations	50,565,949	15,449,834	14,717,225	21,864,505	102,597,513
Municipal service assessment taxes	1,999,681	1,893,335	1,174,972	1,540,369	6,608,357
Amortization of future landfill closure costs	—	—	—	767,073	767,073
Depreciation	15,122,738	4,552,518	3,993,579	8,814,755	32,483,590
Total operating expenses	<u>67,688,368</u>	<u>21,895,687</u>	<u>19,885,776</u>	<u>32,986,702</u>	<u>142,456,533</u>
Operating income	<u>22,406,192</u>	<u>8,439,807</u>	<u>5,302,212</u>	<u>3,155,904</u>	<u>39,304,115</u>
Nonoperating revenues (expenses):					
Investment income	767,243	237,349	130,061	800,179	1,934,832
Other revenues	6,343	29,403	—	225,629	261,375
Intergovernmental revenue	—	—	—	1,561,780	1,561,780
Interest expense	(15,399,140)	(5,480,033)	(1,548,549)	(1,262,698)	(23,690,420)
Allowance for funds used during construction	307,850	793,372	611,800	—	1,713,022
Gain on disposition of assets	—	—	—	43,121	43,121
Amortization of deferred charges	(282,853)	(799,978)	(428,967)	(56,227)	(1,568,025)
Other expenses	(449,906)	—	—	—	(449,906)
Net nonoperating revenues (expenses)	<u>(15,050,463)</u>	<u>(5,219,887)</u>	<u>(1,235,655)</u>	<u>1,311,784</u>	<u>(20,194,221)</u>
Income before capital contributions, special item and transfers	<u>7,355,729</u>	<u>3,219,920</u>	<u>4,066,557</u>	<u>4,467,688</u>	<u>19,109,894</u>
Capital contributions	—	—	—	(107,963)	(107,963)
Special item – regulatory adjustment	6,695,054	—	—	—	6,695,054
Transfers in	—	—	—	1,148,500	1,148,500
Transfers out	—	—	—	(2,752,273)	(2,752,273)
Change in net assets	<u>14,050,783</u>	<u>3,219,920</u>	<u>4,066,557</u>	<u>2,755,952</u>	<u>24,093,212</u>
Total net assets – beginning	<u>98,884,546</u>	<u>56,373,941</u>	<u>36,479,630</u>	<u>203,799,579</u>	
Total net assets – ending	<u>\$ 112,935,329</u>	<u>\$ 59,593,861</u>	<u>\$ 40,546,187</u>	<u>\$ 206,555,531</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					121,100
Change in net assets of business-type activities					<u>\$ 24,214,312</u>

See accompanying notes to financial statements.

Governmental Activities – Internal Service Funds	Total Proprietary Funds	
	2003	2002
\$ 36,433,073	\$ 201,242,335	\$ 197,528,551
145,986	17,097,372	12,195,250
<u>36,579,059</u>	<u>218,339,707</u>	<u>209,723,801</u>
30,217,091	132,814,604	125,717,262
—	6,608,357	5,784,615
—	767,073	792,349
<u>6,299,359</u>	<u>38,782,949</u>	<u>38,669,853</u>
<u>36,516,450</u>	<u>178,972,983</u>	<u>170,964,079</u>
<u>62,609</u>	<u>39,366,724</u>	<u>38,759,722</u>
286,102	2,220,934	4,337,708
316,694	578,069	580,400
—	1,561,780	—
<u>(278,228)</u>	<u>(23,968,648)</u>	<u>(24,949,060)</u>
—	1,713,022	1,485,561
—	43,121	178,460
—	(1,568,025)	(1,588,709)
—	(449,906)	(308,523)
<u>324,568</u>	<u>(19,869,653)</u>	<u>(20,264,163)</u>
387,177	19,497,071	18,495,559
—	(107,963)	2,241,627
—	6,695,054	(5,968,283)
2,751,000	3,899,500	2,202,161
<u>(1,960,535)</u>	<u>(4,712,808)</u>	<u>(702,722)</u>
<u>1,177,642</u>	<u>25,270,854</u>	<u>16,268,342</u>
<u>29,130,045</u>	<u>424,667,740</u>	<u>408,399,398</u>
<u>\$ 30,307,687</u>	<u>\$ 449,938,594</u>	<u>\$ 424,667,740</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows
Proprietary Funds

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	Business-type Activities – Enterprise Funds		
	Electric Utility	Water Utility	Wastewater Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 91,111,149	\$ 30,325,568	\$ 25,456,719
Payments to employees	(16,839,002)	(9,166,722)	(8,852,934)
Payments to vendors	(39,555,704)	(8,184,104)	(7,308,855)
Net cash provided by operating activities	<u>34,716,443</u>	<u>12,974,742</u>	<u>9,294,930</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	—	—	—
Transfers from other funds	—	—	—
Other noncapital receipts	6,343	29,403	—
Other noncapital payments to vendors	(449,906)	—	—
Net cash provided (used) by noncapital and related financing activities	<u>(443,563)</u>	<u>29,403</u>	<u>—</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of long-term obligations	—	—	—
Principal payments on long-term obligations	(11,815,000)	(4,485,000)	(5,775,000)
Loan proceeds from central treasury	—	—	—
Loan payments to central treasury	—	(58,481)	(1,149,771)
Interest payments on long-term obligations	(13,483,799)	(5,544,329)	(1,680,726)
Acquisition and construction of capital assets	(16,257,974)	(11,714,209)	(10,990,883)
Proceeds from disposition of capital assets	49,973	—	—
Intergovernmental revenue received	—	—	—
Capital contributions – customers	406,628	452,608	725,096
Capital contributions – intergovernmental	32,575	1,593,796	698,090
Proceeds from Alaska Clean Water loans	—	964,009	5,126,956
Principal payments on Alaska Clean Water loans	—	(614,888)	(1,198,490)
Net cash used by capital and related financing activities	<u>(41,067,597)</u>	<u>(19,406,494)</u>	<u>(14,244,728)</u>
Cash flows from investing activities:			
Proceeds from sales and maturity of investments	—	2,731,018	130,935
Proceeds from investment in direct financing leases	—	—	—
Purchase of investments	(882,698)	—	—
Investment income received	980,161	357,261	139,529
Net cash provided (used) by investing activities	<u>97,463</u>	<u>3,088,279</u>	<u>270,464</u>
Net increase (decrease) in cash	<u>(6,697,254)</u>	<u>(3,314,070)</u>	<u>(4,679,334)</u>
Cash, beginning of year	<u>22,289,844</u>	<u>13,076,206</u>	<u>11,513,702</u>
Cash, end of year	<u>\$ 15,592,590</u>	<u>\$ 9,762,136</u>	<u>\$ 6,834,368</u>
Cash	\$ 1,600	\$ —	\$ —
Cash in central treasury	14,570,185	9,341,421	6,468,578
Customer deposits	1,020,805	420,715	365,790
Cash, December 31	<u>\$ 15,592,590</u>	<u>\$ 9,762,136</u>	<u>\$ 6,834,368</u>

See accompanying notes to financial statements.

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities – Internal Service Funds	Total Proprietary Funds	
			2003	2002
\$ 40,029,569 (11,633,454) (16,018,781)	\$ 186,923,005 (46,492,112) (71,067,444)	\$ 36,837,405 (8,221,028) (19,676,487)	\$ 223,760,410 (54,713,140) (90,743,931)	\$ 220,560,858 (52,591,555) (98,604,058)
12,377,334	69,363,449	8,939,890	78,303,339	69,365,245
(2,643,053) 1,148,500 486,134 —	(2,643,053) 1,148,500 521,880 (449,906)	(1,960,535) 2,751,000 1,424,543 —	(4,603,588) 3,899,500 1,946,423 (449,906)	(702,722) 2,202,161 237,753 —
(1,008,419)	(1,422,579)	2,215,008	792,429	1,737,192
— (4,230,330) — — (1,218,394) (9,910,764) 51,034 1,706,059 (213,759) — — —	— (26,305,330) — (1,208,252) (21,927,248) (48,873,830) 101,007 1,706,059 1,370,573 2,324,461 6,090,965 (1,813,378)	— (3,227,226) — — (283,044) (6,721,405) 318,477 — — — — —	— (29,532,556) — (1,208,252) (22,210,292) (55,595,235) 419,484 1,706,059 1,370,573 2,324,461 6,090,965 (1,813,378)	505,139 (28,372,028) 21,034,038 — (23,815,855) (66,107,298) 639,335 9,861,385 5,760,107 1,746,672 3,453,126 —
(13,816,154)	(88,534,973)	(9,913,198)	(98,448,171)	(75,295,379)
— 229,507 — 852,826	2,861,953 229,507 (882,698) 2,329,777	— — — 288,733	2,861,953 229,507 (882,698) 2,618,510	(3,698,333) — (3,594,539) 3,841,323
1,082,333	4,538,539	288,733	4,827,272	(3,451,549)
(1,364,906)	(16,055,564)	1,530,433	(14,525,131)	(7,644,491)
37,231,236	84,110,988	12,957,585	97,068,573	104,713,064
\$ 35,866,330	\$ 68,055,424	\$ 14,488,018	\$ 82,543,442	\$ 97,068,573
\$ 3,999,634 31,866,696 —	\$ 4,001,234 62,246,880 1,807,310	\$ — 14,488,018 —	\$ 4,001,234 76,734,898 1,807,310	\$ 3,692,790 91,639,518 1,736,265
\$ 35,866,330	\$ 68,055,424	\$ 14,488,018	\$ 82,543,442	\$ 97,068,573

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows
Proprietary Funds

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Reconciliation of change in net assets to net cash provided by operating activities:			
Operating income	\$ 22,406,192	\$ 8,439,807	\$ 5,302,212
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	15,122,738	4,552,518	3,993,579
Amortization of future landfill closure costs	—	—	—
Allowance for uncollectible accounts	(11,584)	14,319	9,733
Changes in assets and liabilities which increase (decrease) cash:			
Accounts receivable	(18,617,006)	(516,358)	448,029
Notes receivable	—	—	—
Unbilled reimbursable work orders	(54,759)	114,493	34,346
Prepaid items and deposits	—	—	—
Inventories	1,015,221	(228,995)	—
Customer deposits	(13,586)	(42,608)	36,341
Deferred charges and other assets	(3,172,121)	3,475	(53,418)
Accounts payable and retainages	753,444	579,260	(319,749)
Due to other funds	—	—	—
Accrued interest payable	—	—	—
Claims payable	—	—	—
Deferred credits and other liabilities	17,102,394	—	(214,974)
Deferred revenue and deposits	—	—	—
Compensated absences payable	185,510	58,831	58,831
Total cash provided by operating activities	<u>\$ 34,716,443</u>	<u>\$ 12,974,742</u>	<u>\$ 9,294,930</u>
Noncash investing, capital, and financing activities:			
Capital purchases on account	\$ —	\$ 939,305	\$ 762,983
Deferred refunding loss	—	—	—
Contributed equipment	881,838	2,864,671	2,299,165
Special item - regulatory deferred asset	(8,502,156)	—	—
Special item - regulatory depletion adjustment	15,197,210	—	—
	<u>\$ 7,576,892</u>	<u>\$ 3,803,976</u>	<u>\$ 3,062,148</u>

See accompanying notes to financial statements.

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities – Internal Service Funds	Total Proprietary Funds	
			2003	2002
\$ 3,155,904	\$ 39,304,115	\$ 62,609	\$ 39,366,724	\$ 38,759,722
8,814,755	32,483,590	6,299,359	38,782,949	38,669,853
767,073	767,073	—	767,073	792,350
—	12,468	—	12,468	(2,231)
(84,481)	(18,769,816)	(1,639)	(18,771,455)	2,803,271
2,397	2,397	—	2,397	2,331
—	94,080	—	94,080	282,472
(42,252)	(42,252)	585,403	543,151	32,033
—	786,226	(51,269)	734,957	(3,679,989)
101,351	81,498	—	81,498	(428,447)
1,171	(3,220,893)	—	(3,220,893)	(5,893,438)
(214,657)	798,298	(403,035)	395,263	(987,834)
—	—	1,695,797	1,695,797	—
—	—	—	—	(11,054)
—	—	(634,477)	(634,477)	1,530,400
(159,207)	16,728,213	1,486,173	18,214,386	(2,123,480)
82,626	82,626	—	82,626	(19,101)
(47,346)	255,826	(99,031)	156,795	(361,613)
<u>\$ 12,377,334</u>	<u>\$ 69,363,449</u>	<u>\$ 8,939,890</u>	<u>\$ 78,303,339</u>	<u>\$ 69,365,245</u>
\$ —	\$ 1,702,288	\$ 143,535	\$ 1,845,823	\$ 101,924
111,246	111,246	—	111,246	140,356
—	6,045,674	—	6,045,674	4,709,369
—	(8,502,156)	—	(8,502,156)	—
—	15,197,210	—	15,197,210	—
<u>\$ 111,246</u>	<u>\$ 14,554,262</u>	<u>\$ 143,535</u>	<u>\$ 14,697,797</u>	<u>\$ 4,951,649</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2003

(With summarized information at December 31, 2002)

Assets	Pension and Other Post Employment Benefit Trust Funds	Employee Benefits Agency Fund	Total Fiduciary Funds	
			December 31, 2003	December 31, 2002
Cash in central treasury	\$ 65,032	\$ 10,721,651	\$ 10,786,683	\$ 9,593,775
Investments	376,339,644	—	376,339,644	326,183,191
Accounts Receivable	—	80,107	80,107	9,974
Due from Other Funds	110,586	—	110,586	—
Contributions receivable	4,710,589	—	4,710,589	—
Capital assets, net	30,667	—	30,667	41,071
Total assets	<u>\$ 381,256,518</u>	<u>\$ 10,801,758</u>	<u>\$ 392,058,276</u>	<u>\$ 335,828,011</u>
Liabilities				
Accounts payable	\$ 91,941	\$ 358,748	\$ 450,689	\$ 295,832
Due to employees	—	6,710,720	6,710,720	5,856,239
Due to employees' retirement systems	—	770,884	770,884	727,071
Payroll liabilities	—	2,961,406	2,961,406	2,749,927
Total liabilities	<u>91,941</u>	<u>10,801,758</u>	<u>10,893,699</u>	<u>9,629,069</u>
Net Assets				
Held in trust for:				
Employees' pension benefits	376,063,680	—	376,063,680	322,161,771
Employees' post employment healthcare benefits	5,100,897	—	5,100,897	4,037,171
Total net assets	<u>\$ 381,164,577</u>	<u>\$ —</u>	<u>\$ 381,164,577</u>	<u>\$ 326,198,942</u>

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Statements of Changes in Fiduciary Net Assets
Fiduciary Funds

Years ended December 31, 2003 and 2002

	Pension and Other Post Employment Benefit Trust Funds	
	2003	2002
Additions:		
Contributions from other funds	\$ 1,320,447	\$ 1,116,990
Contributions	4,710,589	—
Investment income:		
Interest	5,596,750	7,600,684
Dividends	1,298,653	1,699,025
Net increase (decrease) in fair value of investments	66,079,888	(38,877,990)
Less: investments expense	(1,213,398)	(1,300,412)
Total additions (reductions)	<u>77,792,929</u>	<u>(29,761,703)</u>
Deductions:		
Regular benefit payments	21,032,582	19,772,470
Administrative expenses	1,794,712	1,603,533
Total deductions	<u>22,827,294</u>	<u>21,376,003</u>
Change in net assets	54,965,635	(51,137,706)
Net assets – beginning	<u>326,198,942</u>	<u>377,336,648</u>
Net assets – ending	<u>\$ 381,164,577</u>	<u>\$ 326,198,942</u>

See accompanying notes to financial statements.

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MUNICIPALITY OF ANCHORAGE, ALASKA
NOTES TO THE FINANCIAL STATEMENTS

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MUNICIPALITY OF ANCHORAGE

Notes to Basic Financial Statements

December 31, 2003

NOTE 1 Summary of Significant Accounting Policies

(a) Reporting Entity

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

Blended component units. The Anchorage Parking Authority, Inc. (Authority) is a public corporation created to promote adequate parking facilities within Anchorage. Anchorage's Mayor appoints the Authority's board of directors and the Assembly approves debt and the annual budget for municipal contributions. The Alaska Center for Performing Arts, Inc. (ACPA) operates, maintains and promotes the performing arts center, which is owned by the primary government. The ACPA is fiscally dependent upon the primary government because the ACPA must adhere to budget and fiscal provisions of the Anchorage Municipal Charter and Code and the primary government provides a significant subsidy for its annual operations. Both the Authority and ACPA are reported as enterprise funds. Both component units are considered blended because they were created to provide services that almost entirely benefit Anchorage.

Discretely presented component units. The Anchorage School District (School District) is responsible for elementary and secondary education within Anchorage. Members of the School Board are elected by the voters, however, the School District is fiscally dependent upon the primary government because the Assembly approves the total budget of the School District, levies the necessary taxes, and approves the borrowing of money and the issuance of bonds. The School District has a June 30 fiscal year end; therefore, the financial information presented in these financial statements is as of and for the year ended June 30, 2003. Anchorage Historic Properties, Inc. (Historic Properties) administers historic preservation projects. The Assembly approves the annual budget and the financing of historic preservation projects.

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

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

Anchorage Parking Authority, Inc.
700 West 6th Avenue, Suite 206
Anchorage, Alaska 99501

Anchorage Historic Properties, Inc.
645 West 3rd Avenue
Anchorage, Alaska 99501

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

MUNICIPALITY OF ANCHORAGE

Notes to Basic Financial Statements

December 31, 2003

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

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

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

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

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

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

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

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.

MUNICIPALITY OF ANCHORAGE

Notes to Basic Financial Statements

December 31, 2003

Anchorage reports the following major governmental funds:

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

Anchorage reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

Agency Funds only report assets and liabilities, thus they do not have a measurement focus. However, they do use the accrual basis of accounting to recognize receivables and payables.

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

The regulated Electric, Water and Wastewater Utilities (Utilities) follow provisions of Financial Accounting Standards Board Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*. The Utilities' rates are regulated by the Regulatory Commission of Alaska (RCA), and as a result, revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utilities receive contributions in aid of construction which for rate-making purposes are amortized over the life of the respective utility plant

MUNICIPALITY OF ANCHORAGE

Notes to Basic Financial Statements

December 31, 2003

as a reduction of depreciation expense. Consequently, contributions in aid of construction are recorded as a regulatory liability in the accompanying basic financial statements. The Utilities' rates also include an allowance for the cost of funds used during construction (AFUDC), this amount is capitalized in the accompanying financial statements. Associated rate case expenses are amortized over a period of 24 to 60 months.

