



Municipality of Anchorage, Alaska
Wastewater Utility Fund
Basic Financial Statements
and Supplementary Information

December 31, 2010 and 2009
(with Independent Auditors' Report Thereon)



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

Basic Financial Statements and Supplementary Information

December 31, 2010 and 2009

(With Independent Auditor's Report Thereon)

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Wastewater Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Wastewater Utility Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, 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, 2010 and 2009, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wastewater Utility Fund as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

The accompanying statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Mikunda, Cottrell & Co.

Anchorage, Alaska
May 18, 2011

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

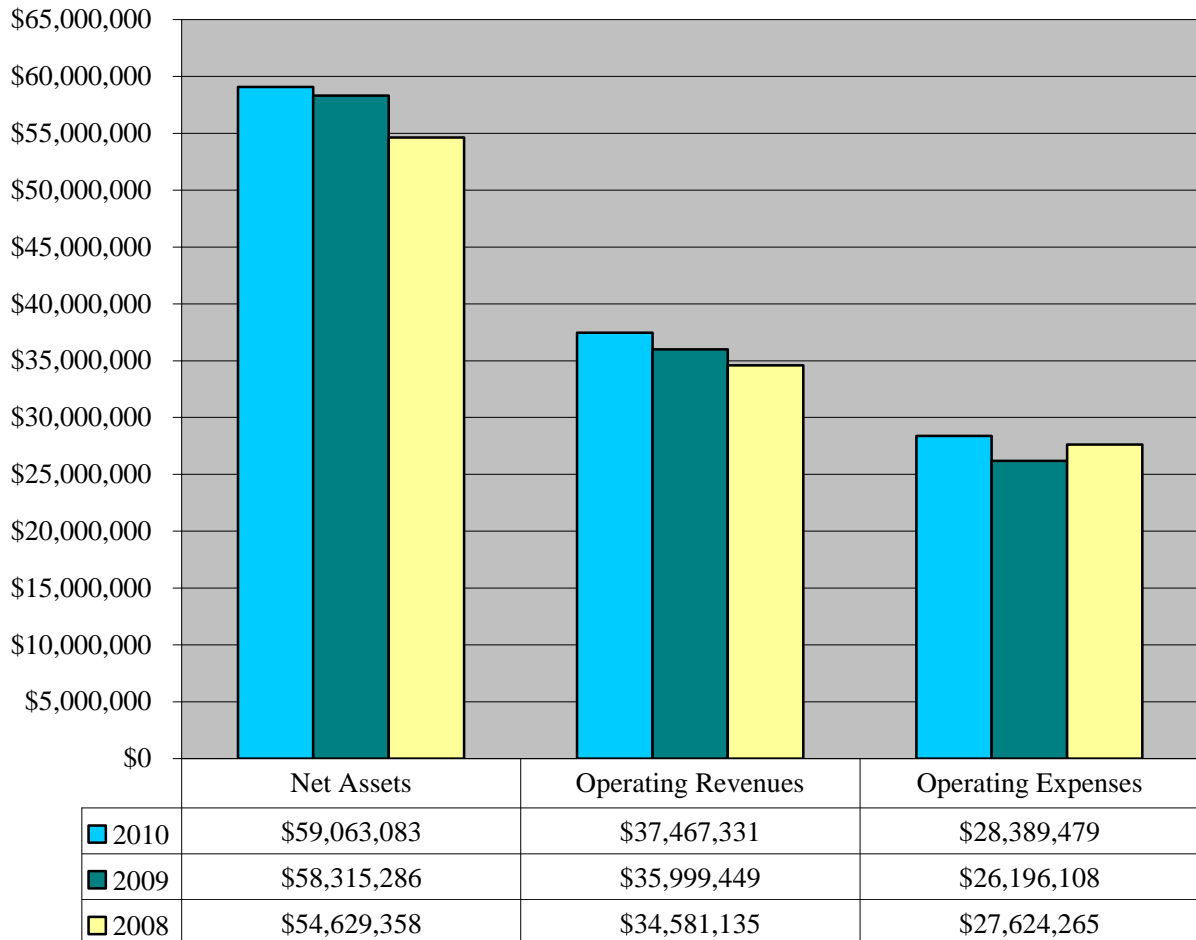
Management's Discussion and Analysis

December 31, 2010 and 2009

This section of the Municipality of Anchorage Wastewater Utility (Utility) annual financial report presents the analysis of the Utility's financial performance during the years ending December 31, 2010 and 2009. Please read it in conjunction with the Utility's financial statements.

Financial Highlights

- Net Capital Assets increased by \$9,910,000, or 3% in 2010 and \$40,870,000, or 13% in 2009.
- Net Assets increased by \$750,000, or 1% in 2010 and \$3,690,000, or 7% in 2009.
- Operating Revenues increased by \$1,470,000, or 4% in 2010 and \$1,420,000, or 4% in 2009.
- Operating Expenses increased by \$2,190,000, or 8% in 2010 and decreased by \$1,430,000, or 5% in 2009.



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

Management's Discussion and Analysis

December 31, 2010 and 2009

Overview of the Financial Report

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

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

Balance Sheets – This statement presents information regarding the Utility's assets, liabilities, and net assets. Net assets represent total assets less total liabilities. The Balance Sheet classifies assets and liabilities as current and non-current.

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

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

Analysis of the Financial Statements

Net Assets

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

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

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

Management's Discussion and Analysis

December 31, 2010 and 2009

Changes in the Utility's net assets can be determined by reviewing the following condensed Summary of Net Assets as of December 31, 2010, 2009, and 2008. The analysis below focuses on the Utility's net assets at the end of the year (Table 1) and changes in net assets (Table 2) during the year.

**Table 1
Summary of Net Assets**

	2010	2009	2008
Assets:			
Net capital assets	\$ 357,855,992	347,941,222	307,075,272
Current and other assets	17,272,424	21,323,081	36,658,984
Total assets	<u>375,128,416</u>	<u>369,264,303</u>	<u>343,734,256</u>
Liabilities:			
Net debt outstanding	138,681,613	127,367,583	115,074,341
Current and other liabilities	177,383,720	183,581,434	174,030,557
Total liabilities	<u>316,065,333</u>	<u>310,949,017</u>	<u>289,104,898</u>
Net assets:			
Invested in capital assets net of debt	47,917,384	49,033,023	38,368,275
Restricted	1,619,691	1,819,474	237
Unrestricted	9,526,008	7,462,789	16,260,846
Total net assets	<u>\$ 59,063,083</u>	<u>58,315,286</u>	<u>54,629,358</u>
Change in net assets	<u>\$ 747,797</u>	<u>3,685,928</u>	

In 2010, the Utility's total assets increased by \$5.9 million. Net capital assets increased by \$9.9 million due primarily to additions to wastewater plant of \$23.5 million offset by additions to accumulated depreciation of \$11.6 million and a reduction of \$2 million in construction work in progress (see MD&A Table 3A and note 3). Current and other assets decreased by \$4 million due primarily to a \$4.9 million reduction in equity in the general cash pool.

Total liabilities increased by \$5.1 million in 2010. Net debt outstanding increased by \$11.3 million due to additional low interest State of Alaska loans of \$16.5 million, offset by debt principal payments of \$5.2 million (see note 4 of this report). Current and other liabilities decreased \$6.2 million during the year. This decrease was mostly attributable to the payoff of interfund borrowings of \$6.6 million used in funding 2009 capital construction and a net change of \$6.6 million in contributions in aid of construction along with a net change in amortization of \$5.5 million (see note 6).

In 2009, the Utility's total assets increased by \$25.5 million. Net capital assets increased by \$40.9 million due primarily to additions to wastewater plant of \$53 million that were offset by additions to accumulated depreciation of \$10 million and a reduction of \$2.2 million in construction work in progress. Current and other assets decreased by \$15.3 million in 2009 due primarily to a \$12.4 million reduction in cash and investments restricted for capital construction. Additionally, there was a \$2.8 million reduction in equity from the general cash pool of which \$1.8 million was used to establish the interim rate escrow investment account, associated with 2009 interim rates, ordered by the Regulatory Commission of Alaska.

**MUNICIPALITY OF ANCHORAGE, ALASKA
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Management's Discussion and Analysis

December 31, 2010 and 2009

Total liabilities increased by \$21.8 million in 2009. Net debt outstanding increased by \$12.3 million due to additional low interest State of Alaska loans of \$16.8 million, offset by debt principal payments of \$4.5 million. Current and other liabilities increased \$9.6 million during the year, mostly attributable to interfund borrowings of \$6.6 million used in funding capital construction, a reduction in restricted liabilities related to capital construction of \$1.1 million, and additions of \$9.5 million in contributions in aid of construction, net of amortization of \$5.8 million.

Changes in the Utility's net assets can be determined by reviewing the following condensed Summary of Revenues, Expenses, and Changes in Net Assets for the years ending December 31, 2010, 2009, and 2008.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues:			
Residential sales	\$ 27,081,201	26,040,130	25,575,203
Commercial sales	7,509,217	7,146,293	6,324,260
Public authorities	1,247,885	1,348,725	1,369,791
Miscellaneous	1,629,028	1,464,301	1,311,881
Nonoperating revenues	385,834	1,198,524	855,420
Total revenues	<u>37,853,165</u>	<u>37,197,973</u>	<u>35,436,555</u>
Operating expenses:			
Collection system	4,075,193	3,972,445	3,778,334
Treatment plant	9,648,905	9,172,670	8,076,071
Customer accounts	1,906,061	1,790,215	1,842,958
Administrative and general	7,230,786	7,071,689	7,696,199
Depreciation, net of amortization	5,528,534	4,189,089	6,230,703
Nonoperating expenses	3,704,824	3,053,690	3,711,434
Total expenses	<u>32,094,303</u>	<u>29,249,798</u>	<u>31,335,699</u>
Income before transfers and special items	<u>5,758,862</u>	<u>7,948,175</u>	<u>4,100,856</u>
Transfers:			
Transfer to other funds	(5,011,065)	(4,410,330)	(4,088,967)
Transfer from other funds	-	148,083	155,950
Total transfers	<u>(5,011,065)</u>	<u>(4,262,247)</u>	<u>(3,933,017)</u>
Special items:			
Net pension obligation write-off	-	-	1,087,535
Net other postemployment benefits obligation write-off	-	-	151,874
Total special items	<u>-</u>	<u>-</u>	<u>1,239,409</u>
Change in net assets	747,797	3,685,928	1,407,248
Beginning net assets	58,315,286	54,629,358	53,222,110
Ending net assets	<u>\$ 59,063,083</u>	<u>58,315,286</u>	<u>54,629,358</u>

