



Municipality of Anchorage, Alaska
Wastewater Utility Fund
A Major Enterprise Fund of the
Municipality of Anchorage

Basic Financial Statements, Required
Supplementary Information, and Other Information

December 31, 2022
(With Independent Auditor's Report Thereon)



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

(A Major Enterprise Fund of the Municipality of Anchorage)

Basic Financial Statements, Required Supplementary Information, and
Other Information

December 31, 2022

(With Independent Auditor's Report Thereon)

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

Table of Contents

Financial Section	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-14
Statement of Net Position	15-16
Statement of Revenues, Expenses, and Changes in Fund Net Position	17
Statement of Cash Flows	18-19
Notes to Basic Financial Statements	20-65
Required Supplementary Information Section	
Pension Plan	66
Notes – Pension Plan	67
OPEB Plans	68-70
Notes – OPEB Plans	71
Statistical Section	
Table 1 - Financial Ratios	72
Table 2 – Average Number of Accounts	73
Table 3 – Current Wastewater Rates	74
Table 4 – Revenues and Expenses – Budget to Actual	75
Table 5 – Debt Principal by Issue	76
Table 6 – Revenue Bond Coverage Requirements	77
Table 7 – Capital Improvement Program	78
Table 8 – Effluent Comparison by Facility	79
Table 9 – Detailed Schedule of Plant in Service	80-81
Government Auditing Standards	
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 <i>Government Auditing Standards</i> .	82-83
Schedule of Findings and Response	84
Corrective Action Plan	85



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Wastewater Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Wastewater Utility Fund as of December 31, 2022, the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Wastewater Utility Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Wastewater Utility Fund and do not purport to, and do not, present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 8, the Wastewater Utility Fund adopted the provisions of Government Accounting Standards Board Statement Number 87, *Leases*. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wastewater Utility Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wastewater Utility Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wastewater Utility Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that that Management's Discussion and Analysis and the schedules of the Wastewater Utility Fund's proportionate share of the net pension and net other postemployment benefit liability and asset and Wastewater Utility Fund contributions to the pension and other postemployment benefit plans be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024 on our consideration of the Wastewater 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 solely 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 effectiveness of the Wastewater Utility Fund's 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 Wastewater Utility Fund's internal control over financial reporting and compliance.

BDO USA, P.C.

Anchorage, Alaska
January 31, 2024

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

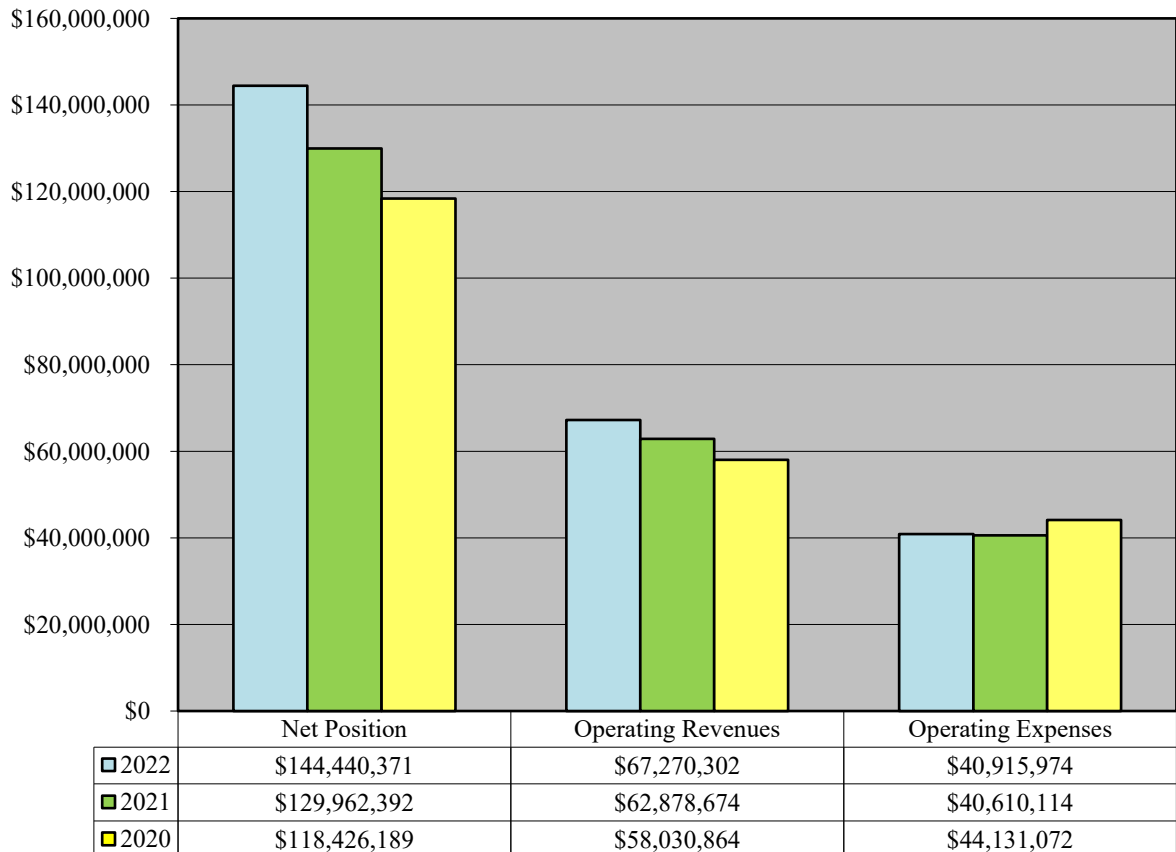
Management's Discussion and Analysis

December 31, 2022

This section of the Municipality of Anchorage Wastewater Utility (Utility) annual financial report presents the analysis of the Utility's financial performance during the year ending December 31, 2022. Please read it in conjunction with the Utility's financial statements.

Financial Highlights

- Net capital assets decreased by \$6,750,000, or 2% in 2022 and decreased by \$5,180,000, or 1% in 2021.
- The change in net position in 2022 was an increase of \$14,480,000, or 11%. Net position in 2021 was an increase of \$11,540,000, or 10%.
- Operating revenues increased by \$4,390,000, or 7% in 2022 and increased by \$4,850,000, or 8% in 2021.
- Operating expenses increased by \$310,000, or 1% in 2022 and decreased by \$3,520,000, or 8% in 2021.



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

Management's Discussion and Analysis

December 31, 2022

Overview of the Financial Report

The Utility is reported as a major enterprise fund of the Municipality of Anchorage (Municipality). A Board of Directors (Board) consisting of seven members is to make various recommendations including strategic, capital improvement and operating plans, operating budgets, and tariff changes imposed by the Utility for its products and services to the Municipal Mayor. The Utility is economically regulated by the Regulatory Commission of Alaska (RCA). Upon approval by the Municipal 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; the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; Statement of Cash Flows; Notes to the Basic Financial Statements; Required Supplementary Information; and Statistical Information. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting.

Statement of Net Position – This statement presents 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 Statement of Net Position classifies assets and liabilities as current and non-current.

Statement of Revenues, Expenses, and Changes in Fund Net Position – This statement presents the Utility's operating revenues and expenses and nonoperating 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 the current year.

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

Notes to Basic Financial Statements – These provide the reader with additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information – This presents certain information concerning the progress in funding the Utility's obligation to provide pension benefits and other postemployment benefits (OPEB).

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

Management's Discussion and Analysis

December 31, 2022

Analysis of the Financial Statements

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 Statement of Net Position and Statement 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, 2022, 2021, and 2020. 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**

	2022	2021	2020
Assets and deferred outflows of resources:			
Net capital assets	\$ 440,676,389	447,423,248	452,604,437
Current and other assets	65,711,868	64,602,676	51,151,474
Deferred outflows of resources	3,112,905	2,615,109	4,124,678
Total assets and deferred outflows of resources	509,501,162	514,641,033	507,880,589
Liabilities and deferred inflows of resources:			
Non-current liabilities	193,851,873	203,683,070	212,412,079
Current and other liabilities	18,902,664	15,629,246	17,213,805
Deferred inflows of resources	152,306,254	165,366,325	159,828,516
Total liabilities and deferred inflows of resources	365,060,791	384,678,641	389,454,400
Net position:			
Net investment in capital assets	114,807,595	106,124,049	97,577,824
Restricted	1,949,805	2,889,473	—
Unrestricted	27,682,971	20,948,870	20,848,365
Total net position	\$ 144,440,371	129,962,392	118,426,189

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Management's Discussion and Analysis

December 31, 2022

The Utility's total assets and deferred outflows of resources decreased by \$5.1 million in 2022. Net capital assets decreased by \$6.8 million due to net plant additions of \$8.1 million and a net increase in construction work in progress of \$1.4 million; offset by net additions to accumulated depreciation of \$16.3 million (see Table 3A and Note 2).

Current and other assets increased by \$1.1 million during 2022 compared to 2021. Current assets increased by \$1.7 million in 2022 due to a \$0.8 million increase in equity in general cash pool, a \$0.6 million increase in Utility receivables, a \$0.2 million increase in accrued interest receivable and an increase of \$0.1 million of inventory held. Restricted assets increased by \$2.0 million due to the increases in the equity in bond and grant capital acquisition and construction pool of \$2.1 million and in obligated bond and loan restricted equity in the general cash pool of \$0.8 million due to funds set aside for debt service payments, offset by a \$0.9 million decrease in the interim rate escrow investment due to interim and refundable rate filing being completed and in effect (Note 11). Non-current assets decreased by \$2.6 million. The decrease in non-current assets is primarily due to a \$3.0 million dollar decrease in net other post-employment benefits offset by a \$0.1 million increase in unamortized cost of debt issuance from the recent bond issuance (Note 7), an increase in regulatory debits due to the implementation of GASB 87 requirements in 2022.

Deferred outflows of resources increased by \$0.5 million in 2022 primarily due to a total increase of \$0.6 million in the deferred outflow of resources related to the net pension liability and the net OPEB asset and liability offset by a \$0.1 million decrease in deferred outflows of resources related to unamortized loss on refunded bond issues.

Total liabilities and deferred inflows of resources decreased by \$19.6 million in 2022. The Utility had a decrease in non-current liabilities of \$9.8 million primarily due to a change in debt structure because the Utility refinanced a line of credit to 2022 Series A Revenue Bonds (Note 7). The change in debt reduced loans payable-other and increased revenue bonds payable resulting in a net impact of a decrease of \$7.2 million in non-current liabilities. The Utility had a decrease of \$6.6 million in Alaska Clean Water Fund loans payable offset by a \$4.0 million increase in its net pension liability. Liabilities payable from restricted assets increased by \$0.8 million primarily due to a \$0.8 million decrease in capital acquisition and construction accounts payable. Current liabilities increased by \$2.4 million in 2022 primarily due to long term obligations maturing in one year increasing by \$2.2 million as additional loans have gone into repayment status as well as additional bond repayments, and an increase in accrued interest of \$0.4 million, offset by a \$0.2 million decrease in accrued payroll.

The deferred inflows of resources decreased by \$13.1 million in 2022. Deferred inflows of resources, which are made up of contributions in aid of construction (see Note 3), deferred inflows of resources related to the net pension liability, and deferred inflows of resources related to the net OPEB asset and liability, decreased by \$10.5 million in 2022. There was a decrease in contributions in aid of construction less amortization of \$2.7 million. The Utility implemented new lease accounting per the Governmental Accounting Standards Board pronouncement 87 causing a \$0.1 million increase in net lease liability.

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

Management's Discussion and Analysis

December 31, 2022

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, 2022, 2021, and 2020.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues:			
Residential sales	\$ 48,946,302	46,532,460	43,840,919
Commercial sales	14,356,822	12,777,748	10,918,152
Public authorities	2,992,723	2,685,287	2,540,581
Leases revenues	16,050	—	—
Other operating	958,405	883,179	731,212
Total operating revenues	<u>67,270,302</u>	<u>62,878,674</u>	<u>58,030,864</u>
Operating expenses:			
Collection system	4,042,755	4,372,042	4,391,855
Pumping plant	949,273	961,861	995,947
Treatment	14,748,888	14,089,882	14,014,293
Customer accounts	2,345,958	2,580,971	2,247,964
Administrative and general	6,034,437	6,066,757	10,539,291
Depreciation, net of amortization	12,790,693	12,538,601	11,941,722
Amortization of leased right to use assets	3,970	—	—
Total operating expenses	<u>40,915,974</u>	<u>40,610,114</u>	<u>44,131,072</u>
Operating income	<u>26,354,328</u>	<u>22,268,560</u>	<u>13,899,792</u>
Nonoperating revenues	(787,868)	152,452	2,040,554
Nonoperating expenses	4,053,903	3,140,270	2,686,161
Income before transfers	<u>21,512,557</u>	<u>18,975,838</u>	<u>13,254,185</u>
Transfers:	7,034,578	7,439,635	7,055,969
Change in fund net position	<u>14,477,979</u>	<u>11,536,203</u>	<u>6,198,216</u>
Net position - beginning	<u>129,962,392</u>	<u>118,426,189</u>	<u>112,227,973</u>
Net position - ending	<u>\$ 144,440,371</u>	<u>129,962,392</u>	<u>118,426,189</u>

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

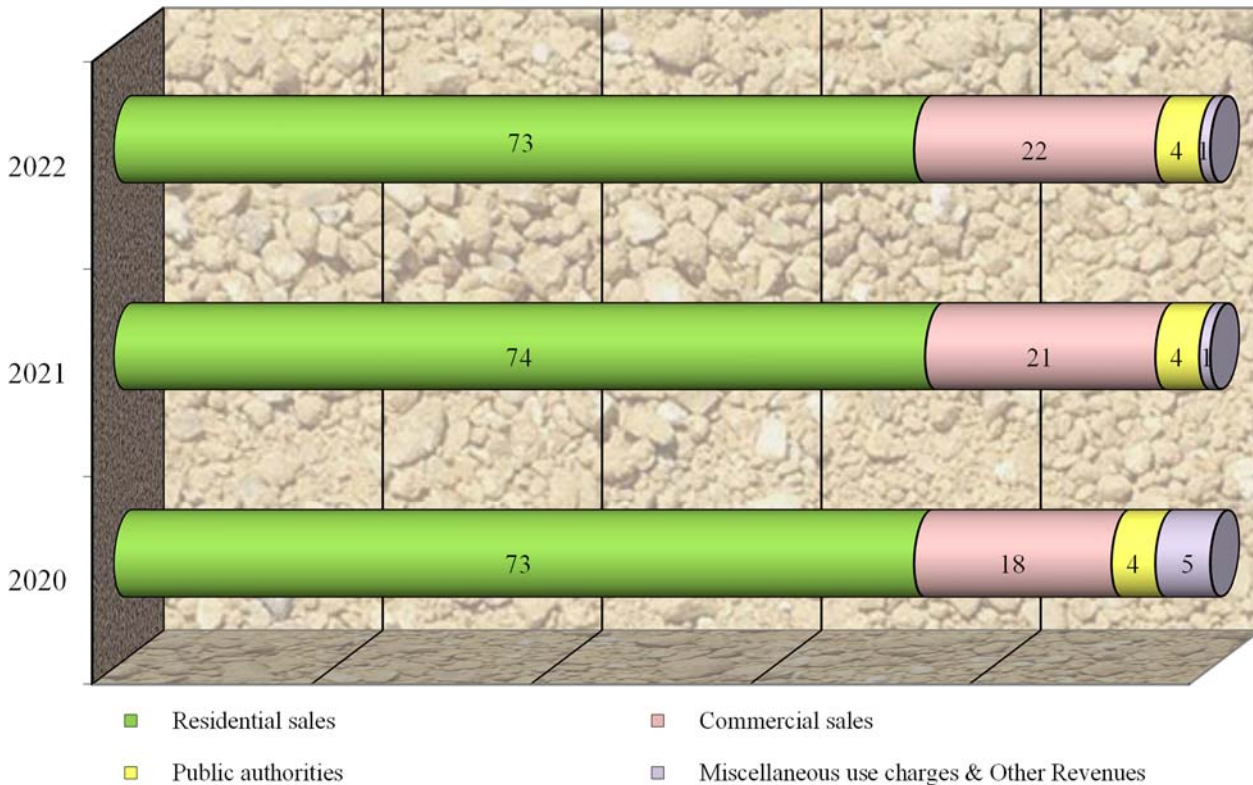
Management’s Discussion and Analysis

December 31, 2022

During 2022 net position increased by \$14.5 million. Total revenues increased by \$3.8 million. The change in operating revenues during 2022 is attributable to the approval of a 3.75% increase in recurring rates in compliance with Docket U-22-003 Order 1 (see Note 11(b)). In addition to the interim and refundable rate increase in 2022 there was a 5.88% increase in usage from residential fixed usage as well as a 7.68% increase in commercial metered customer usage as people returned to work and became more comfortable with in person activity across industries, respectively. Septage hauler per trip also increased by 14.3% in 2022. Other operating revenues increased due to an increase in late fees and penalties and interdepartmental rents.

Nonoperating revenues decreased by \$0.6 million due to decreases of \$0.7 million in investment income and in OPEB on-behalf revenue of \$0.2 million offset by an increase in PERS on-behalf revenue of \$0.3 million.

