



Municipality of Anchorage, Alaska Wastewater Utility Fund

Basic Financial Statements
and Supplementary Information

December 31, 2011 and 2010
(with independent Auditor's Report Thereon)



**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Basic Financial Statements and Supplementary Information

December 31, 2011 and 2010

(With Independent Auditor's Report Thereon)

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Table of Contents

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Statements of Net Assets	13-14
Statements of Revenues, Expenses, and Changes in Fund Net Assets	15
Statements of Cash Flows	16-17
Notes to Basic Financial Statements	18-44
Statistical Section	
Financial Ratios	45
Table 1 – Average Number of Accounts	46
Table 2 – Current Wastewater Rates	47
Table 3 – Revenues and Expenses – Budget to Actual	48
Table 4 – Debt Principal by Issue	49
Table 5 – Capital Improvement Program	50
Table 6 – Production Comparison by Facility	51
Table 7 – Detail Schedule of Plant in Service	52-53

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Wastewater Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Wastewater Utility Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test 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 provides a reasonable basis for our opinion.

As discussed in Note 1(a), the financial statements present only the Wastewater Utility Fund and do not purport to, and do not present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 2011 and 2010, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wastewater Utility Fund as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(b), in 2011 the Wastewater Utility amended its definition of cash for the purposes of the Statement of Cash Flows to include the bond and grant capital acquisition and construction pool accounts. The 2010 Statement of Cash Flows has been restated to reflect this amended definition. The 2010 net assets are unaffected by this change.

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 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.

The other data included in this report, designated as the "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 do not express an opinion or provide any assurance on it.

Mikunda, Cottrell & Co.

Anchorage, Alaska
May 17, 2012

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

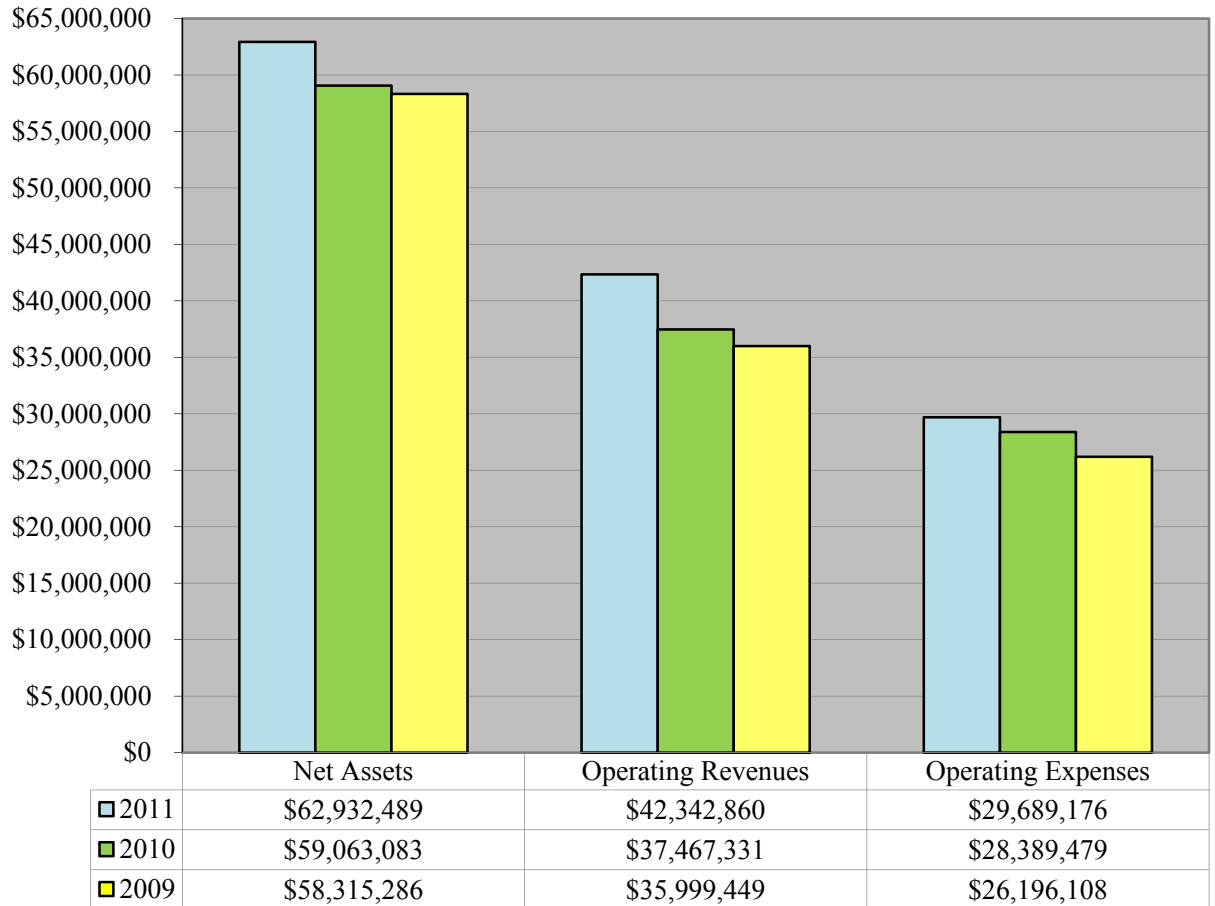
Management's Discussion and Analysis

December 31, 2011 and 2010

This section of the Municipality of Anchorage Wastewater Utility (Utility) annual financial report presents the analysis of the Utility's financial performance during the years ending December 31, 2011 and 2010. Please read it in conjunction with the Utility's financial statements.

Financial Highlights

- Net capital assets increased by \$7,840,000, or 2% in 2011 and \$9,910,000, or 3% in 2010.
- Net assets increased by \$3,870,000, or 7% in 2011 and \$750,000, or 1% in 2010.
- Operating revenues increased by \$4,880,000, or 13% in 2011 and \$1,470,000, or 4% in 2010.
- Operating expenses increased by \$1,300,000, or 5% in 2011 and \$2,190,000, or 8% in 2010.



**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2011 and 2010

Overview of the Financial Report

The Utility is reported as an enterprise fund of the Municipality of Anchorage (MOA). A Board of Directors (Board) consisting of seven members recommends tariff rates, fees, and charges imposed by the Utility for its products and services to the Municipal Administration and Assembly for approval. The Utility is economically regulated by the Regulatory Commission of Alaska (RCA). Upon approval by the Assembly, changes to tariff rates, fees, and charges are submitted to the RCA for approval.

This annual report consists of Management's Discussion and Analysis; the Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Fund Net Assets; Statements of Cash Flows; Notes to the Basic Financial Statements; and Statistical Information. These statements and other supplemental information include all assets and liabilities using the accrual basis of accounting.

Statements of Net Assets – These statements present information regarding the Utility's assets, liabilities, and net assets. Net assets represent total assets less total liabilities. The Statements of Net Assets classify assets and liabilities as current and non-current.

Statements of Revenues, Expenses, and Changes in Fund Net Assets – These statements present the Utility's operating revenues and expenses and non-operating revenues and expenses for the year with the difference – income before transfers – being combined with any capital contributions or repayments and transfers to determine the change in net assets for the year. That change, combined with last year's ending net assets total reconciles to the net assets total at the end of this year.

Statements of Cash Flows – These statements report cash and cash-equivalent activities for the year resulting from operating activities, non-capital and related financing activities, capital and related financing activities, and investing activities. The net result of these activities added to beginning-of-year cash reconciles to cash and cash-equivalents at the end of the year. The Utility presents its Statements of Cash Flows using the direct method of reporting operating cash flows.

Analysis of the Financial Statements

Net Assets

One of the most important questions asked about the Utility's finances is, "Is the Utility, as a whole, better off or worse off as a result of the year's activities?" The Statements of Net Assets and Statements of Revenues, Expenses, and Changes in Fund Net Assets report information about the Utility's activities in a way that helps answer this question.

These two statements report the Utility's net assets and the changes in them. One can think of the Utility's net assets, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the Utility's net assets are an indicator of whether its financial health is improving or deteriorating. However, one will need to also consider other non-financial factors such as changes in economic conditions, population growth, the regulatory environment, and new or changed legislation.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2011 and 2010

Changes in the Utility's net assets can be determined by reviewing the following condensed Summary of Net Assets as of December 31, 2011, 2010, and 2009. The analysis below focuses on the Utility's net assets at the end of the year (Table 1) and changes in net assets (Table 2) during the year.

**Table 1
Summary of Net Assets**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Net capital assets	\$ 365,696,350	357,855,992	347,941,222
Current and other assets	<u>16,487,461</u>	<u>17,272,424</u>	<u>21,323,081</u>
Total assets	<u>382,183,811</u>	<u>375,128,416</u>	<u>369,264,303</u>
Liabilities:			
Net debt outstanding	137,199,730	138,681,613	127,367,583
Current and other liabilities	<u>182,051,592</u>	<u>177,383,720</u>	<u>183,581,434</u>
Total liabilities	<u>319,251,322</u>	<u>316,065,333</u>	<u>310,949,017</u>
Net assets:			
Invested in capital assets net of debt	59,500,553	47,917,384	49,033,023
Restricted	—	1,619,691	1,819,474
Unrestricted	<u>3,431,936</u>	<u>9,526,008</u>	<u>7,462,789</u>
Total net assets	<u>\$ 62,932,489</u>	<u>59,063,083</u>	<u>58,315,286</u>
Change in net assets	<u>\$ 3,869,406</u>	<u>747,797</u>	

In 2011, the 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 (see MD&A Table 3A and note 3). Current and other assets decreased by \$0.8 million due in part by reductions in grants receivable, unbilled reimbursable accounts and unbilled special assessments.

Total liabilities increased by \$3.2 million in 2011. Net debt outstanding decreased by \$1.5 million due to new debt of \$3.9 million offset by debt principal payments of \$5.4 million (see note 4 of this report). Current and other liabilities increased \$4.7 million during the year. Three of the largest factors in this increase were \$6.4 million of interfund borrowings used for funding 2011 capital construction, a \$1.5 million increase in capital acquisition and construction accounts payable and a net decrease in contributions in aid of construction of \$3.7 million (see note 6).

In 2010, the Utility's total assets increased by \$5.9 million. Net capital assets increased by \$9.9 million due primarily to additions to plant in service of \$23.5 million offset by additions to accumulated depreciation of \$11.6 million and a reduction of \$2 million in construction work in progress. Current and other assets decreased by \$4 million due primarily to a \$4.9 million reduction in equity in the general cash pool.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2011 and 2010

Total liabilities increased by \$5.1 million in 2010. Net debt outstanding increased by \$11.3 million due to additional low interest State of Alaska loans of \$16.5 million, offset by debt principal payments of \$5.2 million. Current and other liabilities decreased \$6.2 million during the year. This decrease was mostly attributable to the payoff of interfund borrowings of \$6.6 million used in funding 2009 capital construction and a net change of \$6.6 million in contributions in aid of construction along with a net change in amortization of \$5.5 million (see note 6).