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

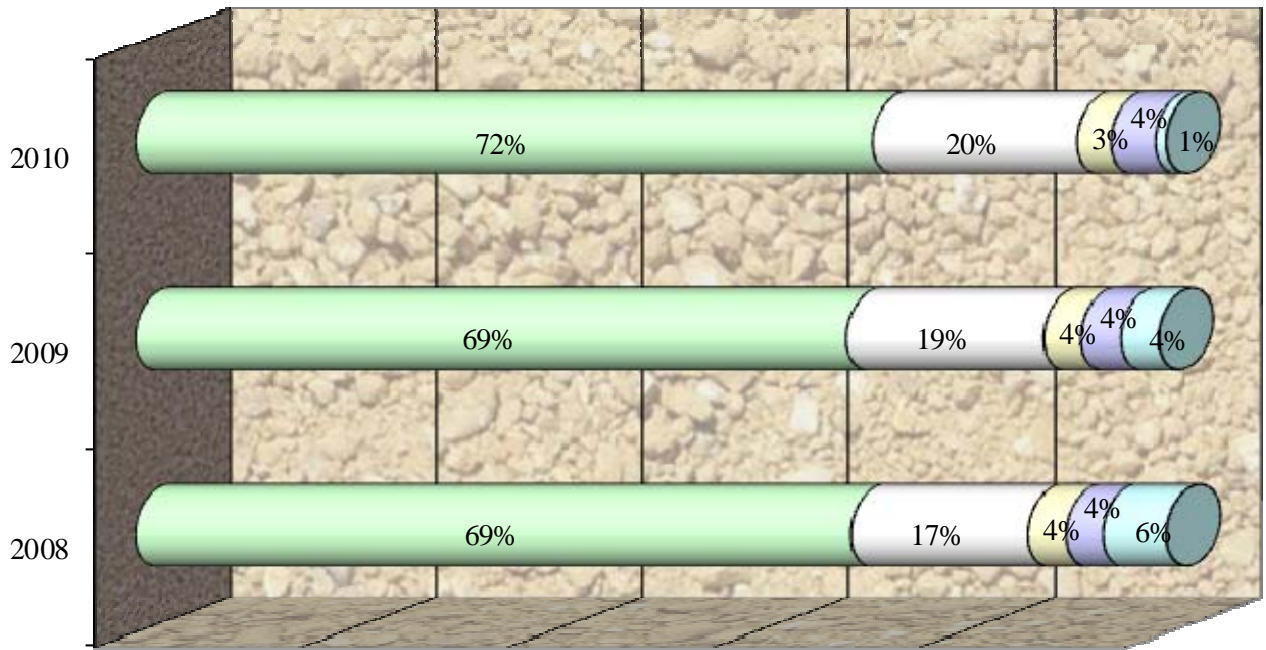
Management's Discussion and Analysis

December 31, 2010 and 2009

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

Net assets increased \$3.7 million during 2009. Operating revenue increased by \$1.4 million due primarily to a 6.5% rate increase effective January 1, 2009. Operating revenues also reflected the impacts of a cost of service study that was implemented in mid 2008. The cost of service study resulted in reduced residential rates and increased commercial rates.

Revenues by Source



■ Residential sales	■ Commercial sales	■ Public authorities
■ Miscellaneous use charges	■ Other revenues	

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

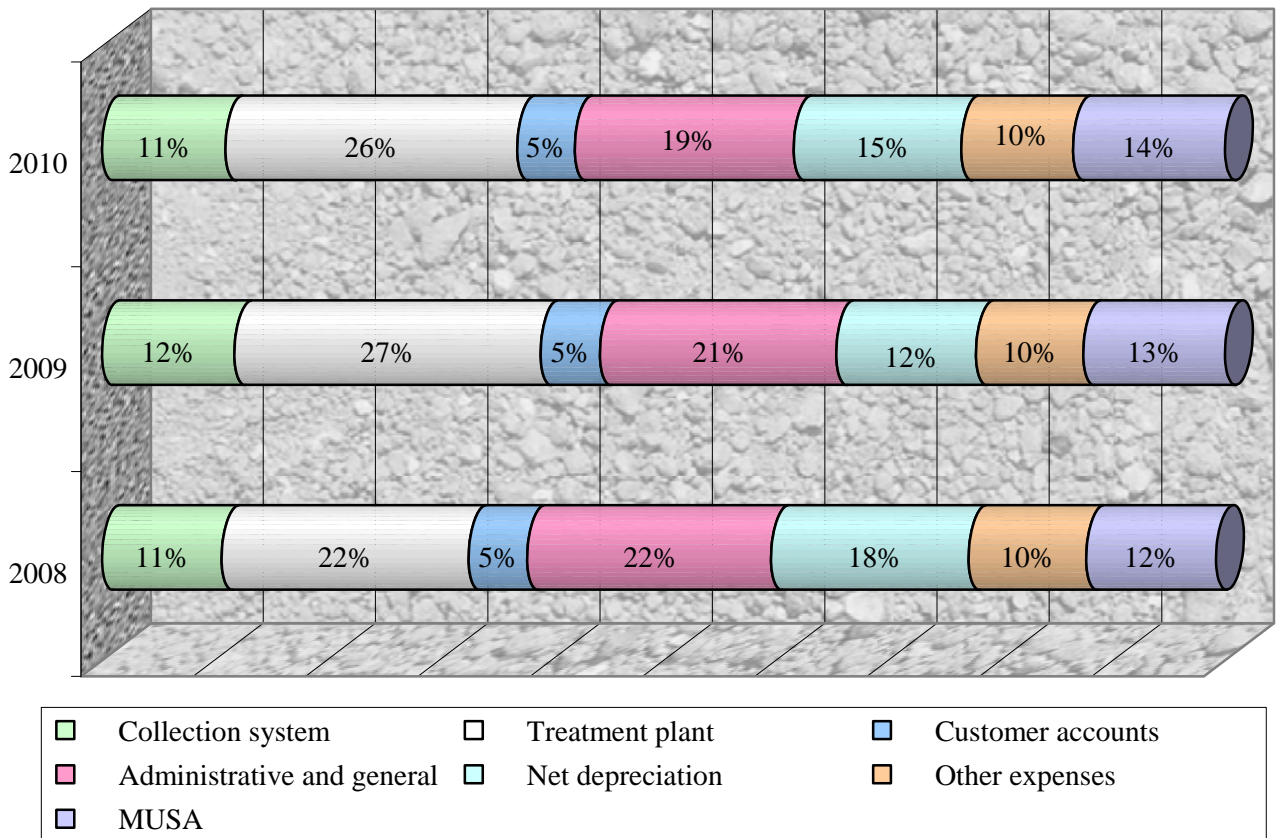
Management's Discussion and Analysis

December 31, 2010 and 2009

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

Operating expenses decreased by \$1.4 million in 2009. The decrease was primarily due to a \$2.0 million decrease in depreciation expense, a result of the new depreciation rates ordered by the Regulatory Commission of Alaska and implemented as of January 2009, being offset by \$0.6 million overall increases in other classes of operating expenses.

Expenses by Source



**MUNICIPALITY OF ANCHORAGE, ALASKA
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Management's Discussion and Analysis

December 31, 2010 and 2009

Capital Assets and Debt

Capital Assets

The following table summarizes the Utility's capital assets, net of accumulated depreciation, as of December 31, 2010, 2009, and 2008.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Miscellaneous intangible plant	\$ 698,170	813,026	915,798
Collection plant	217,270,796	212,719,315	186,078,803
Treatment & disposal plant	71,266,274	66,155,433	63,443,150
Pumping plant	10,739,110	10,214,019	4,244,231
General plant land	4,203,352	4,203,352	4,203,352
General plant	41,611,633	39,773,158	31,898,606
Net plant in service	<u>345,789,335</u>	<u>333,878,303</u>	<u>290,783,940</u>
Property held for future use	1,379,931	1,379,931	1,379,931
Construction work in progress	10,686,726	12,682,988	14,911,401
Net capital assets	<u>\$ 357,855,992</u>	<u>347,941,222</u>	<u>307,075,272</u>
Increase in net capital assets	<u>\$ 9,914,770</u>	<u>40,865,950</u>	

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

Construction work in progress decreased by \$2 million in 2010 having additions of \$18.1 million netted by deletions of \$20.1 million (see note 3).

Total net capital assets increased \$40.9 million in 2009. Collection plant received the majority with net additions of \$26.6 million. Treatment and pumping plant and General plant received the remainder with net additions of \$8.7 million and \$7.9 million respectively. Construction work in progress decreased by \$2.2 million in 2009 having additions of \$47.7 million netted by deletions of \$49.9 million.

**MUNICIPALITY OF ANCHORAGE, ALASKA
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Management's Discussion and Analysis

December 31, 2010 and 2009

**Table 3B
Capital Assets, 2010 Major Additions - gross (millions)**

Collection Plant		Treatment & Disposal Plant	
Turnagain C-F Interceptor Upgrade	\$ 0.6	Facility General Electrical	
S06-023 Alaska Village Tr 4-15	1.3	Room Upgrade	\$ 5.6
Girdwood Manhole I & I Phase III	1.0	Other Miscellaneous projects	<u>1.8</u>
S08-017 Baseball, Tract A2 and A3	0.8	Total Treatment and Disposal Plant	<u>\$ 7.4</u>
Rovenna Pipe Upgrade	0.9		
Upgrade Pump Stations 13, 21, 27, 52, 53	1.9	General Plant	
Other Miscellaneous projects	<u>4.0</u>	SCADA Design Base Spec Swr	\$ 2.2
Total Collection Plant	<u>\$ 10.5</u>	Other Miscellaneous projects	<u>2.6</u>
		Total General plant	<u>\$ 4.8</u>
Pumping Plant			
Miscellaneous projects	\$ 0.8	Total Additions	<u>\$ 23.5</u>
Total Pumping Plant	<u>\$ 0.8</u>		

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

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

Management's Discussion and Analysis

December 31, 2010 and 2009

Debt

Changes in the Utility's debt are shown in the following table as of December 31, 2010, 2009, and 2008. The table includes only debt having a long-term component.

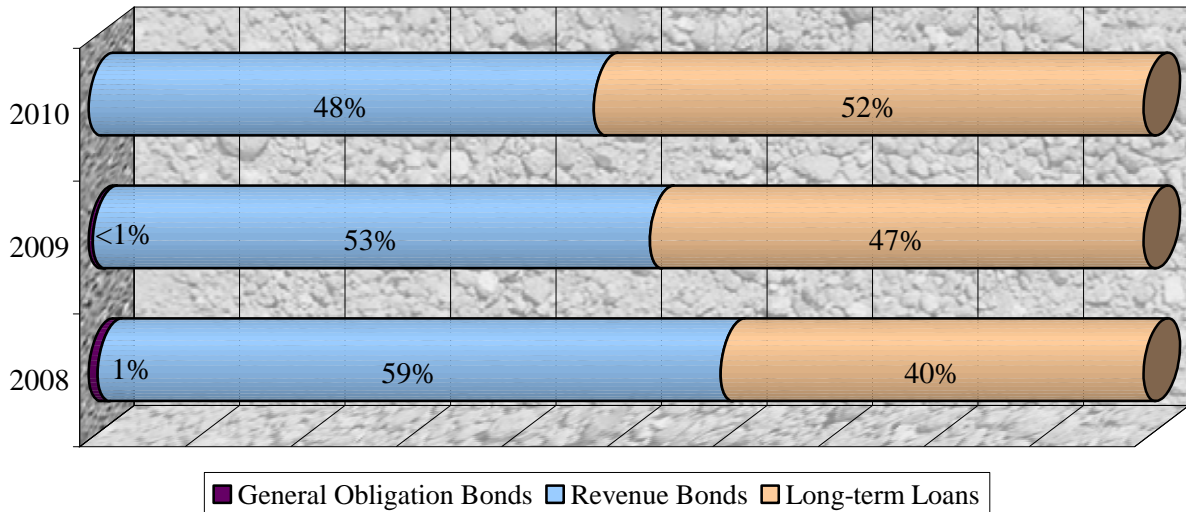
**Table 4
Net Debt**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General obligation bonds, net	\$ -	503,674	970,177
Revenue bonds, net	66,379,999	67,010,533	67,588,046
Bonds total	66,379,999	67,514,207	68,558,223
Long-term loans	72,301,614	59,853,376	46,516,118
Total net debt	<u>\$ 138,681,613</u>	<u>127,367,583</u>	<u>115,074,341</u>
Increase in net debt	<u>\$ 11,314,030</u>	<u>12,293,242</u>	

In 2010, approximately \$16.5 million was received from the State of Alaska Clean Water Loan Program to finance capital improvements. The Utility made principal payments towards the bonds and loans totaling \$5.2 million (see note 4).