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

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

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

(d) Assets, Liabilities, and Fund Equity

Cash and Investments

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

Municipal Code (Code) authorizes Anchorage to invest in negotiable certificates of deposit issued by banks rated at least "A" by a nationally recognized rating service or nonnegotiable certificates of deposit of other depository agreements collateralized according to the Code. Anchorage and the School District maintain non-interest bearing deposits of \$8,990,000 (adjusted quarterly) and \$4,002,578, respectively, as compensating balances in return for banking services. Code requires deposits to be collateralized by securities valued at current market value.

The Code further authorizes Anchorage to invest in the following:

- Direct obligations of or obligations insured or guaranteed by the United States of America or agencies thereof;
- Commercial paper with no more than nine-months maturities issued by business organizations having the highest rating of a nationally recognized rating service;
- Banker's acceptances accepted by a rated bank and eligible for rediscount with or purchase by Federal Reserve System banks; and

MUNICIPALITY OF ANCHORAGE

Notes to Basic Financial Statements

December 31, 2003

- Repurchase agreements secured by obligations insured or guaranteed by the United States of America or agencies or instrumentalities thereof.

The Anchorage Parking Authority's bond indenture agreements require that bond monies be invested in the following:

- Direct obligations of or obligations insured or guaranteed by the United States of America or agencies thereof;
- Interest bearing deposits or certificates of deposit if amounts in excess of amounts insured by the Federal Deposit Insurance Corporation are collateralized by obligations of the United States of America, or agencies thereof, State of Alaska, Municipality of Anchorage, or bonds of other states or municipalities in the two highest rating categories;
- Interest bearing notes maturing in six months, or less, issued by a bank with capital in excess of \$200,000,000 and rated in the two highest rating categories by a national rating agency;
- Repurchase agreements fully collateralized; and
- Banker's acceptances, certificates of deposit, and investment agreements of institutions with stated capital and surplus in excess of \$200,000,000 and rated within the two highest rating categories assigned by Standard and Poor's Corporation or Moody's Investors Services, Inc.

Investments at December 31, 2003 are reported at fair value. Investment income on cash pool investments is allocated to the various funds based on their month-end cash pool equity balances. Funds which have negative balances in the cash pools are charged interest; the interest income is allocated to those funds having equity in the cash pools.

Receivables and Payables

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

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 2003, real property taxes were levied on May 2. Real property taxes were payable in two installments on June 15 and August 15, and personal property taxes in two installments on August 31 and October 31. The School District had accrued taxes and deferred revenue of \$71,402,000 for financing half of the 2003-2004 budget as of June 30, 2003. Taxes receivable of \$10,893,946 at

MUNICIPALITY OF ANCHORAGE

Notes to Basic Financial Statements

December 31, 2003

December 31, 2003, include interest and penalties of \$1,385,183 and is net of an allowance for uncollectible property taxes receivable of \$1,955,707. The property taxes receivable allowance is equal to approximately 18% of outstanding property taxes at December 31, 2003.

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, street lights, 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. Although Anchorage holds title to capital assets of the Anchorage School District, the Anchorage School District has the risk and benefits of ownership associated with their capital assets. As such, these capital assets are reported on the Anchorage School District's financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Utilities capitalize interest on construction work in progress in accordance with regulatory requirements. Interest was capitalized in 2003 in the amounts of \$307,850, \$793,372, and \$611,800 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.

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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 on its paved road infrastructure network.

Under this election, Anchorage does not depreciate infrastructure assets that are part of a network or subsystem of a network that meet two specific requirements. First, Anchorage manages the paved road infrastructure network using an asset management system that has certain specified characteristics; second, Anchorage documents that the paved road infrastructure network is being preserved approximately at (or above) a condition level established and disclosed by Anchorage.

Compensated Absences

It is Anchorage's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are due and payable, for example, as a result of employee resignations or retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statements of net assets. Bond premiums, discounts, gains and losses on bond refundings, and issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premiums, discounts, gains and losses on bond refundings. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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

Contributed Capital

The Electric, Water and Wastewater Utilities meet the criteria, and accordingly, follow the accounting and reporting requirements of Financial Accounting Standards Board Statement No. 71,

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Accounting for the Effects of Certain Types of Regulation (SFAS 71). The Utilities rates are regulated by the Regulatory Commission of Alaska, and as a result revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utilities receive contributions in aid of construction, which they record as contributed plant in service and deferred liability. The Utilities amortize contributed plant over the useful life of the utility plant and record amortization as a reduction of the deferred liability. At December 31, 2003, the balances of the Electric, Water and Wastewater Utilities deferred liabilities were \$13,225,964, \$223,813,565, and \$175,017,135 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 use 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. As a result of this cycle billing method, the Utilities do not accrue revenue at the end of any fiscal period for services sold but not billed at such date.

(f) Statement of Cash Flows

For the purposes of the statement of cash flows, Anchorage has defined cash as the demand deposits and all investments maintained in the central treasury (regardless of maturity period), because the funds use the pool essentially as a demand deposit account. Anchorage has excluded the construction investment pool within the central treasury and restricted assets, other than customer deposits, which are not considered demand deposits.

(g) New Accounting and Reporting Standards

Effective January 1, 2002, Anchorage adopted the following new accounting and reporting standards:

- Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments* (Statement No. 34). This statement requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between Anchorage's governmental activities, business-type activities and activities of its discretely presented component units on the statements of net assets and liabilities. Anchorage's statement of net assets includes both noncurrent assets and noncurrent liabilities of Anchorage, which were previously recorded in the General Fixed Asset Account Group and the General Long-term Debt Account Group. In addition to the capital assets previously recorded in the General Fixed Asset Account Group, Anchorage

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retroactively capitalized infrastructure assets for its paved road network in 2002 and for its drainage systems network in 2003. All other general government infrastructure assets have been reported prospectively. The government-wide statement of activities does not reflect depreciation expense on Anchorage's infrastructure paved road network, which has been accounted for using the modified approach. Depreciation expense on Anchorage's drainage system network is reflected in the government-wide statement of activities. No other infrastructure was reported in 2003.

Statement No. 34 also requires the presentation of fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting for Anchorage's General Fund, Debt Service, Special Revenue, Permanent and Capital Projects funds is similar to that previously presented in Anchorage's financial statements, although the format of the financial statements has been modified. This statement also requires as required supplementary information Management's Discussion and Analysis, which includes an analytical overview of Anchorage's financial activities. In addition, a budgetary comparison schedule which compares the originally adopted and final modified General Fund budget with actual results is presented as required supplementary information.

The implementation of GASB Statement No. 34 resulted in a restatement of fund balance at January 1, 2002 (in thousands) as follow:

Total fund balances - governmental funds at December 31, 2001	\$	267,715
Add: Capital Assets, net		2,839,887
Long-term assets not recognized under modified accrual basis		55,520
Cumulative effect of compensated absences prior to Interpretation No. 6		5,736
Less: Long-term liabilities		<u>(512,833)</u>
Net assets of governmental activities at January 1, 2002	\$	<u>2,656,025</u>

- Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. This statement amends Statement No. 34.
- Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement note disclosure requirements in the area of long term obligations, receivable and payable balances and interfund activity, as well as within the summary of significant accounting policies.
- Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial*

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Statements. The interpretation clarifies that liabilities not due and payable on the last day of the fiscal year should not be reported in governmental fund balance sheets. Adoption of this interpretation resulted in a restatement in 2002 of \$5,736,132 in the general fund to reverse the amount of compensated absences that were not due and payable on December 31, 2001 that were previously recorded.

(h) *Reclassifications*

Certain amounts previously reported have been reclassified to conform with the current year's presentation. The reclassification had no effect on previously reported net income.

NOTE 2 Stewardship, Compliance, and Accountability

(a) *Deficit of Individual Funds*

The Jail Bond Debt Service Fund reflects a deficit fund balance of \$7,471. This deficit is expected to be eliminated by investment earnings. The Other Restricted Resources Special Revenue Fund reflects a deficit fund balance of \$14,465. This deficit is expected to be eliminated through special assessment recoveries. The Miscellaneous Capital Projects Fund reflects a deficit fund balance of \$213,372. This deficit is expected to be eliminated by special assessment recoveries. The General Liability/Workers' Compensation Risk Management Internal Service Fund reflects a deficit net assets of \$158,295. The deficit is expected to be eliminated through user charges in 2004.

(b) *Related Party Transactions*

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

NOTE 3 Cash and Investments

At year end, Anchorage's carrying amount of deposits was \$10,610,920 and the bank balance was \$14,272,814. Of the bank balance, \$14,272,814 was covered by federal depository insurance or by collateral held by Anchorage's agent in Anchorage's name.

Investments are categorized into these three categories of custodial credit risk:

1. Insured or registered, or securities held by Anchorage or its agent in Anchorage's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in Anchorage's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in Anchorage's name.

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Notes to Basic Financial Statements

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At year end, Anchorage's investment balances were as follows:

	Category			Carrying value
	1	2	3	
Repurchase agreements	\$ 9,139,054	—	—	\$ 9,139,054
Commercial paper:				
Anchorage	4,007,436	—	—	4,007,436
U.S. Government and agency securities:				
Anchorage	282,762,207	—	—	282,762,207
Police/Fire Retirement System Trust	49,903,115	—	—	49,903,115
Fixed income securities:				
Police/Fire Retirement System Trust	45,859,101	—	—	45,859,101
Municipality of Anchorage Trust	46,350,004	—	—	46,350,004
Equity securities:				
Police/Fire Retirement System Trust	61,494,778	—	—	61,494,778
Municipality of Anchorage Trust	39,279,321	—	—	39,279,321
	<u>538,795,016</u>	<u>—</u>	<u>—</u>	<u>538,795,016</u>
Component units:				
Alaska Center for Performing Arts Repurchase Agreement	620,191	—	—	620,191
	<u>\$ 539,415,207</u>	<u>—</u>	<u>—</u>	<u>\$ 539,415,207</u>

Amounts not classified because they do not exist in physical or book entry form:

Anchorage:	
Money Market Funds	3,710,328
Nonparticipating Annuity	8,719,000
Alaska Center for Performing Arts:	
Money Market Funds	489,401
Police/Fire Retiree Medical Liability:	
Mutual Funds	16,684,210
Police/Fire Retiree Medical Trust:	
Mutual Funds	4,988,814
Municipality of Anchorage Trust:	
Mutual Funds	38,993,594
Police/Fire Retirement System Trust:	
Equity Securities – Pooled	150,243,668
Short-term Investment Funds – Pooled	8,519,915
Mutual Funds	17,370,836
Real Estate Investment Trust	34,492,641
Real Estate Mortgages	3,466,776
	<u>\$ 827,094,390</u>
Cash and Investments	\$ 827,094,390
Cash on Hand and in Banks	10,610,920
	<u>\$ 837,705,310</u>
Governmental Activities	\$ 301,061,844
Business Type Activities	149,517,139
Fiduciary Funds	387,126,327
	<u>\$ 837,705,310</u>

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Notes to Basic Financial Statements

December 31, 2003

NOTE 4 Receivables

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

	<u>Governmental Activities</u>		<u>Business-Type</u>	<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor</u>	<u>Enterprise</u>	
		<u>Funds</u>	<u>Funds</u>	
Property Taxes	\$ 10,893,946	\$ —	\$ —	\$ 10,893,946
Unbilled Reimbursable Work Orders	—	—	523,713	523,713
Special Assessments Receivable	1,251,462	723,530	201,909	2,176,901
Capital Lease Receivable	56,610,000	—	416,691	57,026,691
Trade Accounts	<u>23,758,432</u>	<u>5,378,588</u>	<u>32,493,514</u>	<u>61,630,534</u>
	92,513,840	6,102,118	33,635,827	132,251,785
Allowance for Uncollectible Accounts	<u>(17,315,213)</u>	<u>(2,530)</u>	<u>(629,265)</u>	<u>(17,947,008)</u>
	<u>\$ 75,198,627</u>	<u>\$ 6,099,588</u>	<u>\$ 33,006,562</u>	<u>\$ 114,304,777</u>

Special assessment receivables and that portion outside of amount due within one year of capital leases receivables are not expected to be collected within one year.

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Notes to Basic Financial Statements

December 31, 2003

NOTE 5 Capital Assets

Capital asset activity for the year ended December 31, 2003, 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	\$ 1,193,852	\$ 977	\$ (1,226)	\$ 1,193,603
Artwork	12,274	696	—	12,970
Construction Work-in-Progress	151,524	67,793	(177,304)	42,013
Infrastructure	<u>1,276,208</u>	<u>3,815</u>	<u>(86)</u>	<u>1,279,937</u>
Total Capital Assets, Not Being Depreciated	<u>2,633,858</u>	<u>73,281</u>	<u>(178,616)</u>	<u>2,528,523</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	370,475	3,877	(14)	374,338
Equipment	132,977	11,099	(6,046)	138,030
Infrastructure	<u>171,829</u>	<u>5,104</u>	<u>—</u>	<u>176,933</u>
Total Capital Assets, Being Depreciated	<u>675,281</u>	<u>20,080</u>	<u>(6,060)</u>	<u>689,301</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	190,655	12,712	—	203,367
Equipment	85,871	11,611	(5,215)	92,267
Infrastructure	<u>87,508</u>	<u>29</u>	<u>—</u>	<u>87,537</u>
Total Accumulated Depreciation	<u>364,034</u>	<u>24,352</u>	<u>(5,215)</u>	<u>383,171</u>
Total Capital Assets, Being Depreciated, Net	<u>311,247</u>	<u>(4,272)</u>	<u>(845)</u>	<u>306,130</u>
Total Governmental Activities, Net	<u>\$ 2,945,105</u>	<u>\$ 69,009</u>	<u>\$ (179,461)</u>	<u>\$ 2,834,653</u>

Anchorage has elected to use the modified approach for its paved road infrastructure network. Anchorage has elected to depreciate its drainage systems infrastructure network. In 2003, Anchorage retroactively reported its drainage systems infrastructure network, net of depreciation. At December 31, 2003 no other infrastructure is reported retroactively, as it does not meet the major general infrastructure criteria under Statement No. 34. No other infrastructure in governmental

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Notes to Basic Financial Statements

December 31, 2003

activities is reported prospectively as management has determined them to not be material to the financial statements.

	Beginning Balance	Increase	Decrease	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and property held for future use	\$ 58,176	\$ 38	\$ —	\$ 58,214
Construction Work-in-Progress	49,696	47,471	(30,391)	66,776
Total Capital Assets, Not Being Depreciated	107,872	47,509	(30,391)	124,990
Capital Assets, Being Depreciated:				
Distribution and Collection Systems, Infrastructure	1,437,769	32,624	(17,987)	1,452,406
Buildings and Improvements	148,570	1,982	(122)	150,430
Total Capital Assets, Being Depreciated	1,586,339	34,606	(18,109)	1,602,836
Less Accumulated Depreciation for:				
Distribution and Collection Systems, Infrastructure	563,784	27,841	(21,866)	569,759
Buildings and Equipment	60,290	4,643	(311)	64,622
Total Accumulated Depreciation	624,074	32,484	(22,177)	634,381
Total Capital Assets, Being Depreciated, Net	962,265	2,122	4,068	968,455
Total Business-Type Activities, Net	\$ 1,070,137	\$ 49,631	\$ (26,323)	\$ 1,093,445

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Notes to Basic Financial Statements

December 31, 2003

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

Governmental Activities:		
General Government	\$	3,678
Fire Services		2,206
Police Services		987
Health and Human Services		722
Cultural and Recreation Services		10,190
Public Transportation		2,280
Planning, Development, and Public Works		652
Maintenance and Operations		<u>3,637</u>
Total – Governmental Activities	\$	<u><u>24,352</u></u>
Business-Type Activities:		
Electric	\$	15,123
Water		4,553
Wastewater		3,993
Refuse		491
Solid Waste		2,426
Port		3,420
Municipal Airport		1,298
Parking Authority		<u>1,180</u>
Total – Business-Type Activities	\$	<u><u>32,484</u></u>

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Notes to Basic Financial Statements

December 31, 2003

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

The capital assets activity for the fiscal year ended June 30, 2003 are as follows:

	<u>Balance July 1, 2002</u>	<u>Additions/ Transfers</u>	<u>Deduction/ Transfers</u>	<u>Balance June 30, 2003</u>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 25,513,262	\$ —	\$ 77,660	\$ 25,435,602
Construction in Progress	111,076,441	114,065,315	2,661,691	222,480,065
Total Capital Assets not Being Depreciated	<u>136,589,703</u>	<u>114,065,315</u>	<u>2,739,351</u>	<u>247,915,667</u>
Capital Assets Being Depreciated:				
Land Improvements	38,644,256	14,937	267,026	38,392,167
Buildings and Equipment	930,260,811	4,354,891	7,382,620	927,233,082
Pupil Transportation Equipment	7,381,810	2,522,753	—	9,904,563
Total Capital Assets Being Depreciated	<u>976,286,877</u>	<u>6,892,581</u>	<u>7,649,646</u>	<u>975,529,812</u>
Less Accumulated Depreciation for:				
Land Improvements	(24,428,127)	(1,312,002)	—	(25,740,129)
Buildings and Equipment	(242,673,304)	(18,496,509)	—	(261,169,813)
Pupil Transportation Equipment	(5,001,586)	(625,216)	—	(5,626,802)
Total Accumulated Depreciation	<u>(272,103,017)</u>	<u>(20,433,727)</u>	<u>—</u>	<u>(292,536,744)</u>
Total Capital Assets, Being Depreciated, Net	<u>704,183,860</u>	<u>(13,541,146)</u>	<u>7,649,646</u>	<u>682,993,068</u>
Governmental Activities Capital Assets, Net	<u>\$ 840,773,563</u>	<u>\$ 100,524,169</u>	<u>\$ 10,388,997</u>	<u>\$ 930,908,735</u>

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Notes to Basic Financial Statements

December 31, 2003

NOTE 6 Interfund Receivables, Payables, and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables is as follows:

	Receivables			Payables		
	Interfund	Blended Component Unit/Primary Government	Discretely Presented Component Unit/Primary Government	Interfund	Blended Component Unit/Primary Government	Discretely Presented Component Unit/Primary Government
General Fund	\$ 1,075,967	\$ 64,739	\$ 587,093	\$ 36,032	\$ —	\$ 48,327,885
MOA Trust Fund	—	—	—	23,233	—	—
Nonmajor Governmental Funds	31,418,886	—	—	1,408,647	—	—
Major Enterprise Funds:						
Water Utility	—	—	—	7,933,945	—	—
Wastewater Utility	—	—	—	11,891,841	—	—
Nonmajor Enterprise Funds	—	—	—	310,332	64,739	—
Internal Service Funds	7,642,185	—	—	18,643,594	—	—
Fiduciary Funds	110,586	—	—	—	—	—
Total Primary Government	40,247,624	64,739	587,093	40,247,624	64,739	48,327,885
Discretely Presented Component						
Unit Anchorage School District, June 30, 2003	—	—	72,491,829	—	—	—
Adjustment:						
Activity Occurring Between July 1, 2003 and December 31, 2003	—	—	(24,163,944)	—	—	587,093
Total Reporting Entity	\$ 40,247,624	\$ 64,739	\$ 48,914,978	\$ 40,247,624	\$ 64,739	\$ 48,914,978

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.

