



# Municipality of Anchorage, Alaska Water Utility Fund

Basic Financial Statements  
and Other Information

December 31, 2015 and 2014  
(with independent Auditor's Report Thereon)



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

Basic Financial Statements and Other Information

December 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

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

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Water Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Water Utility's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Utility Fund, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 14 to the financial statements, in 2015 the Water Utility Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the Water 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, 2015 and 2014, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-14, and the Schedules of the Utility's Information on the Net Pension Liability and Pension Contributions on page 52, 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Utility Fund's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section 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.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 on our consideration of the Water Utility Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Utility Fund's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska  
October 26, 2016

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

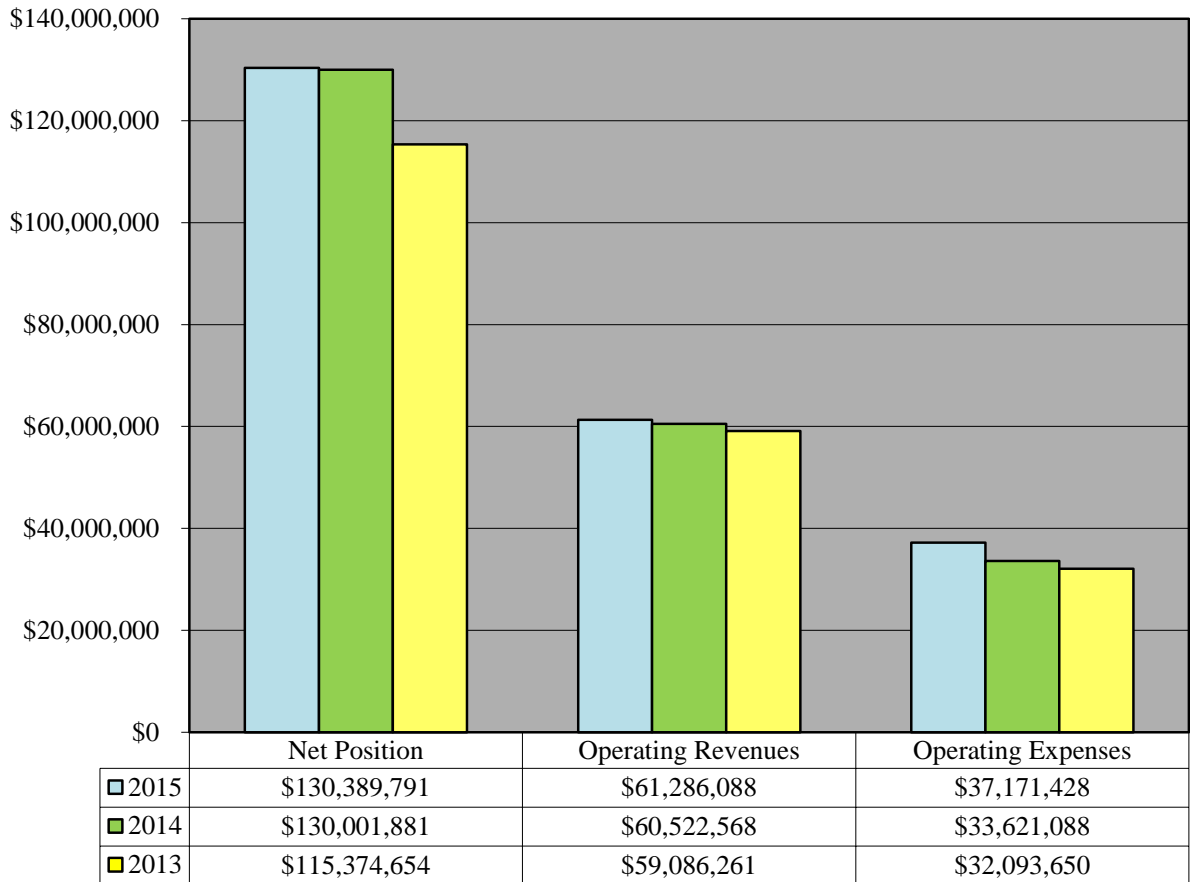
Management's Discussion and Analysis

December 31, 2015 and 2014

This section of the Municipality of Anchorage Water Utility (Utility) annual financial report presents the analysis of the Utility's financial performance during the years ending December 31, 2015 and 2014. Please read it in conjunction with the Utility's financial statements.

**Financial Highlights**

- Net capital assets increased by \$12,950,000, or 2% in 2015 and \$7,370,000, or 1% in 2014.
- The overall change in net position from 2014 to 2015 was an increase of \$390,000, or 0.3% which includes the effect of the restatement for GASB 68 adoption. The change in net position from current year operations was \$11,450,000, or 9%.
- Operating revenues increased by \$760,000, or 1% in 2015 and \$1,440,000, or 2% in 2014.
- Operating expenses increased by \$3,550,000, or 11% in 2015 and \$1,530,000, or 5% in 2014.



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

Management's Discussion and Analysis

December 31, 2015 and 2014

|                                         |
|-----------------------------------------|
| <b>Overview of the Financial Report</b> |
|-----------------------------------------|

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 the Management's Discussion and Analysis; Statements of Net Position; Statements of Revenues, Expenses, and Changes in Fund Net Position; Statements of Cash Flows; Notes to the Basic Financial Statements; and Statistical information. These statements and other supplemental information include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting.

*Statements of Net Position* – These statements present information regarding the Utility's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Net position represents the total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. The Statements of Net Position classify assets and liabilities as current and non-current and show deferred outflows and inflows of resources.

*Statements of Revenues, Expenses, and Changes in Fund Net Position* – 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 transfers to determine the change in net position for the year. That change, combined with last year's ending net position total reconciles to the net position 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 the cash and cash-equivalents balance at the end of the year. The Utility presents its Statements of Cash Flows using the direct method of reporting operating cash flows.



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

Management's Discussion and Analysis

December 31, 2015 and 2014

|                                             |
|---------------------------------------------|
| <b>Analysis of the Financial Statements</b> |
|---------------------------------------------|

***Net Position***

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 Position and Statements of Revenues, Expenses, and Changes in Fund Net Position report information about the Utility's activities in a way that helps answer this question.

These two statements report the Utility's net position and the changes in net position. One can think of the Utility's net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, as one way to measure financial health or financial position. Over time, increases or decreases in the Utility's net position 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.

Changes in the Utility's net position can be determined by reviewing the following condensed Summary of Fund Net Position as of December 31, 2015, 2014, and 2013. The analysis below focuses on the Utility's net position at the end of the year (Table 1) and changes in the net position (Table 2) during the year.

**Table 1  
Summary of Fund Net Position**

|                                                     | <b>2015</b>    | <b>2014</b> | <b>2013</b> |
|-----------------------------------------------------|----------------|-------------|-------------|
| Assets and deferred outflows of resources:          |                |             |             |
| Net capital assets                                  | \$ 531,962,839 | 519,017,658 | 511,646,216 |
| Current and other assets                            | 54,848,741     | 50,054,524  | 46,045,792  |
| Deferred outflows of resources                      | 3,066,975      | 1,593,873   | 1,966,035   |
| Total assets and deferred outflows of resources     | 589,878,555    | 570,666,055 | 559,658,043 |
| Liabilities and deferred inflows of resources:      |                |             |             |
| Net debt outstanding                                | 222,777,524    | 211,628,356 | 213,280,828 |
| Current and other liabilities                       | 20,115,387     | 9,744,873   | 5,626,066   |
| Deferred inflows of resources                       | 216,595,853    | 219,290,945 | 225,376,495 |
| Total liabilities and deferred inflows of resources | 459,488,764    | 440,664,174 | 444,283,389 |
| Net position:                                       |                |             |             |
| Net investment in capital assets                    | 95,647,932     | 90,685,159  | 76,801,473  |
| Restricted                                          | 5,069,426      | 5,954,180   | 5,040,344   |
| Unrestricted                                        | 29,672,433     | 33,362,542  | 33,532,837  |
| Total net position                                  | \$ 130,389,791 | 130,001,881 | 115,374,654 |
| Net position - beginning, as restated               | 118,940,051    |             |             |
| Change in fund net position                         | \$ 11,449,740  | 14,627,227  |             |

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

Management's Discussion and Analysis

December 31, 2015 and 2014

The Utility's total assets and deferred outflows of resources increased by \$19.2 million in 2015. Net capital assets increased by \$12.9 million due to an increase in construction work in progress of \$3.5 million, by new plant additions of \$26.4 million, which was reduced by depreciation of \$16.8 million and retirements of \$0.2 million (see MD&A Table 3A and note 3). Current and other assets increased by \$4.8 million due to a \$6.1 million increase in general cash pool equity, netted by a \$1.3 million decrease in restricted and non-current assets. Deferred outflows of resources increased by \$1.5 million.

Total liabilities and deferred inflows of resources increased by \$18.8 million in 2015. Net debt outstanding increased by \$11.1 million, due to additional low interest State of Alaska loans totaling \$9.4 million and additional long term loans totaling \$11 million, offset by debt principal payments of \$9 million and bond premium/discount amortization of \$0.3 million (see Table 4 and note 4). Current and other liabilities increased by \$10.4 million, and deferred inflows of resources decreased by \$2.7 million due to a decrease in contributions in aid of construction of \$3.0 million (see note 6) and an increase in deferred inflow of net pension liability of \$0.3 million.

The Utility's total assets and deferred outflows of resources increased by \$11.0 million in 2014. Current and other assets increased by \$4.1 million due to a \$3.0 million increase in general cash pool equity, a \$1.2 million increase in restricted assets, and a \$0.3 million increase in accounts receivable, netted by a \$0.4 million decrease in non-current assets. Net capital assets increased by \$7.3 million due to an increase in construction work in progress of \$5.9 million, by new plant additions of \$17.6 million, added cost of removal of \$0.6 million, which was reduced by depreciation of \$16.8 million (see MD&A Table 3A and note 3).

Total liabilities and deferred inflows of resources decreased by \$3.6 million in 2014. Net debt outstanding decreased by \$1.6 million, due to debt principal payments of \$12.2 million and bond premium/discount amortization of \$0.2 million, offset by additional low interest State of Alaska loans totaling \$3.1 million and additional long term loans totaling \$7.7 million (see Table 4 and note 4). Current and other liabilities increased by \$4.1 million, and deferred inflows of resources decreased by \$6.1 million due exclusively to a decrease in contributions in aid of construction (see note 6.)

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

Management's Discussion and Analysis

December 31, 2015 and 2014

Changes in the Utility's net position can be determined by reviewing the following condensed Summary of Revenues, Expenses, and Changes in Fund Net Position for the years ended December 31, 2015, 2014, and 2013.

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

|                                          | <u>2015</u>           | <u>2014</u>        | <u>2013</u>        |
|------------------------------------------|-----------------------|--------------------|--------------------|
| Operating revenues:                      |                       |                    |                    |
| Residential sales                        | \$ 41,418,518         | 41,140,290         | 40,467,916         |
| Commercial sales                         | 13,779,579            | 13,480,806         | 12,844,826         |
| Public fire protection                   | 4,762,806             | 4,763,798          | 4,658,460          |
| Miscellaneous                            | 1,325,185             | 1,137,674          | 1,115,059          |
| Nonoperating revenues                    | 372,551               | 1,642,512          | 54,334             |
| Total revenues                           | <u>61,658,639</u>     | <u>62,165,080</u>  | <u>59,140,595</u>  |
| Operating expenses:                      |                       |                    |                    |
| Source of supply                         | 2,294,037             | 2,399,969          | 2,890,303          |
| Pumping plant                            | 218,802               | 188,979            | 3,665              |
| Water treatment                          | 5,750,805             | 4,939,102          | 4,344,829          |
| Transmission and distribution            | 7,251,444             | 5,976,990          | 5,013,253          |
| Customer accounts                        | 2,256,107             | 2,247,178          | 2,530,688          |
| Administrative and general               | 9,209,184             | 7,635,177          | 7,475,212          |
| Depreciation, net of amortization        | 10,191,049            | 10,233,693         | 9,835,700          |
| Nonoperating expenses                    | 5,916,567             | 6,575,718          | 7,307,884          |
| Total expenses                           | <u>43,087,995</u>     | <u>40,196,806</u>  | <u>39,401,534</u>  |
| Income before special item and transfers | <u>18,570,644</u>     | <u>21,968,274</u>  | <u>19,739,061</u>  |
| Special item:                            |                       |                    |                    |
| Land acquisition asset adjustment        | —                     | —                  | 238,737            |
| Income before transfers                  | <u>18,570,644</u>     | <u>21,968,274</u>  | <u>19,977,798</u>  |
| Transfers:                               |                       |                    |                    |
| Transfer to other funds                  | (7,120,904)           | (7,341,047)        | (7,919,374)        |
| Transfer from other funds                | —                     | —                  | —                  |
| Total transfers                          | <u>(7,120,904)</u>    | <u>(7,341,047)</u> | <u>(7,919,374)</u> |
| Change in fund net position              | 11,449,740            | 14,627,227         | 12,058,424         |
| Net position - beginning, as restated    | <u>118,940,051</u>    | <u>115,374,654</u> | <u>103,316,230</u> |
| Net position - ending                    | <u>\$ 130,389,791</u> | <u>130,001,881</u> | <u>115,374,654</u> |

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

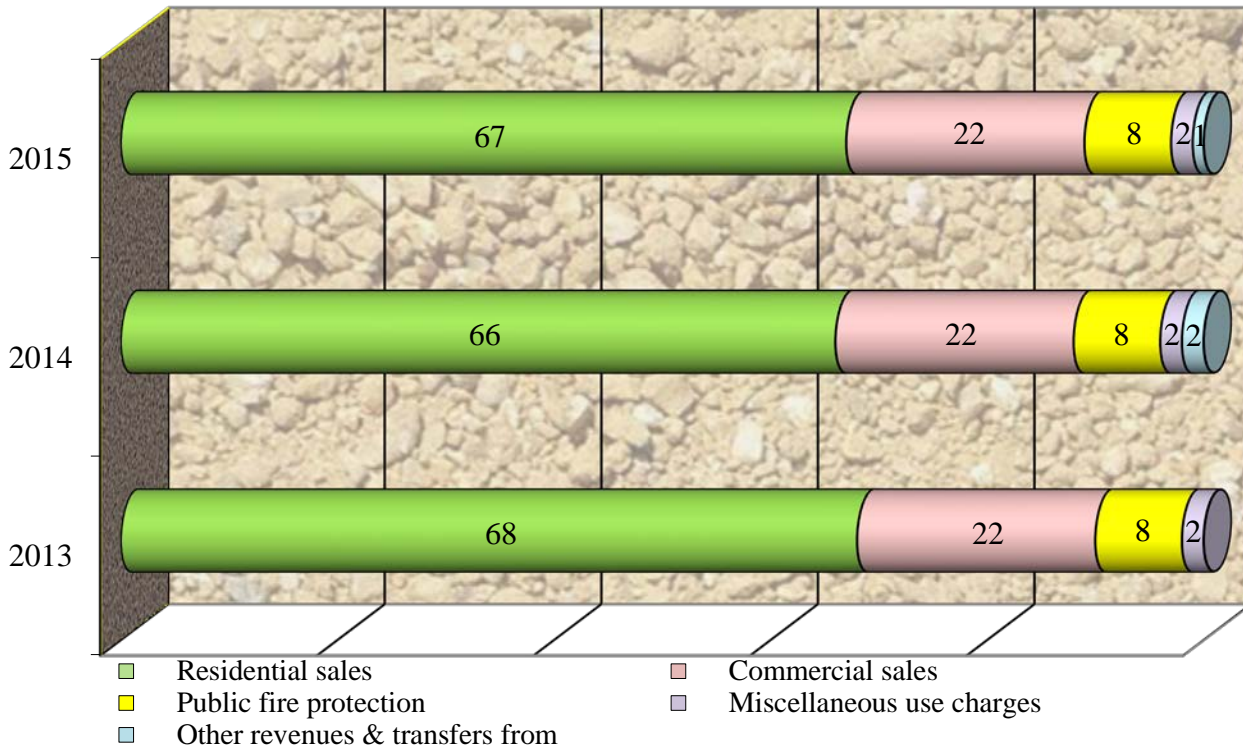
Management's Discussion and Analysis

December 31, 2015 and 2014

During 2015, net position increased by \$11.4 million and total revenues decreased by \$0.5 million. Operating revenues increased by \$0.8 million, due to a 0.54% increase in customers during the year. Non-operating revenues decreased by \$1.3 million primarily due to a decrease of \$1.2 million due to a gain on the disposition of non-utility property in 2014, a decrease in short term investment income of \$0.2 million, and a 2015 State of Alaska on behalf pension (PERS) liability payment of \$0.1 million.

During 2014, net position increased by \$14.6 million and total revenues increased by \$3.0 million. Operating revenues increased by \$1.4 million, due to a 2.26% rate increase effective January 1, 2014 and a 0.53% increase in customers during the year. Non-operating revenues increased by \$1.6 million due primarily to a \$1.2 million gain on the disposition of non-utility property and an increase in short term investment income of \$0.4 million.

