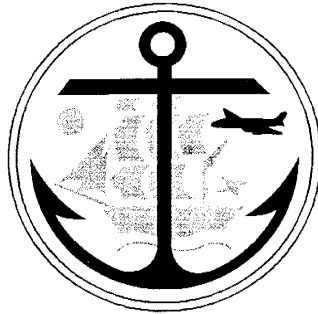


# **MUNICIPALITY OF ANCHORAGE, ALASKA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended December 31, 2011**

**Daniel A. Sullivan  
Mayor**

**Prepared by:  
Finance Department**

**Lucinda Mahoney  
CFO**

**David Ryan, C.A.  
Controller**

Cover photo courtesy of Tina Verheyen

MUNICIPALITY OF ANCHORAGE, ALASKA

Table of Contents

	<b>Page(s)</b>
<b>Introductory Section:</b>	
Letter of Transmittal	i - v
Certificate of Achievement for Excellence in Financial Reporting	vi
Organizational Chart	vii
Principal Officials	viii
Municipality of Anchorage Vicinity Map	ix
<b>Financial Section:</b>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-19
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	22-23
Statement of Activities	24-25
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	26
Reconciliation of Net Assets between the Government-wide and Fund Financial Statements	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Net Assets – Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	34-35
Statement of Cash Flows – Proprietary Funds	36-39
Statement of Fiduciary Net Assets – Fiduciary Funds	40
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	41
Notes to Basic Financial Statements – Index	43
Notes to Basic Financial Statements	44-109
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund by Function	111
Notes to Required Supplementary Information – Budgetary Data	112-113
Required Supplementary Information – Condition Rating of Anchorage's Road Network	114
Required Supplementary Information – Other Post Employment Information Schedule of Funding Progress	115
<b>Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund by Fund	118
Budgetary Comparison Schedule – General Fund by Department	119
<b>Nonmajor Governmental Funds:</b>	
Combining Balance Sheet	124-127
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	128-131
<b>Budgetary Comparison Schedules:</b>	
Heritage Land Bank	132
Convention Center Operating Reserve	133
Special Assessment Bonds	134

# MUNICIPALITY OF ANCHORAGE, ALASKA

## Table of Contents

	<b>Page(s)</b>
Retirement Certificate of Participation	135
Police/Fire Retiree Medical Liability	136
Jail Revenue Bond	137
ACPA Surcharge Revenue Bond	138
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	140
Combining Statement of Revenues, Expenses and Changes in Net Assets	141
Combining Statement of Cash Flows	142
Internal Service Funds:	
Combining Statement of Net Assets	144-145
Combining Statement of Revenues, Expenses and Changes in Net Assets	146-147
Combining Statement of Cash Flows	148-149
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets	152-153
Combining Statement of Changes in Fiduciary Net Assets	154-155
Statistical Section:	
Table 1. Net Assets By Component	159
Table 2. Change in Net Assets	160-161
Table 3. Charges for Services By Function/Program	162
Table 4. Fund Balances, Governmental Funds	163
Table 5. Changes in Fund Balance, Governmental Funds	164
Table 6. Debt Service as a Percentage of Noncapital Expenditures	165
Table 7. Tax Revenues by Source, Governmental Funds	166
Table 8. Use of Property Taxes	167
Table 9. Assessed Value and Estimated Actual Value of Taxable Property	168
Table 10. Property Tax Rates	169
Table 11. Principal Property Tax Payers	170
Table 12. Property Tax Levies and Collections	171
Table 13. Outstanding Debt By Type	172
Table 14. Ratio of General bonded Debt Outstanding	173
Table 15. Direct and Overlapping Debt	174
Table 16. Legal Debt Margin	175
Table 17. Pledged Revenue Coverage	176-178
Table 18. Demographic Statistics	179
Table 19. Principal Employers	180
Table 20. Full-Time Equivalent Employees	181
Table 21. Miscellaneous Statistical Data By Function	182-184

# MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

Mayor Dan Sullivan

May 31, 2012

Honorable Mayor, Members of the Assembly, and  
Citizens of the Municipality of Anchorage:

The Comprehensive Annual Financial Report (CAFR) of the Municipality of Anchorage (Anchorage) for the year ended December 31, 2011, is hereby submitted in accordance with Anchorage Home Rule Charter and Anchorage Municipal Code. These laws require an annual report on financial and administrative activities with an independent audit of all municipal accounts by a certified public accountant. Mikunda, Cottrell & Co. performed the independent audit. Management is responsible for the accuracy, completeness and fairness of the presentation including all disclosures.