In 2009, approximately \$16.8 million was received from the State of Alaska Clean Water Loan Program to finance capital improvements. The Utility made payments towards the general obligation bonds, revenue bonds, and loans totaling \$4.5 million.

Net Debt by Type



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

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

Management's Discussion and Analysis

December 31, 2010 and 2009

Economic Factors and Next Year's Budgets and Rates

Budgetary Matters

The 2011 budget anticipates revenue increases due primarily to a requested rate increase of 15% effective January 1, 2011. The Regulatory Commission of Alaska (RCA) initially approved only an 11.75% increase on an interim basis effective January 1. After reviewing additional evidence and legal arguments, the Commission approved the full requested 15% increase over 2010 wastewater rates effective March 24, 2011. The 15% increase remains interim and refundable pending full review by the RCA. A final decision on the increase is not anticipated earlier than February 2012.

2011 operating expenses are budgeted to increase 11.3% over the 2010 budget. Increases are expected due to higher interest, depreciation, permitting, wages, utility, chemical, and MUSA expenses.

Regulatory Matters

The Utility meets the criteria, and accordingly, follows the accounting and reporting requirements of Accounting Standards Codification No. 980, "Regulated Operations" (ASC 980). The Utility's rates are regulated by the RCA, and as a result, revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities.

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

Contacting the Utility's Financial Management

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

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

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

Balance Sheets

December 31, 2010 and 2009

Assets	2010	2009
Capital assets:		
Plant in service, at cost	\$ 554,594,612	536,520,445
Less accumulated depreciation	(208,805,277)	(202,642,142)
Net plant in service	345,789,335	333,878,303
Plant held for future use	1,379,931	1,379,931
Construction work in progress	10,686,726	12,682,988
Net capital assets	<u>357,855,992</u>	<u>347,941,222</u>
Restricted assets:		
Current:		
Equity in bond and grant capital acquisition and construction pool	1,400,304	-
Interim rate escrow investments	1,619,691	1,819,474
Non-current:		
Customer deposits	199,235	342,267
Total restricted assets	<u>3,219,230</u>	<u>2,161,741</u>
Current assets:		
Equity in general cash pool	7,896,813	12,816,987
Accrued interest receivable	40,220	36,188
Grant receivable	392,371	-
Accounts receivable:		
Utility customers, less estimated uncollectibles of \$77,326 in 2010 and \$87,479 in 2009	2,076,909	2,831,544
Other, less estimated uncollectibles of \$21,955 in 2010 and \$29,970 in 2009	300,685	334,843
Special assessments receivable	94,874	111,076
Unbilled reimbursable projects	57,203	192,297
Inventory of materials and supplies, at average cost	274,688	276,323
Total current assets	<u>11,133,763</u>	<u>16,599,258</u>
Non-current deferred charges and other assets:		
Unamortized cost of debt issuance	868,235	932,734
Unbilled special assessments	932,277	1,059,051
Other	1,118,919	570,297
Total non-current deferred charges and other assets	<u>2,919,431</u>	<u>2,562,082</u>
Total assets	<u>\$ 375,128,416</u>	<u>369,264,303</u>

See accompanying notes to basic financial statements.

Liabilities and Net Assets	2010	2009
	<u> </u>	<u> </u>
Net assets:		
Invested in capital assets, net of related debt	\$ 47,917,384	49,033,023
Restricted	1,619,691	1,819,474
Unrestricted	9,526,008	7,462,789
Total net assets	<u>59,063,083</u>	<u>58,315,286</u>
Non-current liabilities:		
Compensated absences payable	89,788	241,258
Pollution remediation obligation	156,000	92,500
Revenue bonds payable	65,185,000	65,835,000
Less unamortized discounts and losses	(93,063)	(109,841)
Plus unamortized premiums	638,062	670,374
Net revenue bonds payable	<u>65,729,999</u>	<u>66,395,533</u>
Alaska Clean Water Fund loans payable	<u>67,611,083</u>	<u>56,005,183</u>
Total non-current liabilities	<u>133,586,870</u>	<u>122,734,474</u>
Current liabilities:		
Accounts payable	490,453	1,190,998
Accrued payroll	312,583	366,046
Compensated absences payable	1,141,426	966,890
Accrued interest	1,123,886	945,024
Pollution remediation obligation	20,000	10,000
Interfund loan payable to Water Utility Capital Projects Fund	-	6,583,628
Long-term obligations maturing within one year	5,340,531	4,966,867
Total current liabilities	<u>8,428,879</u>	<u>15,029,453</u>
Liabilities payable from restricted assets:		
Current:		
Capital acquisition and construction accounts	1,193,050	1,302,207
Non-current:		
Customer deposits payable	199,235	342,267
Total liabilities payable from restricted assets	<u>1,392,285</u>	<u>1,644,474</u>
Deferred liabilities:		
Contributions in aid of construction, net of amortization	172,657,299	171,540,616
Total liabilities	<u>316,065,333</u>	<u>310,949,017</u>
Total liabilities and net assets	<u>\$ 375,128,416</u>	<u>369,264,303</u>

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Charges for sales and services:		
Residential sales	\$ 27,081,201	26,040,130
Commercial sales	7,509,217	7,146,293
Public authorities	1,247,885	1,348,725
Total charges for sales and services	<u>35,838,303</u>	<u>34,535,148</u>
Miscellaneous	1,629,028	1,464,301
Total operating revenues	<u>37,467,331</u>	<u>35,999,449</u>
Operating expenses:		
Collection system	4,075,193	3,972,445
Treatment plant	9,648,905	9,172,670
Customer accounts	1,906,061	1,790,215
Administrative and general	7,230,786	7,071,689
Total operations	<u>22,860,945</u>	<u>22,007,019</u>
Depreciation, net of amortization	5,528,534	4,189,089
Total operating expenses	<u>28,389,479</u>	<u>26,196,108</u>
Operating income	<u>9,077,852</u>	<u>9,803,341</u>
Non-operating revenues (expenses):		
Investment income - short-term investments	383,195	1,197,783
Interest on long-term obligations	(3,203,750)	(3,243,921)
Allowance for funds used during construction	524,722	1,019,157
Amortization of bond premium/discount	(16,900)	(51,044)
Amortization of debt expense	(33,393)	(46,494)
Interest expense – other	(975,503)	(731,388)
Miscellaneous non-operating revenue	2,639	741
Total non-operating revenues (expenses)	<u>(3,318,990)</u>	<u>(1,855,166)</u>
Income before transfers	<u>5,758,862</u>	<u>7,948,175</u>
Transfers:		
Transfers to other funds	(5,011,065)	(4,410,330)
Transfers from other funds	-	148,083
Total transfers	<u>(5,011,065)</u>	<u>(4,262,247)</u>
Change in net assets	747,797	3,685,928
Net assets – beginning	<u>58,315,286</u>	<u>54,629,358</u>
Net assets – ending	<u>\$ 59,063,083</u>	<u>58,315,286</u>

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers and users	\$ 37,401,346	34,057,137
Refunds to customers and users	(703,110)	-
Payments to employees	(13,241,510)	(12,821,272)
Payments to vendors	(5,819,226)	(4,974,407)
Internal activity – payments made to other funds	(3,109,290)	(3,440,108)
Net cash provided by operating activities	14,528,210	12,821,350
Cash flows from non-capital and related financing activities:		
Transfers to other funds	(5,011,065)	(4,410,330)
Transfers from other funds	-	148,083
Net cash used by non-capital and related financing activities	(5,011,065)	(4,262,247)
Cash flows from capital and related financing activities:		
Principal payments on long-term obligations	(1,120,000)	(1,075,000)
Interest payments on long-term obligations	(4,000,392)	(4,281,127)
Acquisition and construction of capital assets	(17,868,958)	(47,985,061)
Capital contributions – intergovernmental	3,063,914	6,153,226
Capital contributions – customer/special assessments	501,616	420,981
Proceeds from Alaska Clean Water Fund loans	16,499,419	16,801,626
Principal payments on Alaska Clean Water Fund loans	(4,051,181)	(3,464,368)
Proceeds from (payments on) loan from Water Utility Capital Projects Fund	(6,583,628)	6,583,628
Net cash used by capital and related financing activities	(13,559,210)	(26,846,095)
Cash flows from investing activities:		
Proceed from (payments on) purchase or sale and maturity of investments	(1,400,304)	14,207,868
Interest received	379,163	1,186,032
Net cash provided (used) by investing activities	(1,021,141)	15,393,900
Net decrease in cash	(5,063,206)	(2,893,092)
Cash, beginning of year	13,159,254	16,052,346
Cash, end of year	\$ 8,096,048	13,159,254
Cash and cash equivalents		
Equity in general cash pool	7,896,813	12,816,987
Customer deposits	199,235	342,267
Cash and cash equivalents, end of year	\$ 8,096,048	13,159,254

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,077,852	9,803,341
Transfer from (to) escrow account	199,783	(1,819,474)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Allowance for uncollectible accounts	(18,168)	11,873
Depreciation, net of amortization	5,528,534	4,189,089
Miscellaneous non-operating revenues	2,639	741
Changes in assets and liabilities increasing (decreasing) cash:		
Accounts receivable and other receivables	823,163	(269,264)
Unbilled reimbursable projects	135,094	86,643
Inventories	1,635	126,186
Customer deposits payable	(143,032)	(83,762)
Deferred charges and other assets	(421,848)	44,175
Accounts payable and other liabilities	(700,545)	787,994
Accrued payroll liabilities	(53,463)	(146,665)
Compensated absences payable	23,066	90,473
Pollution remediation obligation	73,500	-
Net cash provided by operating activities	\$ 14,528,210	12,821,350
Non-cash investing, capital, and financing activities:		
Contributed capital – private development	\$ 3,440,156	3,245,836
Capital purchases on account, net	368,066	750,217
Total non-cash investing, capital, and financing activities	\$ 3,808,222	3,996,053

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2010 and 2009

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

The Anchorage Wastewater Utility (Utility) began as a fragmented system owned by the City of Anchorage, military, public, and private interests. In the late 1960's the Greater Anchorage Area Borough unified these systems creating the Utility. In the early 1970's the Utility began charging rates and by the mid 1980's evolved into an enterprise fund and now exists as a public utility of the Municipality of Anchorage. The Utility, whose service area is the entire Municipality of Anchorage, serves residential, commercial and military accounts in metropolitan Anchorage from Eklutna to Girdwood. The Utility's treatment plants in Anchorage, Eagle River and Girdwood operate 24 hours per day, discharging treated wastewater into Cook Inlet, Eagle River and Glacier Creek. In 2005, the Assembly authorized the Utility be governed by a Board of Directors. The accompanying financial statements include the activities of the Wastewater Utility Fund.

The Utility is an Enterprise Fund. Enterprise Funds are used to account for operations where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Utility has not elected to apply certain pronouncements of the Financial Accounting Standards Board as permitted by Governmental Accounting Standards Board Statement No. 20.