Changes in the Utility's net assets can be determined by reviewing the following condensed Summary of Revenues, Expenses, and Changes in Fund Net Assets for the years ending December 31, 2011, 2010, and 2009.

**Table 2
Summary of Revenues, Expenses, and Changes in Fund Net Assets**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues:			
Residential sales	\$ 30,398,907	26,489,266	25,461,729
Commercial sales	8,993,210	8,101,152	7,724,694
Public authorities	1,573,850	1,247,885	1,348,725
Miscellaneous	1,376,893	1,629,028	1,464,301
Nonoperating revenues	<u>180,978</u>	<u>385,834</u>	<u>1,198,524</u>
Total revenues	<u>42,523,838</u>	<u>37,853,165</u>	<u>37,197,973</u>
Operating expenses:			
Collection system	4,309,836	4,075,193	3,972,445
Treatment plant	9,729,149	9,648,905	9,172,670
Customer accounts	2,126,436	1,906,061	1,790,215
Administrative and general	7,370,228	7,230,786	7,071,689
Net Depreciation	6,153,527	5,528,534	4,189,089
Nonoperating expenses	<u>3,710,588</u>	<u>3,704,824</u>	<u>3,053,690</u>
Total expenses	<u>33,399,764</u>	<u>32,094,303</u>	<u>29,249,798</u>
Income before transfers	<u>9,124,074</u>	<u>5,758,862</u>	<u>7,948,175</u>
Transfers:			
Transfer to other funds	(5,254,668)	(5,011,065)	(4,410,330)
Transfer from other funds	—	—	148,083
Total transfers	<u>(5,254,668)</u>	<u>(5,011,065)</u>	<u>(4,262,247)</u>
Change in fund net assets	3,869,406	747,797	3,685,928
Beginning net assets	<u>59,063,083</u>	<u>58,315,286</u>	<u>54,629,358</u>
Ending net assets	<u>\$ 62,932,489</u>	<u>59,063,083</u>	<u>58,315,286</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

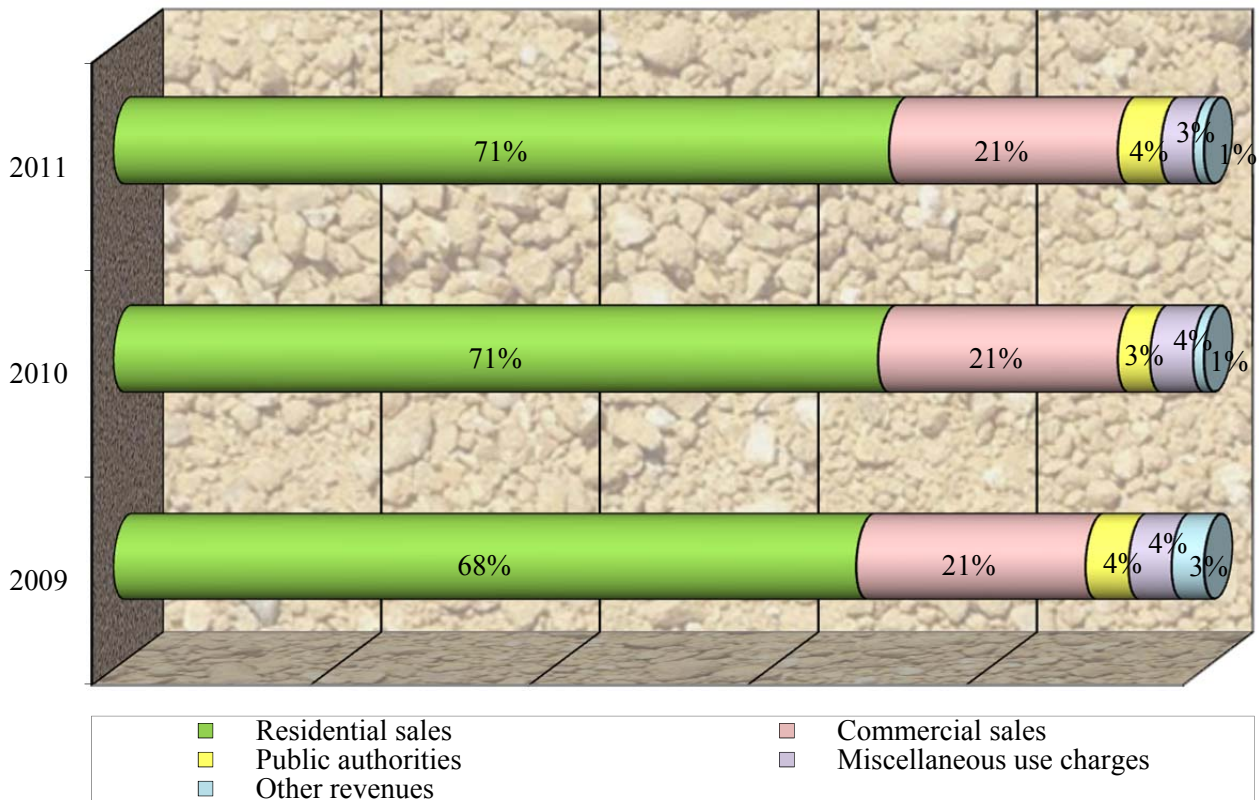
Management's Discussion and Analysis

December 31, 2011 and 2010

Net assets increased by \$3.9 million during 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 2010 net assets increased by \$0.7 million. Operating revenues increased by \$1.4 million primarily due to a 2.5% rate increase effective January 1, 2010. Non-operating revenues fell by \$0.8 million due primarily to a decrease in short-term investment income.

Revenues by Source



**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

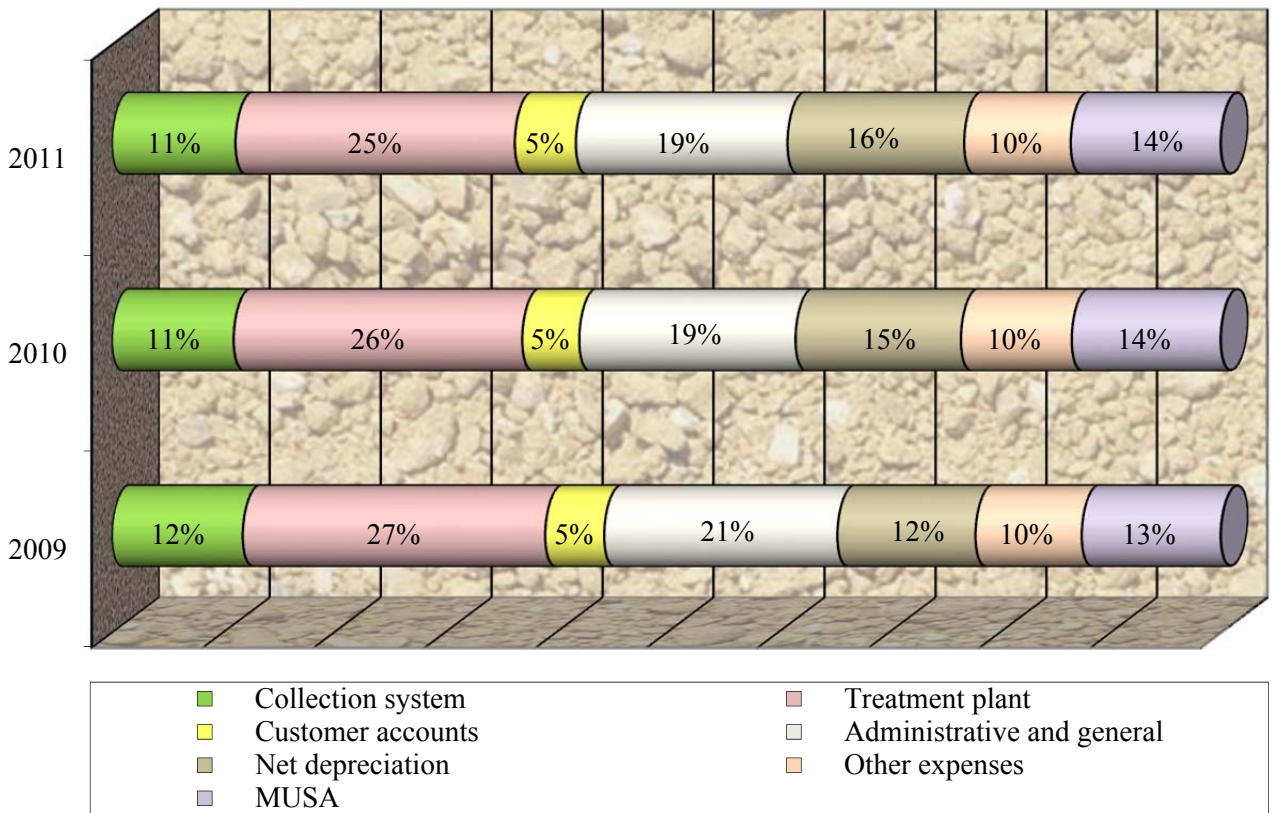
Management's Discussion and Analysis

December 31, 2011 and 2010

Operating expenses increased by \$1.3 million in 2011. Collection, treatment, customer accounts and administrative and general expenses increased by \$0.7 million, and net depreciation expense increased by \$0.6 million and MUSA expense increased by \$0.2 million. The Municipal Utility Service Assessment (MUSA) increased by \$0.2 million due to the increase in net capital assets and higher mill rates.

Operating expenses increased by \$2.2 million in 2010. The change was due primarily to a \$1.3 million increase in depreciation expense, \$0.5 million increase in treatment plant expenses, and \$0.4 million in overall increases in the other classes of operating expenses.

Expenses by Source



**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2011 and 2010

Capital Assets and Debt

Capital Assets

The following table summarizes the Utility's capital assets, net of accumulated depreciation, as of December 31, 2011, 2010, and 2009.

**Table 3A
Capital Assets, Net of Accumulated Depreciation**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Intangible plant	\$ 584,083	698,170	813,026
Collection plant	220,066,096	217,270,796	212,719,315
Treatment & disposal plant	71,392,901	71,266,274	66,155,433
Pumping plant	10,609,259	10,739,110	10,214,019
General plant land	4,203,352	4,203,352	4,203,352
General plant	<u>43,600,397</u>	<u>41,611,633</u>	<u>39,773,158</u>
Net plant in service	350,456,088	345,789,335	333,878,302
Property held for future use	1,379,931	1,379,931	1,379,931
Construction work in progress	<u>13,860,331</u>	<u>10,686,726</u>	<u>12,682,988</u>
Total net capital plant	<u>\$ 365,696,350</u>	<u>357,855,992</u>	<u>347,941,221</u>
Increase in net capital plant	<u>\$ 7,840,358</u>	<u>9,914,771</u>	

Total net capital assets increased \$7.8 million in 2011. Collection plant and general plant received the majority of the increase with net additions of \$4.8 million. Intangible plant and treatment plant had net retirements of \$0.1 million.

Construction work in progress had a net increase of \$3.2 million in 2011 due to additions of \$18.4 million netted by closures to plant of \$15.2 million (see note 3).

