

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

Basic Financial Statements and Supplementary Information

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Water Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Water 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 Water Utility Fund and do not purport to, and do not, present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 2009 and 2008, 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 Water Utility Fund as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the year 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 13 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 27, 2010

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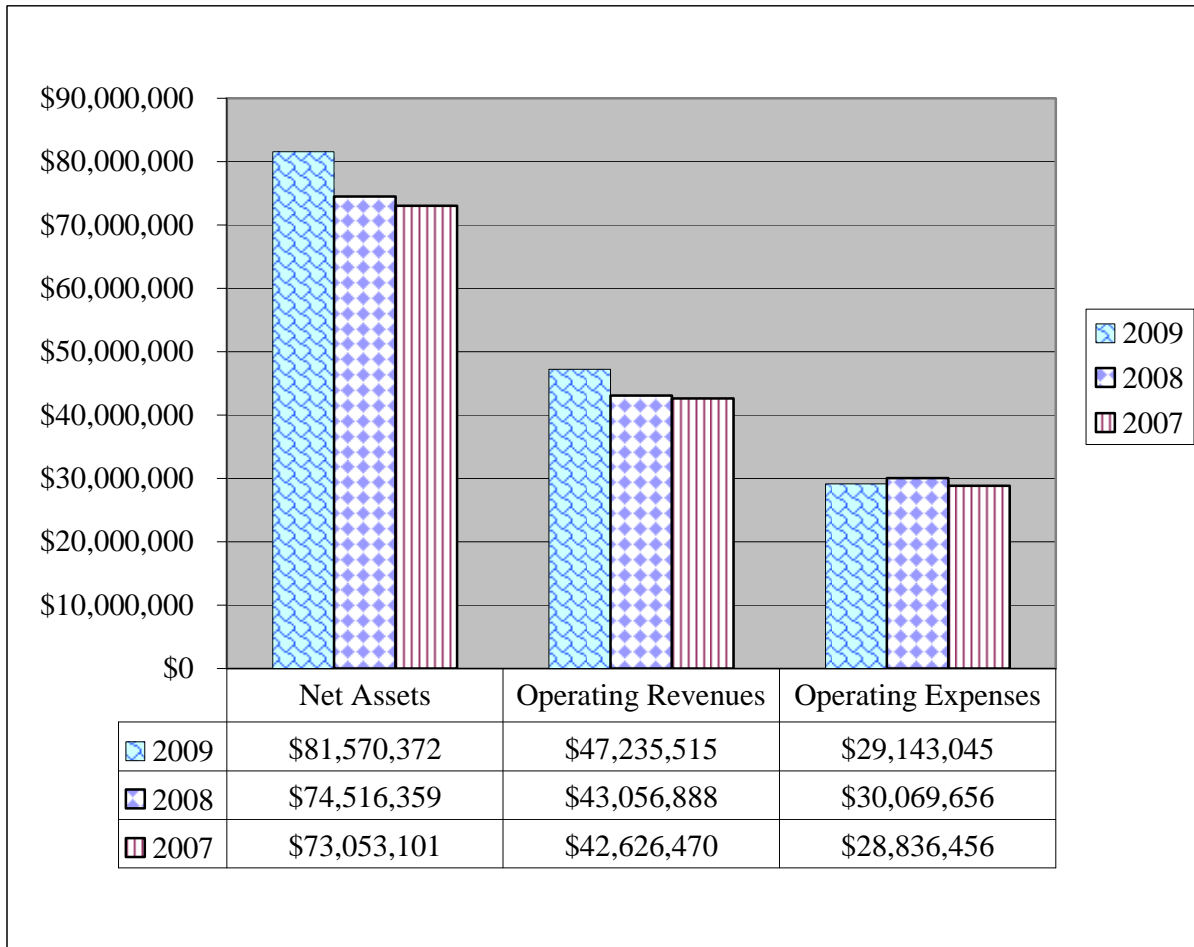
Management's Discussion and Analysis

December 31, 2009 and 2008

This section of the Municipality of Anchorage Water Utility (Utility) annual financial report presents the analysis of the Utility's financial performance during the years ending December 31, 2009 and 2008. Please read it in conjunction with the Utility's financial statements.

Financial Highlights

- Net Capital Assets increased by \$30,400,000, or 7% in 2009 and \$18,120,000, or 4% in 2008.
- Net Assets increased by \$7,050,000, or 9% in 2009 and \$1,460,000, or 2% in 2008.
- Operating Revenues increased by \$4,180,000, or 10% in 2009 and \$430,000, or 1% in 2008.
- Operating Expenses decreased by \$930,000, or 3% in 2009 and increased by \$1,230,000, or 4% in 2008.



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Management's Discussion and Analysis

December 31, 2009 and 2008

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; and Management's Discussion and Analysis. 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 the 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 nonoperating 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 the beginning-of-year cash reconciles to cash and cash-equivalents balance at the end of the year. The Utility presents its Statement of Cash Flows using the direct method of reporting operating cash flows.