Revenues by Source in %



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

Management's Discussion and Analysis

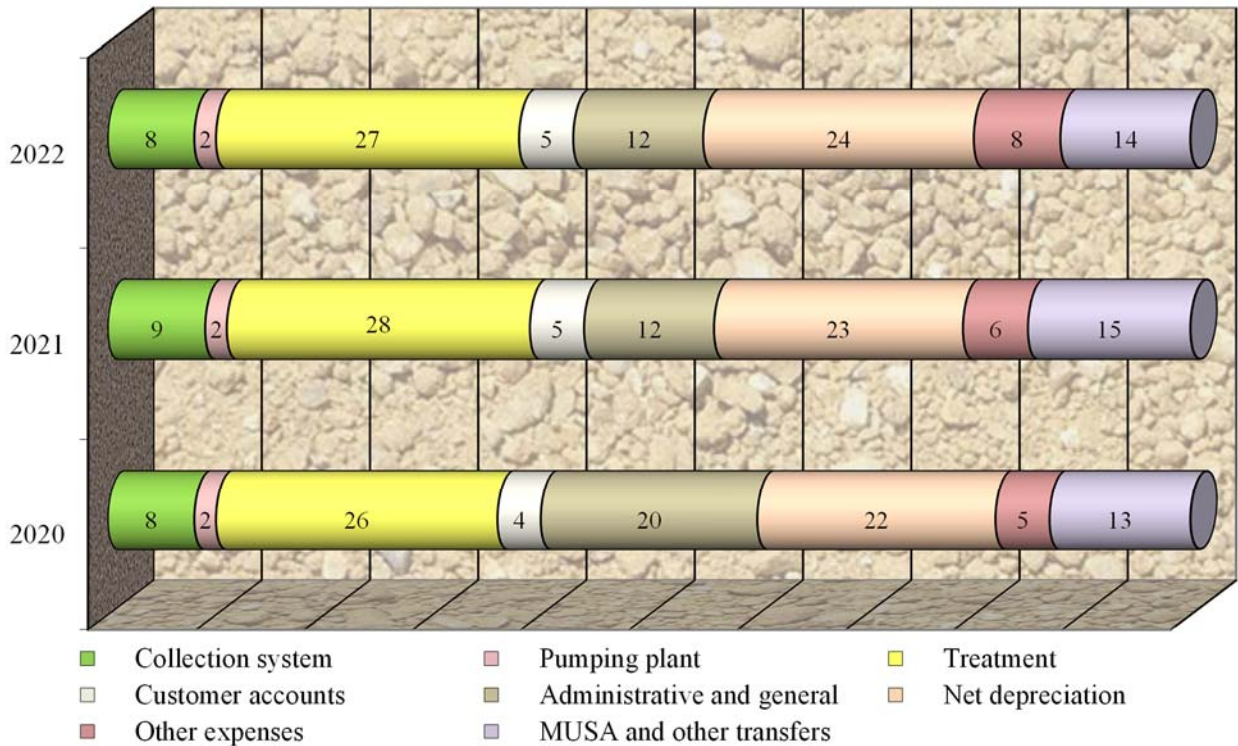
December 31, 2022

Total expenses increased by \$1.2 million in 2022, with operating expenses increasing by \$0.3 million. The increase in operating expense was primarily due to the increase in treatment expense of \$0.7 million in labor and overtime due to scum removal, and professional services from increases in water rates and the 301(h) permit. Treatment expense was offset by Collection expense decreasing by \$0.3 million in 2022 due to a 67% reduction in work orders issued causing a reduction in labor expenses.

Other impacts to operating expense include a decrease in Customer accounts expense of \$0.2 million primarily due to returning to a normal collection process in 2022. Pumping plant and General and Administrative expenses remained relatively consistent with prior year with a decrease of less than \$0.1 million. Depreciation, net of amortization expense increased by \$0.2 million in 2022. The Utility implemented new lease accounting per the Governmental Accounting Standards Board pronouncement 87 causing a small increase in amortization of leased right to use assets.

Nonoperating expenses increased by \$0.9 million primarily due to a net increase in interest and fees on loans and bonds of \$0.2 million (see Note 7). Allowance for funds used during construction increased by \$0.3 million. There was an increase in nonoperating expense of \$0.4 million from prior year activity on projects that were not capitalizable. The Municipal Utility Service Assessment (MUSA) decreased by \$0.4 million.

Expenses by Source in %



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

Management's Discussion and Analysis

December 31, 2022

Capital Assets and Debt

Capital Assets

The following table summarizes the Utility's net capital assets as of December 31, 2022, 2021, and 2020.

**Table 3A
Net Capital Assets**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Intangible plant	\$ 802,140	1,490,365	1,450,032
Collection plant	236,422,957	238,021,773	239,766,329
Treatment & disposal plant	137,353,701	140,716,033	133,441,125
Pumping plant	16,777,049	15,432,952	13,759,364
General plant	28,579,826	32,491,066	34,577,932
Net plant in service	419,935,673	428,152,189	422,994,782
Property held for future use	1,379,931	1,379,931	1,379,931
Leased right to use assets less amortization of \$3,970	63,525		
Construction work in progress	19,297,260	17,891,128	28,229,724
Total net capital assets	<u>\$ 440,676,389</u>	<u>447,423,248</u>	<u>452,604,437</u>
Increase (decrease) in net capital assets	<u>\$ (6,746,859)</u>	<u>(5,181,189)</u>	<u>5,620,267</u>

Net capital assets decreased by \$6.8 million in 2022 comprised of net plant in service decreasing \$8.2 million and a net increase in construction work in progress of \$1.4 million. Net plant in service change is due to additions of \$9.7 million, offset by retirements of \$1.6 million and a net increase in accumulated depreciation of \$16.3 million.

The plant category that increased the most at gross during the year was collection plant which had additions of \$5.4 million primarily due to rehabilitating the 1971 asbestos cement sewer pipe that has significant crown structural defects and a severe belly between Tudor and East 42nd Avenue west of Lake Otis Parkway and Sky Ridge Subdivision development. Pumping plant had additions of \$2.1 million primarily due to the King Street Septage Receiving station that is providing pre-screening of liquid waste streams to reduce the quantity of emergency plugs and call outs at the facility and eliminate the downstream interceptor plugging. Treatment and Disposal Plant increased by \$1.2 million primarily due to the rehabilitation of the Eagle River Wastewater Treatment facilities headworks that was originally designed in the 1980's and since the flow has increased since then this upgrade to the headworks area was necessary to alleviate problems associated with the lack of hydraulic capacity, proper screening, and grit removal. Intangible plant had additions of less than \$0.1 million for an update of the Eagle River Wastewater Treatment Facility plan (see Table 3B and Note 2).

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

Management's Discussion and Analysis

December 31, 2022

**Table 3B
Capital Assets, 2022 Major Additions - gross
(amounts expressed in thousands)**

<u>Intangible Plant</u>		<u>Pumping Plant</u>	
ERWWTF Facility Plan Update	\$ <u>86</u>	King Street Septage Receiving Station	\$ 1,060
		Turpin Septage Receiving Station	563
<u>Collection Plant</u>		Pump Station 52	192
E 42nd Avenue Upgrade	\$ 2,121	Pump Station 2	183
Sky Ridge Subdivision	638	Pump Station 72	47
Sonoma Glen @ Westpark	463	Other Miscellaneous Projects	19
Eagle Bluff Estates	400	Total Pumping Plant	<u>\$ 2,064</u>
30th Avenue NorthStar Upgrade	394		
Checkpoint Subdivision	375	<u>General Plant</u>	
Ruby Estates Subdivision	322	Power Operated Equipment	\$ 421
Whispering Hills	147	Heavy Duty Vehicles	393
Spenard Upgrade	90	Automotive Mobile Lift System	76
The Alaska Subdivision	61	Communication Equipmnet	49
Other Miscellaneous Projects	367	Light Duty Vehicles	74
Total Collection Plant	<u>\$ 5,378</u>	Other Miscellaneous Projects	60
		Total General Plant	<u>\$ 1,073</u>
<u>Treatment and Disposal Plant</u>			
ERWWTF Rehabilitation	\$ 896		
AWWTF Continous Emission Monitoring System	180		
Other Miscellaneous Projects	91		
Total Treatment and Disposal Plant	<u>\$ 1,167</u>	<u>Total Additions</u>	<u>\$ 9,768</u>

Additional information on the Utility's capital assets can be found in Note 2.

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

Management’s Discussion and Analysis

December 31, 2022

Debt

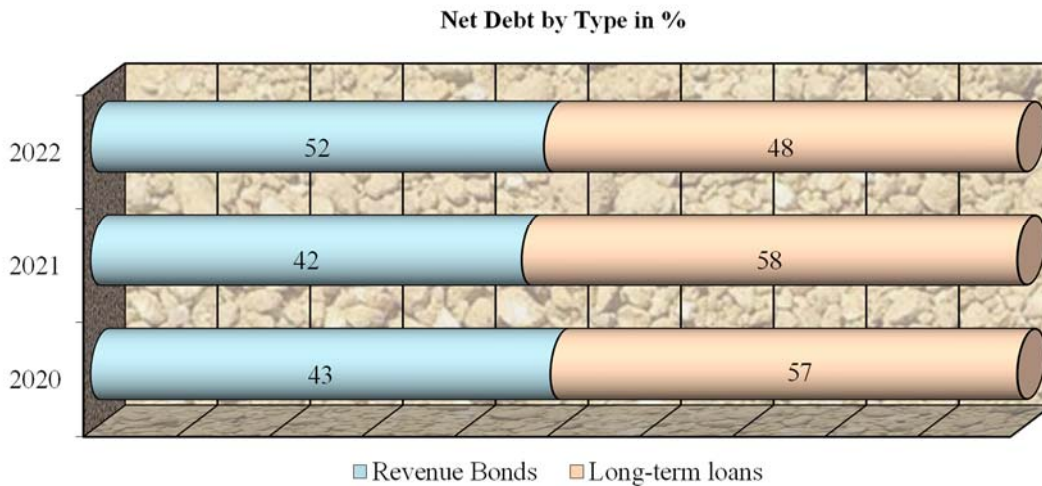
Changes in the Utility’s debt are shown in the following table as of December 31, 2022, 2021, and 2020. The table includes only debt having a long-term component.

**Table 4
Net Debt**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue bonds, net	\$ 97,363,754	82,749,173	86,498,878
Long-term loans	<u>89,064,069</u>	<u>115,317,462</u>	<u>114,034,162</u>
Total net debt	<u>\$ 186,427,823</u>	<u>198,066,635</u>	<u>200,533,040</u>
Increase (decrease) in net debt	<u>\$ (11,638,812)</u>	<u>(2,466,405)</u>	

Additional information on the Utility’s long-term obligations can be found in Note 7.

Net debt decreased \$11.6 million in 2022. The Utility issued 2022 Series A bonds and did not receive any additional low interest loans from the State of Alaska Clean Water Loan Program to finance capital improvements, increasing net debt by \$0.1 million. Bond and revolving loan principal payments totaled \$4.2 million and \$6.7 million, respectively. Amortization of bond premium resulted in a \$0.8 million dollar decrease.



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

Management's Discussion and Analysis

December 31, 2022

Economic Factors and Budget and Regulatory Matters, and Currently Known Facts

Budgetary Matters

The 2023 budget anticipates a 0.51% increase in operating revenue compared to 2022 actual revenue with a rate increase of 0.81% effective January 30, 2023.

2023 operating expenses are budgeted to increase 10% from the 2022 actuals due to a 9% increase in labor, a 10% increase in non-labor, and a 7% decrease in Intra-governmental Charges from General Government. The Municipal Utility Service Assessment is budgeted to decrease 2.03% and depreciation expense is budgeted to decrease 2%.

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.

Currently Known Facts

The Utility continues to monitor financial metrics and intends on investigating funding opportunities through the state and federal governments.

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.

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

Statement of Net Position

December 31, 2022

Assets and Deferred Outflows of Resources

Capital assets:	
Plant in service, at cost	\$ 767,031,963
Less accumulated depreciation	<u>(347,096,290)</u>
Net plant in service	419,935,673
Property held for future use	1,379,931
Leased right to use assets, less amortization of \$3,970	63,525
Construction work in progress	<u>19,297,260</u>
Net capital assets	<u>440,676,389</u>
Current assets:	
Equity in general cash pool	24,820,940
Accounts receivable:	
Utility customers, less estimated uncollectibles of \$111,288	5,889,976
Other, less estimated uncollectibles of \$1,490	527,849
Special assessments receivable	58,950
Accrued interest receivable	324,711
Leases receivable	13,279
Inventories	748,341
Prepays	194,436
Unbilled reimbursable projects	<u>103,180</u>
Total current assets	<u>32,681,662</u>
Restricted assets:	
Current:	
Equity in bond and grant capital acquisition and construction pool	12,853,823
Equity in general cash pool - bond and loan debt service	8,214,792
Interim rate escrow investment	1,949,805
Non-current:	
Equity in general cash pool - customer deposits	<u>100,903</u>
Total restricted assets	<u>23,119,323</u>
Non-current assets:	
Unbilled special assessments	951,119
Unamortized cost of debt issuance	322,264
Regulatory debits	1,100,836
Net other postemployment benefits (OPEB) asset	7,396,165
Long-term leases receivable	<u>140,499</u>
Total non-current assets	<u>9,910,883</u>
Total assets	<u>506,388,257</u>
Deferred outflows of resources:	
Unamortized loss on refunded bond issues	965,836
Related to net pension liability	1,449,260
Related to net OPEB asset and liability	<u>697,809</u>
Total deferred outflows of resources	<u>3,112,905</u>
Total assets and deferred outflows of resources	<u>\$ 509,501,162</u>

See accompanying notes to basic financial statements.

(Continued)

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

Statement of Net Position, continued

December 31, 2022

Liabilities, Deferred Inflows of Resources, and Net Position

Net position:	
Net investment in capital assets	\$ 114,807,595
Restricted - interim rate escrow	1,949,805
Unrestricted	27,682,971
Total net position	144,440,371
Current liabilities:	
Long-term obligations maturing within one year	12,086,565
Accounts payable	968,459
Accrued interest	2,329,750
Pollution remediation obligation	20,000
Lease obligations maturing within one year	3,208
Accrued payroll	648,763
Compensated absences payable	1,066,143
Total current liabilities	17,122,888
Liabilities payable from restricted assets:	
Current:	
Capital acquisition and construction accounts payable	1,677,290
Customer refund payable	131
Unearned revenue	1,452
Non-current:	
Customer deposits payable	100,903
Total liabilities payable from restricted assets	1,779,776
Non-current liabilities:	
Revenue bonds payable, including unamortized premium	91,768,337
Alaska Clean Water Fund loans payable	82,571,921
Loans payable – other	1,000
Leases payable	59,451
Compensated absences payable	441,520
Net pension liability	18,333,644
Pollution remediation obligation	676,000
Total non-current liabilities	193,851,873
Total liabilities	212,754,537
Deferred inflows of resources:	
Contributions in aid of construction less amortization of \$189,315,624	151,520,681
Related to net OPEB asset and liability	635,807
Related to leases receivable	149,766
Total deferred inflows of resources	152,306,254
Total liabilities, deferred inflows of resources, and net position	\$ 509,501,162

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND
Statement of Revenues, Expenses, and Changes in Fund Net Position

Year Ended December 31, 2022

Operating revenues:	
Charges for sales and services:	
Residential sales	\$ 48,946,302
Commercial sales	14,356,822
Public authorities	2,992,723
Total charges for sales and services	66,295,847
Lease revenues	16,050
Other operating revenues	958,405
Total operating revenues	67,270,302
Operating expenses:	
Collection system	4,042,755
Pumping plant	949,273
Treatment	14,748,888
Customer accounts	2,345,958
Administrative and general	6,034,437
Total operations	28,121,311
Depreciation, net of amortization	12,790,693
Amortization of leased right to use assets	3,970
Total operating expenses	40,915,974
Operating income	26,354,328
Nonoperating revenues:	
Investment income (loss)	(446,807)
Lease interest income	5,755
Pension on-behalf	331,468
OPEB on-behalf	(682,509)
Miscellaneous revenues	4,225
Total nonoperating revenues	(787,868)
Nonoperating expenses:	
Interest expense and fees – revenue bonds	2,882,583
Interest expense and fees – loans	1,484,536
Interest expense and fees – leases	1,629
Allowance for funds used during construction	(782,567)
Miscellaneous expenses	467,722
Total nonoperating expenses	4,053,903
Income before transfers	21,512,557
Transfers:	
Transfers to municipal utility service assessment	7,034,578
Change in fund net position	14,477,979
Net position – beginning	129,962,392
Net position – ending	\$ 144,440,371

See accompanying notes to basic financial statements.

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

Statement of Cash Flows

Year Ended December 31, 2022

Cash flows from operating activities:	
Receipts from customers and users	\$ 66,512,732
Payments to employees	(18,654,809)
Payments to vendors	(12,444,057)
Internal activity - payments made to other funds	(1,746,666)
Net cash provided by operating activities	33,667,200
Cash flows for non-capital financing activities:	
Transfers to municipal utility service assessment	(7,034,578)
Cash flows for capital and related financing activities:	
Principal payments on revenue bonds	(4,194,055)
Interest payments and other fees on long-term obligations	(5,178,239)
Acquisition and construction of capital assets	(7,234,981)
Capital contributions - customer special assessments	148,313
Proceeds from bonds payable	19,504,505
Retirement of loan payable - other	(19,504,506)
Principal payments on Alaska Clean Water loans	(6,748,886)
Lease obligations maturing within one year	3,208
Long term lease obligations	59,451
Net cash used by capital and related financing activities	(23,145,190)
Cash flows from investing activities:	
Interest income (loss)	(622,451)
Net increase in cash	
	2,864,981
Cash and cash equivalents, beginning of year	
	45,075,282
Cash and cash equivalents, end of year	
	\$ 47,940,263
Cash and cash equivalents:	
Equity in general cash pool	\$ 24,820,940
Restricted equity in bond and grant capital acquisition and construction pool	12,853,823
Restricted equity in general cash pool - customer deposits	100,903
Restricted equity in general cash pool - bond and loan debt service	8,214,792
Interim rate escrow investment	1,949,805
Cash and cash equivalents, end of year	\$ 47,940,263

See accompanying notes to basic financial statements.