**Revenues by Source in %**



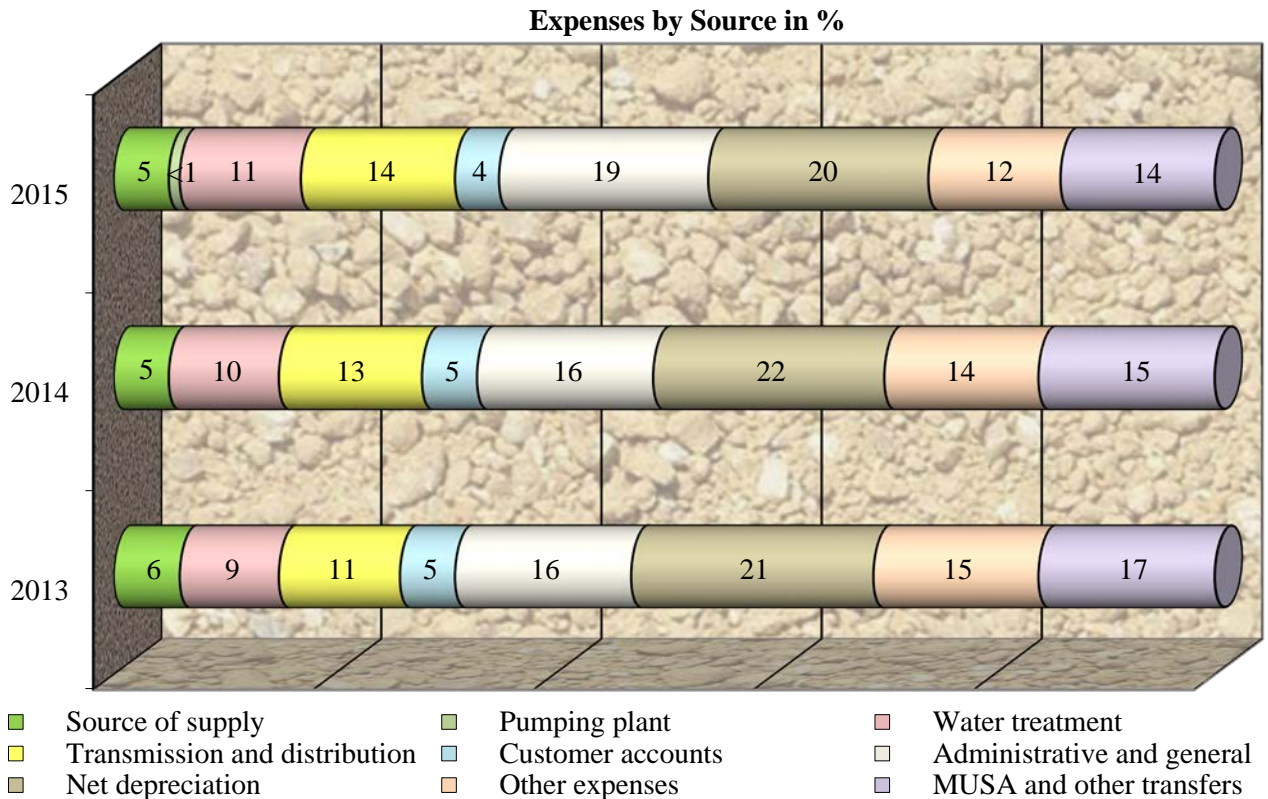
**MUNICIPALITY OF ANCHORAGE, ALASKA  
WATER UTILITY FUND**

Management's Discussion and Analysis

December 31, 2015 and 2014

Total expenses increased by \$2.9 million in 2015 when compared to 2014, with operating expenses increasing by \$3.6 million, and non-operating expenses decreasing by \$0.7 million. The increase in operating expenses was primarily due to an increase in administrative expenses of \$1.6 million comprised of State of Alaska on-behalf pension (PERS) liability expense of \$1.0 million (see Note 8), and an additional increase of \$0.6 million other administrative expenses. The remainder of the increase in operating expenses was due to increases of \$1.3 million in transmission and distribution, \$0.8 million in water treatment; offset by decreases of \$0.1 million in source of supply.

Total expenses increased by \$0.8 million in 2014 when compared to 2013, with operating expenses increasing by \$1.5 million, and non-operating expenses decreasing by \$0.7 million. The increase in operating expenses was primarily due to increases of \$0.9 million in transmission and distribution, \$0.6 million in water treatment, \$0.2 million in pumping plant expense, \$0.2 million in administrative expense, and a \$0.4 million in depreciation expense associated with increased plant in service; offset by decreases of \$0.5 million in source of supply, and \$0.3 million in customer service.



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

Management's Discussion and Analysis

December 31, 2015 and 2014

**Capital Assets and Debt**

**Capital Assets**

The following table summarizes the Utility's net capital assets, as of December 31, 2015, 2014 and 2013.

**Table 3A  
Net Capital Assets**

|                                           | <u>2015</u>           | <u>2014</u>        | <u>2013</u>        |
|-------------------------------------------|-----------------------|--------------------|--------------------|
| Intangible plant                          | \$ 2,332,513          | 2,787,840          | 3,048,904          |
| Source of supply plant                    | 19,990,584            | 20,589,477         | 19,806,157         |
| Pumping plant                             | 10,730,085            | 11,163,473         | 11,017,790         |
| Treatment plant                           | 46,175,916            | 40,665,721         | 41,723,819         |
| Transmission & distribution plant         | 402,058,307           | 395,083,418        | 390,017,534        |
| General plant land                        | 1,297,531             | 762,256            | 762,256            |
| General plant                             | 29,319,472            | 31,266,797         | 34,297,779         |
| Net plant in service                      | 511,904,408           | 502,318,982        | 500,674,239        |
| Plant acquisition adjustment              | 842,355               | 957,132            | 1,071,908          |
| Property held for future use              | 506,623               | 506,623            | 586,623            |
| Construction work in progress             | 18,709,453            | 15,234,921         | 9,313,446          |
| Total net capital assets                  | <u>\$ 531,962,839</u> | <u>519,017,658</u> | <u>511,646,216</u> |
| Increase/(decrease) in net capital assets | <u>\$ 12,945,181</u>  | <u>7,371,442</u>   |                    |

Net capital assets increased by \$12.9 million in 2015. Net plant in service increased by \$9.6 million comprised of \$26.4 million of additions to plant offset by depreciation of \$16.8 million. The plant category that increased the most at gross during the year was transmission and distribution plant, which increased by \$16.6 million. Water treatment plant increased by \$7.2 million, general plant increased by \$1.8 million, source of supply plant increased by \$0.3 million, and land by \$0.5 million during 2015 (see note 3). Construction work in progress increased by \$3.5 million and net plant acquisition adjustment decreased by \$0.1 million during 2015.

Net capital assets increased by \$7.3 million in 2014. Construction work in progress increased by \$5.9 million during 2014. The increase in construction work in progress was due to additions of \$21.9 million netted by deletions of \$16.0 million. The plant category that increased the most at gross during the year was transmission and distribution plant, which increased by \$13.7 million. Pumping plant increased by \$0.6 million, source of supply plant increased by \$1.6 million, general plant increased by \$0.9 million, water treatment plant by \$0.6 million, and miscellaneous intangible plant by \$0.2 million.

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

Management's Discussion and Analysis

December 31, 2015 and 2014

**Table 3B  
Capital Assets, 2015 Major Additions – gross  
(amounts expressed in millions)**

|                                            |                |                               |                |
|--------------------------------------------|----------------|-------------------------------|----------------|
| <u>Transmission and distribution plant</u> |                | <u>Source of Supply Plant</u> |                |
| Calais Subd Rehab WTR                      | \$ 2.3         | Calais Subd Rehab WTR         | \$ 0.2         |
| Eagle River 690PZ Intertie                 | 2.1            | Other Miscellaneous projects  | <u>0.1</u>     |
| Denali NLB-Fireweed Rehab-WTR              | 1.9            | Total source of supply        | <u>\$ 0.3</u>  |
| Reservoir Mixer Upgr                       | 1.1            |                               |                |
| Twin Pits South WTM                        | 1.0            | <u>Land</u>                   |                |
| Whitehall St Ext-WTR                       | 0.8            | Eagle River 690PZ Intertie    | \$ <u>0.5</u>  |
| PME McRae Street Intertie                  | 0.6            | Total source of supply        | <u>\$ 0.5</u>  |
| Barrow 10-11 Upgr-WTR                      | 0.6            |                               |                |
| 22ndAve Wayne-Illian Rehab-WTR             | 0.5            | <u>General Plant</u>          |                |
| W Dowling-Raspberry WTM                    | 0.5            | SCADA Equip-WTR14             | \$ 0.7         |
| PME Baxter Rehab-WTR                       | 0.5            | IT Infra Equip Only-WTR15     | 0.3            |
| W13-011 Southgate Tracts 1-4               | 0.4            | 3000 Arctic HVAC Upgr         | 0.2            |
| Bayshore Subd Rehab-WTR                    | 0.4            | Asphalt Truck 94450           | 0.2            |
| W07-014GalatEstB5L14-28B7L1-19             | 0.4            | Other Miscellaneous projects  | <u>0.4</u>     |
| W14-003 PowderView-PowderResv              | 0.4            | Total general plant           | <u>\$ 1.8</u>  |
| W14-011 Eagle Pointe, Ph 12                | 0.3            |                               |                |
| FacRR-OM-WTR12                             | 0.2            | <u>Water Treatment Plant</u>  |                |
| W14-012 Willow View                        | 0.2            | EWTF Filter-to-Waste          | \$ 6.2         |
| Other Miscellaneous projects               | <u>2.4</u>     | EWTF 2nd Stage Poly Sys Upgr  | 0.9            |
| Total transmission and distrib             | <u>\$ 16.6</u> | Other Miscellaneous projects  | <u>0.1</u>     |
|                                            |                | Total water treatment plant   | <u>\$ 7.2</u>  |
|                                            |                |                               |                |
|                                            |                | Total Additions               | <u>\$ 26.4</u> |

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

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

Management's Discussion and Analysis

December 31, 2015 and 2014

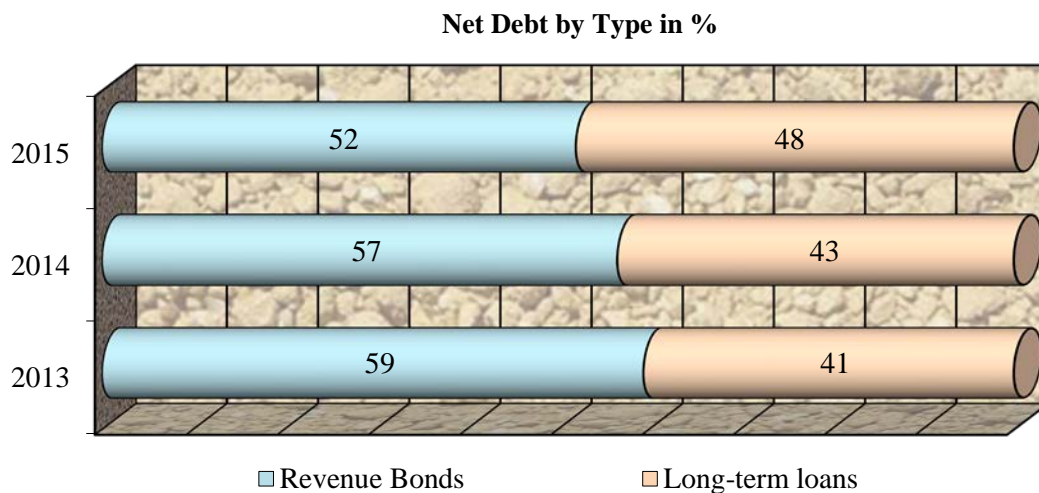
**Debt**

Changes in the Utility's debt are shown in the following table as of December 31, 2015, 2014, and 2013. The table includes only debt having a long-term component.

**Table 4  
Net Debt**

|                                 | <u>2015</u>           | <u>2014</u>        | <u>2013</u>        |
|---------------------------------|-----------------------|--------------------|--------------------|
| Revenue bonds, net              | \$ 115,829,433        | 119,646,695        | 126,699,771        |
| Long-term loans                 | 106,948,091           | 91,981,662         | 86,581,057         |
| Total net debt                  | <u>\$ 222,777,524</u> | <u>211,628,357</u> | <u>213,280,828</u> |
| Increase (Decrease) in net debt | <u>\$ 11,149,167</u>  | <u>(1,652,471)</u> |                    |

The Utility did not issue bonds in either 2015 or 2014, but did receive approximately \$9.4 and \$3.1 million, respectively, from the State of Alaska Drinking Water Loan Program (see note 4) to finance capital improvements. In addition, the Utility borrowed in 2015 and 2014 \$11 and \$7.7 million, respectively, in other loans payable. Bond and loan principal payments totaled \$3.6 million and \$5.4 million, compared to 2014 principal payments of \$6.8 million and \$5.4 million.



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



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

Management's Discussion and Analysis

December 31, 2015 and 2014

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

***Budgetary Matters***

The 2016 budget anticipates operating revenue similar to 2015 actual revenue due to no rate increases in 2016.

2016 operating expenses are budgeted to increase 4.7% over the 2015 budget due to a 4.5% budget increase in labor and 5.5% budget increase in non-labor offset by a 5.9% reduction in IGC's. The Municipal Service Assessment is budgeted to increase 2.8% and depreciation expense is budgeted to increase 9.9%.

***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 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.

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 Utility information can be found at: [www.awwu.biz](http://www.awwu.biz).

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

Statements of Net Position  
December 31, 2015 and 2014

**Assets and Deferred Outflows of Resources**

|                                                                                                  | <b>2015</b>    | <b>2014</b>   |
|--------------------------------------------------------------------------------------------------|----------------|---------------|
| Capital assets:                                                                                  |                |               |
| Plant in service, at cost                                                                        | \$ 802,248,528 | 776,035,624   |
| Less accumulated depreciation                                                                    | (290,344,120)  | (273,716,642) |
| Net plant in service                                                                             | 511,904,408    | 502,318,982   |
| Plant acquisition adjustment less amortization of \$2,479,589<br>in 2015 and \$2,364,812 in 2014 | 842,355        | 957,132       |
| Property held for future use                                                                     | 506,623        | 506,623       |
| Construction work in progress                                                                    | 18,709,453     | 15,234,921    |
| Net capital assets                                                                               | 531,962,839    | 519,017,658   |
| Non-current assets:                                                                              |                |               |
| Unamortized cost of debt issuance [see note 1(a)]                                                | 784,025        | 872,684       |
| Unbilled special assessments                                                                     | 1,693,912      | 1,492,461     |
| Other                                                                                            | 4,356,921      | 4,602,308     |
| Total non-current assets                                                                         | 6,834,858      | 6,967,453     |
| Restricted assets:                                                                               |                |               |
| Current:                                                                                         |                |               |
| Equity in bond and grant capital acquisition and construction pool                               | 1,524,082      | 992,930       |
| Revenue bond debt service investments                                                            | 5,069,426      | 5,077,564     |
| Interim rate escrow investment                                                                   | —              | 1,881,616     |
| Cash for unredeemed mini bonds                                                                   | 185,000        | —             |
| Non-current:                                                                                     |                |               |
| Customer deposits                                                                                | 323,104        | 396,031       |
| Total restricted assets                                                                          | 7,101,612      | 8,348,141     |
| Current assets:                                                                                  |                |               |
| Equity in general cash pool                                                                      | 34,125,523     | 28,007,205    |
| Accrued interest receivable                                                                      | 248,339        | 194,318       |
| Accounts receivable:                                                                             |                |               |
| Utility customers, less estimated uncollectibles of \$54,258<br>in 2015 and \$54,953 in 2014     | 4,515,109      | 4,656,413     |
| Other, less estimated uncollectibles of \$25,374<br>in 2015 and \$45,602 in 2014                 | 63,809         | 92,839        |
| Special assessments receivable                                                                   | 80,936         | 61,768        |
| Unbilled reimbursable projects                                                                   | 48,974         | 11,903        |
| Prepays                                                                                          | 127,204        | 36,909        |
| Inventory of materials and supplies, at average cost                                             | 1,702,377      | 1,677,575     |
| Total current assets                                                                             | 40,912,271     | 34,738,930    |
| Total assets                                                                                     | 586,811,580    | 569,072,182   |
| Deferred outflows of resources:                                                                  |                |               |
| Unamortized loss on refunded bond issues                                                         | 1,272,547      | 1,593,873     |
| Deferred outflow of resources related to net pension liability                                   | 1,794,428      | —             |
| Total deferred outflows of resources                                                             | 3,066,975      | 1,593,873     |
| Total assets and deferred outflows of resources                                                  | \$ 589,878,555 | 570,666,055   |

See accompanying notes to basic financial statements.

**Liabilities, Deferred Inflows of Resources, and Net Position**

|                                                                   | <b>2015</b>    | <b>2014</b> |
|-------------------------------------------------------------------|----------------|-------------|
| Net position:                                                     |                |             |
| Net investment in capital assets                                  | \$ 95,647,932  | 90,685,159  |
| Restricted                                                        | 5,069,426      | 5,954,180   |
| Unrestricted                                                      | 29,672,433     | 33,362,542  |
| Total net position                                                | 130,389,791    | 130,001,881 |
| Non-current liabilities:                                          |                |             |
| Net pension liability                                             | 13,600,625     | —           |
| Compensated absences payable                                      | 249,166        | 267,657     |
| Pollution remediation obligation                                  | 68,500         | 68,500      |
| Revenue bonds payable                                             | 110,545,000    | 114,255,000 |
| Less unamortized discounts                                        | (13,787)       | (19,632)    |
| Plus unamortized premium                                          | 1,588,220      | 1,841,327   |
| Net revenue bonds payable                                         | 112,119,433    | 116,076,695 |
| Alaska Drinking Water Fund loans payable                          | 78,291,084     | 74,443,724  |
| Loan payable – other                                              | 23,125,600     | 12,125,600  |
| Total non-current liabilities                                     | 227,454,408    | 202,982,176 |
| Current liabilities:                                              |                |             |
| Accounts payable                                                  | 1,820,352      | 659,293     |
| Accrued payroll                                                   | 734,236        | 1,635,034   |
| Compensated absences payable                                      | 946,712        | 945,475     |
| Accrued interest                                                  | 1,493,520      | 1,471,060   |
| Pollution remediation obligation                                  | 20,000         | 20,000      |
| Long-term obligations maturing within one year                    | 9,241,407      | 8,982,338   |
| Total current liabilities                                         | 14,256,227     | 13,713,200  |
| Liabilities payable from restricted assets:                       |                |             |
| Current:                                                          |                |             |
| Capital acquisition and construction accounts payable             | 674,172        | 3,276,822   |
| Customer refund payable                                           | —              | 1,005,000   |
| Cash for unredeemed mini bonds payable                            | 185,000        | —           |
| Non-current:                                                      |                |             |
| Customer deposits payable                                         | 323,104        | 396,031     |
| Total liabilities payable from restricted assets                  | 1,182,276      | 4,677,853   |
| Total liabilities                                                 | 242,892,911    | 221,373,229 |
| Deferred inflows of resources:                                    |                |             |
| Contributions in aid of construction, net of amortization         | 216,334,012    | 219,290,945 |
| Deferred inflow of resources related to net pension liability     | 261,841        | —           |
| Total deferred inflows of resources                               | 216,595,853    | 219,290,945 |
| Total liabilities and deferred inflows of resources               | 459,488,764    | 440,664,174 |
| Total liabilities, deferred inflows of resources and net position | \$ 589,878,555 | 570,666,055 |