Total net capital assets increased \$9.9 million in 2010. Treatment and pumping plant received the majority with net additions of \$5.6 million. Collection plant and general plant received the remainder with net additions of \$4.6 million and \$1.8 million respectively. Miscellaneous intangible plant had a \$0.1 million decrease.

Construction work in progress decreased by \$2 million in 2010 having additions of \$18.1 million netted by deletions of \$20.1 million.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2011 and 2010

**Table 3B
Capital Assets, 2011 Major Additions - gross (millions)**

<u>Collection plant</u>		<u>Treatment and disposal plant</u>	
Oregon-Wyoming sewer upgrade	\$ 0.5	Eagle River WWTF UV disinfection	\$ 0.6
South Birchwood Loop Rd. main ext.	0.5	Eagle River WWTF clarifier upgrade	1.0
PME 76th-Chad/C Street sewer upgrade	0.6	Other miscellaneous projects	<u>0.8</u>
Girdwood manhole reduce infiltration	0.6	Total treatment and disposal plant	\$ <u>2.4</u>
B-5C & B-6C, D, E, F sewer upgrade	0.5		
Turnagain interceptor upgrade	2.3	<u>General plant</u>	
Other miscellaneous projects	<u>3.8</u>	King Street HVAC control system	\$ 0.8
Total collection plant	\$ <u>8.8</u>	CIS system	2.0
		Other miscellaneous projects	<u>2.3</u>
<u>Pumping plant</u>		Total general plant	<u>5.1</u>
Other miscellaneous projects	\$ <u>0.1</u>		
Total pumping plant	\$ <u>0.1</u>	Total additions	\$ <u>16.4</u>

Additional information on the Utility's capital assets can be found in note 3.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2011 and 2010

Debt

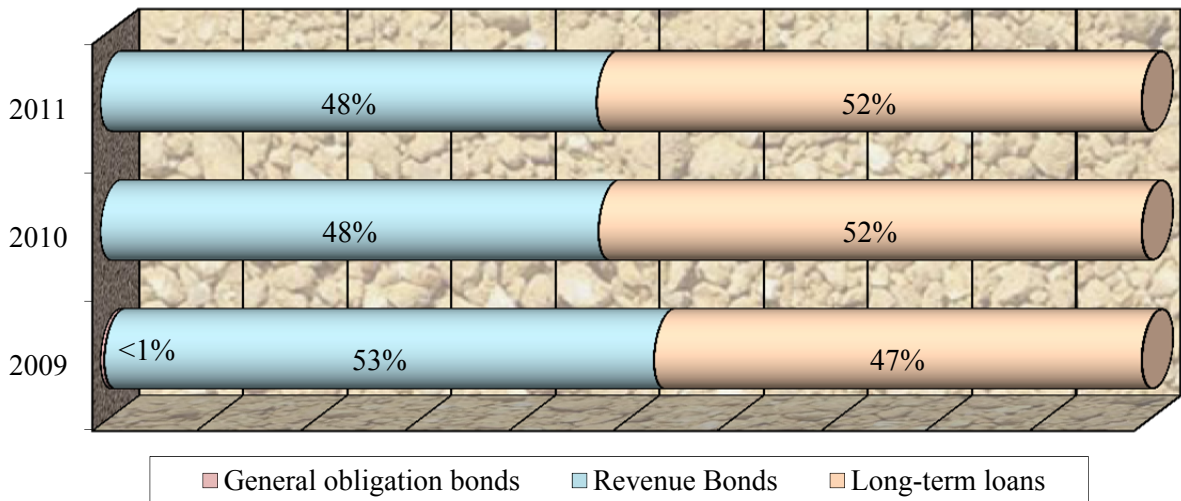
Changes in the Utility's debt are shown in the following table as of December 31, 2011, 2010, and 2009. The table includes only debt having a long-term component.

**Table 4
Net Debt**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General obligation bonds, net	\$ —	—	503,673
Revenue bonds, net	<u>65,710,164</u>	<u>66,379,999</u>	<u>67,010,532</u>
Bonds total	65,710,164	66,379,999	67,514,205
Long-term loans	<u>71,489,567</u>	<u>72,301,614</u>	<u>59,853,376</u>
Total net debt	<u>\$ 137,199,731</u>	<u>138,681,613</u>	<u>127,367,581</u>
Increase/(decrease) in net debt	<u>\$ (1,481,882)</u>	<u>11,314,032</u>	

During 2011, the Utility received \$3.9 million in loans from the State of Alaska Clean Water Loan Program to finance capital improvements. Principal payments reduced total revenue bonds by \$0.7 million and long-term loans outstanding by \$4.7 million (see note 4). In 2010, approximately \$16.5 million was received from the State of Alaska Clean Water Loan Program to finance capital improvements. The Utility made principal payments towards the revenue bonds and loans totaling \$5.2 million.

Net Debt by Type



Additional information on the Utility's long-term obligations can be found in notes 4 and 5.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2011 and 2010

Economic Factors and Next Year's Budgets and Rates

Budgetary Matters

The 2012 budget anticipates revenue increases due to the combined effects of a modest customer growth and a rate increase of 11% effective January 1, 2012.

2012 operating expenses are budgeted to increase 7.9% over the 2011 budget due to a 22% increase in depreciation expense and a 15% increase in chemical and utilities expenses. MUSA expense and interest expense are budgeted to increase 3% and 12% respectively over the 2011 budget.

Regulatory Matters

The Utility applies all applicable provisions of the Governmental Accounting Standards Board (GASB) which has authority for setting accounting standards for governmental entities. The Utility's rates are regulated by the 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.

For information regarding current on-going regulatory matters see note 11.

Contacting the Utility's Financial Management

This financial report is designed to provide the Utility's customers, taxpayers, investors, and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. For questions about this report, or for additional financial information, contact the Utility's Chief Financial Officer at (907) 786-5623, or Anchorage Water and Wastewater Utility, 3000 Arctic Blvd., Anchorage, AK 99503.

General information can be found at: www.awwu.biz.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Statements of Net Assets
December 31, 2011 and 2010

Assets	2011	2010
Capital assets:		
Plant in service, at cost	\$ 564,858,584	554,594,612
Less accumulated depreciation	(214,402,496)	(208,805,277)
Net plant in service	350,456,088	345,789,335
Plant held for future use	1,379,931	1,379,931
Construction work in progress	13,860,331	10,686,726
Net capital assets	365,696,350	357,855,992
Restricted assets:		
Current:		
Equity in bond and grant capital acquisition and construction pool	—	1,400,304
Interim rate escrow investments	—	1,619,691
Non-current:		
Customer deposits	386,243	199,235
Total restricted assets	386,243	3,219,230
Current assets:		
Equity in general cash pool	9,009,753	7,896,813
Accrued interest receivable	6,836	40,220
Grant receivable	—	392,371
Accounts receivable:		
Utility customers, less estimated uncollectibles of \$100,638 in 2011 and \$77,326 in 2010	2,798,032	2,076,909
Other, less estimated uncollectibles of \$5,615 in 2011 and \$21,955 in 2010	413,172	300,685
Special assessments receivable	84,305	94,874
Unbilled reimbursable projects	10,961	57,203
Inventory of materials and supplies, at average cost	323,797	274,688
Total current assets	12,646,856	11,133,763
Non-current deferred charges and other assets:		
Unamortized cost of debt issuance	805,766	868,235
Unbilled special assessments	773,095	932,277
Other	1,875,501	1,118,919
Total non-current deferred charges and other assets	3,454,362	2,919,431
Total assets	\$ 382,183,811	375,128,416

See accompanying notes to basic financial statements.

Liabilities and Net Assets	2011	2010
	<u> </u>	<u> </u>
Net assets:		
Invested in capital assets, net of related debt	\$ 59,500,553	47,917,384
Restricted	—	1,619,691
Unrestricted	3,431,936	9,526,008
Total net assets	<u>62,932,489</u>	<u>59,063,083</u>
Non-current liabilities:		
Compensated absences payable	267,433	89,788
Pollution remediation obligation	244,000	156,000
Revenue bonds payable	64,515,000	65,185,000
Less unamortized discounts and losses	(80,676)	(93,063)
Plus unamortized premiums	605,840	638,062
Net revenue bonds payable	<u>65,040,164</u>	<u>65,729,999</u>
Alaska Clean Water Fund loans payable	<u>66,611,494</u>	<u>67,611,083</u>
Total non-current liabilities	<u>132,163,091</u>	<u>133,586,870</u>
Current liabilities:		
Accounts payable	469,084	490,453
Accrued payroll	613,689	312,583
Compensated absences payable	824,491	1,141,426
Accrued interest	1,139,324	1,123,886
Pollution remediation obligation	20,000	20,000
Interfund loan payable to Water Utility Fund	6,445,734	—
Long-term obligations maturing within one year	5,548,073	5,340,531
Total current liabilities	<u>15,060,395</u>	<u>8,428,879</u>
Liabilities payable from restricted assets:		
Current:		
Capital acquisition and construction accounts	2,645,527	1,193,050
Non-current:		
Customer deposits payable	386,243	199,235
Total liabilities payable from restricted assets	<u>3,031,770</u>	<u>1,392,285</u>
Deferred liabilities:		
Contributions in aid of construction, net of amortization	168,996,066	172,657,299
Total liabilities	<u>319,251,322</u>	<u>316,065,333</u>
Total liabilities and net assets	<u>\$ 382,183,811</u>	<u>375,128,416</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Charges for sales and services:		
Residential sales	\$ 30,398,907	26,489,266
Commercial sales	8,993,210	8,101,152
Public authorities	1,573,850	1,247,885
Total charges for sales and services	<u>40,965,967</u>	<u>35,838,303</u>
Miscellaneous	1,376,893	1,629,028
Total operating revenues	<u>42,342,860</u>	<u>37,467,331</u>
Operating expenses:		
Collection system	4,309,836	4,075,193
Treatment plant	9,729,149	9,648,905
Customer accounts	2,126,436	1,906,061
Administrative and general	7,370,228	7,230,786
Total operations	<u>23,535,649</u>	<u>22,860,945</u>
Depreciation, net of amortization	6,153,527	5,528,534
Total operating expenses	<u>29,689,176</u>	<u>28,389,479</u>
Operating income	<u>12,653,684</u>	<u>9,077,852</u>
Non-operating revenues (expenses):		
Investment income - short-term investments	162,308	383,195
Interest on long-term obligations	(3,149,481)	(3,203,750)
Allowance for funds used during construction	533,261	524,722
Amortization of bond premium/discount	(12,387)	(16,900)
Amortization of debt expense	(30,247)	(33,393)
Interest expense – other	(1,051,734)	(975,503)
Miscellaneous non-operating revenue	18,670	2,639
Total non-operating revenues (expenses)	<u>(3,529,610)</u>	<u>(3,318,990)</u>
Income before transfers	<u>9,124,074</u>	<u>5,758,862</u>
Transfers to other funds	(5,254,668)	(5,011,065)
Change in fund net assets	3,869,406	747,797
Net assets – beginning	<u>59,063,083</u>	<u>58,315,286</u>
Net assets – ending	<u>\$ 62,932,489</u>	<u>59,063,083</u>