The accounting records of the Utility conform to the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). The accrual basis of accounting is used for Enterprise Funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

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

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

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2010 and 2009

(a) *Regulated Operations*

The Utility meets the criteria, and accordingly, follows the accounting and reporting requirements of Accounting Standards Codification No. 980, "Regulated Operations" (ASC 980). The Utility's rates are regulated by the Regulatory Commission of Alaska (RCA), and as a result revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The Utility receives contributions in aid of construction, which are recorded as a deferred liability. For rate-making purposes, the Utility amortizes contributions in aid of construction over the life of the respective utility plant as a reduction of depreciation expense and a reduction of deferred liability. Consequently, contributions in aid of construction are recorded as a regulatory liability in the accompanying financial statements. The Utility's rates also include an allowance for the cost of funds used during construction (AFUDC), which is capitalized in the accompanying financial statements. The Statement of Revenues, Expenses, and Changes in Net Assets includes AFUDC as an item of other income in a manner that indicates the basis for the amount capitalized.

(b) *Cash Pool and Investments*

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

For purposes of the Statements of Cash Flows, the Utility has defined cash as the demand deposits and all investments maintained in the general cash pool, regardless of maturity period, since the various funds use the general cash pool essentially as a demand deposit account. The bond and grant capital acquisition and construction pool consists only of investments that cannot be used as a demand deposit account; therefore the investments, regardless of maturity, have been excluded from the definition of cash.

(c) *Flow Assumptions for Restricted Resources*

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

(d) *Inventories*

Inventories are valued at average cost.

(e) *Deferred Charges*

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

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(f) Property, Plant, and Equipment

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

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

The Utility implemented new depreciation rates in 2009, as a result of the RCA approving a new depreciation study in 2008. In addition to the new rates, the Utility has employed amortization accounting for specific General Plant accounts and changed its accounting policy with respect to net salvage to include 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.

Estimated lives of major plant and equipment categories are as follows:

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

(g) Operating Revenues and Expenses

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

(h) Unbilled Revenues

Utility revenues are based on cycle billings rendered to customers monthly. The Utility accrues an estimate of revenue at year-end for services sold but not yet billed. The Utility accrued \$1,130,000 and \$1,150,000 for the years ended December 31, 2010 and 2009, respectively.

(i) Accrued Leave

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

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2010 and 2009

(j) ***Intra-governmental Charges***

Certain functions of the Municipality of a general and administrative nature are centralized and the related cost is allocated to the various funds of the Municipality, including the Utility. Such costs allocated to the Utility totaled \$1.1 million and \$1.3 million for the years ended December 31, 2010 and 2009, respectively.

The December 31, 2009 intra-governmental charge amount presented in this statement is restated from prior year to reflect the allocated costs of services performed by the Municipality for the Utility.

(k) ***Risk Management and Self-Insurance***

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

The Municipality provides coverage up to the maximum of \$2,000,000 per occurrence for automobile and general liability claims and \$1,000,000 for each workers' compensation claim. The Municipality had two settled claims exceed this commercial coverage in 2010 and no claims exceeded this coverage in 2009 and 2008.

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

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

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 2010, is dependent upon future developments. At December 31, 2010, claims incurred but not reported included in the liability accounts are \$12,267,731 in the Municipality's General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

Changes in the Municipality's funds' claim liability amounts in 2010 and 2009 follow:

	Liability Balance January 1	Claims and Changes in Estimates	Claims Payment	Liability Balance December 31
2010:				
General Liability/Workers'				
Compensation	\$ 16,192,805	8,648,832	(8,557,092)	16,284,545
Medical/Dental	7,354,588	48,760,422	(49,528,532)	6,586,478
Unemployment	130,070	740,907	(701,661)	169,316
	<u>\$ 23,677,463</u>	<u>58,150,161</u>	<u>(58,787,285)</u>	<u>23,040,339</u>
2009:				
General Liability/Workers'				
Compensation	\$ 15,196,223	7,760,952	(6,764,370)	16,192,805
Medical/Dental	5,260,400	48,329,738	(46,235,550)	7,354,588
Unemployment	52,174	365,352	(287,456)	130,070
	<u>\$ 20,508,797</u>	<u>56,456,042</u>	<u>(53,287,376)</u>	<u>23,677,463</u>

The Municipality's Medical and Dental Self Insurance Fund had negative unrestricted net assets of \$3,675,255 at December 31, 2010. Medical and Dental rates were increased by 23% in 2011 to offset the deficit.

(l) Reclassification

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

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

When the Utility borrows from the Anchorage Central Treasury to fund capital projects, the Municipality assesses a monthly fee. The fee is based on the investment earnings rate, plus 49 basis points. When the Utility sells bonds or secures loans from the Alaska Clean Water Fund, the cash pool is reimbursed from these proceeds. In 2009, the Wastewater Utility borrowed \$6.6 million from the Water Utility to fund capital projects. The loan was repaid in full in 2010.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(2) Cash and Investments

At December 31, 2010, the Municipality had the following cash and investments, with fixed income maturities as noted:

<u>Investment Type</u>	<u>Fair Value*</u>	<u>Fixed Income Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Petty Cash	\$ 117,876	-	-	-	-
Master Lease Agreement	916,526	-	-	-	-
Interim Rate Escrow Investments	6,124,010	-	-	-	-
Central Treasury - Unrestricted					
Cash & Money Market Funds	3,243,614	-	-	-	-
Repurchase Agreements	1,896,359	-	-	-	-
Commercial Paper	14,249,556	14,249,556	-	-	-
Certificates of Deposit	12,563,744	12,563,744	-	-	-
U.S. Treasuries	73,336,492	6,246,975	50,005,108	16,955,148	129,261
U.S. TIPS	1,850,037	-	1,850,037	-	-
U.S. Agencies	69,600,680	58,598,271	3,260,862	3,444,617	4,296,930
Foreign Governments & Agencies	5,077,381	5,077,381	-	-	-
Municipal Bonds	757,289	-	221,556	382,408	153,325
Asset-Backed Securities**	48,479,549	1,035,016	16,012,527	11,006,774	20,425,232
Corporate Fixed Income Securities	89,789,495	31,418,796	45,106,846	10,650,338	2,613,515
Payables	(12,377,306)	-	-	-	-
	<u>\$ 308,466,890</u>	<u>129,189,739</u>	<u>116,456,936</u>	<u>42,439,285</u>	<u>27,618,263</u>
Central Treasury - Restricted					
Cash & Money Market Funds	\$ 8,140,396	-	-	-	-
Repurchase Agreements	693,655	-	-	-	-
Commercial Paper	22,329,299	22,329,299	-	-	-
Certificates of Deposit	6,870,490	6,870,490	-	-	-
Bankers' Acceptances	2,430,781	2,430,781	-	-	-
U.S. Treasuries	32,361,234	7,821,048	18,291,005	6,201,900	47,281
U.S. TIPS	676,712	-	676,712	-	-
U.S. Agencies***	93,019,433	29,059,734	61,127,974	1,259,982	1,571,743
Foreign Governments & Agencies	6,968,288	6,968,288	-	-	-
Municipal Bonds	277,003	-	81,041	139,878	56,084
Asset-Backed Securities**	17,732,982	378,591.00	5,857,106	4,026,088	7,471,197
Corporate Fixed Income Securities	52,154,560	25,949,768	21,353,103	3,895,710	955,979
Payables	(4,527,405)	-	-	-	-
	<u>\$ 239,127,428</u>	<u>101,807,999</u>	<u>107,386,941</u>	<u>15,523,558</u>	<u>10,102,284</u>

* Market value plus accrued income.

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

*** \$661,900 in callable 1-5 year notes are expected to be called within the next year and are classified as *Less Than 1*.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

The Utility's unrestricted cash and investments represent 2.6% of the unrestricted Municipal Central Treasury. The Utility's restricted cash and investments represent 1.3% of the restricted Municipal Central Treasury.

(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.

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

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

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

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

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

- Structured Investment Vehicles.
- Asset Backed Commercial Paper.
- Short Sales.
- Securities not denominated in U.S. Dollars.
- Commodities.
- Real Estate Investments.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

- Derivatives, except “to be announced” forward mortgage-backed securities (TBAs) and derivatives for which payment is guaranteed by the U.S. government or an agency thereof.

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

<u>Investment Type</u>	<u>Concentration Limit</u>	<u>Working Capital Portfolio</u>	<u>Internally Managed Portfolio</u>
		<u>Holding % at 12/31/2010</u>	<u>Holding % at 12/31/2010</u>
U.S. Government Securities*	50% to 100% of investment portfolio	52%	62%
Repurchase Agreements	0% to 50% of investment portfolio	0%	2%
Certificates of Deposit**	0% to 50% of investment portfolio Maximum 5% per issuer	10%	2%
Bankers' Acceptances	0% to 25% of investment portfolio Maximum 5% per issuer	0%	2%
Commercial paper	0% to 15% of investment portfolio Maximum 5% per issuer	12%	13%
Corporate Bonds	0% to 15% of investment portfolio Maximum 5% per issuer	17%	11%
Alaska Municipal League Investment Pool (AMLIP)***	0% to 25% of investment portfolio	0%	0%
Money Market Mutual Funds	0% to 25% of investment portfolio	5%	4%
Dollar Denominated Fixed Income Securities, other than those listed herein, rated by at least one nationally recognized rating agency	0% to 15% of investment portfolio Maximum 5% per issuer	4%	4%
		<u>100%</u>	<u>100%</u>

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

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

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

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(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. All other funds disclose interest rate risk through the segmented time distribution tables within this note, which categorize fixed income investments according to their maturities.

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

The effective durations of the externally managed portfolios of the Municipal Central Treasury (working capital, contingency reserve and strategic reserve) at December 31, 2010, were 0.26 years, 1.73 years, and 3.58 years, respectively.

(c) Credit Risk

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

At December 31, 2010, the Municipal Central Treasury's investment in commercial paper totaled \$36,578,855, and was rated A-1 by Standard & Poor's and P-1 by Moody's. All commercial paper is purchased with a maturity of 270 days or less. The Municipality Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$214,007,512 at December 31, 2010. The distribution of ratings on these securities was as follows:

Moody's		S&P	
Aaa	38%	AAA	40%
Aa	18%	AA	12%
A	23%	A	27%
Baa	12%	BBB	12%
Ba or lower	1%	BB or lower	1%
Not Rated	8%	Not Rated	8%
	100%		100%

At December 31, 2010, the Municipality's Central Treasury was invested in Asset Backed Securities and Mortgage Backed Securities valued at \$2,651,964 which fell below the minimum credit rating of AA-/Aa3 required by AMC 6.50.030. These circumstances resulted from the downgrade of investments held in the contingency reserve and strategic reserve portfolios. Securities falling outside of compliance are divested as soon as it is prudent to do so.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(d) Concentration of Credit Risk

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

At December 31, 2010, the Municipality held a total of \$79,261,553 in securities issued by the Federal National Mortgage Association (FNMA). These investments comprised 8.9% of the total portfolio and 12.5% (\$68,651,256) of the Municipal Central Treasury.

(e) Custodial Credit Risk

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

At December 31, 2010, the Municipal Central Treasury had bank deposit carrying amounts totaling \$17,259,852, of which \$893,147 was covered by federal depository insurance. Bank deposits of \$13,808,356 were secured by collateral held at the depository bank, and additional bank deposits of \$533,460 were secured by a tri-party collateral agreement. The tri-party collateral agreement requires that collateral be transferred to the custodian of the tri-party agreement and held in the pledging bank's name on behalf of the Municipality. Additional bank balances of \$2,590,014 were invested in overnight repurchase agreements. Repurchase agreement investments were also collateralized through a tri-party collateral agreement. All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, with market value not less than the collateralized deposit balances.