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statement of Cash Flows, continued

Year Ended December 31, 2022

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 26,354,328
Adjustments to reconcile operating income to net cash provided by operating activities:	
Allowance for uncollectible accounts	(85,707)
Depreciation, net of amortization	12,790,693
Amortization of leased right to use assets	3,970
Pension on-behalf revenue	331,468
OPEB on-behalf revenue	(682,509)
Miscellaneous nonoperating revenue	4,225
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources increasing (decreasing) cash:	
Accounts receivable and other receivables	(498,784)
Leases receivable	(153,778)
Unbilled reimbursable projects	(33,974)
Inventories	(79,713)
Customer deposits payable	13,575
Prepays	56,789
Unbilled special assessments	(34,327)
Regulatory debits	(2,897)
Accounts payable	60,031
Accrued payroll	(221,308)
Compensated absences payable	(177,169)
Unearned revenue	1,452
Deferred outflows of resources related to net pension liability	(128,543)
Deferred outflows of resources related to net OPEB asset and liability	(466,177)
Net pension liability	4,041,704
Net OPEB asset	2,979,720
Deferred inflows of resources related to net pension liability	(5,699,307)
Deferred inflows of resources related to net OPEB asset and liability	(4,856,328)
Deferred inflows of resources related to leases	149,766
Net cash provided by operating activities	\$ <u><u>33,667,200</u></u>
Non-cash investing, capital and financing activities:	
Contributed capital - private development	\$ 2,405,068
Capital purchases on account	562,972
Allowance for funds used during construction	782,567
Total non-cash investing, capital and financing activities	\$ <u><u>3,750,607</u></u>

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

December 31, 2022

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

The Anchorage Wastewater Utility (Utility) began as a fragmented system owned by the City of Anchorage, military, public, and private interests. In the late 1960's, the Greater Anchorage Area Borough unified these systems creating the Utility. In the early 1970's, the Utility began charging rates and by the mid 1980's, evolved into an enterprise fund and now exists as a public utility of the Municipality of Anchorage (Municipality). The Utility, whose service area encompasses the majority of the Municipality of Anchorage, serves residential, commercial, and military accounts in metropolitan Anchorage from Eklutna to Girdwood. The Utility's treatment plants in Anchorage, Eagle River and Girdwood operate 24 hours per day, discharging treated wastewater into Cook Inlet, Eagle River and Glacier Creek. The accompanying financial statements include the activities of the Wastewater Utility Fund, and not the Municipality as a whole.

The Utility is a major Enterprise Fund of the Municipality. 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 expenses are recognized when the liabilities are incurred.

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 in the Statement 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 Statement of Net Position and revenues and expenses for the period. Actual results could differ from those estimates.

(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.

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

Notes to Basic Financial Statements

December 31, 2022

Regulatory Assets and Regulatory Debits

These Miscellaneous Deferred Debits are recorded in accordance with the NARUC chart of accounts. Three accounts are allowed, unless otherwise approved by the RCA: Regulatory assets, Other deferred debits, and Deferred rate case expenses.

No regulatory assets are recorded on the Statement of Net Position.

Other deferred debits are reflected as regulatory debits on the Statement of Net Position. The Utility records the offset to pollution remediation obligation and costs associated with the November 30, 2018 Alaska earthquake, net of recoveries, as regulatory debits. (See Note 13).

Contributions in Aid of Construction (CIAC)

The Utility receives CIAC, which are recorded as deferred inflows of resources. For rate making purposes the Utility amortizes CIAC over the life of the respective utility plant as a reduction of depreciation expense and a reduction of a deferred inflow of resources. Consequently, CIAC are recorded as a deferred inflow of resources in the accompanying financial statements (See Note 3).

Debt Issuance Cost

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.

Allowance for Funds Used During Construction (AFUDC)

The Utility's rates also include AFUDC, which is capitalized in the accompanying financial statements. The Statement of Revenues, Expenses, and Changes in Fund Net Position include AFUDC as an item of nonoperating expense in a manner that indicates the basis for the amount capitalized.

(b) Capital Assets

Capital assets are 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 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. Routine repair and maintenance costs are expensed as incurred.

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. AFUDC is an allowable cost of capital construction applied in accordance with the NARUC. The Utility capitalizes AFUDC as interest on construction work in progress in accordance with regulatory requirements. Interest was capitalized in 2022 in the amount of \$782,567. The Utility uses the most

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

Notes to Basic Financial Statements

December 31, 2022

recently authorized or accepted weighted average cost of capital by the RCA as the rate for calculating this component of capitalizable costs.

The estimated lives of major plant and equipment categories follow:

Collection plant	20 - 85 years
Pumping plant	26 - 60 years
Treatment and disposal plant	25 - 85 years
General plant	6 - 55 years
Intangible plant	10 years

The Utility implemented GASB 87, *Leases*, as of January 1, 2022. As a result, the Utility recorded \$63,525 of leased right to use assets less amortization of \$3,970. This is the present value of land leased long term by the Utility.

(c) Asset Retirement Obligations (ARO)

The Utility evaluated the requirements of GASB 83, *Certain Asset Retirement Obligations*, related to all capital assets within the Utility and has implemented the provisions of this Statement since 2020. Assets were grouped into four categories: Assets on permitted land/rights of way, wells, horizontal plant and vertical plant are evaluated for ARO's. The finding is that the Utility currently has no requirement to recognize ARO's for these assets. The Utility will continue to perform annual reviews in compliance with GASB 83 requirements and will recognize an ARO when the liability is incurred and reasonably estimable.

(d) 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 Statement 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 Utility uses the cash pools essentially as demand deposit accounts. Cash also includes escrow funds from interim rates.

(e) Accounts Receivable and Unbilled Revenues

Allowance for doubtful accounts are provided for receivables where there is a question of collectability. Utility receivables are presented in the Statement of Net Position net of estimated uncollectible amounts. Special assessments receivable represents the current portion of outstanding Utility special assessments. Special assessments are billed on a yearly basis. Unbilled special assessments receivable represents the non-current portion of the Utility special assessments; those that are collectible and will be billed in future years. Payment terms on special assessments can extend to 30 years and are approved by the Municipal Assembly.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

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 and Special assessments interest and penalties that invoice in 2023 for December 2022 activity. The Utility accrued \$2,055,000 for the year ended December 31, 2022.

(f) Inventories

Inventories are valued at average cost and recorded as an expense when consumed rather than when purchased.

(g) Prepaids

Prepaids are recognized when incurred and the expense is recorded in the period that is benefited using the consumption method.

(h) Restricted Assets

Certain proceeds of the Utility's revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. Restricted assets on the Statement of Net Position include:

Equity in bond and grant capital acquisition and construction pool account is used to report debt funding that is restricted for use in construction.

The restricted equity in general cash pool – bond and loan debt service represents funds restricted by Utility management for principal and interest payments due within one year on Utility debt, and interest earned on funds set aside for debt payments.

Interim rate escrow investments are funds collected from customer sales arising from interim and refundable rates granted by the RCA. As of December 31, 2022, the Order making the rates permanent had not been issued by the RCA (See Note 11).

The restricted equity in general cash pool - customer deposits account represents deposits provided by utility service customers as security for bill payment, MOA Utility customer COVID-19 relief, special assessment advance payments or reimbursable projects.

(i) Discount or Premium on Revenue Bonds Payable

The discount or premium on revenue bonds payable is amortized over the life of the related bond issues using the effective interest method.

(j) 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, 2022, the Utility had deferred outflows of resources from unamortized loss on refunded bond issues, and other postemployment benefits related items.

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

Notes to Basic Financial Statements

December 31, 2022

(k) Net Position and Net Position Flow Assumptions

Net Position represents the residual interest in the Utility's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets represents net capital assets and those liabilities and deferred resource flows resulting from the construction, acquisition, or improvement of those capital assets. The restricted category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of the other two components.

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. The Utility shall be operated in such a manner as to provide a reasonable profit in accordance with applicable regulations of the state public utilities commission pursuant to AS 42.05 et seq., or other commission or board under applicable regulatory provisions and law. Surplus revenues from the operation may be reinvested in the utility and, where prudent fiscal management permits, may be distributed as set forth in section 26.10.065 of Alaska Statute.

(l) Compensated Absences

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

(m) Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Details regarding the net pension liability are discussed in Note 9.

(n) Net Other Postemployment Benefits (OPEB) Asset and Liability

For purposes of measuring the net OPEB asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the PERS and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Details regarding the net OPEB assets and liabilities are discussed in Note 10.

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

Notes to Basic Financial Statements

December 31, 2022

(o) *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, 2022, the Utility had deferred inflows of resources from contributions in aid of construction, and other postemployment benefits related items, and lease related items.

The Utility implemented new lease accounting guidance per the Governmental Accounting Standards Board pronouncement 87 causing a \$149,766 deferred lease receivable.

(p) *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. All other revenues and expenses are reported as nonoperating. Revenues are recognized when utility services are provided and expenses are recognized when costs are incurred.

(q) *Intragovernmental Charges*

Certain functions of the Municipality of a general and administrative nature are centralized and the related costs are allocated to the various funds of the Municipality, including the Utility. Such costs allocated to the Utility totaled approximately \$1.7 million for the year ended December 31, 2022.

(r) *Municipal Utility Service Assessment (MUSA)*

The Municipality requires the Utility to pay a municipal utility service assessment for governmental services provided by the Municipality, other than those services received on a contract or interfund basis between the Utility and the Municipality. MUSA is reflected in the transfers on the Statement of Revenues, Expenses and Changes in Fund Net Position.

(s) *Estimates*

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported in these financial statements. Accordingly, actual results could differ from those estimates.

(t) *Leases*

Lessee – For leases where the Utility is the lessee, the Utility recognizes a lease liability and an intangible right-to-use asset on the statement of net position.

At the commencement of the lease, the Utility measures the lease liability at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over its useful life.

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

Notes to Basic Financial Statements

December 31, 2022

Estimates and judgements related to leases include how the Utility determines, the discount rate used to discount the expected lease payments to present value, lease term, and lease payments.

The Utility monitors changes in circumstances that would require a measurement of its leases and will remeasure lease assets and liabilities if certain changes occur that are expected to significantly effect the amount of any lease liability.

Lessor – For leases where the Utility is the lessor, the Utility recognizes a lease receivable and a deferred inflow of resources on the statement of net position.

At the commencement of the lease, the Utility measures the lease receivable at the present value of payments expected to be received during the lease term. The lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments made at or before the lease commencement date. The deferred inflow of resources is recognized as revenue over the lease term.

Estimates and judgements related to leases include how the Utility determines, the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

The Utility monitors changes in circumstances that would require a remeasurement of its leases and will remeasure lease assets if certain changes occur that are expected to significantly affect the amount of any lease receivable and deferred inflows of resources.

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

Notes to Basic Financial Statements

December 31, 2022

(2) Capital Assets

Capital assets for the year ended December 31, 2022, follow:

	December 31, 2021	Additions	Retirements	Reclass	December 31, 2022
Intangible plant	\$ 7,322,447	86,489	—	—	7,408,936
Collection plant	443,210,835	5,377,524	—	—	448,588,359
Pumping plant	22,752,179	2,064,340	(111,577)	—	24,704,942
Treatment and disposal plant	226,322,466	1,167,497	(742,696)	2,853,288	229,600,555
General plant	59,292,107	1,072,293	(781,941)	(2,853,288)	56,729,171
	<u>758,900,034</u>	<u>9,768,143</u>	<u>(1,636,214)</u>	<u>—</u>	<u>767,031,963</u>
Less accumulated depreciation	(330,747,845)	(17,984,659)	1,636,214	—	(347,096,290)
Net plant in service	428,152,189	(8,216,516)	—	—	419,935,673
Property held for future use	1,379,931	—	—	—	1,379,931
Leased right to use assets, less amortization of \$3,970	—	63,525	—	—	63,525
Construction work in progress	17,891,128	8,769,206	(7,363,074)	—	19,297,260
Net capital assets \$	<u>447,423,248</u>	<u>616,215</u>	<u>(7,363,074)</u>	<u>—</u>	<u>440,676,389</u>

Net capital assets at December 31, 2022 include \$6,833,379 of non-depreciable land. The Utility's 2023 construction budget is \$17,153,000. As of December 31, 2022, the Utility has \$14,702,110 in encumbered funds for capital construction commitments.

(3) Contributions in Aid of Construction (CIAC)

CIAC for the year ended December 31, 2022, follow:

	December 31, 2021	Additions	Deletions	December 31, 2022
Contributions in Aid of Construction:				
Intangible plant	\$ 139,377	-	-	139,377
Collection plant	267,118,902	2,539,764	-	269,658,666
Pumping plant	5,507,774	-	(111,577)	5,396,197
Treatment and disposal plant	65,467,701	-	(742,696)	64,725,005
General plant	24,735	-	-	24,735
Property held for future use	892,325	-	-	892,325
Total CIAC	<u>339,150,814</u>	<u>2,539,764</u>	<u>(854,273)</u>	<u>340,836,305</u>
Less: accumulated amortization	(184,975,931)	(5,193,966)	854,273	(189,315,624)
CIAC, net of amortization	<u>\$ 154,174,883</u>	<u>(2,654,202)</u>	<u>-</u>	<u>151,520,681</u>

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

Notes to Basic Financial Statements

December 31, 2022

(4) Cash and Investments

The Utility participates in the Municipality's Central Treasury cash pool. At December 31, 2022, the Municipality had the following cash and investments, with fixed income maturities as noted:

December 31, 2022

Investment Type	Fair Value	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Petty Cash	2,200				
Interim Rate Increase Escrow*	1,949,805				
Central Treasury					
Money Market Funds	29,453,454	—	—	—	—
Repurchase Agreements	64,023,338	64,023,338	—	—	—
Commercial Paper	18,854,955	18,854,955	—	—	—
Certificates of Deposit	650,075	650,075	—	—	—
U.S. Treasuries	138,538,863	14,547,369	108,661,513	15,301,531	28,450
U.S. Agencies	100,017,438	—	96,049,203	2,658,139	1,310,096
Municipal Bonds	1,700,731	1,529,133	14,814	139,910	16,874
Asset-Backed Securities**	20,242,516	—	11,019,196	1,565,512	7,657,808
Corporate Fixed Income Securities	156,818,950	79,264,875	40,433,615	33,626,133	3,494,327
	<u>530,300,320</u>	<u>178,869,745</u>	<u>256,178,341</u>	<u>53,291,225</u>	<u>12,507,555</u>
		<u>2022</u>			
Restricted Assets					
Equity in bond and grant capital acquisition and construction pool	\$ 12,853,823				
Interim rate escrow funds	1,949,805				
Equity in general cash pool - bond and loan debt service	8,214,792				
Equity in general cash pool - customer deposits	100,903				
Total restricted assets	<u>23,119,323</u>				
Equity in General Cash Pool	<u>24,820,940</u>				
Total Utility Cash and Investments	<u>\$ 47,940,263</u>				

* Funds collected by the Utility from ratepayers and held by a third party until a determination is made on an interim and refundable customer rate increase (Note 1 (h) and 12 (b)).

** Includes asset-backed securities, residential and commercial mortgage-backed securities.

(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.

Of the \$47,940,263 in Utility Cash and Investments, \$23,119,323 is restricted.

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.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

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.
- 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.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

- 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), except that the Working Capital portfolio may not be invested in AMLIP.
- Mutual Funds consisting of allowable securities as outlined above.
- Interfund Loans from a Municipal Cash Pool to a Municipal Fund.

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

- Structured investment vehicles.
- Asset backed commercial paper.
- Short sales.
- Securities not denominated in U.S. Dollars.
- Commodities.
- Real estate investments.
- Derivatives, except "to be announced" forward mortgage-backed securities (TBAs) and derivatives for which payment is guaranteed by the U.S. government or an agency thereof.

The Investment Management Agreement (IMA) for each external manager and the policy and procedures (P&P) applicable to the internally managed investments provide additional guidelines for each portfolio's investment mandate. For the year ending December 31, 2022, the IMA limits the concentration of investments for the working capital portfolio at the time new investments are purchased as follows, with year-end concentrations for 2022:

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

Notes to Basic Financial Statements

December 31, 2022

Investment Type	Concentration Limit	Holding % at December 31 2022
U.S. Government Securities*	Maximum of 100% of investment portfolio	26%
Repurchase Agreements	Maximum of 50% of investment portfolio	25%
Certificates of Deposit	Maximum of 25% of investment portfolio	0%
	Maximum 5% per issuer	
Commercial Paper	Maximum of 25% of investment portfolio	7%
	Maximum 5% per issuer	
Bankers Acceptances	Maximum of 25% of investment portfolio	0%
	Maximum 5% per issuer	
Corporate Fixed Income, Corporate Floating Rate and Variable Rate Debt Securities**	Maximum of 35% of investment portfolio	27%
	Maximum 5% per issuer	
Corporate Floating Rate and Variable Rate Debt Securities***	Maximum of 25% of Corporate Securities	3%
	Maximum 5% per issuer	
Taxable & tax-exempt municipal debt securities	Maximum of 15% of investment portfolio	1%
	Maximum 5% per issuer	
Dollar denominated debt of foreign governments and the International Bank for Reconstruction and Development (IBRD)	Maximum of 10% of investment portfolio	0%
	Maximum 5% per issuer	
Money Market Mutual Funds****	Maximum of 25% of investment portfolio	11%
		100%

*Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations.

**The maximum exposure to Corporate fixed, floating and variable rate debt securities in the Working Capital Portfolio is 35 percent.

Corporate Fixed Income Debt Securities must have a final maturity within one (1) year of purchase, and Corporate Floating Rate or Variable Rate Debt Securities must have a final maturity within two (2) years of purchase

Taxable and Tax-Exempt Municipal Debt Securities must have a final maturity within two (2) years of purchase.

****The Working Capital portfolio may not be invested in AMLIP.

For the years ending December 31, 2022, the P&P limits the concentration of investments for the internally managed portfolio at the time new investments are purchased as follows, with year-end concentrations listed for 2022:

Internally Managed Portfolio

Investment Type	Concentration Limit	Holding % at December 31 2022
U.S. Government Securities*	50% to 100% of investment portfolio	85%
Money Market Mutual Funds	0% to 25% of investment portfolio	15%
		100%

*Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations.

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

Notes to Basic Financial Statements

December 31, 2022

(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 utilize the duration method to measure exposure to interest rate risk.