Accounting principles generally accepted in the United States of America require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Anchorage's MD&A can be found in the Financial Section of the CAFR immediately following the report of the independent auditors.

As a recipient of federal grant awards, Anchorage is required to undergo an audit in accordance with the provisions of the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and associated *Compliance Supplement*. A schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued audit in accordance with OMB Circular A-133.

As a recipient of State of Alaska (State) grant awards, Anchorage is also required to undergo an audit in accordance with the provisions of Alaska State Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. A State Financial Assistance Schedule, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in separately issued State Financial Assistance Reports.

Mikunda, Cottrell & Co. was retained to perform both the financial and the compliance audits of Federal and State financial assistance programs for the year ended December 31, 2011. These audits were performed in accordance with Federal and State regulations and *Government Auditing Standards*. Mikunda, Cottrell & Co. audited all 2011 financial records except for those of one component unit, Alaska Center for the Performing Arts, Inc., and the Police & Fire Retirement Pension Trust Funds. Mikunda, Cottrell & Co.'s reports are included in the financial section of the CAFR and in both financial assistance reports. The excluded component unit and pension trust fund was audited by certified public accountants who issued unqualified reports.

## Government Profile

The City of Anchorage was originally incorporated in 1920 and unified with the Greater Anchorage Area Borough in 1975 to create the Municipality of Anchorage. Anchorage encompasses approximately 1,955 square miles.

Anchorage is operated under a strong mayoral system with an eleven member Assembly serving as the legislative branch. Leading the executive branch, the Mayor is responsible for appointing top executives and running the day to day governmental activities. The Assembly is responsible for approving ordinances, Municipal contracts, budgets, and certain appointments. A compilation of Municipal ordinances can be reviewed on-line in the Anchorage Municipal Code at [www.muni.org](http://www.muni.org).

Anchorage provides a full range of services, including police services, fire services, emergency medical services, health and human services, construction/maintenance of infrastructure, recreation activities, and public transportation services. Many of these services are provided on a service area basis with taxpayers residing in different property taxing districts paying for only those services they authorize and receive.

The Assembly and Administration are responsible for and committed to establishing and maintaining an internal control structure designed to provide reasonable assurance that Anchorage's assets are protected from loss, theft or misuse, and that adequate accounting records are maintained for preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefit likely to be derived and that valuation of costs and benefits requires the use of estimates and judgments.

The Assembly approves operating budgets and appropriations of direct costs at the department level, and revenues, direct costs and indirect costs at the fund level. During the year, the Assembly may approve supplemental appropriations to increase or decrease the budget, or to transfer all or part of any unencumbered balance from one appropriation to another. The Assembly by ordinance may authorize a contract, lease or other obligation requiring financing from future appropriations. A lease purchase agreement with respect to acquisition of a capital improvement valued in excess of \$1 million is not valid until approved by the voters. The Mayor may transfer all or part of an unencumbered balance between categories within an appropriation. No obligation involving the expenditure of money may be made unless the Chief Fiscal Officer has certified that the funds required have been appropriated and/or are available for that purpose.

The accounting records are maintained on a budgetary basis whereby encumbrances are recorded for budgetary control. However, year-end financial statements present actual amounts in conformity with accounting principles generally accepted in the United States of America which excludes encumbrances.

The financial reporting entity includes the following component units for which Anchorage is financially accountable - Anchorage School District (ASD), Alaska Center for the Performing Arts, Inc. (ACPA), CIVICVentures (CIVIC), and Anchorage Community Development Authority (ACDA). Additional information on all four of these component units can be found in the notes to the financial statements.