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. 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, 2010 all debt obligations held in the Municipality Central Treasury were payable in U.S. Dollars.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(3) Capital Assets

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

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

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

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Capital assets for the year ended December 31, 2009 follow:

	December 31, 2008	Additions	Retirements	December 31, 2009
Intangible plant	\$ 1,159,916	12,084	-	1,172,000
Pumping plant	8,125,024	6,116,304	-	14,241,328
Treatment & disposal plant	110,735,221	4,806,370	-	115,541,591
Collection plant	311,023,397	31,980,558	(668,578)	342,335,377
General plant - land	4,203,352	-	-	4,203,352
General plant	51,204,131	10,101,001	(2,278,335)	59,026,797
	<u>486,451,041</u>	<u>53,016,317</u>	<u>(2,946,913)</u>	<u>536,520,445</u>
Less accumulated depreciation	(195,667,101)	(10,031,300)	3,056,259	(202,642,142)
Net plant in service	290,783,940	42,985,017	109,346	333,878,303
Plant acquisition adjustment	910,422	-	-	910,422
Less accumulated amortization	(910,422)	-	-	(910,422)
Plant held for future use	1,379,931	-	-	1,379,931
Construction work in progress	14,911,401	47,677,904	(49,906,317)	12,682,988
	<u>\$ 307,075,272</u>	<u>90,662,921</u>	<u>(49,796,971)</u>	<u>347,941,222</u>

Transfers of assets between plant categories are reported in additions to plant in service. There are no transfers for the year ended December 31, 2009. Auction proceeds were \$26,490 and cost of removal was \$135,836 for the year ended December 31, 2009.

(4) Long-Term Obligations

(a) Long-Term Obligations Issued

The Utility obtains low interest loans from the State of Alaska, Department of Environmental Conservation Alaska Clean Water Fund to fund capital improvement projects. These loans are to be repaid within 20 years (with the exception of one loan to be repaid in five years) of the initiation of operation of the facilities. In 2010, the Utility obtained additional low interest loans for \$16,499,419 from the State of Alaska to fund its capital improvement projects.

The Utility issues revenue bonds to provide funds for capital construction and refunding of earlier bond issues. These bonds are generally issued as 30-year serial bonds with varying amounts of principal maturing each year. During 2010 and 2009, the Utility issued no bonds.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

Long-term obligations outstanding at December 31, 2010 follow:

Description	Original Issue Date	Total Issue Amount	Interest Rates	Maturity Range	Principal Balance December 31, 2010
Revenue Bonds:					
2004 Wastewater Revenue Bonds	06/10/2004	\$ 22,620,000	3.00 - 5.125%	2007 - 2034	6,290,000
2007 Wastewater Revenue & Refunding Bonds	06/28/2007	59,665,000	4.00 - 5.00%	2008 - 2037	59,545,000
Total Revenue Bonds		82,285,000			65,835,000
Long-Term Loans:					
127011 Eagle River STP	09/06/1989	6,208,283	1.50%	1993 - 2012	806,840
127041 Pt. Woronzof Phase V	04/26/1993	2,443,128	1.50%	1995 - 2014	603,832
127061 Girdwood Wastewater	04/24/1995	1,565,161	1.50%	1999 - 2018	712,448
127071 Eagle River TID ER-3	10/30/1995	2,073,031	1.50%	1999 - 2018	941,421
127081 Misc Wastewater Projects	05/08/1995	2,071,475	1.50%	2002 - 2021	1,230,074
127091 Chester Creek Pump Stn R&R	06/11/1997	959,587	1.50%	1999 - 2018	439,285
127101 FY97 Misc Wastewater Projects	06/11/1997	2,250,000	1.50%	2009 - 2028	2,025,000
127111 Equipment - Wastewater 1998	01/21/1998	286,051	1.50%	2001 - 2020	155,114
127131 Chester Creek Sewer Trunk Study	04/02/1998	300,127	1.50%	2004 - 2023	195,083
127141 Facility Replace & Rehab Proj 1998	01/21/1998	1,305,252	1.50%	2009 - 2028	1,135,057
127151 Operations Facilities, Phase II	01/21/1998	1,138,248	1.50%	2006 - 2022	681,127
127161 Wastewater Data Processing	03/12/1998	1,182,000	1.50%	2008 - 2012	472,800
127211 FY99 Misc Small Sewer R&R, Phs I	07/23/2001	1,410,000	1.50%	2003 - 2022	906,038
127271 C-5-7 Trunk Sewer Upgrade	05/19/2003	2,229,617	1.50%	2007 - 2026	1,835,166
127281 Asplund Facility Solids Handling	01/21/2000	4,290,279	1.50%	2002 - 2021	2,364,761
127291 Operations Facility, Phase III	03/18/2003	3,000,000	1.50%	2004 - 2023	2,630,059
127301 Septic System Site Upgrade	01/21/2000	500,000	1.50%	2004 - 2023	324,408
127371 Old Glenn Hwy	02/22/2008	2,000,000	1.50%	2012 - 2031*	2,000,000
127421 B-4AB Sewer Trunk Upgrade	08/20/2001	2,370,748	1.50%	2003 - 2022	1,416,631
127451 SCADA Sewer	06/18/2004	13,000,000	1.50%	2009 - 2028	11,840,277
127481 Asplund WW Treatment Facility	06/18/2004	4,200,000	1.50%	2006 - 2025	3,264,183
127631 Asplund Process Impr	01/30/2008	8,000,000	1.50%	2009 - 2028	7,200,000
127641 (C-F) Interceptor Upgrade	12/16/2009	41,858	1.50%	2010 - 2015**	37,672
127651 C-2(A,B) Sewer Improvements	08/01/2007	1,700,000	1.50%	2010 - 2029	1,614,996
127661 King-Rovenna Sewer Upgrade	08/01/2007	1,613,129	1.50%	2010 - 2029	1,532,473
127671 C-5-N Campbell Lake	08/07/2007	941,788	1.50%	2010 - 2029	894,699

Loans continued on next page.

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WASTEWATER UTILITY FUND**

Notes to Basic Financial Statements

December 31, 2010 and 2009

Description	Original Issue Date	Total Issue Amount	Interest Rates	Maturity Range	Principal Balance December 31, 2010
127691 ER WWTF Gravity Thickener	12/28/2007	201,970	1.50%	2010 - 2029	191,871
127701 Girdwood WWTF Improvements	12/16/2009	1,260,929	1.50%	2012 - 2031*	1,260,929
127721 San Ernesto Hoyt Upgrade	12/22/2008	404,000	1.50%	2010 - 2029	383,800
127741 Septage Improvements	10/29/2008	1,800,000	1.50%	2011 - 2030	1,800,000
130031 Asplund Improvements	01/18/2008	2,701,000	1.50%	2009 - 2028	2,295,850
130071 Pump Station Upgrade	12/16/2009	2,751,228	1.50%	2012 - 2031*	2,751,228
130081 Sand Lake Sewer Extension	02/17/2010	600,000	1.50%	2011 - 2030	600,000
130091 Asplund Generator Upgrade	10/16/2008	5,621,075	1.50%	2011 - 2030	5,621,075
130101 Minnesota-Benson Sewer Upgrade	06/16/2009	395,625	1.50%	2009 - 2028	356,062
130131 Arctic 32nd-36th Upgrade	07/09/2008	437,275	1.50%	2009 - 2028	393,548
130171 Asplund Disinfection Study & Upgrade	04/30/2010	34,044	1.50%	2012 - 2031*	34,044
130191 Pump Station 10 Upgrade	12/12/2008	3,283,217	1.50%	2011 - 2030	3,283,217
130301 Cope Dorbrant Upgrade	09/09/2008	927,274	1.50%	2011 - 2030	927,746
130311 Douglas St Sewer	09/09/2008	117,000	1.50%	2008 - 2027	99,450
130321 ER WWTR Improvements	11/05/2008	4,163,745	1.50%	2010 - 2029	3,963,925
130361 Downtown Sewer Upgrade	10/06/2009	280,000	1.50%	2010 - 2029	266,000
130621 Benson Dawson-Cheechako Upgrade	03/16/2010	447,878	1.50%	2010 - 2029	425,484
130711 Iris Way Sewer Upgrade	03/19/2010	408,359	1.50%	2010 - 2029	387,941
Total Long-Term Loans		92,914,381			72,301,614
Total Long-Term Debt		\$ 175,199,381			\$ 138,136,614

* Estimated maturity ranges, loan repayment is not due. Repayment will begin one year following initiation of operation of all project phases.

** 10-year repayment schedule.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(b) Revenue Bond Coverage Requirements

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

Fiscal Year	Revenue (1)	Assessment Collections (2)	Operating Expenses (3)	Amount Available For Debt Service	Current Year Debt Service Requirements (Accrual Basis)			Coverage (4)
					Principal	Interest	Total	
2001	\$ 24,848,166	1,102,733	13,650,933	12,299,966	75,000	291,318	366,318	33.58
2002	25,593,935	952,980	14,189,645	12,357,270	80,000	288,093	368,093	33.57
2003	25,318,049	725,096	14,717,225	11,325,920	85,000	284,573	369,573	30.65
2004	26,802,108	886,986	15,821,938	11,867,156	90,000	707,312	797,312	14.88
2005	29,168,118	919,373	16,401,620	13,685,871	90,000	1,365,706	1,455,706	9.40
2006	31,163,232	1,017,357	17,576,955	14,603,634	95,000	1,361,319	1,456,319	10.03
2007	35,566,755	481,651	23,627,253	12,421,153	520,000	1,672,649	2,192,649	5.66
2008	34,954,522	842,664	24,844,546	10,952,640	575,000	3,225,638	3,800,638	2.88
2009	37,346,056	420,981	26,417,349	11,349,688	595,000	3,204,697	3,799,697	2.99
2010	\$ 37,853,165	501,616	27,872,010	10,482,771	615,000	3,181,475	3,796,475	2.76

- (1) Excludes interest restricted for construction, interest on advanced grants and amortization of premiums on investments, includes special items.
- (2) Assessment Collections represent payments made by benefited property owners.
- (3) Excludes depreciation and Public Employees Retirement System relief distributed to labor, and Municipal Utilities Service Agreement as per the 2007 bond covenants.
- (4) Required minimum coverage is 1.15.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(c) *Debt Service Requirements*

Debt service requirements to maturity follow:

Year	Revenue Bonds		Long-term Loans		Total
	Principal	Interest	Principal	Interest	
2011	\$ 650,000	3,153,650	4,690,531	1,030,171	9,524,352
2012	670,000	3,127,634	5,012,070	1,052,557	9,862,261
2013	705,000	3,099,794	4,382,668	938,959	9,126,421
2014	730,000	3,069,950	4,396,289	873,219	9,069,458
2015	765,000	3,037,578	4,253,454	807,275	8,863,307
2016 - 2020	4,480,000	14,615,834	20,878,465	3,080,000	43,054,299
2021 - 2025	8,760,000	13,159,375	17,547,596	1,593,376	41,060,347
2026 - 2030	16,340,000	10,205,181	10,838,231	427,459	37,810,871
2031 - 2035	22,190,000	5,502,855	302,310	4,509	27,999,674
2036 - 2037	10,545,000	533,875	-	-	11,078,875
	<u>65,835,000</u>	<u>59,505,726</u>	72,301,614	<u>9,807,525</u>	<u>207,449,865</u>
	(650,000)		(4,690,531)		Current Portion of Principal
	(93,063)		-		Unamortized Discounts and Losses
	638,062		-		Unamortized Premiums
\$	<u>65,729,999</u>		<u>67,611,083</u>		Total Long Term Portion

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(d) Long-Term Obligations

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

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

Changes in long-term obligations for the year ending December 31, 2009 follow:

Description	December 31, 2008	Additions	Deletions	December 31, 2009	Amounts Due Within One Year
General obligation bonds	\$ 985,000	-	(480,000)	505,000	505,000
Revenue bonds	67,045,000	-	(595,000)	66,450,000	615,000
Long-term loans	46,516,118	16,801,626	(3,464,368)	59,853,376	3,848,193
Total debt, net	114,546,118	16,801,626	(4,539,368)	126,808,376	4,968,193
Unamortized premiums	702,698	-	(32,324)	670,374	-
Unamortized bond costs	(174,475)	-	63,308	(111,167)	(1,326)
Total debt	115,074,341	16,801,626	(4,508,384)	127,367,583	4,966,867
Compensated absences	1,117,675	1,058,562	(968,089)	1,208,148	966,890
Pollution remediation obligation	102,500	-	-	102,500	10,000
Total long-term, net	\$ 116,294,516	17,860,188	(5,476,473)	128,678,231	

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(5) Defeasance of Debt

In prior years, the Utility defeased certain general obligation and revenue bonds by placing the proceeds of the new bonds and other available funds in irrevocable trusts with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, trust account assets and liabilities for defeased bonds are not included in the Utility's financial statements. At December 31, 2010, the amount of defeased debt outstanding on 2004 revenue bonds amounted to \$14,575,000.