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

AMC 6.50.030 requires the Working Capital Portfolio have a duration of zero to 270 days. At December 31, 2022, the Working Capital Portfolio had a duration of 0.05 years, or approximately 18 days, and was within the targeted duration. 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, 2022, the Contingency Reserve Portfolio had a duration of 1.80 years as compared to its benchmark, Barclays 1-3 Year Government Index, which had a duration of 1.86 years. At December 31, 2022, the Strategic Reserve Portfolio had a duration of 3.32 years as compared to its benchmark, Barclays Intermediate Government/Corporate Index, which had a duration of 3.79 years.

(c) Credit Risk

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

At December 31, 2022, the Municipal Central Treasury’s investment in marketable debt securities, excluding U.S. Treasuries, totaled \$291,744,019. The distribution of ratings on these securities was as follows:

Moody's		S&P	
Aaa	8%	AAA	4%
Aa	2%	AA	6%
A	20%	A	19%
Baa	20%	BBB	22%
Ba or Lower	11%	BB or Lower	10%
Not Rated	39%	Not Rated	39%
	100%		100%

(d) Concentration of Credit Risk

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

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

(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.

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, 2022, the Municipality of Anchorage holds deposits in the amount of \$1,353,883 that are not covered by depository insurance and are collateralized with securities held by KeyBank's agent but not in the name of the Municipality of Anchorage.

(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, 2022, all debt obligations held in the Municipal Central Treasury were payable in U.S. Dollars.

(g) Fair Value Measurements

At December 31, 2022, the Municipality had the following cash and investments, valued as follows:

- Asset-backed securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Bank loan investment funds are valued at Net Asset Value (NAV) of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability.
- Certificates of deposit are valued at the daily price quoted by the financial institution holding the investment for the Municipality.
- Commercial paper is valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Domestic equities are valued at the closing price reported on the active market on which the individual securities traded.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

- Fixed income securities, including corporate bonds, are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Commingled funds are valued at NAV of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.
- Domestic equity funds are valued at the closing price reported on the active market on which the individual funds traded.
- Emerging market debt funds are valued at the closing price reported on the active market on which the individual funds traded.
- Fixed income funds are valued at the closing price reported on the active market on which the individual funds traded.
- Fixed income funds (MOA Trust) are valued at NAV of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability.
- International equity funds are valued at the closing price reported on the active market on which the individual funds traded.
- Municipal bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Real estate funds are valued at NAV of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.
- Repurchase agreements are valued at the daily closing price as reported using the daily price quoted by the financial institution holding the investment for the Municipality.
- U.S. treasuries are valued at the closing price reported on the active market on which the individual securities traded.
- U.S. agencies are valued using pricing models maximizing the use of observable inputs for similar securities.

The Municipality utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Municipality determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principle or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: quoted prices for identical assets or liabilities in active markets
- Level 2 Inputs: quoted prices for similar assets or liabilities in active or inactive markets; or inputs other than quoted prices that are observable
- Level 3 Inputs: significant unobservable inputs for assets or liabilities

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

Notes to Basic Financial Statements

December 31, 2022

The Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Municipality has the following recurring fair value measurements as of December 31, 2022:

December 31, 2022

Investment Type:	Fair Value Measurements Using		
	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Interim Rate Escrow	1,949,805	—	—
Central Treasury - Unrestricted:			
Investments Measured at Fair Value:			
Commercial Paper	18,854,955	—	18,854,955
U.S. Treasuries	138,538,863	138,538,863	—
U.S. Agencies	100,017,438	—	100,017,438
Municipal Bonds	1,700,731	—	1,700,731
Asset-Backed Securities	20,242,516	—	20,242,516
Corporate Fixed Income Securities	156,818,950	—	156,818,950
	436,173,453	138,538,863	297,634,590
Investments Measured at Amortized Cost:			
Money Market Funds	29,453,454		
Repurchase Agreements	64,023,338		
Certificates of Deposits	650,075		
Total Central Treasury	\$ 530,300,320		

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

Notes to Basic Financial Statements

December 31, 2022

(5) Net Position

Net position invested in capital assets is comprised of:

Capital assets, net of depreciation and amortization	\$	440,676,389
Less: Capital accounts payable		1,677,290
Revenue bonds payable, including unamortized premium		91,768,337
Less: Unamortized loss on refunded bonds		(965,836)
Less: Unspent debt proceeds		(12,853,823)
Lease obligations maturing within one year		3,208
Alaska Clean Water Fund loans payable, long-term		82,571,921
Loans payable – other		1,000
Long-term obligations maturing within one year		12,086,565
Leases payable, long-term		59,451
Contributions in aid of construction, net		<u>151,520,681</u>
 Net investment in capital assets	 \$	 <u><u>114,807,595</u></u>

(6) Environmental Issues

The Utility is working with the Alaska Department of Environmental Conservation (ADEC) on the following contaminated sites:

(a) AWWU Pump Station #12-UST (ADEC File# 2100.26.044)

In accordance with the ADEC regulations, the Utility has removed four leaking, underground fuel storage tanks and the surrounding contaminated soils starting in 1992. With ADEC approval, the Utility has been conducting groundwater and soil monitoring on some of these sites since 1998. In 2017, the Utility was in the process of submitting documentation to ADEC to obtain cleanup complete status when another spill occurred from an above ground fuel tank in the general area of the original fuel spill that occurred in 1990. Due to the 2017 spill, the Utility will not obtain cleanup complete status and will be required to continue monitoring activities.

(b) MOA AWWU Maintenance and Operation Facility Diesel AST Overfill (ADEC File# 2100.38.574) & MOA-AWWU -Maintenance Facility (1997 Tank Removal) 325 E. 94th Court (ADEC File #2100.38.588)

In 2016, the Utility experienced a fuel spill on the Utility Operations and Maintenance Facility located at 325 East 94th Court for which preliminary actions removed surface and some subsurface contamination. A third party agreed through mediation to pay a portion of the preliminary cleanup costs. The Utility is planning to make improvements at the site which will result in further cleanup and contamination mitigation.

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

Notes to Basic Financial Statements

December 31, 2022

(c) AWWU Operations Facility 1999 Used Oil Tank Removal 503 E. 94th Ct. (ADEC File # 2100.26.331)

A contaminated site was revealed to the Utility in 2013 for which there were no records of cleanup data. The Utility installed a monitoring and sampling site in 2016. An ADEC chronology report states that site sampling had not occurred since 2001. In 2016, samples from the monitoring well had a DRO result in exceedance of ADEC cleanup levels. ADEC had been sent a request for extension on the cleanup plan submittal date, in 2018 the work plan was approved. To fully address contamination at the site would require excavation and thermal treatment of up to 600 tons of soil from site as part of capital project work. This work is scheduled to be performed in 2023 or 2024. Once the contaminated soil is removed, there will be 2 years of soil borings, monitoring, and reporting.

The Utility uses the expected cash flow technique to measure the liability. The Utility estimated a reasonable range of potential outlays of \$9,000 to \$350,000 per contaminated site, and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$696,000 as of December 31, 2022. The potential for material change in the estimate is possible depending upon the responses received from ADEC.

(7) Long-Term Obligations

(a) Long-Term Obligations Issued

The Utility has three types of long-term obligations: bonds, low interest loans from the State of Alaska Department of Environmental Conservation, and a commercial bank loan.

The total bond principal outstanding on December 31, 2022, is \$89,148,953 comprised of, \$10,000,000 in 2017 Revenue Bond Series A, \$60,430,000 in 2017 Revenue Bond Series B and \$18,718,953 in 2022 Revenue Bond Series A. The Utility issues revenue bonds to provide funds for capital construction and refunding of earlier debt issues. The 2017 Series B bonds were issued as 30-year serial bonds with varying amounts of principal maturing each year. The bonds are payable solely from and secured by a lien and charge on gross Utility revenues and cash on hand in the Wastewater Utility Fund, subject only to payment of Utility operating expenses. The 2017 revenue bond covenants stipulate that net revenues equal at least 1.15 times the debt service requirements each fiscal year. At December 31, 2022, the Utility satisfied the debt service requirements. In April 2020, the Utility requested an interest rate lock for the conversion of the Series A 2017 bond to a fixed interest rate of 1.96%. In July of 2022, Revenue Bonds Series A were issued as 10-year revenue bonds to be used to refund a portion of the outstanding Subordinate Lien Note totaling \$19,505,506 on December 31, 2021. The 2022 Revenue Bond Series A was issued similar to the Series B from 2017, the bonds are payable solely from and secured by a lien and charge on gross Utility revenues and cash on hand in the Wastewater Utility Fund, subject only to payment of Utility operating expenses and the same debt service requirement.

The Utility obtains low interest loans from the State of Alaska Department of Environmental Conservation Clean Water Fund to fund capital improvement projects. These loans were issued on a per project basis until 2019 when the Programmatic Financial (ProFi), an annual loan, began being issued. The loans issued per project enter repayment status one year after initiation of operation of the facilities with loan terms included in the contract. The loans issued annually go into repayment the

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

Notes to Basic Financial Statements

December 31, 2022

following year. These loans have repayment terms of up to 20 years. The Utility obtained no additional State of Alaska loans in 2022. The total amount payable, on December 31, 2022, was \$89,063,069.

In 2019, the Utility increased the 2019A Short Term Borrowing Program (STBP) loan agreement with a commercial bank to \$30,000,000. At December 31, 2022, the Utility has a loan balance of \$1,000. On July 14, 2022, the Utility refunded a large portion of the Subordinate Lien Note using the above referenced 2022 Series A Revenue Bond. Effective May 16, 2021, the Utility amended the 2019A STBP. Key changes in the amendment extended the mandatory prepayment to March 1, 2023 from May 15, 2021; changed the interest rate from being based on London Interbank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR); the loan commitment amount may now exceed \$30,000,000 if requested by the Utility and subject to lender approval; and repayment in full will trigger closure of the loan. Under the terms of the loan agreement, the Utility pays fees quarterly of 0.1% per annum based upon the balance authorized, but not drawn, calculated on a weekly basis. Throughout 2022, the interest rate on the loan varied.

Long-term obligations outstanding at December 31, 2022, follow:

Description	Original Issue Date	Total Authorized Amount	Interest Rates	Maturity Range	Principal Balance December 31, 2022
Revenue bonds:					
2017 WW Bonds Series A	7/5/17	\$ 20,000,000	1.96%	2018 - 2027	\$ 10,000,000
2017 WW Bonds Series B	10/5/17	64,895,000	3.00 - 5.00%	2018 - 2047	60,430,000
2022 WW Bonds Series A	7/14/22	19,633,008	3.56%	2022 - 2032	18,718,953
Total bonds principal		<u>104,528,008</u>			<u>89,148,953</u>
Unamortized premiums		—			8,214,801
Total revenue bonds		<u>104,528,008</u>			<u>97,363,754</u>
Direct borrowings - revolving loans:					
127101 FY97 Misc Wastewater Projects	8/9/02	2,250,000	1.50%	2009 - 2028	787,500
127131 Chester Creek Sewer Trunk Study	3/11/05	300,127	1.50%	2004 - 2023	15,006
127141 Facility Replace & Rehab Proj 1998	3/20/03	1,305,252	1.50%	2009 - 2028	378,352
127211 FY99 Misc Small Sewer R&R, Phs I	7/23/02	1,410,000	1.50%	2003 - 2022	81,838
127271 C-5-7 Trunk Sewer Upgrade	7/27/04	2,229,617	1.50%	2007 - 2026	500,552
127291 Operations Facility, Phase III	3/18/04	3,608,588	1.50%	2004 - 2023	202,312
127301 Septic System Site Upgrade	8/27/02	500,000	1.50%	2004 - 2023	49,909
127371 Old Glenn Hwy	2/22/08	2,000,000	1.50%	2012 - 2031	900,000
127451 SCADA Sewer	10/11/04	13,000,000	1.50%	2009 - 2028	4,604,552
127481 Asplund WW Treatment Facility	10/8/04	4,200,000	1.50%	2006 - 2025	942,906
127611 Asplund Facility Utilador	12/5/12	2,100,000	1.50%	2014 - 2033	1,155,000
127631 Asplund Process Impr	1/30/08	8,000,000	1.50%	2009 - 2028	2,400,000
127651 C-2(A,B) Sewer Improvements	8/1/07	1,700,000	1.50%	2010 - 2029	594,999
127661 King-Rovenna Sewer Upgrade	8/1/07	1,613,129	1.50%	2010 - 2029	564,595
127671 C-5-N Campbell Lake	8/7/07	941,788	1.50%	2010 - 2029	329,626

Long-term obligations continued on next page.

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

Notes to Basic Financial Statements

December 31, 2022

Description	Original Issue Date	Total Authorized Amount	Interest Rates	Maturity Range	Principal Balance December 31, 2022
Direct borrowings - revolving loans, continued:					
127691 ER WWTF Gravity Thickener	12/28/07	\$ 201,970	1.50%	2010 - 2029	\$ 80,788
127701 Girdwood WWTF Improvements	12/16/09	24,915,000	1.50%	2015 - 2034	7,006,315
127721 San Ernesto Hoyt Upgrade	12/22/08	404,000	1.50%	2010 - 2029	141,400
127741 Septage Improvements	10/29/08	1,800,000	1.50%	2011 - 2030	810,000
130031 Asplund Improvements	1/18/08	2,701,000	1.50%	2009 - 2028	675,250
130061 W. 71st Ave Sewer Rehab	10/31/14	300,000	1.50%	2016 - 2035	210,000
130071 Pump Station Upgrade	12/16/09	3,519,908	1.50%	2013 - 2032	1,759,954
130081 Sand Lake Sewer Extension	2/17/10	600,000	1.50%	2011 - 2030	240,000
130091 Asplund Generator Upgrade	10/16/08	5,963,373	1.50%	2011 - 2030	2,385,349
130101 Minnesota-Benson Sewer Upgrade	6/16/09	395,625	1.50%	2009 - 2028	118,688
130131 Arctic 32nd-36th Upgrade	7/9/08	437,275	1.50%	2009 - 2028	131,183
130171 Asplund Disinfection Study & Upd	4/30/10	7,172,975	1.50%	2017 - 2036	5,021,684
130191 Pump Station 10 Upgrade	12/12/08	3,283,217	1.50%	2011 - 2030	1,477,448
130301 Cope Dorbrant Upgrade	9/9/08	927,746	1.50%	2011 - 2030	371,098
130311 Douglas St Sewer	9/9/08	117,000	1.50%	2008 - 2027	29,250
130321 ER WWTR Improvements	11/5/08	4,746,427	1.50%	2010 - 2029	1,687,814
130361 Downtown Sewer Upgrade	10/6/09	280,000	1.50%	2010 - 2029	98,000
130571 PS 30/31 Force Main and Fac Upd	10/24/18	3,680,000	1.50%	2020 - 2039	3,128,000
130581 2nd Ave Post Rd Sewer Rehab	10/31/18	469,600	1.50%	2020 - 2039	375,680
130591 7th-9th I St LM Alley Sewer Upgrades	10/16/18	784,000	1.50%	2020 - 2039	705,600
130601 Interceptor C: Force main jnct rehab	8/23/16	600,000	1.50%	2020 - 2039	540,000
130611 Asplund Grit Facility Impr Projects	10/15/18	4,000,000	1.50%	2020 - 2039	3,400,000
130621 Benson Dawson-Cheechako Upgrade	3/16/10	447,878	1.50%	2010 - 2029	156,757
130631 AWWTF Screen, Hdws HWS & Code	12/22/16	1,299,919	1.50%	2020 - 2039	779,951
130641 AWWTF Sludge Dewatering Replace	9/9/14	4,250,000	1.50%	2014 - 2033 *	914,035
130651 AWWTF Improvement Project	10/16/18	1,031,762	1.50%	2020 - 2039	825,410
130681 Wonder Park Sewer Upgrade Ph II	3/31/10	1,500,000	1.50%	2017 - 2036	1,125,000
130711 Iris Way Sewer Upgrade	3/19/10	408,359	1.50%	2010 - 2029	142,926
130781 Wonder Park Upgrade PHII	11/15/16	19,000,000	1.50%	2020 - 2039 *	19,000,000
130801 Downtown Pipe R&R	10/6/16	416,592	1.50%	2017 - 2036	312,918
131081 Rovenna Pipe Upgrade	2/17/10	820,741	1.50%	2014 - 2033	451,407
131091 ERWTF Clarifier Upgrade	7/22/11	1,330,806	1.50%	2011 - 2030	599,648
131111 Chester Creek Sewer	9/20/11	420,000	1.50%	2012 - 2031	210,000
131121 HVAC Control System King St	11/21/12	237,012	1.50%	2012 - 2031	106,655
131391 Sand Lake Area Swr Phase II	11/21/12	140,000	1.50%	2014 - 2033	77,000
131401 Fish Creek Interceptor Rehab Proj	10/20/14	5,000,000	1.50%	2020 - 2039	2,477,447
131481 Blueberry Sewer Rehab Project	10/15/18	1,176,000	1.50%	2020 - 2039	1,058,400
131491 ERWWTF Fac Plant	9/12/17	400,000	1.50%	2020 - 2039	360,000
ASUC19 - Pro Fi	4/20/20	10,000,000	1.50%	2020 - 2039	9,000,000
ASUC21 - Pro Fi	5/21/21	7,963,018	1.50%	2022 - 2041 *	7,564,867
Total direct borrowings - revolving loans		171,808,700			89,063,069
Direct borrowings - loan payable:					
Key Government Financing loan	5/16/19	30,000,000	1.01%	2028	1,000
Total long-term debt, net		\$ 306,336,708			\$ 186,427,823

* Direct borrowing revolving loan repayment is not due. Repayment will begin one year following initiation of operation of all phases.

(b) Pledged Revenue Disclosure

The Utility has pledged future customer revenues, net of specified operating expenses, to repay Utility revenue bonds. Proceeds from the bonds provided financing for construction and other capital

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

Notes to Basic Financial Statements

December 31, 2022

improvements. The bonds are payable solely from customer net revenues and are payable through 2047. The total principal and interest remaining to be paid on the bonds at December 31, 2022, was \$123,915,010. Principal and interest paid for the year ended December 31, 2022, was \$7,732,405. Total customer net revenues for the year ended December 31, 2022, was \$27,340,172.

