

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska (Anchorage) as of and for the year ended December 31, 2011, which collectively comprise Anchorage's basic financial statements as listed in the table of contents. These financial statements are the responsibility 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 Police/Fire Retirement System fiduciary funds which represent 49% and 57% of the assets and net assets/fund balances, respectively, of the aggregate remaining fund information. We also did not audit the financial statements of the Alaska Center for the Performing Arts which represents 0.1%, 0.1%, and 0.3% of the assets, net assets, and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Police/Fire Retirement System fiduciary funds and the Alaska Center for the Performing Arts, is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the Municipality of Anchorage's 2010 financial statements.

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

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In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Anchorage, Alaska, as of December 31, 2011, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, Anchorage adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012 on our consideration of the Municipality of Anchorage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor and  
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Municipality of Anchorage, Alaska

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anchorage's basic financial statements. The additional supplementary General Fund budgetary schedules, combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The other data included in this report, designated as the "introductory" and "statistical" section in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
May 31, 2012

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## **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, 2011. 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 2011 with reported net assets of \$3,652,565.
- Anchorage's total net assets increased by \$31,088 or approximately 0.8% for 2011. The increase reflects a change in net assets of governmental activities of \$3,636 and a change in business-type activities of \$27,453.
- During the year, the business-type activities generated \$293,339 in revenues including transfers from, which were offset by expenses and transfers to \$265,886.
- As of December 31, 2011, Anchorage's governmental funds reported a combined ending fund balance of \$295,193, a decrease of \$4,237. Of the fund balance, \$4,500 is nonspendable, \$199,514 is restricted, \$44,308 is committed, \$37,847 is assigned and \$9,024 is unassigned. Included in the restricted fund balances are \$10,708 bond rating set asides, \$532 Trans-Alaska Pipeline System (TAPS) payments for property taxes and \$965 working capital reserves. Included in the committed fund balances are \$25,258 bond rating set asides.
- The Capital Projects Roads and Drainage Fund and the MOA Trust Fund did not meet the eligibility criteria as major funds but because of their significance to Anchorage taxpayers they have been included.
- Anchorage has established a formal fund balance designation policy for its General Fund and sub funds. The policy sets forth a bond rating designation equal to 10% of General Fund revenues for the five major funds (General Fund, Fire Services Area Fund, Police Service Area Fund, Roads and Drainage Service Area Fund and Parks and Recreation Service Area Fund) and 8.25% for the remaining sub funds of the General Fund. Additionally, the policy sets forth a working capital reserve of the five major General Fund sub groups managed within a range of 2% to 3% of General Fund revenues through the annual budget process.
- As of December 31, 2011, three of the five major General Fund sub funds' fund balances were lower than required by the policy and were adjusted back into compliance through the 2012 budgetary process. The General Fund, Fire Service Area Fund and Roads and Drainage Service Area Fund did not meet the working capital reserve designation. The working capital designation range was set at 2%.

### **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, non major enterprise funds, internal service funds, and fiduciary funds.

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

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

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

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

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

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

Anchorage maintains twenty-four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, MOA Trust Fund, and Capital Projects Roads and Drainage Fund. Information from the other twenty-one governmental funds is combined into a single, aggregated presentation. Individual fund data for each of

these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

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

In addition to these required elements, the combining statements referred to earlier in connection with nonmajor governmental, proprietary, and fiduciary funds are presented as additional 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 \$3,652,565 and \$3,621,477 at the fiscal years ended December 31, 2011 and 2010, respectively (reference Table A-1).

The net assets for governmental activities were \$2,928,060 and \$2,924,425, with \$78,741 and \$58,378 classified as unrestricted in 2011 and 2010, respectively. The significant portion (92%) of Anchorage's net assets for governmental activities reflects its investment in capital assets such as infrastructure, land, buildings, machinery and equipment, net of the debt on these assets. Anchorage uses capital assets to provide both present and future services to citizens and therefore these assets are not available for future spending. Restricted net assets of \$161,374 and \$175,100 in 2011 and 2010, respectively, result from restrictions imposed legally or externally by creditors, debt covenants or grantors.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 492,965	\$ 503,340	\$ 475,677	\$ 536,774	\$ 968,642	\$ 1,040,114
Capital assets	3,243,328	3,242,869	1,557,257	1,457,073	4,800,585	4,699,942
Total assets	<u>3,736,293</u>	<u>3,746,209</u>	<u>2,032,934</u>	<u>1,993,847</u>	<u>5,769,227</u>	<u>5,740,056</u>
Long-term liabilities	676,654	694,275	647,518	649,038	1,324,172	1,343,313
Other liabilities	131,579	127,509	660,912	647,757	792,491	775,266
Total liabilities	<u>808,233</u>	<u>821,784</u>	<u>1,308,430</u>	<u>1,296,795</u>	<u>2,116,663</u>	<u>2,118,579</u>
Net assets:						
Invested in capital assets,						
net of related debt	2,687,945	2,690,947	515,265	453,328	3,203,210	3,144,275
Restricted	161,374	175,100	171,188	166,915	332,562	342,015
Unrestricted	78,741	58,378	38,051	76,809	116,792	135,187
Total net assets	<u>\$ 2,928,060</u>	<u>\$ 2,924,425</u>	<u>\$ 724,504</u>	<u>\$ 697,052</u>	<u>\$ 3,652,564</u>	<u>\$ 3,621,477</u>

Current and other assets include \$265,393 and \$251,222 of unrestricted cash and investments held for governmental activities at December 31, 2011 and 2010, respectively. Governmental activities' long-term liabilities decreased by \$17,621 or approximately 2.5%. The decrease in long-term liabilities was primarily the result of refunding of the jail revenue bonds of \$20,615. General obligation bonds represent 72% of the total long-term debt for governmental activities (including CIVICVentures). Revenue bonds (including CIVICVentures) represent 18% of the debt outstanding for governmental activities.

For business-type activities, unrestricted net assets of \$38,051 (5.2% of total net assets) and \$76,809 (11% of total net assets), may be used to meet the ongoing needs of these organizations at December 31, 2011 and 2010, respectively. This represents a decrease of \$38,758 (50.5%).



The primary contributor to the decrease was the decrease in the unrestricted net assets of the Electric Utility of \$26,539, the Water Utility of \$6,094, and the Port of Anchorage (Port) \$11,446, offset by increases in unrestricted net assets of the Water Utility (\$2,261). The most significant portion of net assets for the business-type activities, \$515,265 (71%) and \$453,328 (65%) as of December 31, 2011 and 2010 respectively, are invested in capital assets which are used to provide customers with services. Net assets invested in capital assets, net of related debt, increased \$61,937 or approximately 13.7% in 2011. Net assets of business-type activities subject to external restrictions were \$171,189 (24%) and \$166,915 (24%) in 2011 and 2010, respectively. External restrictions were related to debt service and construction acquisition requirements.

### **Governmental Activities**

During 2011, Anchorage's net assets increased \$3,636 for governmental activities (reference Table A-2). Highlights of governmental activities' net asset changes are as follows:

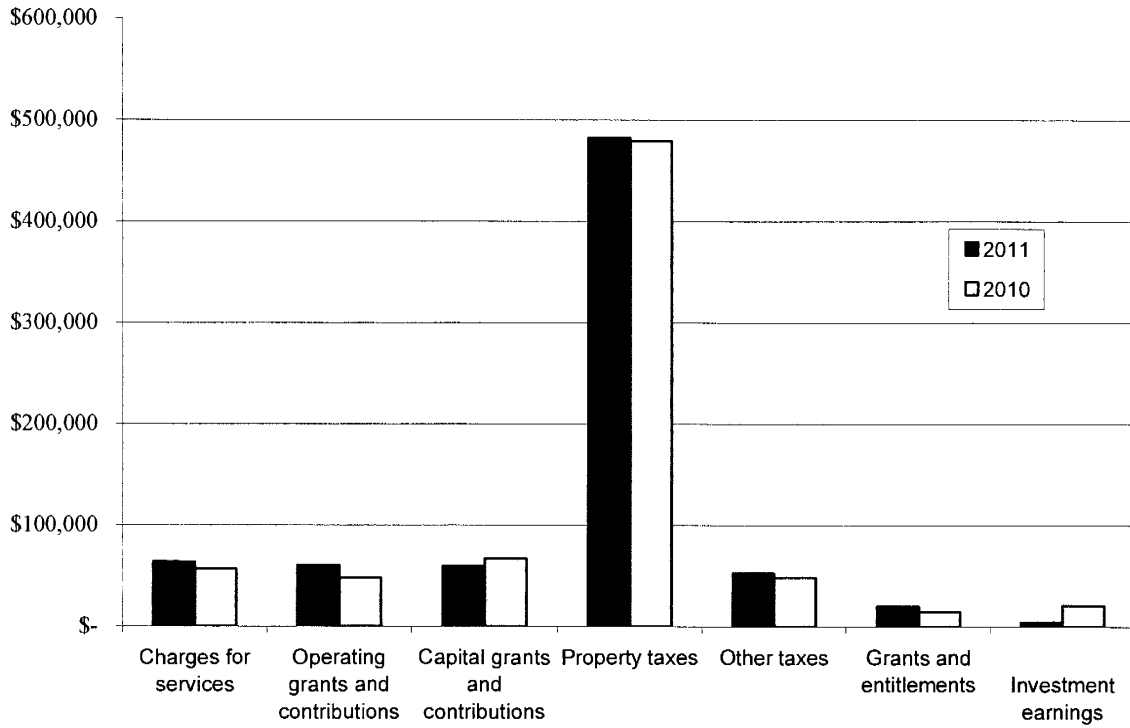
- Charges for services increased by \$7.1 million. Included in the increase is legal settlements on the ACPA roof \$.6 million and UBS/JPMorgan \$1.6 million, \$.3 million increase in fees from ASD, \$.4 million from land sales in Heritage Land Bank, \$1.3 million increase in license and permitting and, \$2.9 million relating to the refunding of debt on the jail lease.
- Operating grants and contributions increased by \$12.6 million. Included in the increase is Federal Transit grants of \$2.5 million and an increase in the Public Employees' Retirement System (PERS) on behalf payments of \$9.9 million.
- Capital grants were \$7.65 million lower in 2011 than in 2010, a 11% decrease. Anchorage received \$16.5 million less from the State for legislative grants in 2011. This decline was because in 2010 \$5.2 million was received for a regional fire training center, and in 2010 \$10.7 million more in legislative grants was received for the Public Works Department roads and drainage projects. Federal capital grant revenues from the Federal Transit Administration for the Public Transportation Department declined by \$7.6 million over 2010 this was due to fewer bus purchases in 2011 than in 2010, State and private development road contributions increased capital donations by \$16.5 million from 2010 were no roads were contributed to Anchorage.
- Education expenses increased by \$5.71 million in 2011 to \$240.83 million from \$235.13 million in 2010.
- The total property tax levy for 2011 was \$477.01 million, an increase from the 2010 property tax levy of \$471.08 million.
- Investment earnings of \$4.6 million were \$16.23 million less in 2011 than in 2010 (\$20.83 million). Earnings in 2010 were significantly higher as the market continued its' recovery from the decrease experienced in 2008.

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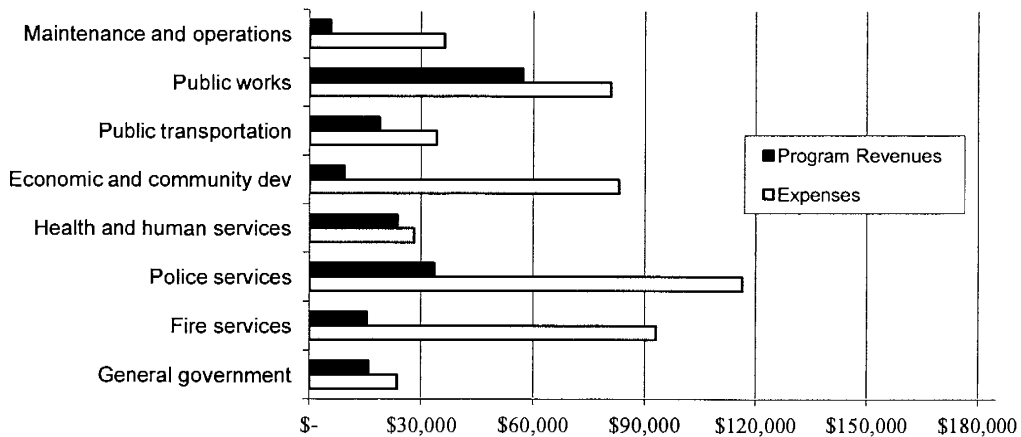
Table A-2  
Anchorage's Changes in Net Assets  
(in thousands)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 63,872	\$ 56,750	\$ 275,133	\$ 260,970	\$ 339,005	\$ 317,720
Operating grants & contributions	60,470	47,877	112	109	60,582	47,986
Capital grants & contributions	59,335	66,986	11,982	47,443	71,317	114,429
General revenues:						
Property taxes	482,411	479,410	-	-	482,411	479,410
Other taxes	52,860	48,737	-	-	52,860	48,737
Grants and entitlements not restricted to specific programs	19,984	15,053	-	-	19,984	15,053
Investment earnings	4,602	20,839	6,072	8,458	10,674	29,297
Total revenues	<u>743,534</u>	<u>735,652</u>	<u>293,299</u>	<u>316,980</u>	<u>1,036,833</u>	<u>1,052,632</u>
Expenses:						
General government	22,115	22,467	-	-	22,115	22,467
Fire services	94,499	88,837	-	-	94,499	88,837
Police services	116,363	107,678	-	-	116,363	107,678
Health and human services	28,269	26,633	-	-	28,269	26,633
Economic and community dev.	83,174	78,942	-	-	83,174	78,942
Public transportation	34,185	30,241	-	-	34,185	30,241
Public works	80,990	56,127	-	-	80,990	56,127
Education	240,835	235,125	-	-	240,835	235,125
Maintenance and operations	36,317	35,241	-	-	36,317	35,241
Interest	29,133	28,201	-	-	29,133	28,201
Water	-	-	39,755	38,759	39,755	38,759
Wastewater	-	-	33,988	32,916	33,988	32,916
Electric	-	-	126,041	122,332	126,041	122,332
Port	-	-	10,491	10,518	10,491	10,518
Municipal airport	-	-	4,094	3,326	4,094	3,326
Solid waste	-	-	17,233	16,177	17,233	16,177
Refuse	-	-	8,262	8,176	8,262	8,176
Total expenses	<u>765,880</u>	<u>709,492</u>	<u>239,864</u>	<u>232,204</u>	<u>1,005,744</u>	<u>941,696</u>
Change in net assets prior to transfers	(22,346)	26,160	53,435	84,776	31,089	110,936
Transfers	<u>25,982</u>	<u>24,494</u>	<u>(25,982)</u>	<u>(24,166)</u>	-	328
Change in net assets	3,636	50,654	27,453	60,610	31,089	111,264
Net assets, beginning of year, as restated	<u>2,924,425</u>	<u>2,873,771</u>	<u>697,052</u>	<u>636,442</u>	<u>3,621,477</u>	<u>3,510,213</u>
Net assets, end of year	<u>\$ 2,928,061</u>	<u>\$ 2,924,425</u>	<u>\$ 724,505</u>	<u>\$ 697,052</u>	<u>\$ 3,652,566</u>	<u>\$ 3,621,477</u>

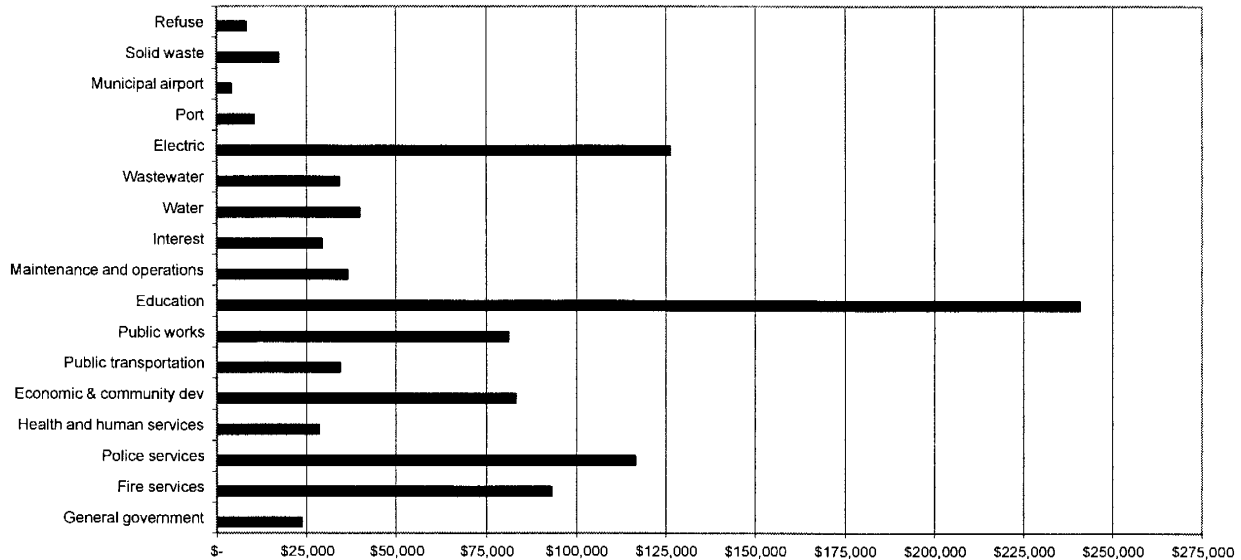
**Figure A-1  
Governmental Activities Revenues by Type**



**Figure A-2  
2011 Program Revenue vs Expense by Governmental Activities**



**Figure A-3  
2011 Expense by Functional Activity**



**Business-type Activities**

Business-type activities increased Anchorage’s net assets by \$27,453 in 2011. Key elements of the change in net assets are as follows:

- Electric Utility change in net assets was \$5,801.
- Change in net assets for Water Utility and Wastewater Utility was \$6,280 and \$3,869, respectively.
- Port change in net assets was \$10,521 due primarily to the contribution of land from the Department of Defense.

**Financial Analysis of Anchorage’s Funds**

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

**Governmental Funds**

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

As of December 31, 2011, Anchorage’s governmental funds reported a combined ending fund balance of \$295,193, a decrease of \$4,237 in comparison to the prior year. Of the total fund balance, \$4,500 is nonspendable as it relates to prepaid, inventories and long-term loans to other funds, \$199,514 is restricted due to legal obligations from outside parties, \$44,308 is committed, \$37,847 is assigned, and \$9,024 is unassigned.

Included in the nonspendable fund balance of \$4,500 is prepaids (\$1,081), inventories (\$1,096), Cemetery Perpetual Fund (\$150) and long-term loans due to other funds (\$2,173). The restricted fund balance of \$199,514 includes the MOA Trust (\$116,758), capital improvements (\$20,840), grants (\$4,854), Convention Center Operating Fund (\$5,246), amounts set aside for debt service

(\$9,260), restricted for Police and Fire Retiree Medical Liability Fund (\$29,113) and amounts restricted due to State Statute (\$13,443). The committed fund balance of \$44,308 includes bond rating (\$25,258), capital improvements (\$11,667), Heritage Land Bank (\$1,134), State Grants (\$3,848), and amounts set aside for debt service (\$6,245). The assigned fund balance of \$37,847 includes reserve for payment of property taxes from TAPS (\$4,091), 2012 first quarter budget appropriation (\$9,377), grants (\$16,844), capital improvements (\$5,321), Convention Center Operating Fund (\$1,194), debt service (\$745) and the Cemetery Perpetual Fund (\$275). Included in unassigned of \$9,024 is the working capital reserve (\$5,549).

The General Fund is the primary operational fund for Anchorage. At December 31, 2011 and 2010, respectively, the unassigned fund balance was \$9,341 and \$15,206 while total fund balance was reported at \$64,841 and \$63,322 for 2011 and 2010, respectively. Investment gains of \$1,881 were reported for 2011, which was a decrease of \$291 from the 2010 investment income. The increase in fund balance of \$1,519 can be attributed to the strong fiscal control that resulted in expenditure reductions.

In measuring the General Fund's liquidity, one may compare both the combination of committed, assigned, and unassigned fund balance and the total fund balance to total expenditures. At December 31, 2011, combined committed, assigned, and unassigned fund balance represents 7.6% of total General Fund expenditures and total fund balance represents 10.2% of the same amount. Combined committed, assigned, and unassigned fund balance was 7.1% of total General Fund expenditures and total fund balance was 10.6% of the same amount at December 31, 2010.

Investment gains in the MOA Trust Fund were \$2,127. This was a decrease of \$11,156 from the prior year gain of \$13,283. Investment income has stabilized after a significant decrease in 2009.

The Capital Projects Roads and Drainage Fund was included as a major fund for the first time in 2008, as a result of meeting the eligibility criteria for a major fund. Capital outlay in this fund decreased in 2011 by \$22,771 over the prior year. This was due primarily to the completion of several major projects in 2010 including Martin Luther King Blvd and 9<sup>th</sup> Avenue. Combined, the Capital Projects Roads and Drainage Fund and the other nonmajor governmental funds reported a decrease in fund balance of \$2,235 in 2011, with an overall decrease in spending of \$17,383 over 2010.

### **Proprietary Funds**

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

- The Electric Utility's total plant increased \$70.8 million or 17% in 2011, while increasing \$35.3 million or 9% in 2010.
- Total Electric Utility revenues for 2011 increased \$3.6 million or 2.7% compared to an increase in 2010 of \$14.3 million or 11.9%, while expenses (excluding dividend) increased \$.7 million or .6% in 2011 compared to an increase of \$16.9 million or 15.6% in 2010.
- On June 28, 2011, the Electric Utility applied to the State of Alaska Department of Revenue (DOR) for issuance of transferable production tax credit certificates in the amount of \$2.4 million based on 2010 Beluga River Unit (BRU) capital expenditures. Upon audit, the eligible credit amount was reduced slightly and issued in installments of approximately \$2.2 million, and \$.2 million. These certificates were redeemed by DOR in August 2011, and February 2012, respectively. In addition, in February 2011, the Electric Utility received payment of approximately \$1.15 million for a tax credit certificate issued in 2010. In 2010, the Electric Utility received payments of approximately \$2.5 for tax credit certificates issued in 2009 and 2010. These payments increased the restricted assets for future natural gas purchases or BRU construction and the corresponding regulatory liability.

- In 2011 and 2010, the Electric Utility paid a dividend and gross receipts tax of \$8.2 million and \$7.5 million respectively, to Anchorage based on prior year revenues confirmed after audit. The dividend consists of a revenue distribution to the General Fund of general government for 5% of the Electric Utility's gross revenues excluding restricted revenues of \$6.6 million in 2011 and \$6 million in 2010. In addition, payment of a gross receipts tax considered supplemental Municipal Utility Service Assessment (MUSA) was made to Anchorage at 1.25% times actual gross operating revenues or \$1.6 million in 2011 and \$1.5 million in 2010. In addition to these MUSA payments, the Electric Utility paid MUSA on its net plant in service of \$3.8 million in 2011 and \$3.6 million in 2010.
- In 2008, the Electric Utility entered into a participation agreement with Chugach Electric Association, Inc. (CEA) to proceed with the joint development, construction, and operation of the Southcentral Power Project (SPP). The Electric Utility has recorded SPP capital expenditures of \$86.6 million as of December 31, 2011, and \$39.9 million as of December 31, 2010.
- The Electric Utility filed a request for rate relief with the Regulatory Commission of Alaska (RCA) based on a 2008 test year revenue requirement study on April 10, 2010. The Utility has asked for a 7.12% increase to demand and energy charges to eliminate the test year revenue deficiency. The RCA has suspended the request into a docket of investigation and granted an interim refundable increase to demand and energy charges of 4.01% effective June 1, 2010. In Order U-10-31(15) the RCA granted a 6.83% permanent increase to the Electric Utility's demand and energy rates effective October 1, 2011. RCA Order U-10-31(1) ordered the Electric Utility to escrow all funds from revenue collected from the interim rate increase. The balance of the restricted escrow investment was \$2 million as of December 31, 2010. In Order No. U-10-31(16) the RCA released from escrow the funds that the Electric Utility had recovered pursuant to the interim refundable increase.
- The Water Utility's total assets increased by \$16.9 million. Net capital assets increased by \$12.9 million due to new plant additions. Major additions to plant in service in 2011: transmission and distribution plant of \$15.4 million, pumping plant and water treatment plant of \$1.2 million, source of supply of \$8.4 million and general plant of \$5.7 million.
- The Water Utility's net assets increased by \$6.3 million in 2011. A rate increase of 8% with an effective date of March 23, 2011 combined with a small increase in customer accounts of 0.41% provided the Water Utility with an increase in operating revenues of \$2.1 million. Non-operating revenues decreased by \$0.75 million due to a \$0.3 million decrease in short term investment income and a \$0.5 million decrease in gain on disposal of property.
- The Wastewater Utility's total assets increased by \$7.1 million. Net capital assets increased by \$7.8 million due to new plant additions of \$16.5 million and an increase in construction work in progress of \$3.1 million offset by additions to accumulated depreciation of \$11.8 million. Current and other assets decreased by \$0.8 million due in part to reductions in grants receivable, unbilled reimbursable accounts, and unbilled special assessments.
- The Wastewater Utility's net assets increased by \$3.9 million in 2011. Operating revenues increased by \$4.9 million, primarily due to a 15% rate increase effective March 24, 2011. Non-operating revenues remained relatively stable with a \$0.2 million decrease. A significant portion of this decrease was due to a decrease in investment income from short-term investments.
- During 2011 the Port's total assets increased by \$12.6 million. Non-current assets increased by \$33.9 million due mostly to a \$23 million increase in advances to MARAD and an increase in total capital assets due to a \$10.3 million land transfer from the U.S. Military. Current assets decreased by \$21.2 million due to a decrease in restricted assets. During 2010 the Port's total assets increased by \$41.6 million. Non-current assets increased by



\$46.1 million due mostly to an increase in advances to MARAD and an increase in total capital assets. Current and other assets decreased by \$4.5 million due to a decrease in restricted assets.

- The Port has been presented as a major enterprise fund since 2008 because it met the major fund eligibility criteria.
  
- The Port's net assets increased by \$10,521 due primarily from capital contributions for a piece of land contributed from the Department of Defense.

### **General Fund Budgetary Highlights**

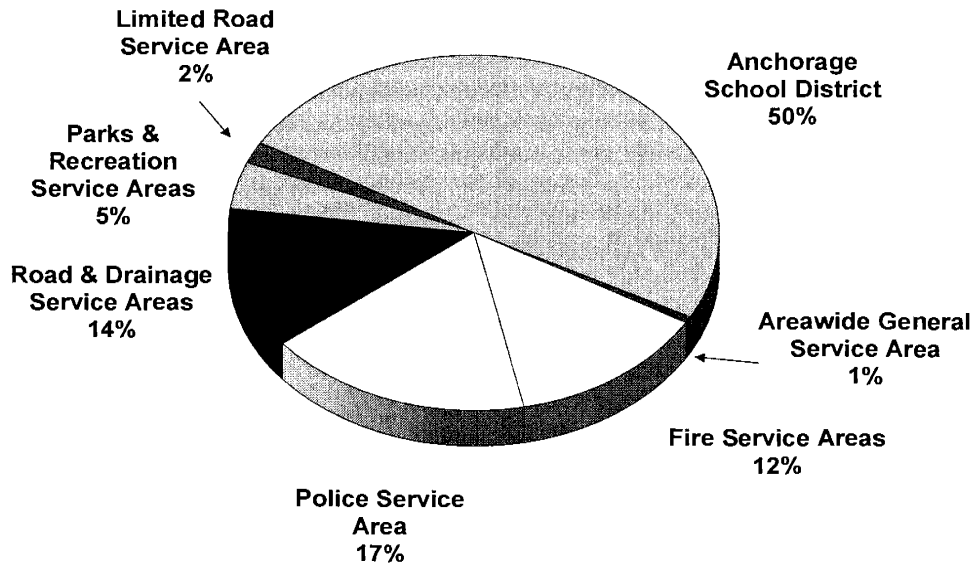
The Municipality adopted its 2011 operating budget in December 2010, which included projected revenue sources to support spending. By April 2011, Anchorage had actual year-end financial data that was used in the first quarter amendment process, which resulted in the 2011 revised budget approved in April. The revised budget served as the basis for calculating the property tax revenue requirements. The mill rates then were set and taxes were levied for general purposes and all service areas.

The ASD's annual operating budget for its July 1-June 30 fiscal year also had been approved by this time and its mill rate also was set and taxes were levied based on its property tax requirements. This was reflected in the operating budget as a \$236,173,709 contribution to ASD for property taxes collected on their behalf by general government.

Throughout the year, supplemental appropriations are requested for unanticipated and high priority needs. The following were significant revisions to the 2011 budget in the five major service areas (General Fund, Fire Services Areas Fund, Roads and Drainage Service Area Fund, Police Services Area Fund and Parks and Recreation Service Area Fund):

- \$352 of insurance proceeds used as a contribution to the Fire Services Area Fund to reduce debt service;
- \$127 to the Health and Human Services Department (in the General Fund) for the Vehicle Inspection and Maintenance Program software;
- \$4,984 of State of Alaska Revenue Sharing used as a contribution from the General Fund to the Information Technology Internal Service Fund for funding the SAP Enterprise Resource Planning software implementation;
- \$401 as a contribution from the General Fund to the Information Technology Internal Service Fund to be used as a contribution to fund the CityView IT Upgrade Project;
- \$212 to the Municipal Manager Department (in the General Fund) from a legal settlement associated with ACPA roof repairs;
- \$120 to the Municipal Manager Department (in the General Fund) for payments under the professional services contract with the Anchorage Convention and Visitors Bureau (ACVB) funded by hotel and motel tax revenue that exceed projection;
- \$700 to the Anchorage Bowl Parks and Recreation Service Area Fund for land remediation at Kincaid Park;
- \$260 to the Public Transportation Department (in the sub funds of the General Fund) for increased lease costs for the Transit Center and increased fuel prices;
- \$750 to the Real Estate Department (in the General Fund) for Reeve Boulevard land remediation; and
- \$3,097 to the Real Estate Department (in the General Fund) to repay an interfund loan to the Electric Utility.

**2011 Property Tax Levy by Service Areas**



**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2011 and 2010, Anchorage had invested \$4,800,585 and \$4,699,942 in a broad range of capital assets, including police and fire equipment, buildings, land, and infrastructure (reference Table A-3). More detailed information about Anchorage's capital assets is presented in Note 5, Capital Assets, in the basic financial statements.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,233,994	\$ 1,233,225	\$ 62,157	\$ 49,251	\$ 1,296,151	\$ 1,282,476
Buildings and building improvements	270,858	286,545	278,295	276,184	549,153	562,729
Art	17,772	17,310	-	-	17,772	17,310
Equipment	65,074	60,688	-	-	65,074	60,688
Distribution and collection systems	-	-	1,038,175	1,025,355	1,038,175	1,025,355
Infrastructure	1,626,017	1,586,874	-	-	1,626,017	1,586,874
Construction work-in-progress	29,613	58,227	178,630	106,283	208,243	164,510
<b>Total</b>	<b>\$ 3,243,328</b>	<b>\$ 3,242,869</b>	<b>\$ 1,557,257</b>	<b>\$ 1,457,073</b>	<b>\$ 4,800,585</b>	<b>\$ 4,699,942</b>

In 2011, total governmental activities capital asset additions were \$59,190, with the majority of the additions in construction work-in-progress, buildings and building improvements. Anchorage also purchased and traded land for various projects in 2011.

Significant additions to governmental activities capital assets during 2011 were \$5,817 of building and improvement additions, \$24,362 of equipment, and \$26,466 of infrastructure additions.

Business-type activities capital assets increased by \$144,250 during 2011 primarily due to distribution and collection system additions of \$65,693 and construction work-in-progress additions of \$131,312.

### Long-term Debt

At December 31, 2011 Anchorage had \$1,242,346 in debt outstanding, a decrease of 2.1% from 2010 debt outstanding of \$1,268,376 (reference Table A-4). More detailed information about Anchorage's long-term debt liabilities is presented in Note 10, Long-term Obligations, in the basic financial statements.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 488,863	\$ 487,342	\$ -	\$ -	\$ 488,863	\$ 487,342
Revenue bonds	16,479	39,750	442,161	463,892	458,640	503,642
CIVICVentures revenue bonds	107,445	108,625	-	-	107,445	108,625
Capital leases	3,795	3,643	-	-	3,795	3,643
Long-term contracts	4,682	4,745	177,209	158,589	181,891	163,334
HUD loans	1,712	1,790	-	-	1,712	1,790
<b>Total</b>	<b>\$ 622,976</b>	<b>\$ 645,895</b>	<b>\$ 619,370</b>	<b>\$ 622,481</b>	<b>\$ 1,242,346</b>	<b>\$ 1,268,376</b>

\$28,390 of general obligation bonds and \$1,816 of capital leases were issued in 2011 to fund various governmental activities. \$29,861 of long-term notes were issued to fund capital projects in the business-type activities.

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

### Infrastructure Modified Approach

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

A comparison of estimated to actual maintenance and preservation expense is presented in Required Supplementary Information. During 2011 actual road infrastructure maintenance and preservation expense was 0.6% more than estimated.

A condition assessment was performed in 2011 and indicated approximately 77.62% of total paved roads as being in good or better condition. This assessment result decreased slightly from the assessment results of 80.18% received during the 2008 assessment. The current

assessment exceeds Anchorage's plan to maintain 60% of total paved roads in good or better condition. The next scheduled assessment is in 2015.