See accompanying notes to basic financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from customers and users	\$ 43,674,938	37,401,346
Refunds to customers and users	(4,997)	(703,110)
Payments to employees	(13,947,580)	(13,241,510)
Payments to vendors	(7,148,563)	(5,819,226)
Internal activity – payments made to other funds	(3,136,078)	(3,109,290)
Net cash provided by operating activities	19,437,720	14,528,210
Cash flows from non-capital and related financing activities:		
Transfers to other funds	(5,254,668)	(5,011,065)
Net cash used by non-capital and related financing activities	(5,254,668)	(5,011,065)
Cash flows from capital and related financing activities:		
Principal payments on long-term obligations	(650,000)	(1,120,000)
Interest payments on long-term obligations	(4,185,777)	(4,000,392)
Acquisition and construction of capital assets	(16,686,462)	(17,868,958)
Capital contributions – intergovernmental	1,064,506	3,063,914
Capital contributions – customer/special assessments	344,946	501,616
Proceeds from Alaska Clean Water Fund loans	3,895,599	16,499,419
Principal payments on Alaska Clean Water Fund loans	(4,707,646)	(4,051,181)
Proceeds from (payments on) loan from Water Utility Fund	6,445,734	(6,583,628)
Net cash used by capital and related financing activities	(14,479,100)	(13,559,210)
Cash flows from investing activities:		
Interest received	195,692	379,163
Net decrease in cash	(100,356)	(3,662,902)
Cash, beginning of year	9,496,352	13,159,254
Cash, end of year	\$ 9,395,996	9,496,352
Cash and cash equivalents		
Equity in general cash pool	\$ 9,009,753	7,896,813
Equity in bond and grant capital acquisition and construction pool	—	1,400,304
Customer deposits	386,243	199,235
Cash and cash equivalents, end of year	\$ 9,395,996	9,496,352

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Statements of Cash Flows, continued

Years ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,653,684	9,077,852
Transfer from escrow account	1,619,691	199,783
Adjustments to reconcile operating income to net cash provided by operating activities:		
Allowance for uncollectible accounts	6,972	(18,168)
Depreciation, net of amortization	6,153,527	5,528,534
Miscellaneous non-operating revenues	18,670	2,639
Changes in assets and liabilities increasing (decreasing) cash:		
Accounts receivable and other receivables	(830,013)	823,163
Unbilled reimbursable projects	46,242	135,094
Inventories	(49,109)	1,635
Customer deposits payable	187,008	(143,032)
Deferred charges and other assets	(597,400)	(421,848)
Accounts payable and other liabilities	(21,368)	(700,545)
Accrued payroll liabilities	301,106	(53,463)
Compensated absences payable	(139,290)	23,066
Pollution remediation obligation	88,000	73,500
Net cash provided by operating activities	\$ 19,437,720	14,528,210
Non-cash investing, capital, and financing activities:		
Contributed capital – private development	\$ 1,238,856	3,440,156
Capital purchases on account, net	2,154,089	368,066
Total non-cash investing, capital, and financing activities	\$ 3,392,945	3,808,222

See accompanying notes to basic financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(1) Description of Business and Summary of Significant Accounting Policies

The Anchorage Wastewater Utility (Utility) began as a fragmented system owned by the City of Anchorage, military, public, and private interests. In the late 1960's the Greater Anchorage Area Borough unified these systems creating the Utility. In the early 1970's the Utility began charging rates and by the mid 1980's evolved into an enterprise fund and now exists as a public utility of the Municipality of Anchorage. The Utility, whose service area is the entire Municipality of Anchorage, serves residential, commercial, and military accounts in metropolitan Anchorage from Eklutna to Girdwood. The Utility's treatment plants in Anchorage, Eagle River and Girdwood operate 24 hours per day, discharging treated wastewater into Cook Inlet, Eagle River and Glacier Creek. The accompanying financial statements include the activities of the Wastewater Utility Fund.

The Utility is an Enterprise Fund. Enterprise Funds are used to account for operations where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Utility applies all applicable provisions of the Governmental Accounting Standards Board (GASB) which has authority for setting accounting standards for governmental entities. The accounting records of the Utility conform to the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). The accrual basis of accounting is used for Enterprise Funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

Accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this focus, all assets and liabilities associated with the operation of these funds are included on the Statements of Net Assets. Net assets are segregated into Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Statements of Net Assets and revenues and expenses for the period. Actual results could differ from those estimates.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2011 and 2010

(a) Regulated Operations

The Utility meets the criteria, and accordingly, follows the accounting and reporting requirements applicable to regulated operations. The Utility's 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 Utility receives contributions in aid of construction, which are recorded as a deferred liability. For rate-making purposes, the Utility amortizes contributions in aid of construction over the life of the respective utility plant as a reduction of depreciation expense and a reduction of deferred liability. Consequently, contributions in aid of construction are recorded as a regulatory liability in the accompanying financial statements. The Utility's 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 includes AFUDC as an item of other income in a manner that indicates the basis for the amount capitalized.

(b) Cash Pool and Investments

The Municipality uses a central treasury to account for all cash and investments to maximize interest income. Bond and grant proceeds are shown as equity in the bond and grant capital acquisition and construction pool and are used for capital projects; all other cash is shown as equity in the general cash pool. Equity in the general and construction cash pools are treated as cash equivalents for cash flow purposes. Investments are recorded at fair value. Interest from cash pool investments is allocated to the Utility based on its average daily balances.

For purposes of the Statements of Cash Flows, the Utility has defined cash as the demand deposits and all investments maintained in the general and construction cash pools, regardless of maturity period, since the various funds use the cash pools essentially as demand deposit accounts.

(c) Flow Assumptions for Restricted Resources

It is the Utility's policy to first use restricted resources to make certain payments when both restricted and unrestricted assets are available for the same purpose.

(d) Inventories

Inventories are valued at average cost.

(e) Deferred Charges

Unamortized debt expense consisting of bond issue costs and other expenditures not qualifying as a capital asset are deferred and amortized over the life of the related bond issue or over their estimated useful life.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2011 and 2010

(f) Property, Plant, and Equipment

Property, plant, and equipment is stated at cost. To be considered for capitalization, the cost of an asset must meet or exceed \$5,000 and the service life of the retirement unit must exceed one year. The Utility's depreciation model is composed of the straight-line method, average service life procedure, and remaining life technique. The Utility's depreciation model is approved by the RCA. Additions to wastewater plant in service are at original cost of contracted services, direct labor and materials, interest and indirect overhead charges.

Plant removed from service is credited against the plant accounts with the offset to accumulated depreciation. No gain or loss is recognized on the transaction except under extraordinary circumstances.

The Utility employs amortization accounting for specific general plant accounts and includes provisions for future salvage and cost of removal in annual depreciation rates for specific plant accounts. Proceeds associated with the sale of an asset are credited to the accumulated depreciation account and costs associated with the retirement of an asset are debited against the accumulated depreciation account.

The estimated lives of major plant and equipment categories are as follows:

Collection plant	55 - 85 years
Pumping plant	30 - 45 years
Treatment and disposal plant	25 - 75 years
General plant	5 - 50 years
Intangible plant	10 years

(g) Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations.

(h) Unbilled Revenues

Utility revenues are based on cycle billings rendered to customers monthly. The Utility accrues an estimate of revenue at year-end for services provided but not yet billed. The Utility accrued \$1,250,000 and \$1,130,000 for the years ended December 31, 2011 and 2010, respectively.

(i) Accrued Leave

The Utility records annual leave, which includes cashable sick leave, when earned.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(j) Intra-governmental Charges

Certain functions of the Municipality of a general and administrative nature are centralized and the related costs are allocated to the various funds of the Municipality, including the Utility. Such costs allocated to the Utility totaled \$0.8 million and \$1.1 million for the years ended December 31, 2011 and 2010, respectively.

(k) Risk Management and Self-Insurance

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

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

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

Changes in the funds' claim liability amounts in 2011 and 2010 follow:

	<u>Liability Balance January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payment</u>	<u>Liability Balance December 31</u>
2011:				
General Liability/Workers'				
Compensation	\$ 16,284,545	12,979,419	(8,178,281)	21,085,683
Medical/Dental	6,586,478	49,654,504	(48,425,213)	7,812,769
Unemployment	169,316	522,267	(585,017)	106,566
	<u>\$ 23,040,339</u>	<u>63,156,190</u>	<u>(57,188,511)</u>	<u>29,005,018</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>

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.

(l) Reclassification

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

(m) Interfund Loan Payable – Water Utility Capital Projects Fund

When the Utility borrows from the Anchorage Central Treasury to fund capital projects, the Municipality assesses a monthly fee. The fee is based on the investment earnings rate, plus 49 basis points. When the Utility sells bonds or secures loans from the Alaska Clean Water Fund, the cash pool is reimbursed from these proceeds. As of December 31, 2011, the Municipality of Anchorage Water Utility's construction cash pool had an outstanding loan to the Municipality of Anchorage Wastewater Utility for \$6.4 million which was used to fund capital projects.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(2) Cash and Investments

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

<u>Investment Type</u>	<u>Fair Value*</u>	<u>Fixed Income Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
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	85,620,130	22,515,236	48,637,867	12,020,730	2,446,297
Payables	(9,466,377)	—	—	—	—
	<u>\$ 318,498,558</u>	<u>82,697,979</u>	<u>166,228,726</u>	<u>47,764,626</u>	<u>22,582,310</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	1,566,562	—	—	—
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	51,962,172	36,524,331	11,898,659	2,940,725	598,457
Payables	(2,315,833)	—	—	—	—
	<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>

* 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*.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2011 and 2010

The Utility's unrestricted cash and investments represent 2.9% of the unrestricted Municipal Central Treasury. The Utility's restricted cash and investments represent 0.2% of the restricted Municipal treasury.

(a) 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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

- 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.
- 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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

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

Investment Type	Concentration Limit	Working Capital Portfolio	Internally Managed Portfolio
		Holding % at 12/31/2011	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	0.01
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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(b) 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, 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.

(c) 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 \$18,657,700, 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:

Moody's		S&P	
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%
	100%		100%

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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(d) Concentration of Credit Risk

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

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

(e) 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.