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

Notes to Basic Financial Statements

December 31, 2010 and 2009

(6) Deferred Liabilities

Contributions in Aid of Construction (CIAC) for the years ended December 31, 2010 and 2009 follow:

	<u>December 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2010</u>
Contributions in Aid of Construction				
Customer:				
Special assessments	\$ 45,646,161	290,722	-	45,936,883
Private development	107,381,951	3,440,156	-	110,822,107
Other	25,980	-	-	25,980
Intergovernmental	141,052,811	3,466,065	(646,734)	143,872,142
Paid in Capital	6,882,286	-	-	6,882,286
Total CIAC	<u>300,989,189</u>	<u>7,196,943</u>	<u>(646,734)</u>	<u>307,539,398</u>
Accumulated Amortization				
Customer	(64,214,972)	(2,892,185)	-	(67,107,157)
Intergovernmental	(61,792,458)	(2,499,845)	646,734	(63,645,570)
Paid in Capital	(3,441,143)	(688,229)	-	(4,129,372)
Total amortization	<u>(129,448,573)</u>	<u>(6,080,260)</u>	<u>646,734</u>	<u>(134,882,099)</u>
Net CIAC	<u>\$ 171,540,616</u>	<u>1,116,683</u>	<u>-</u>	<u>172,657,299</u>

	<u>December 31, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2009</u>
Contributions in Aid of Construction				
Customer:				
Special assessments	\$ 45,502,683	143,478	-	45,646,161
Private development	104,434,141	3,245,836	(298,026)	107,381,951
Other	25,980	-	-	25,980
Intergovernmental	134,899,585	6,153,226	-	141,052,811
Paid in Capital	6,882,286	-	-	6,882,286
Total CIAC	<u>291,744,675</u>	<u>9,542,540</u>	<u>(298,026)</u>	<u>300,989,189</u>
Accumulated Amortization				
Customer	(61,725,133)	(2,787,865)	298,026	(64,214,972)
Intergovernmental	(59,426,341)	(2,366,117)	-	(61,792,458)
Paid in Capital	(2,752,914)	(688,229)	-	(3,441,143)
Total amortization	<u>(123,904,388)</u>	<u>(5,842,211)</u>	<u>298,026</u>	<u>(129,448,573)</u>
Net CIAC	<u>\$ 167,840,287</u>	<u>3,700,329</u>	<u>-</u>	<u>171,540,616</u>

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Notes to Basic Financial Statements

December 31, 2010 and 2009

(7) Net Assets

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

	2010	2009
Net capital assets	\$ 357,855,992	347,941,222
Less: Net revenue bonds payable long-term	65,729,999	66,395,533
Less: Unspent debt proceeds	(1,400,304)	-
Alaska Clean Water loans payable, long-term	67,611,083	56,005,183
Long-term obligations maturing within one year	5,340,531	4,966,867
Contributions in aid of construction, net	172,657,299	171,540,616
Invested in capital assets, net of related debt	\$ 47,917,384	49,033,023

Restricted net assets are comprised of:

	2010	2009
Interim rate escrow investment	\$ 1,619,691	1,819,474

(8) Retirement Plans

State of Alaska Public Employees' Retirement System

(a) Plan Descriptions

The Utility participates in the State of Alaska Public Employees' Retirement System (PERS). Employees hired prior to July 1, 2006, and employees hired after July 1, 2006 who have PERS enrollment from prior employment, participate in PERS Tiers I-III, a defined benefit public employee retirement system. Employees hired after July 1, 2006 who have no prior PERS participating employment participate in PERS Tier IV, a defined contribution plan with a component of defined benefit post-employment healthcare.

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

All full-time and regular part-time Utility employees are eligible to participate in PERS if they are employed fifteen hours or more per week. For both the defined benefit plan and the defined

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

December 31, 2010 and 2009

contribution plan, benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

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

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

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

Detailed contribution rates for the plan for the year ended 2010 are as follows:

	Employee Rate		Contractual Rate		ARM Board Adopted Rate		GASB 45*	
	<u>1/1 to 6/30/10</u>	<u>7/1 to 12/31/10</u>	<u>1/1 to 6/30/10</u>	<u>7/1 to 12/31/10</u>	<u>1/1 to 6/30/10</u>	<u>7/1 to 12/31/10</u>	<u>1/1 to 6/30/10</u>	<u>7/1 to 12/31/10</u>
Pension	2.50%	2.41%	8.16%	7.85%	10.25%	9.98%	10.72%	13.49%
Postemployment Healthcare	<u>4.25%</u>	<u>4.34%</u>	<u>13.84%</u>	<u>14.15%</u>	<u>17.40%</u>	<u>17.98%</u>	<u>53.96%</u>	<u>55.87%</u>
Total Contribution Rate	<u>6.75%</u>	<u>6.75%</u>	<u>22.00%</u>	<u>22.00%</u>	<u>27.65%</u>	<u>27.96%</u>	<u>64.68%</u>	<u>69.36%</u>

* This rate uses a 4.5% OPEB discount rate and disregards future Medical Part D payments

**MUNICIPALITY OF ANCHORAGE, ALASKA
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December 31, 2010 and 2009

(c) Annual Pension and Post-Employment Healthcare Cost

The Utility is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State contributed approximately 5.65% from January 1 through June 30 and 5.96% between July 1 and December 31, 2010 of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Municipality has recorded the state contribution in the General Fund in the amount of \$9,867,535 as a PERS on-behalf payment. The Utility did not recognize any portion of the revenue or expense related to this contribution. Because the Utility is not statutorily obligated for these payments, this amount has been excluded from pension and OPEB cost as described here. Pension and OPEB payments for the thirty months from July 1st 2008 to December 31st 2010 are shown below:

Year	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	Anchorage Contributions	% of TBC Contributed
2010	\$ 925,091	1,017,154	1,942,245	1,942,245	100%
2009	681,841	1,228,407	1,910,248	1,910,248	100%
7/1 to 12/31/2008	261,584	616,804	878,388	878,388	100%

(d) Funding Policy and Annual Pension and Post-Employment Healthcare Costs – PERS Tier IV Defined Contribution Plan

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

	TIER IV	
	<u>1/1 - 6/30</u>	<u>7/1 - 12/31</u>
Employee Contribution	<u>8.00%</u>	<u>8.00%</u>
Employer Contribution		
Retirement	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%
Retiree Medical Plan	0.83%	0.55%
Death & Disability Benefit	<u>0.30%</u>	<u>0.31%</u>
Total Employer Contribution	<u>9.13%</u>	<u>8.86%</u>

*Health Reimbursement Arrangement - AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate per full time employee and a flat rate per hour for part time employees. Prior to July 1,

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2010 a rate of \$65.37 per full time employee per pay period and \$1.09 per part time hour worked was paid. For pay periods ending after July 1, 2010, a rate of \$66.18 per full time employee pay period and \$1.10 per part time hour worked was paid.

For the year ended December 31, 2010, the Utility contributed \$108,383 to PERS Tier IV for retirement and retiree medical, and it contributed \$47,902 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$138,868.

Under the newly adopted cost-sharing arrangement for the PERS defined benefit plan (Tiers I–III), the state statute employer contribution rate of 22%, includes Tier IV employees. In addition to the amounts above, the Utility contributed approximately 13.14% on Tier IV employee payroll. This amount was applied to the obligation of the PERS defined benefit plan and is included in the contributions (ARC) recorded in the defined benefit cost-sharing plan.

(9) Contingencies

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

(10) Environmental Issues

Beginning in 1992, in accordance with the State of Alaska Department of Environmental Conservation (ADEC) regulations, the Utility commenced activities to remove two leaking, underground fuel storage tanks and the surrounding contaminated soils. The Utility maintains monitoring wells and, performed soil and groundwater testing at the site. In 2010, the Utility completed additional site characterization and will submit work plans for 2011 and beyond for ADEC approval while working towards closure of the case on this site.

The Utility used the expected cash flow technique to measure the liability. The Utility estimated a reasonable range of potential outlays of \$160,000 to \$210,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$176,000. The potential for a material change in the estimate is possible depending upon the response received from ADEC.

(11) Regulatory Matters

(a) MUSA Remand

On September 2, 2005, the Regulatory Commission of Alaska (RCA) issued an order establishing a revenue requirement for the Utility’s rates that excluded Municipal Utility Service Assessment (MUSA) expense (an ad valorem payment in lieu of taxes to municipal government) associated with the portion of the Utility’s plant balances funded by contributions. The Superior Court upheld the Commission decision in 2005 in an appeal filed by the Utility. On September 4, 2009, the Supreme Court issued a unanimous decision finding no reasonable basis for the 2005 exclusion of MUSA from the Utility’s revenue requirement. The Court remanded the case to the RCA for further proceedings. The Utility submitted written direct testimony in the remand

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Notes to Basic Financial Statements

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proceeding on December 18, 2009. The remand proceeding concluded following additional written testimony from the Regulatory Affairs and Public Advocacy section of the Alaska Department of Law (RAPA) and the Utility and a public hearing held July 21 through July 27, 2010. A final decision on the MUSA matter was originally due from the RCA by October 25, 2010, but has been extended to June 23, 2011.

Revenue collected subject to refunds approximated \$15.3 million through December 31, 2010, of which approximately \$2.3 million was associated with revenues collected in 2010. The Utility is unable to determine the likely outcome of this case, and therefore has not recorded a liability for a refund payable.

(b) 2007 Test Year / 2009 Rates

The Utility filed a revenue requirement study on November 14, 2008, requesting an interim and refundable rate increase of 6.5%. The RCA granted the requested interim rate increase effective January 1, 2009. On February 10, 2010 the RCA issued Order U-08-158(10) (Order 10) finding no refund necessary for revenues collected during 2009. The Utility determined that the RCA's Order 10 calculations were in error and a refund was in fact required. The Utility filed corrected calculations in a compliance filing on February 23, 2010 and an informal conference was held at the Commission on May 5, 2010 to discuss the corrected revenue requirement calculations. A final order was issued by the RCA on October 26, 2010 approving the corrected revenue requirement calculation and requiring the Utility to pay refunds on revenues collected in 2009. The Utility distributed \$0.7 million in refunds (including interest) to its customers in December 2010 and January 2011.