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Notes to Basic Financial Statements

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(b) Interfund Transfers

A summary of interfund transfers is as follows:

	Transfers in		Transfers out	
	Interfund	Blended component unit/primary government	Interfund	Blended component unit/primary government
General Fund	\$ 11,628,825	\$ 252,273	\$ 5,333,034	\$ 1,148,500
MOA Trust Fund	5,207,379	—	6,800,000	—
Non-major Governmental Funds	5,558,399	—	9,872,481	—
Non-major Enterprise Funds	—	1,148,500	2,500,000	252,273
Internal Service Funds	2,751,000	—	1,960,535	—
Fiduciary Funds	1,320,447	—	—	—
Total Primary Government	\$ 26,466,050	\$ 1,400,773	\$ 26,466,050	\$ 1,400,773

Significant transfers were as follows:

- General Fund transferred \$1,148,500 to the Anchorage Center for the Performing Arts component unit to fund operations;
- General Fund transferred \$2,581,312 to Capital Projects Funds for the acquisition and construction of capital assets;
- MOA Trust Reserve Fund transferred \$5,207,379 to the MOA Trust Fund to close out the special revenue fund;
- Medical/Dental/Life Insurance Fund transferred \$704,595 to the General Fund to close out the self-insurance fund;
- Refuse Fund transferred \$2,500,000 to the General Liability/Workers' Compensation Fund to reduce the deficit fund balance in the General Liability/Workers' Compensation Fund.

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Notes to Basic Financial Statements

December 31, 2003

NOTE 7 Lease Agreements

(a) Lease Commitments

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

	<u>Anchorage</u>
Years:	
2004	\$ 5,134
2005	4,990
2006	4,794
2007	4,418
2008	4,364
2009-2013	21,015
2014-2018	21,027
2019-2023	17,662
2024-2028	11,090
2029-2033	2,718
Total	<u>\$ 97,212</u>
2003 rent expense	<u>\$ 5,070</u>

(b) Investment in Direct Financing Leases

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

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Notes to Basic Financial Statements

December 31, 2003

Components of the investments in leases as of December 31, 2003 follow (in thousands):

	Direct Financing
Total minimum lease payment to be received	\$ 3,026
Less unearned interest income	(842)
Net investment in leases	2,184
Amount due within one year	(417)
Total noncurrent investment – included in deferred charges and other assets in the accompanying financial statements	\$ 1,767
Minimum lease payments to be received as follows:	
2004	\$ 603
2005	603
2006	603
2007	365
2008	301
2009-2010	551
	\$ 3,026

(c) Port of Anchorage Lease Agreements

The Port of Anchorage has leased to unrelated third parties 72.8 acres of space in the Port Industrial Park. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows (in thousands):

	Amount
Years:	
2004	\$ 2,165
2005	1,997
2006	357
Total	\$ 4,519
Lease revenue for 2003	\$ 2,784

(d) Parking Authority Lease Agreements

Leases to unrelated third parties of 9,150 square feet of retail space in Sixth Avenue Parking Mall provide for adjustments to rent based on the Consumer Price Index and additional rents based on gross revenue. The lease to an unrelated party of Fifth Avenue Garage retail space through September 13, 2007 provides for a minimum rental of \$480,000 per year and additional rent equal to

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Notes to Basic Financial Statements

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50% of net income each calendar year as defined by the lease. Future minimum rental on noncancelable operating leases follow (in thousands):

	<u>Sixth Avenue</u>	<u>Fifth Avenue</u>
Years:		
2004	\$ 100	\$ 480
2005	72	480
2006	—	480
2007	—	340
	<u>\$ 172</u>	<u>\$ 1,780</u>
Total		
	<u>\$ 163</u>	<u>\$ 480</u>
Lease revenue for 2003		

NOTE 8 Short Term Obligations – Tax Anticipation Notes

On May 14, 2003, Anchorage issued tax anticipation notes with a face value of \$25,000,000. 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, 2003, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ -	\$ 25,000	\$ (25,000)	\$ -

NOTE 9 Long Term Obligations

(a) General Obligation Bonds

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

A portion of Anchorage's GO bonds are reported in the proprietary funds since they are expected to be repaid from proprietary fund revenues; such amounts total \$23,574,244, net of unamortized discounts and losses on refundings of \$635,756 at December 31, 2003. School District GO Bonds are reported as obligations of the component unit since they are expected to be repaid from School District revenues; such amounts total \$583,225,000 at June 30, 2003. All other Anchorage GO bonds are reported in the government-wide financial statements.

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In September 2003, Anchorage issued \$35,000,000 of new general obligation bonds to provide funding for capital acquisition and construction projects.

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

Governmental Activities			
	Principal	Interest	Total
Years:			
2004	\$ 22,040,000	\$ 15,931,409	\$ 37,971,409
2005	22,635,000	14,942,510	37,577,510
2006	23,035,000	13,935,610	36,970,610
2007	20,415,000	12,974,363	33,389,363
2008	18,645,000	12,003,808	30,648,808
2009-2013	90,985,000	46,598,270	137,583,270
2014-2018	87,585,000	23,972,207	111,557,207
2019-2023	46,185,000	4,770,775	50,955,775
Totals	331,525,000	145,128,952	476,653,952
Add unamortized premiums/ discounts, net	3,153,100	—	3,153,100
	\$ 334,678,100	\$ 145,128,952	\$ 479,807,052
Business-type Activities			
	Principal	Interest	Total
Years:			
2004	\$ 7,925,000	\$ 1,004,095	\$ 8,929,095
2005	8,000,000	628,015	8,628,015
2006	6,415,000	259,748	6,674,748
2007	430,000	99,640	529,640
2008	455,000	77,065	532,065
2009-2013	985,000	80,220	1,065,220
Totals	24,210,000	2,148,783	26,358,783
Less unamortized premiums/ discounts, net	(635,756)	—	(635,756)
	\$ 23,574,244	\$ 2,148,783	\$ 25,723,027

(b) Revenue Bonds

On April 15, 2000 Anchorage issued \$60,440,000 in Revenue Bonds for the purpose of construction and operation of the new municipal jail facility that will be leased to the State of Alaska. Jail revenue bond covenants require an “absolute net lease” pursuant to which Anchorage shall not be expected or required to make any payment of any kind under the Agreement of Lease. The Department of

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Administration (DOA) of the State of Alaska is required to make all payments under the Agreement of Lease. The DOA's obligation to make lease payments and to perform and observe all other covenants and agreements is absolute and unconditional except as expressly provided in the Agreement of Lease.

Electric, Water, Wastewater, Solid Waste, Refuse Collection and Port revenue bond covenants require establishment of certain cash reserves. Revenue bond covenants further stipulate that operating income, as defined in the covenants, will be at least equal to 1.25 to 1.40 times the debt service requirement for that year. All such requirements were met in 2003.

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
2004	\$ 2,065,000	\$ 3,147,844	\$ 5,212,844
2005	2,175,000	3,039,125	5,214,125
2006	2,290,000	2,921,919	5,211,919
2007	2,415,000	2,798,413	5,213,413
2008	2,550,000	2,661,706	5,211,706
2009-2013	15,075,000	10,983,597	26,058,597
2014-2018	20,190,000	5,869,956	26,059,956
2019-2021	9,850,000	574,425	10,424,425
	<u>\$ 56,610,000</u>	<u>\$ 31,996,985</u>	<u>\$ 88,606,985</u>

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Notes to Basic Financial Statements

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Years:	Business-type Activities		
	Principal	Interest	Total
2004	\$ 19,295,000	\$ 18,191,074	\$ 37,486,074
2005	19,755,000	17,266,475	37,021,475
2006	20,760,000	16,249,354	37,009,354
2007	18,300,000	15,356,663	33,656,663
2008	19,370,000	14,367,869	33,737,869
2009-2013	102,875,000	55,319,804	158,194,804
2014-2018	70,980,000	28,072,756	99,052,756
2019-2023	50,855,000	13,859,988	64,714,988
2024-2028	23,235,000	2,897,581	26,132,581
2029-2033	1,375,000	82,500	1,457,500
	346,800,000	181,664,064	528,464,064
Less unamortized premiums/ discounts, net	(18,880,932)	—	(18,880,932)
	\$ 327,919,068	\$ 181,664,064	\$ 509,583,132

(c) Special Assessment District Bonds

In 1989 Anchorage issued \$3,438,200 of Roads and Drainage Consolidated Special Assessment (CSA) District 1 Bonds. In 1990 Anchorage issued \$590,770 for Water Utility CSA District 2 and \$985,448 for Water and Wastewater Utility CSA District 3. In 1991 Anchorage issued \$728,721 for Roads and Drainage Special Assessment District 1P87. In 1992 Anchorage issued \$48,667 for Natural Gas Line Special Assessment District 2G90. In 1993, Anchorage issued \$532,677 for Natural Gas Line Special Assessment Districts 1G91. These bonds were issued to provide permanent financing for improvements in certain identified special assessment districts. The bonds are backed only by the assessments levied in the identified districts and by the Roads and Drainage Guarantee Reserves, the Natural Gas Line Guarantee Reserves, and the Water and Wastewater Special Assessment Guarantee Reserves. The debt for Roads and Drainage and Natural Gas Line bonds is included in the Governmental Activities while the debt for CSA Districts 2 and 3 bonds is included in the Business-type Activities.

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Notes to Basic Financial Statements

December 31, 2003

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

Governmental Activities			
	Principal	Interest	Total
Years:			
2004	\$ 130,000	\$ 72,775	\$ 202,775
2005	145,000	62,101	207,101
2006	155,000	50,211	205,211
2007	165,000	37,486	202,486
2008	180,000	23,926	203,926
2009-2013	120,000	19,064	139,064
	\$ 895,000	\$ 265,563	\$ 1,160,563
Business-type Activities			
	Principal	Interest	Total
Years:			
2004	\$ 40,000	\$ 25,025	\$ 65,025
2005	40,000	21,850	61,850
2006	40,000	18,675	58,675
2007	45,000	15,500	60,500
2008	45,000	11,925	56,925
2009-2013	105,000	12,725	117,725
	315,000	105,700	420,700
Less unamortized premiums/ discounts, net	(10,814)	—	(10,814)
	\$ 304,186	\$ 105,700	\$ 409,886

(d) Certificates of Participation

On April 1, 1994, Anchorage issued \$6,995,000 of Certificates of Participation, Series 1994B Tax Exempt, for the Information Technology Internal Service Fund.

On July 1, 1999 Anchorage issued \$2,437,262 of Certificates of Participation, Series 1999A Tax Exempt, for the Information Technology Internal Service Fund.

Proceeds from the sale of the Series 1994B and 1999A Nontaxable Certificates were used to prepay an existing lease obligation, to acquire new property, to fund a reserve fund for the payment of principal and interest on the certificates and to pay certificate issuance costs. The debt, included in the Internal Service Fund, is not backed by a pledge of the full faith and credit of Anchorage.

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Notes to Basic Financial Statements

December 31, 2003

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
2004	\$ 3,055,000	\$ 401,320	\$ 3,456,320
2005	3,200,000	248,000	3,448,000
2006	3,360,000	84,000	3,444,000
	<u>\$ 9,615,000</u>	<u>\$ 733,320</u>	<u>\$ 10,348,320</u>

(e) *Notes and Contracts*

Anchorage has various notes and contracts for equipment in its Information Technology Department and clean water fund loans in its Solid Waste, Water and Wastewater Utilities.

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

	Governmental Activities		
	Principal	Interest	Total
Years:			
2004	\$ 380,616	\$ 33,292	\$ 413,908
2005	127,890	79,441	207,331
2006	54,585	15,713	70,298
2007	57,418	12,881	70,299
2008	60,398	9,901	70,299
2009-2013	130,363	10,234	140,597
	<u>\$ 811,270</u>	<u>\$ 161,462</u>	<u>\$ 972,732</u>

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Notes to Basic Financial Statements

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	Business-type Activities		
	Principal	Interest	Total
Years:			
2004	\$ 2,912,673	\$ 1,199,997	\$ 4,112,670
2005	3,039,136	1,301,662	4,340,798
2006	3,078,761	1,154,171	4,232,932
2007	3,119,374	1,077,148	4,196,522
2008	3,161,007	999,109	4,160,116
2009-2013	16,038,644	4,193,896	20,232,540
2014-2018	13,766,803	2,226,656	15,993,459
2019-2023	6,946,510	615,073	7,561,583
2024-2028	143,881	966	144,847
	<u>\$ 52,206,789</u>	<u>\$ 12,768,678</u>	<u>\$ 64,975,467</u>

(f) Bonds Authorized But Unissued

A summary of authorized but unissued bonds as of December 31, 2003 (in thousands):

<u>General Obligation Bonds</u>	<u>Interest Limitation</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized</u>
Primary Government:				
Public Transit Services	None	\$ 1,780	\$ 1,000	\$ 780
Cultural and Recreation Services	None	4,790	3,040	1,750
Roads and Drainage	None	106,790	65,000	41,790
Emergency Services	None	3,490	2,650	840
Fire Protection	None	7,200	7,200	—
Public Safety	None	2,930	1,200	1,730
Total Authorized but Unissued General Obligation Bonds				<u>\$ 46,890</u>

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Notes to Basic Financial Statements

December 31, 2003

There are \$80,605,000 authorized but unissued general obligation school bonds of the Municipality of Anchorage at December 31, 2003 as follows (in thousands):

<u>Purpose</u>	<u>Ordinance Date</u>	<u>Interest Limitation</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized</u>
Construction/renovation/ repair of school facilities	April 20, 1999	None	\$ 173,150	\$ 172,450	\$ 700
Construction/renovation/ replacement/major maintenance	April 2, 2002	None	98,695	91,375	7,320
Construction/renovation/ replacement/major maintenance	April 1, 2003	None	167,330	94,745	72,585

(g) Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows (in thousands):

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2003</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 320,699	\$ 35,000	\$ (21,021)	\$ 334,678	\$ 22,040
Revenue Bonds	58,575	—	(1,965)	56,610	2,065
Special Assessment District Bonds	1,020	—	(125)	895	130
Certificates of Participation	12,530	—	(2,915)	9,615	3,055
Long-Term Contracts	1,614	—	(803)	811	381
Total Debt Payable	<u>394,438</u>	<u>35,000</u>	<u>(26,829)</u>	<u>402,609</u>	<u>27,671</u>
Compensated Absences	12,703	12,535	(11,872)	13,366	12,372
Post-employment Benefits	<u>153,919</u>	<u>—</u>	<u>—</u>	<u>153,919</u>	<u>—</u>
Total Governmental Activities	<u>\$ 561,060</u>	<u>\$ 47,535</u>	<u>\$ (38,701)</u>	<u>\$ 569,894</u>	<u>\$ 40,043</u>

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Notes to Basic Financial Statements

December 31, 2003

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2003</u>	<u>Due Within One Year</u>
Business-type activities:					
General Obligation Bonds	\$ 30,936	\$ —	\$ (7,362)	\$ 23,574	\$ 7,925
Revenue Bonds	343,110	—	(15,191)	327,919	19,295
Special Assessment District Bonds	397	—	(93)	304	—
Long-term Contracts	<u>48,256</u>	<u>3,951</u>	<u>—</u>	<u>52,207</u>	<u>2,913</u>
Total Bonds Payable	422,699	3,951	(22,646)	404,004	30,133
Compensated Absences	<u>3,877</u>	<u>3,011</u>	<u>(2,757)</u>	<u>4,131</u>	<u>3,832</u>
Total Business-type Activities	<u>\$ 426,576</u>	<u>\$ 6,962</u>	<u>\$ (25,403)</u>	<u>\$ 408,135</u>	<u>\$ 33,965</u>

No claims and judgments are due within one year of December 31, 2003.

(h) Defeasance of Debt

Anchorage defeased certain general obligation and reserve 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, 2003 the amount of general obligation and revenue bonds considered defeased was \$270,555,000.

(i) School District Debt

The following is a summary of long-term debt transactions of the School District for fiscal year ended June 30, 2003 (in thousands):

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>
General Obligation Bonds	\$ 607,940	\$ —	\$ 24,715	\$ 583,225
Long-term Contracts	35	—	35	—
	<u>\$ 607,975</u>	<u>\$ —</u>	<u>\$ 24,750</u>	<u>\$ 583,225</u>

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Bonds payable at June 30, 2003 are comprised of the following individual issues (in thousands):

General Obligation Bonds	Amount
\$41,635,000 1993 series B school construction refunding serial bonds due in annual installments of \$1,245,000 to \$4,030,000 through September 2005; interest at 4.9% to 5.0%.	\$ 9,125
\$19,300,000 1993 series A school construction serial bonds due in annual installments of \$855,000 to \$895,000 through January 2004; interest at 5.0%.	895
\$63,000,000 1994 series A school construction serial bonds due in annual installments of \$2,715,000 to \$3,060,000 through July 2005; interest at 5.4% to 6.5%.	8,660
\$60,000,000 1995 series A school construction serial bonds due in annual installments of \$110,000 to \$5,030,000 through October 2015; interest at 4.7% to 6.0%.	27,820
\$29,765,000 1995 series A school construction refunding serial bonds due in annual installments of \$1,505,000 to \$3,700,000 through October 2012; interest at 4.75% to 6.0%.	28,320
\$65,000,000 1996 series A school construction serial bonds due in annual installments of \$2,505,000 to \$5,345,000 through August 2016; interest at 5.5% to 6.0%.	17,385
\$43,850,000 1997 series A school construction serial bonds due in annual installments of \$1,760,000 to \$3,390,000 through December 2017; interest at 5.0% to 5.25%.	21,855
\$20,735,000 1998 series A school construction refunding serial bonds due in annual installments of \$130,000 to \$5,120,000 through July 2014; interest at 3.8% to 4.75%.	20,285
\$55,900,000 1999 series A school construction serial bonds due in annual installments of \$2,080,000 to \$4,270,000 through December 2018; interest at 4.0% to 5.125 %.	42,815
\$35,000,000 2000 series A school construction serial bonds due in annual installments of \$1,115,000 to \$2,770,000 through December 2020; interest at 4.5% to 5.75 %.	31,025
\$77,900,000 2000 series B school construction serial bonds due in annual installments of \$2,560,000 to \$6,235,000 through December 2020; interest at 4.75% to 5.875%.	61,715

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General Obligation Bonds (continued)	Amount
\$65,000,000 2001 series A school construction serial bonds due in annual installments of \$2,130,000 to \$5,065,000 through June 2021; interest at 4.125% to 5.0%.	\$ 60,845
\$51,805,000 2001 school construction refunding serial bonds due in annual installments of \$55,000 to \$10,345,000 through July 2013; interest 4.125% to 5.5%.	51,750
\$131,800,000 2002 series B school construction serial bonds due in annual installments of \$4,050,000 to \$10,390,000 through July 2022; interest 3.0% to 5.5%.	131,800
\$70,345,000 2002 school construction refunding serial bonds due in annual installments of \$140,000 to \$10,255,000 through July 2015; interest 3.0% to 5.5%.	68,930
	\$ 583,225

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2003, including interest payments in the amount of \$282,813,943 are as follows (in thousands):

	Principal	Interest	Total
2004	\$ 28,745	\$ 29,634	\$ 58,379
2005	30,235	28,127	58,362
2006	28,935	26,565	55,500
2007	29,860	25,026	54,886
2008	30,900	23,631	54,531
2009-2013	175,015	93,512	268,527
2014-2018	168,320	46,203	214,523
2019-2023	91,215	10,116	101,331
	\$ 583,225	\$ 282,814	\$ 866,039

The amount of long-term liability that is due within one year as of June 30, 2003 is \$28,745,000.