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

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

Years ended December 31, 2015 and 2014

|                                              | <b>2015</b>    | <b>2014</b> |
|----------------------------------------------|----------------|-------------|
| Operating revenues:                          |                |             |
| Charges for sales and services:              |                |             |
| Residential sales                            | \$ 41,418,518  | 41,140,290  |
| Commercial sales                             | 13,779,579     | 13,480,806  |
| Public fire protection                       | 4,762,806      | 4,763,798   |
| Total charges for sales and services         | 59,960,903     | 59,384,894  |
| Miscellaneous                                | 1,325,185      | 1,137,674   |
| Total operating revenues                     | 61,286,088     | 60,522,568  |
| Operating expenses:                          |                |             |
| Source of supply                             | 2,294,037      | 2,399,969   |
| Pumping plant                                | 218,802        | 188,979     |
| Water treatment                              | 5,750,805      | 4,939,102   |
| Transmission and distribution                | 7,251,444      | 5,976,990   |
| Customer accounts                            | 2,256,107      | 2,247,178   |
| Administrative and general                   | 9,209,184      | 7,635,177   |
| Total operations                             | 26,980,379     | 23,387,395  |
| Depreciation, net of amortization            | 10,191,049     | 10,233,693  |
| Total operating expenses                     | 37,171,428     | 33,621,088  |
| Operating income                             | 24,114,660     | 26,901,480  |
| Nonoperating revenues (expenses):            |                |             |
| Investment income – short-term investments   | 201,063        | 433,930     |
| Interest expense – revenue bonds             | (5,368,897)    | (5,547,876) |
| Allowance for funds used during construction | 1,084,232      | 795,916     |
| Amortization of bond premium/discount        | (74,063)       | (155,086)   |
| Amortization of debt expense                 | (88,659)       | (106,353)   |
| Interest and fees – loans                    | (1,429,940)    | (1,554,856) |
| PERS on-behalf                               | 169,958        | —           |
| Miscellaneous revenue and deductions         | 1,530          | 1,208,582   |
| Miscellaneous expenses                       | (39,240)       | (7,463)     |
| Total non-operating revenues (expenses)      | (5,544,016)    | (4,933,206) |
| Income before transfers                      | 18,570,644     | 21,968,274  |
| Transfers:                                   |                |             |
| Transfers to other funds                     | (7,120,904)    | (7,341,047) |
| Change in fund net position                  | 11,449,740     | 14,627,227  |
| Net position – beginning, as restated        | 118,940,051    | 115,374,654 |
| Net position – ending                        | \$ 130,389,791 | 130,001,881 |

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended December 31, 2015 and 2014

|                                                                    | <b>2015</b>   | <b>2014</b>  |
|--------------------------------------------------------------------|---------------|--------------|
| Cash flows from operating activities:                              |               |              |
| Receipts from customers and users                                  | \$ 59,622,910 | 60,535,889   |
| Refunds to customers and users                                     | (2,169,648)   | (183,010)    |
| Payments to employees                                              | (16,971,468)  | (16,225,179) |
| Payments to vendors                                                | (7,925,129)   | (7,035,270)  |
| Internal activity – payments made from other funds                 | 4,162,131     | 1,377,680    |
| Net cash provided by operating activities                          | 36,718,796    | 38,470,110   |
| Cash flows from non-capital and related financing activities:      |               |              |
| Transfers to other funds                                           | (7,120,904)   | (7,341,047)  |
| Net cash used by non-capital and related financing activities      | (7,120,904)   | (7,341,047)  |
| Cash flows from capital and related financing activities:          |               |              |
| Principal payments on long-term obligations                        | (3,570,000)   | (6,836,000)  |
| Interest payments and fees on long-term obligations                | (6,776,377)   | (7,140,754)  |
| Acquisition and construction of capital assets                     | (27,884,913)  | (21,123,389) |
| Capital contributions – intergovernmental                          | (9,111)       | —            |
| Capital contributions – customer/special assessments               | 282,443       | 471,667      |
| Proceeds from loan payable – other                                 | 11,000,000    | 7,700,000    |
| Proceeds from Alaska Drinking Water Fund loans                     | 9,378,767     | 3,097,215    |
| Principal payments on Alaska Drinking Water Fund loans             | (5,412,338)   | (5,396,610)  |
| Net cash used by capital and related financing activities          | (22,991,529)  | (29,227,871) |
| Cash flows from investing activities:                              |               |              |
| Purchases of investments                                           | 8,138         | (37,220)     |
| Interest received                                                  | 147,042       | 461,717      |
| Net cash provided by investing activities                          | 155,180       | 424,497      |
| Net increase in cash                                               | 6,761,543     | 2,325,689    |
| Cash, beginning of year                                            | 29,396,166    | 27,070,477   |
| Cash, end of year                                                  | \$ 36,157,709 | 29,396,166   |
| Cash and cash equivalents                                          |               |              |
| Equity in general cash pool                                        | 34,125,523    | 28,007,205   |
| Equity in bond and grant capital acquisition and construction pool | 1,524,082     | 992,930      |
| Customer deposits                                                  | 323,104       | 396,031      |
| Cash for unredeemed mini bonds                                     | 185,000       | —            |
| Cash and cash equivalents, end of year                             | \$ 36,157,709 | 29,396,166   |

See accompanying notes to basic financial statements.

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

Statements of Cash Flows, Continued

Years ended December 31, 2015 and 2014

|                                                                                                                 | <b>2015</b>   | <b>2014</b> |
|-----------------------------------------------------------------------------------------------------------------|---------------|-------------|
| Reconciliation of operating income to net cash provided by operating activities:                                |               |             |
| Operating income                                                                                                | \$ 24,114,660 | 26,901,480  |
| Transfer from (to) escrow account                                                                               | 1,881,616     | (1,881,616) |
| Adjustments to reconcile operating income to net cash provided<br>by operating activities:                      |               |             |
| Allowance for uncollectible accounts                                                                            | (20,923)      | 4,605       |
| Depreciation, net of amortization                                                                               | 10,191,049    | 10,233,693  |
| PERS on behalf                                                                                                  | 169,958       |             |
| Miscellaneous non-operating revenue (expense)                                                                   | (37,709)      | 1,201,124   |
| Changes in assets, deferred outflows and inflows of resources, and liabilities<br>increasing (decreasing) cash: |               |             |
| Accounts receivable and other receivables                                                                       | 172,089       | (234,310)   |
| Unbilled reimbursable projects                                                                                  | (37,071)      | 11,888      |
| Inventories                                                                                                     | (24,802)      | 3,122       |
| Customer deposits payable                                                                                       | (72,927)      | 156,436     |
| Prepays                                                                                                         | (90,295)      | (1,012)     |
| Unbilled special assessments and other non-current assets                                                       | 43,936        | 317,355     |
| Accounts payable                                                                                                | 1,161,059     | (233,834)   |
| Accrued payroll                                                                                                 | (900,798)     | 926,838     |
| Compensated absences payable                                                                                    | (17,254)      | 59,341      |
| Mini bonds transfer                                                                                             | 185,000       | —           |
| Customer refund payable                                                                                         | (1,005,000)   | 1,005,000   |
| Deferred outflow of resources related to net pension liability                                                  | (1,270,062)   | —           |
| Net pension liability                                                                                           | 3,297,648     | —           |
| Deferred inflow of resources related to net pension liability                                                   | (1,021,378)   | —           |
| Net cash provided by operating activities                                                                       | \$ 36,718,796 | 38,470,110  |
| Non-cash investing, capital and financing activities:                                                           |               |             |
| Contributed capital – private development                                                                       | \$ 3,341,938  | 2,390,364   |
| Capital purchases on account, net                                                                               | 1,151,706     | 739,605     |
| Total non-cash investing, capital and financing activities                                                      | \$ 4,493,644  | 3,129,969   |

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

December 31, 2015 and 2014

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

The Anchorage Water Utility (Utility) began in 1919 as a general government function of the City of Anchorage's Public Works Department and later evolved into an enterprise fund. In the early 1970's the Utility became its own department of the City and following unification of the City of Anchorage and the Greater Anchorage Area Borough, now exists as a public utility of the Municipality of Anchorage (Municipality). The Utility, whose service area equals 125 square miles of metropolitan Anchorage, from Eklutna to Girdwood, collects water from two major surface watersheds and many deep underground wells. The accompanying financial statements include the activities of the Water 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 position 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statements of Net Position. Net position is segregated into Net Investment in Capital Assets; Restricted and Unrestricted.

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

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

Notes to Basic Financial Statements

December 31, 2015 and 2014

***(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 deferred inflows of resources. 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 inflow of resources. 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 Statements of Revenues, Expenses, and Changes in Fund Net Position include AFUDC as an item of other income in a manner that indicates the basis for the amount capitalized. As a regulated operation, the Utility applies the accounting and reporting requirements applicable to regulated operations to the accounting for debt issuance costs. Accordingly, the Utility's debt issuance costs are recorded as an asset and are being amortized over the life of the debt.

***(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. 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 Outflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. At December 31, 2015 and 2014, the Utility had deferred outflows of resources from pension related items and unamortized loss on refunded bond issues.

***(f) Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. At December 31, 2015 and



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

Notes to Basic Financial Statements

December 31, 2015 and 2014

2014, the Utility had deferred inflows of resources from contributions in aid of construction and pension related items.

**(g) Property, Plant, and Equipment**

Property, plant, and equipment is stated at cost. To be considered for capitalization, the cost of an asset must equal or exceed \$5,000 and the service life must exceed one year. The Utility's depreciation model is composed of the straight-line method, average life procedures, and remaining life technique. The Utility's depreciation model is approved by the RCA. Additions to water 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 follow:

|                                     |               |
|-------------------------------------|---------------|
| Source of supply plant              | 40 - 55 years |
| Pumping plant                       | 20 - 45 years |
| Treatment plant                     | 30 - 50 years |
| Transmission and distribution plant | 20 - 70 years |
| General plant                       | 5 - 50 years  |
| Intangible plant                    | 10 years      |

**(h) 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.

**(i) 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 \$1,850,000 and \$1,750,000 for the years ended December 31, 2015 and 2014, respectively.

**(j) Accrued Leave**

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

**(k) 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

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

Notes to Basic Financial Statements

December 31, 2015 and 2014

allocated to the Utility totaled \$1.0 million and \$1.0 million for the years ended December 31, 2015 and 2014, respectively.

***(1) 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 Municipality utilizes three risk management funds to account for and finance its uninsured risks of loss.

The Municipality provides coverage up to the maximum of \$2,500,000 per occurrence for automobile and general liability claims and \$2,000,000 for each workers' compensation claim. No settled claim exceeded this commercial coverage in 2015 or 2014.

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

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, 2015, is dependent upon future developments. At December 31, 2015, claims incurred but not reported included in the liability accounts are \$17,720,226 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

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

Notes to Basic Financial Statements

December 31, 2015 and 2014

Changes in the funds' claim liability amounts in 2015 and 2014 are as follows:

|                            | Balance<br>January 1,<br>2015 | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payment   | Balance<br>December 31,<br>2015 |
|----------------------------|-------------------------------|-------------------------------------------------------|---------------------|---------------------------------|
| General Liability/Workers' |                               |                                                       |                     |                                 |
| Compensation               | \$ 18,030,928                 | 14,931,121                                            | (7,075,555)         | 25,886,494                      |
| Medical/Dental             | 7,086,801                     | 60,749,094                                            | (58,933,939)        | 8,901,956                       |
| Unemployment               | 98,411                        | 281,210                                               | (313,025)           | 66,596                          |
|                            | <u>25,216,140</u>             | <u>75,961,425</u>                                     | <u>(66,322,519)</u> | <u>34,855,046</u>               |
|                            |                               |                                                       |                     |                                 |
|                            | Balance<br>January 1,<br>2014 | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payment   | Balance<br>December 31,<br>2014 |
| General Liability/Workers' |                               |                                                       |                     |                                 |
| Compensation               | 18,484,350                    | 8,590,527                                             | (9,043,949)         | 18,030,928                      |
| Medical/Dental             | 6,933,274                     | 47,412,207                                            | (47,258,680)        | 7,086,801                       |
| Unemployment               | 94,750                        | 364,529                                               | (360,868)           | 98,411                          |
|                            | <u>\$ 25,512,374</u>          | <u>56,367,263</u>                                     | <u>(56,663,497)</u> | <u>25,216,140</u>               |

At December 31, 2015, the Medical and Dental Self Insurance Fund had unrestricted net position of \$1,265,813, a decrease of \$9,022,479 from 2014. The decrease in net position is due to increase in reserves for medical and dental claims by margin of 3 percent to the actuarial estimates.

At December 31, 2015, the General Liability and Worker's Compensation Fund had negative net position of \$3,205,093, a decrease of \$6,465,493 from 2014. The deficit is due to increased reserves for worker's comp claims based on actuarial estimates.

**(m) 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.

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**(2) Cash and Investments**

At December 31, 2015, the Municipality had the following cash and investments, with fixed income maturities as noted:

| Investment Type                   | Fair Value*           | Fixed Income Investment Maturities (in years) |                       |                      |                      |
|-----------------------------------|-----------------------|-----------------------------------------------|-----------------------|----------------------|----------------------|
|                                   |                       | Less Than 1                                   | 1 - 5                 | 6 - 10               | More Than 10         |
| Petty Cash                        | \$ 61,528             |                                               |                       |                      |                      |
| Central Treasury - Unrestricted   |                       |                                               |                       |                      |                      |
| Cash & Money Market Funds         | 15,594,205            | -                                             | -                     | -                    | -                    |
| Repurchase Agreements             | 30,464,960            | 30,464,960                                    | -                     | -                    | -                    |
| U.S. Treasuries                   | 135,314,192           | 36,177,696                                    | 81,901,486            | 17,235,010           | -                    |
| U.S. Agencies                     | 73,147,659            | 47,153,231                                    | 18,769,036            | 3,711,622            | 3,513,770            |
| Municipal Bonds                   | 210,342               | -                                             | -                     | 210,342              | -                    |
| Asset-Backed Securities**         | 56,051,278            | 954,777                                       | 37,256,637            | 5,474,217            | 12,365,647           |
| Corporate Fixed Income Securities | 98,487,247            | 21,676,845                                    | 60,798,871            | 14,323,744           | 1,687,787            |
| Payables                          | (19,154,134)          | -                                             | -                     | -                    | -                    |
|                                   | <u>\$ 390,115,749</u> | <u>\$ 136,427,509</u>                         | <u>\$ 198,726,030</u> | <u>\$ 40,954,935</u> | <u>\$ 17,567,204</u> |
| Central Treasury - Restricted     |                       |                                               |                       |                      |                      |
| Cash & Money Market Funds         | 25,049,307            | -                                             | -                     | -                    | -                    |
| Repurchase Agreements             | 8,495,115             | 8,495,115                                     | -                     | -                    | -                    |
| U.S. Treasuries                   | 49,809,259            | 22,165,175                                    | 22,838,124            | 4,805,960            | -                    |
| U.S. Agencies                     | 54,134,455            | 42,376,670                                    | 9,742,994             | 1,034,981            | 979,810              |
| Municipal Bonds                   | 58,654                | -                                             | -                     | 58,654               | -                    |
| Asset-Backed Securities**         | 15,629,826            | 266,238                                       | 10,388,965            | 1,526,478            | 3,448,145            |
| Corporate Fixed Income Securities | 28,758,248            | 7,339,767                                     | 16,953,687            | 3,994,158            | 470,637              |
| Payables                          | (5,341,106)           | -                                             | -                     | -                    | -                    |
|                                   | <u>\$ 176,593,758</u> | <u>\$ 80,642,965</u>                          | <u>\$ 59,923,770</u>  | <u>\$ 11,420,231</u> | <u>\$ 4,898,592</u>  |

\* Market value plus accrued income.

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

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**(a) *Municipal Central Treasury***

The Municipality 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.

The Municipality maintains a comprehensive policy over cash and investments that is designed to mitigate risks while maximizing investment return and providing for operating liquidity. Pursuant to Anchorage Municipal Code (AMC) 6.50.030, the Municipality requires investments to meet specific rating and issuer requirements.

Both externally and internally managed investments are subject to the primary investment objectives outlined in 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.

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- Dollar denominated corporate debt instruments rated BBB- or better (investment grade) by Standard & Poor's or the equivalent by another nationally recognized rating agency.
- Dollar denominated corporate debt instruments rated lower than BBB- (non-investment grade) by Standard & Poor's or the equivalent by another nationally recognized rating agency, including emerging markets.
- 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.

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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<br>Portfolio<br>Holding % at<br>December 31, 2015 | Internally Managed<br>Portfolio<br>Holding % at<br>December 31, 2015 |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------|
| U.S. Government Securities*                                                                                                           | 50% to 100% of investment portfolio | 55%                                                               | 83%                                                                  |
| Repurchase Agreements                                                                                                                 | 0% to 50% of investment portfolio   | 21%                                                               | 2%                                                                   |
| Certificates of Deposit**                                                                                                             | 0% to 50% of investment portfolio   | 0%                                                                | 0%                                                                   |
|                                                                                                                                       | Maximum 5% per issuer               |                                                                   |                                                                      |
| Bankers Acceptances                                                                                                                   | 0% to 25% of investment portfolio   | 0%                                                                | 0%                                                                   |
|                                                                                                                                       | Maximum 5% per issuer               |                                                                   |                                                                      |
| Commercial Paper                                                                                                                      | 0% to 15% of investment portfolio   | 0%                                                                | 0%                                                                   |
|                                                                                                                                       | Maximum 5% per issuer               |                                                                   |                                                                      |
| Corporate Bonds                                                                                                                       | 0% to 15% of investment portfolio   | 10%                                                               | 2%                                                                   |
|                                                                                                                                       | Maximum 5% per issuer               |                                                                   |                                                                      |
| Alaska Municipal League Investment Pool (AMLIP)***                                                                                    | 0% to 25% of investment portfolio   | 0%                                                                | 0%                                                                   |
| Money Market Mutual Funds                                                                                                             | 0% to 25% of investment portfolio   | 14%                                                               | 13%                                                                  |
| 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   | 0%                                                                | 0%                                                                   |
|                                                                                                                                       | Maximum 5% per issuer               |                                                                   |                                                                      |
|                                                                                                                                       |                                     | <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.

\*\*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.

**(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 Municipal Central Treasury, the Police and Fire Retiree Medical Trust, and the Police and Fire Retirement Pension Trust utilize the duration method to measure exposure to interest rate risk. All other funds disclose interest rate risk through the segmented time distribution tables within this note, which categorize fixed income investments according to their maturities.

Duration is a measure of an investment's sensitivity to interest rate changes, and represents the sensitivity of an investment's market price to a 1 percent 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.

AMC 6.50.030 requires the Working Capital Portfolio have a duration of zero to 270 days. At December 31, 2015, the Working Capital Portfolio had a duration of .33 years, or approximately 120 days. AMC 6.50.030 also requires that the Contingency Reserve Portfolio have an average duration within half a year of its benchmark. At December 31, 2015, the Contingency Reserve Portfolio had a duration of 1.69 years as compared to its benchmark, Barclays 1-3 Year Government Index, which had a duration of 1.86 years. AMC 6.50.030 requires the Strategic Reserve Portfolio have a maximum

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duration no greater than one year in excess of its benchmark. At December 31, 2015, the Strategic Reserve Portfolio had a duration of 3.72 years as compared to its benchmark, Barclays Intermediate Government/Corporate Index, which had a duration of 3.96 years.