(f) 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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(3) Capital Assets

Capital assets for the year ended December 31, 2011 follow:

	December 31, 2010	Additions	Retirements	December 31, 2011
Intangible plant	\$ 1,172,000	—	(94,187)	1,077,813
Collection plant	352,781,600	8,840,480	(488,279)	361,133,801
Treatment & disposal plant	121,960,043	2,422,823	(3,664,075)	120,718,791
Pumping plant	14,941,378	147,634	(28,456)	15,060,556
General plant land	4,203,352	—	—	4,203,352
General plant	<u>59,536,239</u>	<u>5,077,271</u>	<u>(1,949,239)</u>	<u>62,664,271</u>
	554,594,612	16,488,208	(6,224,236)	564,858,584
Less accumulated depreciation	<u>(208,805,277)</u>	<u>(11,834,635)</u>	<u>6,237,416</u>	<u>(214,402,496)</u>
Net plant in service	345,789,335	4,653,573	13,180	350,456,088
Plant held for future use	1,379,931	—	—	1,379,931
Construction work in progress	<u>10,686,726</u>	<u>18,436,136</u>	<u>(15,262,531)</u>	<u>13,860,331</u>
	<u>\$ 357,855,992</u>	<u>23,089,709</u>	<u>(15,249,351)</u>	<u>365,696,350</u>

Any transfers of assets between plant categories are reported in the “Additions” column of plant in service along with the additions for the year. There were no transfers for the year ended December 31, 2011. Net auction proceeds, which is the proceeds of the sale of assets less the cost of removal of assets that were retired from service, is reported in the “Retirements” column in the depreciation section. There were no salvage proceeds in 2011. Cost of removal recorded for the year was \$13,180. The Utility’s 2012 construction budget is \$30,381,000.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

Capital assets for the year ended December 31, 2010 follow:

	December 31, 2009	Additions	Retirements	December 31, 2010
Intangible plant	\$ 1,172,000	—	—	1,172,000
Collection Plant	342,335,377	10,485,117	(38,894)	352,781,600
Treatment & disposal plant	115,541,591	7,435,349	(1,016,897)	121,960,043
Pumping plant	14,241,328	797,076	(97,026)	14,941,378
General plant land	4,203,352	—	—	4,203,352
General plant	59,026,797	4,834,744	(4,325,302)	59,536,239
	<u>536,520,445</u>	<u>23,552,286</u>	<u>(5,478,119)</u>	<u>554,594,612</u>
Less accumulated depreciation	<u>(202,642,142)</u>	<u>(11,608,794)</u>	<u>5,445,659</u>	<u>(208,805,277)</u>
Net plant in service	333,878,303	11,943,492	(32,460)	345,789,335
Plant acquisition adjustment	910,422	—	(910,422)	—
Less accumulated amortization	(910,422)	—	910,422	—
Plant held for future use	1,379,931	—	—	1,379,931
Construction work in progress	12,682,988	18,106,089	(20,102,351)	10,686,726
	<u>\$ 347,941,222</u>	<u>30,049,581</u>	<u>(20,134,811)</u>	<u>357,855,992</u>

Any transfers of assets between plant categories are reported in “Additions” to plant in service. There were no transfers for the year ended December 31, 2010. Auction proceeds, resulting from the sale of assets and cost of removal, resulting from the retirement or abandonment of assets are reported netted in the “Retirements” column for accumulated depreciation. Auction proceeds were \$32,460. There was no cost of removal recorded for the year ended December 31, 2010. The Utility’s 2011 construction budget was \$37,948,000.

(4) Long-Term Obligations

(a) Long-Term Obligations Issued

The Utility obtains low interest loans from the State of Alaska, Department of Environmental Conservation Alaska Clean Water Fund to fund capital improvement projects. These loans are to be repaid within 20 years of the initiation of operation of the facilities. In 2011, the Utility obtained additional low interest loans for \$3,895,599 from the State of Alaska to fund its capital improvement projects.

The Utility issues revenue bonds to provide funds for capital construction and refunding of earlier bond issues. These bonds are generally issued as 30-year serial bonds with varying amounts of principal maturing each year. The Utility has issued no new bonds since 2007.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

Long-term obligations outstanding at December 31, 2011 follow:

Description	Original Issue Date	Total Issue Amount	Interest Rates	Maturity Range	Principal Balance December 31, 2011
Revenue Bonds:					
2004 Wastewater Revenue Bonds	06/10/2004	\$ 22,620,000	3.00 - 5.125%	2007 - 2034	5,810,000
2007 Wastewater Revenue & Refunding Bonds	06/28/2007	59,665,000	4.00 - 5.00%	2008 - 2037	59,375,000
Total Revenue Bonds		<u>82,285,000</u>			<u>65,185,000</u>
Long-Term Loans:					
127011 Eagle River STP	10/10/1989	7,718,497	1.50%	1993 - 2012	406,423
127041 Pt. Woronzof Phase V	03/02/1993	2,443,128	1.50%	1995 - 2014	456,229
127061 Girdwood Wastewater	05/28/1998	1,565,161	1.50%	1999 - 2018	627,963
127071 Eagle River TID ER-3	08/03/2000	2,073,031	1.50%	1999 - 2018	829,783
127081 Misc Wastewater Projects	05/08/1996	2,071,475	1.50%	2002 - 2021	1,126,387
127091 Chester Creek Pump Stn R&R	03/02/2000	959,587	1.50%	1999 - 2018	387,193
127101 FY97 Misc Wastewater Projects	08/09/2002	2,250,000	1.50%	2009 - 2028	1,912,500
127111 Equipment - Wastewater 1998	12/02/1999	286,051	1.50%	2001 - 2020	140,621
127131 Chester Creek Sewer Trunk Study	03/11/2005	300,127	1.50%	2004 - 2023	180,076
127141 Facility Replace & Rehab Proj 1998	03/20/2003	1,305,252	1.50%	2009 - 2028	1,071,998
127151 Operations Facilities, Phase II	06/06/2001	1,138,248	1.50%	2006 - 2022	624,367
127161 Wastewater Data Processing	05/29/2002	1,182,000	1.50%	2008 - 2012	236,400
127211 FY99 Misc Small Sewer R&R, Phs I	07/23/2002	1,410,000	1.50%	2003 - 2022	836,563
127271 C-5-7 Trunk Sewer Upgrade	07/27/2004	2,229,617	1.50%	2007 - 2026	1,732,828
127281 Asplund Facility Solids Handling	01/02/2002	4,290,279	1.50%	2002 - 2021	2,149,783
127291 Operations Facility, Phase III	03/18/2004	3,608,588	1.50%	2004 - 2023	2,427,747
127301 Septic System Site Upgrade	08/27/2002	500,000	1.50%	2004 - 2023	299,453
127371 Old Glenn Hwy	02/22/2008	2,000,000	1.50%	2013 - 2032 *	2,000,000
127421 B-4AB Sewer Trunk Upgrade	02/04/2003	2,370,748	1.50%	2003 - 2022	1,298,579
127451 SCADA Sewer	10/11/2004	13,000,000	1.50%	2009 - 2028	11,182,483
127481 Asplund WW Treatment Facility	10/08/2004	4,200,000	1.50%	2006 - 2025	3,068,514
127631 Asplund Process Impr	01/30/2008	8,000,000	1.50%	2009 - 2028	6,800,000
127641 (C-F) Interceptor Upgrade	12/16/2009	41,858	1.50%	2010 - 2019	33,487
127651 C-2(A,B) Sewer Improvements	08/01/2007	1,700,000	1.50%	2010 - 2029	1,529,996
127661 King-Rovenna Sewer Upgrade	08/01/2007	1,613,129	1.50%	2010 - 2029	1,451,816
127671 C-5-N Campbell Lake	08/07/2007	941,788	1.50%	2010 - 2029	847,609

Loans continued on next page.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

Description	Original Issue Date	Total Issue Amount	Interest Rates	Maturity Range	Principal Balance December 31, 2011
127691 ER WWTF Gravity Thickener	12/28/2007	201,970	1.50%	2010 - 2029	181,773
127701 Girdwood WWTF Improvements	12/16/2009	1,260,929	1.50%	2013 - 2032 *	1,260,929
127721 San Ernesto Hoyt Upgrade	12/22/2008	404,000	1.50%	2010 - 2029	363,600
127741 Septage Improvements	10/29/2008	1,800,000	1.50%	2011 - 2030	1,710,000
130031 Asplund Improvements	01/18/2008	2,701,000	1.50%	2009 - 2028	2,160,800
130071 Pump Station Upgrade	12/16/2009	3,332,118	1.50%	2013 - 2032 *	3,332,118
130081 Sand Lake Sewer Extension	02/17/2010	600,000	1.50%	2011 - 2030	570,000
130091 Asplund Generator Upgrade	10/16/2008	5,963,373	1.50%	2011 - 2030	5,665,204
130101 Minnesota-Benson Sewer Upgrade	06/16/2009	395,625	1.50%	2009 - 2028	336,281
130131 Arctic 32nd-36th Upgrade	07/09/2008	437,275	1.50%	2009 - 2028	371,684
130171 Asplund Disinfection Study & Upgrade	04/30/2010	34,044	1.50%	2013 - 2032 *	34,044
130191 Pump Station 10 Upgrade	12/12/2008	3,283,217	1.50%	2011 - 2030	3,119,056
130301 Cope Dorbrant Upgrade	09/09/2008	927,746	1.50%	2011 - 2030	881,359
130311 Douglas St Sewer	09/09/2008	117,000	1.50%	2008 - 2027	93,600
130321 ER WWTR Improvements	11/05/2008	4,707,322	1.50%	2010 - 2029	4,298,874
130361 Downtown Sewer Upgrade	10/06/2009	280,000	1.50%	2010 - 2029	252,000
130621 Benson Dawson-Cheechako Upgrade	03/16/2010	447,878	1.50%	2010 - 2029	403,090
130711 Iris Way Sewer Upgrade	03/19/2010	408,359	1.50%	2010 - 2029	367,523
131081 Rovena Pipe Upgrade	02/17/2010	711,191	1.50%	2013 - 2032 *	711,191
131091 ERWTF Clarifier Upgrade	07/22/2011	1,297,643	1.50%	2013 - 2032 *	1,297,643
131111 Chester Creek Sewer	09/20/2011	420,000	1.50%	2013 - 2032 *	420,000
Total Long-Term Loans		98,929,254			71,489,567
Total Long-Term Debt		\$ 181,214,254			\$ 136,674,567

* Loan repayment is not due. Repayment will begin one year following initiation of operation of all project phases.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(b) Revenue Bond Coverage Requirements

The Utility's Schedule of Revenue Bond Coverage for the last ten years follows:

Fiscal Year	Revenue (1)	Assessment Collections (2)	Operating Expenses (3)	Amount Available For Debt Service	Current Year Debt Service Requirements (Accrual Basis)			Coverage (4)
					Principal	Interest	Total	
2002	25,593,935	952,980	14,189,645	12,357,270	80,000	288,093	368,093	33.57
2003	25,318,049	725,096	14,717,225	11,325,920	85,000	284,573	369,573	30.65
2004	26,802,108	886,986	15,821,938	11,867,156	90,000	707,312	797,312	14.88
2005	29,168,118	919,373	16,401,620	13,685,871	90,000	1,365,706	1,455,706	9.40
2006	31,163,232	1,017,357	17,576,955	14,603,634	95,000	1,361,319	1,456,319	10.03
2007	35,566,755	481,651	23,627,253	12,421,153	520,000	1,672,649	2,192,649	5.66
2008	34,954,522	842,664	24,844,546	10,952,640	575,000	3,225,638	3,800,638	2.88
2009	37,346,056	420,981	26,417,349	11,349,688	595,000	3,204,697	3,799,697	2.99
2010	37,853,165	501,616	27,872,010	10,482,771	615,000	3,181,475	3,796,475	2.76
2011	42,523,838	344,946	28,790,317	14,078,467	650,000	3,153,650	3,803,650	3.70