The Debt Service Fund has \$17,791,262 available to service the general obligation bonds.

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

The amount available and to be provided by Debt Service Fund to repay long-term debt obligations, general obligation bonds at June 30, 2003 is \$583,225,000.

NOTE 10 Conduit Debt Obligations

(a) Nonrecourse Revenue Bonds – United Way of Anchorage

On November 1, 2000, Anchorage issued \$850,000 of Nonrecourse Revenue Bonds on behalf of the United Way of Anchorage. On July 30, 2001, Anchorage issued \$900,000 of Nonrecourse Revenue

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Bonds on behalf of the United Way of Anchorage. Anchorage has no direct involvement with the administration of these bonds except to allow their issuance under the name of Anchorage. These revenue bonds are issued under provisions of state and Federal law that provide that the bonds do not constitute an indebtedness of Anchorage. The bonds do not constitute a general obligation or pledge of the full faith and credit of Anchorage. Accordingly, the bonds and the related assets are not reflected in the accompanying financial statements. At December 31, 2003, \$737,629 of 2000 issue bonds and \$844,676 of 2002 issue bonds were outstanding.

(b) *Hospital Revenue Bonds – Sisters of Providence Projects*

On April 16, 1991, Anchorage participated in the issuance of \$84,385,000 of Hospital Revenue Refunding Bonds on behalf of the Sisters of Providence. The proceeds were used to refund the outstanding 1985 bonds. Anchorage had no direct involvement with the administration of these bonds except to allow their issuance under the name of Anchorage. These revenue bonds were issued under provisions of state and Federal law that provide that the bonds do not constitute an indebtedness of Anchorage. The bonds were redeemed in full on June 16, 2003.

On November 17, 1987, Anchorage participated in the issuance of \$5,310,000 of Hospital Revenue Bonds on behalf of the Sisters of Providence. The proceeds were used to finance the cost of certain equipment and capital improvements for Providence Hospital, Anchorage, Alaska, cost of renovations to Our Lady of Compassion Care Center, and costs of issuance of the bonds. These bonds were issued under provisions of state and Federal law that provide they do not constitute an indebtedness of Anchorage. Accordingly, the bonds and related assets are not reflected in the accompanying financial statements. When issued, the bonds consisted of \$3,200,000 of Serial Bonds with interest due on October 1 for the years 1988 through 1999 at interest rates of 5.75% through 8.20% and \$2,110,000 of Term Bonds due October 1, 2007, at 8.20%. These bonds were redeemed in full on June 16, 2003.

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

On January 5, 1993, Anchorage participated in the issuance of \$18,800,000 of Higher Education Variable Rate Demand Revenue Bonds, Series 1993, on behalf of Alaska Pacific University. The proceeds were used to refund all Anchorage's Higher Education Variable Rate Demand Revenue Bonds, Series 1987; to refund a portion of the Revenue Bonds, 1990 (Alaska Pacific University Project), issued by the City of Seward; to fund certain other indebtedness of the University; and to pay costs of issuance of the bonds. The bonds bear interest at a weekly interest rate based upon prevailing market rates of like-quality debt instruments. The bonds do not constitute a general obligation debt or pledge of the full faith and credit of Anchorage. Accordingly, the bonds and the related assets are not reflected in the accompanying financial statements.

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A schedule of the remaining debt service follows:

	Principal
Years:	
2004	\$ 600,000
2005	700,000
2006	700,000
2007	800,000
2008	800,000
2009-2013	5,200,000
2014-2018	5,800,000
Total	\$ 14,600,000

(d) Nonrecourse Revenue Bonds – Alaska Native Heritage Center

On February 13, 2001, Anchorage issued \$4,200,000 of Nonrecourse Revenue Bonds on behalf of the Alaska Native Heritage Center, Incorporated Project. Anchorage has no direct involvement with the administration of these bonds except to allow their issuance under the name of Anchorage. These revenue bonds are issued under provisions of state and Federal law that provide that the bonds do not constitute an indebtedness of Anchorage. The bonds do not constitute a general obligation or pledge of the full faith and credit of Anchorage. Accordingly, the bonds and the related assets are not reflected in the accompanying financial statements.

A schedule of the remaining debt service follows:

	Principal
Years:	
2004	\$ 202,847
2005	216,971
2006	232,078
2007	248,237
2008	265,522
2009-2011	2,244,495
Total	\$ 3,410,150

NOTE 11 Retirement Plans

Substantially all regular employees of Anchorage are members of a public employees' retirement system (PERS) except for employees who are members of the International Brotherhood of Electrical Workers (IBEW). IBEW members participate in a union sponsored cost-sharing defined benefit plan. Employer contributions are determined from hours of work reported by participating employers and the contractual employer contribution rate in effect. The Electric Utility's current agreement provides for contributions of \$3.67 to the Plan for each hour worked by a covered employee. The total employer contributions for 2003, 2002 and 2001 were \$4,291,098, \$3,871,875, and \$3,610,877, respectively. Anchorage's obligation for

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Notes to Basic Financial Statements

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IBEW employees' retirement is limited to the amount paid to the Alaska Electrical Trust Fund. Each year, IBEW issues audited financial statements that can be obtained by writing to International Brotherhood of Electrical Workers, 3333 Denali Street, Anchorage, Alaska 99503.

All Anchorage employees who are members of a PERS participate in the State of Alaska Public Employees' Retirement System (State Plan) 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.

(a) State of Alaska Public Employees' Retirement System

Plan Description

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

All full-time Anchorage employees not covered by the State of Alaska Teacher's Retirement System (TRS) are eligible to participate in PERS. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

Funding Policy and Annual Pension Cost

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

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Notes to Basic Financial Statements

December 31, 2003

Annual pension cost for the year ended 2003 and related information for the Municipality of Anchorage (MOA), and Anchorage Parking Authority (APA) are as follows:

	Pension	
	MOA	APA
Contribution Rates:		
Employee:		
Police Officers and Firefighters	5.28%	N/A
Other Employees	4.75%	4.80%
Employer:		
Police Officers and Firefighters	5.62%	N/A
Other Employees	4.66%	2.56%
Actual Pension Cost (in thousands)	6,262	30
Contributions Made (in thousands)	6,262	30
Actuarial Valuation Date	June 30, 1999	June 30, 1999
Actuarial Cost Method	Projected Unit Credit	Same
Amortization Method	Level Dollar, Open	Same
Amortization Period	Rolling 25 Years	Same
Asset Valuation Method	Market	Same
Actuarial Assumptions:		
Inflation Rate	4.00%	3.50%
Investment Return	8.00%	8.25%
Projected Salary Increase:		
Inflation	4.00%	3.50%
Productivity and Merit - Police	1.500%	2.50%
Productivity and Merit - Other	N/A	2.00%
Health Cost Trend	N/A	N/A

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	Postemployment Healthcare	
	MOA	APA
Contribution Rates:		
Employee:		
Police Officers and Firefighters	2.22%	N/A
Other Employees	2.00%	1.95%
Employer:		
Police Officers and Firefighters	2.36%	N/A
Other Employees	1.96%	1.04%
Actual Pension Cost (in thousands)	2,539	12
Contributions Made (in thousands)	2,539	12
Actuarial Valuation Date	June 30, 1999	June 30, 1999
Actuarial Cost Method	Projected Unit Credit	Same
Amortization Method	Level Dollar, Open	Same
Amortization Period	Rolling 25 Years	Same
Asset Valuation Method	Market	Same
Actuarial Assumptions:		
Inflation Rate	4.00%	Same
Investment Return	8.00%	8.25%
Projected Salary Increase:		
Inflation	4.00%	N/A
Productivity and Merit - Police	1.50%	N/A
Health Cost Trend	8.50%	6.50%

The components of annual pension cost for the year ended 2003 (in thousands) are as follows:

	Pension	
	MOA	APA
Annual Required Contribution (ARC)	\$ 6,262	\$ 30
Interest on the Net Pension Obligation (NPO)	—	—
Adjustment to the ARC	—	—
Annual Pension Cost (APC)	—	—
	6,262	30
Contributions made	(6,262)	(30)
Increase in NPO	—	—
NPO, beginning of year	—	—
NPO, end of year	\$ —	\$ —

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	Postemployment Healthcare	
	MOA	APA
Annual Required Contribution (ARC)	\$ 2,539	\$ 12
Interest on the Net Pension Obligation (NPO)	—	—
Adjustment to the ARC	—	—
Annual Pension Cost (APC)	2,539	12
Contributions made	(2,539)	(12)
Increase in NPO	—	—
NPO, beginning of year	—	—
NPO, end of year	<u>\$ —</u>	<u>\$ —</u>

Three year trend information (in thousands) follows:

Municipality of Anchorage				
	Year Ending December 31	APC	Percentage of APC Contributed	NPO
Pension	2001	4,191	100%	—
	2002	4,662	100%	—
	2003	6,262	100%	—
Postemployment healthcare	2001	1,754	100%	—
	2002	1,963	100%	—
	2003	2,539	100%	—
Anchorage Parking Authority				
	Year Ending December 31	APC	Percentage of APC Contributed	NPO
Pension	2001	38	100%	—
	2002	26	100%	—
	2003	30	100%	—
Postemployment healthcare	2001	15	100%	—
	2002	10	100%	—
	2003	12	100%	—

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REQUIRED SUPPLEMENTARY INFORMATION

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

		Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Municipality of Anchorage:								
Pension Benefits		1999	428,380	407,062	(21,318)	105%	102,107	(21)%
	*	2001	496,559	466,160	(30,399)	107%	100,953	(30)%
		2002	408,083	525,540	117,457	78%	117,039	100%
Postemployment Healthcare Benefits		1999	173,661	165,019	(8,642)	105%	102,107	(8)%
	*	2001	210,242	197,372	(12,870)	107%	100,953	(13)%
		2002	247,944	319,308	71,364	78%	117,039	61%
Total		1999	602,041	572,081	(29,960)	105%	102,107	(29)%
	*	2001	706,801	663,532	(43,269)	107%	100,953	(43)%
		2002	656,027	844,848	188,821	78%	117,039	161%
Anchorage Parking Authority:								
Pension Benefits		1999	1,514	1,204	(310)	126%	744	(42)%
	*	2001	1,882	1,745	(137)	108%	916	(13)%
		2002	1,801	2,432	631	74%	936	67%
Postemployment Healthcare Benefits		1999	614	489	(125)	126%	744	(17)%
	*	2001	797	739	(58)	108%	916	(5)%
		2002	1,094	1,478	384	74%	936	41%
Total		1999	2,128	1,693	(435)	126%	744	(59)%
	*	2001	2,679	2,484	(195)	108%	916	(18)%
		2002	2,895	3,910	1,015	74%	936	108%

* An actuarial study was not performed in 2000.

(c) Police and Fire Retirement System Plans

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

All regular full-time police officers hired prior to October 6, 1994; paramedics and fire fighters hired prior to July 18, 1994; and command officers hired prior to May 24, 1994, are required to participate in a plan. No other person is eligible to participate. Membership is determined by date of employment or employee election. Members employed on or before June 30, 1977, are members of Plan I, members employed between July 1, 1977, and April 16, 1984, are members of Plan II and

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members employed after April 16, 1984, are members of Plan III. Members of Plans I and II were permitted to elect into Plan III at its inception.

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

Benefit and contribution provisions are established by the Municipal code and may be amended only by the Assembly. The actuarial valuation recommended contribution rates for Plans I, II and III are zero for both the employee and the employer. All contributions were made in accordance with actuarial recommendations except for Plan III. The Assembly adopted ordinance AO 94-95 which ceased contributions to Plan III on July 24, 1994.

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

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

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

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

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

Funding Status and Contribution Requirements

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

	Police and Fire Retirement Systems		
	Plan I	Plan II	Plan III
Contribution rates:			
Employee:			
Peace officers and firefighters	—	—	—
Other employees	—	—	—
Employer			
Annual Pension Cost (in thousands)	—	—	—
Contributions made (in thousands)	—	—	—
Actuarial valuation date	January 1, 2004	January 1, 2004	January 1, 2004
Actuarial cost method	Aggregate	Aggregate	Aggregate
Amortization period	*	*	*
Imputed amortization period	*	*	*
Asset valuation method	Market related	Market related	Market related
Actuarial assumptions:			
Inflation rate	3.5%	3.5%	3.5%
Investment rate of return	8%	8%	8%
Projected salary increase	4%	4%	4%
Cost of living adjustment	N/A	N/A	1.125%/2.250%

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

* 1.125% prior to 20th anniversary of hire, and 2.25% after 25th anniversary of hire, based on an underlying CPI assumption of 4.5% per year and the plan provisions.

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The components of annual pension cost for the year ended 2003 (in thousands) are as follows:

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

Three year trend information (in thousands) follows:

	Year Ending	APC	Percentage of APC Contributed	NPO
Plan I	2001	—	100%	—
	2002	—	100%	—
	2003	—	100%	—
Plan II	2001	—	100%	—
	2002	—	100%	—
	2003	—	100%	—
Plan III	2001	—	100%	—
	2002	—	100%	—
	2003	—	100%	—

(d) Investments

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

The impact of Fiscal Year 2002's decline on the System's market value has impacted the System's funding status as of December 31, 2003.

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In May 2003, the Police and Fire Retirement System board of directors elected to change the methodology for calculating contributions to the modified aggregate actuarial cost method, effective with the plan year beginning January 1, 2004. Based upon this methodology, scheduled contributions for 2004 are shown below:

	<u>Members</u>	<u>Anchorage</u>	<u>Total</u>
Plan I	\$ 50,717	\$ 751,790	\$ 802,507
Plan II	123,642	547,070	670,712
Plan III	718,172	2,519,198	3,237,370
	<u>\$ 892,531</u>	<u>\$ 3,818,058</u>	<u>\$ 4,710,589</u>

NOTE 12 Post-Employment Health Care Benefits

Prior to January 1, 1995, Anchorage was required to provide post-employment medical benefits for all retired police officers and fire fighters. In December 1994, Anchorage entered into a defined contribution program to provide medical benefits for police officers and fire fighters. The program went into effect January 1, 1995, and applied to those active duty, noncommand personnel who retire after January 1, 1995, and are members of the Police and Fire Retirement System. The program also applies to personnel appointed to nonrepresented command positions after January 1, 1995. Anchorage has elected to recognize the capped ultimate cost of post-employment medical benefit for this group of employees. As such a long-term obligation of \$ 153,919,710 has been recorded based on a funding analysis performed in 2002.

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

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

Anchorage contributed \$1,320,447 to the Police and Fire Retiree Medical Trust Fund in 2003.

Anchorage is prefunding the estimated cost of the program with annual payments to the Police and Fire Retiree Medical Liability Debt Service Fund of \$1.7 million, except for 2006 when \$9.8 million will be contributed from the Retirement Certificates of Participation Debt Service Fund. Based on an actuarial report issued in July 2002 the annual payment in 2003 was \$1.8 million. Anchorage will perform an actuarial funding study every three years and adjust the required annual contribution as needed.

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For other personnel retired under the Police and Fire Retirement Plan and command active personnel, Anchorage plans to continue pay-as-you-go post-employment health, dental, audio and vision benefits. To be eligible for post-employment defined health benefits, the participant must be receiving retirement benefits from the Police and Fire Retirement Plan. At December 31, 2003, there were 281 retirees who met the eligibility requirements. Anchorage pays 100% of the health portion for all eligible retirees and dental, audio and vision coverage for police retirees; optional dental, audio and vision coverage is paid by the fire and command retirees. The cost of retiree health benefits is recognized as an expenditure as premiums are paid. For 2003, those costs totaled \$3,824,766.

Anchorage employees, including new police and fire employees, who are members of the State Public Employee Retirement Plan will receive medical benefits as determined by that Plan.

Deferred Compensation Plan

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

NOTE 13 Risk Management and Self-Insurance

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

The government provides coverage up to the maximum of \$2,000,000 per occurrence for automobile and general liability claims and \$750,000 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.

The government's liability for coverage for IBEW employees is limited to its 2003 contribution of \$4,291,098, to the Alaska Electrical Health and Welfare Trust Fund.

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

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

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 2003, is dependent upon future developments. At December 31, 2003, claims incurred but not reported included in the liability accounts are \$5,961,115 in the General Liability/Workers' Compensation Fund. No provision has been made for unemployment compensation claims incurred but not paid by the State of Alaska.

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Changes in the funds' claim liability amounts in 2002 and 2003 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>
2002:				
General Liability/Workers' Compensation	\$ 11,057,788	\$ 7,879,155	\$ (6,266,235)	\$ 12,670,708
Health	476,038	—	(82,520)	393,518
Unemployment	70,194	355,598	(327,157)	98,635
	<u>\$ 11,604,020</u>	<u>\$ 8,234,753</u>	<u>\$ (6,675,912)</u>	<u>\$ 13,162,861</u>
2003:				
General Liability/Workers' Compensation	\$ 12,670,708	\$ 7,136,197	\$ (7,415,913)	\$ 12,390,992
Health	393,518	(391,904)	(1,614)	—
Unemployment	98,635	473,588	(434,831)	137,392
	<u>\$ 13,162,861</u>	<u>\$ 7,217,881</u>	<u>\$ (7,852,358)</u>	<u>\$ 12,528,384</u>

Anchorage's health self-insurance plan ended in 2001 when Anchorage transferred its medical insurance coverage to a private insurance carrier. At December 31, 2003, all liabilities for the health self-insurance plan have been liquidated.