The effective durations of the externally managed portfolios of the Municipal Central Treasury (working capital, contingency reserve and strategic reserve) at December 31, 2015, were 0.33 years, 1.69 years, and 3.72 years, respectively, which are within the required durations per the policy.

**(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.

Policy & Procedures (P&P) 24-11 states that the Internally Managed Funds may not have investments in any single issuer exceeding 5 percent of total investments. P&P 24-11 also requires that at least 50 percent of the portfolio shall be invested in U.S. Government securities or in mutual funds that invest solely in U.S. Government securities. P&P 24-11 limits concentrations by security type based upon portfolio values at the time of purchase. Security type concentration limits are as follows: i) 50 percent invested in repurchase agreements or certificates of deposit, including unsecured certificates of deposit, ii) 25 percent invested in banker's acceptances or money market mutual funds or mutual fund investments that invest predominantly in investments permitted by AMC 6.50.030 or the Alaska Municipal League Investment Pool (AMLIP), iii) 20 percent invested in certificates of deposit secured by other than U.S. Government securities, and iv) 15 percent invested in commercial paper of dollar denominated fixed income securities, other than those listed previously, rated by at least one nationally recognized rating agency. P&P 24-11 states that bond debt service reserve funds may be invested in securities not exceeding the final maturity date of the bond issue for which they are invested, and investment of any funds that are subject to restrictive covenants contained in an Ordinance or Resolution must be invested in accordance with those covenants.

At December 31, 2015, the Municipal Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$224,499,722. The distribution of ratings on these securities was as follows:

| Moody's     |      | S&P         |      |
|-------------|------|-------------|------|
| Aaa         | 22%  | AAA         | 20%  |
| Aa          | 6%   | AA          | 6%   |
| A           | 23%  | A           | 23%  |
| Baa         | 25%  | BBB         | 27%  |
| Ba or Lower | 1%   | BB or Lower | 0%   |
| Not Rated   | 23%  | Not Rated   | 24%  |
|             | 100% |             | 100% |

At December 31, 2015, Anchorage's Central Treasury had no investments in any single issuer exceeding 5 percent of total investments.

**(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



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exceeds 5 percent 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, 2015, the Municipal Central Treasury had no investments in any single issuer exceeding 5 percent of total investments.

**(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, 2015, the Municipal Central Treasury had bank deposit carrying amounts totaling \$41,559,645, of which \$500,000 was covered by federal depository insurance. Bank deposits of \$13,993,299 were secured by collateral held by a third party and deposits of \$27,066,346 were secured by collateral held at the depository bank. An additional \$2,917,500 was invested in overnight repurchase agreements and was secured by collateral held by a third party. 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.

AMC 6.50.030 requires that repurchase agreements be secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies. As of December 31, 2015 cash deposits and investments were not exposed to custodial risk.

**(f) Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Municipality 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 Municipal 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, 2015, all debt obligations held in the Municipal Central Treasury were payable in U.S. Dollars.

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**(3) Capital Assets**

Capital assets for the year ended December 31, 2015 follow:

|                                        | <b>December 31,<br/>2014</b> | <b>Additions</b>    | <b>Retirements</b>  | <b>December 31,<br/>2015</b> |
|----------------------------------------|------------------------------|---------------------|---------------------|------------------------------|
| Intangible plant                       | \$ 4,594,622                 | —                   | —                   | 4,594,622                    |
| Source of supply plant                 | 42,564,185                   | 255,299             | 1,233,041           | 44,052,525                   |
| Pumping plant                          | 15,395,620                   | 7,880               | —                   | 15,403,500                   |
| Water treatment plant                  | 78,459,899                   | 7,199,302           | —                   | 85,659,201                   |
| Transmission and distribution<br>plant | 578,922,173                  | 16,624,371          | (90,788)            | 595,455,756                  |
| General plant - land                   | 762,256                      | 535,275             | —                   | 1,297,531                    |
| General plant                          | 55,336,869                   | 1,757,460           | (1,308,936)         | 55,785,393                   |
|                                        | <u>776,035,624</u>           | <u>26,379,587</u>   | <u>(166,683)</u>    | <u>802,248,528</u>           |
| Less accumulated depreciation          | <u>(273,716,642)</u>         | <u>(16,813,197)</u> | <u>185,719</u>      | <u>(290,344,120)</u>         |
| Net plant in service                   | 502,318,982                  | 9,566,390           | 19,036              | 511,904,408                  |
| Plant acquisition adjustment           | 3,321,944                    | —                   | —                   | 3,321,944                    |
| Less accumulated amortization          | (2,364,812)                  | (114,777)           | —                   | (2,479,589)                  |
| Property held for future use           | 506,623                      | —                   | —                   | 506,623                      |
| Construction work in progress          | 15,234,921                   | 26,544,071          | (23,069,539)        | 18,709,453                   |
|                                        | <u>\$ 519,017,658</u>        | <u>35,995,684</u>   | <u>(23,050,503)</u> | <u>531,962,839</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, 2015. Net salvage, consisting of auction proceeds from the sale of assets less any costs of removal or abandonment, is reported in the “Retirements” column for accumulated depreciation. For the year ended December 31, 2015 there were salvage proceeds of \$4,853, and cost of removal charges of \$15,898. The “Retirements” column also contains a \$1,244,621 adjustment for the acquisition of utility plant placed in service prior to being owned by the Utility. The Utility’s 2016 construction budget is \$32,226,000.

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Capital assets for the year ended December 31, 2014 follow:

|                                        | <b>December 31,<br/>2013</b> | <b>Additions</b>    | <b>Retirements</b>  | <b>December 31,<br/>2014</b> |
|----------------------------------------|------------------------------|---------------------|---------------------|------------------------------|
| Intangible plant                       | \$ 4,410,975                 | 183,647             | —                   | 4,594,622                    |
| Source of supply plant                 | 41,153,750                   | 1,642,098           | (231,663)           | 42,564,185                   |
| Pumping plant                          | 14,893,944                   | 583,021             | (81,345)            | 15,395,620                   |
| Water treatment plant                  | 77,926,837                   | 533,062             | —                   | 78,459,899                   |
| Transmission and distribution<br>plant | 565,804,642                  | 13,718,634          | (601,103)           | 578,922,173                  |
| General plant - land                   | 762,256                      | —                   | —                   | 762,256                      |
| General plant                          | 56,678,931                   | 981,101             | (2,323,163)         | 55,336,869                   |
|                                        | <u>761,631,335</u>           | <u>17,641,563</u>   | <u>(3,237,274)</u>  | <u>776,035,624</u>           |
| Less accumulated depreciation          | <u>(260,957,096)</u>         | <u>(16,717,452)</u> | <u>3,957,906</u>    | <u>(273,716,642)</u>         |
| Net plant in service                   | 500,674,239                  | 924,111             | 720,632             | 502,318,982                  |
| Plant acquisition adjustment           | 3,321,944                    | —                   | —                   | 3,321,944                    |
| Less accumulated amortization          | (2,250,036)                  | (114,776)           | —                   | (2,364,812)                  |
| Property held for future use           | 586,623                      | —                   | (80,000)            | 506,623                      |
| Construction work in progress          | 9,313,446                    | 21,893,877          | (15,972,402)        | 15,234,921                   |
|                                        | <u>\$ 511,646,216</u>        | <u>22,703,212</u>   | <u>(15,331,770)</u> | <u>519,017,658</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, 2014. Net salvage, consisting of auction proceeds from the sale of assets less any costs of removal or abandonment, is reported in the “Retirements” column for accumulated depreciation. For the year ended December 31, 2014 there were auction proceeds of \$572, and cost of removal charges of \$721,205. The Utility’s 2016 construction budget was \$31,700,000.

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**(4) Long-Term Obligations**

***(a) Long-Term Obligations Issued***

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 did not issue any bonds in 2015.

The Utility obtains low interest loans from the State of Alaska, Department of Environmental Conservation Alaska Drinking Water Fund to fund capital improvement projects. These loans enter repayment status one year after the initiation of operation of the facilities with the loan terms included in the contract. These loans have repayment terms of up to 20 years. In 2015, the Utility obtained additional low interest loans of \$9,378,767.

In March 2013, the Utility entered into a Loan Agreement for up to \$75,000,000 with a commercial bank. In May 2015, the Utility reduced the commitment under the Loan Agreement to \$40,000,000. In 2016, the agreement was amended to extend the lending term for up to one additional year, expiring in March of 2017. It is anticipated that the amount outstanding under the Loan Agreement will be refunded by long term revenue bonds. The Utility's financial statements show the amount borrowed under the Loan Agreement as a non-current liability since there are no principal payments due before the end of the loan term. In 2015, the Utility obtained additional loans of \$11,000,000 through this agreement to bring the loan balance to \$23,125,600. Under the terms of the Loan Agreement, the Utility pays fees quarterly of 0.5% per annum based upon the amount of the authorized, but not drawn, loan amount calculated on a weekly basis. The interest rate on the loan varies. As of December 31, 2015, the interest rate for the loan was 0.51%; 0.01% plus a 0.5% lender margin. In Note 4(d) Debt Service Requirements, the Utility has estimated future interest payments using the 0.51% interest rate on the outstanding loan payable for years 2016 and 2017. The principal repayment of the loan has been included in 2017.

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Long-term obligations outstanding at December 31, 2015 follow:

| Description                             | Original<br>Issue<br>Date | Total Issue<br>Amount | Interest<br>Rates | Maturity<br>Range | Principal Balance<br>December 31,<br>2015 |
|-----------------------------------------|---------------------------|-----------------------|-------------------|-------------------|-------------------------------------------|
| Revenue Bonds:                          |                           |                       |                   |                   |                                           |
| 2004 Water revenue & refunding bonds    | 5/26/04                   | \$ 18,595,000         | 5.125%            | 2005 - 2021       | 1,460,000                                 |
| 2007 Water revenue & refunding bonds    | 6/28/07                   | 91,315,000            | 5.00%             | 2008 - 2037       | 87,800,000                                |
| 2009 Water refunding bonds              | 12/16/09                  | 49,680,000            | 5.00%             | 2009 - 2014       | 24,995,000                                |
| Total revenue bonds                     |                           | 159,590,000           |                   |                   | 114,255,000                               |
| Long-term Revolving Loans:              |                           |                       |                   |                   |                                           |
| 127201 Airport water project, phs 1B    | 6/6/00                    | 2,334,756             | 1.50%             | 2000 - 2019       | 546,167                                   |
| 127231 ER Reservoir/wtr trans main      | 6/6/00                    | 2,000,000             | 1.50%             | 2002 - 2021       | 681,564                                   |
| 127241 Loop wtr trans main phase V      | 7/25/00                   | 5,039,233             | 1.50%             | 2002 - 2021       | 1,722,561                                 |
| 127251 Service reservoir No. 6          | 7/25/00                   | 3,723,056             | 1.50%             | 2002 - 2021       | 1,269,458                                 |
| 127261 19th Spenard upgrade             | 9/16/08                   | 770,000               | 1.50%             | 2010 - 2029       | 539,000                                   |
| 127321 Disinfection alternative wtr upg | 3/22/02                   | 755,000               | 1.50%             | 2002 - 2021       | 260,843                                   |
| 127331 68th Pebble-Baby Bear            | 9/30/08                   | 300,000               | 1.50%             | 2009 - 2028       | 195,000                                   |
| 127361 Christen Dr upgrade              | 9/8/09                    | 1,350,000             | 1.50%             | 2010 - 2029       | 945,000                                   |
| 127381 South addition woodstave upgrd   | 8/27/01                   | 922,354               | 1.50%             | 2004 - 2023       | 371,364                                   |
| 127411 Loop wtr trans main phase VI     | 3/2/01                    | 1,305,776             | 1.50%             | 2002 - 2021       | 446,793                                   |
| 127441 Daryl Industry Way               | 9/30/08                   | 420,000               | 1.50%             | 2011 - 2030       | 315,000                                   |
| 127461 DeBarr-Klevin-Hoyt upgrade       | 12/4/09                   | 1,000,000             | 1.50%             | 2010 - 2029       | 700,000                                   |
| 127471 SCADA water                      | 8/4/04                    | 4,000,000             | 1.50%             | 2006 - 2025       | 2,169,793                                 |
| 127491 Girdwood wtr supply imprvmnts    | 6/23/04                   | 2,135,300             | 1.50%             | 2010 - 2029       | 1,403,966                                 |
| 127531 Loop wtr trans main phase IV     | 10/31/06                  | 12,306,151            | 1.50%             | 2010 - 2029       | 8,614,306                                 |
| 127541 SCADA water II                   | 12/1/04                   | 6,500,000             | 1.50%             | 2009 - 2028       | 3,900,000                                 |
| 127571 88th Ave wtr trans main          | 10/31/06                  | 1,850,696             | 1.50%             | 2009 - 2028       | 1,202,952                                 |
| 127581 Pine Debarr San Rob wtr upgrd    | 9/8/07                    | 870,014               | 1.50%             | 2010 - 2029       | 609,010                                   |
| 127731 Arctic 32nd - 36th wtr upgrd     | 11/24/06                  | 404,234               | 1.50%             | 2009 - 2028       | 262,752                                   |
| 127771 East Bluff upgrade               | 10/9/06                   | 317,763               | 1.50%             | 2009 - 2028       | 206,546                                   |
| 127781 Sullivan-Ben Boeke wtr upgrd     | 10/9/06                   | 2,189,753             | 1.50%             | 2008 - 2027       | 1,313,851                                 |
| 127791 Hiland Rd water intertie         | 6/25/10                   | 8,700,000             | 1.50%             | 2011 - 2030       | 6,525,000                                 |
| 127811 Island-Kodiak Kalgin water       | 6/7/10                    | 570,541               | 1.50%             | 2011 - 2030       | 427,906                                   |
| 127831 Klatt Rd - NSH-PZ intertie       | 9/10/07                   | 621,600               | 1.50%             | 2008 - 2027       | 368,039                                   |
| 127851 Northern Comm. extension         | 6/3/08                    | 1,402,434             | 1.50%             | 2013 - 2032       | 1,121,947                                 |
| 127861 So. Anchorage wtr extension      | 10/12/11                  | 3,427,000             | 1.50%             | 2013 - 2032       | 2,912,950                                 |
| 127871 Debarr-Muldoon-Turpin upgrd      | 9/28/07                   | 3,034,740             | 1.50%             | 2009 - 2028       | 1,972,581                                 |

Loans continued on next page.

**MUNICIPALITY OF ANCHORAGE, ALASKA  
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| Description                              | Original<br>Issue<br>Date | Total Issue<br>Amount | Interest<br>Rates | Maturity<br>Range | Principal Balance<br>December 31,<br>2015 |
|------------------------------------------|---------------------------|-----------------------|-------------------|-------------------|-------------------------------------------|
| 127901 SCADA water III                   | 9/7/07                    | 5,300,000             | 1.50%             | 2009 - 2028       | 3,180,000                                 |
| 127931 Hillside Transmission Main        | 7/10/08                   | 9,500,000             | 1.50%             | 2011 - 2030       | 7,125,000                                 |
| 127941 2006 Misc Water Projects          | 4/8/08                    | 846,000               | 1.50%             | 2008 - 2027       | 530,926                                   |
| 127961 NE Improvements Phase 1           | 7/8/08                    | 929,107               | 1.50%             | 2010 - 2029       | 650,375                                   |
| 127991 Sand Lake Wtr Extension           | 2/10/10                   | 280,719               | 1.50%             | 2011 - 2030       | 210,539                                   |
| 130141 Calais Subdivision Wtr Rehab      | 10/8/14                   | 1,680,622             | 1.50%             | 2017-2035 *       | 1,680,622                                 |
| 130151 Knik View Intertie                | 7/21/08                   | 715,946               | 1.50%             | 2011 - 2030       | 536,960                                   |
| 130161 Norm-Newt Drive                   | 12/17/08                  | 1,768,400             | 1.50%             | 2010 - 2029       | 1,237,880                                 |
| 130181 Ship Creek WTF Improvements       | 10/3/14                   | 15,039                | 1.50%             | 2017-2035 *       | 15,039                                    |
| 130221 San Ernesto Upgrade               | 12/17/08                  | 1,567,218             | 1.50%             | 2010 - 2029       | 1,097,053                                 |
| 130241 South Addition Phase IV Proj      | 2/2/09                    | 1,164,317             | 1.50%             | 2010 - 2029       | 815,022                                   |
| 130271 Well 7 Capacity Upgrade           | 2/28/11                   | 1,775,766             | 1.50%             | 2011 - 2030       | 1,331,825                                 |
| 130331 Seward Hwy Northern Lts Blvd      | 12/5/12                   | 1,100,000             | 1.50%             | 2014 - 2033       | 935,000                                   |
| 130341 Bayshore Subdv Wtr Upgrade        | 9/23/14                   | 3,428,005             | 1.50%             | 2017-2035 *       | 3,428,005                                 |
| 130351 North Sitka Water Upgrade         | 4/13/12                   | 1,300,000             | 1.50%             | 2016-2035         | 1,300,000                                 |
| 130371 ARRC Yard 12" Wtr Rehab           | 10/8/14                   | 216,525               | 1.50%             | 2017-2035 *       | 216,525                                   |
| 130401 Wonder PK Water Upgrd PHII        | 4/24/13                   | 2,500,000             | 1.50%             | 2017-2035 *       | 2,500,000                                 |
| 130411 Sand Lake Area Wtr Ph II          | 11/16/12                  | 850,818               | 1.50%             | 2014 - 2033       | 767,947                                   |
| 130431 68th Ave Redhawk Intertie         | 12/4/09                   | 632,444               | 1.50%             | 2010 - 2029       | 442,711                                   |
| 130441 3000 Arctic HVAC Upgrade          | 6/24/11                   | 1,046,759             | 1.50%             | 2012 - 2031       | 837,407                                   |
| 130471 Downtown CIPP Wtr Upgrade         | 10/15/10                  | 1,414,951             | 1.50%             | 2011 - 2030       | 1,061,213                                 |
| 130491 2-Way Radio Water Upgrade         | 2/17/10                   | 299,248               | 1.50%             | 2010 - 2019       | 126,349                                   |
| 130561 41st 41st Cope Northstar Water    | 3/14/12                   | 1,346,010             | 1.50%             | 2014 - 2033       | 1,211,409                                 |
| 130841 Girdwood Wtr Improv               | 12/14/11                  | 2,000,000             | 1.50%             | 2013 - 2032       | 1,600,000                                 |
| 130921 Golden View Reservoir             | 2/2/11                    | 2,808,878             | 1.50%             | 2011 - 2030       | 2,106,659                                 |
| 130941 Ship Crk WTF Heat Exchange        | 11/1/12                   | 3,495,658             | 1.50%             | 2017-2035 *       | 3,495,658                                 |
| 131021 G Street - 7th Water Main         | 12/29/10                  | 502,468               | 1.50%             | 2011 - 2030       | 376,851                                   |
| 131031 Eklutna WTF Roof & Window         | 6/7/10                    | 1,556,106             | 1.50%             | 2011 - 2030       | 1,167,079                                 |
| 131281 Ship Creek WTF Roof               | 3/23/11                   | 1,130,742             | 1.50%             | 2011 - 2030       | 848,056                                   |
| 131441 San Roberto-Klevin/Hoyt Wtr Upgrd | 10/7/14                   | 737,524               | 1.50%             | 2016 - 2035       | 737,524                                   |
| 131451 San Roberto-Klevin/Hoyt Wtr Upgrd | 2/6/15                    | 1,248,508             | 1.50%             | 2017 - 2035 *     | 1,248,508                                 |
| Total Long-Term Loans                    |                           | 121,408,179           |                   |                   | 83,822,491                                |
| Loan Payable-other                       | 3/15/13                   | 23,125,600            | 5.10%             | 2017              | 23,125,600                                |
| Total Long-Term Debt                     |                           | \$ 304,123,779        |                   |                   | 221,203,091                               |

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

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

Notes to Basic Financial Statements

December 31, 2015 and 2014

**(b) Revenue Bond Coverage Requirements**

The Utility is required to maintain a minimum coverage ratio for revenue bonds. Additionally, the Utility is required to maintain a minimum balance in a reserve account to further secure repayment of bonds.