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

Municipal population rose 1.50%<sup>1</sup> from the April 2010 Census to the July 2011 estimate. The 2011 annual average unemployment rate was 6.7% for Anchorage-Matsu Region and 7.6% for the entire state, both of which were below the national average of 8.9%<sup>2</sup>.

Anchorage's Tax Limit allows for an increase in property taxes to be collected based on inflation, population, new construction and other factors such as debt service, operations and maintenance costs of voter-approved projects, and legal judgments and settlements. In 2012, property tax revenue represents 53% of the funding sources for the General Government Operating Budget; non-property taxes and program generated revenue account for 32%; intra-governmental charges outside of general government 6%; Federal and State revenues 6%; and fund balance applied constitutes the remaining 3%.

The 2012 revised General Government Operating Budget is \$454,583,060, which is \$11,371,205 more than the 2011 revised budget of \$443,211,855. This includes a \$6 million increase in debt service related to voter-approved bonds. Property taxes required to support the 2012 revised budget are \$241.6 million compared to \$240.8 million in 2011.

Anchorage's Utilities and other Enterprise Fund's 2012 revised operating budgets total \$253,288,266<sup>3</sup> as well as 2012 approved capital budgets for a total of \$576,922,000<sup>4</sup>.

The 2012 General Government Capital Improvement Budget is \$427,653,000<sup>5</sup>.

In 2008, the Plan I, II and III investments for the Police & Fire Retirement Pension Trust Fund sustained substantial losses of \$115,668 to its investment portfolios. In 2009, the Police & Fire Retirement Board adopted the actuary's recommendation to recover the underfunding that occurred in 2008. The Retirement Board approved a 15 year amortization period that will require annual contributions from Anchorage of \$12 million beginning in 2010. Plan I, II, and III investments recovered enough during 2010, that contributions were reduced to \$8.6 million in 2011 and \$6.2 million in 2012.

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

On June 27, 2011, the Regulatory Commission of Alaska (RCA or Commission) issued a final order in Docket U-04-23 authorizing the Water and Wastewater Utilities to include the Municipal Utility Service Assessment (MUSA) expense (an ad valorem payment in lieu of taxes to municipal government) in rates charged by the Utility to their customers. This order reversed a September 2, 2005 Commission decision to disallow the portion of this expense related to contributed plant from the Water and Wastewater Utilities' rates. The Water and Wastewater Utility's appealed the 2005 decision to Alaska Superior Court which upheld the RCA's decision. The Water and Wastewater Utilities then filed an appeal to the Alaska Supreme Court (the Court). On September

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<sup>1</sup> State of Alaska, Department of Labor and Workforce Development

<sup>2</sup> United States Department of Labor, Bureau of Labor Statistics

<sup>3</sup> AO 2011-102(S) and AR 2012-99 (S)

<sup>4</sup> AR 2011-269(S)

<sup>5</sup> AR 2011-268(S)

4, 2009, the Court issued a unanimous decision finding no reasonable basis for the RCA's 2005 exclusion of MUSA, as it related to contributed plant from the Water and Wastewater Utility's revenue requirement. The Court remanded the case to the RCA for further proceedings. The June 27, 2011 decision followed additional RCA proceedings that concluded July 27, 2010. If the Water and Wastewater Utilities had not succeeded in overturning the RCA's initial determination it may have been required to pay refunds to customers exceeding \$20 million. For more information on current rate cases, see the notes to the financial statements.

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

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

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MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

December 31, 2011

(With summarized financial information at December 31, 2010)

Assets	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Anchorage School District
<b>Current assets:</b>				
Cash	\$ 71,587	\$ 5,425	\$ 77,012	\$ —
Cash in central treasury	233,079,223	83,505,268	316,584,491	—
Master lease agreement escrow	656,850	—	656,850	—
Investments	30,583,665	—	30,583,665	156,838,798
Accrued interest on investments	1,001,770	909,946	1,911,716	—
Interest receivable	—	296,074	296,074	21,858
Receivables (net of allowance for uncollectibles)	27,034,159	23,055,304	50,089,463	37,749,400
Due from primary government	—	—	—	118,793,723
Due from component unit	182,286	—	182,286	—
Internal balances	1,158,141	(1,158,141)	—	—
Inventories	1,431,089	29,622,150	31,053,239	3,203,048
Prepaid OPEB	2,245,567	—	2,245,567	—
Prepaid items and deposits	1,593,564	63,622	1,657,186	8,583,845
Deferred charges	—	220,385	220,385	6,262,190
<b>Restricted assets:</b>				
Investments	138,308,646	—	138,308,646	—
Investments in TCH, LLC	384,488	—	384,488	—
Investment, art collection	—	—	—	—
Customer deposits	—	1,171,415	1,171,415	—
Interim rate escrow investments	—	—	—	—
Restricted deposits	—	78,328,322	78,328,322	—
Bond acquisition and construction	—	28,921,595	28,921,595	—
Bond operation and maintenance	—	10,625,000	10,625,000	—
Debt service accounts	—	7,597,685	7,597,685	—
Landfill post closure cash reserve	—	6,387,183	6,387,183	—
Interest receivable	294,229	—	294,229	—
Intergovernmental receivables	25,110,836	1,024,374	26,135,210	—
<b>Total current assets</b>	<b>463,136,100</b>	<b>270,575,607</b>	<b>733,711,707</b>	<b>331,452,862</b>
<b>Noncurrent assets:</b>				
Deferred charges and other assets	5,318,932	10,380,131	15,699,063	—
Internal balances	1,281,222	(1,281,222)	—	—
Loans and leases receivable, net	23,228,939	4,584	23,233,523	—
<b>Restricted assets:</b>				
Customer deposits	—	700,956	700,956	—
Advances to MARAD	—	162,939,619	162,939,619	—
Revenue bond reserve investments	—	32,357,430	32,357,430	—
Capital assets, not being depreciated	2,679,135,143	240,787,160	2,919,922,303	44,670,087
Capital assets, being depreciated, net	564,193,156	1,316,469,538	1,880,662,694	1,164,645,407
<b>Total noncurrent assets</b>	<b>3,273,157,392</b>	<b>1,762,358,196</b>	<b>5,035,515,588</b>	<b>1,209,315,494</b>
<b>Total assets</b>	<b>\$ 3,736,293,492</b>	<b>\$ 2,032,933,803</b>	<b>\$ 5,769,227,295</b>	<b>\$ 1,540,768,356</b>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Accounts payable and retainages	\$ 18,097,397	\$ 16,697,629	\$ 34,795,026	\$ 6,470,080
Accrued interest payable	8,048,013	4,157,686	12,205,699	9,866,932
Accrued payroll liabilities	11,087,047	3,024,528	14,111,575	12,631,608
Current portion of long-term obligations	79,705,680	39,959,245	119,664,925	69,194,820
Net OPEB	456,346	—	456,346	—
Notes payable	—	40,000,000	40,000,000	—
Due to primary government	—	—	—	—
Due to component unit	79,195,816	—	79,195,816	—
Deferred revenue and deposits	14,656,240	80,039	14,736,279	119,731,969
Liabilities payable from restricted assets	38,050	13,493,916	13,531,966	—
<b>Total current liabilities</b>	<b>211,284,589</b>	<b>117,413,043</b>	<b>328,697,632</b>	<b>217,895,409</b>
<b>Noncurrent liabilities:</b>				
Liabilities payable from restricted assets	—	700,956	700,956	—
Deferred credits	172,192	582,756,966	582,929,158	—
Noncurrent portion of long-term obligations	596,775,947	607,558,358	1,204,334,305	677,182,409
<b>Total noncurrent liabilities</b>	<b>596,948,139</b>	<b>1,191,016,280</b>	<b>1,787,964,419</b>	<b>677,182,409</b>
<b>Total liabilities</b>	<b>808,232,728</b>	<b>1,308,429,323</b>	<b>2,116,662,051</b>	<b>895,077,818</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	2,687,945,378	515,264,922	3,203,210,300	506,570,859
<b>Restricted for:</b>				
Debt service	2,306,547	38,707,069	41,013,616	2,136,337
Interim rate escrow requirement	—	—	—	—
Maintenance and operations	—	—	—	—
Acquisition and construction	1,655,754	132,481,856	134,137,610	11,549,306
Convention center operating reserve	6,245,852	—	6,245,852	—
Police and fire retiree medical liability	29,112,600	—	29,112,600	—
Grant activity	4,871,546	—	4,871,546	—
<b>Perpetual care:</b>				
Nonexpendable	150,000	—	150,000	—
Expendable	274,533	—	274,533	—
<b>MOA trust:</b>				
Nonexpendable	116,757,912	—	116,757,912	—
Endowment	—	—	—	—
<b>Unrestricted</b>	<b>78,740,642</b>	<b>38,050,633</b>	<b>116,791,275</b>	<b>125,434,036</b>
<b>Total net assets</b>	<b>2,928,060,764</b>	<b>724,504,480</b>	<b>3,652,565,244</b>	<b>645,690,538</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,736,293,492</b>	<b>\$ 2,032,933,803</b>	<b>\$ 5,769,227,295</b>	<b>\$ 1,540,768,356</b>

See accompanying notes to basic financial statements.

Component Units (Continued)		Total Reporting Entity	
Anchorage Community Development Authority	Alaska Center for the Performing Arts	December 31, 2011	December 31, 2010
\$ 3,496,119	\$ 1,924,897	\$ 5,498,028	\$ 5,248,053
—	—	316,584,491	305,877,995
—	—	656,850	916,526
—	—	187,422,463	198,200,549
—	—	1,911,716	2,450,130
—	—	317,932	366,397
205,960	44,444	88,089,267	76,190,586
8,725	—	118,802,448	117,639,423
—	—	182,286	187,800
—	—	—	—
—	—	34,256,287	33,450,499
—	—	2,245,567	—
86,256	58,540	10,385,827	11,560,143
—	—	6,482,575	6,200,770
—	—	138,308,646	137,930,073
—	—	384,488	378,783
—	127,042	127,042	127,042
—	—	1,171,415	1,162,641
—	—	—	6,124,010
44,358	207,368	78,580,048	88,158,131
—	—	28,921,595	91,160,230
—	—	10,625,000	9,400,000
—	—	7,597,685	7,667,207
—	—	6,387,183	4,597,159
—	—	294,229	829,416
—	—	26,135,210	35,457,578
<u>3,841,418</u>	<u>2,362,291</u>	<u>1,071,368,278</u>	<u>1,141,281,141</u>
9,337,793	—	25,036,856	24,596,491
—	—	—	—
—	—	23,233,523	47,559,500
—	—	700,956	565,562
—	—	162,939,619	139,939,619
—	—	32,357,430	33,252,652
11,059,217	—	2,975,651,607	2,916,502,211
14,623,522	—	3,059,931,623	3,039,169,904
<u>35,020,532</u>	<u>—</u>	<u>6,279,851,614</u>	<u>6,202,377,198</u>
<u>\$ 38,861,950</u>	<u>\$ 2,362,291</u>	<u>\$ 7,351,219,892</u>	<u>\$ 7,343,658,339</u>
\$ 582,258	\$ 526,489	\$ 42,373,853	\$ 41,829,240
—	—	22,072,631	24,687,144
—	—	26,743,183	27,635,385
—	—	188,859,745	175,973,692
—	—	456,346	—
—	—	40,000,000	40,000,000
44,871	136,179	181,050	186,232
—	—	79,195,816	78,468,444
246,454	881,067	135,595,769	129,854,328
—	41,735	13,573,701	10,584,874
<u>873,583</u>	<u>1,585,470</u>	<u>549,052,094</u>	<u>529,219,339</u>
—	—	700,956	565,562
—	—	582,929,158	574,238,763
1,343,921	—	1,882,860,635	1,966,836,271
1,343,921	—	2,466,490,749	2,541,640,596
<u>2,217,504</u>	<u>1,585,470</u>	<u>3,015,542,843</u>	<u>3,070,859,935</u>
25,682,739	—	3,735,463,898	3,659,244,434
—	—	43,149,953	41,773,884
—	—	—	6,124,010
—	207,368	207,368	599,197
—	—	145,686,916	127,639,316
—	—	6,245,852	5,376,097
—	—	29,112,600	30,540,154
—	—	4,871,546	8,282,336
—	—	150,000	150,000
—	—	274,533	—
—	—	116,757,912	120,279,315
—	60,604	60,604	60,739
10,961,707	508,849	253,695,867	272,728,922
<u>36,644,446</u>	<u>776,821</u>	<u>4,335,677,049</u>	<u>4,272,798,404</u>
<u>\$ 38,861,950</u>	<u>\$ 2,362,291</u>	<u>\$ 7,351,219,892</u>	<u>\$ 7,343,658,339</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Activities

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

Functions/Programs	Expenses	Program Revenues			Net (Expense), Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 22,115,442	\$ 9,497,748	\$ 3,731,703	\$ 2,458,240	\$ (6,427,751)
Fire services	94,499,296	8,224,213	6,332,161	749,140	(79,193,782)
Police services	116,362,828	22,021,740	11,420,405	209,581	(82,711,102)
Health and human services	28,268,547	4,022,702	19,392,155	200,000	(4,653,690)
Economic and community development	83,174,571	4,369,182	2,221,629	2,644,661	(73,939,099)
Public transportation	34,185,440	5,121,736	6,333,285	7,240,808	(15,489,611)
Public works	80,989,860	10,423,089	9,454,370	37,351,815	(23,760,586)
Maintenance and operations of roads and facilities	36,316,900	191,729	1,387,490	4,016,381	(30,721,300)
Education	240,834,968	—	196,745	4,464,591	(236,173,632)
Interest on long-term debt	29,132,941	—	—	—	(29,132,941)
<b>Total governmental activities</b>	<b>765,880,793</b>	<b>63,872,139</b>	<b>60,469,943</b>	<b>59,335,217</b>	<b>(582,203,494)</b>
<b>Business-type activities:</b>					
Electric	126,040,240	139,609,558	—	—	—
Water	39,754,921	52,081,778	—	—	—
Wastewater	33,988,296	42,894,791	—	—	—
Port	10,491,375	11,819,075	—	9,337,718	—
Refuse	8,262,213	8,820,754	—	—	—
Solid Waste	17,233,393	18,566,616	—	—	—
Municipal Airport	4,093,756	1,340,577	111,731	2,644,069	—
<b>Total business-type activities</b>	<b>239,864,194</b>	<b>275,133,149</b>	<b>111,731</b>	<b>11,981,787</b>	<b>—</b>
<b>Total primary government</b>	<b>\$ 1,005,744,987</b>	<b>\$ 339,005,288</b>	<b>\$ 60,581,674</b>	<b>\$ 71,317,004</b>	<b>\$ (582,203,494)</b>
<b>Component Units:</b>					
Anchorage School District	\$ 793,449,933	\$ 8,682,220	\$ 197,545,476	\$ 46,117,714	
Anchorage Community Development Authority	8,253,175	8,304,514	—	559,721	
Alaska Center for the Performing Arts	3,064,063	2,466,616	147,523	—	
<b>Total Component Units</b>	<b>\$ 804,767,171</b>	<b>\$ 19,453,350</b>	<b>\$ 197,692,999</b>	<b>\$ 46,677,435</b>	
<b>General revenues:</b>					
Property taxes					482,411,497
Motor vehicle taxes					9,878,069
Hotel and motel taxes					21,033,287
Tobacco taxes					19,716,300
Assessments in lieu of taxes					2,232,706
Grants and entitlements not restricted to specific programs					19,984,139
Appropriation from Municipality of Anchorage					—
Investment income					4,601,926
Other					—
Transfers from (to) other funds					25,981,595
<b>Total general revenues and transfers</b>					<b>585,839,519</b>
Change in net assets					3,636,025
Net assets, beginning of year					2,924,424,739
<b>Net assets, end of year</b>					<b>\$ 2,928,060,764</b>

See accompanying notes to basic financial statements.

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

Primary Government		Component Units			Total Reporting Entity	
Business-Type Activities	Total	Anchorage School District	Anchorage Community Development Authority	Alaska Center for the Performing Arts	2011	2010
\$ —	\$ (6,427,751)	\$ —	\$ —	\$ —	\$ (6,427,751)	\$ (5,335,869)
—	(79,193,782)	—	—	—	(79,193,782)	(72,204,166)
—	(82,711,102)	—	—	—	(82,711,102)	(82,061,776)
—	(4,653,690)	—	—	—	(4,653,690)	(11,035,553)
—	(73,939,099)	—	—	—	(73,939,099)	(54,001,650)
—	(15,489,611)	—	—	—	(15,489,611)	(7,899,944)
—	(23,760,586)	—	—	—	(23,760,586)	(10,202,702)
—	(30,721,300)	—	—	—	(30,721,300)	(33,082,358)
—	(236,173,632)	—	—	—	(236,173,632)	(233,853,777)
—	(29,132,941)	—	—	—	(29,132,941)	(28,201,071)
—	(582,203,494)	—	—	—	(582,203,494)	(537,878,866)
13,569,318	13,569,318	—	—	—	13,569,318	9,189,889
12,326,857	12,326,857	—	—	—	12,326,857	12,297,273
8,906,495	8,906,495	—	—	—	8,906,495	5,078,350
10,665,418	10,665,418	—	—	—	10,665,418	41,104,982
558,541	558,541	—	—	—	558,541	567,632
1,333,223	1,333,223	—	—	—	1,333,223	2,796,954
2,621	2,621	—	—	—	2,621	5,282,643
47,362,473	47,362,473	—	—	—	47,362,473	76,317,723
\$ 47,362,473	\$ (534,841,021)	\$ —	\$ —	\$ —	\$ (534,841,021)	\$ (461,561,143)
		\$ (541,104,523)	\$ —	\$ —	\$ (541,104,523)	\$ (532,205,233)
		—	611,060	—	611,060	(55,755)
		—	—	(449,924)	(449,924)	(128,931)
		\$ (541,104,523)	\$ 611,060	\$ (449,924)	\$ (540,943,387)	\$ (532,389,919)
—	482,411,497	—	—	—	482,411,497	479,409,921
—	9,878,069	—	—	—	9,878,069	9,512,490
—	21,033,287	—	—	—	21,033,287	19,604,118
—	19,716,300	—	—	—	19,716,300	17,334,746
—	2,232,706	—	—	—	2,232,706	2,284,762
—	19,984,139	334,293,121	—	—	354,277,260	328,489,993
—	—	234,759,972	—	—	234,759,972	232,947,582
6,071,914	10,673,840	2,376,959	7,356	107,235	13,165,390	34,934,644
—	—	1,188,572	—	—	1,188,572	1,119,024
(25,981,595)	—	—	—	—	—	328,898
(19,909,681)	565,929,838	572,618,624	7,356	107,235	1,138,663,053	1,125,966,178
27,452,792	31,088,817	31,514,101	618,416	(342,689)	62,878,645	132,015,116
697,051,688	3,621,476,427	614,176,437	36,026,030	1,119,510	4,272,798,404	4,140,783,288
\$ 724,504,480	\$ 3,652,565,244	\$ 645,690,538	\$ 36,644,446	\$ 776,821	\$ 4,335,677,049	\$ 4,272,798,404

MUNICIPALITY OF ANCHORAGE, ALASKA

Balance Sheet  
Governmental Funds  
December 31, 2011

(With summarized financial information at December 31, 2010)

Assets	Total Governmental Funds					
	General	MOA Trust	Capital Projects Roads & Drainage	Other Governmental Funds	December 31, 2011	December 31, 2010
Cash	\$ 14,920	\$ —	\$ —	\$ 56,667	\$ 71,587	\$ 112,151
Cash in central treasury	139,364,062	66	14,685,008	49,585,311	203,634,447	190,850,779
Master lease agreement escrow	206,644	—	—	—	206,644	241,287
Investments	—	—	—	30,583,665	30,583,665	30,892,756
Accrued interest on investments	1,001,770	—	—	—	1,001,770	1,034,215
Receivables (net of allowance for uncollectibles)	24,006,173	—	—	2,006,267	26,012,440	23,260,382
Due from other funds	5,155,242	—	1,086,792	457,484	6,699,518	11,797,320
Special assessments receivable	774,548	—	—	129,963	904,511	1,245,208
Due from component units	31,137	—	—	151,149	182,286	187,800
Inventories	1,095,337	—	—	—	1,095,337	1,076,253
Prepaid items and deposits	63,840	—	—	1,017,429	1,081,269	1,190,474
Advances to other funds	1,439,596	—	—	—	1,439,596	1,510,984
Restricted assets:						
Investments	—	116,799,662	—	14,236,224	131,035,886	134,115,334
Investments in TCH, LLC	—	—	—	384,488	384,488	378,783
Intergovernmental receivables	1,214,041	—	4,884,069	19,012,726	25,110,836	33,776,097
Accrued Investments	—	14,595	—	—	14,595	15,260
Loans receivable, net	15,985,000	—	—	7,243,939	23,228,939	47,553,798
<b>Total assets</b>	<b>\$ 190,352,310</b>	<b>\$ 116,814,323</b>	<b>\$ 20,655,869</b>	<b>\$ 124,865,312</b>	<b>\$ 452,687,814</b>	<b>\$ 479,238,881</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and retainages	\$ 6,736,530	\$ 56,411	\$ 2,684,744	\$ 7,692,903	\$ 17,170,588	\$ 16,023,169
Accrued payroll liabilities	10,210,467	—	—	409,422	10,619,889	10,689,361
Due to other funds	—	—	—	4,587,719	4,587,719	9,163,009
Due to component unit	79,195,816	—	—	—	79,195,816	78,468,444
Deferred revenue and deposits	29,368,128	—	96,267	14,339,179	43,803,574	63,441,325
Advances from other funds	—	—	677,917	1,439,596	2,117,513	2,023,867
<b>Total liabilities</b>	<b>125,510,941</b>	<b>56,411</b>	<b>3,458,928</b>	<b>28,468,819</b>	<b>157,495,099</b>	<b>179,809,175</b>
<b>Fund balances:</b>						
Nonspendable	3,332,167	—	—	1,167,429	4,499,596	4,900,639
Restricted	13,443,010	116,757,912	15,896,418	53,416,639	199,513,979	227,702,422
Committed	25,257,793	—	325,490	18,724,646	44,307,929	40,681,521
Assigned	13,467,816	—	975,033	23,404,223	37,847,072	25,950,563
Unassigned	9,340,583	—	—	(316,444)	9,024,139	194,561
<b>Total fund balances</b>	<b>64,841,369</b>	<b>116,757,912</b>	<b>17,196,941</b>	<b>96,396,493</b>	<b>295,192,715</b>	<b>299,429,706</b>
<b>Total liabilities and fund balances</b>	<b>\$ 190,352,310</b>	<b>\$ 116,814,323</b>	<b>\$ 20,655,869</b>	<b>\$ 124,865,312</b>	<b>\$ 452,687,814</b>	<b>\$ 479,238,881</b>

See accompanying notes to basic financial statements.



**MUNICIPALITY OF ANCHORAGE, ALASKA**  
 Reconciliation of Net Assets Between the  
 Government-wide and Fund Financial Statements  
 December 31, 2011

Amounts reported as fund balances on the governmental fund balance sheet		\$ 295,192,715
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,243,328,299
Police and fire OPEB actuarial calculations reported overpayments for the current fiscal year:		
Police and fire postemployment healthcare benefit asset		2,245,567
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Jail lease receivable, including accrued interest	\$ 16,279,229	
Property taxes	10,151,525	
HUD 108 receivable	1,811,656	
Long term loan receivable, net activity	1,199,153	
Deferred charges	<u>5,318,932</u>	
		34,760,495
Internal service funds are used by management to charge the costs of fleet management, cost of insurance, and information technology to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets:		
Total internal service equity related to governmental activities	30,444,653	
Net of amounts included in:		
Capital assets, net of depreciation and amortization	(26,335,644)	
Accrued interest payable	25,062	
Compensated absences	<u>1,006,303</u>	
		5,140,374
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds	(488,862,809)	
Revenue bonds	(16,478,833)	
Master lease agreements	(420,660)	
Pollution remediation	(2,585,019)	
Notes and contracts	(6,393,960)	
CIVICVentures revenue bonds	(107,445,000)	
Compensated absences	(21,916,046)	
Net pension obligation	(456,346)	
Accrued interest payable	<u>(8,048,013)</u>	
		<u>(652,606,686)</u>
Net assets of governmental activities		<u><u>\$ 2,928,060,764</u></u>

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA

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

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

	General	MOA Trust	Capital Projects Roads & Drainage	Other Governmental Funds	Total Governmental Funds	
					2011	2010
<b>Revenues:</b>						
Taxes	\$ 520,287,035	\$ —	\$ —	\$ 12,205,070	\$ 532,492,105	\$ 525,472,332
Assessments in lieu of taxes	2,232,706	—	—	—	2,232,706	2,284,762
Special assessments	297,055	—	—	1,113,901	1,410,956	1,559,801
Licenses and permits	11,367,098	—	—	—	11,367,098	9,727,381
Intergovernmental	44,190,302	—	13,067,542	62,453,699	119,711,543	121,565,389
Charges for services	28,563,403	—	17,719	5,580,801	34,161,923	35,151,606
Fines and forfeitures	8,001,207	—	—	466,971	8,468,178	7,761,674
Investment income	1,881,434	2,126,856	122,776	387,057	4,518,123	19,923,545
Restricted contributions	2,653,106	—	165,713	1,114,066	3,932,885	1,852,653
Other	5,537,829	—	71,362	2,378,428	7,987,619	5,095,912
<b>Total revenues</b>	<b>625,011,175</b>	<b>2,126,856</b>	<b>13,445,112</b>	<b>85,699,993</b>	<b>726,283,136</b>	<b>730,395,055</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	19,455,398	648,259	—	1,879,185	21,982,842	17,931,545
Fire services	87,032,286	—	—	3,731,367	90,763,653	83,670,491
Police services	105,613,692	—	—	5,896,480	111,510,172	102,926,771
Health and human services	14,060,010	—	—	12,763,405	26,823,415	25,144,569
Economic and community development	47,797,841	—	—	13,191,848	60,989,689	63,627,692
Public transportation	22,764,311	—	—	5,405,585	28,169,896	21,556,120
Public works	17,999,593	—	—	2,908,326	20,907,921	20,934,441
Maintenance and operations of roads and facilities	33,805,423	—	—	—	33,805,423	34,484,210
Education	236,173,709	—	—	4,661,259	240,834,968	235,125,354
<b>Debt service:</b>						
Principal	26,614,139	—	—	4,523,000	31,137,139	20,647,950
Interest	23,875,128	—	—	7,197,346	31,072,474	27,581,071
Bond issuance costs	—	—	164,130	60,064	224,194	497,504
Capital outlay	—	—	43,773,004	38,560,407	82,333,411	105,694,920
<b>Total expenditures</b>	<b>635,191,532</b>	<b>648,259</b>	<b>43,937,134</b>	<b>100,778,272</b>	<b>780,555,197</b>	<b>759,822,638</b>
Excess (deficiency) of revenues over expenditures	(10,180,357)	1,478,597	(30,492,022)	(15,078,279)	(54,272,061)	(29,427,583)
<b>Other financing sources (uses):</b>						
Transfers from other funds	31,419,441	—	3,316,948	17,886,575	52,622,964	47,683,059
Transfers to other funds	(19,879,513)	(5,000,000)	(9,207)	(7,223,188)	(32,111,908)	(23,525,181)
General obligation bonds issued	—	—	26,368,437	2,021,563	28,390,000	54,860,000
State of Alaska jail lease advance payment	—	—	—	23,908,250	23,908,250	—
Refunding bonds issued	—	—	—	—	—	23,750,000
Premium on bond sale	—	—	739,900	56,726	796,626	945,968
Payment to refunded bond escrow agent to extinguish debt	—	—	—	(23,860,769)	(23,860,769)	(24,047,975)
Loan proceeds	—	—	—	—	—	507,250
Insurance recoveries	96,076	—	—	—	96,076	—
Sale of capital assets	63,831	—	—	130,000	193,831	98,627
<b>Total other financing sources (uses)</b>	<b>11,699,835</b>	<b>(5,000,000)</b>	<b>30,416,078</b>	<b>12,919,157</b>	<b>50,035,070</b>	<b>80,271,748</b>
<b>Net change in fund balances</b>	<b>1,519,478</b>	<b>(3,521,403)</b>	<b>(75,944)</b>	<b>(2,159,122)</b>	<b>(4,236,991)</b>	<b>50,844,165</b>
Fund balances, beginning of year	63,321,891	120,279,315	17,272,885	98,555,615	299,429,706	248,585,541
Fund balances, end of year	\$ 64,841,369	\$ 116,757,912	\$ 17,196,941	\$ 96,396,493	\$ 295,192,715	\$ 299,429,706

See accompanying notes to basic financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year ended December 31, 2011

Net change in fund balance – total governmental funds		\$ (4,236,991)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay and equipment purchases	\$ 23,211,817	
Contributed assets	16,144,873	
Depreciation expense	(40,757,619)	
Other gain/(loss) on capital assets	<u>4,498,758</u>	
		3,097,829
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		303,870
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:		
Property taxes	243,179	
Jail lease receivable, net activity	(24,284,927)	
HUD 108 receivable	<u>(69,525)</u>	
		(24,111,273)
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	(28,390,000)	
Premium on bond sale	(796,626)	
Payment to escrow agent for refunding	23,860,769	
Principal repayment	31,137,139	
Net change in bond issuance costs	(115,583)	
Net change in other State of Alaska jail debt refunding costs	(2,154,019)	
Net change in interest accrual	<u>2,077,759</u>	
		25,619,439
Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures or revenues in governmental funds:		
Compensated absences		(574,924)
Pollution remediation		1,454,924
HUD rehabilitation loans payable		(54,356)
HUD section 108 loan payable, net activity		1,631
Police and fire postemployment healthcare benefits asset, net activity		997,962
Internal service funds are used by management to charge the costs of insurance, fleet management and information technology to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities.		<u>1,137,914</u>
Change in net assets of governmental activities		<u>\$ 3,636,025</u>

See accompanying notes to basic financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Net Assets

Proprietary Funds

December 31, 2011

(With summarized financial information at December 31, 2010)

**Business-Type Activities – Enterprise Funds**

<b>Assets</b>	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Port</b>
<b>Current assets:</b>				
Cash	\$ 1,600	\$ —	\$ —	\$ 150
Cash in central treasury	29,119,309	18,187,725	9,009,753	11,503,130
Master lease agreement escrow	—	—	—	—
Accrued interest on investments	537,056	152,776	6,836	71,232
Interest receivable	296,051	—	—	—
Receivables (net of allowance for uncollectibles)	11,576,380	4,259,156	3,211,204	1,149,557
Due from other funds	—	6,445,734	—	—
Inventories	27,447,450	1,520,988	323,797	329,915
Prepaid items and deposits	—	—	—	42,985
Special assessments receivable	—	64,606	84,305	—
Unbilled reimbursable projects	270,714	12,681	10,961	—
Deferred charges and other assets	220,385	—	—	—
<b>Restricted assets:</b>				
Customer deposits	1,171,415	—	—	—
Restricted deposits	78,328,322	—	—	—
Interim rate escrow investments	—	—	—	—
Intergovernmental receivables	—	—	—	92,036
Bond and acquisition and construction accounts	926,805	10,457,352	—	4,381,336
Landfill post closure cash reserve	—	—	—	—
Revenue bond operations and maintenance accounts	10,625,000	—	—	—
Debt service accounts	2,578,505	5,019,180	—	—
<b>Total current assets</b>	<b>163,098,992</b>	<b>46,120,198</b>	<b>12,646,856</b>	<b>17,570,341</b>
<b>Noncurrent assets:</b>				
Loans receivable, net	—	—	—	—
Advances to other funds	—	—	—	—
Deferred charges and other assets	2,207,976	4,717,793	3,454,362	—
<b>Restricted assets:</b>				
Customer deposits	—	314,713	386,243	—
Advances to MARAD	—	—	—	162,939,619
Revenue bond reserve investments	32,357,430	—	—	—
Capital assets, net	487,832,851	508,132,334	365,696,350	78,168,894
<b>Total noncurrent assets</b>	<b>522,398,257</b>	<b>513,164,840</b>	<b>369,536,955</b>	<b>241,108,513</b>
<b>Total assets</b>	<b>\$ 685,497,249</b>	<b>\$ 559,285,038</b>	<b>\$ 382,183,811</b>	<b>\$ 258,678,854</b>

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		December 31, 2011	December 31, 2010
\$ 3,675	\$ 5,425	\$ —	\$ 5,425	\$ 5,425
15,685,351	83,505,268	29,444,776	112,950,044	115,027,216
—	—	450,206	450,206	675,239
142,046	909,946	—	909,946	1,415,915
23	296,074	—	296,074	299,236
2,415,740	22,612,037	117,208	22,729,245	22,823,348
—	6,445,734	548,516	6,994,250	4,086,813
—	29,622,150	335,752	29,957,902	29,456,349
20,637	63,622	512,295	575,917	542,529
—	148,911	—	148,911	172,855
—	294,356	—	294,356	218,428
—	220,385	—	220,385	173,009
—	1,171,415	—	1,171,415	1,162,641
—	78,328,322	—	78,328,322	87,526,715
—	—	—	—	6,124,010
932,338	1,024,374	—	1,024,374	1,681,481
13,156,102	28,921,595	7,258,165	36,179,760	94,974,969
6,387,183	6,387,183	—	6,387,183	4,597,159
—	10,625,000	—	10,625,000	9,400,000
—	7,597,685	—	7,597,685	7,667,207
<u>38,743,095</u>	<u>278,179,482</u>	<u>38,666,918</u>	<u>316,846,400</u>	<u>388,030,544</u>
4,584	4,584	—	4,584	5,702
—	—	1,226,451	1,226,451	1,609,933
—	10,380,131	—	10,380,131	10,527,261
—	700,956	—	700,956	565,562
—	162,939,619	—	162,939,619	139,939,619
—	32,357,430	—	32,357,430	33,252,652
117,426,269	1,557,256,698	26,335,644	1,583,592,342	1,486,351,357
117,430,853	1,763,639,418	27,562,095	1,791,201,513	1,672,252,086
<u>\$ 156,173,948</u>	<u>\$ 2,041,818,900</u>	<u>\$ 66,229,013</u>	<u>\$ 2,108,047,913</u>	<u>\$ 2,060,282,630</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Net Assets

Proprietary Funds

December 31, 2011

(With summarized financial information at December 31, 2010)

**Business-Type Activities – Enterprise Funds**

Liabilities and Net Assets	Electric Utility	Water Utility	Wastewater Utility	Port
<b>Current liabilities:</b>				
Accounts payable and retainages	\$ 14,696,531	\$ 643,738	\$ 469,085	\$ 247,941
Accrued payroll liabilities	1,171,774	648,511	613,689	100,333
Compensated absences	2,432,256	860,742	824,491	147,316
Claims payable	—	—	—	—
Claims incurred but not reported	—	—	—	—
Notes payable	—	—	—	40,000,000
Due to other funds	—	—	6,445,734	—
Accrued interest payable	1,248,046	1,628,457	1,139,324	—
Pollution remediation obligation	—	20,000	20,000	—
Long-term obligations maturing within one year	16,915,000	10,790,639	5,548,073	—
Deferred revenue and deposits	—	—	—	—
Current liabilities payable from restricted assets:				
Customer deposits payable	1,171,415	—	—	—
Capital acquisition and construction accounts and retainage payable	7,073,868	2,103,361	2,645,527	325,326
Total current liabilities	<u>44,708,890</u>	<u>16,695,448</u>	<u>17,705,923</u>	<u>40,820,916</u>
<b>Noncurrent liabilities:</b>				
Revenue bonds payable (net of unamortized discounts, premiums, deferred gain or loss on refunding)	223,410,398	130,315,805	65,040,164	—
Advances from other funds	—	—	—	—
Alaska clean water loans payable	—	82,275,229	66,611,493	—
Capital leases payable	—	—	—	—
Claims incurred but not reported	—	—	—	—
Deferred revenue and deposits	—	—	—	—
Compensated absences	—	279,129	267,433	42,869
Liabilities payable from restricted assets:				
Customer deposits	—	314,713	386,243	—
Deferred credits and other liabilities:				
Pollution remediation obligation	—	166,500	244,000	—
Future landfill closure costs	—	—	—	—
Other deferred credits	131,518,412	21,750	—	1,866,198
Contributed capital	46,261,006	234,093,534	168,996,066	—
Total noncurrent liabilities	<u>401,189,816</u>	<u>447,466,660</u>	<u>301,545,399</u>	<u>1,909,067</u>
Total liabilities	<u>445,898,706</u>	<u>464,162,108</u>	<u>319,251,322</u>	<u>42,729,983</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	202,173,252	67,560,213	59,500,553	78,168,894
Restricted for debt service	33,687,889	5,019,180	—	—
Restricted for interim rate escrow requirement	—	—	—	—
Restricted for acquisition and construction	—	—	—	127,320,955
Unrestricted	3,737,402	22,543,537	3,431,936	10,459,022
Total net assets	<u>239,598,543</u>	<u>95,122,930</u>	<u>62,932,489</u>	<u>215,948,871</u>
Total liabilities and net assets	<u>\$ 685,497,249</u>	<u>\$ 559,285,038</u>	<u>\$ 382,183,811</u>	<u>\$ 258,678,854</u>

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

Net assets of business-type activities.