(c) 2008 Test Year / 2010 Rates

The Utility filed a revenue requirement study on November 10, 2009, requesting an interim and refundable rate increase of 2.5%. On June 17, 2010 the RCA accepted a settlement agreement between the Utility and RAPA that established a permanent rate level that included the 2.5% rate increase.

(d) 2009 Test Year / 2011 Rates

On November 10, 2010 the Utility filed a revenue requirement study requesting an interim refundable rate increase of 15.0%. The RCA issued Order U-10-102(1) (Order 1) on December 27, 2010 granting a lower interim rate increase of 11.75% to be effective January 1, 2011. On January 10, 2011 the Utility filed a Petition for Reconsideration of Order 1 and requested a hearing on interim rates. The requested public hearing involving the Utility, RAPA and the Federal Executive Agency (FEA) representing the Department of Defense, was conducted on February 15, 2011. The hearing provided the Utility an opportunity to present evidence to the RCA of the financial damage that the Utility would incur if higher interim rates could not be approved. After reviewing additional evidence and legal arguments, the Commission approved the full requested 15% increase over 2010 wastewater rates effective March 24, 2011. The 15% increase remains interim and refundable pending full review by the RCA. A final decision on the increase is not anticipated earlier than February 2012.

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(12) Interfund Transfers

The composition of interfund transfers as of December 31, 2010 follows:

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

The composition of interfund transfers as of December 31, 2009 follows:

<u>Description</u>	<u>Amount</u>
Transfer to other funds:	
Municipal utility service assessment	\$ 4,241,387
Heritage Land Bank Capital Fund	<u>168,943</u>
	\$ <u><u>4,410,330</u></u>
Transfer from other funds:	
Municipal utility service assessment - 2008 refund	\$ 143,583
Sale of asset to Solid Waste Services	<u>4,500</u>
	\$ <u><u>148,083</u></u>

(13) Subsequent Events

State of Alaska Loans

Subsequent to December 31, 2010, the Utility received \$0.3 million in loans from the State of Alaska Clean Water Fund for capital construction projects.

(14) Wastewater Treatment Facilities Discharge Permits

The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit is administratively extended pending reissuance by ADEC. ADEC is working on the renewal and expects to issue a draft permit for the Utility to review by June 2011. The Girdwood WWTF permit is also administratively extended pending reissuance by ADEC. The Utility is working closely with ADEC to ensure that a proposed upgrade to the Girdwood WWTF is consistent with terms and conditions of the new permit, when it is reissued.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the U.S. Environmental Protection Agency (EPA). EPA is currently evaluating the Utility's application for reauthorization of the permit. The renewal process includes an evaluation by EPA to determine whether Asplund continues to meet the

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Clean Water Act criteria necessary to reissue a permit with a 301(h) modification allowing only primary treatment. The tentative determination from this evaluation is expected in summer 2011. Subsequent to a positive determination, EPA is required to consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to date suggest that such a finding is unlikely.

STATISTICAL SECTION

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

	<u>2010</u>	<u>2009</u>		<u>2008</u>	<u>2007</u>	<u>2006</u>
Financial ratios:						
Current ratio (current assets / current liabilities)	1.32	1.10	(1)	2.74	1.24	0.79
Quick ratio (quick assets / current liabilities)	1.29	1.09	(2)	2.68	1.20	0.79
Return on investment (change in net assets / total assets)	0.02%	0.8%		0.2%	1.1%	1.0%
Return on equity (change in net assets / net assets)	0.1%	4.9%		1.2%	6.3%	5.3%
Debt to equity as a percent of capital structure (outstanding debt / capital structure over net assets / capital structure)	<u>69%</u> 31%	<u>68%</u> 32%		<u>66%</u> 34%	<u>64%</u> 36%	<u>53%</u> 47%
Operating margin (operating income / operating revenues)	24%	27%		20%	26%	28%
Revenue bond debt coverage (amount available for revenue bond debt service / revenue bond principal & interest)	2.76	2.99		2.88	5.66	10.03
Weighted cost of long term debt (Sum of interest rates multiplied by percentage of total amounts outstanding for bonds, long-term loans, and amortization of bond discounts and transaction costs)	3.14%	3.36%		3.62%	3.78%	3.38%

(1) Adjusted 2009 current ratio from 1.15 to 1.10

(2) Adjusted 2009 quick ratio from 1.13 to 1.09

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

Statistical Section (unaudited)

Table 1

Total Accounts

<u>Type of service</u>	<u>2010</u>	<u>2009 ⁽¹⁾</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	52,257	52,159	52,054	51,891	51,708
Commercial	3,641	3,624	3,581	3,579	3,564
Total	<u>55,898</u>	<u>55,783</u>	<u>55,635</u>	<u>55,470</u>	<u>55,272</u>
Growth rate	0.21%	0.27%	0.30%	0.36%	

⁽¹⁾ Adjusted the number of customer accounts reported for 2009. Residential was decreased by 25 and commercial was increased by 25 for a total net change of zero.

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

Statistical Section (unaudited)

Table 2

Current Wastewater Rates

Type of Service	2010 ⁽¹⁾	2009 ⁽²⁾	2008 ⁽³⁾	2007 ⁽⁴⁾	2006 ⁽⁵⁾
Metered:					
Customer charge (per account)	\$ 5.59	5.45	5.12	5.45	5.00
Inflow and infiltration charge	0.00	0.00	0.00	3.85	3.50
Residential usage (per 1,000 gallons)	3.70	3.61	3.39	2.73	2.34
Commercial – low strength (TSS<= 275 mg/L)	3.25	3.17	2.98	2.61	2.38
Commercial – medium strength (TSS between 275 and 450mg/L)	4.32	4.21	3.95	2.97	2.71
Commercial – high strength (TSS>450 mg/L)	5.04	4.92	4.62	3.64	3.32
Unmetered:					
Customer charge (per account)	5.59	5.45	5.12	5.45	5.00
Residential charge, including I&I charge (per unit)	23.67	23.09	21.68	23.30	21.30
Commercial, including I&I charge (depends on activity)	7.79 to 660.72	7.60 to 644.60	7.14 to 605.26	11.60 to 1,152.60	10.00 to 989.85

⁽¹⁾ Rates effective 1/1/10.

⁽²⁾ Rates effective 1/1/09.

⁽³⁾ Rates effective 8/8/08, per TA119-126 and docket U-05-103(17). As a result of the cost of service study and rate design, separate I&I charges have been eliminated.

⁽⁴⁾ Rates effective 1/1/07.

⁽⁵⁾ Rates effective 6/5/06.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 3

Revenues and Expenses - Budget to Actual

	Budget	Actual	Variance Favorable/ (Unfavorable)
Operating revenues:			
Residential sales	\$ 27,345,000	27,081,201	(263,799)
Commercial sales	7,640,000	7,509,217	(130,783)
Public authorities	1,515,000	1,247,885	(267,115)
Miscellaneous service	1,400,000	1,629,028	229,028
Total operating revenues	<u>37,900,000</u>	<u>37,467,331</u>	<u>(432,669)</u>
Nonoperating revenues:			
Investment income - short-term investments	570,000	383,195	(186,805)
Miscellaneous non-operating revenue	-	2,639	2,639
Total non-operating revenue	<u>570,000</u>	<u>385,834</u>	<u>(184,166)</u>
Total revenues	<u>38,470,000</u>	<u>37,853,165</u>	<u>(616,835)</u>
Expenses:			
Collection system:			
Operations	\$ 1,604,000	1,459,660	144,340
Maintenance	2,583,000	2,615,533	(32,533)
Total collection system expense	<u>4,187,000</u>	<u>4,075,193</u>	<u>111,807</u>
Treatment plant:			
Operations	8,452,000	8,694,666	(242,666)
Maintenance	905,000	954,239	(49,239)
Total treatment plant expense	<u>9,357,000</u>	<u>9,648,905</u>	<u>(291,905)</u>
Customer accounts	2,100,000	1,906,061	193,939
Administrative and general	8,757,000	7,230,786	1,526,214
Depreciation, net of amortization	5,200,000	5,528,534	(328,534)
Total operating expenses	<u>29,601,000</u>	<u>28,389,479</u>	<u>1,211,521</u>
Other expenses:			
Transfers to other funds	4,700,000	5,011,065	(311,065)
Interest on long-term obligations	4,170,000	3,203,750	966,250
Other interest expense	-	975,503	(975,503)
Amortization of debt expense	130,000	50,293	79,707
Allowance for funds used during construction	(700,000)	(524,722)	(175,278)
Total other expenses	<u>8,300,000</u>	<u>8,715,889</u>	<u>(415,889)</u>
Total expenses	<u>37,901,000</u>	<u>37,105,368</u>	<u>795,632</u>
Increase in net assets	<u>\$ 569,000</u>	<u>747,797</u>	<u>178,797</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 4