NOTE 14 MOA Trust Fund

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

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

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

Depending on the investment market conditions in any given year, the MOA Trust Fund may or may not generate sufficient realized and unrealized net earnings to cover the 5% dividend payout. Under the endowment model, however, up to 5% of the market value of the MOA Trust Fund for the twelve trailing

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quarters marked at March 31 of each year is available for appropriation by the Assembly to help fund the general government budget. The endowment model is tied to an average market value, not to annual earnings, and it assumes a long-term investment return of 8% and inflation of 3%. During periods of market decline the MOA Trust Fund may experience a negative return; nonetheless the voter-approved endowment model for the MOA Trust Fund makes it possible for the Assembly to payout a 5% dividend by drawing from the fund's corpus. Over time the MOA Trust Fund is also expected to benefit from positive years in the market (i.e., years in which the real rate of return exceeds 5%), however the Assembly must abide by the 5% cap on annual distributions. This means that any excess returns generated during positive year in the market effectively are converted to corpus. The Municipal Treasurer is required by Code to determine whether the MOA Trust Fund's purchasing power is being maintained, by performing an analysis at least every five years beginning in year 2007. At December 31, 2003, \$6,600,000 of the MOA Trust Fund Balance was determined to be expendable.

During 2003, the Assembly approved closing the MOA Trust Reserve Fund and transferring the remaining fund balance to the MOA Trust fund. This resulted in a contribution from the MOA Trust Reserve Fund to the MOA Trust Fund of \$5,207,379.

NOTE 15 Regulatory and Other Matters

(a) *Electric Utility*

Demand and Energy Rates and Cost of Service Study, U-99-139: The Utility was ordered to file a Revenue Requirement and Cost of Service study by July 1, 2000 in Docket No. U-99-139. The Utility timely filed a 1999 test year revenue requirement study, and later, a 2001 test year revenue requirement study. All substantive issues related to the Utility's demand and energy rates have been resolved in Order No. 17, with the result that the Utility's demand and energy rates were increased by 4.035% effective August 15, 2002. The Utility implemented Phase 2 of the rate increases granted in Order No. U-99-139(17) by increasing its Base Rates by 3.474% across the board on October 9, 2003.

Accounting and Rate Making Treatment of Beluga River Gas Field, U-96-36: In Docket U-96-36, Order No. 7, the RCA required the Utility to file an explanation of its intended accounting treatment and proposed rate making treatment with respect to its Beluga River Gas Field interest. The Utility complied with this order on December 23, 1996. The most noteworthy aspect of this filing was a request to be allowed to defer some costs associated with the gas field interest in order to spread the benefits of the acquisition through time in an equitable manner. Subsequent to acquisition of the Beluga River Gas Field, the Utility deferred certain costs associated with operation of that field with the intent of recovering such costs from ratepayers in the future. At January 1, 2002 (prior to receipt of the RCA orders described below), the deferred gas cost asset associated with the field was \$11,346,747. In addition, the Utility sought approval to record depletion expense based upon proven and probable reserves in the Beluga River Gas Field, a methodology that differs from generally accepted accounting principles as prescribed in Statement on Financial Accounting Standards No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies* (SFAS 19).

On June 17, 2002 the RCA issued Order No. 25, and then clarified and corrected that order in Order No. 26, on July 30, 2002. This order affirmed certain important Utility positions, but changed the capital cost portion of the rate-making methodology from rate-base/rate-of-return to debt service

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coverage ratio. The Utility believed that this change, while not harmful to the Utility's long run financial interest, is theoretically incorrect, and would require substantial write-off of the Utility's deferred gas cost asset. The Utility petitioned for reconsideration on September 30, 2002. The petition was granted, in part, in Order No. 30. In Order No. U-96-36 (36) issued on August 11, 2003, the RCA affirmed the revenue requirement methodology it had previously ordered, recalculated the Utility's deferred gas cost asset based on its approved revenue requirement methodology, and granted recovery of the recalculated deferred asset over a 5 year period including interest calculated at the Utility's approved cost of capital of 8.30%. The RCA based its affirmation of its revenue requirement methodology on a finding that the returns allowed in the methodology for the historical period (1997-2002) were adequate if annual depletion expense were restated to equal 125% of the principal portion of the Utility's gas acquisition debt service payments. The RCA further found that the Utility's depletion expense was properly represented at that level.

The Utility petitioned for reconsideration of this order on two points: (1) that the RCA's calculation of the accumulated deferred asset contained a technical error which caused an understatement of \$433,035, and (2) that if the RCA believed that the Utility's depletion expense is best represented as 125% of the Utility's principal payments on the Beluga River Gas Field acquisition debt, it should order the Utility to record depletion in a manner consistent with that finding. The RCA granted the Utility's petition on both points in Order No. U-96-36 (40). Specifically, the RCA concluded that use of a proposed depletion methodology calculated based upon 125% of Beluga River Gas Field acquisition debt, rather than the methodology prescribed by generally accepted accounting principles, more accurately matched the revenue requirement they established in previous orders. Therefore, the Utility concluded based upon SFAS No. 71 that it was appropriate to record a regulatory asset representing the difference between the depletion methodology prescribed in the RCA orders referred to above and the depletion methodology prescribed by SFAS 19. The financial statements reflect the following activity based upon the aforementioned orders as a special item:

	2003	2002
To reflect adjustment to reduce regulatory asset - Order No. 30	\$ -	\$ (5,968,283)
To reflect adjustment to reduce regulatory asset - Order No. 36	(8,502,156)	-
To adjust accumulated reserve for depletion - Order No. 40	15,197,210	-
Total special item	\$ 6,695,054	\$ (5,968,283)

Included in net plant in service at December 31, 2003 is \$23,599,151, which represents a regulatory asset for the difference between depletion calculated in accordance with SFAS 19 and depletion calculated in accordance with the aforementioned orders.

Beluga River Unit ("BRU") Underlift Cash Settlement: Each of the three participants in the Beluga River Unit has a right to take one third of the gas produced by the Unit each year. Imbalances between the Unit owners are resolved each year in accordance with the Beluga River

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Unit Gas Balancing Agreement. "Overlifted" parties (parties which have taken more than one third of the Unit output) must offer to "underlifted" parties (parties which have taken less than one third of the Unit output) the option to either accept a cash settlement for their gas underlift for the year, or accept a right to take the gas underlift in a future year, subject to certain restrictions. While it had been the Utility's practice, in keeping with its original intent to secure a future supply of gas for generation, to accept the right to take future delivery of underlifted gas, its underlift position had reached a level by the end of 2003 such as to call into question its ultimate ability to recover all of its share of BRU gas before field closure. For this reason, the Utility elected to receive cash settlements for its 2003 underlift. These settlements amount to \$17,136,139.

In Order No. U-96-36(39) the Commission ordered the Utility to file a report on this transaction along with a proposed accounting treatment when the transaction occurs. The Utility will make this filing in the near future. As a result, the Utility recorded the underlift settlement as a deferred credit rather than revenues until such time as the RCA determines how these funds are to be used.

Eklutna Hydroelectric Project: On October 2, 1997, the ownership of the Eklutna Hydroelectric Project was formally transferred from the Alaska Power Administration, a unit of the United States Department of Energy, to the three participating utilities: the Utility, Chugach Electric Association (CEA) and Matanuska Electric Association (MEA). The Project is jointly owned and operated by the participating utilities and each contributes their proportionate share for operation and maintenance costs. The Utility has a 53.33% ownership interest in the Project and recorded costs of \$287,353 and \$197,075 in 2003 and 2002, respectively.

Grant Agreement 2195150 (Eklutna Project Transmission Line Upgrade): On November 5, 2002, the Utility received a grant from the State of Alaska, Alaska Energy Authority in the amount of \$19,300,000. The grant was issued for the Eklutna Project Transmission Line Upgrade which must be completed no later than December 31, 2006. The Utility received an advance of twenty percent or \$3,860,000 on December 5, 2002.

Bradley Lake Hydroelectric Project: The Utility has agreed to acquire a portion of the output of the Bradley Lake Hydroelectric Project (Project) pursuant to a Power Sales Agreement (Agreement). The Agreement specifies that the Utility acquire 25.9% of the output of the Project. The Bradley Lake Hydroelectric Project went on line September 1, 1991. The Utility made payment to the Alaska Energy Authority (AEA) of \$3,237,235 and \$3,700,602 in 2003 and 2002 for its portion of the costs, and received 128,380 and 126,885 megawatt hours of power in 2003 and 2002 from the Project. The Utility's estimated cost of power from the Project for 2004 is \$3,670,000.

The Alaska Energy Authority 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 Bradley Lake Hydroelectric Project. The total amount of debt outstanding as of December 31, 2003, was \$133,626,090. The pro rata share of the debt service costs of the Project, for which the Utility is responsible, given its 25.9% share of the Project, is \$34,609,157. In the event of payment defaults by other power purchasers, the Utility's share could be increased by up to 25%, which would then cause its pro rata share to be a total of \$43,261,446; the Utility does not now know of or anticipate any such defaults.

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

Railbelt Electric Interties: In 1993, the Alaska Legislature appropriated \$90 million in grants from the Railbelt Energy Fund to fund construction of a Northern Intertie between Healy and Fairbanks and a Southern Intertie between Anchorage and the Kenai Peninsula.

In late 1998, as allowed by the agreements, the Utility withdrew from direct participation in the Northern Intertie, thus relieving itself of any financial responsibility or ownership interest in that line. The Utility on February 25, 2004 withdrew from participation of the Southern Intertie along with the five other participants.

(b) *Water and Wastewater Utilities*

301(h) Waiver: The Environmental Protection Agency issued the Wastewater Utility a new National Pollutant Discharge Elimination System discharge permit on June 28, 2000, for the Asplund Wastewater Treatment Facility, located at Pt. Woronzof. This permit is good for five (5) years from the date of issuance and contains a Section 301(h) waiver of secondary treatment. The Wastewater Utility believes it will be able to meet all the new permit limits contained in the new discharge permit.

NOTE 16 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.

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December 31, 2003

(d) *Spending Limitation*

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

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

In 1996, the Municipality of Anchorage issued tax-exempt electric revenue bonds to finance capital improvements and a portion of its purchase of the Beluga River Gas Field. These electric revenue bonds are being examined by the Internal Revenue Service as part of its expanded compliance program for tax-exempt bonds. Anchorage does not believe that the ultimate outcome of this uncertainty would be material to its financial statements.

NOTE 17 Environmental Issues

Anchorage has adopted an aggressive proactive policy designed to identify and mitigate the potential effects of past, present and future activity which may result in environmental impact. It is accounting policy to record a liability when the likelihood of responsibility for an environmental impact is probable and the cost of mitigating the impact is estimable within reasonable limits. At December 31, 2003, there are environmental issues which meet both of these criteria and, accordingly, a provision has been made in the accompanying financial statements for the cost of mitigating environmental concerns of underground fuel and hazardous waste contamination. The following is a summary of environmental concerns at December 31, 2003.

(a) *Solid Waste Landfill Site*

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

In 1992, the 20-year-old subdrain of the leachate collection system at the Merrill Field landfill was cleaned. As a result, the amount of leachate flow increased 241%. Subsequently, an outside consultant was hired to make recommendations for improving the leachate collection system to ensure that no off-site migration of leachate will occur. This study was completed in 1994 and recommended a rehabilitation/upgrade of the leachate collection system. Design work for the project was completed in 1995 and construction completed in the fall of 1996. Completion of this project should alleviate any potential environmental problems. The water quality at 16 different locations at the Merrill Field landfill will continue to be monitored.

(b) *Landfill Closure and Postclosure Care Cost*

State and federal laws and regulations require Anchorage to place a final cover on its current landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these future closure and postclosure costs, Anchorage Solid Waste Services (SWS) is recording as an operating expense in each period an

MUNICIPALITY OF ANCHORAGE

Notes to Basic Financial Statements

December 31, 2003

amount based on landfill capacity used as of each balance sheet date. During 1997 the future closure and postclosure were reevaluated and adjusted to reflect current conditions. As of December 2003, SWS had a recorded liability of \$10,324,632 associated with these future costs, based on the use of 24.3% of the estimated capacity of the landfill. It is estimated that SWS will recognize another \$32,141,532 in expense and liability between December 31, 2003, and the year 2037, the date the landfill is expected to reach full capacity. These amounts are based on what it would cost to perform all the closure and postclosure functions in 2002. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

As of December 31, 2003, there are no state laws or regulations requiring Anchorage to provide financial assurances for the closure and postclosure care of the landfill. Federal regulations that went into effect in 1997 do require Anchorage to provide financial assurances for future closure and postclosure costs by one of a number of allowable mechanisms available. Anchorage elected to use the "Local Government Test" financial assurance mechanism to be in compliance with the regulation. Currently no SWS assets are restricted for payment of closure and postclosure care costs. Future inflation costs and additional costs that might arise from changes in requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

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

Balance January 1, 2003	Addition	Deletion	Balance December 31, 2003	Due Within 1 year
\$ 9,557,559	\$ 767,073	\$ —	\$ 10,324,632	\$ —

(c) Fuel Contamination Sites

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

(d) Water Vulnerability Assessment

The Water Utility is required by federal law to prepare a security Vulnerability Assessment (VA). This requirement, administered by the United States Environmental Protection Agency (USEPA), took effect in April 2002. The Water Utility requested and received an extension by the USEPA until March 30, 2003. The Water Utility failed to file the VA with the USEPA on the deadline and was placed under a compliance order from the USEPA to complete the VA by May 31, 2003. The completion of a proper VA for the Water Utility was certified to the USEPA on May 30, 2003. The USEPA officially closed the compliance order/administrative order per memo on June 2, 2003.

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REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

Year ended December 31, 2003

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance with final budget – positive (negative)
	Original	Final				
Revenues:						
Taxes	\$ 29,412,110	\$ 344,811,910	\$ 344,146,857	\$ —	\$ 344,146,857	\$ (665,053)
Special assessments	929,700	708,530	555,280	—	555,280	(153,250)
Licenses and permits	10,281,690	10,077,060	11,568,910	—	11,568,910	1,491,850
Intergovernmental	13,772,700	13,969,070	8,830,825	—	8,830,825	(5,138,245)
Charges for services	15,715,060	15,972,160	16,383,270	—	16,383,270	411,110
Fines and forfeitures	6,862,620	6,003,340	5,735,924	—	5,735,924	(267,416)
Investment income	470,540	654,700	830,798	—	830,798	176,098
Restricted contributions	—	50,000	52,450	—	52,450	2,450
Other revenues	1,885,810	1,623,940	1,703,106	—	1,703,106	79,166
Total revenues	79,330,230	393,870,710	389,807,420	—	389,807,420	(4,063,290)
Expenditures:						
Current:						
General government	21,129,880	21,933,400	20,405,210	(1) 176,609	20,581,819	1,528,190
Fire services	45,448,810	45,363,070	43,284,394	(1) 195,369	43,479,763	2,078,676
Police services	57,387,900	58,154,230	57,575,946	(1) 48,806	57,624,752	578,284
Health and human services	12,744,490	13,169,170	11,753,408	(i) 166,700	11,920,108	1,415,762
Cultural and recreation services	23,853,830	23,986,040	23,644,958	(1) (239,379)	23,405,579	341,082
Public transportation	13,726,920	13,939,085	13,275,488	(1) 16,589	13,292,077	663,597
Planning, development, and public works	18,303,190	18,525,800	19,835,429	(1) (426,873)	19,408,556	(1,309,629)
Education	—	144,045,120	144,035,890	—	144,035,890	9,230
Maintenance and operations	25,815,750	28,165,310	27,064,981	(1) (172,447)	26,892,534	1,100,329
Debt service:						
Principal	20,317,930	21,196,420	20,786,483	—	20,786,483	409,937
Interest	15,871,450	15,000,550	15,346,464	—	15,346,464	(345,914)
Bond issuance costs	—	—	—	—	—	—
Total expenditures	254,600,150	403,478,195	397,008,651	(234,626)	396,774,025	6,469,544
Excess (deficiency) of revenues over expenditures	(175,269,920)	(9,607,485)	(7,201,231)	234,626	(6,966,605)	2,406,254
Other financing sources (uses):						
Transfers in – from other funds	10,030,230	12,259,575	11,881,098	—	11,881,098	(378,477)
Transfers out – to other funds	(5,949,250)	(6,498,140)	(6,481,534)	—	(6,481,534)	16,606
Proceeds from premium on bond sale	—	—	269,913	—	269,913	269,913
Sale of capital assets	—	—	80,000	—	80,000	80,000
Total other financing uses	4,080,980	5,761,435	5,749,477	—	5,749,477	(11,958)
Deficiency of revenues and other financing sources over expenditures and other financing uses	(171,188,940)	(3,846,050)	(1,451,754)	234,626	(1,217,128)	2,394,296
Fund balance, beginning of year	38,458,865	38,458,865	38,458,865	(2) 4,053,744	42,512,609	—
Fund balance, end of year	\$ (132,730,075)	\$ 34,612,815	\$ 37,007,111	\$ 4,288,370	\$ 41,295,481	\$ 2,394,296

Explanation of differences:

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

See accompanying notes to required supplementary information.

MUNICIPALITY OF ANCHORAGE

Notes to Required Supplementary Information – Budgetary Data

December 31, 2003

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 revenues and appropriations in Anchorage's General Fund Budget do not correspond to the revenue sources and 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 2004 operating budgets and appropriations of direct costs at the department level, and indirect costs at the fund level. Some departmental appropriations span more than one fund. The Assembly approved 2003 capital budgets with anticipated appropriation of resources for the general government and appropriations for each utility. Upon certification by the Chief Fiscal Officer that actual resources have become available for specific general government capital projects; e.g., when a grant is accepted, a bond sale or interfund transfer is approved, or a special assessment district is created, a supplemental appropriation is submitted to the Assembly for final approval. Supplemental appropriations are also submitted for approval upon certification by the Chief Fiscal Officer that operating grant funds have become available. The legal level of a budgetary control is the department and fund level.

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

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

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

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

MUNICIPALITY OF ANCHORAGE

Notes to Required Supplementary Information – Budgetary Data

December 31, 2003

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA

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

December 31, 2003

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

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

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

	2003	2002
Anchorage Road District:		
Needed	\$ 11,145	\$ 6,914
Actual	11,854	6,997
Chugiak/Eagle River Road District:		
Needed	1,783	1,415
Actual	1,584	1,173
Girdwood Road District:		
Needed	89	104
Actual	78	103
Other Road Districts:		
Needed	268	616
Actual	224	338
Overall System:		
Needed	13,285	9,049
Actual	13,740	8,611
Difference	455	(438)

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

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Heritage Land Bank Fund** accounts for Municipal-owned real estate.