See accompanying notes to basic financial statements.



Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		December 31, 2011	December 31, 2010
\$ 640,334	\$ 16,697,629	\$ 926,809	\$ 17,624,438	\$ 17,220,612
490,221	3,024,528	467,158	3,491,686	3,543,658
682,461	4,947,266	838,582	5,785,848	6,306,271
—	—	14,697,856	14,697,856	10,772,968
—	—	8,744,273	8,744,273	7,583,045
—	40,000,000	—	40,000,000	40,000,000
1,158,141	7,603,875	1,502,174	9,106,049	6,721,124
141,859	4,157,686	25,062	4,182,748	4,224,629
—	40,000	—	40,000	40,000
1,718,267	34,971,979	1,064,501	36,036,480	33,566,682
80,039	80,039	—	80,039	99,071
—	1,171,415	—	1,171,415	1,162,641
174,419	12,322,501	38,050	12,360,551	9,349,862
5,085,741	125,016,918	28,304,465	153,321,383	140,590,563
—	418,766,367	—	418,766,367	441,536,741
—	—	548,534	548,534	1,097,050
16,744,940	165,631,662	—	165,631,662	148,302,209
—	—	2,309,781	2,309,781	1,732,432
—	—	5,562,889	5,562,889	4,684,326
—	—	172,192	172,192	258,288
11,264	600,695	167,721	768,416	405,625
—	700,956	—	700,956	565,562
—	410,500	—	410,500	311,000
22,149,134	22,149,134	—	22,149,134	20,459,932
—	133,406,360	—	133,406,360	121,327,132
—	449,350,606	—	449,350,606	452,653,343
38,905,338	1,191,016,280	8,761,117	1,199,777,397	1,193,333,640
43,991,079	1,316,033,198	37,065,582	1,353,098,780	1,333,924,203
107,862,010	515,264,922	26,285,059	541,549,981	481,647,099
—	38,707,069	—	38,707,069	39,582,987
—	—	—	—	6,124,010
5,160,901	132,481,856	—	132,481,856	121,207,730
(840,042)	39,331,855	2,878,372	42,210,227	77,796,601
112,182,869	725,785,702	29,163,431	754,949,133	726,358,427
\$ 156,173,948		\$ 66,229,013	\$ 2,108,047,913	\$ 2,060,282,630
	(1,281,222)			
	\$ 724,504,480			

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

**Business-Type Activities – Enterprise Funds**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Port</u>
Operating revenues:				
Charges for sales and services	\$ 132,411,464	\$ 49,797,151	\$ 40,965,967	\$ 5,734,011
Other	2,006,188	1,374,230	1,376,893	4,636,989
Total operating revenues	<u>134,417,652</u>	<u>51,171,381</u>	<u>42,342,860</u>	<u>10,371,000</u>
Operating expenses:				
Operations	82,961,154	23,663,001	23,535,649	4,853,734
Amortization of future landfill closure costs	—	—	—	—
Depreciation and amortization	25,948,744	8,348,377	6,153,527	4,331,748
Total operating expenses	<u>108,909,898</u>	<u>32,011,378</u>	<u>29,689,176</u>	<u>9,185,482</u>
Operating income (loss)	<u>25,507,754</u>	<u>19,160,003</u>	<u>12,653,684</u>	<u>1,185,518</u>
Nonoperating revenues (expenses):				
Investment income	3,915,568	952,475	162,308	433,059
Other revenues	23,308	114,735	18,670	1,448,075
Intergovernmental revenue	—	—	—	—
Interest expense	(16,352,301)	(7,214,641)	(4,201,215)	—
Allowance for funds used during construction	5,168,598	795,662	533,261	—
Gain (loss) on sale of capital assets	—	—	—	—
Amortization of deferred charges	(201,908)	(379,852)	(42,634)	—
Other expenses	(288,541)	—	—	(1,304,957)
Net nonoperating revenues (expenses)	<u>(7,735,276)</u>	<u>(5,731,621)</u>	<u>(3,529,610)</u>	<u>576,177</u>
Income (loss) before capital contributions and transfers	<u>17,772,478</u>	<u>13,428,382</u>	<u>9,124,074</u>	<u>1,761,695</u>
Capital contributions	—	—	—	9,337,718
Transfers from other funds	—	—	—	—
Transfers to other funds	(11,971,112)	(7,148,205)	(5,254,668)	(577,998)
Change in net assets	5,801,366	6,280,177	3,869,406	10,521,415
Net assets, beginning of year	233,797,177	88,842,753	59,063,083	205,427,456
Net assets, end of year	<u>\$ 239,598,543</u>	<u>\$ 95,122,930</u>	<u>\$ 62,932,489</u>	<u>\$ 215,948,871</u>

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

See accompanying notes to basic financial statements.

<u>Business-Type Activities</u>		<u>Governmental Activities – Internal Service Funds</u>	<u>Total Proprietary Funds</u>	
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>		<u>2011</u>	<u>2010</u>
\$ 28,035,244	\$ 256,943,837	\$ 94,650,772	\$ 351,594,609	\$ 319,123,895
675,825	10,070,125	10,834	10,080,959	16,941,020
<u>28,711,069</u>	<u>267,013,962</u>	<u>94,661,606</u>	<u>361,675,568</u>	<u>336,064,915</u>
20,114,737	155,128,275	91,153,838	246,282,113	228,930,970
1,689,202	1,689,202	—	1,689,202	1,242,346
7,334,678	52,117,074	9,251,924	61,368,998	57,942,512
<u>29,138,617</u>	<u>208,934,551</u>	<u>100,405,762</u>	<u>309,340,313</u>	<u>288,115,828</u>
(427,548)	58,079,411	(5,744,156)	52,335,255	47,949,087
608,504	6,071,914	603,730	6,675,644	9,439,809
10,435	1,615,223	140,274	1,755,497	2,240,251
111,731	111,731	—	111,731	108,584
(227,532)	(27,995,689)	(139,857)	(28,135,546)	(29,259,063)
—	6,497,521	—	6,497,521	3,876,099
6,443	6,443	74,293	80,736	141,321
—	(624,394)	—	(624,394)	(664,708)
—	(1,593,498)	(8,509)	(1,602,007)	(1,543,746)
<u>509,581</u>	<u>(15,910,749)</u>	<u>669,931</u>	<u>(15,240,818)</u>	<u>(15,661,453)</u>
82,033	42,168,662	(5,074,225)	37,094,437	32,287,634
2,644,069	11,981,787	25,538	12,007,325	47,464,579
40,500	40,500	5,470,539	5,511,039	779,550
(1,070,112)	(26,022,095)	—	(26,022,095)	(24,608,530)
1,696,490	28,168,854	421,852	28,590,706	55,923,233
<u>110,486,379</u>		<u>28,741,579</u>	<u>726,358,427</u>	<u>670,435,194</u>
\$ 112,182,869		\$ 29,163,431	\$ 754,949,133	\$ 726,358,427
	(716,062)			
	<u>\$ 27,452,792</u>			

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Cash Flows  
Proprietary Funds

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

**Business-Type Activities – Enterprise Funds**

	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Port</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 143,514,104	\$ 52,331,421	\$ 43,669,941	\$ 11,787,875
Payments to employees	(27,042,951)	(15,251,074)	(13,947,580)	(2,369,912)
Payments to vendors	(59,083,240)	(7,902,790)	(10,284,641)	(3,743,544)
<b>Net cash from operating activities</b>	<b>57,387,913</b>	<b>29,177,557</b>	<b>19,437,720</b>	<b>5,674,419</b>
<b>Cash flows from noncapital and related financing activities:</b>				
Transfers to other funds	(11,971,112)	(7,148,205)	(5,254,668)	(577,998)
Transfers from other funds	—	—	—	—
Loan proceeds from interfund loans	3,068,437	—	—	—
Interest payments from interfund loans	30,720	—	—	—
Due to other funds	—	—	—	—
Advance from other funds	—	—	—	—
Advance to other funds	—	—	—	—
<b>Net cash from noncapital and related financing activities</b>	<b>(8,871,955)</b>	<b>(7,148,205)</b>	<b>(5,254,668)</b>	<b>(577,998)</b>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from issuance of long-term obligations	—	—	3,895,599	—
Principal payments on long-term obligations	(16,945,000)	(9,673,260)	(5,357,646)	—
Payments from (proceeds to) loan to Wastewater Utility CIP Fund	—	(6,445,734)	6,445,734	—
Payments to MARAD	—	—	—	(23,000,000)
Interest payments on long-term obligations	(16,042,460)	(7,172,611)	(4,185,777)	—
Acquisition and construction of capital assets	(85,330,442)	(24,908,342)	(16,686,462)	(4,665,222)
Transfers from other funds	—	—	—	—
Landfill post closure cash reserve	—	—	—	—
Principal payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Proceeds from Alaska clean water loans	—	22,001,505	—	—
Proceeds from issuance of debt	—	—	—	—
Proceeds from sales of capital assets	10,454	—	—	—
Proceeds from sales and maturity of investments	—	—	—	—
Due to other funds	—	—	—	—
Capital contributions – customers	1,344,779	351,036	344,946	—
Capital contributions – intergovernmental	1,460,312	2,796,898	1,064,506	969,651
<b>Net cash from capital and related financing activities</b>	<b>(115,502,357)</b>	<b>(23,050,508)</b>	<b>(14,479,100)</b>	<b>(26,695,571)</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of investments	14,286,087	—	—	—
Purchase of investments	(3,280,467)	(18,643)	—	—
Investment income	4,338,389	921,740	195,692	517,157
<b>Net cash from investing activities</b>	<b>15,344,009</b>	<b>903,097</b>	<b>195,692</b>	<b>517,157</b>
<b>Net increase (decrease) in cash</b>	<b>(51,642,390)</b>	<b>(118,059)</b>	<b>(100,356)</b>	<b>(21,081,993)</b>
Cash, beginning of year	82,861,519	29,077,849	9,496,352	36,966,609
Cash, end of year	\$ 31,219,129	\$ 28,959,790	\$ 9,395,996	\$ 15,884,616
<b>Cash</b>				
Cash	\$ 1,600	\$ —	\$ —	\$ 150
Cash in central treasury	29,119,309	18,187,725	9,009,753	11,503,130
Capital acquisition and construction accounts	926,805	10,457,352	—	4,381,336
Customer deposits	1,171,415	314,713	386,243	—
Cash, December 31	\$ 31,219,129	\$ 28,959,790	\$ 9,395,996	\$ 15,884,616

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		2011	As Restated 2010
\$ 28,857,648 (10,880,422) (9,105,544)	\$ 280,160,989 (69,491,939) (90,119,759)	\$ 94,801,880 (12,418,411) (72,615,451)	\$ 374,962,869 (81,910,350) (162,735,210)	\$ 351,842,306 (78,700,926) (147,471,831)
8,871,682	120,549,291	9,768,018	130,317,309	125,669,549
(1,070,112)	(26,022,095)	—	(26,022,095)	(24,608,530)
40,500	40,500	13,800	54,300	687,000
—	3,068,437	1,566,910	4,635,347	1,886,752
—	30,720	—	30,720	116,106
137,801	137,801	(3,343,045)	(3,205,244)	336,625
—	—	—	—	22,225,306
—	—	(713,568)	(713,568)	(512,882)
(891,811)	(22,744,637)	(2,475,903)	(25,220,540)	130,377
—	3,895,599	—	3,895,599	35,518,348
(1,619,606)	(33,595,512)	(1,099,309)	(34,694,821)	(33,059,409)
—	—	—	—	—
—	(23,000,000)	—	(23,000,000)	(41,139,618)
(241,791)	(27,642,639)	(105,078)	(27,747,717)	(28,411,654)
(5,491,148)	(137,081,616)	(7,487,005)	(144,568,621)	(129,005,868)
—	—	5,456,739	5,456,739	92,550
(1,790,024)	(1,790,024)	—	(1,790,024)	(1,676,459)
—	—	(548,516)	(548,516)	(1,266,752)
—	—	(39,552)	(39,552)	(74,392)
—	22,001,505	—	22,001,505	—
3,963,461	3,963,461	1,815,857	5,779,318	1,019,613
6,443	16,897	439,192	456,089	508,717
—	—	—	—	—
—	—	(855,565)	(855,565)	395,523
—	2,040,761	—	2,040,761	3,419,747
3,364,399	9,655,766	—	9,655,766	53,692,974
(1,808,266)	(181,535,802)	(2,423,237)	(183,959,039)	(139,986,680)
—	14,286,087	—	14,286,087	5,263,482
—	(3,299,110)	—	(3,299,110)	(15,764,730)
570,372	6,543,350	603,730	7,147,080	9,147,150
570,372	17,530,327	603,730	18,134,057	(1,354,098)
6,741,977	(66,200,821)	5,472,608	(60,728,213)	(15,540,852)
22,103,151	180,505,480	31,230,333	211,735,813	227,276,665
\$ 28,845,128	\$ 114,304,659	\$ 36,702,941	\$ 151,007,600	\$ 211,735,813
\$ 3,675	\$ 5,425	\$ —	\$ 5,425	\$ 5,425
15,685,351	83,505,268	29,444,776	112,950,044	115,027,216
13,156,102	28,921,595	7,258,165	36,179,760	94,974,969
—	1,872,371	—	1,872,371	1,728,203
\$ 28,845,128	\$ 114,304,659	\$ 36,702,941	\$ 151,007,600	\$ 211,735,813

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA

Statement of Cash Flows

Proprietary Funds

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

**Business-Type Activities – Enterprise Funds**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Port</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 25,507,754	\$ 19,160,003	\$ 12,653,684	\$ 1,185,518
Transfer to escrow account	—	2,455,479	1,619,691	—
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Amortization of future landfill closure costs	—	—	—	—
Depreciation and amortization	25,948,744	8,348,377	6,153,527	4,331,748
Allowance for uncollectible accounts	(131,818)	(72,410)	6,972	—
Security contract	—	—	—	(1,304,957)
Security fees	—	—	—	1,306,697
Right-of-way fees	—	—	—	141,378
Other revenues / expenses	(275,687)	114,735	18,670	—
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable, net	1,323,162	(781,754)	(830,013)	(31,200)
Inventories	(537,987)	65,720	(49,109)	—
Prepaid items and deposits	—	—	—	(7,827)
Unbilled reimbursable projects	(242,336)	120,166	46,242	—
Deferred charges and other assets	(92,509)	398,201	(597,400)	—
Customer deposits	—	(51,614)	187,008	—
Accounts payable and retainages	(4,521,978)	(38,450)	(21,368)	62,989
Accrued payroll liabilities	75,903	(407,013)	301,106	623
Compensated absences	112,861	(145,383)	(139,290)	(10,550)
Claims payable	—	—	—	—
Deferred revenue and deposits	8,774	—	—	—
Other deferred credits	10,213,030	—	—	—
Pollution remediation obligation	—	11,500	88,000	—
Total cash provided by operating activities	<u>\$ 57,387,913</u>	<u>\$ 29,177,557</u>	<u>\$ 19,437,720</u>	<u>\$ 5,674,419</u>
Noncash investing, capital, and financing activities:				
Capital purchases on account	\$ 6,757,035	\$ 1,054,317	\$ 2,154,089	\$ 325,326
Contributed capital and equipment	—	1,698,764	1,238,856	9,337,718
Portion of plant from AFUDC	5,168,598	—	—	—
	<u>\$ 11,925,633</u>	<u>\$ 2,753,081</u>	<u>\$ 3,392,945</u>	<u>\$ 9,663,044</u>

See accompanying notes to basic financial statements.

Business-Type Activities Enterprise Funds (Continued)		Governmental Activities – Internal Service Funds	Total Proprietary Funds	
Other Enterprise Funds	Total Enterprise Funds		2011	As Restated 2010
\$ (427,548)	\$ 58,079,411	\$ (5,744,156)	\$ 52,335,255	\$ 47,949,087
—	4,075,170	—	4,075,170	129,345
1,689,202	1,689,202	—	1,689,202	1,242,346
7,334,678	52,117,074	9,251,924	61,368,998	57,942,512
—	(197,256)	—	(197,256)	(9,868)
—	(1,304,957)	—	(1,304,957)	(1,271,761)
—	1,306,697	—	1,306,697	1,305,539
—	141,378	—	141,378	161,522
10,435	(131,847)	140,274	8,427	440,713
164,213	(155,592)	79,643	(75,949)	6,580,582
—	(521,376)	19,823	(501,553)	(4,619,447)
652	(7,175)	(26,213)	(33,388)	92,970
—	(75,928)	—	(75,928)	383,370
—	(291,708)	—	(291,708)	(812,987)
—	135,394	—	135,394	(315,102)
104,352	(4,414,455)	127,017	(4,287,438)	(150,445)
39,729	10,348	(62,320)	(51,972)	132,966
(15,962)	(198,324)	40,692	(157,632)	(24,770)
—	—	6,027,430	6,027,430	(570,600)
(28,069)	(19,295)	(86,096)	(105,391)	(257,655)
—	10,213,030	—	10,213,030	17,247,732
—	99,500	—	99,500	93,500
<u>\$ 8,871,682</u>	<u>\$ 120,549,291</u>	<u>\$ 9,768,018</u>	<u>\$ 130,317,309</u>	<u>\$ 125,669,549</u>
\$ 174,419	\$ 10,465,186	\$ 38,050	\$ 10,503,236	\$ 8,298,907
—	12,275,338	25,538	12,300,876	55,804,468
—	5,168,598	—	5,168,598	1,911,335
<u>\$ 174,419</u>	<u>\$ 27,909,122</u>	<u>\$ 63,588</u>	<u>\$ 27,972,710</u>	<u>\$ 66,014,710</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2011

(With financial information at December 31, 2010)

**Pension and Other Post Employment  
Benefit Trust Funds**

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash in central treasury	\$ 2,351	\$ 139,094
Cash, cash equivalents held under securities lending program	21,849,791	20,277,539
Investments, at fair value:		
Cash and money market funds	5,933,484	11,348,826
Fixed income funds	—	1,332,461
U.S. treasuries	17,792,210	12,846,200
Corporate fixed income securities	34,687,173	33,514,169
Asset-backed securities	30,988,213	26,573,815
Fixed income funds	8,572,061	6,772,308
Domestic equity securities	121,174,154	147,418,646
International equity securities	55,907,766	60,999,273
Real estate funds	38,745,723	34,932,024
Total investments	<u>313,800,784</u>	<u>335,737,722</u>
Capital assets, net	<u>8,841</u>	<u>13,078</u>
Total assets	<u>\$ 335,661,767</u>	<u>\$ 356,167,433</u>
<b>Liabilities</b>		
Accounts payable	\$ 100,086	\$ 84,220
Payable under securities lending program	<u>21,849,791</u>	<u>20,277,540</u>
Total liabilities	<u>21,949,877</u>	<u>20,361,760</u>
<b>Net Assets</b>		
Held in trust for:		
Employees' pension benefits	300,763,926	323,419,938
Employees' post employment healthcare benefits	<u>12,947,964</u>	<u>12,385,735</u>
Total net assets	<u>313,711,890</u>	<u>335,805,673</u>
Total liabilities and net assets	<u>\$ 335,661,767</u>	<u>\$ 356,167,433</u>

See accompanying notes to basic financial statements.



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended December 31, 2011

(With financial information for the year ended December 31, 2010)

	<b>Pension and Other Post Employment Benefit Trust Funds</b>	
	<u>2011</u>	<u>2010</u>
Additions:		
Contributions from other funds	\$ 11,349,104	\$ 14,666,889
Contributions from employees	417,107	406,395
Investment income:		
Interest	4,424,151	4,783,066
Dividends	1,271,756	1,116,165
Net increase (decrease) in fair value of investments	(6,063,776)	36,432,357
Less: investment expense	<u>(1,533,229)</u>	<u>(1,355,130)</u>
Total additions	<u>9,865,113</u>	<u>56,049,742</u>
Deductions:		
Regular benefit payments	31,075,337	30,460,543
Administrative expenses	<u>883,559</u>	<u>818,064</u>
Total deductions	<u>31,958,896</u>	<u>31,278,607</u>
Change in net assets	(22,093,783)	24,771,135
Net assets – beginning	<u>335,805,673</u>	<u>311,034,538</u>
Net assets – ending	<u>\$ 313,711,890</u>	<u>\$ 335,805,673</u>

See accompanying notes to basic financial statements.

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**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

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**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**NOTE 1 Summary of Significant Accounting Policies**

**(a) Reporting Entity**

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

**Blended Component Units**

CIVICVentures is a nonprofit corporation created to finance and construct a new convention center for Anchorage, as well as upgrades and improvements to the existing Egan Center. As of December 31, 2011, two of CIVICVentures' five-member board of directors were executive employees of Anchorage. All of the board is appointed by the Mayor. CIVICVentures is reported as a debt service fund.

**Discretely Presented Component Units**

The Anchorage School District (ASD) is responsible for elementary and secondary education within Anchorage. Members of the School Board are elected by the voters; however, the ASD is fiscally dependent upon the primary government because the Assembly approves the total budget of the ASD, levies the necessary taxes, and approves the borrowing of money and the issuance of bonds. The ASD has a June 30 fiscal year end; therefore, the financial information presented in these financial statements is as of and for the year ended June 30, 2011.

The Anchorage Community Development Authority (Authority or ACDA) is a legally separate public corporation created to operate and manage on-street and off-street parking, and purchase, develop, and sell properties and other economic development activities. The voting majority of the board is composed of members appointed by the Anchorage Mayor and includes two executive employees of the MOA. The budget is required to be approved annually by the primary government and the primary government has the ability to impose its will on the Authority. The Authority provides services to the general public.

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

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

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

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

Anchorage Community  
Development Authority  
245 W. 5<sup>th</sup> Ave, Suite 122  
Anchorage, Alaska 99501

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

# MUNICIPALITY OF ANCHORAGE, ALASKA

## Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

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

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

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2011

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

- The *General Fund* is the government's primary operating fund. It is used to account for resources which are not required legally or by sound management to be accounted for in any other fund.

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

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

Anchorage reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between Anchorage's various

# MUNICIPALITY OF ANCHORAGE, ALASKA

## Notes to Basic Financial Statements

December 31, 2011

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.

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

#### **Cash and Cash Equivalents**

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

#### **Investments**

Investments at December 31, 2011 are reported at fair value. Investment income on cash pool investments is allocated to the various funds based on their average daily cash pool equity balances. Funds that have negative balances in the cash pools are charged interest; the interest income is allocated to those funds having equity in the cash pools.

#### **Receivables and Payables**

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

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

#### **Property Taxes**

Property taxes attach a lien on property on the first day of the tax year in which taxes are levied. For 2011, real and personal property taxes were levied on April 26th. Real property taxes were payable in two installments on June 15 and August 15, and personal property taxes in two installments on August 31 and October 31. ASD had accrued taxes and deferred revenue of \$118,793,723 for financing half of the 2011-2012 budget as of June 30, 2011. At December 31, 2011, property taxes receivable was \$12,937,833 including penalties and interest of \$1,633,542 and excluding allowance for uncollectable property tax receivable of \$106,867.

#### **Inventories**

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).

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**Restricted Assets**

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

**Capital Assets**

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

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

The Utilities capitalize interest on construction work in progress in accordance with regulatory requirements. Interest was capitalized in 2011 in the amounts of \$5,168,598, \$795,662, and \$533,261 for the Electric, Water and Wastewater Utilities, respectively. The Port capitalized \$919,379 in interest for 2011.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

For all regulated utility property replaced or retired, the average cost of the property unit, plus removal cost less salvage value, is charged to accumulated depreciation. Gain or loss on the sale or retirement of plant is not recognized, except for extraordinary retirement. For all other proprietary fund types, gain or loss on the sale or retirement is recognized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	3-47 years
Production, Treatment, General Plant, Transmission and Reservoirs	5-90 years
Lift Stations, Interceptor, Trunks and Laterals	50-85 years
Equipment Containers	14 years
Office Equipment and Vehicles	3-25 years



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

Infrastructure (other than roads)

30-75 years

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

**Compensated Absences**

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

**Long-Term Obligations**

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

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

**Contributed Capital**

The Utilities receive CIAC, which they record as contributed plant in service and deferred liability. For rate-making purposes the Utilities amortize contributed plant over the life of the respective Utility plant as a reduction of depreciation expense and a reduction of deferred liability. Consequently, CIAC are recorded as liabilities in the accompanying financial statements. The Utilities' rates also include an AFUDC, which is capitalized in the accompanying financial statements. At December 31, 2011, Electric, Water and Wastewater Utility deferred liability balances were \$46,261,006, \$234,093,534, and \$168,996,066 respectively.

**(e) Utility Revenues**

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

**(f) Statement of Cash Flows**

For the purposes of the statement of cash flows, Anchorage has defined cash as the demand deposits and all investments maintained in the central treasury (regardless of maturity period), because the funds use the pool essentially as a demand deposit account.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**(g) Reclassifications**

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

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

**(a) Excess of expenditures over appropriations**

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

For the year ended December 31, 2011, expenditures exceeded appropriations in the following departments: Internal Audit by \$2,944 and Municipal Attorney by \$26,864. For the year ended December 31, 2011, no expenditures exceeded appropriations in the sub funds.

**(b) Related Party Transaction**

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**NOTE 3 Cash and Investments**

At December 31, 2011, Anchorage had the following cash and investments, with fixed income maturities as noted:

Investment Type	Fair Value*	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Petty Cash	\$ 77,012				
Master Lease Agreement	656,850				
Central Treasury - Unrestricted					
Cash & Money Market Funds	7,539,501				
Repurchase Agreements	881,793				
Commercial Paper	1,933,453	1,933,453	—	—	—
Certificates of Deposit	1,616,710	1,616,710	—	—	—
U.S. Treasuries	104,100,064	3,152,242	80,795,315	20,152,507	—
U.S. TIPS	5,551,418	2,458,157	828,842	2,264,419	—
U.S. Agencies	74,143,910	51,022,181	14,956,744	6,846,843	1,318,142
Asset-Backed Securities**	46,577,956	—	21,009,958	6,480,127	19,087,871
Corporate Fixed Income Securities Payables	85,620,130 (9,466,377)	22,515,236	48,637,867	12,020,730	2,446,297
	<u>\$ 318,498,558</u>	<u>\$ 82,697,979</u>	<u>\$ 166,228,726</u>	<u>\$ 47,764,626</u>	<u>\$ 22,852,310</u>
Central Treasury - Restricted					
Cash & Money Market Funds	19,189,854				
Repurchase Agreements	215,720				
Commercial Paper	16,724,246	16,724,246	—	—	—
Certificates of Deposit	1,566,532	1,566,532	—	—	—
U.S. Treasuries	25,466,807	771,157	19,765,586	4,930,064	—
U.S. TIPS	1,358,087	601,358	202,766	553,963	—
U.S. Agencies***	43,488,698	34,637,047	6,854,188	1,674,996	322,467
Foreign Governments & Agencies	4,296,742	4,296,742	—	—	—
Asset-Backed Securities**	11,394,727	—	5,139,829	1,585,284	4,669,614
Corporate Fixed Income Securities Payables	51,962,172 (2,315,833)	36,524,331	11,898,659	2,940,725	598,457
	<u>\$ 173,347,752</u>	<u>\$ 95,121,413</u>	<u>\$ 43,861,028</u>	<u>\$ 11,685,032</u>	<u>\$ 5,590,538</u>
MOA Trust Fund					
Cash & Money Market Funds	\$ 452,766				
Fixed Income Funds	39,109,698	—	—	39,109,698	—
Domestic Equities & Equity Funds	41,332,405				
International Equities & Equity Funds	29,164,245				
Real Estate Funds	6,755,142				
	<u>\$ 116,814,256</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,109,698</u>	<u>\$ —</u>

\* Market value plus accrued income.

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

\*\*\* \$11,531,699 in callable 1-5 year notes are expected to be called within the next year and are classified as Less Than 1.