(c) Revenue Bond Coverage Requirements

The Utility is required to maintain a minimum coverage ratio for revenue bonds.

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

Fiscal Year	Revenue (1)	Assessment Collections (2)	Operating Expenses (3)	Amount Available For Debt Service	Current Year Debt Service Requirements			Coverage (4)
					Principal	Interest	Total	
2020	\$ 59,414,490	537,763	38,131,954	21,820,299	2,870,000	3,437,155	6,307,155	3.46
2021	63,180,187	328,634	39,045,936	24,462,885	2,910,000	3,366,317	6,276,317	3.90
2022	66,833,475	148,313	39,635,861	27,345,927	4,194,055	3,538,350	7,732,405	3.54

- (1) Excludes allowance for funds used during construction, and payments received for PERS relief from State of Alaska, includes non-operating revenue.
- (2) Assessment collections represent payments made by benefited property owners.
- (3) Excludes pension expense, PERS on behalf expense, OPEB on behalf expense, OPEB expense, and depreciation, but includes special items and transfers to other funds.
- (4) Required minimum coverage is 1.15.

(d) Total Debt Service Coverage Requirements

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

Fiscal Year	Revenue (1)	Assessment Collections (2)	Operating Expenses (3)	Amount Available For Debt Service	Current Year Debt Service Requirements			Coverage (5)
					Principal (4)	Interest (4)	Total	
2020	\$ 59,414,490	537,763	38,131,954	21,820,299	6,694,508	4,358,904	11,053,412	1.97
2021	63,180,187	328,634	39,045,936	24,462,885	9,589,718	4,573,142	14,162,860	1.73
2022	66,833,475	148,313	39,635,861	27,345,927	10,942,940	4,701,482	15,644,422	1.75

- (1) Excludes allowance for funds used during construction, and payments received for PERS relief from State of Alaska, includes non-operating revenue.
- (2) Assessment collections represent payments made by benefited property owners.
- (3) Excludes pension expense, PERS on behalf expense, OPEB on behalf expense, OPEB expense, and depreciation, but includes special items and transfers to other funds.
- (4) Represents total principal and interest payments on all debt: Revenue bonds, Alaska Clean Water Fund loans and loans payable-other.
- (5) Required minimum coverage is 1.15.

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

Notes to Basic Financial Statements

December 31, 2022

(e) Debt Service Requirements

Debt service requirements to maturity follow:

Year	Revenue Bonds		Loans from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2023	\$ 5,595,417	3,809,400	6,491,148	3,471,895	19,367,860
2024	5,940,416	3,610,178	7,282,335	1,506,078	18,339,007
2025	6,050,416	3,399,581	7,262,752	1,381,908	18,094,657
2026	6,410,416	3,177,234	7,268,205	1,258,031	18,113,886
2027	6,660,416	2,939,637	6,899,242	1,134,072	17,633,367
2028 - 2032	27,426,872	10,968,152	26,282,526	4,036,578	68,714,128
2033 - 2037	23,835,000	4,905,375	16,977,216	2,045,065	47,762,656
2038 - 2042	3,165,000	1,428,125	9,649,645	576,137	14,818,907
2043 - 2047	4,065,000	528,375	950,000	0	5,543,375
Total	89,148,953	34,766,057	89,063,069	15,409,764	228,387,843
	8,214,801		—	Unamortized Premium	
	<u>\$ 97,363,754</u>		<u>89,063,069</u>	Total	

(f) Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2022, follow:

Description	December 31, 2021	Additions	Deletions	December 31, 2022	Amounts Due Within One Year
Revenue bonds, net	\$ 73,710,000	19,633,008	(4,194,055)	89,148,953	5,595,417
Direct borrowing - revolving loans	95,811,956	—	(6,748,887)	89,063,069	6,491,148
Direct borrowing - loans payable	19,505,506	—	(19,504,506)	1,000	—
Total debt	189,027,462	19,633,008	(30,447,448)	178,213,022	12,086,565
Unamortized premiums	9,039,173	—	(824,372)	8,214,801	—
Total debt, net	198,066,635	19,633,008	(31,271,820)	186,427,823	12,086,565
Leases payable	—	67,495	(4,836)	62,659	3,208
Compensated absences payable	1,684,832	1,209,108	(1,386,277)	1,507,663	1,066,143
Pollution remediation obligation	595,000	101,000	—	696,000	20,000
Total long-term, net	\$ 200,346,467	21,010,611	(32,662,933)	188,694,145	13,175,916

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

Notes to Basic Financial Statements

December 31, 2022

(8) Leases

The Utility has adopted the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which establishes a single comprehensive model for lease accounting for state and local governments based upon the principal that leases are financings of the right to use an underlying asset. This statement requires recognition of certain lease assets and lease liabilities that previously were classified as operating leases, and inflows of resources or outflows of resources based upon the payment provisions of the contract.

The adoption of GASB 87 resulted in the recognition of lease liabilities of \$77,393 and corresponding lease right-of-use assets of \$67,495, and a recognition of lease receivables of \$164,396 and corresponding deferred inflow of resources as of the date of adoption. The Utility has also implemented policies and procedures to ensure compliance with the new lease accounting requirements under GASB 87 going forward. The Utility made a conservative assumption when implementing GASB 87 that when the lease is expected to extend beyond the initial term, the cancelability is not applicable.

(a) Utility as Lessee

The Utility is committed under various leases for land. As of December 31, 2022, the Utility has one lessee financing lease. Under GASB 87, an implicit interest rate is calculated for leases based on their term. The method is to use the sum of 1) the last U.S. Treasury Yield most applicable to the lease term on December 31 of the prior year, and 2) a spread.

The Utility has one lessee lease. The lease qualifies as a financing lease under GASB 87, which was implemented on January 1, 2022.

The intangible right-to-use asset associated with the lease is for land used for operation and maintenance of a 1.25-million-gallon reservoir intertie.

The Utility's schedule of future minimum payments for the lease is as follows:

Year	Leases Payable		
	Principal	Interest	Total
2023	\$ 3,208	1,629	4,837
2024	3,291	1,546	4,837
2025	3,377	1,460	4,837
2026	3,465	1,372	4,837
2027	3,555	1,282	4,837
2028 - 2032	19,209	4,976	24,185
2033 - 2037	21,840	2,346	24,186
2038	\$ 4,714	123	4,837
Total	62,659	14,734	77,393

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

Notes to Basic Financial Statements

December 31, 2022

(b) *Utility as Lessor*

The Utility is committed under various leases for land. As of December 31, 2022, the Utility has two lessor financing leases. Under GASB 87, an implicit interest rate is calculated for leases based on their term. The method is to use the sum of 1) the last U.S. Treasury Yield most applicable to the lease term on December 31 of the prior year, and 2) a spread and, 3) an additional spread to reflect the cost of Utility resources used in managing the lease equal to 1%.

The Utility has two lessor leases. Both leases qualify as financing leases under GASB 87, which was implemented on January 1, 2022. The lease receivable associated with these leases is for land which is used for a telecommunications tower and parking and storage.

(c) *Cancellation*

The Utility has issued debt for which the principal and interest payments are secured by the Utility's gross revenues, which include lease principal and interest revenues. The cancellation terms vary depending on the lease.

(9) Pensions

All regular full-time Utility employees participate in the State of Alaska Public Employees' Retirement System (PERS). All pension obligations of the Utility are included in the financial statements.

(a) *Defined Benefit Pension Plan*

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. 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 Postemployment Benefits (OPEB). A complete benefit comparison chart is available at the website noted below.

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

Notes to Basic Financial Statements

December 31, 2022

The Plan is included in an annual comprehensive 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 July 1, 2006. New employees hired after that date participate in the PERS IV Defined Contribution (DC) Plan described later in this 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 defined benefit 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 wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in this note.

Alaska Statutes require 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 (ARM) 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 and AS 39.35.280 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.

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

Notes to Basic Financial Statements

December 31, 2022

Employee Contribution Rates

Regular employees are required to contribute 6.75% 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% of eligible wages, subject to a wage floor, and other termination events. This 22% 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 in 2039.

State 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. In the Utility's financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period, in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition. Total on-behalf amounts recognized as of the measurement period are actuarially calculated.

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

Notes to Basic Financial Statements

December 31, 2022

Contribution rates for the years ended June 30, 2022, and June 30, 2023, were determined in the June 30, 2020 and June 30, 2021, actuarial valuations, respectively. Utility contribution rates for 2022 calendar year is as follows:

January 1, 2022 to June 30, 2022	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	22.00%	26.99%	8.11%
Postemployment healthcare - ARHCT (see Note 8)	0.00%	3.12%	0.00%
Total Contribution Rates	22.00%	30.11%	8.11%

July 1, 2022 to December 31, 2022	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	22.00%	24.79%	2.79%
Postemployment healthcare - ARHCT (see Note 8)	0.00%	2.84%	0.00%
Total Contribution Rates	22.00%	27.63%	2.79%

In 2022 the Utility's proportionate share of the Municipality's share was 4.77% and was credited with the following contributions into the pension plan.

	Measurement Period	Utility's Fiscal Year
	July 1, 2021 to June 30, 2022	January 1, 2022 to December 31, 2022
Employer contributions (including DBUL) \$	1,585,278	1,706,862
Nonemployer contributions (on-behalf)	849,223	557,379
Total Contributions \$	2,434,501	2,264,241

In addition, employee contributions to the Plan totaled \$295,878 for the year ended December 31, 2022.

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

The Utility's portion of the Municipality's liabilities, pension expense, deferred outflows and inflows of resources related to pensions are based on its share of the Municipality's contributions to the plan in the current year. That proportion is 4.77% at December 31, 2022.

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

Notes to Basic Financial Statements

December 31, 2022

At December 31, 2022, the Utility reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Utility. The amount recognized by the Utility for its proportional share, the related State proportion, and the total were as follows:

Utility proportionate share of NPL	\$	18,333,644
State's proportionate share of NPL associated with the Utility		5,074,105
Total Net Pension Liability	\$	<u><u>23,407,749</u></u>

The total pension liability for the June 30, 2022, measurement date was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, to calculate the net pension liability as of that date. The Utility'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, 2022, measurement date, the Utility's proportionate share was 0.35971%, compared to 0.38959%, at the June 30, 2021, measurement date.

The Utility recognized pension expense of \$959,931 for the year ended December 31, 2022, of which \$331,468 were recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2022, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Measurement Period	
	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	—
Changes in assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	524,165	—
Changes in proportion and differences between Utility contributions and proportionate share of contributions	—	—
Utility contributions subsequent to the measurement date	<u>925,095</u>	—
Total Deferred Outflows and Deferred Inflows Related to Pensions	<u>\$ 1,449,260</u>	<u>—</u>

At December 31, 2022, the \$925,095 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future years in pension expense as follows:

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

Notes to Basic Financial Statements

December 31, 2022

Net Amortization of Deferred
Outflows and Deferred Inflows of

Year Ending December 31,	Resources
2023	\$ (62,316)
2024	(159,728)
2025	(383,444)
2026	1,129,653
Total Amortization	\$ 524,165

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2022, was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2022. The actuarial assumptions used in the June 30, 2021, actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2017, to June 30, 2021, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience. The assumptions used in the June 30, 2021, actuarial valuation were the same as those used in the June 30, 2020, valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit plan assets.

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

Notes to Basic Financial Statements

December 31, 2022

Inflation	2.50%
Actuarial cost method	Entry Age Normal
Amortization methodology	Layered unfunded accrued actuarial liability, level percent of pay basis
Allocation methodology	Amounts for the June 30, 2021 measurement date were allocated to employers based on the present value of contributions for FY2023-FY2039, as determined by projections based on the June 30, 2020 valuation. The contributions for FY2023 reflect those adopted by the Board on October 11, 2021.
Salary increases	Increases range from 6.75% to 2.85%, based on service.
Investment return / discount rate	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and real rate of return of 4.75%.
Mortality	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member. Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

Long Term Expected Rate of Return

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, excluding the inflation component of 2.5%, for each major asset class are included in the pension plan's target asset allocation.

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

Notes to Basic Financial Statements

December 31, 2022

Those estimates as of the measurement period ended June 30, 2022, are summarized as follows:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation	Range
Broad domestic equity	6.51%	27%	+/- 6%
Global equity (non-U.S.)	5.70%	18%	+/- 4%
Aggregate bonds	0.31%	21%	+/- 10%
Opportunistic	0.00%	6%	+/- 4%
Real assets	3.71%	14%	+/- 7%
Absolute return	9.61%	14%	+/- 6%
Cash equivalents	-0.50%	0%	+/-0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The prior measurement date used a discount rate of 7.389%. 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 plans' 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 in accordance with GASB Statement No. 67.

Discount Rate Sensitivity

The following presents the Utility's proportionate share of the net pension liability calculated using the current discount rate of 7.25%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 6.25%, or 1-percentage-point higher, 8.25%:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Utility's proportionate share of the net pension liability	0.35971%	\$ 24,681,026	\$ 18,333,644	\$ 12,981,491

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

Notes to Basic Financial Statements

December 31, 2022

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan.

(b) Defined Contribution Pension Plan

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, that first enroll after July 1, 2006. The Plan also includes a component of defined benefit postemployment healthcare. 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 an annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drdb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information is 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.

Participating employees are immediately and fully vested in their employee's contributions and related earnings (losses). An employee shall be fully vested in the employer contributions made on that employee's behalf, and related earnings (losses), after five years of service. An employee is partially vested in the employer contributions, made on that employee's behalf, and the related earnings, in the ratio of (a) 25% with two years of service; (b) 50% with three years of service; (c) 75% with four years of service; and (d) 100% with five years of service. Employer contributions, and related earnings, that are contributed for employees that are not fully vested before leaving employment are considered forfeited and returned to the employer.

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

Notes to Basic Financial Statements

December 31, 2022

Plan Contribution Requirements

The Plan requires both employer and employee contributions. Employees may make additional contributions into the Plan, subject to limitations. For 2022, the employee contribution rate was 8.00% and the employer contribution rate was 5.00%.

For the year ended December 31, 2022, the Utility contributed \$331,588 to PERS IV for retirement. Employee contributions to the Plan for 2022, totaled \$530,540. Total Defined Contribution forfeitures for the Utility in 2022, were \$12,772.

(10) Other Postemployment Benefits Plans

All regular full-time Utility employees participate in the State of Alaska Public Employees' Retirement System (PERS). All other postemployment benefits (OPEB) obligations of the Utility are included in the financial statements.

(a) Defined Benefit OPEB Plans

Public Employees Retirement System (PERS I-III)

General Information About the Plans

As part of its participation in the PERS Defined Benefit Plan (Tiers I, II, III), which is a cost-sharing multiple employer defined benefit plan, the Utility participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the Defined Benefit Plan. Benefits vary by Tier level. The ARHCT was closed to all new members effective July 1, 2006. The RMP provides major medical coverage to retirees of the PERS Defined Contribution Plan (Tier IV). The RMP is self-insured. Members are not eligible to use this plan until they have at least ten years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. 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.

Employer Contribution Rate

The Utility was required to contribute the following percentages of covered payroll into the OPEB plans; for January 1 through June 30, 2022, ARHCT 0%, ODD 0.31%, and RMP 1.07%; for July 1 through December 31, 2022, ARHCT 0%, ODD .30%, and RMP 1.10%. Employees do not contribute. In 2022, the Utility was credited with the following contributions to the OPEB plan:

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

Notes to Basic Financial Statements

December 31, 2022

	<u>Measurement Period</u>	<u>Utility's Fiscal Year</u>
	July 1, 2021 to June 30, 2022	January 1, 2022 to December 31, 2022
Employer contributions- ARHCT	\$ 277,836	134,234
Employer contributions- RMP	69,624	71,972
Employer contributions- ODD	29,415	29,917
Total Contributions	<u>\$ 376,875</u>	<u>236,123</u>

OPEB Assets and Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At December 31, 2022, the Utility reported assets for its proportionate share of the net OPEB assets (NOA) that reflected a reduction for State OPEB support provided to the Utility.

The amount recognized by the Utility for its proportional share, the related State proportion, and the totals were as follows:

Utility's proportionate share of NOA- ARHCT	\$ 7,028,945
Utility's proportionate share of NOA- RMP	143,801
Utility's proportionate share of NOA- ODD	223,419
Subtotal Net OPEB Assets	<u>7,396,165</u>
State's proportionate share of ARHCT NOA associated with the Utility	<u>2,009,193</u>
Total Net OPEB Assets	<u>\$ 9,405,358</u>

For 2022, the total OPEB assets for the June 30, 2022, measurement date were determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, to calculate the net OPEB assets as of that date. The Utility's proportion of the net OPEB assets were based on a projection of the Utility's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined. The Utility's proportionate share at the June 30, 2022 measurement date changed from the proportionate share as of June 30, 2021, as shown below.

	Measurement Date June 30, 2021	Measurement Date June 30, 2022	Change
Utility's proportionate share of the net OPEB liabilities:			
ARHCT	0.39179%	0.35724%	-0.03455%
RMP	0.39892%	0.41405%	0.01514%
ODD	0.49458%	0.50965%	0.01507%

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

Notes to Basic Financial Statements

December 31, 2022

As a result of its requirement to contribute to the Plan and changes in actuarially calculated net OPEB asset and liability, the Utility recognized net OPEB benefit of (\$2,357,713) for 2022. Of this amount, (\$682,509) was recorded as on-behalf revenue and expense for 2022 for actuarial calculated support provided by the State for the ARHCT plan.