Anchorage owns and operates several utilities and other enterprise activities including electric, water, wastewater, refuse collection, solid waste disposal, port, and Municipal airport. Anchorage contracts out

management of its sports arena, performing arts center, convention center, ice arenas, golf courses and equestrian center.

Additional information regarding Anchorage's government, services, current events, economic indicators and other statistics is located on its municipal web site at [www.muni.org](http://www.muni.org).

## **Major Initiatives**

### Port Expansion

The Port expansion project has been scaled back from an estimated \$1 billion project to a \$750 million project. The scope reduction will result in development and construction of the north end of the Port. This will provide for two barge berths ( a new capability) , a roll on roll off docking area, and a container ship delivery area with two new, larger cranes. The two new docking areas will also allow for larger ships and 65 new acres of land for material and equipment lay down and storage. The Municipality is preparing to assume responsibility for the project at the end of May 2012 from the federal Maritime Administration. The Municipality and its partners, including the Corps of Engineers and the Maritime Administration are still working out an organization structure, including who will oversee contracting, and who will manage the day-to-day activities of the construction.

## **Local Economy**

The information presented in the financial statements is better understood when it is considered from the broader perspective of the specific environment within which Anchorage operates.

Anchorage has an approximate population of 296,197, an increase of 1.5% over prior year. As the largest city in Alaska, Anchorage is home to approximately 41% of the state's residents.

For 2011, the Anchorage School District had 48,761 students enrolled for the 2011-2012 academic year, an increase of 0.4% from prior year. Anchorage is also home to the University of Alaska Anchorage, a State operated university, and Alaska Pacific University, a private independent university. They have combined enrollments in excess of 17,000 students.

After experiencing a modest decline in employment in 2010, employment in Anchorage increased 0.8% in 2011. The average unemployment rate in 2011 of 6.1% decreased from 6.9% in 2010 but was significantly better than the national average of 8.9% Anchorage has several major sectors that drive the local economy, including oil/gas, construction, transportation, and tourism. These sectors, along with the supporting businesses that have developed around them have remained stable over the past two years after experiencing a decline in 2009 due to the national economic slow-down. Over the past several years, Anchorage has enjoyed the addition of new big box retailers that has driven employment in the retail sector. That trend has slowed down in 2011 with only a couple of smaller retailers opening. Approximately 100 jobs were lost in the retail industry in 2011 and growth is expected to increase modestly over the next several years.

Increasing oil prices in 2011 helped to keep employment flat in the oil and gas industry in Anchorage in 2011. The outlook for 2012 anticipates an increase of 7.7%. Although production on the North Slope continues to decline and capital budgets for the major oil companies will either be flat or decline, the job growth is expected to increase assuming Shell is able to proceed with plans to begin exploration drilling in the Beaufort Sea in 2012.

The transportation sector consists of air cargo activity at the Ted Stevens Anchorage International Airport; in-state freight and passenger transportation by the State owned Alaska Railroad; and maritime transportation through the Municipal-owned Port. The Ted Stevens Anchorage International Airport continues to be one of the busiest cargo airports in the world and had an increase in volume of 0.5% in 2011 after experiencing an increase of 29.3% in 2010. The airport also moved up one spot to be the fourth busiest airport in the world for cargo traffic. The Alaska Railroad had another good year with \$13.4 million in earnings. The Port is ice free year round and is served by two major maritime carriers, Totem Ocean Trailer Express and Horizon Lines. With approximately 90% of all consumer goods arriving in Alaska through the port facilities, servicing 80% of the population of Alaska, the Port has begun construction of a \$650 million intermodal expansion project involving road/rail extensions and marine terminal redevelopment. Improving cargo flow through expanded berth capacity, accommodating larger ships with deeper drafts, supporting new military rapid deployment requirements, and upgrading cruise ship facilities are the major objectives of this expansion project.