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Investment Type	Fair Value	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<b>Police &amp; Fire Retiree Medical Trust Fund</b>					
Cash & Money Market Funds	692,474				
U.S. Treasuries	7,827,604	1,200,897	6,626,707	—	—
Fixed Income Funds	1,509,909	—	—	1,509,909	—
Domestic Equity Funds	1,815,537				
International Equity Funds	1,100,089				
	<u>\$ 12,945,613</u>	<u>\$ 1,200,897</u>	<u>\$ 6,626,707</u>	<u>\$ 1,509,909</u>	<u>\$ —</u>
<b>Police &amp; Fire Retiree Medical Liability Fund</b>					
Cash & Money Market Funds	248,492				
Fixed Income Funds	7,370,715	—	—	7,370,715	—
Domestic Equities & Equity Funds	10,740,738				
International Equities & Equity Funds	7,500,022				
Real Estate Funds	3,252,214				
	<u>\$ 29,112,181</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,370,715</u>	<u>\$ —</u>
<b>Police and Fire Retirement Pension Trust Fund</b>					
Cash & Money Market Funds	5,241,010				
U.S. Treasuries	9,964,606	—	1,809,042	3,717,535	4,438,029
Corporate Fixed Income Securities	34,687,173	717,557	20,901,533	9,877,207	3,190,876
Asset-Backed Securities	30,988,213	—	819,030	108,984	30,060,199
Fixed Income Funds	7,062,153	7,062,153	—	—	—
Domestic Equities & Equity Funds	119,358,614				
International Equities & Equity Funds	54,807,678				
Real Estate Funds	38,745,724				
	<u>\$ 300,855,171</u>	<u>\$ 7,779,710</u>	<u>\$ 23,529,605</u>	<u>\$ 13,703,726</u>	<u>\$ 37,689,104</u>
<b>HUD Section 108 Loan Program Investment</b>					
Cash & Money Market Funds	18,525				
U.S. Treasuries	1,452,959	289,997	1,162,963	—	—
	<u>\$ 1,471,484</u>	<u>\$ 289,997</u>	<u>\$ 1,162,963</u>	<u>\$ —</u>	<u>\$ —</u>
<b>CIVICVentures Component Unit</b>					
Cash & Money Market Funds	8,461,397				
Foreign Governments & Agencies	5,774,827	5,774,827	—	—	—
	<u>\$ 14,236,224</u>	<u>\$ 5,774,827</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Total Cash &amp; Investments</b>	<u>\$ 968,015,101</u>	<u>\$ 192,864,823</u>	<u>\$ 241,409,029</u>	<u>\$ 121,143,706</u>	<u>\$ 66,131,952</u>
Governmental Activities	403,701,741				
Business-Type Activities	250,510,225				
Fiduciary Funds	313,803,135				
	<u>\$ 968,015,101</u>				

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#### ***Anchorage Central Treasury***

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

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

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

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

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

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

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

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Investment Type	Concentration Limit	Working Capital Portfolio	Internally Managed Portfolio
		Holding % at 12/31/2011	Holding % at 12/31/2011
U.S. Government Securities*	50% to 100% of investment portfolio	69%	56%
Repurchase Agreements	0% to 50% of investment portfolio	0%	1%
Certificates of Deposit**	0% to 50% of investment portfolio Maximum 5% per issuer	2%	1%
Bankers' Acceptances	0% to 25% of investment portfolio Maximum 5% per issuer	0%	0%
Commercial paper	0% to 15% of investment portfolio Maximum 5% per issuer	2%	18%
Corporate Bonds	0% to 15% of investment portfolio Maximum 5% per issuer	16%	7%
Alaska Municipal League Investment Pool (AMLIP)***	0% to 25% of investment portfolio	0%	0%
Money Market Mutual Funds	0% to 25% of investment portfolio	11%	12%
Dollar Denominated Fixed Income Securities, other than those listed herein, rated by at least one nationally recognized rating agency	0% to 15% of investment portfolio Maximum 5% per issuer	0%	5%
		<u>100%</u>	<u>100%</u>

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

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

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

**MOA Trust Fund**

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

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

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

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



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Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2011
Domestic Equities*	30%	40%	35%
International Equities	22%	28%	25%
Fixed Income (excluding TIPS)	25%	33%	31%
Treasury Inflation Protected Securities (TIPS)	0%	5%	3%
Real Estate	6%	10%	6%
Cash Equivalents	0%	15%	0%
			100%

\*Includes American depositary receipts.

When the concentration of investments falls outside of the limits set by the investment policy, cash inflows and outflows are deployed so that the portfolio can be returned to its target strategic allocation. Transactions may also be made if cash flows are insufficient to return the portfolio to its target allocation within 12 months.

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

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

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

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

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

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- Domestic equities.
- International equities.
- Domestic (dollar-denominated) fixed income securities.
- Cash equivalents.

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

- The use of leverage is prohibited, as are short sales and margin transactions.
- For equities, investment in any one company shall not exceed the greater of 5% or 1.5 times the company's weighting in an appropriate market index; investment in any one sector shall not exceed the greater of 30% or 1.5 times the sector's weighting in the appropriate market index.
- No position in an individual security shall exceed 5% of the fixed income portfolio's market value.
- The weighted average credit quality of the fixed income portfolio must be rated AA- by Standard and Poor's or Aa3 by Moody's.
- The duration of the fixed income portfolio shall be within 20 percent of the duration of the Barclay's Aggregate Index.

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2011</u>
<b>General Funds:</b>			
Domestic Equities - Large/Mid Cap	27%	37%	32%
Domestic Equities - Small Cap	6%	12%	9%
International Equities	23%	31%	25%
Domestic Fixed Income (excluding TIPS)	23%	31%	28%
U.S. TIPS	3%	7%	6%
Cash Equivalents	0%	5%	0%
			<u>100%</u>
<b>Member Allocated Funds:</b>			
Cash Equivalents or U.S. Treasuries	100%	100%	100%
			<u>100%</u>

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

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

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

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

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

<u>Investment Type</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Investment Holding % at 12/31/2011</u>
Domestic Equity - Mid/Large Cap*	25%	33%	28%
Domestic Equity - Small Cap	6%	12%	9%
International Equity	22%	30%	26%
Fixed Income - Nominal	19%	30%	20%
Fixed Income - TIPS	0%	7%	5%
Real Estate	6%	12%	11%
Cash & Cash Equivalents	N/A	N/A	1%
			<u>100%</u>

\*Includes American depositary receipts.

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

The investment objectives of the Police and Fire Retirement Pension Trust Fund (Police and Fire Retirement Trust) are to be viewed over the long term with investments in both equity and fixed income instruments utilized to maximize return while maintaining acceptable levels of risk and adequate liquidity for payment of benefits. When evaluating the risk and return tradeoffs of potential investments, safety of principal is a key selection criterion.

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

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

The Police and Fire Retirement Trust's investment policy also prohibits the following investments:

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

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- Non-exchange-listed derivatives.

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

Investment Type	Lower Limit	Upper Limit	Investment Holding % at 12/31/2011
<i>Domestic equities</i>			
Large Cap Core	8%	13%	10%
Large Cap Growth	9%	14%	11%
Large Cap Value	9%	14%	11%
All Large Cap	29%	35%	32%
Small Cap Growth	2%	6%	4%
Small/Mid Cap Value	2%	6%	4%
All Small/Mid Cap	4%	12%	8%
All Domestic Equity	34%	45%	40%
<i>International equities</i>			
MSCI ACWI ex US	7%	13%	8%
Growth	7%	13%	10%
All International Equity	16%	24%	18%
All Equity	52%	68%	58%
<i>Fixed Income</i>			
Domestic Fixed Income	25%	35%	27%
<i>Real Estate funds</i>			
Equity Real Estate Investment Trust	1%	9%	6%
Real Estate Separate Accounts	2%	8%	7%
Farmland	0%	8%	0%
All Real Estate	9%	15%	13%
<i>Cash &amp; Cash equivalents</i>			
Cash equivalents	0%	4%	2%
			<u><u>100%</u></u>

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

- No individual portfolio position shall constitute more than the greater of 5% of the security's weight in the agreed upon market index, plus or minus 2%, unless specifically authorized by the Police and Fire Retirement Trust's investment board.
- No group or industry sectors shall constitute more than 120% of the sector's weight in an appropriate market index or 25% of the market value of the assets controlled by any fund manager.
- Listed American Depositary Receipts shall constitute no more than 20% of the market value of the assets controlled by any fund manager.

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- Commercial paper must be rated P-1 by Moody's or A-1 by Standard and Poor's.
- The average credit rating for the fixed income portfolio must be at least A by both Moody's and Standard and Poor's, and no more than 15% of the fixed income portfolio may be in issues rated lower than Baa by Moody's or BBB by Standard and Poor's at the time of purchase.

#### **Interest Rate Risk**

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

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

The effective durations of the externally managed portfolios of the Anchorage Central Treasury (working capital, contingency reserve and strategic reserve) at December 31, 2011, were 0.35 years, 1.68 years, and 3.70 years, respectively.

The Police and Fire Retiree Medical Trust's investment policy requires that the weighted average duration of its fixed income portfolio be within 20% of the Barclays Capital Aggregate Index. At December 31, 2011, the duration of the index was 4.95 years and the duration of the Police and Fire Retiree Medical Trust's fixed income portfolio, exclusive of member-allocated funds invested in U.S. Treasuries, was 5.81 years.

The Police and Fire Retirement Trust's investment policy states that the total fixed income portfolio's weighted average duration cannot exceed 120% of the market's duration utilizing the Barclays Capital Aggregate Bond Index. At December 31, 2011, the duration of the Barclays Capital Aggregate Index was 4.95 years, and the duration of the Police and Fire Retirement Trust's fixed income portfolio was 4.67 years.

#### **Credit Risk**

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

At December 31, 2011, the Anchorage Central Treasury's investment in commercial paper totaled \$18,657,699, and was rated A-1 by Standard & Poor's and P-1 by Moody's. All commercial paper is purchased with a maturity of 270 days or less. The Anchorage Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$205,626,554 at December 31, 2011. The distribution of ratings on these securities was as follows:

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<u>Moody's</u>		<u>S&amp;P</u>	
Aaa	39%	AAA	19%
Aa	14%	AA	24%
A	18%	A	26%
Baa	13%	BBB	12%
Ba or lower	1%	BB or lower	1%
Not Rated	15%	Not Rated	18%
	<u>100%</u>		<u>100%</u>

At December 31, 2011, Anchorage's Central Treasury was invested in Asset Backed Securities and Mortgage Backed Securities valued at \$1,253,814 which fell below the minimum credit rating of AA-/Aa3 required by AMC 6.50.030. These circumstances resulted from the downgrade of investments held in the contingency reserve and strategic reserve portfolios. Securities falling outside of compliance are divested as soon as it is prudent to do so.

At December 31, 2011, securities in the MOA Trust's \$39,109,698 fixed income portfolio had a weighted average quality rating of A+.

At December 31, 2011, the Police and Fire Retiree Medical Trust had an investment of \$1,263,089 in commingled fixed income funds with a weighted average credit quality rating of A+, and an investment of \$246,819 in commingled TIPS funds with a weighted average credit quality rating of AAA.

At December 31, 2011, the Police and Fire Retiree Medical Liability Fund had an investment of \$4,387,905 in a commingled fixed income fund with a weighted average credit quality rating of A, an investment of \$1,567,608 in a commingled fixed income fund with a weighted average credit quality rating of AA, and an investment of \$1,415,202 in commingled TIPS funds with a weighted average credit quality rating of AAA.

At December 31, 2011, the Police and Fire Retirement Trust's total fixed income portfolio had a weighted average rating of Aa3 by Moody's. The Police and Fire Retirement Trust's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$45,531,187, with ratings distributed as follows:

<u>Moody's</u>		<u>S&amp;P</u>	
Aaa	6%	AAA	7%
Aa	14%	AA	9%
A	32%	A	37%
Baa	29%	BBB	30%
Ba or lower	16%	BB or lower	17%
Not Rated	3%	Not Rated	0%
	<u>100%</u>		<u>100%</u>

**Concentration of Credit Risk**

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

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At December 31, 2011, Anchorage had no investments in any single issuer exceeding 5% of total investments.

### Custodial Credit Risk

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

At December 31, 2011, the Anchorage Central Treasury had bank deposit carrying amounts totaling \$24,303,426, of which \$1,879,079 was covered by federal depository insurance. Bank deposits of \$21,200,665 were secured by collateral held at the depository bank, and additional bank deposits of \$1,097,512 were secured by a tri-party collateral agreement. The tri-party collateral agreement requires that collateral be transferred to the custodian of the tri-party agreement and held in the pledging bank's name on behalf of Anchorage. Additional bank balances of \$1,097,512 were invested in overnight repurchase agreements. Repurchase agreement investments were also collateralized through a tri-party collateral agreement. All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, with market value not less than the collateralized deposit balances.

### Securities Lending

During 2011, the Police and Fire Retirement Trust lent securities in its investment portfolio to financial institutions through a securities lending program administered by the Police and Fire Retirement Trust's custodian. At December 31, 2011, the amount of the collateral provided by borrowers averaged 102.3% of the value of securities lent. The Police and Fire Retirement Trust is authorized to lend its investment securities by its statement of investment policy, which is approved by the Board. The lending is managed by the Police and Fire Retirement Trust's custodian. All loans can be terminated on demand by either the Police and Fire Retirement Trust or the borrowers. The term of the loans can vary from one week to many months. The agent lends the Police and Fire Retirement Trust's U.S. Government and Agency securities and domestic corporate fixed income and equity securities for securities or cash collateral of 102 percent. The securities lending contracts do not allow the Police and Fire Retirement Trust to pledge or sell any collateral securities. Cash collateral is invested in the agent's collateral investment pool, whose share values are based on the amortized cost of the pool's investments. At December 31, 2011, the pool had a weighted average maturity of 15 days. There are no restrictions on the amount of securities that can be lent at one time or to one borrower. The following represents the balances relating to the securities lending transactions at December 31, 2011:

<u>Securities Lent</u>	<u>Fair Value of Underlying Securities</u>	<u>Collateral Received</u>
U.S. Government Securities	\$ 10,677,590	\$ 10,904,475
Domestic Corporate Fixed Income	4,225,601	4,334,030
Domestic Equities	6,946,600	7,104,354
	<u>\$ 21,849,791</u>	<u>\$ 22,342,859</u>



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

The lending agent provides indemnification if the borrowers fail to return the underlying securities (and the collateral is inadequate to replace the securities lent) or if the borrowers fail to pay income distributions on borrowed securities.

**Foreign Currency Risk**

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

The Anchorage Central Treasury is not exposed to foreign currency risk because AMC 6.50.030 explicitly prohibits the purchase of securities not denominated in U.S. Dollars. At December 31, 2011 all debt obligations held in the Anchorage Central Treasury were payable in U.S. Dollars.

At December 31, 2011 the MOA Trust's exposure to foreign currency risk represented 25% of its aggregate portfolio. Exposure to foreign currency risk was as follows:

<u>Investment Type</u>	<u>Underlying Currency</u>	<u>Fair Value (U.S. Dollars)</u>
American Depositary Receipts	New Taiwan Dollar	\$ 62,900
	Canadian Dollar	207
Commingled International Equity Funds	Various	29,164,245
		<u>\$ 29,227,352</u>

The Police and Fire Retiree Medical Trust's investment in commingled international equity funds exposes it to exchange risk in various foreign currencies. At December 31, 2011, this investment totaled \$1,100,089 and represented 25% of the Trust's general funds.

The Police and Fire Retiree Medical Liability Fund's investment in commingled international equity funds exposes it to exchange risk in various foreign currencies. At December 31, 2011, this investment totaled \$7,500,022 and represented 26% of the Police and Fire Retiree Medical Liability Fund's aggregate portfolio.

At December 31, 2011, the Police and Fire Retirement Trust's exposure to foreign currency risk represented 18% of its aggregate portfolio, and consisted of the following:

<u>Investment Type</u>	<u>Underlying Currency</u>	<u>(U.S. Dollars)</u>
American Depositary Receipts	Canadian Dollar	\$ 352,057
	Pound Sterling	5,177
International Equities	Swiss Franc	620,387
	Commingled International Equity Funds	54,807,678
		<u>\$ 55,785,299</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**NOTE 4 Receivables (Including Loans and Leases Receivable)**

Anchorage's receivables including the applicable allowance for uncollectible accounts were reported as follows at December 31, 2011:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Current:			
Property taxes	\$ 12,937,833	\$ —	\$ 12,937,833
Accommodations taxes	3,687,910	—	3,687,910
Unbilled reimbursable projects	—	294,356	294,356
Special assessments receivable	904,511	148,911	1,053,422
Trade accounts, including internal service funds	13,711,966	23,209,724	36,921,690
Total accounts receivable	<u>31,242,220</u>	<u>23,652,991</u>	<u>54,895,211</u>
Allowance for uncollectible accounts	<u>(4,208,061)</u>	<u>(597,687)</u>	<u>(4,805,748)</u>
	<u>\$ 27,034,159</u>	<u>\$ 23,055,304</u>	<u>\$ 50,089,463</u>
Noncurrent:			
Miscellaneous loans	\$ 619,368	\$ 4,584	\$ 623,952
HUD loans (including section 108)	6,624,571	—	6,624,571
Jail lease	15,985,000	—	15,985,000
Total loans and leases, net	<u>\$ 23,228,939</u>	<u>\$ 4,584</u>	<u>\$ 23,233,523</u>

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

In 1987 and 1988 Anchorage loaned the Alaska Center for Performing Arts, Inc. (ACPA) \$2,720,000 for seating, carpeting and general capital improvements. Repayment of this non-interest bearing loan was from a ticket surcharge that was established in 1987. Loan repayments were made until 2003 when the balance owing on the loan was \$581,209. In 2004 a 30 year revenue bond was issued in the amount of \$5,365,000, the proceeds of which were used to pay for repairs to the roof of the ACPA and the surcharge was increased and fully diverted to fund the repayment of the bonds. After the roof bonds are fully repaid in 2035, or once the debt service reserve fund is fully funded, whichever occurs first, surplus revenues from the surcharge above and beyond that required for debt service on the bonds will then be applied to the original loan until paid in full. Due to the anticipated extended timeline for repayment, Anchorage fully reserved for this receivable. In 2011, \$423,333 of the loan was repaid to Anchorage from monies received from a legal settlement on the original roof installation and \$157,876 remains receivable on the original loan from the ACPA at the end of the year.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**NOTE 5 Capital Assets**

Capital asset activity for the year ended December 31, 2011, 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	\$ 1,233,225	\$ 1,444	(675)	\$ 1,233,994
Artwork	17,310	462	-	17,772
Construction				
Work-in-Progress	58,227	31,161	(59,775)	29,613
Infrastructure	1,374,410	23,888	(542)	1,397,756
Total Capital Assets, Not Being Depreciated	<u>2,683,172</u>	<u>56,955</u>	<u>(60,992)</u>	<u>2,679,135</u>
Capital Assets, Being Depreciated:				
Buildings & Imp	601,609	5,817	(1,547)	605,879
Equipment	201,933	24,362	(10,854)	215,441
Infrastructure	444,875	26,466	(461)	470,880
Total Capital Assets, Being Depreciated	<u>1,248,417</u>	<u>56,645</u>	<u>(12,862)</u>	<u>1,292,200</u>
Less Accumulated Depreciation for:				
Buildings & Imp	315,064	20,037	(80)	335,021
Equipment	141,245	19,367	(10,245)	150,367
Infrastructure	232,411	10,605	(397)	242,619
Total Accumulated Depreciation	<u>688,720</u>	<u>50,009</u>	<u>(10,722)</u>	<u>728,007</u>
Total Capital Assets, Being Depreciated, Net	<u>559,697</u>	<u>6,636</u>	<u>(2,140)</u>	<u>564,193</u>
Total Governmental Activities, Net	<u>\$ 3,242,869</u>	<u>\$ 63,591</u>	<u>\$ (63,132)</u>	<u>\$ 3,243,328</u>

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets, Not Being				
Depreciated:				
Land and Property				
held for future use	\$ 49,251	\$ 12,938	\$ (32)	\$ 62,157
Construction				
Work-in-Progress	<u>106,283</u>	<u>153,921</u>	<u>(81,574)</u>	<u>178,630</u>
Total Capital Assets, Not				
Being Depreciated	<u>155,534</u>	<u>166,859</u>	<u>(81,606)</u>	<u>240,787</u>
Capital Assets, Being Depreciated:				
Distribution and Collection				
Systems, Infrastructure	1,755,644	65,693	(9,669)	1,811,668
Buildings and Improvements	<u>422,486</u>	<u>15,481</u>	<u>(3,779)</u>	<u>434,188</u>
Total Capital Assets, Being				
Depreciated	<u>2,178,130</u>	<u>81,174</u>	<u>(13,448)</u>	<u>2,245,856</u>
Less Accumulated				
Depreciation for:				
Distribution and Collection				
Systems, Infrastructure	730,289	53,479	(10,275)	773,493
Buildings and Improvements	<u>146,302</u>	<u>13,312</u>	<u>(3,721)</u>	<u>155,893</u>
Total Accumulated				
Depreciation	<u>876,591</u>	<u>66,791</u>	<u>(13,996)</u>	<u>929,386</u>
Total Capital Assets, Being				
Depreciated, Net	<u>1,301,539</u>	<u>14,383</u>	<u>548</u>	<u>1,316,470</u>
Total Business-Type				
Activities, Net	<u>\$ 1,457,073</u>	<u>\$ 181,242</u>	<u>\$ (81,058)</u>	<u>\$ 1,557,257</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

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

<b>Governmental Activities:</b>		
General Government	\$	1,190
Fire Services		4,484
Police Services		4,641
Health and Human Services		1,388
Economic & Community Development		19,198
Public Transportation		3,059
Public Works		11,688
Maintenance and Operations		<u>4,361</u>
Total – Governmental Activities	\$	<u>50,009</u>
<b>Business-Type Activities:</b>		
Electric	\$	25,949
Water		8,348
Wastewater		6,154
Refuse		764
Solid Waste		3,927
Port		4,332
Municipal Airport		<u>2,643</u>
Total – Business-Type Activities		52,117
Depreciation expense offset by amortization of regulatory liability - contributed plant		<u>14,674</u>
Gross increase in accumulated depreciation	\$	<u>66,791</u>

The 2012 Utility construction budgets are \$127,009, \$38,760 and \$30,381 for Electric, Water, and Wastewater, respectively.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

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

Capital asset activity for the fiscal year ended June 30, 2011 is as follows (in thousands):

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
Capital Assets, not Being				
Depreciated:				
Land	\$ 42,357	\$ -	\$ -	\$ 42,357
Construction in Progress	24,261	23,712	45,660	2,313
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets				
not Being Depreciated	66,618	23,712	45,660	44,670
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets Being Depreciated:				
Land Improvements	49,874	2,469	-	52,343
Buildings and Equipment	1,532,204	44,674	16,584	1,560,294
Pupil Transportation	9,695	-	202	9,493
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets				
Being Depreciated	1,591,773	47,143	16,786	1,622,130
	<hr/>	<hr/>	<hr/>	<hr/>
Less Accumulated				
Depreciation for:				
Land Improvements	35,590	1,266	-	36,856
Buildings and Equipment	384,572	35,314	7,880	412,006
Pupil Transportation	8,698	295	370	8,623
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated				
Depreciation	428,860	36,875	8,250	457,485
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets,				
Being Depreciated,				
Net	1,162,913	10,268	8,536	1,164,645
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental				
Activities Capital				
Assets, Net	\$ 1,229,531	\$ 33,980	\$ 54,196	\$ 1,209,315
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

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

**Authority – Capital Assets**

Capital asset activity for the year ended December 31, 2011 is as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets, not Being				
Depreciated:				
Land	\$ 11,177	\$ -	\$ (117)	\$ 11,060
Capital Assets Being Depreciated:				
Parking Garages	36,673	1,002	-	37,675
Lot Improvements	580	14	-	594
Furniture and Fixtures	100	-	-	100
Equipment and Vehicles	<u>3,001</u>	<u>143</u>	<u>-</u>	<u>3,144</u>
Total Capital Assets Being Depreciated	<u>40,354</u>	<u>1,159</u>	<u>-</u>	<u>41,513</u>
Less Accumulated				
Depreciation for:				
Parking Garages	22,486	1,151	-	23,637
Lot Improvements	426	56	-	482
Furniture and Fixtures	97	1	-	98
Equipment and Vehicles	<u>2,323</u>	<u>350</u>	<u>-</u>	<u>2,673</u>
Total Accumulated Depreciation	<u>25,332</u>	<u>1,558</u>	<u>-</u>	<u>26,890</u>
Total Capital Assets, Being Depreciated, Net	<u>15,022</u>	<u>(399)</u>	<u>-</u>	<u>14,623</u>
Business Type Activities Capital Assets, Net	<u>\$ 26,199</u>	<u>\$ (399)</u>	<u>\$ (117)</u>	<u>\$ 25,683</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**NOTE 6 Port of Anchorage Expansion**

In March 2003, Anchorage, the Port and the Federal Maritime Administration (MARAD) entered into a Memorandum of Understanding with respect to funding and administering the Port of Anchorage Intermodal Expansion Project. In November 2011, a new Memorandum of Agreement between the parties was executed in respect to funding and administering the project. This agreement is in effect until May 31, 2012 and can be extended by mutual agreement.

MARAD administers the construction of the project and, as such, the Port only recognizes capital assets upon transfer of those assets from MARAD. At the time of such transfer, the Port records the capital asset at cost, as reported by MARAD, and concurrently recognizes non-operating revenue (contributed capital) to the extent of the funding directly received and administered by MARAD. In addition to the funds that the Port contributes to MARAD for the expansion project, which are recorded as Advances to MARAD on the Statement of Net Assets, other federal agencies contribute funds directly to MARAD. These federal funds are not recorded on the Port's financial statements until such time that the completed asset is transferred to the Port from MARAD.

At the end of 2011, cumulative transfers to MARAD by the Port total \$163,400,001, of which \$162,939,619 is shown in the Proprietary Funds Statement of Net Assets (in the Port Fund) as "Advances to MARAD" and \$460,382 is included in capital assets. The table below provides the detail of the cumulative transfers to MARAD, as of December 31, 2011:

<u>Source of Port's Contributions to MARAD</u>	<u>Amounts</u>
State of Alaska Grants	\$ 89,990,164
Commercial Paper	40,000,000
Port funds	<u>33,409,837</u>
Total contributions	<u>\$ 163,400,001</u>

In February 2011, the Port entered into an agreement with the Department of Defense to acquire 48 acres of undeveloped land for fair market value of \$10,305,000. In exchange, the Port has accepted responsibility for the environmental condition of the transferred land and committed to provide a permanent access road connecting Joint Base Elmendorf-Richardson to the Port. The Port has estimated future costs to be \$1,866,198 and included as a deferred liability at the end of the year. In connection with this transaction, the Port has recorded a capital contribution in the amount of \$8,438,802.



MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to Basic Financial Statements

December 31, 2011

**NOTE 7 Interfund Receivables, Payables, and Transfers**

**(a) Interfund Receivables and Payables**

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

Interfund payable to General Fund from:	
Nonmajor governmental funds	\$ 3,043,443
Nonmajor enterprise fund	1,158,141
Internal service fund	953,658
Total interfund payable to General Fund	<u>5,155,242</u>
Interfund payable to Water Enterprise Fund from	
Wastewater Enterprise Fund	6,445,734
Interfund payable to Capital Projects Roads and Drainage Fund	
from nonmajor governmental funds	1,086,792
Interfund payable between nonmajor governmental funds	457,484
Interfund payable between internal service funds for capital assets	548,516
Total interfund payables	<u>\$ 13,693,768</u>

All balances are expected to be settled within the next fiscal year, except for those interfund receivables and payables recorded as advances to/from other funds. Advances payable at 12/31/11 were as follows:

Advance payable between internal service funds for capital assets	\$ 548,534
Advance payable to internal service fund from Capital Projects	
Roads and Drainage Fund for capital assets	677,917
Advance payable to General Fund from	
nonmajor governmental fund for capital assets	1,439,596
Total advances payable	<u>\$ 2,666,047</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**(b) Interfund Transfers**

A summary of interfund transfers is as follows:

From General Fund to:	
Capital Projects Roads and Drainage Fund for capital assets	\$ 3,316,948
Nonmajor governmental funds for capital assets	3,624,484
Nonmajor governmental funds for grant matching	1,165,899
Nonmajor governmental funds to fund pension liability	1,869,000
Nonmajor governmental funds for operating subsidy	1,215,082
Nonmajor governmental fund for debt service	3,232,561
Internal service fund for operating subsidy	13,800
Internal service fund for capital assets	5,441,739
Total transfers from General Fund	19,879,513
From MOA Trust Fund to:	
General Fund for annual operating subsidy	5,000,000
From Capital Projects Roads and Drainage Fund to:	
General Fund for debt service	9,207
From nonmajor governmental funds to:	
General Fund for debt service	280,958
General Fund for operating subsidy	71,907
General Fund for capital assets	75,774
Nonmajor governmental funds for debt service	6,198,549
Nonmajor governmental funds for capital assets	80,000
Nonmajor governmental funds for operating subsidy	501,000
Internal service fund for capital assets	15,000
Total transfers from nonmajor governmental funds	7,223,188
From Electric Enterprise Fund to:	
General Fund for annual revenue distribution	11,971,112
From Water Enterprise Fund to:	
General Fund for annual revenue distribution	7,148,205
From Wastewater Enterprise Fund to:	
General Fund for annual revenue distribution	5,254,668
From Port Enterprise Fund to:	
General Fund for annual revenue distribution	537,498
Nonmajor enterprise fund for capital asset	40,500
Total transfers from Port Enterprise Fund	577,998
From nonmajor enterprise funds to:	
General Fund for annual revenue distribution	1,062,112
General Fund for capital assets	8,000
Total transfers from nonmajor enterprise funds	1,070,112
Total transfers	\$ 58,134,003

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

In addition, governmental funds transferred capital assets to internal service funds in the amount of \$25,538. These items are not reflected as transfers at the fund level, but are included in capital contributions in the Internal Service Funds.

**NOTE 8 Lease Agreements**

**(a) Operating Leases (Anchorage as lessee)**

Anchorage has entered into several operating leases for the use of real estate. The annual rental payments of these lease commitments over their remaining terms are as follows (in 000's):

	<b>Governmental Activities</b>	<b>Business Type Activities</b>
Years:		
2012	\$ 4,743	\$ 77
2013	4,116	78
2014	4,102	57
2015	4,005	18
2016	3,876	17
2017-2021	18,371	87
2022-2026	15,919	86
2027-2031	-	42
2032-2036	-	5
2037-2041	-	5
2042-2046	-	5
2047-2051	-	5
2052-2055	-	4
Totals	<u>\$ 55,132</u>	<u>\$ 486</u>
2011 rent expense	<u>\$ 6,746</u>	<u>\$ 116</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**(b) Capital Leases (Anchorage as lessee)**

Anchorage has entered into revolving Master Tax-Exempt Lease/Purchase agreements, with KeyBank and Sun Life Trust, to finance various capital expenditures by the Anchorage. During 2011, Anchorage issued new leases in the amount of \$1,815,857 and at December 31, 2011, \$3,374,282 of the outstanding principal balance is recorded in the Internal Service Funds and \$420,660 in the governmental funds. The capitalized leases in place at December 31, 2011 have financed \$5,888,000 of information technology equipment, all of which is currently in service. The annual debt service to maturity for the outstanding capital leases at December 31, 2011, is as follows (in 000's):

	<b>Governmental Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2012	\$ 1,235	\$ 102	\$ 1,337
2013	1,142	59	1,201
2014	652	30	682
2015	574	14	588
2016	192	2	194
	<u>\$ 3,795</u>	<u>\$ 207</u>	<u>\$ 4,002</u>

**(c) Operating Leases (Anchorage as lessor)**

Anchorage has leased to third parties parcels of real estate at both the Port of Anchorage and Merrill Field Airport that generate recurring revenues. The lease agreements are long term and allow the lessee(s) to use the leased parcels for industrial purposes tied to the port or airport. Generally, the property leased is land only and improvements built on the leased parcels are done at the expense of the lessee(s). Future minimum rents scheduled for these agreements are as follows (in 000's):

	<u>Port of Anchorage</u>	<u>Merrill Field Airport</u>
Years:		
2012	\$ 2,190	\$ 523
2013	2,121	523
2014	1,885	514
2015	1,649	514
2016	88	500
2017-2021	442	2,237
2022-2026	383	1,648
2027-2031	48	1,405
2032-2036	-	1,393
2037-2041	-	1,190
2042-2046	-	450
Totals	<u>\$ 8,805</u>	<u>\$ 10,897</u>
Lease revenue for 2011	<u>\$ 4,110</u>	<u>\$ 556</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

Lease revenue for 2011	<u>\$ 4,110</u>	<u>\$ 556</u>	
Carrying value of leased assets:			
Original cost	\$ 9,084	\$ 2,600	
Accumulated depreciation	<u>5,075</u>	<u>-</u>	
Net Book Value	<u>\$ 4,009</u>	<u>\$ 2,600</u>	

Subsequent to December 31, 2011, Anchorage executed a new preferential usage agreement with a major customer of the Port of Anchorage, which provides an additional \$1,323,000 in lease revenue over the 2012-2015 period.

**NOTE 9 Short-Term Obligations**

**(a) Tax Anticipation Notes**

On April 7, 2011 Anchorage issued tax anticipation notes in the General Fund with a face value of \$112,000,000. 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, 2011 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ -	\$ 112,000	\$ 112,000	\$ -

**(b) Commercial Paper**

In January 2008, the Anchorage Assembly authorized the issuance of Commercial Paper in one or more series in the aggregate principal amount not to exceed two hundred fifteen million dollars (\$215,000,000) as an interim financing program for the port expansion project until such time that the outstanding balance of commercial paper notes are refunded by long term Port Revenue Bonds. The expansion project is expected to continue until 2021. In 2008, commercial paper notes were issued in the amount of \$40,000,000 and were shown on the Port Enterprise Fund financial statements as a current liability since the lending term on commercial paper cannot exceed 270 days (less than one year). During 2011 the notes were redeemed and reissued numerous times; however, the total balance outstanding remains at \$40 million.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**NOTE 10 Long Term Obligations**

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

Long-term liability activity, net of related premium and discount amortizations, for the year ended December 31, 2011, was as follows (in thousands):

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2011</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 486,172	\$ 29,187	\$ (26,496)	\$ 488,863	\$ 34,140
Revenue Bonds	40,866	—	(24,387)	16,479	3,300
CIVIC Ventures	108,625	—	(1,180)	107,445	1,300
Capital Leases	3,643	1,816	(1,664)	3,795	1,235
Long-Term Contracts	4,799	—	(117)	4,682	120
HUD Section 108 Loan	1,790	—	(78)	1,712	83
Total Debt Payable	<u>645,895</u>	<u>31,003</u>	<u>(53,922)</u>	<u>622,976</u>	<u>40,178</u>
Compensated Absences	21,299	18,325	(17,708)	21,916	15,884
Pollution Remediation	4,040	270	(1,725)	2,585	202
Claims Payable and IBNR	23,041	63,153	(57,189)	29,005	23,442
Total Governmental Activities	<u>\$ 694,275</u>	<u>\$ 112,751</u>	<u>\$ (130,544)</u>	<u>\$ 676,482</u>	<u>\$ 79,706</u>
<b>Business-type activities:</b>					
Revenue Bonds	463,892	—	(21,731)	442,161	23,395
Long-Term Contracts	158,589	29,861	(11,241)	177,209	11,577
Total Debt Payable	<u>622,481</u>	<u>29,861</u>	<u>(32,972)</u>	<u>619,370</u>	<u>34,972</u>
Compensated Absences	5,746	6,043	(6,241)	5,548	4,947
Pollution Remediation	351	100	—	451	40
Landfill Closure Liability	20,460	1,689	—	22,149	—
Total Business- type Activities	<u>\$ 649,038</u>	<u>\$ 37,693</u>	<u>\$ (39,213)</u>	<u>\$ 647,518</u>	<u>\$ 39,959</u>

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

**(b) General Obligation Bonds**

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

ASD GO bonds are reported as obligations of the component unit since they are expected to be repaid from ASD revenues; such amounts total \$694,995,000 at June 30, 2011. All other Anchorage GO bonds are reported in the government-wide financial statements.