At December 31, 2022, the Utility reported deferred outflows of resources and deferred inflows of resources related to all OPEB plans from the following sources:

	Measurement Period June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,128	(128,696)
Changes in assumptions	27,843	(496,412)
Net difference between projected and actual earnings on OPEB plan investments	426,854	—
proportionate share of contributions	183,708	(10,699)
Utility's contributions subsequent to the measurement date	52,276	—
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB	<u>\$ 697,809</u>	<u>(635,807)</u>

Deferred outflows of resources and deferred inflows of resources for each Plan for 2022 are reported from the following sources:

	Measurement Period June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>ARHCT</u>		
Difference between expected and actual experience	\$ —	(49,751)
Changes in assumptions	—	(322,568)
Net difference between projected and actual earnings on OPEB plan investments	398,778	—
proportionate share of contributions	174,046	—
Utility's contributions subsequent to the measurement date	35	—
Total Deferred Outflows and Deferred Inflows of Resources Related to ARHCT	<u>\$ 572,859</u>	<u>(372,319)</u>

	Measurement Period June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>RMP</u>		
Difference between expected and actual experience	\$ 7,128	(5,651)
Changes in assumptions	27,843	(172,421)
Net difference between projected and actual earnings on OPEB plan investments	20,511	—
proportionate share of contributions	3,321	(267)
Utility's contributions subsequent to the measurement date	37,101	—
Total Deferred Outflows and Deferred Inflows of Resources Related to RMP	<u>\$ 95,904</u>	<u>(178,339)</u>

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

Notes to Basic Financial Statements

December 31, 2022

	Measurement Period June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>ODD</u>		
Difference between expected and actual experience	\$ —	(73,294)
Changes in assumptions	—	(1,423)
Net difference between projected and actual earnings on OPEB plan investments	7,566	—
Changes in proportion and differences between Utility's contributions and proportionate share of contributions	—	—
Utility's contributions subsequent to the measurement date	6,340	(10,432)
	15,140	—
Total Deferred Outflows and Deferred Inflows of Resources Related to ODD	<u>\$ 29,046</u>	<u>(85,149)</u>

The \$52,276 reported in 2022, as deferred outflows of resources related to all OPEB plans resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB assets in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>All Plans</u>	Net Amortization of Deferred Outflows and Deferred Inflows of Resources
Year Ending December 31,	
2023	\$ (300,443)
2024	(176,431)
2025	(356,000)
2026	917,622
2027	(34,307)
Thereafter	(40,715)
Total Amortization	<u>\$ 9,726</u>

Excluding contributions made subsequent to the measurement date, deferred outflows of resources and deferred inflows of resources related to each OPEB plan will be recognized in OPEB expense as follows:

<u>ARHCT</u>	Net Amortization of Deferred Outflows and Deferred Inflows of Resources
Year Ending December 31,	
2023	\$ (265,245)
2024	(139,851)
2025	(315,051)
2026	920,651
Total Amortization	<u>\$ 200,504</u>

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

Notes to Basic Financial Statements

December 31, 2022

<u>RMP</u>	Net Amortization of Deferred
Year Ending December 31,	Outflows and Deferred Inflows of Resources
2023	\$ (19,989)
2024	(20,993)
2025	(24,160)
2026	3,370
2027	(25,799)
Thereafter	(31,965)
Total Amortization	<u>\$ (119,536)</u>

<u>ODD</u>	Net Amortization of Deferred
Year Ending December 31,	Outflows and Deferred Inflows of Resources
2023	\$ (15,209)
2024	(15,587)
2025	(16,789)
2026	(6,400)
2027	(8,508)
Thereafter	(8,749)
Total Amortization	<u>\$ (71,242)</u>

Actuarial Assumptions

The total OPEB asset for the measurement period ended June 30, 2022, (Utility calendar year 2022) was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2022. The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience. The assumptions used in the June 30, 2021, actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

- Per capita claims costs were updated to reflect recent experience.
- The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from postretirement healthcare plan assets.

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

Notes to Basic Financial Statements

December 31, 2022

Actuarial cost method	Entry age normal actuarial cost method
Amortization method	Layered unfunded accrued actuarial liability, level percent of pay basis
Inflation	2.50%
Salary increases	Graded by service from 6.75% to 2.85%.
Allocation methodology	Amounts for the June 30, 2022 measurement date were allocated to employers based on the projected present value of contributions for FY2022-FY2039, as determined by projections based on the June 30, 2021.
Investment return / discount rate	7.25 percent, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50 percent and real rate of return of 4.75 percent.
Healthcare cost trend rates	Pre-65 medical; 7.0% grading down to 4.5% Post-65 medical; 5.5% grading down to 4.5% Prescription drug; 7.5% grading down to 4.5% EGWP: 7.5% grading down to 4.5%
Mortality	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member. Deaths are assumed to result from occupational causes 35% of the time.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB 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 postretirement healthcare 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, excluding the inflation component of 2.5%, for each major asset class included in the postretirement healthcare plan's target asset allocation as of June 30, 2022 are summarized in the following table:

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

Notes to Basic Financial Statements

December 31, 2022

Asset Class	Long-term Expected Real Rate of Return	Target Allocation	Range
Broad domestic equity	6.51%	27%	+/- 6%
Global equity (non-U.S.)	5.70%	18%	+/- 4%
Aggregate bonds	0.31%	21%	+/- 10%
Opportunistic	0.00%	6%	+/- 4%
Real assets	3.71%	14%	+/- 7%
Private equity	9.61%	14%	+/- 6%
Cash equivalents	-0.50%	0%	+/-0%

Discount Rate

The discount rate used to measure the total OPEB asset for each plan was 7.25%. 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 OPEB plans' 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset in accordance with the method prescribed by GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

Discount Rate Sensitivity

The following presents the Utility's proportionate share of the net OPEB assets and liabilities as of June 30, 2022, calculated using the current discount rate of 7.25%, as well as what the Utility's proportionate share of the net OPEB assets would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Utility's proportionate share of the NOA- ARHCT	0.35724%	\$ 4,176,207	\$ 7,028,945	\$ 9,421,221
Utility's proportionate share of the NOA- RMP	0.41405%	\$ (26,450)	\$ 143,801	\$ 273,631
Utility's proportionate share of the NOA- ODD	0.50965%	\$ 210,459	\$ 223,419	\$ 233,556

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

Notes to Basic Financial Statements

December 31, 2022

Healthcare Cost Trend Rate Sensitivity

The following presents the Utility’s proportionate share of the net OPEB assets and liabilities as of June 30, 2022, calculated using the healthcare cost trend rates as summarized in the 2022 actuarial valuation report, respectively, as well as what the respective plan’s net OPEB asset and liability would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Utility’s proportionate share of the NOA- ARHCT	0.35724%	\$ 9,702,645	\$ 7,028,945	\$ 3,836,032
Utility’s proportionate share of the NOA- RMP	0.41405%	291,460	143,801	(55,086)
Utility’s proportionate share of the NOA- ODD	0.50965%	N/A	N/A	N/A

OPEB Plans Fiduciary Net Position

Detailed information about the OPEB plans’ fiduciary net position is available in the separately issued PERS financial report.

(b) PERS Defined Contribution OPEB Plans

Public Employees Retirement System (PERS IV)

General Information About the Plans

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan (RMP). Information on these plans is included in the comprehensive annual financial report for the PERS Plans noted above. These plans provide for death, disability, and postemployment healthcare benefits.

Employer Contribution Rates

Employees do not contribute to the Defined Contribution OPEB plans. Employer contribution rates for the year ended December 31, 2022 are as follows:

	2022	
	Tier IV	
	1/1 - 6/30	7/1 - 12/31
Employer Contribution Rates:		
Health Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	1.07%	1.10%
Death & Disability Benefit	0.31%	0.30%
Total Employer Contribution Rates	4.38%	4.40%

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

Notes to Basic Financial Statements

December 31, 2022

Health Reimbursement Arrangement

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of all employees of all employers in the plan”. Prior to July 1, 2022, a flat rate of approximately \$2,168 per year for full time employees and \$1.39 per part time hour worked were paid. For pay periods ending after July 1, 2022, a flat rate of approximately \$2,237 per year for full time employees and \$1.43 per part time hour worked were paid.

Annual Postemployment Healthcare Cost

For the year ended December 31, 2022, the Utility contributed \$159,299 in Defined Contribution OPEB costs. This amount has been recognized as an expense.

(11) Regulatory Matters

(a) Recurring Rates: Revenue Requirement (2019 Test Year / 2021 Rates)

On December 29, 2020, the Utility filed a revenue requirement study requesting an interim and refundable rate increase of 8.0%, to be effective April 1, 2021. This request was granted by the RCA on February 21, 2021, under Order 1 in Docket U-21-011 for the Utility. On March 7, 2022, the RCA issued Order 8 in the same docket, accepting the Joint Stipulation Resolving Disputed Issues submitted by AWWU and Regulatory Affairs and Public Advocacy (RAPA). The rate increase of 8% for the Utility is now permanent and no refunds are to be issued.

(b) Recurring Rates: Revenue Requirement (2020 Test Year / 2022 Rates)

On December 3, 2021, the Utility filed a revenue requirement study requesting an interim and refundable rate increase of 3.75%, to be effective January 18, 2022. This request was granted by the RCA on January 18, 2022, under Order 1 in Docket U-22-003. On February 7, 2023, the RCA issued Order 8 in the same docket, accepting the Joint Stipulation Resolving Disputed Issues submitted by AWWU and Regulatory Affairs and Public Advocacy (RAPA). The rate increase of 3.75% for the Utility is now permanent and no refunds are to be issued.

(c) Recurring Rates: Plant Replacement and Improvement Surcharge Mechanism (2021 Test Year)

On December 14, 2022, in Tariff Advice (TA) Letter TA177-126, the Utility requested approval to establish a plant replacement and improvement surcharge mechanism (PRISM) in the Utility’s tariff and to establish an initial PRISM surcharge of 0.81%, to be effective January 30, 2023. On January 20, 2023, the RCA issued Letter Order number L2300016 approving the PRISM in the Utility’s tariff and the initial PRISM surcharge rate of 0.81%. The PRISM surcharge was implemented on customer bills effective January 30, 2022.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

(12) Wastewater Treatment Facilities Discharge Permits

The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit was re-issued by ADEC in the spring of 2020 and is set to expire on February 28, 2025. The Girdwood WWTF permit has been administratively extended since 2005, pending reissuance by ADEC. The Utility continues to work closely with ADEC to develop site specific criteria and permit limits for the permit renewal.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the U.S. Environmental Protection Agency (EPA). EPA has not yet ruled on the Utility's 2005 application for reauthorization of the permit, originally issued in October of 1985. The permit renewal process includes an evaluation by EPA on whether Asplund WWTF continues to meet the criteria specified in Section 301(h) of the Clean Water Act to allow discharge of wastewater receiving a primary level of treatment. EPA Region 10 has stated to all 301(h) permit holders that they are committed to reducing its backlog of administratively continued permits. EPA has told the Utility that Asplund WWTF is not excluded from the goal of having their administratively continued NPDES permits current. Should EPA determine that the Asplund WWTF discharge no longer meets the 301(h) criteria, the permitting authority could fall to the State with a requirement to apply a secondary level of treatment. The 301(h) determination, like the permit issuance itself, is subject to appeal by the Municipality or a third party.

Prior to issuance of a federal discharge permit, EPA is required to consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species.

(13) Earthquake in Anchorage

On November 30, 2018, the Municipality experienced a magnitude 7.1 earthquake located 10 miles north of Anchorage, AK. It was followed by a 5.7 magnitude aftershock centered 2.5 miles north-northwest of the Municipality. The earthquake caused severe damage to roads, bridges, buildings, water and wastewater pipes, and electrical systems. The Utility is actively working with the Federal Emergency Management Agency (FEMA) to recover eligible costs associated with the repair of damage caused by the earthquake on November 30, 2018. The net amount of recoverable expenses included in Regulatory debits is \$404,836 at December 31, 2022.

(14) 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.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

The Municipality provides coverage up to the maximum of \$3,000,000 per occurrence for automobile and general liability claims and for each workers' compensation claim. No settled claim exceeded this commercial coverage in 2022.

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.

The Utility participates in the Municipality's risk management program and makes payments to the Municipality through inter-governmental charges based on actuarial estimates of amounts needed to pay prior and current year claims. The Utility does not include any portion of the Municipality's claims payable among its liabilities on the Statement of Net Position.

(15) 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.

(16) Subsequent Events

Direct Borrowings – Revolving Loans

Subsequent to December 31, 2022, the Utility requested disbursement of \$8.5 million and received \$1.7 million to date, of the Programmatic Financing (ProFi) from the State of Alaska Clean Water Fund (ACWF) to be used for capital construction projects.

(17) New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates (effective dates are adjusted for the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The following new accounting standards were considered and/or implemented by the Utility for 2022 reporting:

- GASB 87 – *Leases*. Effective for year-end December 31, 2022, This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Utility analyzed all active leases to determine which leases applied to GASB 87, then accounted for those leases accordingly.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for year-end December 31, 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. For regulated utilities, Allowance for funds used during construction (AFUDC) is capitalized in the financial statements in accordance with GASB Statement No. 62, paragraph 485.
- GASB 92 - *Omnibus 2020*. Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end December 31, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments. The Utility evaluated the impacts of GASB 92 and determined there to be no impact to the Utility's financial statements for the current fiscal year.
- GASB 93 – *Replacement of Interbank Offered Rates*. The provisions of this Statement, except for paragraph 11b, 13 and 14, are required to be implemented for year-end December 31, 2021. The requirements in paragraph 11b, 13 and 14 are required to be implemented for year-end December 31, 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The Utility evaluated the impacts of GASB 93 and determined there to be no impact to the Utility's financial statements for the current fiscal year.
- GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Effective for year-end December 31, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end December 31, 2020. This Statement modifies certain guidance contained in Statement No. 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Utility evaluated the impacts of GASB 97 and determined there to be no impact to the Utility's financial statements for the current fiscal year.

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates (effective dates adjusted for the issuance of GASB 95). Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2022

- GASB 91 – *Conduit Debt Obligations*. Effective for year-end December 31, 2022. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

- GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Effective for year-end December 31, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

- GASB 96 – *Subscription-Based Information Technology Arrangements*. Effective for year-end December 31, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

- GASB 99 – *Omnibus 2022*. Provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end December 31, 2023. The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end December 31, 2024.

- GASB 100 – *Accounting Changes and Error Corrections* – an amendment of GASB 62. Effective for year-end December 31, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

- GASB 101 – *Compensated Absences*. Effective for year-end December 31, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

Notes to Basic Financial Statements

December 31, 2022

- GASB 102 – *Certain Risk Disclosures*. Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

REQUIRED SUPPLEMENTARY INFORMATION

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

Required Supplementary Information
Pension Plan

December 31, 2022

Schedule of the Utility's Proportionate Share of the Net Pension Liability

Year Ended December 31,	Measurement Period Ended June 30,	Utility's Proportion of the Net Pension Liability	Utility's Proportionate Share of the Net Pension Liability ⁽¹⁾	State of Alaska's Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Utility's Proportion of the Covered Payroll	Utility's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	2022	0.35971%	\$ 18,333,644	\$ 5,074,105	\$ 23,407,749	\$ 11,197,597	163.73%	67.97%
2021	2021	0.38959%	14,291,940	1,936,117	16,228,057	10,570,068	135.21%	76.46%
2020	2020	0.33739%	19,909,962	8,238,657	28,148,619	11,223,720	177.39%	61.61%
2019	2019	0.30589%	16,745,384	6,649,219	23,394,603	10,536,899	158.92%	63.42%
2018	2018	0.34734%	17,259,484	4,998,746	22,258,230	10,492,455	164.49%	65.19%
2017	2017	0.31010%	15,022,071	5,972,279	20,994,350	9,670,842	155.33%	63.37%
2016	2016	0.33979%	18,992,829	2,393,173	21,386,002	8,895,399	213.51%	59.55%
2015	2015	0.29547%	14,330,178	3,838,282	18,168,460	9,329,583	153.60%	63.96%

(1) The Utility's proportionate share of the Net Pension Liability represents the Utility's allocated portion of the Municipality's proportionate share for the given year.

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Utility Contributions

Year Ended December 31,	Measurement Period Ended June 30,	Utility's Proportion of the Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Utility's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	2022	\$ 1,706,862	\$ 1,706,862	\$ —	\$ 11,147,105	15.312%
2021	2021	1,479,307	1,479,307	—	10,626,274	13.921%
2020	2020	1,462,561	1,462,561	—	11,009,182	13.285%
2019	2019	1,335,213	1,335,213	—	10,622,250	12.570%
2018	2018	1,422,382	1,422,382	—	10,587,315	13.435%
2017	2017	1,322,886	1,322,886	—	9,919,772	13.336%
2016	2016	1,114,822	1,114,822	—	9,402,941	11.856%
2015	2015	995,274	995,274	—	9,061,450	10.984%

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to Required Supplementary Information.

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

Notes to Required Supplementary Information
Pension Plan

December 31, 2022

Public Employees' Retirement System - Defined Benefit Pension Plan

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 Utility'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 Proportionate Share of the Net Pension Liability

- This Schedule is presented based on the Plan measurement date. For December 31, 2022, the Plan measurement date is June 30, 2022.
- There were no changes in benefit terms from the prior measurement period.
- There was a decrease of 0.13% to the Discount Rate of 7.25% from 7.38% between 2022 and 2021.
- There were no changes in the valuation method or the allocation methodology from the prior measurement period.

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021. The actuarial assumptions used in the June 30, 2022, actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The assumptions used in the June 30, 2022, actuarial valuation are the same as those used in the June 30, 2022 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit plan assets.

Schedule of Utility's Contributions

- This Schedule is based on the Utility's contributions for each year presented. A portion of these contributions is included in the plan measurement results, while a portion of the contributions is reported as a deferred outflow of resources on the December 31, 2022, statement of net position.