The tourism sector is a major economic driver for Anchorage offering a central location, available transportation infrastructure, and abundant recreational opportunities. In addition to Anchorage's regional sport fishing and tourism destinations, visitors often use Anchorage as the gateway to other Alaska destinations. This sector increased by 500 jobs in 2011 and is expected to increase by another 500 in 2012. An increase in the number of restaurants serving Anchorage and an increase in the number of port calls from Holland America, Oceania, and Silversea cruise ships in 2011 (16%) helped drive employment.

### **Long-term Financial Planning**

Anchorage has no legal debt limit mandated by its Charter, Code or State law. Anchorage continues to maintain outstanding credit ratings on all outstanding debt. Current long-term Municipality general obligation bond ratings are AA by Standard and Poor's (S&P) and AA+ by Fitch Ratings (Fitch). These ratings were unchanged from 2010. The Anchorage Water Utility bond ratings are AA by S&P and AA by Fitch. The Anchorage Wastewater Utility bond ratings are AA Stable by S&P and AA Stable by Fitch. The Anchorage Municipal Light & Power Senior Lien and Junior Lien Electric revenue bond ratings are A+Stable by S&P and A+Stable by Fitch. Revenue bond covenants stipulating debt service coverage requirements were met in 2011.

Anchorage's percentage of net general obligation debt to assessed valuation and bonded debt per capita are useful indicators to citizens and investors of Anchorage's debt position. The percentage of net direct general obligation debt, exclusive of ASD debt, to assessed valuation was 1.54% as of December 31, 2011, and the net direct general obligation debt per capita was \$1,648. The respective amounts as of December 31, 2010 were 1.55% and \$1,666. When ASD debt is included, net direct general obligation debt to assessed value as of December 31, 2011 is 4.2% (3.9% in 2010) and the net direct general obligation debt per capita is \$4,450 (\$4,213 in 2010).

### **Awards and Acknowledgements**

The Municipality of Anchorage and its employees are committed to the goal of making Anchorage a better place to live, work, and raise families.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Anchorage for its CAFR for the fiscal year ended December 31, 2010. This was the twenty-fourth consecutive year that Anchorage has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and

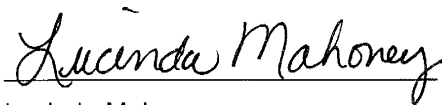


efficiently organized CAFR. Our 2010 report satisfied both Generally Accepted Accounting Principles and applicable legal requirements.

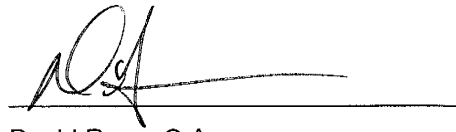
A Certificate of Achievement is valid for a period of one year only. It is believed that our current report continues to conform to the Certificate of Achievement program requirements. The CAFR will be submitted to GFOA to determine its eligibility for another certification.

The preparation of the CAFR was made possible by the dedicated efforts of the entire Controller Division staff. We express sincere appreciation to our employees for their contribution to this report whether it was in processing daily transactions or in report preparation. We also express our appreciation to all other individuals who assisted in this effort.

Respectfully submitted:



Lucinda Mahoney  
CFO



David Ryan, C.A.  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Municipality of Anchorage  
Alaska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davidson*