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

| Fiscal Year | Revenue    | Assessment Collections | Operating Expenses | Amount Available For Debt Service | <u>Current Year Debt Service Requirements</u> |           |            | Coverage |
|-------------|------------|------------------------|--------------------|-----------------------------------|-----------------------------------------------|-----------|------------|----------|
|             |            |                        |                    |                                   | Principal                                     | Interest  | Total      |          |
|             | (1)        | (2)                    | (3)                | (4)                               | (4)                                           | (4)       | (5)        |          |
| 2013        | 59,140,595 | 248,752                | 29,938,587         | 29,450,760                        | 6,015,000                                     | 5,785,568 | 11,800,568 | 2.50     |
| 2014        | 62,165,080 | 471,667                | 30,728,442         | 31,908,305                        | 4,880,000                                     | 5,588,355 | 10,468,355 | 3.05     |
| 2015        | 61,488,681 | 282,443                | 33,931,325         | 27,839,799                        | 3,570,000                                     | 5,393,402 | 8,963,402  | 3.11     |

- (1) Excludes allowance for funds used during construction, includes non-operating revenue except for payments received for PERS relief from State of Alaska.
- (2) Assessment collections represent payments made by benefited property owners.
- (3) Excludes depreciation and 2015 PERS relief, but includes special items, transfers to other funds, and pension expense.
- (4) Does not include Mini-Bonds of \$1,956,000 repaid in 2014 as there were no debt service coverage requirements.
- (5) Required minimum coverage is 1.15.

**MUNICIPALITY OF ANCHORAGE, ALASKA  
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Notes to Basic Financial Statements  
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**(c) Total Debt Service Coverage Requirements**

Beginning in 2013, the Utility is required to maintain a minimum Total Debt Service Coverage, per terms of a loan agreement. The Utility's Schedule of Total Debt Service Coverage for the last three years follows:

| Fiscal Year | Revenue<br>(1) | Assessment Collections<br>(2) | Operating Expenses<br>(3) | Amount Available For Debt Service<br>(4) | Current Year Debt Service Requirements |                 |            | Coverage<br>(5) |
|-------------|----------------|-------------------------------|---------------------------|------------------------------------------|----------------------------------------|-----------------|------------|-----------------|
|             |                |                               |                           |                                          | Principal<br>(4)                       | Interest<br>(4) | Total      |                 |
| 2013        | 59,140,595     | 248,752                       | 29,938,587                | 29,450,760                               | 11,407,378                             | 7,013,938       | 18,421,316 | 1.60            |
| 2014        | 62,165,080     | 471,667                       | 30,728,442                | 31,908,305                               | 12,232,610                             | 6,784,585       | 19,017,195 | 1.68            |
| 2015        | 61,488,681     | 282,443                       | 33,931,325                | 27,839,799                               | 8,982,338                              | 6,568,498       | 15,550,836 | 1.79            |

- (1) Excludes allowance for funds used during construction, includes non-operating revenue except for payments received for PERS relief from State of Alaska.
- (2) Assessment collections represent payments made by benefited property owners.
- (3) Excludes depreciation and 2015 PERS relief, but includes special items, transfers to other funds, and pension expense.
- (4) Does not include Mini-Bonds of \$1,956,000 repaid in 2014 as there were no debt service coverage requirements.
- (5) Required minimum coverage is 1.15.



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Notes to Basic Financial Statements

December 31, 2015 and 2014

**(d) Debt Service Requirements**

Debt service requirements to maturity follow:

| Year         | Revenue Bonds         |                   | Long-term Loans    |                              | Total              |
|--------------|-----------------------|-------------------|--------------------|------------------------------|--------------------|
|              | Principal             | Interest          | Principal          | Interest                     |                    |
| 2016         | \$ 3,710,000          | 5,243,236         | 5,531,407          | 1,169,580                    | 15,654,223         |
| 2017         | 3,855,000             | 5,099,536         | 29,302,428 *       | 1,321,000                    | 39,577,964         |
| 2018         | 3,985,000             | 4,965,957         | 6,193,275          | 1,081,714                    | 16,225,946         |
| 2019         | 4,155,000             | 4,795,591         | 6,209,969          | 988,815                      | 16,149,375         |
| 2020         | 4,350,000             | 4,608,929         | 6,053,625          | 895,665                      | 15,908,219         |
| 2021 - 2025  | 21,180,000            | 20,105,971        | 27,259,981         | 3,182,290                    | 71,728,242         |
| 2026- 2030   | 24,485,000            | 15,146,101        | 21,107,666         | 1,261,745                    | 62,000,512         |
| 2031 - 2035  | 32,905,000            | 8,157,935         | 4,660,522          | 235,107                      | 45,958,564         |
| 2036 - 2039  | 15,630,000            | 791,250           | 629,218            | 9,438                        | 17,059,906         |
| <b>TOTAL</b> | <u>114,255,000</u>    | <u>68,914,506</u> | <u>106,948,091</u> | <u>10,145,354</u>            | <u>300,262,951</u> |
|              | (3,710,000)           |                   | (5,531,407)        | Current Portion of Principal |                    |
|              | (13,787)              |                   | --                 | Unamortized Discounts        |                    |
|              | 1,588,220             |                   | --                 | Unamortized Premiums         |                    |
|              | <u>\$ 112,119,433</u> |                   | <u>101,416,684</u> | Total Long Term Portion      |                    |

\* Includes \$23,125,600 bank loan repayment that is anticipated to be repaid by issuance of revenue bonds.

**MUNICIPALITY OF ANCHORAGE, ALASKA  
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Notes to Basic Financial Statements

December 31, 2015 and 2014

**(e) Long-Term Obligations**

Changes in long-term obligations for the year ending December 31, 2015 follow:

| Description                      | December 31,<br>2014 | Additions  | Deletions    | December 31,<br>2015 | Amounts<br>Due Within<br>One Year |
|----------------------------------|----------------------|------------|--------------|----------------------|-----------------------------------|
| Revenue bonds                    | \$ 117,825,000       | —          | (3,570,000)  | 114,255,000          | 3,710,000                         |
| Long-term revolving loans        | 79,856,062           | 9,378,767  | (5,412,338)  | 83,822,491           | 5,531,407                         |
| Long-term loans payable          | 12,125,600           | 11,000,000 | —            | 23,125,600           | —                                 |
| Total debt                       | 209,806,662          | 20,378,767 | (8,982,338)  | 221,203,091          | 9,241,407                         |
| Unamortized discounts            | (19,632)             | —          | 5,845        | (13,787)             | —                                 |
| Unamortized premiums             | 1,841,327            | —          | (253,107)    | 1,588,220            | —                                 |
| Total debt, net                  | 211,628,357          | 20,378,767 | (9,229,600)  | 222,777,524          | 9,241,407                         |
| Net Pension Liability            | —                    | 13,600,625 | —            | 13,600,625           | —                                 |
| Compensated absences             | 1,213,132            | 1,535,188  | (1,552,442)  | 1,195,878            | 946,712                           |
| Pollution remediation obligation | 88,500               | —          | —            | 88,500               | 20,000                            |
| Total long-term, net             | \$ 212,929,989       | 35,514,580 | (10,782,042) | 237,662,527          |                                   |

Changes in long-term obligations for the year ending December 31, 2014 follow:

| Description                      | December 31,<br>2013 | Additions  | Deletions    | December 31,<br>2014 | Amounts<br>Due Within<br>One Year |
|----------------------------------|----------------------|------------|--------------|----------------------|-----------------------------------|
| Revenue bonds                    | \$ 124,661,000       | —          | (6,836,000)  | 117,825,000          | 3,570,000                         |
| Long-term revolving loans        | 82,155,457           | 3,097,215  | (5,396,610)  | 79,856,062           | 5,412,338                         |
| Long-term loans payable          | 4,425,600            | 7,700,000  | —            | 12,125,600           | —                                 |
| Total debt                       | 211,242,057          | 10,797,215 | (12,232,610) | 209,806,662          | 8,982,338                         |
| Unamortized discounts            | (90,391)             | —          | 70,759       | (19,632)             | —                                 |
| Unamortized premiums             | 2,129,162            | —          | (287,835)    | 1,841,327            | —                                 |
| Total debt, net                  | 213,280,828          | 10,797,215 | (12,449,686) | 211,628,357          | 8,982,338                         |
| Net Pension Liability            | 0                    | —          | 0            | 0                    | —                                 |
| Compensated absences             | 1,153,791            | 1,375,768  | (1,316,427)  | 1,213,132            | 945,475                           |
| Pollution remediation obligation | 88,500               | —          | —            | 88,500               | 20,000                            |
| Total long-term, net             | \$ 214,523,119       | 12,172,983 | (13,766,113) | 212,929,989          |                                   |

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WATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2015 and 2014

**(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, 2015, there is zero defeased debt outstanding as the remaining balance was called and retired in 2014.

**(6) Deferred Inflows of Resources**

Contributions in Aid of Construction (CIAC) for the year ended December 31, 2015 follow:

|                                             | <u>December 31,<br/>2014</u> | <u>Additions</u>   | <u>Deletions</u> | <u>December 31,<br/>2015</u> |
|---------------------------------------------|------------------------------|--------------------|------------------|------------------------------|
| <b>Contributions in Aid of Construction</b> |                              |                    |                  |                              |
| Customer:                                   |                              |                    |                  |                              |
| Special assessments                         | \$ 48,610,265                | 447,166            | —                | 49,057,431                   |
| Private development                         | 138,193,234                  | 3,341,938          | —                | 141,535,172                  |
| Other                                       | 1,037,984                    | —                  | —                | 1,037,984                    |
| Intergovernmental                           | 198,639,016                  | —                  | —                | 198,639,016                  |
| Total CIAC                                  | <u>386,480,499</u>           | <u>3,789,104</u>   | <u>—</u>         | <u>390,269,603</u>           |
| <b>Accumulated Amortization</b>             |                              |                    |                  |                              |
| Customer                                    | (89,510,213)                 | (3,105,396)        | (9,112)          | (92,624,722)                 |
| Intergovernmental                           | (77,679,341)                 | (3,631,529)        | 0                | (81,310,870)                 |
| Total amortization                          | <u>(167,189,554)</u>         | <u>(6,736,925)</u> | <u>(9,112)</u>   | <u>(173,935,591)</u>         |
| Net CIAC                                    | <u>\$ 219,290,945</u>        | <u>(2,947,821)</u> | <u>(9,112)</u>   | <u>216,334,012</u>           |

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Contributions in Aid of Construction (CIAC) for the year ended December 31, 2014 follow:

|                                             | <u>December 31,<br/>2013</u> | <u>Additions</u>   | <u>Deletions</u>   | <u>December 31,<br/>2014</u> |
|---------------------------------------------|------------------------------|--------------------|--------------------|------------------------------|
| <b>Contributions in Aid of Construction</b> |                              |                    |                    |                              |
| Customer:                                   |                              |                    |                    |                              |
| Special assessments                         | \$ 48,495,489                | 252,709            | (137,933)          | 48,610,265                   |
| Private development                         | 135,802,870                  | 2,390,364          | —                  | 138,193,234                  |
| Other                                       | 3,168,072                    | 46,226             | (2,176,314)        | 1,037,984                    |
| Intergovernmental                           | 198,839,274                  | —                  | (200,258)          | 198,639,016                  |
| Total CIAC                                  | <u>386,305,705</u>           | <u>2,689,299</u>   | <u>(2,514,505)</u> | <u>386,480,499</u>           |
| <b>Accumulated Amortization</b>             |                              |                    |                    |                              |
| Customer                                    | (86,714,520)                 | (2,933,626)        | 137,933            | (89,510,213)                 |
| Intergovernmental                           | (74,214,690)                 | (3,664,909)        | 200,258            | (77,679,341)                 |
| Total amortization                          | <u>(160,929,210)</u>         | <u>(6,598,535)</u> | <u>338,191</u>     | <u>(167,189,554)</u>         |
| Net CIAC                                    | <u>\$ 225,376,495</u>        | <u>(3,909,236)</u> | <u>(2,176,314)</u> | <u>219,290,945</u>           |

**(7) Net Position**

Net position invested in capital assets is comprised of:

|                                                       | <u>2015</u>          | <u>2014</u>          |
|-------------------------------------------------------|----------------------|----------------------|
| Capital assets, net of depreciation                   | \$ 531,962,839       | \$ 519,017,658       |
| Less: Net revenue bonds payable long-term             | 110,846,886          | 114,482,822          |
| Less: Unspent debt proceeds                           | (1,524,082)          | (992,930)            |
| Alaska Drinking Water Fund loans payable, long-term   | 78,291,084           | 74,443,724           |
| Loans payable - other                                 | 23,125,600           | 12,125,600           |
| Long-term obligations maturing within one year        | 9,241,407            | 8,982,338            |
| Contributions in aid of construction, net             | <u>216,334,012</u>   | <u>219,290,945</u>   |
| Net investment in capital assets, net of related debt | <u>\$ 95,647,932</u> | <u>\$ 90,685,159</u> |

Restricted net position is comprised of:

|                                       | <u>2015</u>         | <u>2014</u>         |
|---------------------------------------|---------------------|---------------------|
| Revenue bond debt service investments | \$ 5,069,426        | \$ 5,077,565        |
| Interim rate escrow requirement       | —                   | 1,881,616           |
| Less: Customer refund payable         | —                   | (1,005,000)         |
|                                       | <u>\$ 5,069,426</u> | <u>\$ 5,954,181</u> |

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

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**(8) Pensions**

Substantially all regular employees of the Municipality are members of a public employees' retirement system except for employees who are members of the Police and Fire Pension System Plans.

All Utility employees who are members of a public employees' retirement system participate in the State of Alaska Public Employees' Retirement System (PERS). All pension and postemployment healthcare benefit obligations of the Utility are included on the financial statements.

**(a) *Defined Benefit Pension Plans***

**Public Employees Retirement System (PERS I-III)**

**General Information about the Plan**

The Utility participates in the Alaska Public Employees' Retirement System (PERS I-III or the Plan). PERS I-III is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police and Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and Other Post-Employment Benefits (OPEB) benefits. A complete benefit comparison chart is available at the website noted below.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website. 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 or by phoning (907) 465-4460.

The PERS I-III DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS IV Defined Contribution (DC) Plan described later in the note.

**Historical Context and Special Funding Situation**

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible

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

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wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in this note.

Alaska Statute requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board.

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State initially determined that the Plan is not in a special funding situation. Following much discussion with various stakeholders, participant communities, attorneys, auditors, and the GASB, itself the State has subsequently reversed its position on this matter, and as of June 30, 2015, the State did record the liability presuming that the current statute does constitute a special funding situation as the legislation is currently written. It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process, and it is likely that the State will pursue efforts to do so in a future legislative session.

For the current year financial statements, management has treated AS 39.35.255 as constituting a special funding situation under GASB Statement No. 68 rules and has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis.

**Employee Contribution Rates**

Regular employees are required to contribute 6.75 percent of their annual covered salary.

**Employer and Other Contribution Rates**

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

**Employer Effective Rate**

This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22 percent of eligible wages, subject to a wage floor, and other termination events. This 22 percent rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability (DBUL) contribution.

**ARM Board Adopted Rate**

This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends

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Notes to Basic Financial Statements

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in 2039. This will result in lower ARM Board Rates in future years (as demonstrated in the contribution rate tables below).

On-behalf Contribution Rate

This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in state fiscal year 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for State Fiscal Year 2015 (July 1, 2014 through June 30, 2015) significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures during the calendar year 2015. On the proprietary fund and government-wide financial statements, the on-behalf amounts are included in revenue and expense only to the extent they are applicable to the measurement period, which is the same as the State's fiscal year ending June 30, 2015.