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

Required Supplementary Information
OPEB Plans

December 31, 2022

**Schedule of the Utility's Proportionate Share of the Net OPEB (Asset) Liability - Alaska Retiree
Healthcare Trust Plan (ARHCT)**

Year Ended December 31,	Measurement Period Ended June 30,	Utility's Proportion of the Net OPEB (Asset) Liability ⁽¹⁾	Utility's Proportionate Share of the Net OPEB (Asset) Liability	State of Alaska's Proportionate Share of the Net OPEB (Asset) Liability	Total Utility Net OPEB (Asset) Liability	Utility's Proportion of the Covered Payroll	Utility's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability
2022	2022	0.35724%	\$ (7,028,945)	\$ (2,009,193)	\$ (9,038,138)	\$ 11,197,597	-62.77%	128.51%
2021	2021	0.39179%	(10,050,831)	(1,316,399)	(11,367,230)	10,585,869	-94.95%	135.54%
2020	2020	0.33725%	(1,527,270)	(633,623)	(2,160,893)	11,223,720	-13.61%	106.15%
2019	2019	0.30588%	453,860	180,465	634,325	10,536,899	4.31%	98.13%
2018	2018	0.34727%	3,564,000	1,034,593	4,598,593	10,492,455	33.97%	88.12%
2017	2017	0.31014%	2,619,959	—	2,619,959	9,670,834	27.09%	89.68%

(1) The Utility's proportionate share of the Net OPEB Liability represents Utility's allocated portion of the Municipality's proportionate share for the given year.

Notes: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

(1) The Utility's proportionate share of the Net OPEB Asset or Liability represents the Utility's allocated portion of the Municipality's proportionate share for the given year.

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Utility Contributions – Alaska Retiree Healthcare Trust Plan (ARHCT)

Year Ended December 31,	Measurement Period Ended June 30,	Utility's Proportion of the Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Utility's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	2022	\$ 134,234	\$ 134,234	\$ —	\$ 11,147,105	1.20%
2021	2021	296,416	296,416	—	10,642,158	2.79%
2020	2020	442,730	442,730	—	11,009,182	4.02%
2019	2019	506,971	506,971	—	10,622,250	4.77%
2018	2018	461,738	461,738	—	10,587,315	4.36%
2017	2017	480,077	480,077	—	9,919,764	4.84%

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

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

Required Supplementary Information
OPEB Plans

December 31, 2022

See accompanying notes to Required Supplementary Information

Schedule of the Utility's Proportionate Share of the Net OPEB (Asset) Liability – Retiree Medical Plan (RMP)

Year Ended December 31,	Measurement Period Ended June 30,	Utility's Proportion of the Net OPEB (Asset) Liability ⁽¹⁾	Utility's Proportionate Share of the Net OPEB (Asset) Liability	State of Alaska's Proportionate Share of the Net OPEB (Asset) Liability	Total Utility Net OPEB (Asset) Liability	Utility's Proportion of the Covered Payroll	Utility's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	2022	0.41405%	\$ (143,801)	\$ —	\$ (143,801)	\$ 11,197,597	-1.28%	120.08%
2021	2021	0.39892%	(107,077)	—	(107,077)	10,585,869	-1.01%	115.10%
2020	2020	0.40997%	29,080	—	29,080	11,223,720	0.26%	95.23%
2019	2019	0.40265%	96,331	—	96,331	10,536,899	0.91%	83.17%
2018	2018	0.40402%	51,411	—	51,411	10,492,455	0.49%	88.71%
2017	2017	0.36534%	19,052	—	19,052	9,670,834	0.20%	93.98%

(1) The Utility's proportionate share of the Net OPEB Asset or Liability represents the Utility's allocated portion of the Municipality's proportionate share for the given year.

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Utility Contributions - Retiree Medical Plan (RMP)

Year Ended December 31,	Measurement Period Ended June 30,	Utility's Proportion of the Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Utility's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	2022	\$ 71,972	\$ 71,972	\$ —	\$ 11,147,105	0.66%
2021	2021	70,233	70,233	—	10,642,158	0.66%
2020	2020	76,796	76,796	—	11,009,182	0.70%
2019	2019	60,021	60,021	—	10,622,250	0.57%
2018	2018	47,646	47,646	—	10,587,315	0.45%
2017	2017	45,108	45,108	—	9,919,764	0.45%

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to Required Supplementary Information.

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

Required Supplementary Information
OPEB Plans

December 31, 2022

Schedule of the Utility's Proportionate Share of the Net OPEB Asset - Occupational Death and Disability Plan (ODD)

Year Ended	Measurement Period Ended	Utility's Proportion of the Net OPEB Asset ⁽¹⁾	Utility's Proportionate Share of the Net OPEB Asset	State of Alaska's Proportionate Share of the Net OPEB Asset	Total Utility Net OPEB Asset	Utility's Proportion of the Covered Payroll	Utility's Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset
December 31,	June 30,							
2022	2022	0.50965%	\$ (223,419)	\$ —	\$ (223,419)	\$ 11,197,597	2.00%	348.80%
2021	2021	0.49458%	(217,977)	—	(217,977)	10,585,869	2.06%	374.22%
2020	2020	0.54467%	(148,478)	—	(148,478)	11,223,720	1.32%	283.80%
2019	2019	0.54049%	(131,042)	—	(131,042)	10,536,899	1.24%	297.43%
2018	2018	0.40402%	(78,469)	—	(78,469)	10,492,455	0.75%	270.62%
2017	2017	0.36534%	(51,838)	—	(51,838)	9,670,834	0.54%	212.97%

(1) The Utility's proportionate share of the Net OPEB Asset represents the Utility's allocated portion of the Municipality's proportionate share for the given year.

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Utility Contributions - Occupational Death and Disability Plan (ODD)

Year Ended	Measurement Period Ended	Utility's Proportion of the Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Utility's Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31,	June 30,					
2022	2022	\$ 29,917	\$ 29,917	\$ —	\$ 11,147,105	0.27%
2021	2021	27,269	27,269	—	10,642,158	0.26%
2020	2020	26,043	26,043	—	11,009,182	0.24%
2019	2019	22,868	22,868	—	10,622,250	0.22%
2018	2018	17,355	17,355	—	10,587,315	0.16%
2017	2017	10,839	10,839	—	9,919,764	0.11%

Note: This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to Required Supplementary Information.

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

Notes to Required Supplementary Information
OPEB Plans

December 31, 2022

Public Employees' Retirement System - Defined Benefit OPEB Plans

In accordance with GASB Statement No. 85, "Covered Payroll" is defined as payroll on which contributions to the OPEB plans are based. Because a portion of the Utility's contributions to the Plans (the DBUL) is based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both Defined Benefit and Defined Contribution).

The OPEB schedules discussed below are presented for each of the three PERS OPEB plans; Alaska Retiree Healthcare Trust Plan (ARHCT), Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD).

Schedule of Utility's Proportionate Share of the Net OPEB Asset and Liability

- The Schedules presented are based on the Plan measurement date. For December 31, 2022, the Plan measurement date is June 30, 2022.
- There were no changes in benefit terms from the prior measurement period.
- In 2022, the discount rate was lowered from 7.38% to 7.25%.
- The actuarial assumptions used in the June 30, 2022, actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The assumptions used in the June 30, 2022, actuarial valuation are the same as those used in the June 30, 2021, valuation with the following exceptions:
 - The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from postretirement healthcare plan assets.
- There were no changes in the valuation method from the prior measurement period.
- There were no changes in the allocation methodology from the prior measurement period. The measurement period ended June 30, 2022, allocated the net OPEB liability and asset based on the present value of contributions for fiscal year 2023 through 2039, as determined by projections based on the June 30, 2021, actuarial valuation.

Schedule of Utility's Contributions

These Schedules are based on the Utility's contributions for each year presented. A portion of these contributions is included in the plan measurement results, while a portion of the contributions is reported as a deferred outflow of resources on the December 31, 2022, statement of net position.

STATISTICAL SECTION

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND
Statistical Section (unaudited)
Table 1
Financial Ratios

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Financial ratios:					
Current ratio (current assets / current liabilities)	1.91	2.11	1.90	2.39	2.66
Quick ratio (quick assets / current liabilities)	1.85	2.04	1.85	2.31	2.62
Return on investment (change in net position / total assets)	2.9%	2.3%	1.2%	2.3%	1.8%
Return on equity (change in net position / net position)	10.0%	8.9%	5.2%	10.3%	8.6%
Debt to equity as a percent of capital structure (outstanding debt / capital structure over net position / capital structure)	<u>56%</u> 44%	<u>60%</u> 40%	<u>63%</u> 37%	<u>64%</u> 36%	<u>65%</u> 35%
Operating margin (operating income / operating revenues)	39%	35%	24%	33%	31%
Revenue bond debt coverage (Note 7c) (amount available for revenue bond debt service / revenue bond principal & interest)	3.54	3.90	3.46	3.70	3.27
Total debt coverage (Note 7d) (amount available for total debt service / total principal & interest)	1.75	1.73	1.97	1.78	1.60
Weighted cost of long term debt*	2.45%	2.28%	2.11%	2.93%	2.75%

* 2022 changed to calculating the weighted cost of long term debt using the interest expense by issued debt instead of historically using sum of interest rates multiplied by percentage of total amounts outstanding for bonds, long-term loans and amortization of bond discounts and transaction costs.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 2

Average Number of Accounts

Customer Type	2022	2021	2020	2019	2018
Residential	53,955	53,867	53,738	53,645	53,621
Commercial	3,731	3,732	3,734	3,737	3,740
Total	<u>57,686</u>	<u>57,599</u>	<u>57,472</u>	<u>57,382</u>	<u>57,361</u>
Growth rate	0.15%	0.22%	0.16%	0.04%	

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

Statistical Section (unaudited)

Table 3

Current Rates

Type of Service	2022 ⁽¹⁾	2021 ⁽²⁾	2020 ⁽³⁾	2019 ⁽³⁾	2018 ⁽⁴⁾
Metered:					
Customer charge (per account)	\$ 10.30	9.93	9.19	9.42	8.73
Residential usage charge (per 1,000 gallons)	6.83	6.58	6.09	6.24	5.78
Commercial – low strength (TSS<= 275 mg/L)	6.00	5.78	5.35	5.49	5.08
Commercial – medium strength (TSS between 275 and 450mg/L)	7.97	7.68	7.11	7.28	6.75
Commercial – high strength (TSS>450 mg/L)	9.30	8.96	8.30	8.51	7.88
Unmetered:					
Customer charge (per account)	10.30	9.93	9.19	9.42	8.73
Residential, usage charge (per dwelling unit)	43.61	42.03	38.92	39.88	36.97
Commercial, usage charge (depends on customer business)	14.37 to 1,217.46	13.85 to 1,164.57	12.82 to 1,078.31	13.14 to 1,104.96	12.18 to 1,032.14

⁽¹⁾ Rates effective 1/18/22. Rate increase of 3.75% was approved by the RCA as final and permanent.

⁽²⁾ Rates effective 4/1/21. Rate increase of 8.0% was approved by the RCA as final and permanent.

⁽³⁾ Rates effective 2/1/19. Rate increase of 9.5% was approved by the RCA on an interim and refundable basis.
Rate increase of 6.86% was approved by the RCA on 2/25/20 as final and permanent.

⁽⁴⁾ Rates effective 1/8/18. Rate increase of 2.5% was approved by the RCA on an interim and refundable basis.
Rate increase of 0.98% was approved by the RCA as final and permanent.

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

Statistical Section (unaudited)

Table 4

Revenues and Expenses - Budget to Actual

	2022 Budget	2022 Actual	Variance Favorable / (Unfavorable)	% of Budget
Operating Revenue				
Charges for Services	\$ 65,594,000	66,295,847	701,847	101.1%
Miscellaneous	969,245	974,455	5,210	100.5%
Total Operating Revenue	66,563,245	67,270,302	707,057	101.1%
Non Operating Revenue				
Investment income (loss)	248,805	(448,479)	(697,284)	-180.3%
Other income	10,000	11,651	1,651	116.5%
Total Non Operating Revenue	258,805	(436,828)	(695,633)	-168.8%
Total Revenue	66,822,050	66,833,474	11,424	100.0%
Operating Expenses				
Labor				
Labor and Benefits	18,323,719	16,893,042	1,430,677	92.2%
Overtime	419,500	461,374	(41,874)	110.0%
Total Labor	18,743,219	17,354,416	1,388,803	92.6%
Non Labor				
Non Labor	15,379,459	14,207,965	1,171,494	92.4%
Travel	102,100	36,549	65,551	35.8%
Transfers (MUSA and gross receipts)	7,034,894	7,034,578	316	100.0%
Depreciation and amortization	13,164,282	12,790,693	373,589	97.2%
Amortization of Leased Right to Use Assets	-	3,970	(3,970)	N/A
Total Non Labor	35,680,735	34,073,755	1,606,980	95.5%
Total Direct Cost	54,423,954	51,428,171	2,995,783	94.5%
Charges from other departments	2,077,508	1,479,110	598,398	71.2%
Total Operating Expense	56,501,462	52,907,281	3,594,181	93.6%
Non Operating Expense				
Interest on bonded debt	4,000,000	3,579,950	420,050	89.5%
Amortization of debt expense	(700,000)	(697,542)	(2,458)	99.6%
Interest on Leases	-	1,629	(1,629)	N/A
Other interest expense	2,137,000	1,475,675	661,325	69.1%
Interest during construction	(900,000)	(782,567)	(117,433)	87.0%
Total Non Operating Expense	4,537,000	3,577,145	959,855	78.8%
Total Expenses	61,038,462	56,484,426	4,554,036	92.5%
Increase in Net Position	5,783,588	10,349,048	4,565,460	178.9%
Non-Budget Items:				
Non Operating Revenue				
Pension On-Behalf		331,468		
OPEB On-Behalf		(682,509)		
Total Non Operating Revenue		(351,041)		
Non Operating Expense				
Pension On-Behalf Expense		331,468		
Pension Expense (benefit)		(1,786,146)		
OPEB On-Behalf Benefit		(682,509)		
OPEB Expense (benefit)		(2,342,785)		
Total Non Operating Expense		(4,479,972)		
Change in Net Position		14,477,979		
Appropriation				
Total Expenses	61,038,462	56,484,426		
Less: Non cash items not appropriated				
Depreciation and amortization	13,164,282	12,794,663		
Amortization of debt expense	(700,000)	(697,542)		
Interest during construction	(900,000)	(782,567)		
Total Non-Cash	11,564,282	11,314,554		
Total Appropriated Expenses	\$ 49,474,180	45,169,872	4,304,308	91.3%

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND
Statistical Section (unaudited)
Table 5
Debt Principal by Issue