In June 2011, Anchorage issued \$28,390,000 principal amount of General Obligation Bonds in its 2011 series A. The proceeds of the bonds, together with other legally available funds, will be used for the following purposes: (i) to provide for the cost of certain capital improvement projects (ii) to reimburse Anchorage for costs of such capital improvement projects; (iii) to pay costs of issuance; and (iv) to provide funds for deposit in the Reserve Account.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

Annual debt service requirements to maturity for general obligation bonds are as follows (in thousands):

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2012	\$ 34,140	\$ 21,719	\$ 55,859
2013	34,640	20,119	54,759
2014	37,785	18,609	56,394
2015	32,945	17,058	50,003
2016	35,210	15,836	51,046
2017-2021	168,965	54,502	223,467
2022-2026	103,540	22,410	125,950
2027-2031	37,405	3,649	41,054
	<u>484,630</u>	<u>173,902</u>	<u>658,532</u>
Add unamortized premiums/ (discounts), net	4,233	—	4,233
	<u>\$ 488,863</u>	<u>\$ 173,902</u>	<u>\$ 662,765</u>

**(c) Revenue Bonds**

On April 15, 2000, Anchorage issued \$60,440,000 in Revenue Bonds to construct and operate the new municipal jail facility that is leased to the State of Alaska. Jail revenue bond covenants require an "absolute net lease" pursuant to which Anchorage shall not be expected or required to make any payment of any kind under the Agreement of Lease. The State of Alaska Department of Administration (DOA) is required to make all payments under the Agreement of Lease. The DOA's obligation to make lease payments and to perform and observe all other covenants and agreements is absolute and unconditional except as expressly provided in the Agreement of Lease. In March 2005, Anchorage issued \$40,835,000 in Lease Revenue Refunding Bonds to refund \$39,585,000 of the 2000 Revenue Bonds. In October 2011, Anchorage defeased \$20,615,000 in Lease Revenue Refunding Bonds with proceeds provided by the State of Alaska.

Annual debt service requirements to maturity for revenue bonds are as follows (in thousands):

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2012	\$ 3,300	\$ 710	\$ 4,010
2013	3,470	540	4,010
2014	3,654	362	4,016
2015	3,840	178	4,018
2016	1,720	43	1,763
	<u>15,984</u>	<u>1,833</u>	<u>17,817</u>
Add unamortized premiums, net	495	—	495
	<u>\$ 16,479</u>	<u>\$ 1,833</u>	<u>\$ 18,312</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

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

The bonds are due in semi-annual installments ranging annually from \$6,245,760 to \$8,448,825 including interest at 3.75% to 5.0% through 2038.

Annual debt service requirements to maturity for revenue bonds are as follows (in thousands):

	<b>CIVICVentures</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2012	\$ 1,300	\$ 4,946	\$ 6,246
2013	1,425	4,897	6,322
2014	1,555	4,840	6,395
2015	1,690	4,778	6,468
2016	1,835	4,710	6,545
2017-2021	11,735	22,169	33,904
2022-2026	16,695	19,231	35,926
2027-2031	23,375	14,694	38,069
2032-2036	32,105	8,237	40,342
2037-2038	15,730	1,072	16,802
	<u>\$ 107,445</u>	<u>\$ 89,574</u>	<u>\$ 197,019</u>

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

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



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

Annual debt service requirements to maturity for revenue bonds are as follows (in thousands):

Years:	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 23,395	23,155	\$ 46,550
2013	23,805	22,030	45,835
2014	25,476	20,858	46,334
2015	22,910	19,589	42,499
2016	11,825	18,348	30,173
2017-2021	54,710	83,744	138,454
2022-2026	58,540	71,022	129,562
2027-2031	78,400	53,719	132,119
2032-2036	99,950	29,143	129,093
2037-2039	43,210	4,298	47,508
	<u>442,221</u>	<u>345,906</u>	<u>788,127</u>
Add: unamortized premiums/ discounts, net	(60)	—	(60)
	<u>\$ 442,161</u>	<u>\$ 345,906</u>	<u>\$ 788,067</u>

**(d) Notes and Contracts**

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

Annual debt service requirements to maturity are as follows (in thousands):

Years:	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 120	\$ 220	\$ 340
2013	125	215	340
2014	130	210	340
2015	135	204	339
2016	140	199	339
2017-2021	790	903	1,693
2022-2026	990	706	1,696
2027-2031	1,270	431	1,701
2032-2035	930	94	1,024
	<u>\$ 4,630</u>	<u>\$ 3,182</u>	<u>\$ 7,812</u>
Add unamortized bond premiums net	52		52
	<u>\$ 4,682</u>	<u>\$ 3,182</u>	<u>\$ 7,864</u>

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

Annual debt service requirements to maturity for these notes and contracts are as follows (in thousands):

	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2012	\$ 11,577	\$ 2,401	\$ 13,978
2013	11,636	2,492	14,128
2014	11,545	2,308	13,853
2015	11,418	2,137	13,555
2016	11,446	1,966	13,412
2017-2021	53,197	7,350	60,547
2022-2026	42,808	3,669	46,477
2027-2031	22,909	836	23,745
2032	673	12	685
	<u>\$ 177,209</u>	<u>\$ 23,171</u>	<u>\$ 200,380</u>

**(e) HUD Section 108 Loan**

Anchorage entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) in August of 2005 to borrow up to \$5,000,000 in HUD Section 108 Loan funds. On September 21, 2009 Anchorage notified HUD, that no additional funds would be utilized under this agreement. As of December 31, 2011 Anchorage has borrowed \$2,000,000 of these funds.

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

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years:			
2012	\$ 83	\$ 93	\$ 176
2013	88	89	177
2014	93	84	177
2015	98	80	178
2016	104	75	179
2017-2021	615	284	899
2022-2025	631	92	723
	<u>\$ 1,712</u>	<u>\$ 797</u>	<u>\$ 2,509</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**(f) Bonds Authorized But Unissued**

At December 31, 2011, Anchorage has the following authorized but unissued general obligation bonds (in thousands):

<u>Purpose</u>	<u>Ordinance Date</u>	<u>Interest Limitation</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized</u>
Anchorage Parks & Recreation	April 2007	None	\$ 4,995	\$ 4,100	\$ 895
Anchorage Roads & Drainage	April 2008	None	44,800	40,218	4,582
	April 2009	None	34,225	30,100	4,125
	April 2010	None	37,090	14,230	22,860
	April 2011	None	30,850	3,000	27,850
Area Wide Transportation Capital Improvement	April 2009	None	600	397	203
	April 2011	None	421	0	421
Public Safety/Transportation	April 2008	None	1,688	1,538	150
	April 2009	None	700	600	100
Anchorage Fire Service Area	April 2010	None	1,150	0	1,150
	April 2011	None	1,150	0	1,150
					<u>\$ 63,486</u>

In April 2012, Anchorage voters approved the issuance of \$90,887,000 in roads, public safety, public transportation, parks and schools bonds.

**(g) Refunded Bond Issues**

See Section (c) for information on the refunding of the Revenue Bonds for the Anchorage jail facility. There was no other refunding in 2011.

**(h) Defeasance of Debt**

Anchorage defeased certain general obligation and revenue bonds by placing the proceeds of new bonds and other available funds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for defeased bonds are not included in Anchorage's financial statements. At December 31, 2011, the amount of general obligation and revenue bonds considered defeased was \$93,460,000 for general government, including \$14,575,000 of revenue bonds from the Wastewater Utility and \$11,175,000 of revenue bonds from the Water Utility. ASD has defeased \$225,020,000 of bonds at the end of 2011.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

**(i) ASD Debt**

The following is a summary of long-term ASD debt transactions for fiscal year ended June 30, 2011 (in thousands):

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount Due</u> <u>within 1 year</u>
General Obligation Bonds	\$ 743,090	\$ 33,250	\$ 81,345	\$ 694,995	\$ 54,875
Compensated Absences	10,065	3,417	3,291	10,191	3,353
Workers Compensation	18,355	3,347	4,723	16,979	2,488
Unemployment	128	457	467	118	118
Medical Claims	9,949	29,881	31,469	8,361	8,361
	<u>\$ 781,587</u>	<u>\$ 70,352</u>	<u>\$ 121,295</u>	730,644	<u>\$ 69,195</u>
Unamortized premium on GO Bonds				<u>15,733</u>	
				<u>\$ 746,377</u>	

Bonds payable at June 30, 2011 are comprised of the following individual issues (in thousands):

<u>General Obligation Bonds</u>	<u>Amount</u>
\$60,000,000 1995 series A school construction serial bonds due in annual installments of \$4,710,000 to \$5,030,000 through October 2015; interest at 5.0% to 6.0%.	\$ 9,740
\$20,735,000 1998 series A school construction refunding bonds due in annual installments of \$4,430,000 to \$5,120,000 through July 2014; interest at 5.0%.	19,080
\$35,000,000 2000 series A school construction serial bonds due in annual installments of \$1,715,000 through December 2011; interest at 5.0%.	1,715
\$51,805,000 2001 school construction refunding bonds due in annual installments of \$9,085,000 through July 2011; interest at 5.5%.	9,085
\$131,800,000 2002 series B school construction serial bonds due in annual installments of \$5,725,000 to \$6,350,000 through July 2013; Interest at 4.125% to 5.5%.	18,085
\$70,345,000 2002 school construction refunding bonds due in annual installments of \$4,700,000 to \$9,120,000 through July 2015; Interest at 4.125% to 5.5%.	33,940
\$126,770,000 2003 series B school construction serial bonds due in annual installments of \$5,395,000 to \$6,080,000 through September 2014; interest at 4.0% to 4.25%.	22,920
\$80,735,000 2004 series B school construction refunding bonds due in annual installments of \$80,000 to \$27,390,000 through December 2017; interest at 3.5% to 5.25%.	80,330
\$86,240,000 2004 series D school construction serial bonds due in annual installments of \$3,455,000 to \$4,170,000 through December 2015; interest at 5%.	18,945

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

\$63,850,000 2005 series A school construction serial bonds due in annual installments of \$2,625,000 to \$3,050,000 through March 2016; interest at 3.6% to 5.0%.	14,150
\$29,155,000 2005 series B school construction refunding bonds due in annual installments of \$45,000 to \$8,140,000 through December 2020; interest at 3.75% to 5.0%.	28,885
\$14,790,000 2005 series E school construction refunding bonds due in annual installments of \$3,035,000 to \$4,110,000 through December 2018; interest at 5.0%.	14,790
\$48,495,000 2006 series A school construction serial bonds due in annual installments of \$1,845,000 to \$3,640,000 through October 2026; interest at 4.0% to 5.0%.	41,780
\$28,885,000 2006 series B school construction refunding bonds due in annual installments of \$3,405,000 to \$7,075,000 through October 2020; interest at 5.0%.	22,555
\$51,705,000 2006 series C school construction refunding bonds due in annual installments of \$65,000 to \$9,770,000 through July 2021; interest at 4.0% to 5.0%.	51,035
\$171,155,000 2007 series B school construction refunding bonds due in annual installments of \$55,000 to \$29,530,000 through September 2024; interest at 4.0% to 5.0%.	169,905
\$63,790,000 2007 series D school construction serial bonds due in annual installments of \$2,250,000 to \$4,885,000 through August 2027; interest at 4.0% to 5.0%.	57,550
\$29,840,000 2008 series B school construction serial bonds due in annual installments of \$1,015,000 to \$2,285,000 through August 2028; interest at 3.5% to 5.25%.	27,910
\$20,025,000 2010 series B school construction serial bonds due in annual installments of \$790,000 to \$1,345,000 through April 2030; interest at 2.0 % to 5.91%.	19,345
\$4,940,000 2011 series B school construction serial bonds due in annual installments of \$450,000 to \$550,000 through August 2021; interest at 2.0% to 3.0%.	4,940
\$28,310,000 2011 series C school construction refunding bonds due in annual installments of \$1,285,000 to \$10,050,000 through August 2020; interest at 3.0% to 5.0%.	28,310
	<hr/>
	<b>\$ 694,995</b>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2011 are as follows (in thousands):

Years:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 54,875	\$ 31,722	\$ 86,597
2013	55,425	29,755	85,180
2014	56,500	27,234	83,734
2015	58,280	24,533	82,813
2016	55,785	21,795	77,580
2017-2021	249,805	70,234	320,039
2022-2026	139,535	19,826	159,361
2027-2031	24,790	1,850	26,640
	<u>\$ 694,995</u>	<u>\$ 226,949</u>	<u>\$ 921,944</u>

The amount of long-term liability that is due within one year as of June 30, 2011 is \$54,875,000.

The Debt Service Fund has \$2,136,337 available to service the general obligation bonds.

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

**NOTE 11 Debt Issued Subsequent to Year End**

On February 29, 2012, Anchorage issued \$120,000,000 of General Obligation Tax Anticipation Notes. The interest rate on the Notes is 2% with a maturity date of August 31, 2012.

**NOTE 12 Conduit Debt Obligations**

***Nonrecourse Revenue Bonds – United Way of Anchorage***

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

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

Years:	<u>Principal</u>
2012	\$ 71,513
2013	76,506
2014	81,829
2015	80,007
	<u>\$ 309,855</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

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

Years:	<u>Principal</u>
2012	\$ 44,612
2013	47,621
2014	50,802
2015	54,204
2016	57,824
2017-2021	<u>317,456</u>
	<u>\$ 572,519</u>

**NOTE 13 Retirement Plans**

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

IBEW members participate in a union sponsored cost-sharing defined benefit plan. Employer contributions are determined from hours of work reported by participating employers and the contractual employer contribution rate in effect. The current agreement increased contributions during 2009. Contributions to the plan for each hour worked by a covered employee for 2011, 2010, and 2009 were \$6.75, \$6.50, and \$6.50, respectively. The total employer contributions for 2011, 2010, and 2009 were \$3,303,672, \$3,297,677, and \$3,410,897, respectively. One hundred percent (100%) of Anchorage's required contributions to the IBEW plan have been made through these contributions to the Alaska Electrical Trust Fund. Each year, IBEW issues audited financial statements that can be obtained by writing the plan administrator, Alaska Electrical Trust Fund, 2600 Denali Street, Suite 200, Anchorage, Alaska, 99503.

Local 302 members participate in a union sponsored cost-sharing defined benefit plan. Employer contributions are determined from compensable work hours and the contractual employer contribution rate in effect. The current agreement provides for contributions of \$5.00 per hour worked by a covered employee, up from \$4.50 in 2010 and \$4.00 in 2009. Total employer contributions for 2011, 2010, and 2009 were \$1,542,746, \$1,423,400, and \$1,209,578, respectively. One hundred percent (100%) of Anchorage's required contributions to the Local 302 plan have been made through these contributions to the Local 302 International Operating Engineers Employers Construction Industry Retirement Fund. Each year, Local 302 issues audited financial statements that can be obtained by writing the plan administrator, Welfare and Pension Administration Service, Inc., P.O. Box 34203, Seattle, Washington, 98124.

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

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

December 31, 2011

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

##### **Plan Descriptions**

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

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

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

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

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

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

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

Detailed contribution rates for Anchorage and actuarial methods for the plan for the year ended 2011 are as follows:



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Basic Financial Statements

December 31, 2011

	Employee Rate		Contractual Rate		ARM Board Adopted Rate		GASB 45*	
	1/1 to	7/1 to	1/1 to	7/1 to	1/1 to	7/1 to	1/1 to	7/1 to
	6/30/11	12/31/11	6/30/11	12/31/11	6/30/11	12/31/11	6/30/11	12/31/11
<u>Police Officers and Firefighters</u>								
Pension	2.68%	3.57%	7.85%	10.48%	9.98%	14.65%	13.49%	13.72%
Postemployment Healthcare	4.82%	3.93%	14.15%	11.52%	17.98%	16.11%	55.87%	49.98%
Total Contribution Rate	<u>7.50%</u>	<u>7.50%</u>	<u>22.00%</u>	<u>22.00%</u>	<u>27.96%</u>	<u>30.76%</u>	<u>69.36%</u>	<u>63.70%</u>
<u>Other Employees</u>								
Pension	2.41%	3.21%	7.85%	10.48%	9.98%	14.65%	13.49%	13.72%
Postemployment Healthcare	4.34%	3.54%	14.15%	11.52%	17.98%	16.11%	55.87%	49.98%
Total Contribution Rate	<u>6.75%</u>	<u>6.75%</u>	<u>22.00%</u>	<u>22.00%</u>	<u>27.96%</u>	<u>30.76%</u>	<u>69.36%</u>	<u>63.70%</u>

\* This rate uses a 4.5% OPEB discount rate from 1/1/2011 to 6/30/2011 and 4.70% from 7/1/2011 to 12/31/2011 and disregards future Medical Part D payments.

**Annual Pension and Postemployment Healthcare Cost**

Anchorage is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State contributed approximately 5.96% from January 1 through June 30 and 8.76% between July 1 and December 31, 2011 of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, Anchorage has recorded the State contribution in the General Fund in the amount of \$19,733,667 as a PERS on-behalf payment. However, because Anchorage is not statutorily obligated for these payments, this amount has been excluded from pension and OPEB cost as described here. Pension and OPEB payments for the three years from December 31, 2009 to December 31<sup>st</sup> 2011 are shown in thousands below:

Year	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	Anchorage Contributions	% of TBC Contributed
2011	\$ 17,074	\$ 19,206	\$ 36,280	\$ 36,280	100%
2010	\$ 16,952	\$ 18,640	\$ 35,592	\$ 35,592	100%
2009	\$ 12,760	\$ 22,989	\$ 35,749	\$ 35,749	100%

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

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

	Police/Fire		Others	
	<u>1/1 - 6/30</u>	<u>7/1 - 12/31</u>	<u>1/1 - 6/30</u>	<u>7/1 - 12/31</u>
Employee Contribution <sup>8</sup> .	<u>00%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>
Employer Contribution				
Retirement	5.00%	5.00%	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%	3.00%	3.00%
Retiree Medical Plan	0.55%	0.51%	0.55%	0.51%
Death & Disability Benefit	<u>1.18%</u>	<u>0.97%</u>	<u>0.31%</u>	<u>0.20%</u>
Total Employer Contribution	<u>9.73%</u>	<u>9.48%</u>	<u>8.86%</u>	<u>8.71%</u>

\*Health Reimbursement Arrangement - AS 39.30.370 requires that the employer contribute "an amount equal to three percent of the employer's average annual employee compensation." For actual remittance, this amount is calculated as a flat rate per full time employee and a flat rate per hour for part time employees. Prior to July 1, 2011 a rate of \$66.18 per full time employee per pay period and \$1.10 per part time hour worked was paid. For pay periods ending after July 1, 2011, a rate of \$68.39 per full time employee per pay period and \$1.14 per part time hour worked was paid.

For the year ended December 31, 2011, Anchorage contributed \$1,830,575 to PERS Tier IV for retirement and retiree medical, and \$804,614 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$2,467,230.

Under the cost-sharing arrangement for the PERS defined benefit plan (Tiers I – III), the State statute employer contribution rate of 22%, includes Tier IV employees. In addition to the amounts above, Anchorage contributed approximately 12.52% on Police & Fire Tier IV employee payroll and approximately 13.29% on other Tier IV employee payroll. This amount was applied to the obligation of the PERS defined benefit plan and is included in the contributions (ARC) recorded in the defined benefit cost-sharing plan.

**(b) Police and Fire Pension System Plans**

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

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

- Plan I - Members employed on or before June 30, 1977
- Plan II - Members employed between July 1, 1977, and April 16, 1984, and

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

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

Benefit and contribution provisions are established by Code and may be amended only by the Assembly. The January 1, 2011 actuarial valuation recommended contribution rates for Plans I, II and III are 6% for the employee and \$8.6 million for Anchorage. All past contributions were made in accordance with actuarial recommendations.

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

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

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

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

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

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**Funding Status and Funding Progress**

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

	<b>Police and Fire Retirement Systems</b>		
	<b>Plan I</b>	<b>Plan II</b>	<b>Plan III</b>
Annual pension cost (in thousands)	\$1,780	\$1,490	\$5,293
Contributions made (in thousands)	\$1,780	\$1,490	\$5,293
Percentage of pension costs contributed	100%	100%	100%
Actuarial valuation date	January 1, 2011	January 1, 2011	January 1, 2011
Actuarial cost method	Modified Aggregate	Modified Aggregate	Modified Aggregate
Amortization period	15 years	15 years	15 years
Asset valuation method	Market	Market	Market
Actuarial assumptions:			
Inflation rate	3.0%	3.0%	3.0%
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increase	3.5%	3.5%	3.5%
Cost of living adjustment	N/A	N/A	0.75% to 1.50% *

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

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as Percentage of Covered Payroll</u>
January 1, 2012:						
Plan I	\$71,033	\$91,014	\$19,981	78.00%	\$0	n/a
Plan II	51,730	67,403	15,673	76.70%	262	5982.10%
Plan III	178,092	234,166	56,074	76.10%	6,489	864.10%
January 1, 2011:						
Plan I	\$78,411	\$90,173	\$11,762	87.00%	\$136	8648.50%
Plan II	56,352	67,017	10,880	84.10%	536	2029.90%
Plan III	188,591	222,810	40,093	84.60%	6,568	610.40%
January 1, 2010:						
Plan I	\$74,626	\$91,923	\$17,297	81.20%	\$119	14535.30%
Plan II	52,902	67,180	14,278	78.70%	515	2772.40%
Plan III	172,478	219,565	47,087	78.60%	7,005	672.20%

**Contribution Requirements**

In May 2003, the Retirement Board elected to change the methodology for calculating contributions to the modified aggregate actuarial cost method, effective with the plan year beginning January 1, 2004.

Member contributions, if needed, are calculated to be 40% of Anchorage contributions (ratio of 2.5:1) subject to a maximum level of 6% of salary. Employer contributions are calculated annually as part of the Actuarial Valuation of the Plans Assets. Based on this methodology, Anchorage contributions of \$10 million are required in 2012.

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**(c) Investments**

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

**NOTE 14 Postemployment Healthcare Benefits**

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

**(a) Gentile Group**

Members of the Police & Fire Retirement Plan who retired prior to January 1, 1995, and command personnel who were employed prior to that date, but not retired at that date, participate in the “Gentile Group” Plan. Anchorage pays 100% of a defined benefit insurance premium including health for all eligible retirees as well as dental, audio and vision coverage for police retirees. Optional dental, audio and vision coverage is paid by the fire and command retirees. The plan is accounted for on a “pay as you go” method with costs recognized as expenditures as premiums are paid. At December 31, 2011, there were 262 retiree participants. For 2011 the monthly contribution for each member ranged between \$1,892 and \$2,555 per member depending on age and years of service. Benefit costs totaled \$7,617,903 in 2011. There are no plans in place to terminate or discontinue this benefit for eligible members.

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

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

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

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

For 2011 the monthly contribution for each member ranges between \$512 and \$779 per member depending on age and years of service. Anchorage contributed \$2,786,104 to the Police and Fire Retiree Medical Trust Fund in 2011.

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

In 2011, Anchorage contributed the annual \$1,869,000 to the fund. Anchorage will perform an actuarial funding study every three years and adjust the required annual contribution as needed and/or extend the final payment, as done in 2009 which requires a Code amendment.

Detailed information regarding rates and actuarial methods for the plan for the year ended 2011 are as follows:

	<b>Postemployment Healthcare Plans</b>	
	<b>Gentile</b>	<b>Police and Fire</b>
Actuarial Valuation Date	January 1, 2011	January 1, 2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar, closed	Level Dollar, closed
Amortization Period	26 Years	26 Years
Asset Valuation Method	Unfunded	Unfunded
Actuarial Assumptions:		
Inflation Rate	note (1)	5.3%
Annual Discount Rate	4.5%	8.0%
Healthcare Cost Trend Rate	10% assumed to decrease 0.5% until reaching 5%	10% assumed to decrease 0.5% until reaching 5%

Note (1) No inflation rate as there is no trust associated with the Gentile Plan

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The components of annual postemployment healthcare costs for the year ended 2011 (in thousands) are as follows:

	<b>Postemployment Healthcare</b>	
	<b>Gentile Group</b>	<b>Police and Fire Retiree Medical Group</b>
Annual Required Contribution (ARC)	\$ 6,290	\$ 3,102
Interest on the Net OPEB Obligation (NOO)	(42)	11
Adjustment to the ARC	58	(12)
Annual OPEB Cost (APC)	6,306	3,101
Contributions made	(7,618)	(2,786)
Increase (Decrease) in NOO	(1,312)	315
NOO, beginning of year	(933)	141
NOO (Asset), end of year	<u>\$ (2,245)</u>	<u>\$ 456</u>
Percentage of Post-Employment Health Care Cost Contributed (2011)	120.81%	89.84%
Percentage of Post-Employment Health Care Cost Contributed (2010)	103.96%	83.88%
Percentage of Post-Employment Health Care Cost Contributed (2009)	105.14%	78.82%

Postemployment Healthcare Benefits (in thousands)

(unaudited)

Gentile Group	Actuarial Valuation Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded	Funded Ratio
				Actuarial Liability (UAAL)	
Gentile Group	2011	-	\$ 96,100	\$ 96,100	0%
	2010	-	\$ 90,819	\$ 90,819	0%
	2009	-	\$ 90,819	\$ 90,819	0%
Police & Fire	2011	\$ 11,123	\$ 42,883	\$ 31,760	26%
	2010	\$ 9,506	\$ 41,433	\$ 31,927	23%
	2009	9,506	\$ 41,433	\$ 31,927	23%

**State Public Employee Retirement Plan**

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

**Deferred Compensation Plan**

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

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**NOTE 15 Fund Balance – Governmental Funds**

In the fund financial statements, Anchorage reports aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

**Restricted fund balance.** This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance.** These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Assembly — Anchorage's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Assembly removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned fund balance.** This classification reflects the amounts constrained by Anchorage's "intent" to be used for specific purposes, but are neither restricted nor committed. The Mayor or the Mayor's designee has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**Unassigned fund balance.** This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is Anchorage's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned — in order as needed.

Anchorage has implemented the provisions of GASB Statement number 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended December 31, 2011. Fund balance, reported in aggregate on the governmental funds balance sheet is subject to the following constraints:



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	<u>General</u>	<u>MOA Trust</u>	<u>Capital Projects Roads &amp; Drainage</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Nonspendable</b>					
Inventory	\$ 1,095,337	\$ —	\$ —	\$ —	\$ 1,095,337
Prepaid Items	63,840	—	—	17,429	81,269
Long-Term Loans	2,172,990	—	—	1,000,000	3,172,990
Cemetery Perpetual Fund	—	—	—	150,000	150,000
<b>Total non-spendable</b>	<u>3,332,167</u>	<u>—</u>	<u>—</u>	<u>1,167,429</u>	<u>4,499,596</u>
<b>Restricted</b>					
State Statute	13,443,010	—	—	—	13,443,010
Capital Improvements	—	—	15,896,418	4,943,799	20,840,217
MOA Trust Fund	—	116,757,912	—	—	116,757,912
Police & Fire Retiree Medical Liability Prefunding	—	—	—	29,112,600	29,112,600
Federal Grants	—	—	—	1,672,083	1,672,083
State Grants	—	—	—	1,116,506	1,116,506
Federal/State Fines & Forfeitures	—	—	—	1,027,397	1,027,397
Misc Operational Grants	—	—	—	1,038,131	1,038,131
Convention Center Operating Fund	—	—	—	5,245,852	5,245,852
Debt Service	—	—	—	9,260,271	9,260,271
<b>Total Restricted</b>	<u>13,443,010</u>	<u>116,757,912</u>	<u>15,896,418</u>	<u>53,416,639</u>	<u>199,513,979</u>
<b>Committed</b>					
10% Bond Rating	25,257,793	—	—	—	25,257,793
Capital Improvements	—	—	325,490	11,341,718	11,667,208
Heritage Land Bank	—	—	—	1,134,197	1,134,197
State Grants	—	—	—	3,848	3,848
Debt Service	—	—	—	6,244,883	6,244,883
<b>Total Committed</b>	<u>25,257,793</u>	<u>—</u>	<u>325,490</u>	<u>18,724,646</u>	<u>44,307,929</u>
<b>Assigned</b>					
TAPS (Trans-Alaska Pipeline System)	4,090,735	—	—	—	4,090,735
2012 Budget Appropriation	9,377,081	—	—	—	9,377,081
Capital Improvements	—	—	975,033	4,346,491	5,321,524
State Grants	—	—	—	15,243,364	15,243,364
Federal Grants	—	—	—	525,089	525,089
Federal/State Fines & Forfeitures	—	—	—	873,219	873,219
Misc Operational Grants	—	—	—	202,641	202,641
Convention Center Operating Fund	—	—	—	1,193,660	1,193,660
Debt Service	—	—	—	745,226	745,226
Cemetery Perpetual Fund	—	—	—	274,533	274,533
<b>Total Assigned</b>	<u>13,467,816</u>	<u>—</u>	<u>975,033</u>	<u>23,404,223</u>	<u>37,847,072</u>
<b>Unassigned</b>					
2% Working Capital Reserve	5,548,652	—	—	—	5,548,652
Other Unassigned	3,791,931	—	—	(316,444)	3,475,487
<b>Total Unassigned</b>	<u>9,340,583</u>	<u>—</u>	<u>—</u>	<u>(316,444)</u>	<u>9,024,139</u>
<b>Total Fund Balance</b>	<u>\$ 64,841,369</u>	<u>\$ 116,757,912</u>	<u>\$ 17,196,941</u>	<u>\$ 96,396,493</u>	<u>\$ 295,192,715</u>

Alaska State Statute 29.35.460 states that taxes levied within a differential tax zone that exceed the amount that would have otherwise been levied may only be used for the services provided in that

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zone. Anchorage has \$13,443,010 of restricted fund balance in several of the sub funds of the General Fund. Anchorage, by resolution, established a bond rating that is included in Committed Fund Balance and a Working Capital Reserve that is included in Unassigned Fund Balance except for a portion that is included in the Restricted Fund Balance as a result of the State Statute. In addition, a portion of the Trans-Alaska Pipeline System (TAPS) payment of property taxes in 2010 is included in restricted fund balance.

Set asides for Bond Rating, TAPS and Working capital reserves are reported as follows:

Bond Rating:	
Restricted:	\$10,707,924
Committed	<u>25,257,793</u>
	<u>\$35,965,717</u>

TAPS:	
Restricted:	\$ 532,278
Assigned	<u>4,090,735</u>
	<u>\$4,623,013</u>

Working Capital Reserve:	
Restricted:	\$ 965,764
Unassigned	<u>5,548,652</u>
	<u>\$6,514,416</u>

The Anchorage has the following encumbrances outstanding at the end of the year:

Major Funds:	
Capital Projects Roads & Drainage Fund	<u>\$19,232,473</u>
Non Major Capital Project Funds:	
Public Safety	\$ 6,174,275
Parks & Recreation	3,237,280
Areawide	2,418,428
Public Transportation	1,126,710
Miscellaneous	<u>1,467,935</u>
Total Non Major Capital Project Funds	<u>\$14,424,628</u>
Non Major Special Revenue Funds	
State Grants	\$15,150,538
Federal/State Fines & Forfeitures	143,689
Miscellaneous Operational Grants	<u>35,095</u>
Total Non Major Special Revenue Funds	<u>\$15,329,322</u>

**NOTE 16 Risk Management and Self-Insurance**

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

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The primary government provides coverage up to the maximum of \$2,000,000 per occurrence for automobile and general liability claims and \$1,000,000 for each workers' compensation claim (\$2,000,000 for firefighters). Two settled claims exceeded this commercial coverage in 2010 while no claims exceeded this coverage in 2011 and 2009.

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

All Anchorage 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, 2011, is dependent upon future developments. At December 31, 2011, claims incurred but not reported included in the liability accounts are \$14,307,162 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

Changes in the funds' claim liability amounts in 2010 and 2011 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>
2010:				
General Liability/Workers' Compensation	\$ 16,192,805	\$ 8,648,832	\$ (8,557,092)	\$ 16,284,545
Medical/Dental	7,354,588	48,760,422	(49,528,532)	6,586,478
Unemployment	130,070	740,907	(701,661)	169,316
	<u>\$ 23,677,463</u>	<u>\$ 58,150,161</u>	<u>\$ (58,787,285)</u>	<u>\$ 23,040,339</u>
2011:				
General Liability/Workers' Compensation	\$ 16,284,545	\$ 12,979,419	\$ (8,178,281)	\$ 21,085,683
Medical/Dental	6,586,478	49,651,504	(48,425,213)	7,812,769
Unemployment	169,316	522,267	(585,017)	106,566
	<u>\$ 23,040,339</u>	<u>\$ 63,153,190</u>	<u>\$ (57,188,511)</u>	<u>\$ 29,005,018</u>

At December 31, 2011 the Medical and Dental Self Insurance Fund had negative unrestricted net assets of \$1,036,071, an improvement of \$2,639,184 from 2010. Medical and Dental rates were increased by 11.5% in 2012 to offset the deficit.