The **Police Investigation Fund** accounts for the proceeds from sale of property seized by the Police Department, State and Federal agencies.

The **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 proceeds of which are used to pay rents on certain Certificates of Participation.

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.

Capital Projects Funds

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

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

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

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

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

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

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

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

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

Permanent Fund

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

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

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MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

Assets	Special Revenue				Miscellaneous Operational Grants
	Heritage Land Bank	Police Investigations	State Grants	Federal Grants	
Cash	\$ —	\$ 6,747	\$ —	\$ —	\$ —
Cash in central treasury	5,977,525	687,021	3,669,713	4,797,883	625,186
Investments	—	—	—	—	5,870
Due from other funds	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	3,328	—	149	5,240,076	130,866
Intergovernmental receivables	—	—	2,919,161	5,509,699	—
Interest receivable	—	—	—	—	14
Special assessments receivable	725	—	—	—	—
Prepaid items and deposits	3,960	4,112	99	—	—
Restricted assets:					
Cash in central treasury	—	—	—	—	—
Investments	—	—	—	—	—
Total assets	<u>\$ 5,985,538</u>	<u>\$ 697,880</u>	<u>\$ 6,589,122</u>	<u>\$ 15,547,658</u>	<u>\$ 761,936</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and retainages	\$ 3,172	\$ 16,506	\$ 388,376	\$ 695,496	\$ 92,947
Due to other funds	—	—	—	—	—
Deferred revenue and deposits	725	—	93,733	3,267,719	—
Total liabilities	<u>3,897</u>	<u>16,506</u>	<u>482,109</u>	<u>3,963,215</u>	<u>92,947</u>
Fund balances (deficits):					
Reserved:					
Encumbrances	12,605	—	742,919	2,969,888	15,993
Prepays and deposits	3,960	4,112	99	—	—
Long-term loans	—	—	—	5,240,076	—
Perpetual care	—	—	—	—	—
Debt service	—	—	—	—	—
Unreserved, reported in:					
Special revenue fund	5,965,076	677,262	5,363,995	3,374,479	652,996
Capital project funds:					
Designated	—	—	—	—	—
Undesignated	—	—	—	—	—
Total fund balances (deficits)	<u>5,981,641</u>	<u>681,374</u>	<u>6,107,013</u>	<u>11,584,443</u>	<u>668,989</u>
Total liabilities and fund balances	<u>\$ 5,985,538</u>	<u>\$ 697,880</u>	<u>\$ 6,589,122</u>	<u>\$ 15,547,658</u>	<u>\$ 761,936</u>

See accompanying notes to financial statements.

Other Restricted Resources	Total Special Revenue	Debt Service				Total Debt Service
		Special Assessment Bonds	Retirement Certificates of Participation	Police/Fire Retiree Medical Liability	Jail Revenue Bond	
\$ —	\$ 6,747	\$ —	\$ —	\$ —	\$ 5,876	\$ 5,876
—	15,757,328	824,917	12,859,601	—	—	13,684,518
—	5,870	—	8,719,000	16,684,210	—	25,403,210
—	—	—	—	—	—	—
—	5,374,419	—	—	—	—	—
—	8,428,860	—	—	—	—	—
—	14	—	—	—	—	—
31,699	32,424	611,712	—	—	—	611,712
—	8,171	—	—	—	—	—
—	—	—	—	—	—	—
—	—	350,637	3,693,656	—	—	4,044,293
\$ 31,699	\$ 29,613,833	\$ 1,787,266	\$ 25,272,257	\$ 16,684,210	\$ 5,876	\$ 43,749,609
\$ —	\$ 1,196,497	\$ —	\$ —	\$ —	\$ —	\$ —
46,164	46,164	—	—	110,586	13,347	123,933
—	3,362,177	555,380	—	—	—	555,380
46,164	4,604,838	555,380	—	110,586	13,347	679,313
8,438	3,749,843	—	—	—	—	—
—	8,171	—	—	—	—	—
—	5,240,076	353,281	—	—	—	353,281
—	—	—	—	—	—	—
—	—	878,605	25,272,257	16,573,624	(7,471)	42,717,015
(22,903)	16,010,905	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(14,465)	25,008,995	1,231,886	25,272,257	16,573,624	(7,471)	43,070,296
\$ 31,699	\$ 29,613,833	\$ 1,787,266	\$ 25,272,257	\$ 16,684,210	\$ 5,876	\$ 43,749,609

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

Assets	Capital Projects				
	Areawide	Public Safety	Roads and Drainage	Public Transportation	Miscellaneous
Cash	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	193,792	7,768,094	3,223,890	—	—
Investments	—	—	—	—	—
Due from other funds	9,591,691	—	14,327,195	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—	—
Intergovernmental receivables	274,693	377,335	1,065,945	914,069	211,625
Interest receivable	—	—	—	—	—
Special assessments receivable	—	—	—	—	79,394
Prepaid items and deposits	—	—	—	—	—
Restricted assets:					
Cash in central treasury	—	—	—	—	—
Investments	—	—	—	—	—
Total assets	\$ 10,060,176	\$ 8,145,429	\$ 18,617,030	\$ 914,069	\$ 291,019
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and retainages	\$ 337,113	\$ 123,608	\$ 2,326,319	\$ 230,135	\$ 585
Due to other funds	190,986	280,481	—	263,277	503,806
Deferred revenue and deposits	—	—	—	—	—
Total liabilities	528,099	404,089	2,326,319	493,412	504,391
Fund balances (deficits):					
Reserved:					
Encumbrances	2,873,396	680,507	13,661,387	1,825,294	158,805
Prepays and deposits	—	—	—	—	—
Long-term loans	—	—	—	—	—
Perpetual care	—	—	—	—	—
Debt service	—	—	—	—	—
Unreserved, reported in:					
Special revenue fund	—	—	—	—	—
Capital project funds:					
Designated	6,640,328	6,139,724	2,537,333	—	—
Undesignated	18,353	921,109	91,991	(1,404,637)	(372,177)
Total fund balances (deficits)	9,532,077	7,741,340	16,290,711	420,657	(213,372)
Total liabilities and fund balances	\$ 10,060,176	\$ 8,145,429	\$ 18,617,030	\$ 914,069	\$ 291,019

See accompanying notes to financial statements.

Parks and Recreation	Historic Preservation	Heritage Land Bank	Total Capital Projects	Permanent Fund Cemetery Perpetual Maintenance	Total Nonmajor Governmental Funds	
					December 31, 2003	December 31, 2002
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,623	\$ 8,108
1,543,194	53,720	818,026	13,600,716	—	43,042,562	47,983,709
—	—	—	—	—	25,409,080	31,372,399
7,500,000	—	—	31,418,886	—	31,418,886	31,119,274
—	—	—	—	—	5,374,419	5,689,424
846,093	—	—	3,689,760	—	12,118,620	19,044,164
—	—	—	—	—	14	65,397
—	—	—	79,394	—	723,530	1,002,013
—	—	—	—	—	8,171	1,659
—	—	—	—	256,622	256,622	194,600
—	—	—	—	—	4,044,293	4,035,359
<u>\$ 9,889,287</u>	<u>\$ 53,720</u>	<u>\$ 818,026</u>	<u>\$ 48,788,756</u>	<u>\$ 256,622</u>	<u>\$ 122,408,820</u>	<u>\$ 140,516,106</u>
\$ 438,789	\$ —	\$ 5,679	\$ 3,462,228	\$ —	\$ 4,658,725	\$ 8,413,646
—	—	—	1,238,550	—	1,408,647	2,244,070
—	—	—	—	—	3,917,557	4,887,264
<u>438,789</u>	<u>—</u>	<u>5,679</u>	<u>4,700,778</u>	<u>—</u>	<u>9,984,929</u>	<u>15,544,980</u>
1,739,150	—	11,388	20,949,927	—	24,699,770	22,435,394
—	—	—	—	—	8,171	—
—	—	—	—	—	5,593,357	5,949,676
—	—	—	—	256,622	256,622	243,490
—	—	—	—	—	42,717,015	41,517,077
—	—	—	—	—	16,010,905	16,760,953
7,512,300	—	486,211	23,315,896	—	23,315,896	36,798,005
199,048	53,720	314,748	(177,845)	—	(177,845)	1,266,531
<u>9,450,498</u>	<u>53,720</u>	<u>812,347</u>	<u>44,087,978</u>	<u>256,622</u>	<u>112,423,891</u>	<u>124,971,126</u>
<u>\$ 9,889,287</u>	<u>\$ 53,720</u>	<u>\$ 818,026</u>	<u>\$ 48,788,756</u>	<u>\$ 256,622</u>	<u>\$ 122,408,820</u>	<u>\$ 140,516,106</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds

Year ended December 31, 2003

(With summarized financial information at December 31, 2002)

	Special Revenue				
	Heritage Land Bank	Police Investigations	State Grants	Federal Grants	MOA Trust Reserve
Revenues:					
Special assessments	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	22,386,690	13,081,594	—
Charges for services	—	—	—	—	—
Fines and forfeitures	—	353,064	—	—	—
Investment income	44,663	7,088	4,493	21,769	(36,368)
Restricted contributions	—	—	—	—	—
Other	210,183	46,277	58,329	282,422	—
Total revenues	254,846	406,429	22,449,512	13,385,785	(36,368)
Expenditures:					
Current:					
General government	651,088	—	593,271	67,549	—
Fire services	—	—	78,270	2,394,795	—
Police services	—	418,722	471,862	1,507,261	—
Health and human services	—	—	15,386,303	2,520,928	—
Cultural and recreation services	—	—	236,327	—	—
Public transportation	—	—	1,803,417	255,403	—
Planning, development, and public works	—	—	4,394,722	5,879,479	—
Education	—	—	59,199	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond issuance costs	—	—	—	—	—
Capital projects	—	—	—	—	—
Total expenditures	651,088	418,722	23,023,371	12,625,415	—
Excess (deficiency) of revenues over expenditures	(396,242)	(12,293)	(573,859)	760,370	(36,368)
Other financing sources (uses):					
Transfers in – from other funds	—	—	541,589	471,418	—
Transfers out – to other funds	(342,500)	—	(325,155)	—	(6,607,379)
General obligation bonds issued	—	—	—	—	—
Premium on bond sale	—	—	—	—	—
Sale of capital assets	2,794,897	—	—	—	—
Total other financing sources (uses)	2,452,397	—	216,434	471,418	(6,607,379)
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,056,155	(12,293)	(357,425)	1,231,788	(6,643,747)
Fund balances (deficit), beginning of year as previously reported	3,925,486	693,667	6,464,438	10,352,655	6,643,747
Add adjustment for cumulative effect of the adoption of GASB Interpretation No. 6	—	—	—	—	—
Fund balances (deficit), beginning of year, as adjusted	3,925,486	693,667	6,464,438	10,352,655	6,643,747
Fund balances (deficit), end of year	\$ 5,981,641	\$ 681,374	\$ 6,107,013	\$ 11,584,443	\$ —

See accompanying notes to financial statements.

Miscellaneous Operational Grants	Other Restricted Resources	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Debt Service		Total Debt Service
					Police/Fire Retiree Medical Liability	Jail Revenue Bond	
\$ —	\$ 465,226	\$ 465,226	\$ 256,237	\$ —	\$ —	\$ —	\$ 256,237
—	—	35,468,284	—	—	—	—	—
—	—	—	—	—	—	5,213,594	5,213,594
6,006	—	353,064	—	—	—	—	—
—	—	47,651	12,391	1,128,502	2,989,565	5,876	4,136,334
—	—	—	—	—	—	—	—
416,325	8,870	1,022,406	—	—	—	—	—
422,331	474,096	37,356,631	268,628	1,128,502	2,989,565	5,219,470	9,606,165
10,553	490,000	1,812,461	—	—	—	—	—
2,519	—	2,475,584	—	—	—	—	—
135,073	—	2,532,918	—	—	—	—	—
14,610	—	17,921,841	—	—	—	—	—
194,415	—	430,742	—	—	—	—	—
—	—	2,058,820	—	—	—	—	—
149,383	—	10,423,584	—	—	—	—	—
—	—	59,199	—	—	—	—	—
—	—	—	125,000	2,915,000	—	1,965,000	5,005,000
—	—	—	84,923	547,263	—	3,248,594	3,880,780
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
506,553	490,000	37,715,149	209,923	3,462,263	—	5,213,594	8,885,780
(84,222)	(15,904)	(358,518)	58,705	(2,333,761)	2,989,565	5,876	720,385
164,080	—	1,177,087	—	—	1,800,000	—	1,800,000
—	—	(7,275,034)	—	—	(1,320,447)	—	(1,320,447)
—	—	—	—	—	—	—	—
—	—	2,794,897	—	—	—	—	—
164,080	—	(3,303,050)	—	—	479,553	—	479,553
79,858	(15,904)	(3,661,568)	58,705	(2,333,761)	3,469,118	5,876	1,199,938
589,131	1,439	28,670,563	1,173,181	27,606,018	13,104,506	(13,347)	41,870,358
—	—	—	—	—	—	—	—
589,131	1,439	28,670,563	1,173,181	27,606,018	13,104,506	(13,347)	41,870,358
\$ 668,989	\$ (14,465)	\$ 25,008,995	\$ 1,231,886	\$ 25,272,257	\$ 16,573,624	\$ (7,471)	\$ 43,070,296

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds

Year ended December 31, 2003

(With summarized financial information at December 31, 2002)

	<u>Capital Projects</u>				
	<u>Areawide</u>	<u>Public Safety</u>	<u>Roads and Drainage</u>	<u>Public Transportation</u>	<u>Miscellaneous</u>
Revenues:					
Special assessments	\$ —	\$ —	\$ —	\$ —	\$ 21,101
Intergovernmental	1,105,667	955,937	3,433,517	1,896,706	745,548
Charges for services	249,158	—	13,892	—	—
Fines and forfeitures	—	—	—	—	—
Investment income	50,353	24,921	22,748	—	(1,786)
Restricted contributions	—	—	—	—	—
Other	899,329	—	694	30,343	—
Total revenues	<u>2,304,507</u>	<u>980,858</u>	<u>3,470,851</u>	<u>1,927,049</u>	<u>764,863</u>
Expenditures:					
Current:					
General government	—	—	—	—	—
Fire services	—	—	—	—	—
Police services	—	—	—	—	—
Health and human services	—	—	—	—	—
Cultural and recreation services	—	—	—	—	—
Public transportation	—	—	—	—	—
Planning, development, and public works	—	—	—	—	—
Education	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond issuance costs	41,899	91,415	253,931	6,348	—
Capital projects	4,365,912	7,685,384	35,887,430	2,352,104	912,457
Total expenditures	<u>4,407,811</u>	<u>7,776,799</u>	<u>36,141,361</u>	<u>2,358,452</u>	<u>912,457</u>
Excess (deficiency) of revenues over expenditures	<u>(2,103,304)</u>	<u>(6,795,941)</u>	<u>(32,670,510)</u>	<u>(431,403)</u>	<u>(147,594)</u>
Other financing sources (uses):					
Transfers in – from other funds	473,882	74,840	1,602,590	—	99,000
Transfers out – to other funds	(365,000)	—	(912,000)	—	—
General obligation bonds issued	3,300,000	7,200,000	20,000,000	500,000	—
Premium on bond sale	41,899	91,415	253,931	6,348	—
Sale of capital assets	—	—	—	51,787	—
Total other financing sources (uses)	<u>3,450,781</u>	<u>7,366,255</u>	<u>20,944,521</u>	<u>558,135</u>	<u>99,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>1,347,477</u>	<u>570,314</u>	<u>(11,725,989)</u>	<u>126,732</u>	<u>(48,594)</u>
Fund balances (deficit), beginning of year as previously reported	8,184,600	7,171,026	28,016,700	293,925	(164,778)
Add adjustment for cumulative effect of the adoption of GASB Interpretation No. 6	—	—	—	—	—
Fund balances (deficit), beginning of year, as adjusted	<u>8,184,600</u>	<u>7,171,026</u>	<u>28,016,700</u>	<u>293,925</u>	<u>(164,778)</u>
Fund balances, end of year	<u>\$ 9,532,077</u>	<u>\$ 7,741,340</u>	<u>\$ 16,290,711</u>	<u>\$ 420,657</u>	<u>\$ (213,372)</u>

See accompanying notes to financial statements.