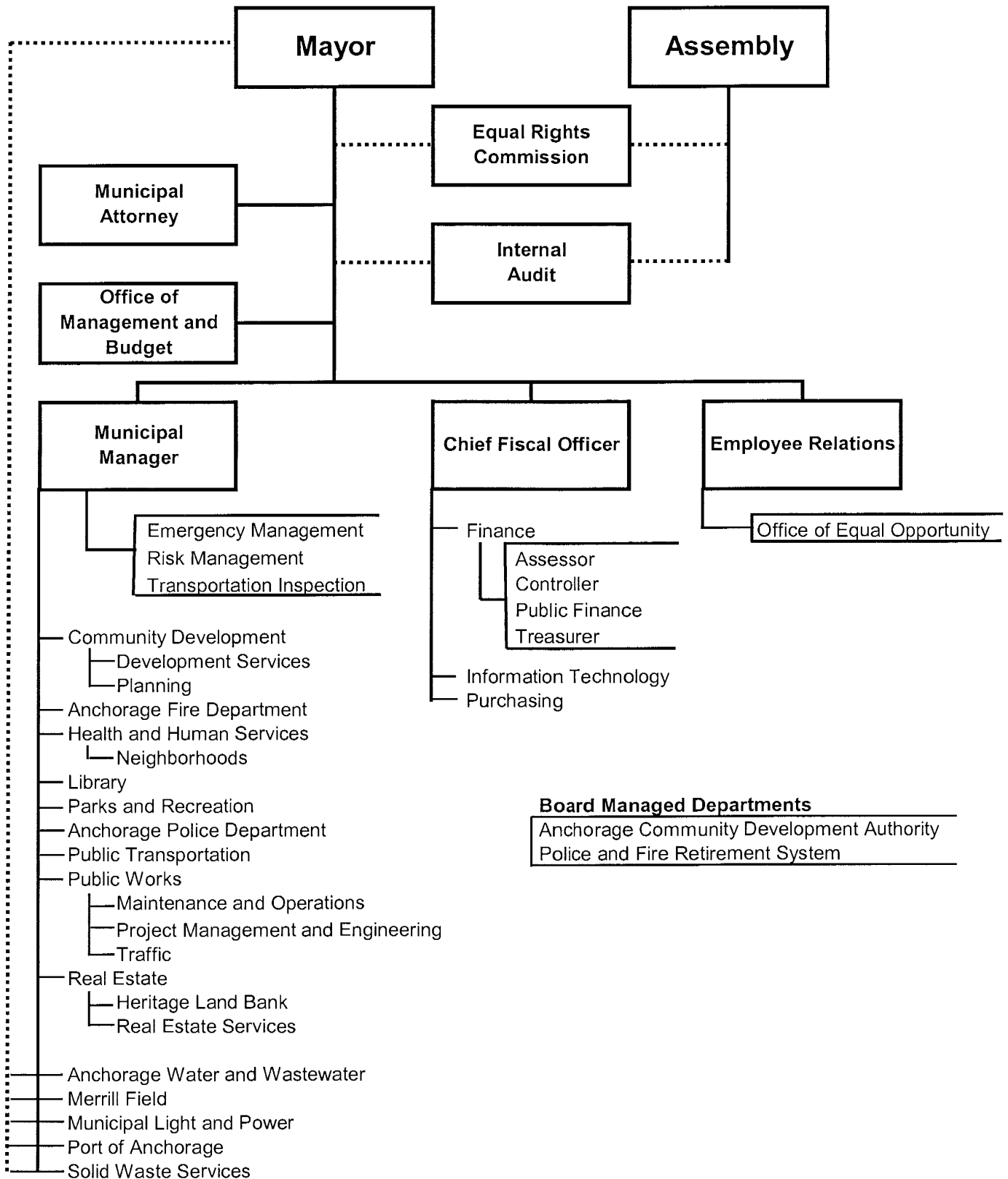
President

*Jeffrey R. Emer*

Executive Director



# MUNICIPALITY OF ANCHORAGE



# MUNICIPALITY OF ANCHORAGE

2011

## PRINCIPAL OFFICIALS

### ASSEMBLY

The legislative power of Anchorage is vested in an eleven member elected assembly. The Assembly, by Charter, is required to meet twice each month. The body meets on Tuesdays in the Assembly Chambers at 3600 Denali Street (Z.J. Loussac Library). Numerous special meetings and work sessions are scheduled throughout the year. At December 31, 2010, the following citizens were elected to serve on the Assembly.