At December 31, 2011, the General Liability and Worker's Compensation Fund had negative unrestricted net assets of \$4,714,225. Insurance rates will be increased to offset the deficit.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Basic Financial Statements

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#### NOTE 17 MOA Trust Fund

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

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

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

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

In January, 2009, the Assembly, in response to substantial 2008 investment losses, amended AMC Code 6.50.060 to further limit the annual dividend payout. Effective January 1, 2010, no more than 4% of the market value of the MOA Trust Fund for the twenty consecutive quarters ending on March 31 of each year is available for appropriation by the Assembly to help fund the general government budget. This policy change will remain in effect until such time as the MOA Trust Fund's market value recovers to a level equal to or greater than the MOA Trust's market value at December 31, 2007.

In 2011, consistent with the policy limitations described above, \$5,000,000 of the MOA Trust Fund balance was determined to be expendable and transferred to the General Fund.

# MUNICIPALITY OF ANCHORAGE, ALASKA

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### NOTE 18 Regulatory and Other Matters

#### (a) *Electric Utility*

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

The Electric Utility received monetary settlements totaling \$22,950,406 after lease burdens and taxes were satisfied for the 2005 underlift in April 2006. The Electric Utility proposed to use this money to fund future gas purchases beginning in approximately 2018, and to preserve the value of the cash until that time by setting up a loan from the Gas Fund to the Electric Fund for the purpose of replacing the retired generating unit 3. Repayment of the loan is scheduled to make funds available for gas purchases by the time those purchases are needed. The Regulatory Commission of Alaska (RCA or Commission) approved this plan in Order U-06-89(2). The Electric Utility recorded a regulatory liability as of December 31, 2011 and 2010, which includes original principal plus interest earnings of \$29,666,548 and \$28,506,978, respectively.

***Regulatory Debits/Credits:*** The revenue requirement methodology approved by the RCA for setting the gas transfer price the Electric Utility uses to produce power requires an estimate for the current year revenue requirement along with the prior year under or over recovered costs be used to compute the price to be charged. The Electric Utility records an asset and a regulatory credit for under recovered costs or a liability and a regulatory debit for over recovered costs by recording the difference between the revenue received and the actual revenue requirement. The Electric Utility had over recovered as of December 31, 2011 and 2010 in the amounts of \$6,024,035 and \$2,591,481, respectively.

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

The RCA granted the Electric Utility's petition on May 15, 2007 in Order U-07-45(2), reiterating that the revenue must be dedicated directly to the benefit of the Electric Utility's rate payers. As of January 2007 the Electric Utility recorded gas sales as a regulatory liability, rather than revenue, which as of December 31, 2011 and 2010, totaled \$101,070,836 and \$92,044,981, respectively. Also, as of January 2007, the Electric Utility recorded gas sales proceeds as a restricted investment for future natural gas purchases or BRU construction.

***Revenue Requirement Study:*** The Electric Utility filed a request for rate relief with the RCA based on a 2008 test year revenue requirement study on April 10, 2010. The study shows an adjusted revenue requirement of \$107,745,572, and a revenue deficiency of \$6,283,657. This is 6.19% of total test year revenue, or 7.12% of the Electric Utility's test year revenue from demand and energy charges. In view of its pending investment requirements, the Electric Utility has a need to recover its full revenue requirement. The Electric Utility asked for a 7.12% increase to demand and energy charges to eliminate the test year revenue deficiency. The RCA granted an interim refundable increase to demand and energy charges of 4.01% effective June 1, 2010, and a permanent

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increase of 6.83% effective October 1, 2011 (Order No. U-10-31(15)). In Order No. U-10-31(16) the RCA released from escrow the funds that the Electric Utility had recovered pursuant to the interim refundable increase.

***Eklutna Hydroelectric Project:*** On October 2, 1997, the ownership of the Eklutna Hydroelectric Project was formally transferred from the Alaska Power Administration, a unit of the United States Department of Energy, to the three participating utilities: the Electric Utility, CEA, and Matanuska Electric Association (MEA). The project is jointly owned and operated by the participating utilities and each contributes their proportionate share for operation, maintenance, and capital improvement costs, as well as maintenance of the transmission line between the Anchorage area and the hydroelectric plant. The Electric Utility has a 53.33% ownership interest in the project and recorded costs of \$489,377 and \$616,409 in 2011 and 2010, respectively.

***Bradley Lake Hydroelectric Project:*** The Electric Utility agreed to acquire a portion of the output of the Bradley Lake Hydroelectric Project (Project) pursuant to a Power Sales Agreement (Agreement). The Agreement specifies the Electric Utility acquire 25.9% of the output of the Project. The Project went on line September 1, 1991. The Electric Utility made payments to the Alaska Energy Authority (AEA) of \$4,346,148 in 2011 for its portion of costs, and received 78,661 megawatt hours of power in 2011 from the Project. The Electric Utility received a budget surplus refund in the amount of \$563,583 for 2011. The Electric Utility's estimated cost of power from the Project for 2012 is \$4,305,048.

AEA issued the Power Revenue Bonds, First and Second Series in September 1989 and August 1990, respectively for the long term financing of the construction costs of the Project. On July 1, 2010, AEA issued \$28,800,000 principal amount of Power Revenue Bonds, Sixth Series. The Sixth Series Bonds were issued for the purpose of refunding the Power Revenue Bonds, Fifth Series Bonds to take advantage of lower interest rates. The total amount of debt outstanding as of December 31, 2011 is \$101,170,798. The pro rata share of the debt service costs of the Project, for which the Electric Utility is responsible, given its 25.9% share of the Project, is \$26,203,237. In the event of payment defaults by other power purchasers, the Electric Utility's share could be increased by up to 25%, which would then cause the Electric Utility's pro rata share of project debt service to be a total of \$32,754,046; the Electric Utility does not now know of or anticipate any such defaults.

***Inter-Fund Loan:*** The Electric Utility loaned Anchorage's Real Estate Services Fund \$3,688,437 to acquire real property described as Tract B, Muldoon Estates Subdivision. This loan was approved by Assembly Ordinance AO 2006-149(S) on October 24, 2006. The loan is not to exceed five years and pays interest to the Electric Utility based on Anchorage's Cash Pool Earnings Rate plus 50 basis points. The loan balance of \$3,068,437 at December 31, 2010, plus interest, was paid to the Electric Utility in May, 2011.

***Southcentral Power Project:*** The Electric Utility entered into a participation agreement with CEA on August 28, 2008 to proceed with the joint development, construction and operation of the Southcentral Power Project (SPP). The approximate capacity of SPP is 180 MW, of which the Electric Utility's proportionate share will be 54 MW, or 30%. The Electric Utility's estimated share of the cost of SPP at this time is \$110,561,000, including interest during construction. The Electric Utility has recorded capital expenditures of \$86,632,271 as of December 31, 2011 and \$39,882,640 as of December 31, 2010. The project is anticipated to enter commercial operation by November 30, 2012.

### (b) *Water Utility*

***Municipal Utility Service Assessment (MUSA) Remand*** On June 27, 2011, the RCA issued a final order in Docket U-04-23 authorizing the Water Utility to include the MUSA expense (an ad valorem payment in lieu of taxes to Anchorage) in rates charged by the Water Utility. This order

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reversed a September 2, 2005 Commission decision to disallow the portion of this expense related to contributed plant from the Water Utility's rates. The Water Utility appealed the 2005 decision to Alaska Superior Court (the Court) which upheld the Commission decision. The Water Utility then filed an appeal to the Alaska Supreme Court. On September 4, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the RCA's 2005 exclusion of MUSA, as it related to contributed plant, from the Water Utility's revenue requirement. The Court remanded the case to the RCA for further proceedings. The June 27, 2011 decision found in favor of the Utility and allows the MUSA expense to be included in the rates.

**2009 Test Year / 2011 Rates** On November 10, 2010 the Water Utility filed a revenue requirement study requesting an interim refundable rate increase of 8.0% to become effective January 1, 2011. The RCA issued Order U-10-101(1) (Order 1) on December 27, 2010 granting a lower interim rate increase of 1.96%. On January 10, 2011 the Water Utility filed a Petition for Reconsideration of Order 1 and requested a hearing on interim rates. The requested public hearing involving the Water Utility, RAPA and the Federal Executive Agency representing the Department of Defense, was conducted on February 15, 2011. The hearing provided the Water Utility an opportunity to present evidence to the RCA of the financial damage that it would incur if higher interim rates could not be approved. After reviewing additional evidence and legal arguments, the Commission approved, on an interim and refundable basis, the full requested 8% increase over 2010 water rates, effective March 24, 2011. On August 12, 2011, the RCA accepted a stipulation filed by the Water Utility and RAPA that settled all outstanding issues specific to the docket and granted permanent rates.

**2010 Test Year / 2012 Rates** On November 4, 2011, the Water Utility filed a revenue requirement study requesting an interim refundable rate increase of 6.0% to become effective January 1, 2012. On December 12, 2011, the RCA issued a letter order approving the requested rate increase on a permanent basis without suspension into a docket for further investigation.

#### (c) **Wastewater Utility**

**Municipal Utility Service Assessment Remand** On June 27, 2011, the RCA issued a final order in Docket U-04-22 authorizing the Wastewater Utility to include the MUSA expense (an ad valorem payment in lieu of taxes to Anchorage) in rates charged by the Wastewater Utility. The order reversed a September 2, 2005 Commission decision to disallow the portion of this expense related to contributed plant from the Wastewater Utility's rates. The Wastewater Utility appealed the 2005 decision to Alaska Superior Court which upheld the Commission decision. The Wastewater Utility then filed an appeal to the Alaska Supreme Court. On September 4, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the RCA's 2005 exclusion of MUSA, as it related to contributed plant, from the Wastewater Utility's revenue requirement. The Court remanded the case to the RCA for further proceedings. The June 27, 2011 decision found in favor of the Wastewater Utility and allows the MUSA expense to be included in the rates.

**2009 Test Year / 2011 Rates** On November 10, 2010 the Wastewater Utility filed a revenue requirement study requesting an interim refundable rate increase of 15.0% to become effective January 1, 2011. The RCA issued Order U-10-102(1) (Order 1) on December 27, 2010 granting a lower interim rate increase of 11.75% to be effective January 1, 2011. On January 10, 2011 the Wastewater Utility filed a Petition for Reconsideration of Order 1 and requested a hearing on interim rates. The requested public hearing involving the Wastewater Utility, RAPA and the Federal Executive Agency representing the Department of Defense, was conducted on February 15, 2011. The hearing provided the Wastewater Utility an opportunity to present evidence to the RCA of the financial damage that it would incur if higher interim rates could not be approved. After reviewing additional evidence and legal arguments, the Commission approved, on an interim and refundable basis, the full requested 15% increase over 2010 wastewater rates, effective March 24, 2011. On

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August 12, 2011, the RCA accepted a stipulation filed by the Wastewater Utility and RAPA that settled all outstanding issues specific to the docket and granted permanent rates.

**2010 Test Year / 2012 Rates** On November 4, 2011, the Wastewater Utility filed a revenue requirement study requesting an interim refundable rate increase of 11.75% to become effective January 1, 2012. On December 12, 2011, the RCA issued a letter order approving the requested rate increase on a permanent basis without suspension into a docket for further investigation.

### NOTE 19 Contingencies

#### (a) Litigation

On June 10, 2010 Anchorage filed an eminent domain action to secure title to a new Public Works right of way. Since that date all of the landowners have conveyed their interest to Anchorage except for one owner and its two tenants. At issue is the Properties fair market value. The amount in controversy is approximately \$1.7 million. Anchorage has deposited into the registry of the Court what it believes is the Property's fair market value. The case is pending in the Alaska Superior Court.

Environment Recycling, Inc. (ERI) filed suit in October 2007 alleging it was entitled to remain in possession of land managed by Heritage Land Bank. Anchorage filed a counterclaim seeking more than one million dollars in damages for costs likely to be incurred for restoring the premises. During 2010 ERI filed an amended complaint seeking in excess of \$2 million dollars in damages predicated on various theories. Several of the claims in the amended complaint were dismissed by the court in advance of trial. The trial occurred in October 2011 and resulted in a verdict favoring plaintiff in the amount of \$658,375. The judgment has been appealed to the Alaska Supreme Court.

During 2000, Anchorage and Youth Exploring Adventures, Inc. (YEA) entered into a 20 year operating lease for the Hilltop Ski Area. During 2005 YEA sought financial assistance from Anchorage and ultimately the lease was amended. In consideration of a loan for \$150,000 and other valuable consideration, YEA acknowledged that all improvements on the premises immediately became the property of Anchorage. Additionally the parties agreed that Anchorage could lease up to 7899 square feet of the ski chalet during the summer season for rent up to a maximum of \$94,788 per year. On February 13, 2009 Anchorage notified YEA that it would not be able to continue to lease the space due to budgetary constraints. During December 2010 YEA brought suit against Anchorage seeking the value of improvements to the property and compensatory damages in excess of \$970,000. Anchorage is vigorously defending this case.

Various plaintiffs v. Anthony Rollins and Anchorage.

During 2009 former police officer Anthony Rollins was indicted on numerous felony counts of sexual assault and related crimes committed in connection with his duties as an Anchorage Police officer. In February 2011 he was convicted on most of those charges. In April of 2012 he was sentenced to well over 100 years in prison, with 87 to serve. To date, 11 women have filed civil suits against this individual and against the Anchorage Police Department. It is possible that additional suits may still be filed but they could now face a probable Statute of Limitations dismissal. To date, two of the cases have settled. As the merits of each of the civil cases are different, Anchorage's liability relating to these cases is indeterminate.

Anchorage, in the normal course of its activities is involved in various claims and litigation. Except as specifically described above, it is the opinion of management and the Municipal Attorney that these matters are not expected to have a material adverse effect on Anchorage's financial statements.



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**(b) Grants**

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

**(c) Property Tax Limitation**

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

**(d) Spending Limitation**

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

**(e) Plumbers and Pipefitters, Local 367 Union Contract**

The Plumbers and Pipefitters, Local 367 Union (Plumbers Union) contract expired June 30, 2010. Anchorage and the Plumbers Union entered negotiations in March 2010. The parties proceeded through negotiations, mediation and arbitration in 2011. The arbitrator issued a decision in 2011, which was rejected by the Anchorage Municipal Assembly. Anchorage and the Plumbers Union went to Superior Court in November 2011. In February 2012 the Superior Court issued a decision in favor of Anchorage's last best offer. In March 2012 the Plumbers Union filed an appeal to the Alaska Supreme Court. The Plumbers Union continues to work under the expired contract until a new contract is ratified. The potential impacts of any contract decision are not yet measurable, and therefore no liability has been recorded related to the expired contract.

**NOTE 20 Environmental Issues**

Anchorage has adopted an aggressive proactive policy designed to identify and mitigate the potential effects of past, present and future activity that may result in environmental impact. It is accounting policy to record a liability when the likelihood of responsibility for an environmental impact is probable and the cost of mitigating the impact is estimable within reasonable limits. At December 31, 2011, there are environmental issues that meet both of these criteria and, accordingly, a provision has been made in the accompanying financial statements for the cost of mitigating environmental concerns of underground fuel and hazardous waste contamination. The following is a summary of environmental concerns at December 31, 2011.

**(a) Solid Waste Landfill Sites**

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

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

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

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

State and federal laws and regulations require Anchorage to place a final cover on its current regional landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these future closure and postclosure costs each year, Solid Waste Services Utility (SWS) records an operating expense based on landfill capacity. During 2005, the future closure and postclosure care costs were reevaluated and adjusted to reflect current conditions. At December 2011, SWS had a recorded liability of \$22,149,134 associated with these future costs, based on the use of 40% of the landfill's estimated capacity. Based upon the 2005 study, it is estimated SWS will recognize an additional \$33,502,222 in liability expense between December 31, 2011 and 2043, the current estimated date the landfill is expected to reach full capacity. These amounts are based upon what it would cost to perform all the closure and postclosure functions in 2011. Future inflation costs and additional costs that might arise from changes in requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

State laws and federal regulations require Anchorage to provide financial assurances for future closure and postclosure costs by one of a number of allowable mechanisms available. Anchorage elected to use the "Local Government Test" financial assurance mechanism to comply with the regulation. Pursuant to A0-2008-46, the Anchorage Assembly amended Anchorage's municipal code to establish a restricted account to fund the liability for landfill closure and postclosure purposes. At December 31, 2011, \$6,387,183 of SWS assets are in the restricted account for payment of closure and postclosure care costs.

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

Balance January 1, 2011	Addition	Deletion	Balance December 31, 2011	Due Within OneYear
\$ 20,459,932	\$ 1,689,202	\$ -	\$ 22,149,134	\$ -

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

During the 1964 earthquake, approximately 250,000-400,000 gallons of diesel fuel spilled on the ground. According to several environmental investigations, the spill impacted soil and groundwater at the Hank Nikkels Power Plant One and properties west/northwest of the plant. In 2006-2007, the

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Electric Utility replaced generating unit 3 at the plant. During the subsurface investigation, in addition to diesel contamination known from the 1964 spill, PCBs were detected in the soil. All soil disturbing activities at the site are governed by the Risk-Based Disposal Plan (RBDP) administered by the Alaska Department of Environmental Conservation (ADEC) and the Environmental Protection Agency (EPA). Installation of new generators at the plant will require contaminated soil testing and disposal at the out of state landfills. The additional cost of compliance cannot be measured at this time.

#### **(d) *New Generation Permitting***

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

An installation of new turbines at both power plants will trigger a Best Available Control Technology (BACT) review of greenhouse gas (GHG) emissions under the Prevention of Significant Deterioration (PSD) program. The BACT review will address energy efficiency as a measure of reducing GHGs. Consequently, only technically and economically feasible options will be selected. The additional cost of compliance is currently not determinable.

#### **(e) *Pollution Remediation Obligation***

##### **Water Utility**

Beginning in 1993, in accordance with the ADEC regulations, the Water Utility commenced activities to remove three leaking underground fuel storage tanks and the surrounding contaminated soils. Additional contamination was identified on the affected property (unrelated to the tank leakage) requiring additional removal of soils. In 2010, the Water Utility completed additional site characterization. In 2011, the Water Utility submitted work plans and received approval from ADEC for continued groundwater monitoring while working toward closure of the case on this site.

The Water Utility used the expected cash flow technique to measure the liability. The Water Utility estimated a reasonable range of potential outlays of \$180,000 to \$245,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$186,500. The potential for a material change in the estimate is possible depending upon the response received from the ADEC.

##### **Wastewater Utility**

Beginning in 1992, in accordance with the ADEC regulations, the Wastewater Utility commenced activities to remove two leaking underground fuel storage tanks and the surrounding contaminated soils. The Wastewater Utility maintains monitoring wells and performed soil and groundwater testing at the site. In 2011, the Wastewater Utility completed additional site characterization and will submit work plans for 2012 and beyond for ADEC approval while working toward closure of the case on this site.

The Wastewater Utility used the expected cash flow technique to measure the liability. The Wastewater Utility estimated a reasonable range of potential outlays of \$180,000 to \$348,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$264,000. The potential for a material change in the estimate is possible depending upon the response received from the ADEC.

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#### Other Environmental issues

The Municipality of Anchorage is aware of certain potential environmental issues as follows:

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

Anchorage used the expected cash flow technique to measure liability. Anchorage estimated a reasonable range of potential outlays of \$500,000 to \$800,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$750,000. In 2011, the estimated cost increased by \$350,000 and \$913,302 was incurred with \$186,698 liability remaining. The potential for a material change in the estimate is possible depending on the final outcome of the remediation.

Kincaid Project Group, Inc., an Alaska nonprofit corporation (KPG), has undertaken certain projects to develop improvements within Kincaid Park, owned by Anchorage. During the course of such improvements, one or more contractors of KPG disturbed lead-contaminated soils at the site of the former biathlon range. The EPA issued a notice of violation to Anchorage. While KPG has essentially acknowledged responsibility for the violation and is working with the EPA and the ADEC to remediate the site, Anchorage, as owner of the Park, remains as a potentially responsible party.

Anchorage used the expected cash flow technique to measure liability. Anchorage estimated a reasonable range of potential outlays of \$750,000 to \$1,036,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$907,000. In 2011, Anchorage completed the majority of the land remediation.

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

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

#### NOTE 21 Subsequent Events

In February 2012, Anchorage received a \$13,168,350 allocation from the federal government, part of the Treasury's State Small Business Credit Initiative (SSBCI). Anchorage has established the 49<sup>th</sup> State Angel Fund (49SAF) to provide new sources of capital to Anchorage entrepreneurs to spur economic development and encourage the creation of a qualified network of Angel investors.

The 49SAF will operate in compliance with all provisions and requirements of the Small Business Jobs Act (P.L. 111-240) and the guidelines for the SSBCI. Subordinate allocation agreements will incorporate the requirements and limitations identified in § 3006 (c) (4):

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- Targets an average investment with 500 or fewer employees.
- Does not make investments in businesses with more than 750 employees.
- Targets investments with an average equity position of \$5,000,000 or less; and
- Does not make investments that exceed \$20,000,000.

Based on typical enterprise size and values in Alaska, the 49SAF will operate well below the thresholds established in the Act.

The 49SAF is required to achieve a required 10:1 private capital leverage ratio.

In February 2012, Anchorage received its' first allocation from the U.S. Treasury of \$4,345,566 and expects to receive the remaining allocations in 2013.

See Note 10(f) for bonds authorized but not issued including approved after year end. See Note 11 for debt issued after year end.

#### **NOTE 22 New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 60 – *Service Concession Arrangements*
- GASB 61 – *The Financial Reporting Entity*
- GASB 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*
- GASB 65 – *Items Previously Reported as Assets and Liabilities*
- GASB 66 – *Technical Corrections - 2012*

GASB 60 – *Service Concession Arrangements* is effective for Anchorage's financial statements for the year end December 31, 2012 and will require an analysis of Anchorage's local concessions management contracts. GASB 61 – *The Financial Reporting Entity* is effective for the year end December 31, 2013 and will require an analysis of Anchorage's component units. GASB 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – Effective for the year end December 31, 2012 – This statement will result in a change to the Anchorage's presentation of proprietary fund statements and government-wide statements from a traditional "balance sheet format" to a new Statement of Net Position format which will segregate deferred inflows and deferred outflows from assets and liabilities respectively. GASB 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* – Effective for year end December 31, 2013 – This statement provides guidance on proper accounting for Hedge Terminations and clarifies when a termination has occurred. GASB 65 – *Items Previously Reported as Assets and Liabilities* – Effective for the year end December 31, 2013 – This statement is a companion to GASB statement 63 and establishes accounts to be reclassified as deferred inflows and outflows. In addition, certain items previously reported as assets or liabilities will be moved to the income statement. For example, debt issuance costs will no longer be capitalized and amortized but will be expensed as incurred, certain regulatory assets and liabilities will be reclassified to deferred inflows and outflows. GASB 66 – *Technical Corrections - 2012* – Effective for the year end December 31, 2013 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

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**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Required Supplementary Information - Budgetary Comparison Schedule  
with Expenditures by Function for the General Fund and Sub-Funds  
Year ended December 31, 2011

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget
	Original	Final				
<b>Revenues:</b>						
Taxes	\$ 281,642,733	\$ 520,009,894	\$ 520,287,035	\$ -	\$ 520,287,035	\$ 277,141
Assessments in lieu of taxes	2,268,470	2,268,470	2,232,706	-	2,232,706	(35,764)
Special assessments	220,000	220,000	297,055	-	297,055	77,055
Licenses and permits	10,556,645	10,383,145	11,367,098	-	11,367,098	983,953
Intergovernmental	19,506,900	24,491,039	24,456,635	(1) 19,733,667	44,190,302	(34,404)
Charges for services	28,905,881	29,000,841	28,563,403	-	28,563,403	(437,438)
Fines and forfeitures	8,594,060	8,172,085	8,001,207	-	8,001,207	(170,878)
Investment income	5,173,030	4,478,610	1,881,434	-	1,881,434	(2,597,176)
Restricted contributions	2,649,427	2,649,427	2,653,106	-	2,653,106	3,679
Other revenues	2,969,647	2,988,358	5,537,829	-	5,537,829	2,549,471
Total revenues	<u>362,486,793</u>	<u>604,661,869</u>	<u>605,277,508</u>	<u>19,733,667</u>	<u>625,011,175</u>	<u>615,639</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	16,446,621	17,270,674	16,925,290	(1) 2,530,108	19,455,398	345,384
Fire services	81,519,946	84,489,900	82,982,442	(1) 4,049,844	87,032,286	1,507,458
Police services	102,671,945	103,204,206	100,855,713	(1) 4,757,979	105,613,692	2,348,493
Health and human services	14,404,407	13,810,625	13,027,568	(1) 1,032,442	14,060,010	783,057
Economic and community development	49,341,541	47,870,707	46,762,753	(1) 1,035,088	47,797,841	1,107,954
Public transportation	20,457,398	22,332,082	21,745,729	(1) 1,018,582	22,764,311	586,353
Public works	15,048,038	14,504,949	13,433,577	(1) 4,566,018	17,999,595	1,071,372
Education	-	236,173,709	236,173,709	-	236,173,709	-
Maintenance and operations	34,492,354	35,178,200	33,061,817	(1) 743,606	33,805,423	2,116,383
<b>Debt service:</b>						
Principal	26,306,655	26,934,722	26,614,139	-	26,614,139	320,583
Interest	24,463,872	24,060,814	23,875,128	-	23,875,128	185,686
Total expenditures	<u>385,152,777</u>	<u>625,830,588</u>	<u>615,457,865</u>	<u>19,733,667</u>	<u>635,191,532</u>	<u>10,372,723</u>
Deficiency of revenues over expenditures	<u>(22,665,984)</u>	<u>(21,168,719)</u>	<u>(10,180,357)</u>	<u>-</u>	<u>(10,180,357)</u>	<u>10,988,362</u>
<b>Other financing sources (uses):</b>						
Transfers in - from other funds	31,623,864	31,341,526	31,419,441	-	31,419,441	77,915
Transfers out - to other funds	(9,974,407)	(20,001,800)	(19,879,513)	-	(19,879,513)	122,287
Sale of capital assets	10,000	10,000	63,831	-	63,831	53,831
Insurance recoveries	-	-	96,076	-	96,076	96,076
Total other financing source (uses)	<u>21,659,457</u>	<u>11,349,726</u>	<u>11,699,835</u>	<u>-</u>	<u>11,699,835</u>	<u>350,109</u>
Net change in fund balance	(1,006,527)	(9,818,993)	1,519,478	-	1,519,478	11,338,471
Fund balance, beginning of year	63,321,891	63,321,891	63,321,891	-	63,321,891	-
Fund balance, end of year	<u>\$ 62,315,364</u>	<u>\$ 53,502,898</u>	<u>\$ 64,841,369</u>	<u>\$ -</u>	<u>\$ 64,841,369</u>	<u>\$ 11,338,471</u>

**Explanation of differences:**

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

**Note:**

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

See accompanying notes to required supplementary information.

## MUNICIPALITY OF ANCHORAGE, ALASKA

### Notes to Required Supplementary Information – Budgetary Data

December 31, 2011

In 2003, Anchorage implemented GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*. This statement, an amendment to GASB Statement No. 34, clarifies the budgetary presentation requirements for governments with significant budgetary perspective differences that result in not being able to present budgetary comparison information for their general fund and major special revenue funds. The estimated appropriations in Anchorage's General Fund Budget do not correspond to the expenditures that are reported for the general fund on a GAAP basis. A reconciliation from GAAP to budgetary basis is provided to present the actual amounts on a budgetary basis for the budget to actual comparison.

In accordance with the Anchorage Home Rule Charter, the Mayor is required to submit a proposed budget for the next fiscal year to the Assembly at least 90 days before the end of the current fiscal year. The Assembly holds two public hearings on the proposed budget. The Assembly may increase or decrease any item, and may add or delete items; but must approve a budget and appropriate the necessary resources by ordinance at least 21 days prior to year end. Otherwise, the Mayor's proposal becomes the budget and appropriation.

The Assembly approved 2011 operating budgets and appropriations of direct costs at the department level, and indirect costs at the fund or sub-fund level. Some departmental appropriations span more than one fund. The Assembly approved 2011 capital budgets with anticipated appropriation of resources for the general government and appropriations for each utility. Upon certification by the Chief Fiscal Officer that actual resources have become available for specific general government capital projects; e.g., when a grant is accepted, a bond sale or interfund transfer is approved, or a special assessment district is created, a supplemental appropriation is submitted to the Assembly for final approval. Supplemental appropriations are also submitted for approval upon certification by the Chief Fiscal Officer that operating grant funds have become available. The legal level of a budgetary control is the fund or sub-fund level for revenues and expenditures and the department level for expenditures and other financing uses.

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

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

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

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

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



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Notes to Required Supplementary Information – Budgetary Data

December 31, 2011

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

December 31, 2011

	Percentage of Lane – Miles in Good or Better Condition		
	2011	2008	2005
Anchorage Road District	72.81%	75.51%	73.40%
Chugiak/Eagle River Road District	93.79%	95.87%	94.32%
Girdwood Road District	88.01%	94.32%	93.01%
Other Road Districts	71.71%	74.46%	76.95%
Overall System	77.62%	80.18%	78.48%

	Percentage of Lane – Miles in Fair Condition		
	2011	2008	2005
Anchorage Road District	27.19%	24.49%	26.60%
Chugiak/Eagle River Road District	6.21%	4.13%	5.68%
Girdwood Road District	11.99%	5.68%	6.99%
Other Road Districts	28.29%	25.54%	23.05%
Overall System	22.38%	19.82%	21.52%

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

	2011	2010	2009	2008	2007
Anchorage Road District:					
Needed	\$ 13,782	11,772	79,137	\$ 49,418	\$ 28,584
Actual	12,996	11,800	78,094	49,923	29,002
Chugiak/Eagle River Road District:					
Needed	2,468	2,990	7,854	1,848	5,571
Actual	2,775	3,778	8,296	1,359	5,082
Girdwood Road District:					
Needed	282	313	330	363	606
Actual	444	263	303	256	498
Other Road Districts:					
Needed	1,012	1,059	1,097	1,126	768
Actual	1,443	1,509	2,207	2,176	1,335
Overall System:					
Needed	17,544	16,134	88,418	52,755	35,529
Actual	17,658	17,349	88,900	53,714	35,917
Difference	114	1,216	482	959	388

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.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Other Postemployment Benefits Information

Schedule of Funding Progress

Police and Fire Retirement Systems

Valuation Years 2011 through 2009

(dollars in thousands)

	<b>Gentile Group</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Actuarial valuation date	1-Jan-11	1-Jan-09	1-Jan-09
Actuarial value of plan assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)*	\$ 96,100	\$ 90,819	\$ 90,819
Unfunded actuarial accrued liability (UAAL)	\$ 96,100	\$ 90,819	\$ 90,819
Funded ratio	0%	0%	0%

	<b>Police &amp; Fire Retiree Medical Group</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Actuarial valuation date	1-Jan-11	1-Jan-09	1-Jan-09
Actuarial value of plan assets	\$ 11,123	\$ 9,506	\$ 9,506
Actuarial accrued liability (AAL)*	\$ 42,883	\$ 41,433	\$ 41,433
Unfunded actuarial accrued liability (UAAL)	\$ 31,760	\$ 31,927	\$ 31,927
Funded ratio	26%	23%	23%

\* Based on projected unit credit actuarial cost method.