Parks and Recreation	Historic Preservation	Heritage Land Bank	Total Capital Projects	Permanent Fund Cemetery Perpetual Maintenance	Total Nonmajor Governmental Funds	
					2003	2002
\$ —	\$ —	\$ —	\$ 21,101	\$ —	\$ 742,564	\$ 743,600
3,577,454	—	—	11,714,829	—	47,183,113	56,443,246
413,345	—	—	676,395	10,650	5,900,639	5,802,670
—	—	—	—	—	353,064	247,838
18,372	584	7,550	122,742	2,482	4,309,209	(386,259)
—	—	—	—	—	—	225,000
34,305	—	—	964,671	—	1,987,077	2,482,102
4,043,476	584	7,550	13,499,738	13,132	60,475,666	65,558,197
—	—	—	—	—	1,812,461	10,708,124
—	—	—	—	—	2,475,584	2,437,510
—	—	—	—	—	2,532,918	1,703,298
—	—	—	—	—	17,921,841	23,697,379
—	—	—	—	—	430,742	353,915
—	—	—	—	—	2,058,820	1,690,165
—	—	—	—	—	10,423,584	1,292,797
—	—	—	—	—	59,199	3,181,870
—	—	—	—	—	5,005,000	4,884,969
—	—	—	—	—	3,880,780	4,160,132
50,786	—	—	444,379	—	444,379	537,019
8,528,955	—	222,332	59,954,574	—	59,954,574	45,875,719
8,579,741	—	222,332	60,398,953	—	106,999,882	100,522,897
(4,536,265)	584	(214,782)	(46,899,215)	13,132	(46,524,216)	(34,964,700)
—	—	331,000	2,581,312	—	5,558,399	6,035,796
—	—	—	(1,277,000)	—	(9,872,481)	(6,020,557)
4,000,000	—	—	35,000,000	—	35,000,000	54,365,000
50,786	—	—	444,379	—	444,379	537,019
—	—	—	51,787	—	2,846,684	1,363,556
4,050,786	—	331,000	36,800,478	—	33,976,981	56,280,814
(485,479)	584	116,218	(10,098,737)	13,132	(12,547,235)	21,316,114
9,935,977	53,136	696,129	54,186,715	243,490	124,971,126	103,639,677
—	—	—	—	—	—	15,335
9,935,977	53,136	696,129	54,186,715	243,490	124,971,126	103,655,012
\$ 9,450,498	\$ 53,720	\$ 812,347	\$ 44,087,978	\$ 256,622	\$ 112,423,891	\$ 124,971,126

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Statement

Heritage Land Bank

Special Revenue Fund

Year ended December 31, 2003

	Budget		Actual	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Investment income	\$ 25,830	\$ 59,050	\$ 44,663	\$ (14,387)
Other revenues	144,000	144,000	210,183	66,183
Total revenues	169,830	203,050	254,846	51,796
Expenditures:				
General government	736,830	736,790	651,088	85,702
Total expenditures	736,830	736,790	651,088	85,702
Deficiency of revenues over expenditures	(567,000)	(533,740)	(396,242)	137,498
Other financing sources (uses):				
Transfers out – to other funds	(11,500)	(342,500)	(342,500)	—
Proceeds from sale of assets	578,680	547,620	2,794,897	2,247,277
Total other financing sources	567,180	205,120	2,452,397	2,247,277
Excess of revenues and other financing sources over expenditures and other financing uses	180	(328,620)	2,056,155	2,384,775
Fund balance, beginning of year	3,925,486	3,925,486	3,925,486	—
Fund balance, end of year	\$ 3,925,666	\$ 3,596,866	\$ 5,981,641	\$ 2,384,775

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Statement
Special Assessment Bonds
Debt Service Fund

Year ended December 31, 2003

	Budget		Actual	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Special assessments	\$ —	\$ 237,325	\$ 256,237	\$ 18,912
Investment income	—	—	12,391	12,391
Total revenues	—	237,325	268,628	31,303
Expenditures:				
Debt service:				
Principal	—	125,000	125,000	—
Interest	—	84,924	84,923	1
Total expenditures	—	209,924	209,923	1
Excess of revenues over expenditures	—	27,401	58,705	31,304
Fund balance, beginning of year	1,173,181	1,173,181	1,173,181	—
Fund balance, end of year	\$ 1,173,181	\$ 1,200,582	\$ 1,231,886	\$ 31,304

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Statement
Retirement Certificates of Participation
Debt Service Fund

Year ended December 31, 2003

	Budget		Actual	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 1,128,502	\$ 1,128,502
Total revenues	—	—	1,128,502	1,128,502
Expenditures:				
Debt service:				
Principal	2,915,000	2,915,000	2,915,000	—
Interest	547,270	547,270	547,263	7
Total expenditures	3,462,270	3,462,270	3,462,263	7
Deficiency of revenues over expenditures	(3,462,270)	(3,462,270)	(2,333,761)	1,128,509
Fund balance, beginning of year	27,606,018	27,606,018	27,606,018	—
Fund balance, end of year	\$ 24,143,748	\$ 24,143,748	\$ 25,272,257	\$ 1,128,509

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2003

	Budget		Actual	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 2,989,565	\$ 2,989,565
Total revenues	—	—	2,989,565	2,989,565
Other financing sources (uses):				
Transfers in – from other funds	1,551,420	1,551,420	1,800,000	248,580
Transfers out – to other funds	(1,551,420)	(1,551,420)	(1,320,447)	230,973
Total other financing sources	---	—	479,553	479,553
Excess of revenues and other financing sources over other financing uses	—	—	3,469,118	3,469,118
Fund balance, beginning of year	13,104,506	13,104,506	13,104,506	—
Fund balance, end of year	<u>\$ 13,104,506</u>	<u>\$ 13,104,506</u>	<u>\$ 16,573,624</u>	<u>\$ 3,469,118</u>

See accompanying notes to financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

Budgetary Comparison Statement
 Jail Revenue Bond
 Debt Service Fund

Year ended December 31, 2003

	Budget		Actual	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Charges for services	\$ —	\$ 5,213,594	\$ 5,213,594	\$ —
Investment income	—	—	5,876	5,876
Total revenues	—	5,213,594	5,219,470	5,876
Expenditures:				
Debt service:				
Principal	—	1,965,000	1,965,000	—
Interest	—	3,248,594	3,248,594	—
Total expenditures	—	5,213,594	5,213,594	—
Excess of revenues over expenditures	—	—	5,876	5,876
Fund deficit, beginning of year	(13,347)	(13,347)	(13,347)	—
Fund deficit, end of year	\$ (13,347)	\$ (13,347)	\$ (7,471)	\$ 5,876

See accompanying notes to financial statements.

NON-MAJOR ENTERPRISE FUNDS

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets
Nonmajor Enterprise Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

Assets	Refuse Utility	Solid Waste	Port
	<u> </u>	<u> </u>	<u> </u>
Current assets:			
Cash	\$ 300	\$ 1,475	\$ 150
Cash in central treasury	3,015,780	20,279,429	8,571,487
Receivables (net of allowance for uncollectibles)	378,650	943,315	715,948
Interest receivable	2,844	3,031	295,925
Current portion of lease receivable	—	—	416,691
Prepaid items and deposits	1,441	3,564	39,938
Deferred charges	—	—	—
Total current assets	<u>3,399,015</u>	<u>21,230,814</u>	<u>10,040,139</u>
Restricted assets:			
Restricted deposits	—	—	—
Receivables	—	29,432	—
Bond and acquisition and construction accounts	577,717	5,284,638	22,043,771
Revenue bond operations and maintenance accounts	358,300	378,572	—
Debt service accounts	—	—	1,292,490
Total current restricted assets	<u>936,017</u>	<u>5,692,642</u>	<u>23,336,261</u>
Noncurrent assets:			
Loans receivables, net	—	—	—
Deferred charges and other assets	103	10,097	1,829,134
Capital assets, net	2,457,057	43,655,587	55,397,303
Total noncurrent assets	<u>2,457,160</u>	<u>43,665,684</u>	<u>57,226,437</u>
Total assets	<u>\$ 6,792,192</u>	<u>\$ 70,589,140</u>	<u>\$ 90,602,837</u>

See accompanying notes to financial statements.

Municipal Airport	Anchorage Parking Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			December 31, 2003	December 31, 2002
\$ 200	\$ 3,377,318	\$ 620,191	\$ 3,999,634	\$ 3,691,190
—	—	—	31,866,696	34,162,658
308,002	129,003	23,185	2,498,103	2,530,704
880	—	—	302,680	357,773
—	—	—	416,691	377,770
1,981	31,238	19,379	97,541	57,626
—	—	—	—	16,406
<u>311,063</u>	<u>3,537,559</u>	<u>662,755</u>	<u>39,181,345</u>	<u>41,194,127</u>
—	34,962	489,401	524,363	172,028
—	—	—	29,432	8,870
1,161,805	—	—	29,067,931	23,227,369
—	—	—	736,872	1,503,366
—	—	—	1,292,490	647,508
<u>1,161,805</u>	<u>34,962</u>	<u>489,401</u>	<u>31,651,088</u>	<u>25,559,141</u>
34,932	—	—	34,932	37,451
—	—	—	1,839,334	2,260,053
<u>40,836,732</u>	<u>31,235,181</u>	<u>—</u>	<u>173,581,860</u>	<u>177,800,974</u>
40,871,664	31,235,181	—	175,456,126	180,098,478
<u>\$ 42,344,532</u>	<u>\$ 34,807,702</u>	<u>\$ 1,152,156</u>	<u>\$ 246,288,559</u>	<u>\$ 246,851,746</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Net Assets
Nonmajor Enterprise Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

Liabilities	Refuse Utility	Solid Waste	Port
	<u> </u>	<u> </u>	<u> </u>
Current liabilities:			
Accounts payable and retainages	\$ 16,193	\$ 211,101	\$ 128,748
Compensated absences payable	57,184	341,011	117,241
Due to other funds	—	—	—
Accrued interest payable	4,043	438,720	94,000
Long-term obligations maturing within one year	329,239	3,502,931	1,180,000
Deferred revenue and deposits	2,578	—	13,000
Deferred credits and other liabilities	—	—	—
Total current liabilities	<u>409,237</u>	<u>4,493,763</u>	<u>1,532,989</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	—	—	—
Capital acquisition and construction accounts and retainage payable	—	—	68,589
Total current liabilities payable from restricted assets	<u>—</u>	<u>—</u>	<u>68,589</u>
Noncurrent liabilities:			
General obligation bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	4,654,964	—
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	—	1,547,151	2,480,691
Federal clean water loan payable	—	12,687,273	—
Total noncurrent liabilities	<u>—</u>	<u>18,889,388</u>	<u>2,480,691</u>
Deferred credits and other liabilities:			
Future landfill closure costs	—	10,324,632	—
Total liabilities	<u>409,237</u>	<u>33,707,783</u>	<u>4,082,269</u>
Net Assets			
Invested in capital assets, net of related debt	2,127,818	21,263,268	51,736,612
Restricted for debt service	358,300	378,572	1,292,490
Restricted for operations and maintenance	—	—	—
Restricted for capital construction	577,717	5,284,638	21,975,182
Unrestricted	3,319,120	9,954,879	11,516,284
Total net assets	<u>6,382,955</u>	<u>36,881,357</u>	<u>86,520,568</u>
Total liabilities and net assets	<u>\$ 6,792,192</u>	<u>\$ 70,589,140</u>	<u>\$ 90,602,837</u>

See accompanying notes to financial statements.

Municipal Airport	Anchorage Parking Authority	Alaska Center for the Arts	Total Nonmajor Enterprise Funds	
			December 31, 2003	December 31, 2002
\$ 138,900	\$ 254,618	\$ 267,719	\$ 1,017,279	\$ 1,111,577
41,733	—	—	557,169	604,515
310,332	18,861	45,878	375,071	86,613
—	—	—	536,763	623,079
—	—	—	5,012,170	4,755,673
106,098	175,010	—	296,686	162,386
—	—	138,996	138,996	386,755
<u>597,063</u>	<u>448,489</u>	<u>452,593</u>	<u>7,934,134</u>	<u>7,730,598</u>
—	—	35,594	35,594	20,282
—	—	—	68,589	72,495
<u>—</u>	<u>—</u>	<u>35,594</u>	<u>104,183</u>	<u>92,777</u>
—	—	—	4,654,964	6,877,791
—	—	—	4,027,842	5,746,626
<u>—</u>	<u>—</u>	<u>—</u>	<u>12,687,273</u>	<u>13,046,816</u>
—	—	—	21,370,079	25,671,233
<u>—</u>	<u>—</u>	<u>—</u>	<u>10,324,632</u>	<u>9,557,559</u>
<u>597,063</u>	<u>448,489</u>	<u>488,187</u>	<u>39,733,028</u>	<u>43,052,167</u>
40,836,732	31,235,181	—	147,199,611	147,374,068
—	—	—	2,029,362	819,536
—	34,962	489,401	524,363	1,430,871
—	—	—	27,837,537	23,227,369
910,737	3,089,070	174,568	28,964,658	30,947,735
<u>41,747,469</u>	<u>34,359,213</u>	<u>663,969</u>	<u>206,555,531</u>	<u>203,799,579</u>
<u>\$ 42,344,532</u>	<u>\$ 34,807,702</u>	<u>\$ 1,152,156</u>	<u>\$ 246,288,559</u>	<u>\$ 246,851,746</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	Refuse Utility	Solid Waste	Port
Operating revenues:			
Charges for sales and services	\$ 5,581,464	\$ 15,145,618	\$ 5,988,395
Other	21,256	298,083	3,004,043
Total operating revenues	<u>5,602,720</u>	<u>15,443,701</u>	<u>8,992,438</u>
Operating expenses:			
Operations	5,107,115	7,989,613	3,120,351
Municipal service assessment taxes	47,866	702,190	570,539
Amortization of future landfill closure costs	—	767,073	—
Depreciation	491,226	2,425,893	3,419,725
Total operating expenses	<u>5,646,207</u>	<u>11,884,769</u>	<u>7,110,615</u>
Operating income (loss)	<u>(43,487)</u>	<u>3,558,932</u>	<u>1,881,823</u>
Nonoperating revenues (expenses):			
Investment income	51,948	228,530	475,115
Other revenues	643	104,218	117,344
Intergovernmental revenue	—	—	—
Interest expense	(22,978)	(1,003,899)	(235,821)
Gain on disposition of assets	—	38,655	—
Amortization of deferred charges	(1,627)	—	(52,600)
Net nonoperating revenues (expenses)	<u>27,986</u>	<u>(632,496)</u>	<u>304,038</u>
Income (loss) before transfers	<u>(15,501)</u>	<u>2,926,436</u>	<u>2,185,861</u>
Capital contributions	—	—	—
Transfers out	(2,500,000)	—	—
Transfers in	—	—	—
Change in net assets	<u>(2,515,501)</u>	<u>2,926,436</u>	<u>2,185,861</u>
Total net assets – beginning	<u>8,898,456</u>	<u>33,954,921</u>	<u>84,334,707</u>
Total net assets – ending	<u>\$ 6,382,955</u>	<u>\$ 36,881,357</u>	<u>\$ 86,520,568</u>

See accompanying notes to financial statements.

Municipal Airport	Anchorage Parking Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			2003	2002
\$ 924,149	\$ 4,346,989	\$ 625,844	\$ 32,612,459	\$ 34,523,892
—	500	206,265	3,530,147	3,086,256
924,149	4,347,489	832,109	36,142,606	37,610,148
744,683	3,109,557	1,793,186	21,864,505	23,152,205
—	219,774	—	1,540,369	601,722
—	—	—	767,073	792,349
1,297,546	1,180,365	—	8,814,755	8,679,503
2,042,229	4,509,696	1,793,186	32,986,702	33,225,779
(1,118,080)	(162,207)	(961,077)	3,155,904	4,384,369
7,924	30,359	6,303	800,179	1,409,444
3,424	—	—	225,629	360,454
1,561,780	—	—	1,561,780	—
—	—	—	(1,262,698)	(1,444,683)
—	4,466	—	43,121	178,460
—	(2,000)	—	(56,227)	(75,270)
1,573,128	32,825	6,303	1,311,784	428,405
455,048	(129,382)	(954,774)	4,467,688	4,812,774
—	(107,963)	—	(107,963)	2,241,627
—	(109,220)	(143,053)	(2,752,273)	(652,722)
—	—	1,148,500	1,148,500	1,148,500
455,048	(346,565)	50,673	2,755,952	7,550,179
41,292,421	34,705,778	613,296	203,799,579	196,249,400
\$ 41,747,469	\$ 34,359,213	\$ 663,969	\$ 206,555,531	\$ 203,799,579

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	<u>Refuse Utility</u>	<u>Solid Waste</u>	<u>Port</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,607,947	\$ 15,336,700	\$ 8,943,820
Payments to employees	(1,357,448)	(4,937,438)	(1,581,828)
Payments to vendors	(3,812,017)	(3,805,194)	(2,159,281)
Net cash provided (used) by operating activities	<u>438,482</u>	<u>6,594,068</u>	<u>5,202,711</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(2,500,000)	—	—
Transfers from other funds	—	—	—
Other noncapital receipts	—	58,458	117,344
Net cash provided (used) by noncapital and related financing activities	<u>(2,500,000)</u>	<u>58,458</u>	<u>117,344</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term obligations	(320,000)	(2,777,285)	(1,110,000)
Interest payments on long-term obligations	(24,164)	(926,561)	(265,669)
Acquisition and construction of capital assets	(306,297)	(3,484,306)	(3,430,040)
Proceeds from disposition of capital assets	7,912	38,655	—
Grant proceeds	—	25,198	—
Contributed capital – customers	—	—	—
Contributed capital – intergovernmental	—	—	—
Net cash used by capital and related financing activities	<u>(642,549)</u>	<u>(7,124,299)</u>	<u>(4,805,709)</u>
Cash flows from investing activities:			
Proceeds from sales and maturity of investments	—	—	—
Proceeds from investment in direct financing leases	—	—	229,507
Interest received	49,105	223,052	536,360
Net cash provided by investing activities	<u>49,105</u>	<u>223,052</u>	<u>765,867</u>
Net increase (decrease) in cash	<u>(2,654,962)</u>	<u>(248,721)</u>	<u>1,280,213</u>
Cash, beginning of year	<u>5,671,042</u>	<u>20,529,625</u>	<u>7,291,424</u>
Cash, end of year	<u>\$ 3,016,080</u>	<u>\$ 20,280,904</u>	<u>\$ 8,571,637</u>
Cash	\$ 300	\$ 1,475	\$ 150
Cash in central treasury	<u>3,015,780</u>	<u>20,279,429</u>	<u>8,571,487</u>
Cash, December 31	<u>\$ 3,016,080</u>	<u>\$ 20,280,904</u>	<u>\$ 8,571,637</u>

See accompanying notes to financial statements.

Municipal Airport	Anchorage Parking Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			2003	2002
\$ 929,515	\$ 4,525,775	\$ 4,685,812	\$ 40,029,569	\$ 45,573,013
(707,278)	(1,059,579)	(1,989,883)	(11,633,454)	(10,647,636)
(91,253)	(2,288,868)	(3,862,168)	(16,018,781)	(21,617,481)
130,984	1,177,328	(1,166,239)	12,377,334	13,307,896
—	—	(143,053)	(2,643,053)	(652,722)
—	—	1,148,500	1,148,500	1,148,500
310,332	—	—	486,134	—
310,332	—	1,005,447	(1,008,419)	495,778
—	(23,045)	—	(4,230,330)	(3,892,807)
—	(2,000)	—	(1,218,394)	(1,293,641)
(2,181,353)	(302,428)	(206,340)	(9,910,764)	(10,135,204)
—	4,467	—	51,034	184,376
1,680,861	—	—	1,706,059	6,001,385
3,424	(217,183)	—	(213,759)	190,748
—	—	—	—	(1,498,139)
(497,068)	(540,189)	(206,340)	(13,816,154)	(10,443,282)
—	—	—	—	315,971
—	—	—	229,507	—
7,647	30,359	6,303	852,826	1,347,107
7,647	30,359	6,303	1,082,333	1,663,078
(48,105)	667,498	(360,829)	(1,364,906)	5,023,470
48,305	2,709,820	981,020	37,231,236	32,207,766
\$ 200	\$ 3,377,318	\$ 620,191	\$ 35,866,330	\$ 37,231,236
\$ 200	\$ 3,377,318	\$ 620,191	\$ 3,999,634	\$ 3,691,190
—	—	—	31,866,696	33,540,046
\$ 200	\$ 3,377,318	\$ 620,191	\$ 35,866,330	\$ 37,231,236

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MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	Refuse Utility	Solid Waste	Port
Reconciliation of change in net assets to net cash provided by operating activities:			
Operating income (loss)	\$ (43,487)	\$ 3,558,932	\$ 1,881,823
Adjustments to reconcile operating income to net cash provided or used by operating activities:			
Depreciation	491,226	2,425,893	3,419,725
Amortization of landfill closure costs	—	767,073	—
Changes in assets and liabilities which increase (decrease) cash:			
Accounts receivable	27,924	(103,437)	(48,618)
Prepaid items and deposits	(1,441)	(3,564)	(39,938)
Notes receivable	—	—	—
Customer deposits	—	—	—
Deferred charges and other assets	—	—	—
Accounts payable	(6,830)	(40,738)	2,421
Deferred credits	—	—	—
Deferred revenue	—	—	—
Compensated absences payable	(28,910)	(10,091)	(12,702)
Total cash provided by operating activities	\$ 438,482	\$ 6,594,068	\$ 5,202,711
Noncash investing, capital, and financing activities:			
Deferred refunding loss	\$ 2,142	\$ 109,104	\$ —

See accompanying notes to financial statements.

