From:  MAYOR

Subject:  2008 COMPREHENSIVE ANNUAL REPORT (CAFR) AND DETAILED STATEMENTS

At the July 29, 2008 Assembly meeting, the 2007 Municipality of Anchorage CAFR was distributed. This memorandum serves as a follow up discussion of major highlights included in the report.

The CAFR is presented in three sections - Introductory, Financial and Statistical.

The Introductory Section is unaudited. It includes a letter of transmittal, a certificate of achievement for excellence in financial reporting for Anchorage’s 2006 CAFR, a list of principal elected and appointed officials, and an organization chart. The Financial Section includes the Management’s Discussion and Analysis (MD&A), the independent auditors’ report on the financial statements and schedules, the basic financial statements, additional require supplementary information, and the combining financial statements. The Statistical Section is unaudited; it includes a broad range of selected trend data and non-financial information.

Major Highlights

Independent Auditors’ Report - This report is included in pages 1 and 2 of the Financial Section. It is the responsibility of the Municipality’s auditors, KPMG LLP. The report was an unqualified report, meaning that the auditors believed that the financial statements presented fairly, in all material respects, the respective financial position of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality as of December 31, 2007, and the respective changes in financial position and cash flows for 2007.

MD&A - This report is included in pages 3 through 21 of the Financial Section. Major highlights include a change in presentation for three municipal component units.

During 2007, three component units were reclassified for accounting purposes. The Anchorage Community Development
Authority (ACDA) and the Alaska Center for the Performing Arts (ACPA) were reclassified from blended component units to discretely presented component units. Conversely, the Cooperative Services Authority (CSA) was reclassified from a discretely presented component unit to a blended component unit. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable, or another organization for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government, and is used for most component units. In comparison, some component units, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government and should be reported as part of the primary government, i.e., the component unit’s balances and transactions should be reported in a manner similar to the balances and transactions of the primary government itself. This method of inclusion is known as blending. The reclassifications from blended component units to discretely presented component units occurred as a result of a finding from the Government Finance Officers Association review of the Municipality’s 2006 CAFR. The reclassification from discretely presented component unit to blended component unit occurred as a result of changes in CSA customers.

Basic Financial Statements - The Basic Financial Statements include two kinds of statements that present different views of the Municipality.

The first two statements are “government-wide” financial statements. These statements provide both long-term and short-term information about the Municipality’s overall financial status, in a matter similar to a private sector business:

- The statement of net assets presents information on all of the Municipality’s assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as useful indicators of whether the Municipality’s financial condition is improving or deteriorating.
- The statement of activities presents information showing how the Municipality’s net assets changed during the year. Revenues and expenses are reported on an accrual basis.

The remaining statements are fund financial statements that focus on individual parts of the local government, reporting the Municipality’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.
The notes to the financial statements, which are included in pages 45 through 124, provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

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