**Police and Fire Pension System Plans**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as Percentage of Covered Payroll</u>
January 1, 2012:						
Plan I	\$71,033	\$91,014	\$19,981	78.00%	\$0	n/a
Plan II	51,730	67,288	15,558	76.90%	262	5938.20%
Plan III	178,092	228,737	50,645	77.90%	6,489	780.50%
January 1, 2011:						
Plan I	\$78,411	\$90,173	\$11,762	87.00%	\$136	8648.50%
Plan II	56,352	67,017	10,665	84.10%	536	1989.70%
Plan III	188,591	222,810	34,219	84.60%	6,568	521.00%
January 1, 2010:						
Plan I	\$74,626	\$91,923	\$17,297	81.20%	\$119	14535.30%
Plan II	52,902	67,180	14,278	78.70%	515	2772.40%
Plan III	172,478	219,565	47,087	78.60%	7,005	672.20%

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# SUPPLEMENTARY INFORMATION

## Additional Budgetary Comparison Schedules

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
**Additional Supplementary Information - Budgetary Comparison Schedule**  
**by General Fund and Sub-Funds**  
**Year ended December 31, 2011**

	<u>Budget</u>		<u>Actual Budgetary Basis</u>	<u>Budget to GAAP Difference</u>	<u>Actual GAAP Basis</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues &amp; other financing sources:</b>						
Areawide Service Area	\$ 121,821,596	\$ 365,984,009	\$ 366,794,319	\$ -	\$ 366,794,319	\$ 810,310
Former City Service Area	-	-	(314)	-	(314)	(314)
Chugiak Fire Service Area	1,109,755	1,108,166	1,316,797	-	1,316,797	208,631
Glen Alps Service Area	303,910	305,547	304,204	-	304,204	(1,343)
Girdwood Valley Service Area	1,901,050	1,874,557	1,859,304	-	1,859,304	(15,253)
Former Borough Roads & Drainage Service Area	-	-	2,119	-	2,119	2,119
Fire Service Area	61,364,867	64,108,371	64,322,266	-	64,322,266	213,895
Roads & Drainage Service Area	67,062,498	64,651,080	63,919,729	-	63,919,729	(731,351)
Limited Service Areas	9,801,741	9,464,300	9,532,399	-	9,532,399	68,099
Anchorage Metropolitan Police Service Area	99,200,104	97,641,720	97,865,594	-	97,865,594	223,874
Anchorage Bowl Parks & Recreation Service Area	20,184,976	19,689,362	19,493,540	-	19,493,540	(195,822)
Eagle River - Chugiak Parks & Recreational Service Area	3,626,269	3,653,407	3,649,932	-	3,649,932	(3,475)
Building Safety Service Area	5,908,746	5,908,746	6,259,763	-	6,259,763	351,017
Public Finance & Investment	1,652,000	1,623,520	1,534,781	-	1,534,781	(88,739)
Police/Fire Retiree Medical Defined Contribution Support	183,145	610	2,423	-	2,423	1,813
SOA PERs On-Behalf Payments	-	-	-	(1) 19,733,667	19,733,667	-
<b>Total revenues &amp; other finance sources</b>	<b>394,120,657</b>	<b>636,013,395</b>	<b>636,856,856</b>	<b>19,733,667</b>	<b>656,590,523</b>	<b>843,461</b>
<b>Expenditures &amp; other financing uses:</b>						
Areawide Service Area	121,730,329	369,070,310	364,343,325	-	364,343,325	4,726,985
Former City Service Area	-	-	-	-	-	-
Chugiak Fire Service Area	1,109,755	1,108,166	1,051,672	-	1,051,672	56,494
Glen Alps Service Area	303,910	305,547	292,247	-	292,247	13,300
Girdwood Valley Service Area	1,901,050	1,874,557	1,624,369	-	1,624,369	250,188
Former Borough Roads & Drainage Service Area	-	-	-	-	-	-
Fire Service Area	61,364,867	63,239,935	62,543,186	-	62,543,186	696,749
Roads & Drainage Service Area	67,062,498	67,762,653	67,168,223	-	67,168,223	594,430
Limited Service Areas	9,687,932	9,841,665	8,772,194	-	8,772,194	1,069,471
Anchorage Metropolitan Police Service Area	99,109,062	99,023,943	97,463,602	-	97,463,602	1,560,341
Anchorage Parks & Recreation Service Area	20,184,976	20,535,204	19,874,399	-	19,874,399	660,805
Eagle River - Chugiak Parks & Recreational Service Area	3,626,269	4,281,326	3,838,558	-	3,838,558	442,768
Building Safety Service Area	7,571,927	7,102,480	6,728,691	-	6,728,691	373,789
Public Finance & Investment	1,291,464	1,504,007	1,470,290	-	1,470,290	33,717
Police/Fire Retiree Medical Defined Contribution Support	183,145	182,595	166,622	-	166,622	15,973
SOA PERs On-Behalf Payments	-	-	-	(1) 19,733,667	19,733,667	-
<b>Total expenditures &amp; other financing uses</b>	<b>395,127,184</b>	<b>645,832,388</b>	<b>635,337,378</b>	<b>19,733,667</b>	<b>655,071,045</b>	<b>10,495,010</b>
<b>Net change in fund balance</b>	<b>(1,006,527)</b>	<b>(9,818,993)</b>	<b>1,519,478</b>	<b>-</b>	<b>1,519,478</b>	<b>11,338,471</b>
Fund balance, beginning of year	63,321,891	63,321,891	63,321,891	-	63,321,891	-
Fund balance, end of year	<b>\$ 62,315,364</b>	<b>\$ 53,502,898</b>	<b>\$ 64,841,369</b>	<b>\$ -</b>	<b>\$ 64,841,369</b>	<b>\$ 11,338,471</b>

**Explanation of differences:**

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

See accompanying notes to required supplementary information.

MUNICIPALITY OF ANCHORAGE, ALASKA

Additional Supplementary Information - Budgetary Comparison Schedule  
by Department for the General Fund and Sub-Funds  
Year ended December 31, 2011

	Budget		Actual Budgetary Basis	Budget to GAAP Difference	Actual GAAP Basis	Variance With Final Budget
	Original	Final				
Expenditures & other financing uses:						
Assembly	\$ 2,600,641	\$ 2,527,073	\$ 2,392,997	(1) \$ 97,033	\$ 2,490,030	\$ 134,076
Chief Fiscal Officer	485,365	5,519,404	5,377,276	(1) 242,570	5,619,846	142,128
Development Services	8,760,191	8,544,602	8,279,533	(1) 1,700,632	9,980,165	265,069
Economic & Community Development	16,052,211	15,895,783	15,860,192	(1) 416,271	16,276,463	35,591
Education	-	236,173,709	236,173,709	-	236,173,709	-
Employee Relations	2,059,232	2,059,231	1,825,003	(1) 149,609	1,974,612	234,228
Office of Equal Opportunity	197,543	197,543	189,176	(1) 8,355	199,011	8,367
Equal Rights Commission	677,739	656,510	535,365	(1) 36,711	572,076	121,145
Finance	11,768,150	12,097,990	11,550,805	(1) 518,944	12,069,749	547,185
Fire	79,245,287	82,039,283	81,731,837	(1) 4,051,685	85,783,522	307,446
Health & Human Services	12,361,727	12,562,990	11,721,640	(1) 1,034,283	12,755,923	841,350
Heritage Land Bank/Real Estate Services	6,880,419	10,787,362	10,667,572	(1) 54,918	10,722,490	119,790
Information Technology	1,372,059	1,809,777	1,749,800	(1) 624,138	2,373,938	59,977
Internal Audit	535,762	535,762	538,706	(1) 39,739	578,445	(2,944)
Maintenance & Operations	89,808,628	91,053,729	90,023,460	(1) 745,447	90,768,907	1,030,269
Management & Budget	912,499	886,820	774,768	(1) 36,525	811,293	112,052
Mayor	1,882,539	2,156,463	1,858,755	(1) 80,400	1,939,155	297,708
Municipal Attorney	7,174,052	7,554,149	7,581,013	(1) 415,344	7,996,357	(26,864)
Municipal Manager	2,916,842	2,848,851	2,754,313	(1) 127,495	2,881,808	94,538
Non Departmental - TANS	328,394	381,360	239,934	-	239,934	141,426
Parks & Recreation	19,894,329	21,169,521	20,049,187	(1) 525,729	20,574,916	1,120,334
Planning	4,468,306	4,300,254	3,703,363	(1) 98,611	3,801,974	596,891
Police	91,974,459	90,811,759	89,282,511	(1) 4,759,820	94,042,331	1,529,248
Police/Fire Retiree Medical	181,045	181,045	165,482	-	165,482	15,563
Project Management & Engineering	8,139,501	7,793,075	7,630,479	(1) 1,567,459	9,197,938	162,596
Public Transportation	21,017,686	21,272,713	21,012,053	(1) 1,020,423	22,032,476	260,660
Purchasing	1,581,757	1,595,222	1,279,071	(1) 76,596	1,355,667	316,151
Traffic	6,803,715	6,542,500	6,343,760	(1) 1,303,450	7,647,210	198,740
Total expenditures & other financing uses	400,080,078	649,954,480	641,291,760	19,733,667	661,025,427	8,662,720
Less: net intragovernmental costs & billings	(4,952,894)	(4,122,092)	(5,954,382)	-	(5,954,382)	1,832,290
Total expenditures & other financing uses	\$ 395,127,184	\$ 645,832,388	\$ 635,337,378	\$ 19,733,667	\$ 655,071,045	\$ 10,495,010

Explanation of differences:

(1)

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

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

See accompanying notes to required supplementary information.

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# NONMAJOR GOVERNMENTAL FUNDS

## Special Revenue Funds

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

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

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

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

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

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

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

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

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

## Debt Service Funds

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

The **Retirement Certificates of Participation Fund** accounts for an annuity investment and related income; the earnings and proceeds of which are to be used for payment of debt service requirements on certain Certificates of Participation and pension obligations of Anchorage.

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

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

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

## Capital Projects Funds

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

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

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

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

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

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

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

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

## 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, 2011

(With summarized financial information at December 31, 2010)

Assets	Special Revenue						
	Heritage Land Bank	Federal/State Fines and Forfeitures	Convention Center Operating Reserve	State Grants	Federal Grants	Police/Fire Retiree Medical Liability	Miscellaneous Operational Grants
Cash	\$ ---	\$ 56,667	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Cash in central treasury	1,163,078	1,868,619	6,017,573	17,316,576	---	1,319	1,259,865
Investments	---	---	---	---	1,471,484	29,112,181	---
Accrued interest on investments	---	---	---	---	---	---	---
Due from other funds	---	---	---	---	---	---	---
Due from component units	---	---	---	---	---	---	---
Receivables (net of allowance for uncollectibles)	---	---	1,878,544	---	---	---	30,685
Intergovernmental receivables	---	---	---	3,879,869	6,046,379	---	---
Special assessments receivable	725	---	---	---	---	---	---
Prepaid items and deposits	---	1,285	1,000,000	13,975	2,169	---	---
Loans receivable	619,368	---	---	---	6,624,571	---	---
Restricted assets:	---	---	---	---	---	---	---
Investments	---	---	---	---	---	---	---
Investments in TCH, LLC	---	---	---	---	---	---	---
<b>Total assets</b>	<b>\$ 1,783,171</b>	<b>\$ 1,926,571</b>	<b>\$ 8,896,117</b>	<b>\$ 21,210,420</b>	<b>\$ 14,144,603</b>	<b>\$ 29,113,500</b>	<b>\$ 1,290,550</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and retainages	\$ 10,271	\$ 24,670	\$ 990,080	\$ 2,104,524	\$ 461,523	\$ 900	\$ 18,988
Accrued payroll liabilities	18,610	---	---	249,429	136,860	---	105
Due to other funds	---	---	466,525	---	2,791,028	---	---
Deferred revenue and deposits	620,093	---	---	2,478,774	8,555,851	---	30,685
Advances from other funds	---	---	---	---	---	---	---
<b>Total liabilities</b>	<b>648,974</b>	<b>24,670</b>	<b>1,456,605</b>	<b>4,832,727</b>	<b>11,945,262</b>	<b>900</b>	<b>49,778</b>
<b>Fund balances (deficits):</b>							
Nonspendable	---	1,285	1,000,000	13,975	2,169	---	---
Restricted	---	1,027,397	5,245,852	1,116,506	1,672,083	29,112,600	1,038,131
Committed	1,134,197	---	---	3,848	---	---	---
Assigned	---	873,219	1,193,660	15,243,364	525,089	---	202,641
Unassigned	---	---	---	---	---	---	---
<b>Total fund balances</b>	<b>1,134,197</b>	<b>1,901,901</b>	<b>7,439,512</b>	<b>16,377,693</b>	<b>2,199,341</b>	<b>29,112,600</b>	<b>1,240,772</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,783,171</b>	<b>\$ 1,926,571</b>	<b>\$ 8,896,117</b>	<b>\$ 21,210,420</b>	<b>\$ 14,144,603</b>	<b>\$ 29,113,500</b>	<b>\$ 1,290,550</b>

See accompanying independent auditors' report.

Special Revenue (Continued)		Debt Service					
Other Restricted Resources	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Jail Revenue Bond	ACPA Surcharge Revenue Bond	CIVICVentures	Total Debt Service
\$ —	\$ 56,667	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	27,627,030	1,082,503	—	1,102,928	321,986	—	2,507,417
—	30,583,665	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	457,484	457,484
—	—	—	—	—	136,179	—	136,179
—	1,909,229	—	—	—	—	—	—
—	9,926,248	—	—	—	—	—	—
98,119	98,844	7,365	—	—	—	—	7,365
—	1,017,429	—	—	—	—	—	—
—	7,243,939	—	—	—	—	—	—
—	—	—	—	—	—	14,236,224	14,236,224
—	—	—	—	—	—	—	—
<u>\$ 98,119</u>	<u>\$ 78,463,051</u>	<u>\$ 1,089,868</u>	<u>\$ —</u>	<u>\$ 1,102,928</u>	<u>\$ 458,165</u>	<u>\$ 14,693,708</u>	<u>\$ 17,344,669</u>
\$ 831	\$ 3,611,787	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	405,004	—	—	—	—	—	—
149,446	3,406,999	—	—	—	—	—	—
—	11,685,403	—	—	1,094,289	—	—	1,094,289
—	—	—	—	—	—	—	—
150,277	19,109,193	—	—	1,094,289	—	—	1,094,289
—	1,017,429	—	—	—	—	—	—
—	39,212,569	353,281	—	—	458,165	8,448,825	9,260,271
—	1,138,045	—	—	—	—	6,244,883	6,244,883
—	18,037,973	736,587	—	8,639	—	—	745,226
(52,158)	(52,158)	—	—	—	—	—	—
(52,158)	59,353,858	1,089,868	—	8,639	458,165	14,693,708	16,250,380
<u>\$ 98,119</u>	<u>\$ 78,463,051</u>	<u>\$ 1,089,868</u>	<u>\$ —</u>	<u>\$ 1,102,928</u>	<u>\$ 458,165</u>	<u>\$ 14,693,708</u>	<u>\$ 17,344,669</u>

(Continued)

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Balance Sheet  
Nonmajor Governmental Funds

December 31, 2011

(With summarized financial information at December 31, 2010)

**Capital Projects**

<b>Assets</b>	<b>Areawide</b>	<b>Public Safety</b>	<b>Public Transportation</b>	<b>Miscellaneous</b>	<b>Parks and Recreation</b>	<b>Historic Preservation</b>
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cash in central treasury	6,058,371	2,790,614	—	—	7,977,814	213,519
Investments	—	—	—	—	—	—
Accrued interest on investments	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Due from component units	14,970	—	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	—	97,038	—
Intergovernmental receivables	2,239,805	2,380,451	1,255,022	2,636,825	574,375	—
Special assessments receivable	8,653	—	—	15,101	—	—
Prepaid items and deposits	—	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Restricted assets:						
Investments	—	—	—	—	—	—
Investments in TCH, LLC	384,488	—	—	—	—	—
<b>Total assets</b>	<b>\$ 8,706,287</b>	<b>\$ 5,171,065</b>	<b>\$ 1,255,022</b>	<b>\$ 2,651,926</b>	<b>\$ 8,649,227</b>	<b>\$ 213,519</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable and retainages	\$ 1,423,443	\$ 1,050,281	\$ 894,055	\$ 367,999	\$ 256,258	\$ —
Accrued payroll liabilities	—	—	4,418	—	—	—
Due to other funds	93,928	—	177,895	908,897	—	—
Deferred revenue and deposits	55,115	1,077,714	4,668	292,990	129,000	—
Advances from other funds	1,439,596	—	—	—	—	—
<b>Total liabilities</b>	<b>3,012,082</b>	<b>2,127,995</b>	<b>1,081,036</b>	<b>1,569,886</b>	<b>385,258</b>	<b>—</b>
Fund balances (deficits):						
Nonspendable	—	—	—	—	—	—
Restricted	1,123,958	1,823,346	438,272	968,170	573,547	16,506
Committed	4,516,267	48,111	—	105,939	5,500,419	—
Assigned	53,980	1,171,613	—	7,931	2,190,003	197,013
Unassigned	—	—	(264,286)	—	—	—
<b>Total fund balances</b>	<b>5,694,205</b>	<b>3,043,070</b>	<b>173,986</b>	<b>1,082,040</b>	<b>8,263,969</b>	<b>213,519</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,706,287</b>	<b>\$ 5,171,065</b>	<b>\$ 1,255,022</b>	<b>\$ 2,651,926</b>	<b>\$ 8,649,227</b>	<b>\$ 213,519</b>

See accompanying independent auditors' report.

Capital Projects (Continued)		Permanent Fund	Total Nonmajor Governmental Funds	
Heritage Land Bank	Total Capital Projects	Cemetery Perpetual Maintenance	December 31, 2011	December 31, 2010
\$ —	\$ —	\$ —	\$ 56,667	\$ 97,883
1,986,013	19,026,331	424,533	49,585,311	44,214,837
—	—	—	30,583,665	30,892,756
—	—	—	—	1,753
—	—	—	457,484	6,722,351
—	14,970	—	151,149	157,921
—	97,038	—	2,006,267	1,717,419
—	9,086,478	—	19,012,726	19,238,038
—	23,754	—	129,963	174,219
—	—	—	1,017,429	1,000,000
—	—	—	7,243,939	7,603,798
—	—	—	14,236,224	13,799,554
—	384,488	—	384,488	378,783
<u>\$ 1,986,013</u>	<u>\$ 28,633,059</u>	<u>\$ 424,533</u>	<u>\$ 124,865,312</u>	<u>\$ 126,199,312</u>
\$ 89,080	\$ 4,081,116	\$ —	\$ 7,692,903	\$ 6,250,681
—	4,418	—	409,422	516,443
—	1,180,720	—	4,587,719	9,129,860
—	1,559,487	—	14,339,179	10,235,729
—	1,439,596	—	1,439,596	1,510,984
<u>89,080</u>	<u>8,265,337</u>	<u>—</u>	<u>28,468,819</u>	<u>27,643,697</u>
—	—	150,000	1,167,429	1,150,000
—	4,943,799	—	53,416,639	64,384,701
1,170,982	11,341,718	—	18,724,646	20,753,368
725,951	4,346,491	274,533	23,404,223	17,356,453
—	(264,286)	—	(316,444)	(5,088,907)
<u>1,896,933</u>	<u>20,367,722</u>	<u>424,533</u>	<u>96,396,493</u>	<u>98,555,615</u>
<u>\$ 1,986,013</u>	<u>\$ 28,633,059</u>	<u>\$ 424,533</u>	<u>\$ 124,865,312</u>	<u>\$ 126,199,312</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended December 31, 2011  
(With summarized financial information for the year ended December 31, 2010)

	Special Revenue						
	Heritage Land Bank	Federal/State Fines and Forfeitures	Convention Center Operating Reserve	State Grants	Federal Grants	Police/Fire Retiree Medical Liability	Miscellaneous Operational Grants
<b>Revenues:</b>							
Hotel and motel taxes	\$ —	\$ —	\$ 12,205,070	\$ —	\$ —	\$ —	\$ —
Special assessments	—	—	—	—	—	—	—
Intergovernmental	—	—	—	21,756,482	15,632,991	—	—
Charges for services	363,393	—	—	—	—	—	190
Fines and forfeitures	—	466,971	—	—	—	—	—
Investment income (loss)	27,771	39,112	141,448	24,674	59,318	(440,970)	20,328
Restricted contributions	—	—	—	—	—	—	685,792
Other	706,686	223,994	202,931	—	234,520	—	—
<b>Total revenues</b>	<b>1,097,850</b>	<b>730,077</b>	<b>12,549,449</b>	<b>21,781,156</b>	<b>15,926,829</b>	<b>(440,970)</b>	<b>706,310</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	2,194,502	—	—	(1,430,988)	—	69,480	6,526
Fire services	—	—	—	244,263	2,031,020	1,407,936	48,148
Police services	—	756,939	—	910,015	2,851,358	1,378,168	—
Health and human services	—	—	—	9,864,378	2,811,351	—	87,676
Economic and community development	—	—	5,593,328	1,977,817	5,488,299	—	132,404
Public transportation	—	—	—	1,821,975	3,583,610	—	—
Public works	—	—	—	2,882,190	26,136	—	—
Maintenance and operations of roads and facilities	—	—	—	—	—	—	—
Education	—	—	—	4,661,259	—	—	—
<b>Debt service:</b>							
Principal	—	—	—	—	78,000	—	—
Interest	—	—	—	—	97,924	—	—
Bond issuance costs	—	—	—	—	—	—	—
<b>Capital projects</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total expenditures</b>	<b>2,194,502</b>	<b>756,939</b>	<b>5,593,328</b>	<b>20,930,909</b>	<b>16,967,698</b>	<b>2,855,584</b>	<b>274,754</b>
Excess (deficiency) of revenues over expenditures	(1,096,652)	(26,862)	6,956,121	850,247	(1,040,869)	(3,296,554)	431,556
<b>Other financing sources (uses):</b>							
Transfers from other funds	866,000	—	456,562	457,604	670,786	1,869,000	1,037
Transfers to other funds	(465,000)	—	(6,198,549)	—	—	—	—
General obligation bonds issued	—	—	—	—	—	—	—
State of Alaska jail lease advance payment	—	—	—	—	—	—	—
Premium on bond sale	—	—	—	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—	—	—
Sale of capital assets	130,000	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>531,000</b>	<b>—</b>	<b>(5,741,987)</b>	<b>457,604</b>	<b>670,786</b>	<b>1,869,000</b>	<b>1,037</b>
<b>Net change in fund balances</b>	<b>(565,652)</b>	<b>(26,862)</b>	<b>1,214,134</b>	<b>1,307,851</b>	<b>(370,083)</b>	<b>(1,427,554)</b>	<b>432,593</b>
Fund balances (deficits), beginning of year	1,699,849	1,928,763	6,225,378	15,069,842	2,569,424	30,540,154	808,179
<b>Fund balances (deficits), end of year</b>	<b>\$ 1,134,197</b>	<b>\$ 1,901,901</b>	<b>\$ 7,439,512</b>	<b>\$ 16,377,693</b>	<b>\$ 2,199,341</b>	<b>\$ 29,112,600</b>	<b>\$ 1,240,772</b>

See accompanying independent auditors' report.



Special Revenue (Continued)		Debt Service					
Other Restricted Resources	Total Special Revenue	Special Assessment Bonds	Retirement Certificates of Participation	Jail Revenue Bond	ACPA Surcharge Revenue Bond	CIVICVentures Revenue Bond	Total Debt Service
\$ —	\$ 12,205,070	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1,049,559	1,049,559	1,590	—	—	—	—	1,590
—	37,389,473	—	—	—	—	—	—
—	363,583	—	—	5,035,200	—	—	5,035,200
—	466,971	—	—	—	—	—	—
(13,169)	(141,488)	22,394	2,906	—	6,190	37,363	68,853
—	685,792	—	—	—	—	—	—
—	1,368,131	—	—	—	402,744	—	402,744
1,036,390	53,387,091	23,984	2,906	5,035,200	408,934	37,363	5,508,387
1,039,665	1,879,185	—	—	—	—	—	—
—	3,731,367	—	—	—	—	—	—
—	5,896,480	—	—	—	—	—	—
—	12,763,405	—	—	—	—	—	—
—	13,191,848	—	—	—	—	—	—
—	5,405,585	—	—	—	—	—	—
—	2,908,326	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	4,661,259	—	—	—	—	—	—
—	78,000	—	—	3,150,000	115,000	1,180,000	4,445,000
—	97,924	—	—	1,885,200	224,212	4,990,010	7,099,422
—	—	—	—	47,481	—	—	47,481
—	—	—	—	—	—	—	—
1,039,665	50,613,379	—	—	5,082,681	339,212	6,170,010	11,591,903
(3,275)	2,773,712	23,984	2,906	(47,481)	69,722	(6,132,647)	(6,083,516)
—	4,320,989	—	—	—	—	6,198,549	6,198,549
—	(6,663,549)	—	(162,907)	—	—	—	(162,907)
—	—	—	—	23,908,250	—	—	23,908,250
—	—	—	—	(23,860,769)	—	—	(23,860,769)
—	130,000	—	—	—	—	—	—
—	(2,212,560)	—	(162,907)	47,481	—	6,198,549	6,083,123
(3,275)	561,152	23,984	(160,001)	—	69,722	65,902	(393)
(48,883)	58,792,706	1,065,884	160,001	8,639	388,443	14,627,806	16,250,773
\$ (52,158)	\$ 59,353,858	\$ 1,089,868	\$ —	\$ 8,639	\$ 458,165	\$ 14,693,708	\$ 16,250,380

(Continued)

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended December 31, 2011  
(With summarized financial information for the year ended December 31, 2010)

<b>Capital Projects</b>						
	<b>Areawide</b>	<b>Public Safety</b>	<b>Public Transportation</b>	<b>Miscellaneous</b>	<b>Parks and Recreation</b>	<b>Historic Preservation</b>
<b>Revenues:</b>						
Hotel and motel taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special assessments	12,953	—	—	49,799	—	—
Intergovernmental	4,872,388	3,793,925	7,240,808	6,934,086	2,223,019	—
Charges for services	168,558	2,444	—	—	1,372	144
Fines and forfeitures	—	—	—	—	—	—
Investment income (loss)	148,660	57,661	—	—	199,427	7,371
Restricted contributions	—	—	—	—	380,774	47,500
Other	360,121	—	—	—	247,432	—
<b>Total revenues</b>	<b>5,562,680</b>	<b>3,854,030</b>	<b>7,240,808</b>	<b>6,983,885</b>	<b>3,052,024</b>	<b>55,015</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	—	—	—	—	—	—
Fire services	—	—	—	—	—	—
Police services	—	—	—	—	—	—
Health and human services	—	—	—	—	—	—
Economic and community development	—	—	—	—	—	—
Public transportation	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Maintenance and operations of roads and facilities	—	—	—	—	—	—
Education	—	—	—	—	—	—
<b>Debt service:</b>						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond issuance costs	8,348	2,407	1,828	—	—	—
Capital projects	11,254,209	8,164,106	7,040,997	6,893,547	4,769,103	156,441
<b>Total expenditures</b>	<b>11,262,557</b>	<b>8,166,513</b>	<b>7,042,825</b>	<b>6,893,547</b>	<b>4,769,103</b>	<b>156,441</b>
Excess (deficiency) of revenues over expenditures	(5,699,877)	(4,312,483)	197,983	90,338	(1,717,079)	(101,426)
<b>Other financing sources (uses):</b>						
Transfers from other funds	4,766,999	142,086	86,208	130,000	1,767,777	8,967
Transfers to other funds	(4,605)	(352,024)	(103)	—	—	(40,000)
General obligation bonds issued	1,341,182	386,691	293,690	—	—	—
State of Alaska jail lease advance payment	—	—	—	—	—	—
Premium on bond sale	37,634	10,851	8,241	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—	—
Sale of capital assets	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>6,141,210</b>	<b>187,604</b>	<b>388,036</b>	<b>130,000</b>	<b>1,767,777</b>	<b>(31,033)</b>
Net change in fund balances	441,333	(4,124,879)	586,019	220,338	50,698	(132,459)
Fund balances, beginning of year	5,252,872	7,167,949	(412,033)	861,702	8,213,271	345,978
Fund balances, end of year	<b>\$ 5,694,205</b>	<b>\$ 3,043,070</b>	<b>\$ 173,986</b>	<b>\$ 1,082,040</b>	<b>\$ 8,263,969</b>	<b>\$ 213,519</b>

See accompanying independent auditors' report.

Capital Projects (Continued)		Permanent Fund	Total Nonmajor Governmental Funds	
Heritage Land Bank	Total Capital Projects	Cemetery Perpetual Maintenance	2011	2010
\$ —	\$ —	\$ —	\$ 12,205,070	\$ 11,377,359
—	62,752	—	1,113,901	907,050
—	25,064,226	—	62,453,699	67,942,898
—	172,518	9,500	5,580,801	7,293,537
—	—	—	466,971	292,527
37,891	451,010	8,682	387,057	4,333,024
—	428,274	—	1,114,066	638,078
—	607,553	—	2,378,428	2,037,441
<u>37,891</u>	<u>26,786,333</u>	<u>18,182</u>	<u>85,699,993</u>	<u>94,821,914</u>
—	—	—	1,879,185	(386,327)
—	—	—	3,731,367	2,518,797
—	—	—	5,896,480	5,385,816
—	—	—	12,763,405	11,950,544
—	—	—	13,191,848	19,386,845
—	—	—	5,405,585	1,896,287
—	—	—	2,908,326	2,227,447
—	—	—	—	146,066
—	—	—	4,661,259	1,271,577
—	—	—	4,523,000	4,239,000
—	—	—	7,197,346	7,391,120
—	12,583	—	60,064	79,581
<u>282,004</u>	<u>38,560,407</u>	<u>—</u>	<u>38,560,407</u>	<u>40,151,400</u>
<u>282,004</u>	<u>38,572,990</u>	<u>—</u>	<u>100,778,272</u>	<u>96,258,153</u>
<u>(244,113)</u>	<u>(11,786,657)</u>	<u>18,182</u>	<u>(15,078,279)</u>	<u>(1,436,239)</u>
465,000	7,367,037	—	17,886,575	14,597,682
—	(396,732)	—	(7,223,188)	(6,560,897)
—	2,021,563	—	2,021,563	11,594,412
—	—	—	23,908,250	—
—	56,726	—	56,726	110,804
—	—	—	(23,860,769)	—
—	—	—	130,000	2,155
<u>465,000</u>	<u>9,048,594</u>	<u>—</u>	<u>12,919,157</u>	<u>19,744,156</u>
220,887	(2,738,063)	18,182	(2,159,122)	18,307,917
<u>1,676,046</u>	<u>23,105,785</u>	<u>406,351</u>	<u>98,555,615</u>	<u>80,247,698</u>
<u>\$ 1,896,933</u>	<u>\$ 20,367,722</u>	<u>\$ 424,533</u>	<u>\$ 96,396,493</u>	<u>\$ 98,555,615</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule

Heritage Land Bank

Special Revenue Fund

Year ended December 31, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 106,000	\$ 106,000	\$ 363,393	\$ 257,393
Investment income	63,732	28,749	27,771	(978)
Other	5,000	5,000	706,686	701,686
Total revenues	<u>174,732</u>	<u>139,749</u>	<u>1,097,850</u>	<u>958,101</u>
Expenditures:				
General government	1,298,046	2,441,489	2,194,502	246,987
Total expenditures	<u>1,298,046</u>	<u>2,441,489</u>	<u>2,194,502</u>	<u>246,987</u>
Deficiency of revenues over expenditures	<u>(1,123,314)</u>	<u>(2,301,740)</u>	<u>(1,096,652)</u>	<u>1,205,088</u>
Other financing sources (uses):				
Transfers to other funds	—	(465,000)	(465,000)	—
Transfers from other funds	—	866,000	866,000	—
Sale of capital assets	410,000	410,000	130,000	(280,000)
Total other financing sources (uses)	<u>410,000</u>	<u>811,000</u>	<u>531,000</u>	<u>(280,000)</u>
Net change in fund balance	(713,314)	(1,490,740)	(565,652)	925,088
Fund balance, beginning of year	1,699,849	1,699,849	1,699,849	—
Fund balance, end of year	<u>\$ 986,535</u>	<u>\$ 209,109</u>	<u>\$ 1,134,197</u>	<u>\$ 925,088</u>

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule  
Convention Center Operating Reserve  
Special Revenue Fund  
Year ended December 31, 2011

	<b>Budget</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Hotel and motel taxes	\$ 11,516,950	\$ 11,783,279	\$ 12,205,070	\$ 421,791
Investment income	—	—	141,448	141,448
Other	—	—	202,931	202,931
Total revenues	<u>11,516,950</u>	<u>11,783,279</u>	<u>12,549,449</u>	<u>766,170</u>
Expenditures:				
Economic and community development	<u>5,379,204</u>	<u>5,664,814</u>	<u>5,593,328</u>	<u>71,486</u>
Total expenditures	<u>5,379,204</u>	<u>5,664,814</u>	<u>5,593,328</u>	<u>71,486</u>
Excess of revenues over expenditures	<u>6,137,746</u>	<u>6,118,465</u>	<u>6,956,121</u>	<u>837,656</u>
Other financing sources (uses):				
Transfers to other funds	(6,137,746)	(6,310,760)	(6,198,549)	112,211
Transfers from other funds	—	456,600	456,562	(38)
Total other financing sources (uses)	<u>(6,137,746)</u>	<u>(5,854,160)</u>	<u>(5,741,987)</u>	<u>112,173</u>
Net change in fund balance	—	264,305	1,214,134	949,829
Fund balance, beginning of year	<u>6,225,378</u>	<u>6,225,378</u>	<u>6,225,378</u>	<u>—</u>
Fund balance, end of year	<u>\$ 6,225,378</u>	<u>\$ 6,489,683</u>	<u>\$ 7,439,512</u>	<u>\$ 949,829</u>

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule

Special Assessment Bonds

Debt Service Fund

Year ended December 31, 2011

	<b>Budget</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Special assessments	\$ —	\$ —	\$ 1,590	\$ 1,590
Investment income	—	—	22,394	22,394
Total revenues	—	—	23,984	23,984
Fund balance, beginning of year	1,065,884	1,065,884	1,065,884	—
Fund balance, end of year	\$ 1,065,884	\$ 1,065,884	\$ 1,089,868	\$ 23,984

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule  
 Retirement Certificates of Participation  
 Debt Service Fund  
 Year ended December 31, 2011

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment income	\$ —	\$ —	\$ 2,906	\$ 2,906
Total revenues	—	—	2,906	2,906
Other financing uses:				
Transfers to other funds	—	(165,900)	(162,907)	2,993
Total other financing uses	—	(165,900)	(162,907)	2,993
Net change in fund balance	—	(165,900)	(160,001)	5,899
Fund balance, beginning of year	160,001	160,001	160,001	—
Fund balance, end of year	\$ 160,001	\$ (5,899)	\$ —	\$ 5,899

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule  
 Police/Fire Retiree Medical Liability  
 Special Revenue Fund  
 Year ended December 31, 2011

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment income (loss)	\$ 90,000	\$ 90,000	\$ (440,970)	\$ (530,970)
Total revenues	90,000	90,000	(440,970)	(530,970)
Expenditures:				
General government	88,000	88,000	69,480	18,520
Fire services	1,425,188	1,425,188	1,407,936	17,252
Police services	1,396,966	1,396,966	1,378,168	18,798
Total expenditures	2,910,154	2,910,154	2,855,584	54,570
Deficiency of revenues over expenditures	(2,820,154)	(2,820,154)	(3,296,554)	(476,400)
Other financing sources:				
Transfers from other funds	1,869,000	1,869,000	1,869,000	—
Total other financing sources	1,869,000	1,869,000	1,869,000	—
Net change in fund balance	(951,154)	(951,154)	(1,427,554)	(476,400)
Fund balance, beginning of year	30,540,154	30,540,154	30,540,154	—
Fund balance, end of year	\$ 29,589,000	\$ 29,589,000	\$ 29,112,600	\$ (476,400)

See accompanying independent auditors' report.