Municipal Airport	Anchorage Parking Authority	Alaska Center for the Performing Arts	Total Nonmajor Enterprise Funds	
			2003	2002
\$ (1,118,080)	\$ (162,207)	\$ (961,077)	\$ 3,155,904	\$ 4,384,369
1,297,546	1,180,365	—	8,814,755	8,679,503
—	—	—	767,073	792,350
5,488	45,932	(11,770)	(84,481)	55,828
(1,981)	8,608	(3,936)	(42,252)	—
2,397	—	—	2,397	2,331
—	102,635	(1,284)	101,351	16,403
—	—	1,171	1,171	(14,385)
(91,802)	(27,724)	(49,984)	(214,657)	(205,571)
—	(19,848)	(139,359)	(159,207)	(333,440)
33,059	49,567	—	82,626	(19,101)
4,357	—	—	(47,346)	(50,391)
<u>\$ 130,984</u>	<u>\$ 1,177,328</u>	<u>\$ (1,166,239)</u>	<u>\$ 12,377,334</u>	<u>\$ 13,307,896</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 111,246</u>	<u>\$ 140,356</u>

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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or service provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis.

Three **Risk Management Funds** account for money received from other Municipal funds to pay for the costs of self-insurance claims in the following categories:

- General liability, automobile liability, workers' compensation
- Medical, dental, life
- 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, 2003

(With summarized financial information at December 31, 2002)

Assets	Risk Management			
	General Liability/Workers' Compensation	Medical Dental Life	Unemployment Compensation	Equipment Maintenance
Current assets:				
Cash in central treasury	\$ 4,566,800	\$ ---	\$ 1,034,304	\$ 3,477,590
Due from other funds	908,019	---	---	---
Receivables (net of allowance for uncollectibles)	---	---	---	---
Inventories	---	---	---	380,062
Prepaid items and deposits	218,631	---	---	---
Total current assets	5,693,450	---	1,034,304	3,857,652
Restricted assets:				
Capital acquisition and construction accounts	---	---	---	7,187,922
Total restricted assets	---	---	---	7,187,922
Noncurrent assets:				
Advances to other funds	6,734,166	---	---	---
Capital assets, net	---	---	---	18,923,291
Total noncurrent assets	6,734,166	---	---	18,923,291
Total assets	\$ 12,427,616	\$ ---	\$ 1,034,304	\$ 29,968,865
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and retainages	\$ 194,919	\$ ---	\$ ---	\$ 240,654
Compensated absences payable	---	---	---	167,052
Claims payable	6,429,877	---	137,392	---
Due to other funds	---	---	---	---
Claims incurred but not reported	5,961,115	---	---	---
Accrued interest payable	---	---	---	---
Long-term obligations maturing within one year	---	---	---	---
Deferred revenue and deposits	---	---	---	---
Total current liabilities	12,585,911	---	137,392	407,706
Current liabilities payable from restricted assets:				
Capital acquisition and construction accounts and retainage payable	---	---	---	25,369
Total current liabilities payable from restricted assets	---	---	---	25,369
Noncurrent liabilities:				
Due to other funds	---	---	---	---
Deferred revenue	---	---	---	---
Capital leases	---	---	---	---
Other loans and contracts payable	---	---	---	---
Total noncurrent liabilities	---	---	---	---
Total liabilities	12,585,911	---	137,392	433,075
Net assets (deficit):				
Invested in capital assets, net of related debt	---	---	---	18,923,291
Unrestricted	(158,295)	---	896,912	10,612,499
Total net assets (deficit)	(158,295)	---	896,912	29,535,790
Total liabilities and net assets	\$ 12,427,616	\$ ---	\$ 1,034,304	\$ 29,968,865

See accompanying notes to financial statements.

Information Technology	Total Internal Service Funds	
	December 31, 2003	December 31, 2002
\$ 5,409,324	\$ 14,488,018	\$ 12,957,585
—	908,019	8,966,967
1,639	1,639	—
—	380,062	328,793
205,691	424,322	1,009,725
<u>5,616,654</u>	<u>16,202,060</u>	<u>23,263,070</u>
—	7,187,922	8,217,418
—	7,187,922	8,217,418
—	6,734,166	—
15,632,847	34,556,138	33,170,320
15,632,847	41,290,304	33,170,320
<u>\$ 21,249,501</u>	<u>\$ 64,680,286</u>	<u>\$ 64,650,808</u>
\$ 40,856	\$ 476,429	\$ 605,464
455,673	622,725	721,756
—	6,567,269	8,074,931
11,001,409	11,001,409	9,579,612
—	5,961,115	5,087,930
1,875	1,875	6,691
331,284	331,284	696,013
42,867	42,867	62,602
<u>11,873,964</u>	<u>25,004,973</u>	<u>24,834,999</u>
118,166	143,535	105,084
118,166	143,535	105,084
7,642,185	7,642,185	10,173,398
1,505,908	1,505,908	—
75,998	75,998	172,835
—	—	234,447
<u>9,224,091</u>	<u>9,224,091</u>	<u>10,580,680</u>
<u>21,216,221</u>	<u>34,372,599</u>	<u>35,520,763</u>
7,583,380	26,506,671	16,441,347
(7,550,100)	3,801,016	12,688,698
33,280	30,307,687	29,130,045
<u>\$ 21,249,501</u>	<u>\$ 64,680,286</u>	<u>\$ 64,650,808</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	Risk Management			
	General Liability/ Workers' Compensation	Medical Dental Life	Unemployment Compensation	Equipment Maintenance
Operating revenues:				
Charges for sales and services	\$ 9,061,127	\$ —	\$ 827,534	\$ 9,290,556
Other	—	—	—	145,986
Total operating revenues	<u>9,061,127</u>	<u>—</u>	<u>827,534</u>	<u>9,436,542</u>
Operating expenses:				
Operations	9,127,595	—	481,880	6,646,016
Depreciation	—	—	—	3,336,855
Total operating expenses	<u>9,127,595</u>	<u>—</u>	<u>481,880</u>	<u>9,982,871</u>
Operating income (loss)	<u>(66,468)</u>	<u>—</u>	<u>345,654</u>	<u>(546,329)</u>
Nonoperating revenues (expenses):				
Investment income	118,745	—	9,808	116,980
Other revenues	—	—	—	314,063
Interest expense	—	—	—	—
Net nonoperating revenues (expenses)	<u>118,745</u>	<u>—</u>	<u>9,808</u>	<u>431,043</u>
Income (loss) before transfers	52,277	—	355,462	(115,286)
Transfer to other funds	—	(704,595)	(1,255,940)	—
Transfer from other funds	1,800,000	—	—	912,000
Change in net assets	1,852,277	(704,595)	(900,478)	796,714
Total net assets (deficit) – beginning	<u>(2,010,572)</u>	<u>704,595</u>	<u>1,797,390</u>	<u>28,739,076</u>
Total net assets (deficit) – ending	<u>\$ (158,295)</u>	<u>\$ —</u>	<u>\$ 896,912</u>	<u>\$ 29,535,790</u>

See accompanying notes to financial statements.

Information Technology	Total Internal Service Funds	
	2003	2002
\$ 17,253,856	\$ 36,433,073	\$ 34,415,375
—	145,986	132,600
<u>17,253,856</u>	<u>36,579,059</u>	<u>34,547,975</u>
13,961,600	30,217,091	29,411,213
2,962,504	6,299,359	6,275,243
<u>16,924,104</u>	<u>36,516,450</u>	<u>35,686,456</u>
<u>329,752</u>	<u>62,609</u>	<u>(1,138,481)</u>
40,569	286,102	494,535
2,631	316,694	166,702
(278,228)	(278,228)	(407,480)
<u>(235,028)</u>	<u>324,568</u>	<u>253,757</u>
94,724	387,177	(884,724)
—	(1,960,535)	(50,000)
<u>39,000</u>	<u>2,751,000</u>	<u>1,053,661</u>
133,724	1,177,642	118,937
<u>(100,444)</u>	<u>29,130,045</u>	<u>29,011,108</u>
<u>\$ 33,280</u>	<u>\$ 30,307,687</u>	<u>\$ 29,130,045</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows
Internal Service Funds

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	Risk Management			
	General Liability/ Workers' Compensation	Medical Dental Life	Unemployment Compensation	Equipment Maintenance
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,340,847	\$ —	\$ 827,534	\$ 9,436,542
Payments to employees	—	—	—	(2,643,742)
Payments to vendors	(9,571,551)	(394,178)	(443,123)	(4,111,281)
Net cash provided (used) by operating activities	(230,704)	(394,178)	384,411	2,681,519
Cash flows from noncapital and related financing activities:				
Transfers out	—	(704,595)	(1,255,940)	—
Transfers in	1,800,000	—	—	912,000
Payments received on interfund loan	1,324,782	—	—	—
Other	—	—	—	99,761
Net cash provided (used) by noncapital and related financing activities	3,124,782	(704,595)	(1,255,940)	1,011,761
Cash flows from capital and related financing activities:				
Proceeds from issuance of long-term obligations	—	—	—	—
Principal payments on long-term obligations	—	—	—	—
Interest payments on long-term obligations	—	—	—	—
Acquisition and construction of capital assets	—	—	—	(4,871,269)
Proceeds from disposition of capital assets	—	—	—	318,477
Contributed capital – interfund	—	—	—	—
Net cash used by capital and related financing activities	—	—	—	(4,552,792)
Cash flows from investing activities:				
Proceeds from sales and maturity of investments	—	—	—	—
Interest received	118,745	—	9,808	116,980
Net cash provided by investing activities	118,745	—	9,808	116,980
Net increase (decrease) in cash	3,012,823	(1,098,773)	(861,721)	(742,532)
Cash, beginning of year	1,553,977	1,098,773	1,896,025	4,220,122
Cash, end of year	\$ 4,566,800	\$ —	\$ 1,034,304	\$ 3,477,590
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income (loss)	\$ (66,468)	\$ —	\$ 345,654	\$ (546,329)
Adjustments to reconcile operating income to net cash provided or used by operating activities:				
Depreciation	—	—	—	3,336,855
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable	—	—	—	—
Prepaid items	459,828	—	—	—
Inventories	—	—	—	(51,269)
Deferred charges and other assets	—	—	—	—
Accounts payable	(344,348)	(660)	—	(21,532)
Due to other funds	—	—	—	—
Accrued interest payable	—	—	—	—
Claims payable	(279,716)	(393,518)	38,757	—
Deferred credits	—	—	—	—
Compensated absences payable	—	—	—	(36,206)
Total cash provided (used) by operating activities	\$ (230,704)	\$ (394,178)	\$ 384,411	\$ 2,681,519
Noncash investing, capital, and financing activities:				
Capital purchases on account	\$ —	\$ —	\$ —	\$ 25,369

See accompanying notes to financial statements.

Total Internal Service Funds

Information Technology	2003	2002
\$ 17,232,482	\$ 36,837,405	\$ 34,592,614
(5,577,286)	(8,221,028)	(8,304,255)
<u>(5,156,354)</u>	<u>(19,676,487)</u>	<u>(20,189,678)</u>
6,498,842	8,939,890	6,098,681
—	(1,960,535)	(50,000)
39,000	2,751,000	1,053,661
—	1,324,782	—
—	99,761	237,753
<u>39,000</u>	<u>2,215,008</u>	<u>1,241,414</u>
—	—	505,139
(3,227,226)	(3,227,226)	(1,738,941)
(283,044)	(283,044)	(407,480)
(1,850,136)	(6,721,405)	(17,763,806)
—	318,477	441,538
—	—	2,637,888
<u>(5,360,406)</u>	<u>(9,913,198)</u>	<u>(16,325,662)</u>
—	—	10,722
43,200	288,733	494,536
<u>43,200</u>	<u>288,733</u>	<u>505,258</u>
1,220,636	1,530,433	(8,480,309)
4,188,688	12,957,585	21,437,894
<u>\$ 5,409,324</u>	<u>\$ 14,488,018</u>	<u>\$ 12,957,585</u>
\$ 329,752	\$ 62,609	\$ (1,138,481)
2,962,504	6,299,359	6,275,243
(1,639)	(1,639)	63,311
125,575	585,403	32,033
—	(51,269)	37,414
—	—	(135,721)
(36,495)	(403,035)	(437,068)
1,695,797	1,695,797	—
—	—	(11,054)
—	(634,477)	1,530,400
1,486,173	1,486,173	(26,156)
(62,825)	(99,031)	(91,240)
<u>\$ 6,498,842</u>	<u>\$ 8,939,890</u>	<u>\$ 6,098,681</u>
<u>\$ 118,166</u>	<u>\$ 143,535</u>	<u>\$ 101,924</u>

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FIDUCIARY & AGENCY FUNDS

FIDUCIARY AND AGENCY FUNDS

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

The **Police/Fire Retirement Trust Funds** account for the contributions, revenues, expenses and distributions of the three Municipal Police and Fire Retirement Plans.

The **Police/Fire Retiree Medical Trust Fund** accounts for contributions and distributions on behalf of the Police and Fire retirees who are eligible for the plan covered by the Trust.

The **Employee Benefits Agency Fund** accounts for payroll-related liabilities.

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2003

(With summarized financial information at December 31, 2002)

	Police/Fire Retirement Trust Funds			Total
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	
Assets				
Cash in central treasury	\$ 17,672	\$ 11,881	\$ 33,982	\$ 63,535
Investments	103,126,080	69,394,886	198,829,864	371,350,830
Due from other funds	—	—	—	—
Contributions receivable	802,507	670,712	3,237,370	4,710,589
Capital assets, net	8,531	5,734	16,402	30,667
Total assets	<u>\$ 103,954,790</u>	<u>\$ 70,083,213</u>	<u>\$ 202,117,618</u>	<u>\$ 376,155,621</u>
Liabilities				
Accounts payable	\$ 25,574	\$ 17,192	\$ 49,175	\$ 91,941
Total liabilities	<u>\$ 25,574</u>	<u>\$ 17,192</u>	<u>\$ 49,175</u>	<u>\$ 91,941</u>
Net Assets				
Held in trust for:				
Employees' pension benefits	\$ 103,929,216	\$ 70,066,021	\$ 202,068,443	\$ 376,063,680
Employees' postemployment healthcare benefits	—	—	—	—
Total net assets	<u>\$ 103,929,216</u>	<u>\$ 70,066,021</u>	<u>\$ 202,068,443</u>	<u>\$ 376,063,680</u>

See accompanying notes to financial statements.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2003	December 31, 2002
\$ 1,497	\$ 65,032	\$ 36,614
4,988,814	376,339,644	326,183,191
110,586	110,586	—
—	4,710,589	—
—	30,667	41,071
<u>\$ 5,100,897</u>	<u>\$ 381,256,518</u>	<u>\$ 326,260,876</u>
<u>\$ —</u>	<u>\$ 91,941</u>	<u>\$ 61,934</u>
<u>\$ —</u>	<u>\$ 91,941</u>	<u>\$ 61,934</u>
\$ —	\$ 376,063,680	\$ 322,161,771
5,100,897	5,100,897	4,037,171
<u>\$ 5,100,897</u>	<u>\$ 381,164,577</u>	<u>\$ 326,198,942</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended December 31, 2003

(With summarized financial information for the year ended December 31, 2002)

	Police/Fire Retirement Pension Trust Funds			Total
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	
Additions:				
Contributions from other funds	\$ —	\$ —	\$ —	\$ —
Contributions	802,507	670,712	3,237,370	4,710,589
Interest	1,492,942	1,065,382	3,024,886	5,583,210
Dividends	410,012	206,952	581,553	1,198,517
Net increase in fair value of investments	18,327,000	12,284,130	34,970,643	65,581,773
Less investments expense	(340,769)	(227,618)	(644,946)	(1,213,333)
Total additions	20,691,692	13,999,558	41,169,506	75,860,756
Deductions:				
Regular benefit payments	7,891,114	4,354,082	8,787,386	21,032,582
Administrative expenses	256,210	171,718	498,337	926,265
Total deductions	8,147,324	4,525,800	9,285,723	21,958,847
Change in net assets	12,544,368	9,473,758	31,883,783	53,901,909
Net assets – beginning	91,384,848	60,592,263	170,184,660	322,161,771
Net assets – ending	\$ 103,929,216	\$ 70,066,021	\$ 202,068,443	\$ 376,063,680

See accompanying notes to financial statements.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2003	December 31, 2002
\$ 1,320,447	\$ 1,320,447	\$ 1,116,990
—	4,710,589	—
13,540	5,596,750	7,600,684
100,136	1,298,653	1,699,025
498,115	66,079,888	(38,877,990)
(65)	(1,213,398)	(1,300,412)
<u>1,932,173</u>	<u>77,792,929</u>	<u>(29,761,703)</u>
—	21,032,582	19,772,470
868,447	1,794,712	1,603,533
<u>868,447</u>	<u>22,827,294</u>	<u>21,376,003</u>
1,063,726	54,965,635	(51,137,706)
4,037,171	326,198,942	377,336,648
<u>\$ 5,100,897</u>	<u>\$ 381,164,577</u>	<u>\$ 326,198,942</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Changes in Assets and Liabilities
Agency Fund

For the Year Ended December 31, 2003

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Employee Benefits				
Assets:				
Equity in general cash pool	\$ 9,557,161	\$ 198,967,786	\$ 197,803,296	\$ 10,721,651
Accounts receivable	9,974	70,133	—	80,107
Total assets	<u>\$ 9,567,135</u>	<u>\$ 199,037,919</u>	<u>\$ 197,803,296</u>	<u>\$ 10,801,758</u>
Liabilities:				
Accounts payable	\$ 233,898	\$ 18,765,491	\$ 18,640,641	\$ 358,748
Due to employees	5,856,239	113,716,922	112,862,441	6,710,720
Due to employees' retirement system	727,071	17,701,671	17,657,858	770,884
Payroll liabilities	2,749,927	73,578,556	73,367,077	2,961,406
Total liabilities	<u>\$ 9,567,135</u>	<u>\$ 223,762,640</u>	<u>\$ 222,528,017</u>	<u>\$ 10,801,758</u>

See accompanying notes to financial statements.