GASB Rate

This is the Rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For Fiscal Year 2015, the rate uses an 8.00 percent pension discount rate and a 4.90 percent healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the years ended June 30, 2015 and June 30, 2016 were determined in the June 30, 2012 and June 30, 2013 actuarial valuations, respectively. Municipality contribution rates for the 2015 calendar year were as follows:

| January 1, 2015 to June 30, 2015 | Employer       | ARM Board     | State             |               |
|----------------------------------|----------------|---------------|-------------------|---------------|
|                                  | Effective Rate | Adopted Rate  | Contribution Rate | GASB Rate     |
| Pension                          | 12.54%         | 25.09%        | 42.41%            | 33.05%        |
| Postemployment healthcare        | 9.46%          | 18.94%        | 0.00%             | 55.07%        |
| <b>Total Contribution Rates</b>  | <b>22.00%</b>  | <b>44.03%</b> | <b>42.41%</b>     | <b>88.12%</b> |

| July 1, 2015 to December 31, 2015 | Employer       | ARM Board     | State             |               |
|-----------------------------------|----------------|---------------|-------------------|---------------|
|                                   | Effective Rate | Adopted Rate  | Contribution Rate | GASB Rate     |
| Pension                           | 13.25%         | 16.38%        | 3.63%             | 37.79%        |
| Postemployment healthcare         | 8.75%          | 10.81%        | 1.56%             | 58.73%        |
| <b>Total Contribution Rates</b>   | <b>22.00%</b>  | <b>27.19%</b> | <b>5.19%</b>      | <b>96.52%</b> |

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In 2015, the Municipality was credited with the following contributions into the pension plan. The Utility represents approximately 4.55% of the total contributions credited to the Municipality.

|                                         | Measurement<br>Period            | Municipality's<br>Fiscal Year           |
|-----------------------------------------|----------------------------------|-----------------------------------------|
|                                         | July 1, 2014 to<br>June 30, 2015 | January 1, 2015 to<br>December 31, 2015 |
| Employer contributions (including DBUL) | \$ 20,997,173                    | \$ 21,876,448                           |
| Nonemployer contributions (on-behalf)   | 85,772,027                       | 45,610,582                              |
| Total Contributions                     | <u>\$ 106,769,200</u>            | <u>\$ 67,487,030</u>                    |

The Wastewater Utility's share of contributions was \$995,274 for the year ended December 31, 2015. In addition, employee contributions to the Plan totaled \$9,401,945 during the Municipality's fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the Municipality reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Municipality. The amount recognized by the Municipality for its proportional share, the related State proportion, and the total were as follows:

|                                                                     |                       |
|---------------------------------------------------------------------|-----------------------|
|                                                                     | 2015                  |
| Municipality proportionate share of NPL                             | \$ 298,946,265        |
| State's proportionate share of NPL associated with the Municipality | 80,071,590            |
| Total Net Pension Liability                                         | <u>\$ 379,017,855</u> |

The Utility recognized \$13,600,625 in net pension liability. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 to calculate the net pension liability as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2015 measurement date, the Municipality's proportion was 6.16 percent, which was an increase of 1.39 percent from its proportion measured as of June 30, 2014. The Utility represents approximately 4.5% of the total net pension liability of the Municipality.

For the year ended December 31, 2015, the Municipality recognized pension expense of \$59,742,977. Of this amount, \$11,057,633 was recorded as on-behalf revenue and expense for additional contributions paid by the State. The Utility represents approximately 4.5% of the total pension expense of the Municipality. At December 31, 2015, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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Notes to Basic Financial Statements

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|                                                                                                                   | Measurement Period                   |                                     |
|-------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                                                   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
| Difference between expected and actual experience                                                                 | \$ 348,455                           | \$ -                                |
| Changes in assumptions                                                                                            | 17,479,691                           | -                                   |
| Net difference between projected and actual earnings on pension plan investments                                  | -                                    | (5,292,586)                         |
| Changes in proportion and differences between Municipality contributions and proportionate share of contributions | 9,413,051                            | (462,752)                           |
| Municipality contributions subsequent to the measurement date                                                     | 12,200,933                           | -                                   |
| Total Deferred Outflows and Deferred Inflows Related to Pensions                                                  | \$ 39,442,130                        | \$ (5,755,338)                      |

The \$12,200,933 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2016. The Utility represents approximately 4.5% of the total net pension liability of the Municipality. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31 | Net Amortization of Deferred<br>Outflows and Deferred Inflows of<br>Resources |
|-------------------------|-------------------------------------------------------------------------------|
| 2016                    | \$ 20,902,902                                                                 |
| 2017                    | (922,599)                                                                     |
| 2018                    | (3,399,071)                                                                   |
| 2019                    | 4,904,627                                                                     |
| Total Amortization      | \$ 21,485,859                                                                 |

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement period, and rolled forward to the measurement date of June 30, 2015. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

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Notes to Basic Financial Statements

December 31, 2015 and 2014

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|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation                         | 3.12%                                                                                                                                                                                                                                                                                                                                                                                                             |
| Salary Increases                  | Graded by service, from 9.66% to 4.92% for Peace Officers/Firefighters. Graded by age and service, from 8.55% to 4.34% for all others.                                                                                                                                                                                                                                                                            |
| Investment Return / Discount Rate | 8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.                                                                                                                                                                                                                                                                            |
| Mortality                         | Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace officers/fire fighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination. |

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

| Asset Class          | Long-term Expected<br>Real Rate of Return |
|----------------------|-------------------------------------------|
| Domestic equity      | 5.35%                                     |
| International equity | 5.55%                                     |
| Private equity       | 6.25%                                     |
| Fixed income         | 0.80%                                     |
| Real estate          | 3.65%                                     |
| Absolute return      | 4.70%                                     |

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Discount Rate Sensitivity**

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

|                                                                 | 1% Decrease<br>(7.00%) | Current Discount<br>Rate (8.00%) | 1% Increase<br>(9.00%) |
|-----------------------------------------------------------------|------------------------|----------------------------------|------------------------|
| Municipality's proportionate share of the net pension liability | 6.16382%               | \$ 397,423,750                   | \$ 298,946,265         |
|                                                                 |                        |                                  | \$ 216,038,412         |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

***(b) Defined Contribution Pension Plans***

**Public Employees Retirement System (PERS IV)**

**Plan Information**

The Utility participates in the Alaska Public Employees' Retirement System (PERS IV or the Plan). PERS IV is a Defined Contribution (DC) plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website. 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 or by phoning (907) 465-4460.

**Plan Participation and Benefit Terms**

The Plan is governed by Section 401(a) of the Internal Revenue Code. A portion of employee wages and a matching employer contribution are made to the Plan before tax. These contributions plus any change in value (interest, gains and losses), and minus any Plan administrative fees or other charges, are payable to the employee or the employee's beneficiary at a future date. The Plan is a participant-directed plan with investment options offered by providers that are selected by the [Alaska Retirement Management \(ARM\) Board](#).

Employees first enrolling into PERS after July 1, 2006 participate in PERS IV. PERS IV is a defined contribution retirement plan that includes a component of defined benefit post-employment health care.

**MUNICIPALITY OF ANCHORAGE, ALASKA  
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December 31, 2015 and 2014

**Plan Contribution Requirements**

The plan requires both employer and employee contributions. Employees may make additional contributions into the plan, subject to limitations. Contribution rates are as follows:

|                                    | <u>Police/Fire</u> |                    | <u>Others</u>     |                    |
|------------------------------------|--------------------|--------------------|-------------------|--------------------|
|                                    | <u>1/1 - 6/30</u>  | <u>7/1 - 12/31</u> | <u>1/1 - 6/30</u> | <u>7/1 - 12/31</u> |
| Employee Contribution              | 8.00%              | 8.00%              | 8.00%             | 8.00%              |
| Employer Contribution              |                    |                    |                   |                    |
| Retirement                         | 5.00%              | 5.00%              | 5.00%             | 5.00%              |
| Health Reimbursement Arrangement * | 3.00%              | 3.00%              | 3.00%             | 3.00%              |
| Retiree Medical Plan               | 1.66%              | 1.68%              | 1.66%             | 1.68%              |
| Death & Disability Benefit         | 1.06%              | 1.05%              | 0.22%             | 0.22%              |
| Total Employer Contribution        | <u>10.72%</u>      | <u>10.73%</u>      | <u>9.88%</u>      | <u>9.90%</u>       |

**Health Reimbursement Arrangement**

Alaska Statute 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, 2015 a flat rate of approximately \$1,961 per year for full time employees and \$1.26 per part time hour worked was paid. For pay periods ending after July 1, 2015, a flat rate of approximately \$2,005 per year for full time employees and \$1.28 per part time hour worked were paid.

For the year ended December 31, 2015, the Municipality contributed \$3,287,101 to PERS IV for retirement and retiree medical, and \$1,709,437 to PERS IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$5,264,982.

**(9) Contingencies**

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.

**(10) Environmental Issues**

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

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Notes to Basic Financial Statements

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The Utility used the expected cash flow technique to measure the liability. The Utility estimated a reasonable range of potential outlays of \$70,000 to \$255,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$88,500. The potential for a material change in the estimate is possible depending upon the response received from ADEC.

**(11) Regulatory Matters**

*(a) 2012 Test Year / 2014-2015 Rates*

On November 14, 2013, the Utility filed a revenue requirement study requesting an interim and refundable rate increase of 4.0%. The Regulatory Commission of Alaska (RCA) granted the requested interim rate increase effective January 1, 2014. The RCA accepted a stipulation between AWWU and the Office of the Attorney General, Regulatory Affairs and Public Advocacy section (RAPA) resolving this matter and approving a permanent rate increase of 2.26% effective June 5<sup>th</sup> 2015, which resulted in a partial refund of interim rates charged from January 1, 2014 through June 4, 2015.

**(12) Interfund Transfers**

The composition of interfund transfers for the year ended December 31, 2015 follows:

| <u>Description</u>                   | <u>Amount</u>       |
|--------------------------------------|---------------------|
| Transfers to other funds:            |                     |
| Municipal utility service assessment | \$ 7,113,584        |
| ERP project labor                    | 7,320               |
| Total transfers                      | <u>\$ 7,120,904</u> |

The composition of interfund transfers for the year ended December 31, 2014 follows:

| <u>Description</u>                   | <u>Amount</u>       |
|--------------------------------------|---------------------|
| Transfers to other funds:            |                     |
| Municipal utility service assessment | \$ 7,138,099        |
| ERP project labor                    | 202,948             |
| Total transfers                      | <u>\$ 7,341,047</u> |

**(13) Subsequent Events**

Subsequent to December 31, 2015, the Utility received authorization to amend Alaska Drinking Water Fund loan number 130941 increasing it by \$5 million for a total loan amount of \$8.7 million used for capital construction projects to be drawn as needed.

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Subsequent to December 31, 2015, the Utility received \$7.5 million in loans from the State of Alaska Clean Water Fund for capital construction projects.

September 2016, AWWU's Eklutna Water Treatment Facility experienced an electrical fault. This electrical event caused damage to electrical equipment that allows AWWU to generate hydroelectric power from the raw water coming from Eklutna Lake and entering the treatment plant. This equipment will require repair/replacement. AWWU is currently investigating the extent of the damages. AWWU has communicated the loss with our insurer, FM Global, and we have identified the deductible for this type of event to be \$100,000.

**(14) Other Accounting Matters**

***(a) Change in Accounting Principles – Implementation of GASB Statement No. 68, 71, 73, 78, and 82***

As discussed in Note 13 to the financial statements, the Municipality participates in the Alaska Public Employees Retirement System (PERS) plan and the Police and Fire Retirement Pension System. In 2015, the Municipality adopted the provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, which, among other accounting and reporting criteria, requires the Municipality to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Municipality's fiscal year. As a result of the implementation of this statement, the Municipality has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

|               | Opening Net Position,<br>as Originally Presented | Change in Accounting<br>Principle Adjustment | Opening Net Position,<br>as Restated |
|---------------|--------------------------------------------------|----------------------------------------------|--------------------------------------|
| Water Utility | 130,001,881                                      | (11,061,830)                                 | 118,940,051                          |

**(15) New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates.

**GASB 72 Fair Value Measurement and Application:** The provisions of this Statement are required to be implemented for the 2016 financial reporting period.

**GASB 74 Financial Reporting for Postemployment Benefit Plans:** Other than Pension Plans. The provisions of this Statement are required to be implemented for the 2017 financial reporting period.

**GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions:** The provisions of this Statement are required to be implemented for the 2018 financial reporting period.

**GASB 79 Certain External Investment Pools and Pool Participants:** The provisions of the Statement are required to be implemented for the 2016 financial reporting period.

***REQUIRED SUPPLEMENTARY INFORMATION***

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

Required Supplementary Information  
Public Employees Retirement System – Defined Benefit  
Schedule of the Utility’s Information on the Net Pension Liability

| Year Ended<br>Dec 31, | Measurement<br>Period<br>Ended<br>June 30, | Utility's<br>Proportion<br>of the Net<br>Pension<br>Liability | Utility's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability | State of<br>Alaska<br>Proportionate<br>Share of the<br>Net Pension<br>Liability | Total<br>Net Pension<br>Liability | Utility's<br>Covered<br>Payroll | Utility's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability as a<br>percentage of<br>Payroll | Plan Fiduciary<br>Net Position as<br>a Percentage<br>of the Total<br>Pension<br>Liability |
|-----------------------|--------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| 2015                  | 2015                                       | 0.28042                                                       | \$ 13,600,625                                                          | \$ 3,642,874                                                                    | \$ 17,243,499                     | \$ 8,854,612                    | 154%                                                                                                    | 63.96%                                                                                    |

Schedule of Utility Contributions

| Year Ended<br>December 31, | Contractually<br>Required<br>Contribution | Contributions<br>Relative to the<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Utility's<br>Covered<br>Payroll | Contributions<br>as a<br>Percentage of<br>Covered Payroll |
|----------------------------|-------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------|---------------------------------|-----------------------------------------------------------|
| 2015                       | \$ 995,274                                | \$ 995,274                                                                    | \$ -                                   | \$ 9,061,450                    | 10.984%                                                   |



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

Notes to the Required Supplementary Information  
Pension Plans

December 31, 2015

**Public Employees Retirement System- Defined Benefit**

In accordance with GASB Statement No. 82, "Covered Payroll" is defined as payroll on which contributions to the pension plan are based. Because a portion of the Municipality's contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both Defined Benefit and Defined Contribution).

Both pension tables are intended to present 10 years of information. Additional year's information will be added to the schedules as it becomes available.

Schedule of Utility's Information on the Net Pension Liability

- This table is presented based on the Plan measurement date. For December 31, 2015, the Plan measurement date is June 30, 2015.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.
- There was a material change in the allocation methodology from the prior measurement period. The measurement period ended June 30, 2014 allocated the net pension liability based in actual contributions for 2014. The measurement period ended June 30, 2015 allocated the net pension liability based on the present value of contributions for fiscal year 2017 through 2039, as determined by projections based on the June 30, 2014 actuarial valuation.

Schedule of Utility's Contributions

- This table is based on the Utility's contributions during calendar year 2015. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow on the December 31, 2015 basic financial statements.

***STATISTICAL SECTION***

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

|                                                                                                                                                                                                                | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       | <u>2012</u>       | <u>2011</u>       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Financial ratios:</b>                                                                                                                                                                                       |                   |                   |                   |                   |                   |
| Current ratio (current assets / current liabilities)                                                                                                                                                           | 2.87              | 2.53              | 1.96              | 1.55              | 2.10              |
| Quick ratio (quick assets / current liabilities)                                                                                                                                                               | 2.75              | 2.41              | 1.85              | 1.45              | 2.00              |
| Return on investment<br>(change in net position / total assets and deferred<br>outflows of resources)                                                                                                          | 1.9%              | 2.6%              | 2.2%              | 1.5%              | 1.1%              |
| Return on equity (change in net position / net position)                                                                                                                                                       | 8.8%              | 11.3%             | 10.5%             | 7.9%              | 6.6%              |
| Debt to equity as a percent of capital structure<br>(outstanding debt / capital structure over<br>net position / capital structure)                                                                            | <u>63%</u><br>37% | <u>62%</u><br>38% | <u>65%</u><br>35% | <u>67%</u><br>33% | <u>70%</u><br>30% |
| Operating margin<br>(operating income / operating revenues)                                                                                                                                                    | 39%               | 44%               | 46%               | 39%               | 37%               |
| Revenue bond debt coverage (Note 4b)<br>(amount available for revenue bond debt service /<br>revenue bond principal & interest)                                                                                | 3.11              | 3.05              | 2.50              | 2.10              | 1.99              |
| Total debt coverage (Note 4c)<br>(amount available for total debt service/total<br>principal & interest)                                                                                                       | 1.79              | 1.68              | 1.60              | —                 | —                 |
| Weighted cost of long term debt<br>(Sum of interest rates multiplied by percentage of<br>total amounts outstanding for bonds, long-term<br>loans, and amortization of bond discounts and<br>transaction costs) | 3.20%             | 3.51%             | 3.69%             | 3.52%             | 3.52%             |

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
**WATER UTILITY FUND**  
 Statistical Section (unaudited)  
 Table 1  
 Average Number of Accounts

| <u>Customer Type</u> | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   | <u>2012</u>   | <u>2011</u>   |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| Residential          | 52,421        | 52,162        | 51,884        | 51,703        | 51,558        |
| Commercial           | 3,734         | 3,692         | 3,673         | 3,659         | 3,644         |
| Total                | <u>56,155</u> | <u>55,854</u> | <u>55,557</u> | <u>55,362</u> | <u>55,202</u> |
| Growth rate          | 0.54%         | 0.53%         | 0.35%         | 0.29%         |               |

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
**WATER UTILITY FUND**  
Statistical Section (unaudited)  
Table 2  
Current Water Rates

| <b>Type of Service</b>                               | <b>2015<sup>(1)</sup></b> | <b>2014<sup>(2)</sup></b> | <b>2013<sup>(3)</sup></b> | <b>2012<sup>(4)</sup></b> | <b>2011<sup>(5)</sup></b> |
|------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Metered:</b>                                      |                           |                           |                           |                           |                           |
| Customer charge (per account)                        | \$ 13.15                  | \$ 13.37                  | 12.86                     | 12.13                     | 11.44                     |
| Meter rate (per meter)                               |                           |                           |                           |                           |                           |
| (Depending on meter size ranging between 5/8" to 8") | 6.53 to                   | 6.65 to                   | 6.39 to                   | 6.03 to                   | 5.69 to                   |
|                                                      | 346.44                    | 352.33                    | 338.78                    | 319.60                    | 301.51                    |
| <b>Volume rate (per 1,000 gallons):</b>              |                           |                           |                           |                           |                           |
| Residential                                          | 5.08                      | 5.17                      | 4.97                      | 4.69                      | 4.42                      |
| Commercial                                           | 5.08                      | 5.17                      | 4.97                      | 4.69                      | 4.42                      |
| <b>Unmetered:</b>                                    |                           |                           |                           |                           |                           |
| Customer charge (per account)                        | 13.15                     | 13.37                     | 12.86                     | 12.13                     | 11.44                     |
| Residential (per dwelling unit)                      | 36.55                     | 37.17                     | 35.74                     | 33.72                     | 31.81                     |
| Commercial (per service connection)                  |                           |                           |                           |                           |                           |
| Service Size:                                        |                           |                           |                           |                           |                           |
| 3/4"                                                 | 51.78                     | 52.67                     | 50.64                     | 47.77                     | 45.07                     |
| 1"                                                   | 104.39                    | 106.16                    | 102.08                    | 96.30                     | 90.85                     |
| 1 1/2"                                               | 272.94                    | 277.59                    | 266.91                    | 251.80                    | 237.55                    |
| 2"                                                   | 494.30                    | 502.72                    | 483.38                    | 456.02                    | 430.21                    |

(1) Rates effective 6/5/15. Rate increase of 2.26% was approved by the Regulatory Commission of Alaska effective 6/5/15 as Final and Permanent.