- (1) Excludes interest restricted for construction, interest on advanced grants and amortization of premiums on investments, but includes special items.
- (2) Assessment collections represent payments made by benefited property owners.
- (3) Excludes depreciation and Public Employees Retirement System relief distributed to labor, but includes Municipal Utility Service Assessment as per the 2007 bondcovenants.
- (4) Required Minimum Coverage is 1.15.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(c) Debt Service Requirements

Debt service requirements to maturity follow:

<u>Year</u>	<u>Revenue Bonds</u>		<u>Long-term Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 670,000	3,127,634	4,878,073	1,004,405	9,680,112
2013	705,000	3,099,794	4,580,467	1,048,398	9,433,659
2014	730,000	3,069,950	4,594,089	930,465	9,324,504
2015	765,000	3,037,578	4,451,254	863,054	9,116,886
2016	800,000	3,002,719	4,462,937	796,285	9,061,941
2017 - 2021	4,770,000	14,402,044	21,619,496	2,986,376	43,777,916
2022 - 2026	10,240,000	12,705,297	17,485,666	1,475,541	41,906,504
2027 - 2031	17,785,000	9,394,271	9,085,789	336,541	36,601,601
2032 - 2036	23,315,000	4,377,665	331,796	6,477	28,030,938
2037	5,405,000	135,125	—	—	5,540,125
	<u>65,185,000</u>	<u>56,352,077</u>	<u>71,489,567</u>	<u>9,447,542</u>	<u>202,474,186</u>
	(670,000)		(4,878,073)		Current Portion of Principal
	(80,676)		—		Unamortized Discounts & Losses
	605,840		—		Unamortized Premiums
	<u>\$ 65,040,164</u>		<u>66,611,494</u>		Total Long-term Portion

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(d) Long-Term Obligations

Changes in long-term obligations for the year ending December 31, 2011 follow:

Description	December 31, 2010	Additions	Deletions	December 31, 2011	Amounts Due Within One Year
Revenue bonds	\$ 65,835,000	—	(650,000)	65,185,000	670,000
Long-term loans	72,301,614	3,895,599	(4,707,646)	71,489,567	4,878,073
Total debt	138,136,614	3,895,599	(5,357,646)	136,674,567	5,548,073
Unamortized premium	638,062	—	(32,222)	605,840	—
Unamortized bond costs	(93,063)	—	12,387	(80,676)	—
Total debt, net	138,681,613	3,895,599	(5,377,481)	137,199,731	5,548,073
Compensated absences	1,231,214	1,373,434	(1,512,724)	1,091,924	824,491
Pollution remediation obligation	176,000	88,000	—	264,000	20,000
Total long-term, net	\$ 140,088,827	5,357,033	(6,890,205)	138,555,655	

Changes in long-term obligations for the year ending December 31, 2010 follow:

Description	December 31, 2009	Additions	Deletions	December 31, 2010	Amounts Due Within One Year
General obligation bonds	\$ 505,000	—	(505,000)	—	—
Revenue bonds	66,450,000	—	(615,000)	65,835,000	650,000
Long-term loans	59,853,376	16,499,419	(4,051,181)	72,301,614	4,690,531
Total debt	126,808,376	16,499,419	(5,171,181)	138,136,614	5,340,531
Unamortized premium	670,374	—	(32,312)	638,062	—
Unamortized bond costs	(111,167)	—	18,104	(93,063)	—
Total debt, net	127,367,583	16,499,419	(5,185,389)	138,681,613	5,340,531
Compensated absences	1,208,148	1,488,305	(1,465,239)	1,231,214	1,141,426
Pollution remediation obligation	102,500	73,500	—	176,000	20,000
Total long-term, net	\$ 128,678,231	18,061,224	(6,650,628)	140,088,827	

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(5) Defeasance of Debt

In prior years, the Utility defeased certain general obligation and revenue bonds by placing the proceeds of the new bonds and other available funds in irrevocable trusts with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, trust account assets and liabilities for defeased bonds are not included in the Utility's financial statements. At December 31, 2011, the amount of defeased debt outstanding on 2004 revenue bonds amounted to \$14,575,000.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(6) Deferred Liabilities

Contributions in Aid of Construction (CIAC) for the years ended December 31, 2011 and 2010 follow:

	December 31, 2010	Additions	Deletions	December 31, 2011
Contributions in Aid of Construction				
Customer:				
Special assessments	\$ 45,936,883	108,884	(20,337)	46,025,430
Private development	110,822,107	1,238,856	(69,009)	111,991,954
Other	25,980	—	—	25,980
Intergovernmental	143,872,142	672,135	(2,374,073)	142,170,204
Paid in Capital	6,882,286	—	—	6,882,286
Total CIAC, gross	<u>307,539,398</u>	<u>2,019,875</u>	<u>(2,463,419)</u>	<u>307,095,854</u>
Accumulated Amortization				
Customer	(67,107,157)	(2,928,822)	89,346	(69,946,633)
Intergovernmental	(63,645,570)	(2,064,057)	2,374,073	(63,335,554)
Paid in Capital	(4,129,372)	(688,229)	—	(4,817,601)
Total amortization	<u>(134,882,099)</u>	<u>(5,681,108)</u>	<u>2,463,419</u>	<u>(138,099,788)</u>
Net CIAC	<u>\$ 172,657,299</u>	<u>(3,661,233)</u>	<u>—</u>	<u>168,996,066</u>
	December 31, 2009	Additions	Deletions	December 31, 2010
Contributions in Aid of Construction				
Customer:				
Special assessments	\$ 45,646,161	290,722	—	45,936,883
Private development	107,381,951	3,440,156	—	110,822,107
Other	25,980	—	—	25,980
Intergovernmental	141,052,811	3,466,065	(646,734)	143,872,142
Paid in Capital	6,882,286	—	—	6,882,286
Total CIAC, gross	<u>300,989,189</u>	<u>7,196,943</u>	<u>(646,734)</u>	<u>307,539,398</u>
Accumulated Amortization				
Customer	(64,214,972)	(2,892,185)	—	(67,107,157)
Intergovernmental	(61,792,458)	(2,499,846)	646,734	(63,645,570)
Paid in Capital	(3,441,143)	(688,229)	—	(4,129,372)
Total amortization	<u>(129,448,573)</u>	<u>(6,080,260)</u>	<u>646,734</u>	<u>(134,882,099)</u>
Net CIAC	<u>\$ 171,540,616</u>	<u>1,116,683</u>	<u>—</u>	<u>172,657,299</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(7) Net Assets

Net assets invested in capital assets, net of related debt is comprised of:

	2011	2010
Net capital assets	\$ 365,696,350	357,855,992
Less: Net revenue bonds payable long-term	65,040,164	65,729,999
Less: Unspent debt proceeds	—	(1,400,304)
Alaska Clean Water loans payable, long-term	66,611,494	67,611,083
Long-term obligations maturing within one year	5,548,073	5,340,531
Contributions in aid of construction, net	168,996,066	172,657,299
Invested in capital assets, net of related debt	\$ 59,500,553	47,917,384

Restricted net assets are comprised of:

	2011	2010
Interim rate escrow investment	\$ —	1,619,691

(8) Retirement Plans

State of Alaska Public Employees' Retirement System

(a) Plan Descriptions

The Utility participates in the State of Alaska Public Employees' Retirement System (PERS). 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 public employee retirement system. Employees hired 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 will no longer track 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 Utility employees are eligible to participate in PERS if they are employed fifteen hours or more per week. For both the defined benefit plan and the defined

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

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/.

(b) Funding Policy and Annual Pension and Post-Employment Healthcare Cost - PERS Tier I-III Defined Benefit Plan

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

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

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

	Employee Rate		Contractual Rate		ARM Board Adopted Rate		GASB 45*	
	<u>1/1 to 6/30/11</u>	<u>7/1 to 12/31/11</u>	<u>1/1 to 6/30/11</u>	<u>7/1 to 12/31/11</u>	<u>1/1 to 6/30/11</u>	<u>7/1 to 12/31/11</u>	<u>1/1 to 6/30/11</u>	<u>7/1 to 12/31/11</u>
Pension	2.41%	3.21%	7.85%	10.48%	9.98%	14.65%	13.49%	13.72%
Postemployment Healthcare	<u>4.34%</u>	<u>3.54%</u>	<u>14.15%</u>	<u>11.52%</u>	<u>17.98%</u>	<u>16.11%</u>	<u>55.87%</u>	<u>49.98%</u>
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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(c) Annual Pension and Post-Employment Healthcare Cost

The Utility 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 \$19,733,677 as a PERS on-behalf payment. The Utility did not recognize any portion of the revenue or expense related to this contribution. Because the Utility 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 ending December 31, 2009 to December 31, 2011 are shown below:

Year	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	Utility Contributions	% of TBC Contributed
2011	\$ 943,529	1,061,394	2,004,923	2,004,923	100%
2010	939,471	1,032,965	1,972,436	1,972,436	100%
2009	681,841	1,228,407	1,910,248	1,910,248	100%

***(d) Funding Policy and Annual Pension and Post-Employment 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:

	TIER IV	
	<u>1/1 - 6/30</u>	<u>7/1 - 12/31</u>
Employee Contribution	<u>8.00%</u>	<u>8.00%</u>
Employer Contribution		
Retirement	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%
Retiree Medical Plan	0.55%	0.51%
Death & Disability Benefit	<u>0.31%</u>	<u>0.20%</u>
Total Employer Contribution	<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

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

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, the Utility contributed \$136,727 to PERS Tier IV for retirement and retiree medical, and it contributed \$60,097 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$184,280.

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, the Utility contributed approximately 13.29% on 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.

(9) Contingencies

(a) Claims and Litigation

The Utility, in the normal course of its activities, is involved in various claims and pending litigation. In the opinion of Management and the Municipality’s legal staff, the disposition of these matters is not expected to have a material adverse effect on the Utility’s financial statements.

(b) Plumbers and Pipefitters, Local 367 Union Contract

The Plumbers and Pipefitters, Local 367 Union (Plumbers Union) contract expired June 30, 2010. The Municipality 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 Municipal Assembly. The Municipality and the Plumbers Union went to Superior Court in November 2011. In February 2012, the Superior Court issued a decision in favor of the Municipality’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.

(10) Environmental Issues

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

The Utility used the expected cash flow technique to measure the liability. The 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 ADEC.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(11) Regulatory Matters

(a) MUSA Remand

On June 27, 2011, the Regulatory Commission of Alaska (RCA or Commission) issued a final order in Docket U-04-22 authorizing the Utility 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. This order reversed a September 2, 2005 Commission decision to disallow the portion of this expense related to contributed plant from the Utility's rates. The Utility appealed the 2005 decision to Alaska Superior Court which upheld the Commission decision. The 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 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.