**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule

Jail Revenue Bond

Debt Service Fund

Year ended December 31, 2011

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 5,035,200	\$ 5,035,200	\$ 5,035,200	\$ —
Total revenues	<u>5,035,200</u>	<u>5,035,200</u>	<u>5,035,200</u>	<u>—</u>
Expenditures:				
Debt service:				
Principal	3,150,000	3,150,000	3,150,000	—
Interest	1,885,200	1,885,200	1,885,200	—
Bond issuance costs	—	—	47,481	(47,481)
Total expenditures	<u>5,035,200</u>	<u>5,035,200</u>	<u>5,082,681</u>	<u>(47,481)</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>(47,481)</u>	<u>(47,481)</u>
Other financing sources (uses):				
Refunding bonds issued	—	—	23,908,250	23,908,250
Payment to refunded bond escrow agent	—	—	(23,860,769)	(23,860,769)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>47,481</u>	<u>47,481</u>
Net change in fund balance	—	—	—	—
Fund balance, beginning of year	<u>8,639</u>	<u>8,639</u>	<u>8,639</u>	<u>—</u>
Fund balance, end of year	<u>\$ 8,639</u>	<u>\$ 8,639</u>	<u>\$ 8,639</u>	<u>\$ —</u>

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Budgetary Comparison Schedule  
 ACPA Surcharge Revenue Bond  
 Debt Service Fund  
 Year ended December 31, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	—	—	6,190	6,190
Other	342,917	342,917	402,744	59,827
Total revenues	<u>342,917</u>	<u>342,917</u>	<u>408,934</u>	<u>66,017</u>
Expenditures:				
Debt service:				
Principal	115,000	115,000	115,000	—
Interest	224,213	224,213	224,212	1
Total expenditures	<u>339,213</u>	<u>339,213</u>	<u>339,212</u>	<u>1</u>
Net change in fund balance	3,704	3,704	69,722	66,018
Fund balance, beginning of year	388,443	388,443	388,443	—
Fund balance, end of year	<u>\$ 392,147</u>	<u>\$ 392,147</u>	<u>\$ 458,165</u>	<u>\$ 66,018</u>

See accompanying independent auditors' report.

## NONMAJOR ENTERPRISE FUNDS

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

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

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Net Assets

Nonmajor Enterprise Funds

December 31, 2011

(With summarized financial information at December 31, 2010)

Assets	Refuse Utility	Solid Waste	Municipal Airport	Total Nonmajor Enterprise Funds	
				December 31, 2011	December 31, 2010
Current assets:					
Cash	\$ 700	\$ 2,775	\$ 200	\$ 3,675	\$ 3,675
Cash in central treasury	4,277,316	11,408,035	—	15,685,351	11,962,135
Accrued interest on investments	28,211	113,835	—	142,046	103,914
Interest receivable	—	—	23	23	23
Receivables (net of allowance for uncollectibles)	627,364	1,712,241	76,135	2,415,740	2,578,835
Prepaid items and deposits	1,565	3,870	15,202	20,637	21,289
Restricted assets:					
Intergovernmental receivables	—	—	932,338	932,338	1,531,900
Capital acquisition and construction accounts	2,306,194	8,898,948	1,950,960	13,156,102	10,137,341
Landfill post closure cash reserve	—	6,387,183	—	6,387,183	4,597,159
Total current assets	<u>7,241,350</u>	<u>28,526,887</u>	<u>2,974,858</u>	<u>38,743,095</u>	<u>30,936,271</u>
Noncurrent assets:					
Loans receivable, net	—	—	4,584	4,584	5,702
Capital assets, net	3,520,463	57,129,977	56,775,829	117,426,269	119,588,446
Total noncurrent assets	<u>3,520,463</u>	<u>57,129,977</u>	<u>56,780,413</u>	<u>117,430,853</u>	<u>119,594,148</u>
Total assets	<u>\$ 10,761,813</u>	<u>\$ 85,656,864</u>	<u>\$ 59,755,271</u>	<u>\$ 156,173,948</u>	<u>\$ 150,530,419</u>
 <b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable and retainages	\$ 75,367	\$ 527,766	\$ 37,201	\$ 640,334	\$ 535,982
Accrued interest payable	—	141,859	—	141,859	156,118
Accrued payroll liabilities	84,212	359,522	46,487	490,221	450,492
Compensated absences	123,353	485,855	73,253	682,461	652,991
Due to other funds	—	—	1,158,141	1,158,141	1,020,340
Long-term obligations maturing within one year	—	1,718,267	—	1,718,267	1,446,096
Deferred revenue and deposits	—	—	80,039	80,039	99,071
Current liabilities payable from restricted assets:					
Capital acquisition and construction accounts and retainage payable	—	24,362	150,057	174,419	493,066
Total current liabilities	<u>282,932</u>	<u>3,257,631</u>	<u>1,545,178</u>	<u>5,085,741</u>	<u>4,854,156</u>
Noncurrent liabilities:					
Alaska clean water loans payable	—	16,744,940	—	16,744,940	14,673,256
Compensated absences	2,833	—	8,431	11,264	56,696
Total noncurrent liabilities	<u>2,833</u>	<u>16,744,940</u>	<u>8,431</u>	<u>16,756,204</u>	<u>14,729,952</u>
Deferred credits and other liabilities:					
Future landfill closure costs	—	22,149,134	—	22,149,134	20,459,932
Total liabilities	<u>285,765</u>	<u>42,151,705</u>	<u>1,553,609</u>	<u>43,991,079</u>	<u>40,044,040</u>
Net assets:					
Invested in capital assets, net of related debt	3,520,463	47,565,718	56,775,829	107,862,010	110,071,128
Restricted for capital construction	2,306,194	—	2,854,707	5,160,901	5,031,024
Unrestricted	4,649,391	(4,060,559)	(1,428,874)	(840,042)	(4,615,773)
Total net assets	<u>10,476,048</u>	<u>43,505,159</u>	<u>58,201,662</u>	<u>112,182,869</u>	<u>110,486,379</u>
Total liabilities and net assets	<u>\$ 10,761,813</u>	<u>\$ 85,656,864</u>	<u>\$ 59,755,271</u>	<u>\$ 156,173,948</u>	<u>\$ 150,530,419</u>

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

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

Nonmajor Enterprise Funds

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

	Refuse Utility	Solid Waste	Municipal Airport	Total Nonmajor Enterprise Funds	
				2011	2010
Operating revenues:					
Charges for sales and services	\$ 8,775,319	\$ 17,929,783	\$ 1,330,142	\$ 28,035,244	\$ 28,390,106
Other	41,392	634,433	—	675,825	542,373
Total operating revenues	8,816,711	18,564,216	1,330,142	28,711,069	28,932,479
Operating expenses:					
Operations	7,459,508	11,204,016	1,451,213	20,114,737	19,397,425
Amortization of future landfill closure costs	—	1,689,202	—	1,689,202	1,242,346
Depreciation and amortization	764,324	3,927,292	2,643,062	7,334,678	6,430,923
Total operating expenses	8,223,832	16,820,510	4,094,275	29,138,617	27,070,694
Operating income (loss)	592,879	1,743,706	(2,764,133)	(427,548)	1,861,785
Nonoperating revenues (expenses):					
Investment income	141,940	449,274	17,290	608,504	766,445
Other revenues	—	—	10,435	10,435	11,119
Intergovernmental revenue	—	—	111,731	111,731	108,584
Interest expense	—	(227,532)	—	(227,532)	(249,175)
Gain (loss) on sale of capital assets	4,043	2,400	—	6,443	(161,983)
Net nonoperating revenues (expenses)	145,983	224,142	139,456	509,581	474,990
Income (loss) before capital contributions and transfers	738,862	1,967,848	(2,624,677)	82,033	2,336,775
Capital contributions	—	—	2,644,069	2,644,069	7,272,716
Transfers from other funds	—	—	40,500	40,500	440,000
Transfers to other funds	(68,147)	(964,047)	(37,918)	(1,070,112)	(1,282,468)
Change in net assets	670,715	1,003,801	21,974	1,696,490	8,767,023
Net assets, beginning of year	9,805,333	42,501,358	58,179,688	110,486,379	101,719,356
Net assets, end of year	\$ 10,476,048	\$ 43,505,159	\$ 58,201,662	\$ 112,182,869	\$ 110,486,379

See accompanying independent auditors' report.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

	Refuse Utility	Solid Waste	Municipal Airport	Total Nonmajor Enterprise Funds	
				2011	2010
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,805,871	\$ 18,810,498	\$ 1,241,279	\$ 28,857,648	\$ 28,967,797
Payments to employees	(2,127,733)	(7,716,326)	(1,036,363)	(10,880,422)	(10,654,084)
Payments to vendors	(5,299,655)	(3,424,101)	(381,788)	(9,105,544)	(8,930,897)
Net cash from operating activities	<u>1,378,483</u>	<u>7,670,071</u>	<u>(176,872)</u>	<u>8,871,682</u>	<u>9,382,816</u>
Cash flows from noncapital and related financing activities:					
Transfers to other funds	(68,147)	(964,047)	(37,918)	(1,070,112)	(1,282,468)
Transfers from other funds	—	—	40,500	40,500	440,000
Due to other funds	—	—	137,801	137,801	162,907
Net cash from noncapital and related financing activities	<u>(68,147)</u>	<u>(964,047)</u>	<u>140,383</u>	<u>(891,811)</u>	<u>(679,561)</u>
Cash flows from capital and related financing activities:					
Principal payments on long-term obligations	—	(1,619,606)	—	(1,619,606)	(1,451,546)
Interest payments on long-term obligations	—	(241,791)	—	(241,791)	(263,481)
Acquisition and construction of capital assets	(137,429)	(2,372,205)	(2,981,514)	(5,491,148)	(14,113,827)
Landfill post closure cash reserve	—	(1,790,024)	—	(1,790,024)	(1,676,459)
Proceeds from Alaska clean water loans	—	3,963,461	—	3,963,461	—
Proceeds from sales of capital assets	4,043	2,400	—	6,443	90,471
Capital contributions - intergovernmental	—	—	3,364,399	3,364,399	6,618,316
Net cash from capital and related financing activities	<u>(133,386)</u>	<u>(2,057,765)</u>	<u>382,885</u>	<u>(1,808,266)</u>	<u>(10,796,526)</u>
Cash flows from investing activities:					
Proceeds from sale of investments	—	—	—	—	—
Investment income	135,544	417,538	17,290	570,372	772,573
Net cash from investing activities	<u>135,544</u>	<u>417,538</u>	<u>17,290</u>	<u>570,372</u>	<u>772,573</u>
Net increase (decrease) in cash	<u>1,312,494</u>	<u>5,065,797</u>	<u>363,686</u>	<u>6,741,977</u>	<u>(1,320,698)</u>
Cash, beginning of year	<u>5,271,716</u>	<u>15,243,961</u>	<u>1,587,474</u>	<u>22,103,151</u>	<u>23,423,849</u>
Cash, end of year	<u>\$ 6,584,210</u>	<u>\$ 20,309,758</u>	<u>\$ 1,951,160</u>	<u>\$ 28,845,128</u>	<u>\$ 22,103,151</u>
<b>Cash</b>	<b>\$ 700</b>	<b>\$ 2,775</b>	<b>\$ 200</b>	<b>\$ 3,675</b>	<b>\$ 3,675</b>
Cash in central treasury	4,277,316	11,408,035	—	15,685,351	11,962,135
Capital acquisition and construction accounts	2,306,194	8,898,948	1,950,960	13,156,102	10,137,341
Cash, December 31	<u>\$ 6,584,210</u>	<u>\$ 20,309,758</u>	<u>\$ 1,951,160</u>	<u>\$ 28,845,128</u>	<u>\$ 22,103,151</u>
Reconciliation of change in net assets to net cash provided by operating activities:					
Operating income (loss)	\$ 592,879	\$ 1,743,706	\$ (2,764,133)	\$ (427,548)	\$ 1,861,785
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Amortization of landfill closure costs	—	1,689,202	—	1,689,202	1,242,346
Depreciation and amortization	764,324	3,927,292	2,643,062	7,334,678	6,430,923
Other revenues	—	—	10,435	10,435	11,119
Changes in assets and liabilities which increase (decrease) cash:					
Accounts receivable, net	(10,511)	246,282	(71,558)	164,213	40,554
Prepaid items and deposits	(264)	(654)	1,570	652	3,321
Accounts payable and retainages	30,391	54,731	19,230	104,352	(191,230)
Accrued payroll liabilities	6,350	27,415	5,964	39,729	(66,254)
Compensated absences payable	(4,357)	(17,903)	6,298	(15,962)	66,607
Deferred revenue and deposits	(329)	—	(27,740)	(28,069)	(16,355)
Total cash provided (used) by operating activities	<u>\$ 1,378,483</u>	<u>\$ 7,670,071</u>	<u>\$ (176,872)</u>	<u>\$ 8,871,682</u>	<u>\$ 9,382,816</u>
Noncash investing, capital, and financing activities:					
Capital purchases on account	\$ —	\$ 24,362	\$ 150,057	\$ 174,419	\$ 493,066

See accompanying independent auditors' report.

## INTERNAL SERVICE FUNDS

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

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

- General liability, automobile liability, workers' compensation
- Medical/Dental
- Unemployment compensation

The **Equipment Maintenance Fund** accounts for the management and maintenance of general government equipment and vehicles.

The **Information Technology Fund** accounts for management information services.

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Net Assets

Internal Service Funds

December 31, 2011

(With summarized financial information at December 31, 2010)

Assets	Risk Management			
	General Liability/ Workers' Compensation	Medical/ Dental	Unemployment Compensation	Equipment Maintenance
Current assets:				
Cash in central treasury	\$ 14,511,812	\$ 6,779,685	\$ 908,267	\$ 7,245,012
Master lease agreement escrow	—	—	—	—
Receivables (net of allowance for uncollectibles)	—	—	—	117,208
Due from other funds	548,516	—	—	—
Inventories	—	—	—	335,752
Prepaid items and deposits	381,375	—	—	865
Restricted assets:				
Capital acquisition and construction accounts	—	—	—	2,837,418
Total current assets	<u>15,441,703</u>	<u>6,779,685</u>	<u>908,267</u>	<u>10,536,255</u>
Noncurrent assets:				
Advances to other funds	1,226,451	—	—	—
Capital assets, net	—	—	—	18,688,907
Total noncurrent assets	<u>1,226,451</u>	<u>—</u>	<u>—</u>	<u>18,688,907</u>
Total assets	<u>\$ 16,668,154</u>	<u>\$ 6,779,685</u>	<u>\$ 908,267</u>	<u>\$ 29,225,162</u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and retainages	\$ 278,888	\$ —	\$ —	\$ 319,366
Accrued payroll liabilities	3,684	532	—	135,368
Compensated absences	4,956	2,455	—	215,207
Claims payable	12,914,908	1,676,382	106,566	—
Claims incurred but not reported	2,607,886	6,136,387	—	—
Due to other funds	—	—	—	—
Accrued interest payable	—	—	—	—
Long-term obligations maturing within one year	—	—	—	—
Current liabilities payable from restricted assets:				
Capital acquisition and construction accounts and retainage payable	—	—	—	—
Total current liabilities	<u>15,810,322</u>	<u>7,815,756</u>	<u>106,566</u>	<u>669,941</u>
Noncurrent liabilities:				
Advances from other funds	—	—	—	—
Compensated absences	9,168	—	—	—
Capital leases payable	—	—	—	—
Claims incurred but not reported	5,562,889	—	—	—
Deferred revenue and deposits	—	—	—	—
Total noncurrent liabilities	<u>5,572,057</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>21,382,379</u>	<u>7,815,756</u>	<u>106,566</u>	<u>669,941</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	—	—	—	18,688,907
Unrestricted	(4,714,225)	(1,036,071)	801,701	9,866,314
Total net assets	<u>(4,714,225)</u>	<u>(1,036,071)</u>	<u>801,701</u>	<u>28,555,221</u>
Total liabilities and net assets	<u>\$ 16,668,154</u>	<u>\$ 6,779,685</u>	<u>\$ 908,267</u>	<u>\$ 29,225,162</u>

See accompanying independent auditors' report.



Information Technology	Total Internal Service Funds	
	December 31, 2011	December 31, 2010
\$ —	\$ 29,444,776	\$ 27,415,594
450,206	450,206	675,239
—	117,208	196,851
—	548,516	1,018,376
—	335,752	355,575
130,055	512,295	486,082
<u>4,420,747</u>	<u>7,258,165</u>	<u>3,814,739</u>
<u>5,001,008</u>	<u>38,666,918</u>	<u>33,962,456</u>
—	1,226,451	1,609,933
<u>7,646,737</u>	<u>26,335,644</u>	<u>29,278,008</u>
<u>7,646,737</u>	<u>27,562,095</u>	<u>30,887,941</u>
<u>\$ 12,647,745</u>	<u>\$ 66,229,013</u>	<u>\$ 64,850,397</u>
\$ 328,555	\$ 926,809	\$ 737,041
327,574	467,158	529,478
615,964	838,582	867,222
—	14,697,856	10,772,968
—	8,744,273	7,583,045
1,502,174	1,502,174	5,700,784
25,062	25,062	21,326
1,064,501	1,064,501	925,302
<u>38,050</u>	<u>38,050</u>	<u>1,101,167</u>
<u>3,901,880</u>	<u>28,304,465</u>	<u>28,238,333</u>
548,534	548,534	1,097,050
158,553	167,721	98,389
2,309,781	2,309,781	1,732,432
—	5,562,889	4,684,326
<u>172,192</u>	<u>172,192</u>	<u>258,288</u>
<u>3,189,060</u>	<u>8,761,117</u>	<u>7,870,485</u>
<u>7,090,940</u>	<u>37,065,582</u>	<u>36,108,818</u>
7,596,152	26,285,059	28,319,587
(2,039,347)	2,878,372	421,992
<u>5,556,805</u>	<u>29,163,431</u>	<u>28,741,579</u>
<u>\$ 12,647,745</u>	<u>\$ 66,229,013</u>	<u>\$ 64,850,397</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
Year ended December 31, 2011  
(With summarized financial information for the year ended December 31, 2010)

	<b>Risk Management</b>			
	<b>General Liability/ Workers' Compensation</b>	<b>Medical/ Dental</b>	<b>Unemployment Compensation</b>	<b>Equipment Maintenance</b>
Operating revenues:				
Charges for sales and services	\$ 10,892,306	\$ 54,638,810	\$ 442,109	\$ 11,462,292
Other	10,834	—	—	—
Total operating revenues	<u>10,903,140</u>	<u>54,638,810</u>	<u>442,109</u>	<u>11,462,292</u>
Operating expenses:				
Operations	15,934,778	52,105,678	522,267	7,275,515
Depreciation and amortization	—	—	—	7,209,138
Total operating expenses	<u>15,934,778</u>	<u>52,105,678</u>	<u>522,267</u>	<u>14,484,653</u>
Operating income (loss)	<u>(5,031,638)</u>	<u>2,533,132</u>	<u>(80,158)</u>	<u>(3,022,361)</u>
Nonoperating revenues (expenses):				
Investment income (loss)	350,638	92,252	20,076	162,629
Other revenues	—	—	—	138,129
Other expenses	—	—	—	—
Interest expense	—	—	—	—
Gain on sale of capital assets	—	—	—	74,270
Net nonoperating revenues (expenses)	<u>350,638</u>	<u>92,252</u>	<u>20,076</u>	<u>375,028</u>
Income (loss) before capital contributions and transfers	<u>(4,681,000)</u>	<u>2,625,384</u>	<u>(60,082)</u>	<u>(2,647,333)</u>
Capital contributions	—	—	—	25,538
Transfers from other funds	—	13,800	—	—
Change in net assets	<u>(4,681,000)</u>	<u>2,639,184</u>	<u>(60,082)</u>	<u>(2,621,795)</u>
Net assets, beginning of year	<u>(33,225)</u>	<u>(3,675,255)</u>	<u>861,783</u>	<u>31,177,016</u>
Net assets, end of year	<u>\$ (4,714,225)</u>	<u>\$ (1,036,071)</u>	<u>\$ 801,701</u>	<u>\$ 28,555,221</u>

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	2011	2010
\$ 17,215,255	\$ 94,650,772	\$ 81,066,031
—	10,834	7,573
<u>17,215,255</u>	<u>94,661,606</u>	<u>81,073,604</u>
15,315,600	91,153,838	82,117,089
2,042,786	9,251,924	6,471,871
<u>17,358,386</u>	<u>100,405,762</u>	<u>88,588,960</u>
(143,131)	(5,744,156)	(7,515,356)
(21,865)	603,730	982,269
2,145	140,274	138,753
(8,509)	(8,509)	—
(139,857)	(139,857)	(189,187)
23	74,293	303,304
<u>(168,063)</u>	<u>669,931</u>	<u>1,235,139</u>
(311,194)	(5,074,225)	(6,280,217)
—	25,538	21,773
<u>5,456,739</u>	<u>5,470,539</u>	<u>336,550</u>
5,145,545	421,852	(5,921,894)
411,260	28,741,579	34,663,473
<u>\$ 5,556,805</u>	<u>\$ 29,163,431</u>	<u>\$ 28,741,579</u>

MUNICIPALITY OF ANCHORAGE, ALASKA

Combining Statement of Cash Flows  
Internal Service Funds

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

	<b>Risk Management</b>			
	<b>General Liability/ Workers' Compensation</b>	<b>Medical/ Dental</b>	<b>Unemployment Compensation</b>	<b>Equipment Maintenance</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 10,903,140	\$ 54,638,810	\$ 442,109	\$ 11,600,421
Payments to employees	(124,895)	(299,400)	—	(4,186,528)
Payments to vendors	(11,068,756)	(50,442,063)	(585,017)	(3,204,770)
Net cash from operating activities	<u>(290,511)</u>	<u>3,897,347</u>	<u>(142,908)</u>	<u>4,209,123</u>
<b>Cash flows from noncapital and related financing activities:</b>				
Transfers from other funds	—	13,800	—	—
Loan proceeds from interfund loans	1,566,910	—	—	—
Due to other funds	—	—	—	—
Advance to other funds	(713,568)	—	—	—
Net cash from noncapital and related financing activities	<u>853,342</u>	<u>13,800</u>	<u>—</u>	<u>—</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal payments on long-term obligations	—	—	—	—
Interest payments on long-term obligations	—	—	—	—
Acquisition and construction of capital assets	—	—	—	(3,882,803)
Transfers from other funds	—	—	—	—
Due to other funds	—	—	—	(855,565)
Principal payments on interfund loans	—	—	—	—
Interest payments on interfund loans	—	—	—	—
Proceeds from issuance of debt	—	—	—	—
Proceeds from sales of capital assets	—	—	—	439,180
Net cash from capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,299,188)</u>
<b>Cash flows from investing activities:</b>				
Investment income (loss)	350,638	92,252	20,076	162,629
Net cash from investing	<u>350,638</u>	<u>92,252</u>	<u>20,076</u>	<u>162,629</u>
Net increase (decrease) in cash	913,469	4,003,399	(122,832)	72,564
Cash, beginning of year	13,598,343	2,776,286	1,031,099	10,009,866
Cash, end of year	<u>\$ 14,511,812</u>	<u>\$ 6,779,685</u>	<u>\$ 908,267</u>	<u>\$ 10,082,430</u>
Cash in central treasury	\$ 14,511,812	\$ 6,779,685	\$ 908,267	\$ 7,245,012
Capital acquisition and construction accounts	—	—	—	2,837,418
Cash, December 31	<u>\$ 14,511,812</u>	<u>\$ 6,779,685</u>	<u>\$ 908,267</u>	<u>\$ 10,082,430</u>
<b>Reconciliation of change in net assets to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (5,031,638)	\$ 2,533,132	\$ (80,158)	\$ (3,022,361)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	—	—	—	7,209,138
Other revenues	—	—	—	138,129
Changes in assets and liabilities which increase (decrease) cash:				
Accounts receivable, net	—	196,851	—	(117,208)
Prepaid items and deposits	(37,228)	—	—	(865)
Inventories	—	—	—	19,823
Accounts payable and retainages	(25,521)	(59,968)	(62,750)	85,367
Accrued payroll liabilities	(1,032)	435	—	(51,026)
Compensated absences payable	3,769	606	—	(51,874)
Deferred revenue and deposits	—	—	—	—
Claims payable	4,801,139	1,226,291	—	—
Total cash provided (used) by operating activities	<u>\$ (290,511)</u>	<u>\$ 3,897,347</u>	<u>\$ (142,908)</u>	<u>\$ 4,209,123</u>
<b>Noncash investing, capital, and financing activities:</b>				
Capital purchases on account	—	—	—	—
Contributed capital and equipment	—	—	—	25,538
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,538</u>

See accompanying independent auditors' report.

Information Technology	Total Internal Service Funds	
	2011	2010
\$ 17,217,400	\$ 94,801,880	\$ 81,212,357
(7,807,588)	(12,418,411)	(12,261,159)
<u>(7,314,845)</u>	<u>(72,615,451)</u>	<u>(70,866,663)</u>
2,094,967	9,768,018	(1,915,465)
—	13,800	244,000
—	1,566,910	1,266,752
(3,343,045)	(3,343,045)	173,718
—	(713,568)	(512,882)
<u>(3,343,045)</u>	<u>(2,475,903)</u>	<u>1,171,588</u>
(1,099,309)	(1,099,309)	(773,671)
(105,078)	(105,078)	(93,469)
(3,604,202)	(7,487,005)	(5,706,470)
5,456,739	5,456,739	92,550
—	(855,565)	395,523
(548,516)	(548,516)	(1,266,752)
(39,552)	(39,552)	(74,392)
1,815,857	1,815,857	1,019,613
12	439,192	357,754
<u>1,875,951</u>	<u>(2,423,237)</u>	<u>(6,049,314)</u>
(21,865)	603,730	982,268
<u>(21,865)</u>	<u>603,730</u>	<u>982,268</u>
606,008	5,472,608	(5,810,923)
3,814,739	31,230,333	37,041,256
<u>\$ 4,420,747</u>	<u>\$ 36,702,941</u>	<u>\$ 31,230,333</u>
\$ —	\$ 29,444,776	\$ 27,415,594
4,420,747	7,258,165	3,814,739
<u>\$ 4,420,747</u>	<u>\$ 36,702,941</u>	<u>\$ 31,230,333</u>
\$ (143,131)	\$ (5,744,156)	\$ (7,515,356)
2,042,786	9,251,924	6,471,871
2,145	140,274	138,753
—	79,643	(196,851)
11,880	(26,213)	81,902
—	19,823	27,901
189,889	127,017	(145,845)
(10,697)	(62,320)	(4,363)
88,191	40,692	(77,849)
(86,096)	(86,096)	(125,028)
—	6,027,430	(570,600)
<u>\$ 2,094,967</u>	<u>\$ 9,768,018</u>	<u>\$ (1,915,465)</u>
38,050	38,050	1,101,167
—	25,538	21,773
<u>\$ 38,050</u>	<u>\$ 63,588</u>	<u>\$ 1,122,940</u>

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## FIDUCIARY FUNDS

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

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2011

(With financial information at December 31, 2010)

Assets	Police/Fire Retirement Trust Funds			Total
	Police/Fire Retirement System Plan I	Police/Fire Retirement System Plan II	Police/Fire Retirement System Plan III	
Cash in central treasury	\$ —	\$ —	\$ —	\$ —
Cash, cash equivalents held under securities lending program	5,298,574	3,808,419	12,742,798	21,849,791
Investments, at fair value:				
Cash and money market funds	1,237,426	901,163	3,102,421	5,241,010
U.S. treasuries	2,352,689	1,713,359	5,898,558	9,964,606
Corporate fixed income securities	8,189,799	5,964,269	20,533,105	34,687,173
Asset-backed securities	7,316,458	5,328,253	18,343,502	30,988,213
Fixed income funds	1,667,406	1,214,298	4,180,448	7,062,152
Domestic equity securities	28,181,111	20,523,059	70,654,447	119,358,617
International equity securities	12,940,341	9,423,879	32,443,457	54,807,677
Real estate funds	9,148,041	6,662,114	22,935,568	38,745,723
Total investments	<u>71,033,271</u>	<u>51,730,394</u>	<u>178,091,506</u>	<u>300,855,171</u>
Capital assets, net	2,144	1,541	5,156	8,841
Total assets	<u>\$ 76,333,989</u>	<u>\$ 55,540,354</u>	<u>\$ 190,839,460</u>	<u>\$ 322,713,803</u>
<b>Liabilities</b>				
Accounts payable	\$ 24,271	\$ 17,445	\$ 58,370	\$ 100,086
Payable under securities lending program	5,298,574	3,808,419	12,742,798	21,849,791
Total liabilities	<u>\$ 5,322,845</u>	<u>\$ 3,825,864</u>	<u>\$ 12,801,168</u>	<u>\$ 21,949,877</u>
<b>Net Assets</b>				
Held in trust for:				
Employees' pension benefits	\$ 71,011,144	\$ 51,714,490	\$ 178,038,292	\$ 300,763,926
Employees' postemployment healthcare benefits	—	—	—	—
Total net assets	<u>\$ 71,011,144</u>	<u>\$ 51,714,490</u>	<u>\$ 178,038,292</u>	<u>\$ 300,763,926</u>

See accompanying independent auditors' report.



Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2011	December 31, 2010
\$ 2,351	\$ 2,351	\$ 139,094
—	21,849,791	20,277,539
692,474	5,933,484	11,348,826
7,827,604	17,792,210	12,846,200
—	34,687,173	33,514,169
—	30,988,213	26,573,815
1,509,909	8,572,061	8,104,769
1,815,537	121,174,154	147,418,646
1,100,089	55,907,766	60,999,273
—	38,745,723	34,932,024
<u>12,945,613</u>	<u>313,800,784</u>	<u>335,737,722</u>
—	8,841	13,078
<u>\$ 12,947,964</u>	<u>\$ 335,661,767</u>	<u>\$ 356,167,433</u>
\$ —	\$ 100,086	\$ 84,220
—	21,849,791	20,277,540
<u>\$ —</u>	<u>\$ 21,949,877</u>	<u>\$ 20,361,760</u>
\$ —	\$ 300,763,926	\$ 323,419,938
<u>12,947,964</u>	<u>12,947,964</u>	<u>12,385,735</u>
<u>\$ 12,947,964</u>	<u>\$ 313,711,890</u>	<u>\$ 335,805,673</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA**

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

	<b>Police/Fire Retirement Pension Trust Funds</b>			
	<b>Police/Fire Retirement System Plan I</b>	<b>Police/Fire Retirement System Plan II</b>	<b>Police/Fire Retirement System Plan III</b>	<b>Total</b>
<b>Additions:</b>				
Contributions from other funds	\$ 1,780,000	\$ 1,490,000	\$ 5,293,000	\$ 8,563,000
Contributions from employees	4,192	27,498	385,417	417,107
Interest	1,057,742	764,973	2,592,808	4,415,523
Dividends	275,839	199,481	676,052	1,151,372
Net increase (decrease) in fair value of investments	(1,369,000)	(1,006,593)	(3,508,831)	(5,884,424)
Less: investment expense	<u>(367,416)</u>	<u>(265,673)</u>	<u>(900,140)</u>	<u>(1,533,229)</u>
Total additions	<u>1,381,357</u>	<u>1,209,686</u>	<u>4,538,306</u>	<u>7,129,349</u>
<b>Deductions:</b>				
Regular benefit payments	8,595,447	5,713,659	14,638,705	28,947,811
Administrative expenses	<u>202,289</u>	<u>145,693</u>	<u>489,568</u>	<u>837,550</u>
Total deductions	<u>8,797,736</u>	<u>5,859,352</u>	<u>15,128,273</u>	<u>29,785,361</u>
Change in net assets	(7,416,379)	(4,649,666)	(10,589,967)	(22,656,012)
Net assets, beginning of year	<u>78,427,523</u>	<u>56,364,156</u>	<u>188,628,259</u>	<u>323,419,938</u>
Net assets, end of year	<u>\$ 71,011,144</u>	<u>\$ 51,714,490</u>	<u>\$ 178,038,292</u>	<u>\$ 300,763,926</u>

See accompanying independent auditors' report.

Police/Fire Retiree Medical Trust Fund	Total Fiduciary Funds	
	December 31, 2011	December 31, 2010
\$ 2,786,104	\$ 11,349,104	\$ 14,666,889
—	417,107	406,395
8,628	4,424,151	4,783,066
120,384	1,271,756	1,116,165
(179,352)	(6,063,776)	36,432,357
—	(1,533,229)	(1,355,130)
<u>2,735,764</u>	<u>9,865,113</u>	<u>56,049,742</u>
2,127,526	31,075,337	30,460,543
46,009	883,559	818,064
<u>2,173,535</u>	<u>31,958,896</u>	<u>31,278,607</u>
562,229	(22,093,783)	24,771,135
<u>12,385,735</u>	<u>335,805,673</u>	<u>311,034,538</u>
<u>\$ 12,947,964</u>	<u>\$ 313,711,890</u>	<u>\$ 335,805,673</u>

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