(2) Rates effective 1/1/14. Rate increase of 4.0% was approved by the Regulatory Commission of Alaska effective 1/1/14 as Interim and Refundable.

(3) Rates effective 1/1/13.

(4) Rates effective 1/1/12.

(5) Rates effective 3/24/11. Rate increase of 1.96% was approved by the Regulatory Commission of Alaska (RCA) effective 1/1/11 through 3/23/11. A permanent rate increase of 8% was approved by the RCA effective 3/24/11, which is reflected in the 2011 column above.

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

Statistical Section (unaudited)

Table 3

Revenues and Expenses - Budget to Actual

|                                                    | 2015<br>Budget       | 2015<br>Actual    | Variance<br>Favorable /<br>(Unfavorable) |
|----------------------------------------------------|----------------------|-------------------|------------------------------------------|
| Operating revenues:                                |                      |                   |                                          |
| Residential sales                                  | \$ 41,831,000        | 41,418,518        | (412,482)                                |
| Commercial sales                                   | 13,574,200           | 13,779,579        | 205,379                                  |
| Public fire protection                             | 4,844,800            | 4,762,806         | (81,994)                                 |
| Miscellaneous service                              | 981,000              | 1,325,185         | 344,185                                  |
| Total operating revenues                           | <u>61,231,000</u>    | <u>61,286,088</u> | <u>55,088</u>                            |
| Nonoperating revenues:                             |                      |                   |                                          |
| Investment income - short-term investments         | 287,000              | 201,063           | (85,937)                                 |
| Transfers from other funds                         | —                    | —                 | —                                        |
| Miscellaneous non-operating revenue                | 130,000              | 171,488           | 41,488                                   |
| Total non-operating revenues                       | <u>417,000</u>       | <u>372,551</u>    | <u>(44,449)</u>                          |
| Total revenues                                     | <u>61,648,000</u>    | <u>61,658,639</u> | <u>10,639</u>                            |
| Expenses:                                          |                      |                   |                                          |
| Source of supply:                                  |                      |                   |                                          |
| Operations                                         | 2,236,225            | 2,082,694         | 153,531                                  |
| Maintenance                                        | 180,328              | 211,343           | (31,015)                                 |
| Total source of supply expense                     | <u>2,416,553</u>     | <u>2,294,037</u>  | <u>122,516</u>                           |
| Pumping:                                           |                      |                   |                                          |
| Operations                                         | 16,922               | 127,285           | (110,363)                                |
| Maintenance                                        | 153,195              | 91,517            | 61,678                                   |
| Total pumping expense                              | <u>170,117</u>       | <u>218,802</u>    | <u>(48,685)</u>                          |
| Treatment:                                         |                      |                   |                                          |
| Operations                                         | 5,311,634            | 5,248,783         | 62,851                                   |
| Maintenance                                        | 353,256              | 502,022           | (148,766)                                |
| Total treatment expense                            | <u>5,664,890</u>     | <u>5,750,805</u>  | <u>(85,915)</u>                          |
| Transmission and distribution system:              |                      |                   |                                          |
| Operations                                         | 948,482              | 941,897           | 6,585                                    |
| Maintenance                                        | 5,684,806            | 6,309,547         | (624,741)                                |
| Total transmission and distribution system expense | <u>6,633,288</u>     | <u>7,251,444</u>  | <u>(618,156)</u>                         |
| Customer accounts                                  | 2,474,424            | 2,256,107         | 218,317                                  |
| Administrative and general                         | 8,480,120            | 9,209,184         | (729,064)                                |
| Depreciation, net of amortization                  | 10,400,000           | 10,191,049        | 208,951                                  |
| Total operating expenses                           | <u>36,239,392</u>    | <u>37,171,428</u> | <u>(932,036)</u>                         |
| Other expenses:                                    |                      |                   |                                          |
| Transfers to other funds                           | 7,084,470            | 7,120,904         | (36,434)                                 |
| Interest on long-term obligations                  | 7,955,000            | 6,798,837         | 1,156,163                                |
| Amortization of debt expense                       | 320,000              | 162,722           | 157,278                                  |
| Allowance for funds used during construction       | (280,000)            | (1,084,232)       | 804,232                                  |
| Miscellaneous income deduction                     |                      | 39,240            | (39,240)                                 |
| Total other expenses                               | <u>15,079,470</u>    | <u>13,037,471</u> | <u>2,041,999</u>                         |
| Total expenses                                     | <u>51,318,862</u>    | <u>50,208,899</u> | <u>1,109,963</u>                         |
| Increase in net position                           | <u>\$ 10,329,138</u> | <u>11,449,740</u> | <u>1,120,602</u>                         |

MUNICIPALITY OF ANCHORAGE, ALASKA  
WATER UTILITY FUND  
Statistical Section (unaudited)

Table 4  
Debt Principal by Issue

| Description                               | Original Issue Date | Total Issue Amount | Principal Balance 12/31/2014 | 2015 New (Retired) Debt | 2015 Principal Payments | Principal Balance 12/31/2015 | Current Portion |
|-------------------------------------------|---------------------|--------------------|------------------------------|-------------------------|-------------------------|------------------------------|-----------------|
| <b>Revenue Bonds</b>                      |                     |                    |                              |                         |                         |                              |                 |
| 2004 Water Revenue & Refunding Bonds      | 05/26/04            | \$ 18,595,000      | 1,855,000                    | —                       | 395,000                 | 1,460,000                    | 410,000         |
| 2007 Water Revenue & Refunding Bonds      | 06/28/07            | 91,315,000         | 88,350,000                   | —                       | 550,000                 | 87,800,000                   | 570,000         |
| 2009 Water Refunding Bonds                | 12/16/09            | 49,680,000         | 27,620,000                   | —                       | 2,625,000               | 24,995,000                   | 2,730,000       |
| Total Revenue Bonds                       |                     | 159,590,000        | 117,825,000                  | —                       | 3,570,000               | 114,255,000                  | 3,710,000       |
| <b>Alaska Drinking Water (ADW) Loans</b>  |                     |                    |                              |                         |                         |                              |                 |
| 127201 - Airport Water Project, Phase 1B  | 06/06/00            | 2,334,756          | 677,702                      | —                       | 131,535                 | 546,167                      | 133,508         |
| 127231 - ER Rsrvr/Wtr Trans Main          | 06/06/00            | 2,000,000          | 789,356                      | —                       | 107,791                 | 681,565                      | 109,408         |
| 127241 - Loop Wtr Trans Main Phs V        | 07/25/00            | 5,039,233          | 1,994,990                    | —                       | 272,428                 | 1,722,562                    | 276,515         |
| 127251 - Service Reservoir No. 6          | 07/25/00            | 3,723,056          | 1,470,226                    | —                       | 200,768                 | 1,269,458                    | 203,780         |
| 127261 - 19th Spenard Upgrade             | 09/16/08            | 770,000            | 577,500                      | —                       | 38,500                  | 539,000                      | 38,500          |
| 127321 - Disinfection Alt. Upgrade        | 03/22/02            | 755,000            | 302,096                      | —                       | 41,253                  | 260,843                      | 41,872          |
| 127331 - 68th Pebble-Baby Bear            | 09/30/08            | 300,000            | 210,000                      | —                       | 15,000                  | 195,000                      | 15,000          |
| 127361 - Christen Dr Upgrade              | 09/08/09            | 1,350,000          | 1,012,500                    | —                       | 67,500                  | 945,000                      | 67,500          |
| 127381 - S. Addition Woodstave Upgrd      | 08/27/01            | 922,354            | 417,784                      | —                       | 46,420                  | 371,364                      | 46,420          |
| 127411 - Loop Wtr Trans Main Phs VI       | 03/02/01            | 1,305,776          | 517,455                      | —                       | 70,662                  | 446,793                      | 71,721          |
| 127441 - Daryl Industry Way               | 09/30/08            | 420,000            | 336,000                      | —                       | 21,000                  | 315,000                      | 21,000          |
| 127461 - DeBarr-Klevin-Hoyt Upgrade       | 12/04/09            | 1,000,000          | 750,000                      | —                       | 50,000                  | 700,000                      | 50,000          |
| 127471 - SCADA Water                      | 08/04/04            | 4,000,000          | 2,369,530                    | —                       | 199,737                 | 2,169,793                    | 202,733         |
| 127491 - Girdwood Wtr Supply Imprvmnets   | 06/23/04            | 2,135,300          | 1,504,249                    | —                       | 100,283                 | 1,403,966                    | 100,283         |
| 127531 - Loop Wtr Trans Main Phs IV       | 10/31/06            | 12,306,151         | 9,229,613                    | —                       | 615,308                 | 8,614,305                    | 615,308         |
| 127541 - SCADA Water II                   | 12/01/04            | 6,500,000          | 4,225,000                    | —                       | 325,000                 | 3,900,000                    | 325,000         |
| 127571 - 88th Ave Wtr Trans Main          | 10/31/06            | 1,850,696          | 1,295,487                    | —                       | 92,535                  | 1,202,952                    | 92,535          |
| 127581 - Pine DeBarr San Rob Wtr Upgrd    | 09/08/07            | 870,014            | 652,510                      | —                       | 43,501                  | 609,009                      | 43,501          |
| 127731 - Arctic 32nd - 36th Wtr Upgrd     | 11/24/06            | 404,234            | 282,964                      | —                       | 20,212                  | 262,752                      | 20,212          |
| 127771 - East Bluff Upgrade               | 10/09/06            | 317,763            | 222,434                      | —                       | 15,888                  | 206,546                      | 15,888          |
| 127781 - Sullivan-Ben Boeke Wtr Upgrd     | 10/09/06            | 2,189,753          | 1,423,339                    | —                       | 109,488                 | 1,313,851                    | 109,488         |
| 127791 - Hiland Rd Water Intertie         | 06/25/10            | 8,700,000          | 6,960,000                    | —                       | 435,000                 | 6,525,000                    | 435,000         |
| 127811 - Island-Kodiak Kalgin Water       | 06/07/10            | 570,541            | 456,433                      | —                       | 28,527                  | 427,906                      | 28,527          |
| 127831 - Klatt Rd - NSH-PZ Intertie       | 09/10/07            | 621,600            | 398,709                      | —                       | 30,670                  | 368,039                      | 30,670          |
| 127851 - N Comm Extension                 | 06/03/08            | 1,402,434          | 1,192,069                    | —                       | 70,122                  | 1,121,947                    | 70,122          |
| 127861 - So. Anchorage Wtr Extension      | 10/12/11            | 3,427,000          | 3,084,300                    | —                       | 171,350                 | 2,912,950                    | 171,350         |
| 127871 - Debarr-Muldoon-Turpin Upgrd      | 09/28/07            | 3,034,740          | 2,124,318                    | —                       | 151,737                 | 1,972,581                    | 151,737         |
| 127901 - SCADA Water III                  | 09/07/07            | 5,300,000          | 3,445,000                    | —                       | 265,000                 | 3,180,000                    | 265,000         |
| 127931 - Hillside Transmission Main       | 07/10/08            | 9,500,000          | 7,600,000                    | —                       | 475,000                 | 7,125,000                    | 475,000         |
| 127941 - 2006 Misc Water Projects         | 04/08/08            | 846,000            | 571,035                      | —                       | 40,110                  | 530,925                      | 40,711          |
| 127961 - NE Improvements Phase 1          | 07/08/08            | 929,107            | 696,830                      | —                       | 46,455                  | 650,375                      | 46,455          |
| 127991 - Sand Lake Wtr Extension          | 02/10/10            | 280,719            | 224,575                      | —                       | 14,036                  | 210,539                      | 14,036          |
| 130141 - Calais Subdivision Wtr Rehab     | 10/08/14            | 1,680,622          | 124,400                      | 1,556,582               | —                       | 1,680,622                    | —               |
| 130151 - Knik View Intertie               | 07/21/08            | 715,946            | 572,757                      | —                       | 35,797                  | 536,960                      | 35,797          |
| 130161 - Norm-Newt Drive                  | 12/17/08            | 1,768,400          | 1,326,300                    | —                       | 88,420                  | 1,237,880                    | 88,420          |
| 130181 - Ship Creek WTF Improvements      | 10/03/14            | 15,039             | 15,039                       | —                       | —                       | 15,039                       | —               |
| 130221 - San Ernesto Upgrade              | 12/17/08            | 1,567,218          | 1,175,414                    | —                       | 78,361                  | 1,097,053                    | 78,361          |
| 130241 - South Addition Phase IV Proj     | 02/02/09            | 1,164,317          | 873,238                      | —                       | 58,216                  | 815,022                      | 58,216          |
| 130271 - Well 7 Capacity Upgrade          | 02/28/11            | 1,775,766          | 1,420,613                    | —                       | 88,788                  | 1,331,825                    | 88,788          |
| 130331 - Seward Hyw Northern Lts Blvd     | 12/05/12            | 1,100,000          | 990,000                      | —                       | 55,000                  | 935,000                      | 55,000          |
| 130341 - Bayshore Subdivision Wtr Upgrade | 09/23/14            | 3,428,005          | 1,161,452                    | 2,266,553               | —                       | 3,428,005                    | —               |
| 130351 - North Sitka Water Upgrade        | 04/13/12            | 1,300,000          | 579,566                      | 720,434                 | —                       | 1,300,000                    | 65,000          |
| 130371 - ARRC Yard 12" Water Rehab        | 10/08/14            | 216,525            | 190,383                      | 26,142                  | —                       | 216,525                      | —               |
| 130401 - Wonder Pk Water Upgrade Ph II    | 04/24/13            | 2,500,000          | 2,196,781                    | 303,219                 | —                       | 2,500,000                    | —               |
| 130411 - Sand Lake Area Water Ph II       | 11/16/12            | 850,818            | 787,272                      | 22,111                  | 41,435                  | 767,948                      | 42,664          |
| 130431 - 68th Ave Redhawk Intertie        | 12/04/09            | 632,444            | 474,333                      | —                       | 31,622                  | 442,711                      | 31,622          |
| 130441 - 3000 Arctic HVAC Upgrade         | 06/24/11            | 1,046,759          | 889,745                      | —                       | 52,338                  | 837,407                      | 52,338          |
| 130471 - Downtown CIPP Wtr Upgrade        | 10/15/10            | 1,414,951          | 1,131,961                    | —                       | 70,748                  | 1,061,213                    | 70,748          |
| 130491 - 2-Way Radio Water Upgrade        | 02/17/10            | 299,248            | 157,936                      | —                       | 31,587                  | 126,349                      | 31,587          |
| 130561 - 41st Cope Northstar Water        | 03/14/12            | 1,346,010          | 1,278,709                    | —                       | 67,301                  | 1,211,408                    | 67,301          |
| 130841 - Girdwood Wtr Improv              | 12/14/11            | 2,000,000          | 1,700,000                    | —                       | 100,000                 | 1,600,000                    | 100,000         |
| 130921 - Golden View Reservoir            | 02/02/11            | 2,808,878          | 2,247,102                    | —                       | 140,444                 | 2,106,658                    | 140,444         |
| 130941 - Ship Creek WTF Heat Exchanger    | 11/01/12            | 3,495,658          | 957,102                      | 2,538,556               | —                       | 3,495,658                    | —               |
| 131021 - G Street - 7th Water Main        | 12/29/10            | 502,468            | 401,974                      | —                       | 25,123                  | 376,851                      | 25,123          |
| 131031 - Eklutna WTF Roof & Window        | 06/07/10            | 1,556,106          | 1,244,885                    | —                       | 77,805                  | 1,167,080                    | 77,805          |
| 131281 - Ship Creek WTF Roof              | 03/23/11            | 1,130,742          | 904,594                      | —                       | 56,537                  | 848,057                      | 56,537          |
| 131441 - San Roberto-Klevin/Hoyt Water    | 10/08/14            | 737,524            | 40,862                       | 696,662                 | —                       | 737,524                      | 36,876          |
| 131441 - San Roberto-Klevin/Hoyt Water    | 10/08/14            | 1,248,508          | —                            | 1,248,508               | —                       | 1,248,508                    | —               |
| Total ADW Loans                           |                     | 121,408,179        | 79,856,062                   | 9,378,767               | 5,412,338               | 83,822,491                   | 5,531,407       |
| <b>Loan Payable-Other</b>                 |                     |                    |                              |                         |                         |                              |                 |
| Loan Payable-Other                        | 03/15/13            | 23,125,600         | 12,125,600                   | 11,000,000              | —                       | 23,125,600                   | —               |
| Total Long-Term Loan Payable              |                     | 23,125,600         | 12,125,600                   | 11,000,000              | —                       | 23,125,600                   | —               |
| Total Long-Term Debt                      |                     | \$ 304,123,779     | 209,806,662                  | 20,378,767              | 8,982,338               | 221,203,091                  | 9,241,407       |

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

Statistical Section (unaudited)

Table 5  
Revenue Bond Coverage Requirements

| Fiscal Year | Revenue<br>(1) | Assessment<br>Collections<br>(2) | Operating<br>Expenses<br>(3) | Amount<br>Available<br>For Debt<br>Service | <u>Current Year Debt Service Requirements</u> |                 |            | Coverage<br>(5) |
|-------------|----------------|----------------------------------|------------------------------|--------------------------------------------|-----------------------------------------------|-----------------|------------|-----------------|
|             |                |                                  |                              |                                            | Principal<br>(4)                              | Interest<br>(4) | Total      |                 |
| 2006        | 39,480,462     | 605,444                          | 18,964,994                   | 21,120,912                                 | 5,375,000                                     | 5,174,576       | 10,549,576 | 2.00            |
| 2007        | 44,755,119     | 292,321                          | 26,714,777                   | 18,332,663                                 | 3,960,000                                     | 5,549,972       | 9,509,972  | 1.93            |
| 2008        | 44,264,376     | 326,820                          | 27,725,271                   | 16,865,925                                 | 4,250,000                                     | 7,836,288       | 12,086,288 | 1.40            |
| 2009        | 50,391,141     | 301,479                          | 28,054,018                   | 22,638,602                                 | 4,095,000                                     | 7,632,687       | 11,727,687 | 1.93            |
| 2010        | 50,860,139     | 312,253                          | 29,456,391                   | 21,716,001                                 | 5,255,000                                     | 6,094,343       | 11,349,343 | 1.91            |
| 2011        | 52,238,591     | 351,036                          | 30,811,206                   | 21,778,421                                 | 4,760,000                                     | 6,206,089       | 10,966,089 | 1.99            |
| 2012        | 55,900,765     | 241,708                          | 31,362,002                   | 24,780,471                                 | 5,810,000                                     | 6,000,111       | 11,810,111 | 2.10            |
| 2013        | 59,140,595     | 248,752                          | 29,938,587                   | 29,450,760                                 | 6,015,000                                     | 5,785,568       | 11,800,568 | 2.50            |
| 2014        | 62,165,080     | 471,667                          | 30,728,442                   | 31,908,305                                 | 4,880,000                                     | 5,588,355       | 10,468,355 | 3.05            |
| 2015        | 61,488,681     | 282,443                          | 33,931,325                   | 27,839,799                                 | 3,570,000                                     | 5,393,402       | 8,963,402  | 3.11            |

- (1) Excludes allowance for funds used during construction, includes non-operating revenue except for payments received for PERS relief from State of Alaska.
- (2) Assessment collections represent payments made by benefited property owners.
- (3) Excludes depreciation, and PERS relief for years 2006 through 2008 and 2015; but includes special items and transfers to other funds commencing in 2007.
- (4) Does not include Mini-Bonds of \$1,956,000 repaid in 2014 as they have no debt service coverage requirements.
- (5) Required minimum coverage is 1.15.