(b) 2009 Test Year / 2011 Rates

On November 10, 2010, the 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 Utility filed a Petition for Reconsideration of Order 1 and requested a hearing on interim rates. The requested public hearing involving the Utility, RAPA and the Federal Executive Agency (FEA) representing the Department of Defense, was conducted on February 15, 2011. The hearing provided the Utility an opportunity to present evidence to the RCA of the financial damage that the Utility 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 rates effective March 24, 2011. On August 12, 2011, the RCA accepted a stipulation filed by AWWU and RAPA that settled all outstanding issues specific to the docket and granted permanent rates.

(c) 2010 Test Year / 2012 Rates

On November 4, 2011, the 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.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(12) Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2011 follows:

<u>Description</u>	<u>Amount</u>
Transfer to other funds:	
Municipal utility service assessment	\$ <u>5,254,668</u>

The composition of interfund transfers for the year ended December 31, 2010 follows:

<u>Description</u>	<u>Amount</u>
Transfer to other funds:	
Municipal utility service assessment	\$ <u>5,011,065</u>

(13) Wastewater Treatment Facilities Discharge Permits

The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit is administratively extended pending reissuance by ADEC. ADEC is working on the renewal and expects to issue a draft permit for the Utility to review in 2012. The Girdwood WWTF permit is also administratively extended pending reissuance by ADEC. The Utility is working closely with ADEC to ensure that a proposed upgrade to the Girdwood WWTF is consistent with terms and conditions of the new permit, when it is reissued.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the U.S. Environmental Protection Agency (EPA). EPA is currently evaluating the Utility's application for reauthorization of the permit. The renewal process includes an evaluation by EPA to determine whether Asplund continues to meet the Clean Water Act criteria necessary to reissue a permit with a 301(h) modification allowing only primary treatment. The tentative determination from this evaluation is expected in summer 2012. Subsequent to a positive determination, EPA is required to consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to date suggest that such a finding is unlikely.

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2011 and 2010

(14) New Accounting Pronouncements

(a) GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Effective for the year ending December 31, 2012 – This statement will result in a change to the Utility’s financial 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.

(b) GASB 65 – Items Previously Reported as Assets and Liabilities

Effective for the year ending 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.

STATISTICAL SECTION

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND
Statistical Section (unaudited)
Financial Ratios

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Financial ratios:					
Current ratio (current assets / current liabilities)	0.84	1.32	1.10	2.74	1.24
Quick ratio (quick assets / current liabilities)	0.82	1.29	1.09	2.68	1.20
Return on investment (change in net assets / total assets)	0.83%	0.02%	0.80%	0.20%	1.10%
Return on equity (change in net assets / net assets)	4.89%	0.10%	4.90%	1.20%	6.30%
Debt to equity as a percent of capital structure (outstanding debt / capital structure over net assets / capital structure)	<u>68%</u> 32%	<u>69%</u> 31%	<u>68%</u> 32%	<u>66%</u> 34%	<u>64%</u> 36%
Operating margin (operating income / operating revenues)	30%	24%	27%	20%	26%
Revenue bond debt coverage (amount available for revenue bond debt service / revenue bond principal & interest)	3.70	2.76	2.99	2.88	5.66
Weighted cost of long term debt (Sum of interest rates multiplied by percentage of total amounts outstanding for bonds, long-term loans, and amortization of bond discounts and transaction costs)	3.14%	3.14%	3.36%	3.62%	3.78%

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 1

Average Number of Accounts

<u>Customer Type</u>	<u>2011⁽¹⁾</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Residential	52,438	52,257	52,159	52,054	51,891
Commercial	3,669	3,641	3,624	3,581	3,579
Total	<u>56,107</u>	<u>55,898</u>	<u>55,783</u>	<u>55,635</u>	<u>55,470</u>
Growth rate	0.37%	0.21%	27.%	0.30%	

⁽¹⁾ Statistics changed from reporting end of year account total to a monthly average account total in 2011. Restating prior years results is an immaterial difference.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND
Statistical Section (unaudited)
Table 2
Current Wastewater Rates

Type of Service	2011 ⁽¹⁾	2010 ⁽²⁾	2009 ⁽³⁾	2008 ⁽⁴⁾	2007 ⁽⁵⁾
Metered:					
Customer charge (per account)	\$ 6.43	5.59	5.45	5.12	5.45
Inflow and infiltration charge	0.00	0.00	0.00	0.00	3.85
Residential usage (per 1,000 gallons)	4.26	3.70	3.61	3.39	2.73
Commercial – low strength (TSS<= 275 mg/L)	3.74	3.25	3.17	2.98	2.61
Commercial – medium strength (TSS between 275 and 450mg/L)	4.97	4.32	4.21	3.95	2.97
Commercial – high strength (TSS>450 mg/L)	5.80	5.04	4.92	4.62	3.64
Unmetered:					
Customer charge (per account)	6.43	5.59	5.45	5.12	5.45
Residential charge, including I&I charge (per unit)	27.22	23.67	23.09	21.68	23.30
Commercial, including I&I charge (depends on activity)	8.96 to 759.83	7.79 to 660.72	7.60 to 644.60	7.14 to 605.26	11.60 to 1,152.60

⁽¹⁾ Rates effective 3/24/11. Rate increase of 11.75% was approved by the Regulatory Commission of Alaska (RCA) effective 1/1/11 through 3/23/11. A permanent rate increase of 15% was approved by the RCA effective 3/24/11, which is reflected in the 2011 column above.

⁽²⁾ Rates effective 1/1/10.

⁽³⁾ Rates effective 1/1/09.

⁽⁴⁾ Rates effective 8/8/08, per TA119-126 and docket U-05-103(17). As a result of the cost of service study and rate design, separate I&I charges have been eliminated.

⁽⁵⁾ Rates effective 1/1/07.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 3

Revenues and Expenses - Budget to Actual

	Budget	Actual	Variance Favorable/ (Unfavorable)
Operating revenues:			
Residential sales	\$ 30,263,000	30,398,907	135,907
Commercial sales	9,164,000	8,993,210	(170,790)
Public authorities	1,773,000	1,573,850	(199,150)
Miscellaneous service	1,500,000	1,376,893	(123,107)
Total operating revenues	<u>42,700,000</u>	<u>42,342,860</u>	<u>(357,140)</u>
Nonoperating revenues:			
Investment income - short-term investments	330,000	162,308	(167,692)
Miscellaneous non-operating revenue	—	18,670	18,670
Total non-operating revenue	<u>330,000</u>	<u>180,978</u>	<u>(149,022)</u>
Total revenues	<u>\$ 43,030,000</u>	<u>42,523,838</u>	<u>(506,162)</u>
Expenses:			
Collection system:			
Operations	\$ 1,691,000	1,613,048	77,952
Maintenance	2,937,000	2,696,788	240,212
Total collection system expense	<u>4,628,000</u>	<u>4,309,836</u>	<u>318,164</u>
Treatment plant:			
Operations	9,300,000	7,939,492	1,360,508
Maintenance	1,105,000	1,789,657	(684,657)
Total treatment plant expense	<u>10,405,000</u>	<u>9,729,149</u>	<u>675,851</u>
Customer accounts	2,325,000	2,126,436	198,564
Administrative and general	9,282,000	7,370,228	1,911,772
Depreciation, net of amortization	6,220,000	6,153,527	66,473
Total operating expenses	<u>32,860,000</u>	<u>29,689,176</u>	<u>3,170,824</u>
Other expenses:			
Transfers to other funds	5,330,000	5,254,668	75,332
Interest on long-term obligations	4,990,000	3,149,481	1,840,519
Other interest expense	—	1,051,734	(1,051,734)
Amortization of debt expense	100,000	42,634	57,366
Allowance for funds used during construction	(560,000)	(533,261)	(26,739)
Total other expenses	<u>9,860,000</u>	<u>8,965,256</u>	<u>894,744</u>
Total expenses	<u>42,720,000</u>	<u>38,654,432</u>	<u>4,065,568</u>
Increase in net assets	<u>\$ 310,000</u>	<u>3,869,406</u>	<u>3,559,406</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND
Statistical Section (unaudited)
Table 4
Debt Principal by Issue