Debt Principal by Issue

Description	Original Issue Date	Total Issue Amount	Principal Balance 12/31/2009	2010 New (Retired) Debt	2010 Principal Payments	Principal Balance 12/31/2010	Current Portion
Revenue Bonds							
1999 WWtr Rev Bonds	10/15/99	\$ 5,180,000	115,000	-	115,000	-	-
2004 WWtr Rev Bonds	06/10/04	22,620,000	6,750,000	-	460,000	6,290,000	480,000
2007 WWtr Rev & Ref Bonds	06/28/07	59,665,000	59,585,000	-	40,000	59,545,000	170,000
Total revenue bonds		87,465,000	66,450,000	-	615,000	65,835,000	650,000
GO Bonds							
GO Refunding	06/15/93	19,245,000	505,000	-	505,000	-	-
Total GO bonds		19,245,000	505,000	-	505,000	-	-
Alaska Clean Water (ACW) Loans							
127011 - Eagle River STP	09/06/1989	6,208,283	1,201,340	-	394,500	806,840	400,417
127041 - Pt. Woronzof Phase V	04/26/1993	2,443,128	749,255	-	145,422	603,832	147,604
127061 - Girdwood Wastewater	04/24/1995	1,565,161	795,685	-	83,236	712,448	84,485
127071 - Eagle River TID ER-3	10/30/1995	2,073,031	1,051,408	-	109,988	941,421	111,637
127081 - Misc Wastewater Projects	05/08/1995	2,071,475	1,332,230	-	102,155	1,230,074	103,688
127091 - Chester Creek Pump Stn R&R	06/11/1997	959,587	490,607	-	51,322	439,285	52,092
127101 - FY97 Misc Wastewater Projects	06/11/1997	2,250,000	2,137,500	-	112,500	2,025,000	112,500
127111 - Equipment - Wastewater 1998	01/21/1998	286,051	169,392	-	14,279	155,114	14,493
127131 - Chester Creek Sewer Trunk Study	04/02/1998	300,127	210,089	-	15,006	195,083	15,006
127141 - Facility Replace & Rehab Proj 1998	01/21/1998	1,305,252	1,198,115	-	63,059	1,135,057	63,059
127151 - Operations Facilities, Phase II	01/21/1998	1,138,248	737,888	-	56,761	681,127	56,761
127161 - Wastewater Data Processing	03/12/1998	1,182,000	709,200	-	236,400	472,800	236,400
127211 - FY99 Misc Small Sewer R&R, Phs I	07/23/2001	1,410,000	974,486	-	68,448	906,038	69,475
127271 - C-5-7 Trunk Sewer Upgrade	05/19/2003	2,229,617	1,935,992	-	100,826	1,835,166	102,338
127281 - Asplund Facility Solids Handling	01/21/2000	4,290,279	2,579,740	-	214,978	2,364,761	214,978
127291 - Operations Facility, Phase III	03/18/2003	3,000,000	2,832,372	-	202,312	2,630,059	202,312
127301 - Septic System Site Upgrade	01/21/2000	500,000	349,362	-	24,954	324,408	24,954
127371 - Old Glen Hwy	02/22/2008	2,000,000	2,000,000	-	-	2,000,000	-
127421 - B-4AB Sewer Trunk Upgrade	08/20/2001	2,370,748	1,534,683	-	118,053	1,416,631	118,053
127451 - SCADA Sewer	06/18/2004	13,000,000	12,498,070	-	657,793	11,840,277	657,793
127481 - Asplund WW Treatment Facility	06/18/2004	4,200,000	3,456,961	-	192,778	3,264,183	195,669
127631 - Asplund Process Impr	01/30/2008	8,000,000	7,600,000	-	400,000	7,200,000	400,000
127641 - C-F Interceptor Upgrade	12/16/2009	41,858	39,993	1,865	4,186	37,672	4,186
127651 - C-2(A,B) Sewer Improvements	08/01/2007	1,700,000	1,700,000	-	85,004	1,614,996	85,000
127661 - King-Rovenna Sewer Upgrade	08/01/2007	1,613,129	1,545,498	67,631	80,656	1,532,473	80,656
127671 - C-5-N Campbell Lake	08/07/2007	941,788	886,086	55,702	47,089	894,699	47,089
127691 - ER WWTF Gravity Thickener	12/28/2007	201,970	201,970	-	10,099	191,871	10,099
127701 - Girdwood WWTF Improvements	12/16/2009	1,260,929	841,000	419,929	-	1,260,929	-
127721 - San Ernesto Hoyt Upgrade	12/22/2008	404,000	404,000	-	20,200	383,800	20,200
127741 - Septage Improvements	10/29/2008	1,800,000	1,000,000	800,000	-	1,800,000	90,000
130031 - Asplund Improvements	01/16/2008	2,701,000	2,430,900	-	135,050	2,295,850	135,050
130071 - Pump Station Upgrade	12/16/2009	2,751,228	650,000	2,101,228	-	2,751,228	-
130081 - Sand Lake Swr Extension Proj.	02/17/2010	600,000	-	600,000	-	600,000	30,000
130091 - Asplund Generator Upgrade	10/16/2008	5,621,075	200,000	5,421,075	-	5,621,075	281,054
130101 - Minnesota-Benson Swr Upgrd	06/16/2009	395,625	375,844	-	19,781	356,062	19,781
130131 - Arctic 32nd-36th Upgrade	07/09/2008	437,275	415,411	-	21,864	393,548	21,864
130171 - Asplund Disinfection Study & Upgrd	04/30/2010	34,044	-	34,044	-	34,044	-
130191 - Pump Station 10 Upgrade	12/12/2008	3,283,217	1,000,000	2,283,217	-	3,283,217	164,161
130301 - Cope Dorbrant Upgrade	09/09/2008	927,274	233,000	694,746	-	927,746	46,387
130311 - Douglas St Sewer	09/09/2008	117,000	105,300	-	5,850	99,450	5,850
130321 - ER WWTR Improvements	11/05/2008	4,163,745	1,000,000	3,163,745	199,820	3,963,925	208,628
130361 - Downtown Sewer Upgrade	10/06/2009	280,000	280,000	-	14,000	266,000	14,000
130621 - Benson Dawson-Cheechako Upgrd	03/16/2010	447,878	-	447,878	22,394	425,484	22,394
130711 - Iris Way Sewer Upgrade	03/19/2010	408,359	-	408,359	20,418	387,941	20,418
Total ACW loans		92,914,381	59,853,376	16,499,419	4,051,181	72,301,614	4,690,531
Total debt		\$ 199,624,381	126,808,376	16,499,419	5,171,181	138,136,614	5,340,531

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

Statistical Section (unaudited)

Table 5

Capital Improvement Program

(Dollars in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Six Year Total
Project category:							
General plant	\$ 24,582	22,194	21,453	6,576	17,988	14,296	107,089
Repair and rehabilitation	12,266	7,037	4,240	19,117	13,132	15,954	71,746
Trunk/interceptors	<u>100</u>	<u>150</u>	<u>170</u>	<u>170</u>	<u>225</u>	<u>1,950</u>	<u>2,765</u>
Total AWWU Funded	36,948	29,381	25,863	25,863	31,345	32,200	181,600
Grants	<u>1,000</u>	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>2,000</u>	<u>2,000</u>	<u>18,000</u>
Total	<u><u>37,948</u></u>	<u><u>30,381</u></u>	<u><u>31,863</u></u>	<u><u>31,863</u></u>	<u><u>33,345</u></u>	<u><u>34,200</u></u>	<u><u>199,600</u></u>
Source of funding:							
Debt	31,948	27,381	21,863	20,863	27,345	24,700	154,100
Equity	<u>5,000</u>	<u>2,000</u>	<u>4,000</u>	<u>5,000</u>	<u>4,000</u>	<u>7,500</u>	<u>27,500</u>
Total AWWU Funded	36,948	29,381	25,863	25,863	31,345	32,200	181,600
Grants	<u>1,000</u>	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>2,000</u>	<u>2,000</u>	<u>18,000</u>
Total	<u><u>\$ 37,948</u></u>	<u><u>30,381</u></u>	<u><u>31,863</u></u>	<u><u>31,863</u></u>	<u><u>33,345</u></u>	<u><u>34,200</u></u>	<u><u>199,600</u></u>

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 6

Production Comparison by Facility

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Wastewater treatment facility (WWTF) system data:					
Million gallons per day (MGD)					
Asplund WWTF:					
Minimum daily flow	16.8	25.7	27.3	25.0	23.8
Maximum daily flow	39.1	30.8	31.1	32.3	51.5
Average daily flow	26.8	28.1	29.2	27.4	28.1
Eagle River WWTF:					
Minimum daily flow	0.8	1.3	1.4	0.8	1.2
Maximum daily flow	1.8	1.6	1.6	2.1	2.0
Average daily flow	1.3	1.4	1.5	1.5	1.5
Girdwood WWTF:					
Minimum daily flow	0.2	0.3	0.4	0.4	0.3
Maximum daily flow	1.2	0.6	0.6	0.7	1.5
Average daily flow	0.4	0.4	0.5	0.5	0.4
Miles of line:					
Interceptors	45	45	45	45	45
Trunks	83	83	82	82	82
Laterals	623	623	616	596	594
Total	<u>751</u>	<u>751</u>	<u>743</u>	<u>723</u>	<u>721</u>
	<u>Current Capacity</u>				
Source ⁽¹⁾ :					
Asplund WWTF	58.00				
Eagle River WWTF	2.50				
Girdwood WWTF	0.60				
Total	<u>61.10</u>				

⁽¹⁾ Max design capacity (MGD)

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

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Table 7

Detailed Schedule of Wastewater Plant in Service (In Thousands)

	Wastewater Plant			Balance 12/31/2010
	Balance 01/01/2010	Additions	Retirements	
Wastewater plant in service:				
Tangible plant:				
Collection plant:				
Laterals	\$ 215,001	7,368	(39)	222,330
Trunks	70,412	974	-	71,386
Interceptors	42,008	248	-	42,256
Lift Stations	14,915	1,895	-	16,810
Collection plant:				
Structures & improvements	8,662	425	(97)	8,990
Receiving wells	2,693	308	-	3,001
Electric pumping equipment	2,886	64	-	2,950
Treatment & disposal plant:				
Treatment plant	58,347	125	(973)	57,499
Treatment & disposal equipment	43,639	7,310	(44)	50,905
Effluent tunnel-plant sewer	11,238	-	-	11,238
Outfall sewer lines	2,318	-	-	2,318
Land and land rights	4,203	-	-	4,203
General plant:				
Structures & improvements	24,324	152	-	24,476
Office furniture	179	-	-	179
Office equipment	59	-	-	59
Computer equipment	11,279	1,116	(3,909)	8,486
Vehicles (light duty)	1,458	467	(267)	1,658
Transportation equipment (heavy duty)	3,922	-	(80)	3,842
Store equipment	263	-	-	263
Tools, shop, & garage equipment	510	-	(1)	509
Laboratory equipment	72	-	(2)	70
Power operated equipment	264	-	-	264
Communication equipment	16,559	3,100	(12)	19,647
Miscellaneous equipment	137	-	(54)	83
Total tangible plant	<u>535,348</u>	<u>23,552</u>	<u>(5,478)</u>	<u>553,422</u>
Intangible plant:	1,172	-	-	1,172
Total wastewater plant in service	<u>536,520</u>	<u>23,552</u>	<u>(5,478)</u>	<u>554,594</u>
Acquisition adjustment	910	-	(910)	-
Property held for future use	1,380	-	-	1,380
Construction work in progress	12,683	18,106	(20,102)	10,687
Total wastewater plant	<u>\$ 551,493</u>	<u>41,658</u>	<u>(26,490)</u>	<u>566,661</u>

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Table 7 (Continued)

Detailed Schedule of Depreciation and Amortization (In Thousands)

	Accumulated Depreciation and Amortization				Net Book Value of Plant
	Balance			Balance	
	01/01/2010	Additions	Retirements	12/31/2010	
Wastewater plant in service:					
Tangible plant:					
Collection plant:					
Laterals	\$ 75,971	3,953	(39)	79,885	142,445
Trunks	25,461	1,110	-	26,571	44,815
Interceptors	16,890	536	-	17,426	24,830
Lift Stations	11,294	335	-	11,629	5,181
Collection plant:					
Structures & improvements	3,043	133	(97)	3,079	5,911
Receiving wells	350	86	-	436	2,565
Electric pumping equipment	634	53	-	687	2,263
Treatment & disposal plant:					
Treatment plant	18,120	719	(973)	17,866	39,633
Treatment & disposal equipment	26,134	1,400	(44)	27,490	23,415
Effluent tunnel-plant sewer	3,152	171	-	3,323	7,915
Outfall sewer lines	1,980	35	-	2,015	303
Land and land rights	-		-	-	4,203
General plant:					
Structures & improvements	6,182	465	-	6,647	17,829
Office furniture	153	6	-	159	20
Office equipment	59	-	-	59	-
Computer equipment	5,576	1,172	(3,909)	2,839	5,647
Vehicles (light duty)	1,015	28	(236)	807	851
Transportation equipment (heavy duty)	3,143	227	(80)	3,290	552
Store equipment	180	9	-	189	74
Tools, shop, & garage Equipment	382	19	(1)	400	109
Laboratory equipment	72	-	(2)	70	-
Power operated equipment	112	14	-	126	138
Communication equipment	2,272	1,021	(11)	3,282	16,365
Miscellaneous equipment	108	2	(54)	56	27
Total tangible plant	202,283	11,494	(5,446)	208,331	345,091
Intangible plant	359	115	-	474	698
Total wastewater plant in service	202,642	11,609	(5,446)	208,805	345,789
Acquisition adjustment	910	-	(910)	-	-
Property held for future use	-	-	-	-	1,380
Construction work in progress	-	-	-	-	10,687
Total wastewater plant	\$ 203,552	11,609	(6,356)	208,805	357,856