Description	Original Issue Date	Total Authorized Amount	Principal Balance 12/31/2021	2022 New (Retired) Debt	2022 Principal Payments	Principal Balance 12/31/2022	Current Portion
Revenue bonds, net							
2017 Wastewater Bonds Series A	07/05/2017	\$ 20,000,000	\$ 12,000,000	\$ —	\$ 2,000,000	\$ 10,000,000	\$ 2,000,000
2017 Wastewater Bonds Series B	10/05/2017	64,895,000	61,710,000	—	1,280,000	60,430,000	1,625,000
2022 Wastewater Bonds Series A	07/14/2022	19,633,008	—	19,633,008	914,055	18,718,953	1,970,417
Total bonds principal		<u>104,528,008</u>	<u>73,710,000</u>	<u>19,633,008</u>	<u>4,194,055</u>	<u>89,148,953</u>	<u>5,595,417</u>
Unamortized premiums			9,039,173	—	824,372	8,214,801	
Total revenue bonds		<u>104,528,008</u>	<u>82,749,173</u>	<u>19,633,008</u>	<u>5,018,427</u>	<u>97,363,754</u>	<u>5,595,417</u>
Direct Borrowing - Alaska Clean Water (ACW) loans							
ACW-127101 FY97 Misc WW	08/09/2002	2,250,000	900,000	—	112,500	787,500	112,500
ACW-127131 Chster Crk Trunk Study	03/11/2005	300,127	30,013	—	15,006	15,007	15,006
ACW-127141 Pump Sn 2 Upgr CC	03/20/2003	1,305,252	441,411	—	63,059	378,352	63,059
ACW-127151 Operations Fac II	06/01/2001	1,138,248	56,761	(1)	56,760	—	—
ACW-127211 Misc Small Swr R&R	07/23/2002	1,410,000	162,467	—	80,629	81,838	81,838
ACW-127271 Campbell Lk Swr Upg	07/27/2004	2,229,617	621,101	—	120,549	500,552	122,357
ACW-127291 Operations Fac III	03/18/2004	3,608,588	404,625	—	202,312	202,313	202,312
ACW-127301 Septic Sys Site Upgr	08/27/2002	500,000	74,863	—	24,954	49,909	24,954
ACW-127371 Old Glen Hwy	02/22/2008	2,000,000	1,000,000	—	100,000	900,000	100,000
ACW-127421 B-4AB Swr Trunk Upgr	02/04/2003	2,370,748	118,053	—	118,053	—	—
ACW-127451 SCADA Swr	11/11/2004	13,000,000	5,262,345	—	657,793	4,604,552	657,793
ACW-127481 Aplund Hdwks Mod 02	10/08/2004	4,200,000	1,169,988	—	227,082	942,906	230,489
ACW-127611 Asplund Facility Utilador	12/05/2012	2,100,000	1,260,000	—	105,000	1,155,000	105,000
ACW-127631 Asplund Process Impr	01/30/2008	8,000,000	2,800,000	—	400,000	2,400,000	400,000
ACW-127651 C-2(A,B) Swr Imprmnts	12/16/2009	1,700,000	679,998	—	85,000	594,998	85,000
ACW-127661 King-Rovenna Swr Upg	08/01/2007	1,613,129	645,252	—	80,656	564,596	80,656
ACW-127671 C-5-1 N Campbell Lk	08/01/2007	941,788	376,715	—	47,089	329,626	47,089
ACW-127691 ER WWTF Gravity Thck	08/07/2007	201,970	90,887	—	10,099	80,788	10,099
ACW-127701 Girdwood WWTF Improvements	12/28/2007	24,915,000	7,545,262	—	538,947	7,006,315	538,947
ACW-127721 San Ernesto Hoyt Upgrade	12/16/2009	404,000	161,600	—	20,200	141,400	20,200
ACW-127741 Septage Improvements	12/22/2008	1,800,000	900,000	—	90,000	810,000	90,000
ACW-130031 Asplund Improvements	10/29/2008	2,701,000	810,300	—	135,050	675,250	—
ACW-130061 W. 71st Ave Sewer Rehab	01/18/2008	300,000	225,000	—	15,000	210,000	15,000
ACW-130071 Pump Station Upgrade	10/31/2014	3,519,908	1,935,949	—	175,995	1,759,954	175,995
ACW-130081 Sand Lake Swr Extension Proj.	12/16/2009	600,000	270,000	—	30,000	240,000	30,000
ACW-130091 Asplund Generator Upgrd	02/17/2010	5,963,373	2,683,518	—	298,169	2,385,349	298,169
ACW-130101 Minnesota-Benson Swr Upgrd	10/16/2008	395,625	138,469	—	19,781	118,688	19,781
ACW-130131 Arctic 32nd-36th Upgrd	06/16/2009	437,275	153,046	—	21,864	131,182	21,864
ACW-130171 Asplund Disinfection Study/Upgrd	07/09/2008	7,172,975	5,380,375	—	358,692	5,021,683	358,692
ACW-130191 Pump Station 10 Upgrade	04/30/2010	3,283,217	1,641,609	—	164,161	1,477,448	164,161
ACW-130301 Cope Dorbrant Upgrade	12/12/2008	927,746	417,486	—	46,387	371,099	46,387
ACW-130311 Douglas St Sewer	09/09/2008	117,000	35,100	—	5,850	29,250	5,850
ACW-130321 ER WWTR Improvements	09/09/2008	4,746,427	1,928,930	—	241,116	1,687,814	241,116
ACW-130361 Downtown Sewer Upgrade	11/05/2008	280,000	112,000	—	14,000	98,000	14,000
ACW-130571 PS 30/31 Force Main and Fac Upgd	10/06/2009	3,680,000	3,312,000	—	184,000	3,128,000	184,000
ACW-130581 2nd Ave Post Rd Sewer Rehab	10/24/2018	469,600	399,160	—	23,480	375,680	23,480
ACW-130591 7th-9th I St LM Alley Sewer Upgrd	10/31/2018	784,000	744,800	—	39,200	705,600	39,200
ACW-130601 Interceptor C: FM gvty jnct rehab	10/16/2018	600,000	570,000	—	30,000	540,000	30,000
ACW-130611 Asplund Grit Facility Impr Projects	10/15/2018	4,000,000	3,600,000	—	200,000	3,400,000	200,000
ACW-130621 Benson Dawson-Cheechako Upgrd	03/16/2010	447,878	179,151	—	22,394	156,757	22,394
ACW-130631 AWWTF Screen analysis	12/22/2016	1,299,919	909,943	—	129,992	779,951	129,992
ACW-130641 AWWTF Sludge Dewatering Repl	09/09/2014	4,250,000	914,035	—	—	914,035	45,702
ACW-130651 AWWTF Improvements Project	10/16/2018	1,031,762	876,998	—	51,588	825,410	51,588
ACW-130681 Wonder Park Sewer Upgrade Ph II	03/31/2010	1,500,000	1,200,000	—	75,000	1,125,000	75,000
ACW-130711 Iris Way Sewer Upgrade	03/19/2010	408,359	163,344	—	20,418	142,926	20,418
ACW-130781 ERWWTF Rehab Proj	11/15/2016	19,000,000	19,000,000	—	—	19,000,000	—
ACW-130801 Downtown Pipe R&R	10/06/2016	416,592	333,779	—	20,861	312,918	20,861
ACW-131081 Rovenna Pipe Upgrade	02/17/2010	820,741	492,445	—	41,037	451,408	41,037
ACW-131091 ERWTF Clarifier Upgrade	07/22/2011	1,330,806	666,276	—	66,628	599,648	66,628
ACW-131111 Chester Creek Sewer	09/20/2011	420,000	231,000	—	21,000	210,000	21,000
ACW-131121 HVAC Control System King St	11/21/2012	237,012	118,506	—	11,851	106,655	11,851
ACW-131391 Sand Lake Area Swr Phase II	11/21/2012	140,000	84,000	—	7,000	77,000	7,000
ACW-131401 Fish Creek Interceptor Rehab Proj	10/20/2014	5,000,000	2,623,180	—	145,733	2,477,447	145,732
ACW-131481 Blueberry Sewer Rehab Project	10/15/2018	1,176,000	1,117,200	—	58,800	1,058,400	58,800
ACW-131491 ERWWTF Fac Plant	09/12/2017	400,000	380,000	—	20,000	360,000	20,000
ASUC19 - Pro Fi	04/20/2020	10,000,000	9,500,000	—	500,001	8,999,999	500,000
ASUC21 - Pro Fi	05/21/2021	7,963,018	7,963,018	—	398,152	7,564,866	398,151
Total Direct Borrowing - ACW loans		<u>171,808,700</u>	<u>95,811,958</u>	<u>(1)</u>	<u>6,748,888</u>	<u>89,063,069</u>	<u>6,491,148</u>
Direct Borrowing - Loans payable-other							
Key Government Financing	05/16/2019	30,000,000	19,505,506	(19,504,506)	—	1,000	—
Total long-term debt, net		<u>\$ 306,336,708</u>	<u>198,066,637</u>	<u>128,501</u>	<u>11,767,315</u>	<u>186,427,823</u>	<u>12,086,565</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 6

Revenue Bond Coverage Requirements

Fiscal Year	Revenue (1)	Assessment Collections (2)	Operating Expenses (3)	Amount Available For Debt Service	Current Year Debt Service Requirements			Coverage (4)
					Principal	Interest	Total	
2013	\$ 49,606,871	254,484	29,856,569	20,004,786	705,000	3,099,794	3,804,794	5.26
2014	51,741,625	351,374	31,018,722	21,074,277	730,000	3,069,950	3,799,950	5.55
2015	51,619,089	416,239	34,440,698	17,594,630	765,000	3,037,578	3,802,578	4.63
2016	51,591,772	574,187	32,974,054	19,191,905	800,000	3,002,719	3,802,719	5.05
2017 *	56,247,049	328,627	35,117,730	21,457,946	840,000	1,636,932	2,476,932	8.66
2018 *	56,266,665	328,678	35,595,219	21,000,124	2,565,000	3,853,999	6,418,999	3.27
2019	61,696,662	273,759	38,142,914	23,827,507	2,840,000	3,606,692	6,446,692	3.70
2020	59,414,490	537,763	38,131,954	21,820,299	2,870,000	3,437,155	6,307,155	3.46
2021	63,180,187	328,634	39,045,936	24,462,885	2,910,000	3,366,317	6,276,317	3.90
2022	66,827,720	148,313	39,635,861	27,340,172	4,194,055	3,538,350	7,732,405	3.54

(1) Excludes allowance for funds used during construction, and payments received for PERS relief from State of Alaska, includes non-operating revenue.

(2) Assessment collections represent payments made by benefited property owners.

(3) Excludes pension expense, PERS on behalf expense, OPEB on behalf expense, OPEB expense, and depreciation, but includes special items and transfers to other funds.

(4) Required minimum coverage is 1.15.

* Revised calculation removing pension and OPEB revenue and expense as stated in items (1) and (3) above.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 7

Capital Improvement Program (In Thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	Six Year Total
Project category:							
ADOT-MOA Emergency	\$ 1,000	1,000	1,000	1,000	1,000	1,000	6,000
Facility Master Plan	—	—	—	—	—	50	50
Collection System	5,180	3,210	1,000	1,010	1,000	4,710	16,110
IT Hardware/Software	430	975	1,930	475	455	475	4,740
Miscellaneous Equipment	1,300	1,300	1,300	1,300	1,550	1,300	8,050
Other Plant & Facilities	4,043	—	—	2,700	—	500	7,243
Vehicles	1,250	1,250	1,250	1,250	1,250	1,250	7,500
Wastewater Plant	3,950	1,000	1,000	1,000	1,000	10,880	18,830
Total	<u>17,153</u>	<u>8,735</u>	<u>7,480</u>	<u>8,735</u>	<u>6,255</u>	<u>20,165</u>	<u>68,523</u>
Source of funding:							
Debt	6,943	735	—	—	—	5,165	12,843
Equity	10,210	8,000	7,480	8,735	6,255	15,000	55,680
Total	<u>\$ 17,153</u>	<u>8,735</u>	<u>7,480</u>	<u>8,735</u>	<u>6,255</u>	<u>20,165</u>	<u>68,523</u>

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

Statistical Section (unaudited)

Table 8

Effluent Comparison by Facility

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Wastewater treatment facility (WWTF) system data:					
Asplund WWTF:					
Minimum daily flow ⁽¹⁾	24.5	23.2	23.3	23.0	23.9
Maximum daily flow ⁽¹⁾	45.9	40.2	41.2	34.9	38.7
Average daily flow ⁽¹⁾	30.2	27.4	26.9	27.1	26.3
Peak flow ⁽¹⁾	61.9	60.4	53.4	56.0	51.2
Yearly Total ⁽²⁾	11,035.0	10,014.5	9,825.4	9,881.9	9,613.3
Eagle River WWTF:					
Minimum daily flow ⁽¹⁾	1.2	1.1	1.0	1.0	1.1
Maximum daily flow ⁽¹⁾	2.0	1.9	1.7	1.9	1.8
Average daily flow ⁽¹⁾	1.4	1.4	1.3	1.3	1.3
Peak flow ⁽¹⁾	4.4	4.2	3.9	4.4	4.4
Yearly Total ⁽²⁾	517.8	505.9	484.7	474.1	474.7
Girdwood WWTF:					
Minimum daily flow ⁽¹⁾	0.1	0.2	0.3	0.1	0.1
Maximum daily flow ⁽¹⁾	0.9	2.2	1.2	1.3	1.0
Average daily flow ⁽¹⁾	0.4	0.5	0.5	0.4	0.3
Peak flow ⁽¹⁾	3.5	2.5	2.4	2.4	2.0
Yearly Total ⁽²⁾	155.3	189.6	177.1	139.7	121.4
Design capacity by source: ⁽¹⁾					
Asplund WWTF	58.0				
Eagle River WWTF	2.5				
Girdwood WWTF	0.6				
Total	<u>61.1</u>				
Miles of collection sewers:					
Interceptors	45	45	45	45	45
Trunks	81	81	81	81	84
Laterals	640	639	638	635	631
Total	<u>766</u>	<u>765</u>	<u>764</u>	<u>761</u>	<u>760</u>

⁽¹⁾ Million Gallons per Day (MGD)

⁽²⁾ Million Gallons (MG)

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 9

Detailed Schedule of Wastewater Plant in Service (In Thousands)

	Wastewater Plant				Balance 12/31/2022
	Balance 01/01/2022	Additions	Retirements	Reclass	
Wastewater plant in service:					
Tangible plant:					
Collection plant:					
Land	\$ 1,250	—	—	—	1,250
Laterals	276,059	4,735	—	—	280,794
Trunks	86,066	22	—	—	86,088
Interceptors	59,049	—	—	—	59,049
Lift stations	18,304	—	—	—	18,304
Service lines	2,483	621	—	—	3,104
Pumping plant:					
Structures & improvements	9,429	—	(12)	—	9,417
Receiving wells	2,641	1,623	—	—	4,264
Electric pumping equipment	10,682	441	(99)	—	11,024
Treatment and disposal plant:					
Treatment plant	96,647	816	(743)	2,853	99,573
Treatment & disposal equipment	106,503	345	—	—	106,848
Protective coatings	8,224	—	—	—	8,224
Effluent tunnel plant sewer	11,384	6	—	—	11,390
Outfall sewer lines	3,565	—	—	—	3,565
Land and land rights	4,203	—	—	—	4,203
General plant:					
Structures & improvements	25,798	—	—	(2,853)	22,945
Office furniture	136	—	(55)	—	81
Computer equipment	4,330	6	(688)	—	3,648
Vehicles (light duty)	3,586	74	—	—	3,660
Transportation equipment (heavy duty)	5,755	393	—	—	6,148
Stores equipment	227	—	—	—	227
Tools, shop, & garage equipment	1,007	99	(14)	—	1,092
Laboratory equipment	178	11	—	—	189
Power operated equipment	1,206	419	—	—	1,625
Communication equipment	11,774	59	(25)	—	11,808
Miscellaneous equipment	1,092	11	—	—	1,103
Total tangible plant	<u>751,578</u>	<u>9,681</u>	<u>(1,636)</u>	<u>—</u>	<u>759,623</u>
Intangible plant	7,322	86	—	—	7,408
Total Wastewater plant in service	<u>758,900</u>	<u>9,767</u>	<u>(1,636)</u>	<u>—</u>	<u>767,031</u>
Property held for future use	1,380	—	—	—	1,380
Leased right to use assets, less amortization of \$3,970	-	68	—	—	68
Construction work in progress	17,891	8,769	(7,363)	—	19,297
Total Wastewater plant	<u>\$ 778,171</u>	<u>18,604</u>	<u>(8,999)</u>	<u>—</u>	<u>787,776</u>

(Continued)

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND
Statistical Section (unaudited)
Table 9 (continued)
Detailed Schedule of Depreciation and Amortization (In Thousands)

	Accumulated Depreciation and Amortization					Net Book Value of Plant
	Balance 01/01/2022	Additions	Retirements	Reclass	Balance 12/31/2022	
Wastewater plant in service:						
Tangible plant:						
Collection plant:						
Land	\$ —	—	—	—	—	1,250
Laterals	126,297	4,549	—	—	130,846	149,948
Trunks	40,011	1,403	—	—	41,414	44,674
Interceptors	23,536	762	—	—	24,298	34,751
Lift stations	15,181	214	—	—	15,395	2,909
Service lines	164	45	—	—	209	2,895
Pumping plant:						
Structures & improvements	4,244	123	(12)	—	4,355	5,062
Receiving wells	867	104	—	—	971	3,293
Electric pumping equipment	2,209	493	(99)	—	2,603	8,421
Treatment and disposal plant:						
Treatment plant	26,605	1,373	(743)	1,045	28,280	71,293
Treatment & disposal equipment	49,235	4,368	—	—	53,603	53,245
Protective coatings	2,276	432	—	—	2,708	5,516
Effluent tunnel plant sewer	5,150	154	—	—	5,304	6,086
Outfall sewer lines	2,342	12	—	—	2,354	1,211
Land and land rights	—	—	—	—	—	4,203
General plant:						
Structures & improvements	11,059	388	—	(1,045)	10,402	12,543
Office furniture	58	4	(55)	—	7	74
Computer equipment	1,506	1,128	(688)	—	1,946	1,702
Vehicles (light duty)	1,508	272	—	—	1,780	1,880
Transportation equipment (heavy duty)	4,039	23	—	—	4,062	2,086
Stores equipment	163	2	—	—	165	62
Tools, shop, & garage equipment	262	48	(14)	—	296	796
Laboratory equipment	118	18	—	—	136	53
Power operated equipment	375	74	—	—	449	1,176
Communication equipment	7,409	1,147	(25)	—	8,531	3,277
Miscellaneous equipment	302	73	—	—	375	728
Total tangible plant	324,916	17,209	(1,636)	—	340,489	419,134
Intangible plant	5,832	775	—	—	6,607	801
Total Wastewater plant in service	\$ 330,748	17,984	(1,636)	—	347,096	419,935
Property held for future use	—	—	—	—	—	1,380
Leased right to use assets	—	4	—	—	4	64
Construction work in progress	—	—	—	—	—	19,297
Total Wastewater plant	\$ 330,748	17,988	(1,636)	—	347,100	440,676



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 Wastewater Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, and the related notes to the financial statements, which collectively comprise the Wastewater Utility Fund’s basic financial statements, and have issued our report thereon dated January 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wastewater Utility Fund’s internal control over financial reporting (internal control) as a basis for designing 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 Wastewater Utility Fund’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Wastewater 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 a 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. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001, that we consider to be a material weakness.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wastewater 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 financial statements. 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*.

Wastewater Utility Fund's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Wastewater Utility Fund's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Wastewater Utility Fund's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Wastewater Utility Fund'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 Wastewater Utility Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
January 31, 2024

**Municipality of Anchorage, Alaska
Wastewater Utility Fund**

**Schedule of Findings and Responses
Year Ended December 31, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Section II - Financial Statement Findings

Finding 2022-001 **Timeliness in Closure of Books and Records and Accuracy of Financial Reporting - Material Weakness in Internal Control over Financial Reporting**

Criteria *Governmental Accounting Standards Board Concepts Statement No. 1, Objectives of Financial Reporting*, identifies the objectives of external financial reporting by state and local government entities. These objectives encompass concepts of financial reporting that will promote useful financial information for state and local governments to its users. GASB Concepts Statement No. 1 specifically states "If financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had."

Condition The Municipality of Anchorage (the Municipality) failed to perform closure of books and records in a timely manner after its fiscal year end. This resulted in a delay to produce required reconciliations and final period-ending trial balances utilized in the production of financial reporting. The Wastewater Utility Fund relies on the Municipality to account for certain balances, including cash and investments held in the Central Treasury, pension and other postemployment benefits, and grants.

Cause There were limited personnel resources at the Municipality to assist in the timely completion of the Municipality's close of books and records for its fiscal year end and accuracy in financial reporting.

Effect or potential effect The delay in timing and material revisions to the financial report resulted in delays for disseminating financial reporting information to the Utility's regulatory oversight bodies and creditors.

Recommendation Management should work with the Municipality to prepare timely reconciliations of the accounts that affect the Utility.

Views of responsible officials Management agrees with the finding. Management will work with the Municipality to improve timeliness.



Anchorage Water & Wastewater Utility



Municipality of Anchorage, Alaska Wastewater Utility Fund

Corrective Action Plan Year Ended December 31, 2022

Finding 2022-001	Timeliness in Closure of Books and Records and Accuracy of Financial Reporting - Material Weakness in Internal Control over Financial Reporting
Planned Corrective Action Plan:	The Utility uses a general ledger program that is a Municipality of Anchorage (MOA)-wide system. The Utility can only close periods when all of MOA is ready to close periods, and vice versa. The Utility will work with MOA to improve the timeliness of these closures, as they relate to the Utility.
Completion Date:	June 30, 2024
Contact:	Jack Broyles, Jr. AWWU CFO, AWWU Finance Director 907-786-5623