Debbie Ossiander, Chair

Chris Birch	Harriet Drummond
Patrick Flynn	Elvi Gray-Jackson
Ernie Hall, Vice Chair	Paul Honeman
Jennifer Johnston	Bill Starr
Dick Traini	Adam Trombley

Barbara Gruenstein, Municipal Clerk

### ADMINISTRATION

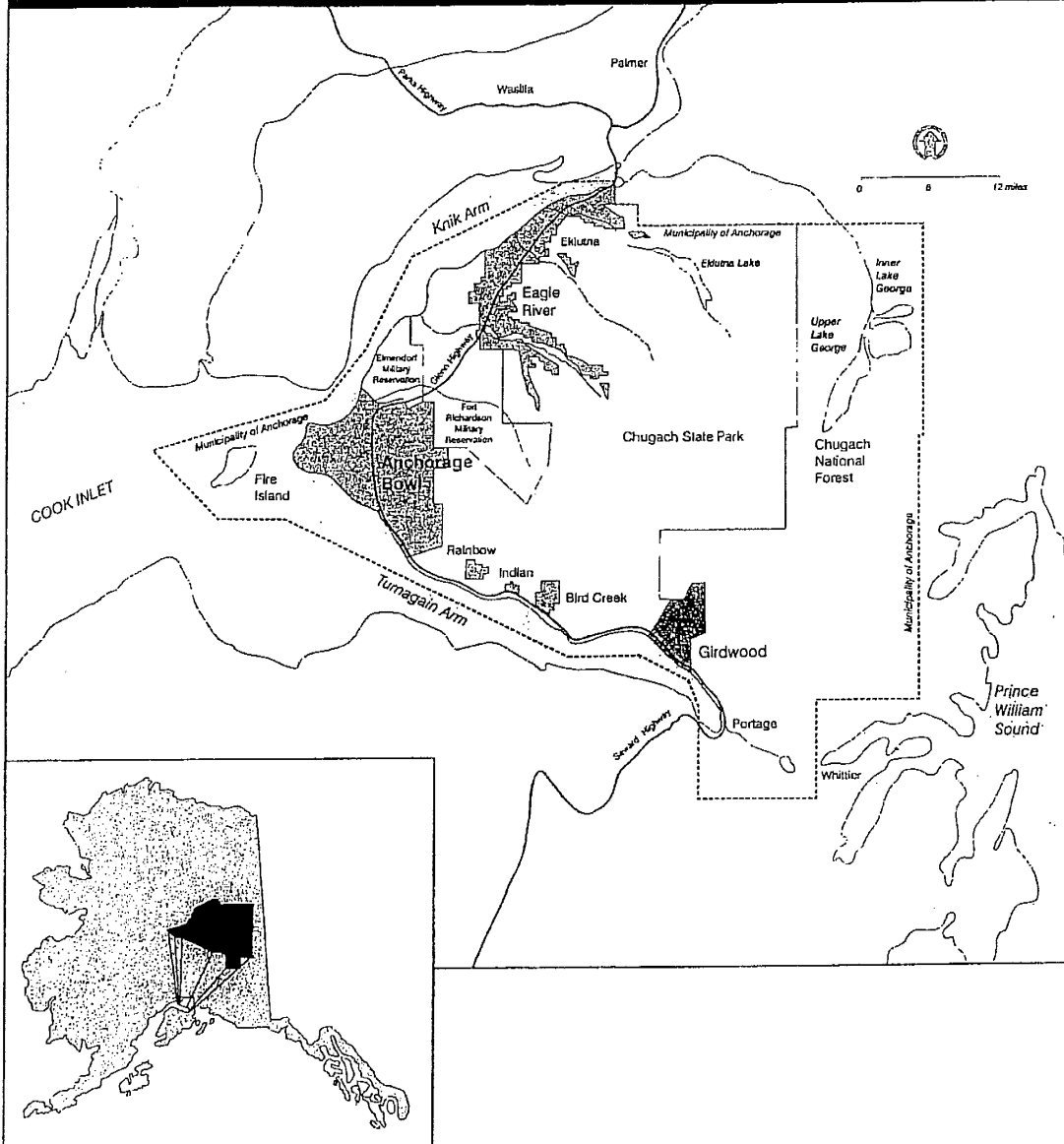
Daniel A. Sullivan, Mayor

George Vakalis, Municipal Manager

Dennis Wheeler, Municipal Attorney

Lucinda Mahoney, CFO

# Municipality of Anchorage Vicinity Map



This page intentionally left blank.