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

Statistical Section (unaudited)

Table 6

Capital Improvement Program  
(amounts expressed in thousands)

|                    | <u>2016</u>             | <u>2017</u>          | <u>2018</u>          | <u>2019</u>          | <u>2020</u>          | <u>2021</u>          | <u>Six Year<br/>Total</u> |
|--------------------|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|
| Project category:  |                         |                      |                      |                      |                      |                      |                           |
| Equipment          | \$ 4,680                | 3,853                | 3,810                | 2,813                | 3,286                | 3,020                | 21,462                    |
| Plant              | 5,800                   | 9,323                | 7,225                | 4,205                | 8,875                | 14,239               | 49,667                    |
| Pipe               | <u>21,746</u>           | <u>19,904</u>        | <u>21,183</u>        | <u>25,982</u>        | <u>21,839</u>        | <u>17,741</u>        | <u>128,395</u>            |
| Total              | <u><u>32,226</u></u>    | <u><u>33,080</u></u> | <u><u>32,218</u></u> | <u><u>33,000</u></u> | <u><u>34,000</u></u> | <u><u>35,000</u></u> | <u><u>199,524</u></u>     |
| Source of funding: |                         |                      |                      |                      |                      |                      |                           |
| Debt               | 18,226                  | 21,080               | 21,218               | 22,000               | 26,000               | 27,000               | 135,524                   |
| Grants             | 2,000                   | 2,000                | 2,000                | 2,000                | 2,000                | 2,000                | 12,000                    |
| Equity             | <u>12,000</u>           | <u>10,000</u>        | <u>9,000</u>         | <u>9,000</u>         | <u>6,000</u>         | <u>6,000</u>         | <u>52,000</u>             |
| Total              | <u><u>\$ 32,226</u></u> | <u><u>33,080</u></u> | <u><u>32,218</u></u> | <u><u>33,000</u></u> | <u><u>34,000</u></u> | <u><u>35,000</u></u> | <u><u>199,524</u></u>     |

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

Statistical Section (unaudited)

Table 7

Production Comparison by Facility

|                                                                 | <u>2015</u>           | <u>2014</u>           | <u>2013</u> <sup>(4)</sup> | <u>2012</u>           | <u>2011</u>           |
|-----------------------------------------------------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|
| Water treatment facilities (WTF) production and usage data:     |                       |                       |                            |                       |                       |
| Water produced yearly (millions of gallons):                    |                       |                       |                            |                       |                       |
| Ship Creek WTF                                                  | 235.6                 | 156.9                 | 35.6                       | 0.0                   | 94.1                  |
| Wells                                                           | 1,110.9               | 758.8                 | 687.4                      | 266.0                 | 588.1                 |
| Eklutna WTF                                                     | <u>7,309.2</u>        | <u>7,181.2</u>        | <u>7,767.7</u>             | <u>7,808.8</u>        | <u>7,576.7</u>        |
| Total                                                           | <u><u>8,655.7</u></u> | <u><u>8,096.9</u></u> | <u><u>8,490.7</u></u>      | <u><u>8,074.8</u></u> | <u><u>8,258.9</u></u> |
| Average daily water demand (millions of gallons per day (MGD)): |                       |                       |                            |                       |                       |
| Ship Creek WTF                                                  | 0.6                   | 0.4                   | 0.1                        | 0.0                   | 0.3                   |
| Wells                                                           | 3.0                   | 2.1                   | 1.9                        | 0.7                   | 1.6                   |
| Eklutna WTF                                                     | <u>20.0</u>           | <u>19.7</u>           | <u>21.3</u>                | <u>21.4</u>           | <u>20.8</u>           |
| Total                                                           | <u><u>23.6</u></u>    | <u><u>22.2</u></u>    | <u><u>23.3</u></u>         | <u><u>22.1</u></u>    | <u><u>22.7</u></u>    |
| Minimum daily water demand (all facilities)                     |                       |                       |                            |                       |                       |
|                                                                 | 17.9                  | 22.0                  | 17.4                       | 16.2                  | 16.2                  |
| Peak production day:                                            |                       |                       |                            |                       |                       |
| Ship Creek WTF                                                  | 9.7                   | 10.1                  | 5.5                        | 0.0                   | 10.5                  |
| Wells                                                           | 17.4                  | 16.3                  | 17.1                       | 7.2                   | 15.5                  |
| Eklutna WTF                                                     | <u>32.5</u>           | <u>28.8</u>           | <u>30.3</u>                | <u>28.5</u>           | <u>28.8</u>           |
| Total <sup>(1)</sup>                                            | <u><u>59.6</u></u>    | <u><u>55.2</u></u>    | <u><u>52.9</u></u>         | <u><u>35.7</u></u>    | <u><u>54.8</u></u>    |
| Four hour peak demand (all facilities) <sup>(2)</sup>           |                       |                       |                            |                       |                       |
|                                                                 | 68.8                  | 55.0                  | 40.6                       | 40.6                  | 39.7                  |
| <b><u>Firm Capacity</u></b>                                     |                       |                       |                            |                       |                       |
| Source <sup>(3)</sup> :                                         |                       |                       |                            |                       |                       |
| Ship Creek WTF                                                  | 14                    |                       |                            |                       |                       |
| Wells                                                           | 18                    |                       |                            |                       |                       |
| Eklutna WTF                                                     | <u>35</u>             |                       |                            |                       |                       |
| Total                                                           | <u><u>67</u></u>      |                       |                            |                       |                       |
| Miles of water mains                                            | 843                   | 839                   | 838                        | 837                   | 836                   |
| Number of hydrants:                                             |                       |                       |                            |                       |                       |
| Public                                                          | 5,999                 | 5,949                 | 5,917                      | 5,897                 | 5,887                 |

(1) Total water contribution coming into the water treatment facility on a specific day.

(2) Equals water coming into the water treatment facility plus water usage from the reservoirs.

(3) Max design capacity MGD

(4) Changes made to Wells to include Girdwood well productions.

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

Statistical Section (unaudited)

Table 8

Detailed Schedule of Water Plant in Service (In Thousands)  
(amounts expressed in thousands)

|                                       | Water Plant |           |             |          |
|---------------------------------------|-------------|-----------|-------------|----------|
|                                       | Balance     | Additions | Retirements | Balance  |
|                                       | 01/01/15    |           |             | 12/31/15 |
| Water plant in service:               |             |           |             |          |
| Tangible plant:                       |             |           |             |          |
| Source of supply:                     |             |           |             |          |
| Source of supply/land                 | \$ 747      | —         | —           | 747      |
| Structures & improvements             | 1,858       | —         | —           | 1,858    |
| Collecting & impound reservoir        | —           | —         | —           | —        |
| Wells & spring                        | 8,528       | 75        | 881         | 9,484    |
| Supply mains                          | 31,429      | 183       | 352         | 31,964   |
| Pumping plant:                        |             |           |             |          |
| Structures & improvements             | 12,456      | —         | —           | 12,456   |
| Other power production equipment      | 146         | —         | —           | 146      |
| Electric pumping equipment            | 1,427       | 7         | —           | 1,434    |
| Diesel pumping equipment              | 148         | 1         | —           | 149      |
| Booster pumping equipment             | 1,218       | —         | —           | 1,218    |
| Treatment plant:                      |             |           |             |          |
| Structures & improvements             | 63,019      | 7,163     | —           | 70,182   |
| Water treatment equipment             | 15,441      | 36        | —           | 15,477   |
| Transmission plant:                   |             |           |             |          |
| Transmission & distribution land      | 3,886       | 192       | —           | 4,078    |
| Structures & improvements             | 673         | —         | —           | 673      |
| Distribution reservoir & standpipes   | 47,147      | 1,296     | —           | 48,443   |
| Transmission & distribution mains     | 498,304     | 14,036    | (102)       | 512,238  |
| Services                              | 18,164      | 731       | —           | 18,895   |
| Meters                                | 1,910       | —         | —           | 1,910    |
| Hydrants                              | 8,839       | 369       | 11          | 9,219    |
| Land and land rights                  | 762         | 536       | —           | 1,298    |
| General plant:                        |             |           |             |          |
| Structures & improvements             | 19,114      | 182       | —           | 19,296   |
| Office furniture                      | 406         | —         | (48)        | 358      |
| Office equipment                      | —           | —         | —           | —        |
| Computer equipment                    | 7,251       | 1,245     | (1,239)     | 7,257    |
| Vehicles (light duty)                 | 2,367       | —         | —           | 2,367    |
| Transportation equipment (heavy duty) | 2,482       | 177       | —           | 2,659    |
| Store equipment                       | 1,099       | —         | —           | 1,099    |
| Tools, shop & garage equipment        | 419         | 86        | (22)        | 483      |
| Laboratory equipment                  | 100         | 14        | —           | 114      |
| Power operated equipment              | 776         | —         | —           | 776      |
| Communication equipment               | 21,215      | —         | —           | 21,215   |
| Miscellaneous equipment               | 110         | 51        | —           | 161      |
| Total tangible plant                  | 771,441     | 26,380    | (167)       | 797,654  |
| Intangible plant                      | 4,595       | —         | -           | 4,595    |
| Total water plant in service          | 776,036     | 26,380    | (167)       | 802,249  |
| Plant acquisition adjustment          | 3,322       | —         | —           | 3,322    |
| Property held for future use          | 507         | —         | —           | 507      |
| Construction work in progress         | 15,235      | 26,544    | (23,069)    | 18,710   |
| Total water plant                     | \$ 795,100  | 52,924    | (23,236)    | 824,788  |

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

Statistical Section (unaudited)

Table 8 (Continued)

Detailed Schedule of Water Plant in Service (In Thousands)

|                                       | Accumulated Depreciation and Amortization |           |             |          | Net<br>Book<br>Value<br>of Plant |
|---------------------------------------|-------------------------------------------|-----------|-------------|----------|----------------------------------|
|                                       | Balance                                   |           |             | Balance  |                                  |
|                                       | 01/01/15                                  | Additions | Retirements | 12/31/15 |                                  |
| Water plant in service:               |                                           |           |             |          |                                  |
| Tangible plant:                       |                                           |           |             |          |                                  |
| Source of supply:                     |                                           |           |             |          |                                  |
| Source of supply/land                 | \$ —                                      | —         | —           | —        | 747                              |
| Structures & improvements             | 609                                       | 32        | —           | 641      | 1,217                            |
| Collecting & impound reservoir        | —                                         | —         | —           | —        | —                                |
| Wells & spring                        | 1,700                                     | 155       | 887         | 2,742    | 6,742                            |
| Supply mains                          | 19,664                                    | 689       | 326         | 20,679   | 11,285                           |
| Pumping plant:                        |                                           |           |             |          |                                  |
| Structures & improvements             | 2,657                                     | 304       | —           | 2,961    | 9,495                            |
| Other power production equipment      | 36                                        | 4         | —           | 40       | 106                              |
| Electric pumping equipment            | 834                                       | 70        | —           | 904      | 530                              |
| Diesel pumping equipment              | 59                                        | 7         | —           | 66       | 83                               |
| Booster pumping equipment             | 646                                       | 56        | —           | 702      | 516                              |
| Treatment plant:                      |                                           |           |             |          |                                  |
| Structures & improvements             | 25,127                                    | 1,290     | —           | 26,417   | 43,765                           |
| Water treatment equipment             | 12,668                                    | 398       | —           | 13,066   | 2,411                            |
| Transmission plant:                   |                                           |           |             |          |                                  |
| Transmission & distribution land      | —                                         | —         | —           | —        | 4,078                            |
| Structures & improvements             | 437                                       | 19        | —           | 456      | 217                              |
| Distribution reservoir & standpipes   | 16,212                                    | 1,110     | —           | 17,322   | 31,121                           |
| Transmission & distribution mains     | 144,413                                   | 7,927     | (102)       | 152,238  | 360,000                          |
| Services                              | 17,925                                    | 371       | —           | 18,296   | 599                              |
| Meters                                | 1,235                                     | 74        | 2           | 1,311    | 599                              |
| Hydrants                              | 3,617                                     | 150       | 8           | 3,775    | 5,444                            |
| Land and land rights                  | —                                         | —         | —           | —        | 1,298                            |
| General plant:                        |                                           |           |             |          |                                  |
| Structures & improvements             | 6,354                                     | 370       | —           | 6,724    | 12,572                           |
| Office furniture                      | 189                                       | 20        | (48)        | 161      | 197                              |
| Office equipment                      | —                                         | —         | —           | —        | —                                |
| Computer equipment                    | 1,943                                     | 1,450     | (1,239)     | 2,154    | 5,103                            |
| Vehicles (light duty)                 | 2,100                                     | 191       | —           | 2,291    | 76                               |
| Transportation equipment (heavy duty) | 1,954                                     | 147       | —           | 2,101    | 558                              |
| Store equipment                       | 102                                       | 44        | —           | 146      | 953                              |
| Tools, shop & garage equipment        | 309                                       | 20        | (20)        | 309      | 174                              |
| Laboratory equipment                  | 14                                        | 7         | —           | 21       | 93                               |
| Power operated equipment              | 488                                       | 42        | —           | 530      | 246                              |
| Communication equipment               | 10,530                                    | 1,405     | —           | 11,935   | 9,280                            |
| Miscellaneous equipment               | 88                                        | 7         | —           | 95       | 66                               |
| Total tangible plant                  | 271,910                                   | 16,359    | (186)       | 288,083  | 509,571                          |
| Intangible plant                      | 1,807                                     | 455       | —           | 2,262    | 2,333                            |
| Total water plant in service          | 273,717                                   | 16,814    | (186)       | 290,345  | 511,904                          |
| Plant acquisition adjustment          | 2,365                                     | 115       | —           | 2,480    | 842                              |
| Property held for future use          | —                                         | —         | —           | —        | 507                              |
| Construction work in progress         | —                                         | —         | —           | —        | 18,710                           |
| Total water plant                     | \$ 276,082                                | 16,929    | (186)       | 292,825  | 531,963                          |



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## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Water Utility Fund's basic financial statements and have issued our report thereon dated October 26, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Utility Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Utility Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Utility Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses to be a significant deficiency (Item 2015-001).

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Utility Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Water Utility Fund's Response to Findings

The Water Utility Fund's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Water Utility Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

Anchorage, Alaska  
October 26, 2016

**MUNICIPALITY OF ANCHORAGE  
WATER UTILITY FUND**

**Schedule of Findings and Responses  
Year Ended December 31, 2015**

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*Financial Statements*

|                                                         |              |                     |
|---------------------------------------------------------|--------------|---------------------|
| Type of auditor's report issued                         | Unmodified   |                     |
| Internal control over financial reporting:              |              |                     |
| • Material weakness(es) identified?                     | _____        | yes <u>  X  </u> no |
| • Significant deficiency(ies) identified?               | <u>  X  </u> | yes    _____ no     |
| • Noncompliance material to financial statements noted? | _____        | yes <u>  X  </u> no |

**Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards***

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Finding 2015-001</b> | <b>Completeness of Schedule of Expenditures of Federal Awards - Significant Deficiency</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <i>Criteria</i>         | Title 2 CFR 200.510 states that the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 basis for determining Federal awards expended. §200.502 states that the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. In order to achieve a complete and accurate reporting, all federal grant awards and loans and amounts expended must be clearly communicated to Central Accounting. |
| <i>Condition</i>        | <i>The Schedule of Expenditures of Federal Awards</i> was incomplete.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <i>Context</i>          | Financial activity for the year related to State of Alaska Department of Environmental Conservation Drinking Water loans recorded in the Water Utility Fund was not communicated in a timely manner to the grant accounting department within Central Accounting. These items were not included on the master grant schedules submitted for audit purposes.                                                                                                                                                                                                                                                                                 |
| <i>Effect</i>           | \$5.5 million in Drinking Water loan reimbursements were not communicated to Central Accounting and therefore not included on the <i>Schedule of Expenditures of Federal Awards</i> . As a result, a federal major program was not identified until several weeks into audit fieldwork.                                                                                                                                                                                                                                                                                                                                                     |

**MUNICIPALITY OF ANCHORAGE  
WATER UTILITY FUND**

**Schedule of Findings and Responses**  
*Year Ended December 31, 2015*

---

|                         |                                                                                                                                                   |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Finding 2015-001</i> | Completeness of State Schedule of Financial Assistance and Schedule of Expenditures of Federal Awards - Significant Deficiency, continued         |
| <i>Cause</i>            | Proper communication between the Utility Fund Engineering Project Support Group and MOA Central Accounting did not occur.                         |
| <i>Recommendation</i>   | We recommend that management develop procedures to support timely communication of loan and grant financial activity between various departments. |
| Management Response     | Please see the Corrective Action Plan.                                                                                                            |





Mayor  
Ethan Berkowitz

# Anchorage Water & Wastewater Utility

Finance Division



Board Chair  
David M. Richards

## Corrective Action Plan Year Ended December 31, 2015

Name of Contact Person      Glenda Gibson  
AWWU Finance Division Director  
glenda.gibson@awwu.biz  
907-786-5623

### Financial Statement Findings

**Finding 2015-001**      **Completeness of State Schedule of Financial Assistance and Schedule of Expenditures of Federal Awards - Significant Deficiency**

*Corrective Action Plan*      The Utility Fund Engineering Project Support section will provide the financial activity for the year related to State of Alaska Department of Environmental Conservation Clean Water loans and grants recorded in the Wastewater Utility Fund to the AWWU Finance Division. The AWWU Finance Division will review and reconcile the information for completeness prior to submission to MOA Central Accounting.

*Expected Completion Date*      December 31, 2016

**Anchorage Water & Wastewater Utility**  **Clearly**

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