Description	Original Issue Date	Total Issue Amount	12/31/2010 Principal Balance	2011 New (Retired) Debt	2011 Principal Payments	12/31/11 Principal Balance	Current Portion
Revenue Bonds							
2004 Wastewater Revenue Bonds	06/10/04	22,620,000	6,290,000	—	480,000	5,810,000	495,000
2007 Wastewater Revenue & Refunding Bonds	06/28/07	59,665,000	59,545,000	—	170,000	59,375,000	175,000
Total Revenue Bonds		82,285,000	65,835,000	—	650,000	65,185,000	670,000
Alaska Clean Water (ACW) Loans							
127011 - Eagle River STP	10/10/1989	7,718,497	806,840	—	400,417	406,423	406,423
127041 - Pt. Woronzof Phase V	03/02/1993	2,443,128	603,832	—	147,604	456,229	149,818
127061 - Girdwood Wastewater	05/28/1998	1,565,161	712,448	—	84,485	627,963	85,752
127071 - Eagle River TID ER-3	08/03/2000	2,073,031	941,421	—	111,637	829,783	113,312
127081 - Misc Wastewater Projects	05/08/1996	2,071,475	1,230,074	—	103,688	1,126,387	105,243
127091 - Chester Creek Pump Stn R&R	03/02/2000	959,587	439,285	—	52,092	387,193	52,874
127101 - FY97 Misc Wastewater Projects	08/09/2002	2,250,000	2,025,000	—	112,500	1,912,500	112,500
127111 - Equipment - Wastewater 1998	12/02/1999	286,051	155,114	—	14,493	140,621	14,710
127131 - Chester Creek Sewer Trunk Study	03/11/2005	300,127	195,083	—	15,006	180,076	15,006
127141 - Facility Replace & Rehab Proj 1998	03/20/2003	1,305,252	1,135,057	—	63,059	1,071,998	63,059
127151 - Operations Facilities, Phase II	06/06/2001	1,138,248	681,127	—	56,761	624,367	56,761
127161 - Wastewater Data Processing	05/29/2002	1,182,000	472,800	—	236,400	236,400	236,400
127211 - FY99 Misc Small Sewer R&R, Phs I	07/23/2002	1,410,000	906,038	—	69,475	836,563	70,517
127271 - C-5-7 Trunk Sewer Upgrade	07/27/2004	2,229,617	1,835,166	—	102,338	1,732,828	103,873
127281 - Asplund Facility Solids Handling	01/02/2002	4,290,279	2,364,761	—	214,978	2,149,783	214,978
127291 - Operations Facility, Phase III	03/18/2004	3,608,588	2,630,059	—	202,312	2,427,747	202,312
127301 - Septic System Site Upgrade	08/27/2002	500,000	324,408	—	24,954	299,453	24,954
127371 - Old Glen Hwy	02/22/2008	2,000,000	2,000,000	—	—	2,000,000	100,000
127421 - B-4AB Sewer Trunk Upgrade	02/04/2003	2,370,748	1,416,631	—	118,053	1,298,579	118,053
127451 - SCADA Sewer	10/11/2004	13,000,000	11,840,277	—	657,793	11,182,483	657,793
127481 - Asplund WW Treatment Facility	10/08/2004	4,200,000	3,264,183	—	195,669	3,068,514	198,604
127631 - Asplund Process Impr	01/30/2008	8,000,000	7,200,000	—	400,000	6,800,000	400,000
127641 - C-F Interceptor Upgrade	12/16/2009	41,858	37,672	—	4,186	33,487	4,186
127651 - C-2(A,B) Sewer Improvements	08/01/2007	1,700,000	1,614,996	—	85,000	1,529,996	85,000
127661 - King-Rovenna Sewer Upgrade	08/01/2007	1,613,129	1,532,473	—	80,656	1,451,816	80,656
127671 - C-5-N Campbell Lake	08/07/2007	941,788	894,699	—	47,089	847,609	47,089
127691 - ER WWTF Gravity Thickener	12/28/2007	201,970	191,871	—	10,099	181,773	10,099
127701 - Girdwood WWTF Improvements	12/16/2009	1,260,929	1,260,929	—	—	1,260,929	—
127721 - San Ernesto Hoyt Upgrade	12/22/2008	404,000	383,800	—	20,200	363,600	20,200
127741 - Septage Improvements	10/29/2008	1,800,000	1,800,000	—	90,000	1,710,000	90,000
130031 - Asplund Improvements	01/18/2008	2,701,000	2,295,850	—	135,050	2,160,800	135,050
130071 - Pump Station Upgrade	12/16/2009	3,332,118	2,751,228	580,890	—	3,332,118	—
130081 - Sand Lake Swr Extension Proj.	02/17/2010	600,000	600,000	—	30,000	570,000	30,000
130091 - Asplund Generator Upgrade	10/16/2008	5,963,373	5,621,075	342,298	298,169	5,665,204	298,169
130101 - Minnesota-Benson Swr Upgrd	06/16/2009	395,625	356,062	—	19,781	336,281	19,781
130131 - Arctic 32nd-36th Upgrade	07/09/2008	437,275	393,548	—	21,864	371,684	21,864
130171 - Asplund Disinfection Study & Upgrd	04/30/2010	34,044	34,044	—	—	34,044	—
130191 - Pump Station 10 Upgrade	12/12/2008	3,283,217	3,283,217	—	164,161	3,119,056	164,161
130301 - Cope Dorbrant Upgrade	09/09/2008	927,746	927,746	—	46,387	881,359	46,387
130311 - Douglas St Sewer	09/09/2008	117,000	99,450	—	5,850	93,600	5,850
130321 - ER WWTR Improvements	11/05/2008	4,707,322	3,963,925	543,577	208,628	4,298,874	238,826
130361 - Downtown Sewer Upgrade	10/06/2009	280,000	266,000	—	14,000	252,000	14,000
130621 - Benson Dawson-Cheechako Upgrd	03/16/2010	447,878	425,484	—	22,394	403,090	22,394
130711 - Iris Way Sewer Upgrade	03/19/2010	408,359	387,941	—	20,418	367,523	20,418
131081 - Rovenna Pipe Upgrade	02/17/2010	711,191	—	711,191	—	711,191	—
131091 - ERWTF Clarifier Upgrade	07/22/2011	1,297,643	—	1,297,643	—	1,297,643	—
131111 - Chester Creek Sewer	09/20/2011	420,000	—	420,000	—	420,000	21,000
Total ACW Loans		98,929,254	72,301,614	3,895,599	4,707,646	71,489,567	4,878,073
Total Long-Term Debt		\$ 181,214,254	138,136,614	3,895,599	5,357,646	136,674,567	5,548,073

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND**

Statistical Section (unaudited)

Table 5

Capital Improvement Program
(Dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Six Year Total
Project category:							
General plant	\$ 23,921	26,143	21,992	24,870	21,750	14,934	133,610
Repair and rehabilitation	6,435	5,670	9,796	8,375	12,375	18,950	61,601
Trunk/interceptors	<u>25</u>	<u>50</u>	<u>75</u>	<u>100</u>	<u>75</u>	<u>1,266</u>	<u>1,591</u>
Total AWWU Funded	30,381	31,863	31,863	33,345	34,200	35,150	196,802
Grants	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>30,381</u>	<u>31,863</u>	<u>31,863</u>	<u>33,345</u>	<u>34,200</u>	<u>35,150</u>	<u>196,802</u>
Source of funding:							
Debt	25,881	22,863	20,363	24,845	27,200	25,150	146,302
Equity	<u>3,500</u>	<u>3,000</u>	<u>5,500</u>	<u>6,500</u>	<u>5,000</u>	<u>8,000</u>	<u>31,500</u>
Total AWWU Funded	29,381	25,863	25,863	31,345	32,200	33,150	177,802
Grants	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>19,000</u>
Total	<u>\$ 30,381</u>	<u>31,863</u>	<u>31,863</u>	<u>33,345</u>	<u>34,200</u>	<u>35,150</u>	<u>196,802</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 6

Production Comparison by Facility

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Wastewater treatment facility (WWTF) system data:					
Million gallons per day (MGD)					
Asplund WWTF:					
Minimum daily flow	9.9	16.8	25.7	27.3	25.0
Maximum daily flow	58.5	39.1	30.8	31.1	32.3
Average daily flow	25.0	26.8	28.1	29.2	27.4
Eagle River WWTF:					
Minimum daily flow	1.0	0.8	1.3	1.4	0.8
Maximum daily flow	2.1	1.8	1.6	1.6	2.1
Average daily flow	1.3	1.3	1.4	1.5	1.5
Girdwood WWTF:					
Minimum daily flow	0.3	0.2	0.3	0.4	0.4
Maximum daily flow	1.9	1.2	0.6	0.6	0.7
Average daily flow	0.5	0.4	0.4	0.5	0.5
Miles of line:					
Interceptors	45	45	45	45	45
Trunks	83	83	83	82	82
Laterals	624	623	623	616	596
Total	<u>752</u>	<u>751</u>	<u>751</u>	<u>743</u>	<u>723</u>
	<u>Current</u>				
	<u>Capacity</u>				
Source ⁽¹⁾ :					
Asplund WWTF	58.00				
Eagle River WWTF	2.50				
Girdwood WWTF	0.60				
Total	<u>61.10</u>				

⁽¹⁾ Max design capacity (MGD)

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 7

Detailed Schedule of Wastewater Plant in Service (In Thousands)

	Wastewater Plant			Balance 12/31/2011
	Balance 01/01/2011	Additions	Retirements	
Wastewater plant in service:				
Tangible plant:				
Collection plant:				
Laterals	\$ 222,330	5,206	(225)	227,311
Trunks	71,386	968	(93)	72,261
Interceptors	42,256	2,307	(170)	44,393
Lift Stations	16,810	359	—	17,169
Collection plant:				
Structures & improvements	8,990	13	—	9,003
Receiving wells	3,001	15	—	3,016
Electric pumping equipment	2,950	120	(28)	3,042
Treatment and disposal plant:				
Treatment plant	57,499	—	(44)	57,455
Treatment & disposal equipment	50,905	2,422	(3,621)	49,706
Effluent tunnel-plant sewer	11,238	—	—	11,238
Outfall sewer lines	2,318	—	—	2,318
Land and land rights	4,203	—	—	4,203
General plant:				
Structures & improvements	24,476	749	(641)	24,584
Office furniture	179	—	(6)	173
Office equipment	59	—	(18)	41
Computer equipment	8,486	3,216	(926)	10,776
Vehicles (light duty)	1,658	160	(58)	1,760
Transportation equipment (heavy duty)	3,842	149	(295)	3,696
Store equipment	263	—	—	263
Tools, shop, & garage equipment	509	—	—	509
Laboratory equipment	70	—	—	70
Power operated equipment	264	—	—	264
Communication equipment	19,647	556	(5)	20,198
Miscellaneous equipment	83	248	—	331
Total tangible plant	553,422	16,488	(6,130)	563,780
Intangible plant:	1,172	—	(94)	1,078
Total wastewater plant in service	554,594	16,488	(6,224)	564,858
Acquisition adjustment	—	—	—	—
Property held for future use	1,380	—	—	1,380
Construction work in progress	10,687	18,436	(15,263)	13,860
Total wastewater plant	\$ 566,661	34,924	(21,487)	580,098

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 7 (Continued)

Detailed Schedule of Depreciation and Amortization (In Thousands)

	Accumulated Depreciation and Amortization				Net Book Value of Plant
	Balance			Balance	
	01/01/2011	Additions	Retirements	12/31/2011	
Wastewater plant in service:					
Tangible plant:					
Collection plant:					
Laterals	\$ 79,885	4,044	(238)	83,691	143,620
Trunks	26,571	1,130	(93)	27,608	44,653
Interceptors	17,426	547	(170)	17,803	26,590
Lift Stations	11,629	338		11,967	5,202
Collection plant:					
Structures & improvements	3,079	138	—	3,217	5,786
Receiving wells	436	86	—	522	2,494
Electric pumping equipment	687	54	(28)	713	2,329
Treatment and disposal plant:					
Treatment plant	17,866	718	(44)	18,540	38,915
Treatment & disposal equipment	27,490	1,372	(3,621)	25,241	24,465
Effluent tunnel-plant sewer	3,323	170	—	3,493	7,745
Outfall sewer lines	2,015	36	—	2,051	267
Land and land rights	—	—	—	—	4,203
General plant:					
Structures & improvements	6,647	457	(641)	6,463	18,121
Office furniture	159	6	(6)	159	14
Office equipment	59	—	(18)	41	—
Computer equipment	2,839	1,095	(926)	3,008	7,768
Vehicles (light duty)	807	31	(58)	780	980
Transportation equipment (heavy duty)	3,290	228	(295)	3,223	473
Store equipment	189	9	—	198	65
Tools, shop, & garage Equipment	400	19	—	419	90
Laboratory equipment	70	—	—	70	—
Power operated equipment	126	14	—	139	125
Communication equipment	3,282	1,227	(5)	4,504	15,694
Miscellaneous equipment	56	2	—	58	273
Total tangible plant	<u>208,331</u>	<u>11,721</u>	<u>(6,143)</u>	<u>213,908</u>	<u>349,872</u>
Intangible plant	474	114	(94)	494	584
Total wastewater plant in service	<u>208,805</u>	<u>11,835</u>	<u>(6,237)</u>	<u>214,402</u>	<u>350,456</u>
Acquisition adjustment	—	—	—	—	—
Property held for future use	—	—	—	—	1,380
Construction work in progress	—	—	—	—	13,860
Total wastewater plant	<u>\$ 208,805</u>	<u>11,835</u>	<u>(6,237)</u>	<u>214,402</u>	<u>365,696</u>