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 the 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 also needs to consider other non-financial factors such as changes in economic conditions, population growth, the regulatory environment, and new or changed legislation.

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Changes in the Utility's net assets can be determined by reviewing the following condensed Summary of Net Assets as of December 31, 2009, 2008, and 2007. The analysis below focuses on the Utility's net assets at the end of the year (Table 1) and changes in net assets (Table 2) during the year.

**Table 1
Summary of Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Net capital assets	\$ 476,435,111	446,033,545	427,916,931
Current and other assets	46,517,845	65,253,288	81,295,650
Total assets	<u>522,952,956</u>	<u>511,286,833</u>	<u>509,212,581</u>
Liabilities:			
Net debt outstanding	200,244,093	197,151,556	192,780,259
Current and other liabilities	241,138,491	239,618,918	243,379,221
Total liabilities	<u>441,382,584</u>	<u>436,770,474</u>	<u>436,159,480</u>
Net assets:			
Invested in capital assets net of debt	59,545,318	54,759,830	55,860,234
Restricted	7,366,317	2,720,647	507,609
Unrestricted	14,658,737	17,035,882	16,685,258
Total net assets	<u>\$ 81,570,372</u>	<u>74,516,359</u>	<u>73,053,101</u>
Change in net assets	<u>\$ 7,054,013</u>	<u>1,463,258</u>	

In 2009, the Utility's total assets increased by \$11.7 million. Net capital assets increased by \$30.4 million due to new plant additions (see Note 3). Major additions to plant in service in 2009 were transmission and distribution plant of \$27.2 million, pumping plant of \$3.3 million, water treatment plant of \$1.8 million and general plant and other of \$4.7 million. Current and other assets decreased by \$18.7 million in 2009 primarily due to a \$26.0 million reduction in cash and investments restricted for capital construction, and \$6.6 million receivable increase from the Wastewater Utility Capital Project Fund.

Total liabilities increased by \$4.6 million from 2008 to 2009. Net debt outstanding increased \$3.1 million due to additional low interest State of Alaska loans of \$8.2 million offset by debt principal payments (see note 4). Current and other liabilities increased \$1.5 million primarily due to \$8.4 million increase of contributions in aid of construction, net of amortization of \$5.5 million (see note 6).

In 2008, the Utility's total assets increased by \$2.1 million. Net capital assets increased by \$18.1 million due to new plant additions. Major additions to plant in service in 2008 were transmission and distribution plant: Anchorage Water Loop IV \$19.2 million, G & H Alley Upgrade \$1.9 million and 19th Avenue Upgrade \$1.3 million as well as general plant: structures and improvements \$1.8 million and information technology upgrades for \$3.6 million. Current and other assets decreased by \$16.2 million in 2008 primarily due to a

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Management's Discussion and Analysis

December 31, 2009 and 2008

\$14.9 million reduction in cash and investments restricted for capital construction. Restricted cash and investments from the proceeds of bonds issued in 2007 were used to fund capital construction in 2008.

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 ended December 31, 2009, 2008, and 2007.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Residential sales	\$ 31,909,734	29,847,959	29,404,834
Commercial sales	9,995,106	8,383,736	8,438,598
Public fire protection	3,698,074	3,500,243	3,457,838
Hydrant use charges	264,254	189,242	264,996
Miscellaneous	1,368,347	1,135,708	1,060,204
Nonoperating revenues	2,948,763	1,699,880	2,800,208
Total revenues	<u>50,184,278</u>	<u>44,756,768</u>	<u>45,426,678</u>
Operating expenses:			
Source of supply	2,752,625	2,633,254	2,657,893
Water treatment	4,130,606	4,187,959	3,928,970
Transmission and distribution	5,961,552	5,795,812	6,118,597
Customer accounts	2,223,347	2,391,825	2,323,179
Administrative and general	6,873,012	7,617,978	7,104,836
Depreciation, net of amortization	7,201,903	7,442,828	6,702,981
Nonoperating expenses	8,081,207	8,954,717	6,447,681
Total expenses	<u>37,224,252</u>	<u>39,024,373</u>	<u>35,284,137</u>
Income before transfers and special items	12,960,026	5,732,395	10,142,541
Transfers:			
Transfer to other funds	(6,112,876)	(5,762,882)	(5,259,469)
Transfer from other funds	206,863	162,315	-
Total transfers	<u>(5,906,013)</u>	<u>(5,600,567)</u>	<u>(5,259,469)</u>
Special items:			
Net pension obligation write-off	—	1,165,721	—
Net other postemployment benefits obligation write-off	—	165,709	—
Total special items	<u>—</u>	<u>1,331,430</u>	<u>—</u>
Change in net assets	7,054,013	1,463,258	4,883,072
Beginning net assets	<u>74,516,359</u>	<u>73,053,101</u>	<u>68,170,029</u>
Ending net assets	<u>\$ 81,570,372</u>	<u>74,516,359</u>	<u>73,053,101</u>

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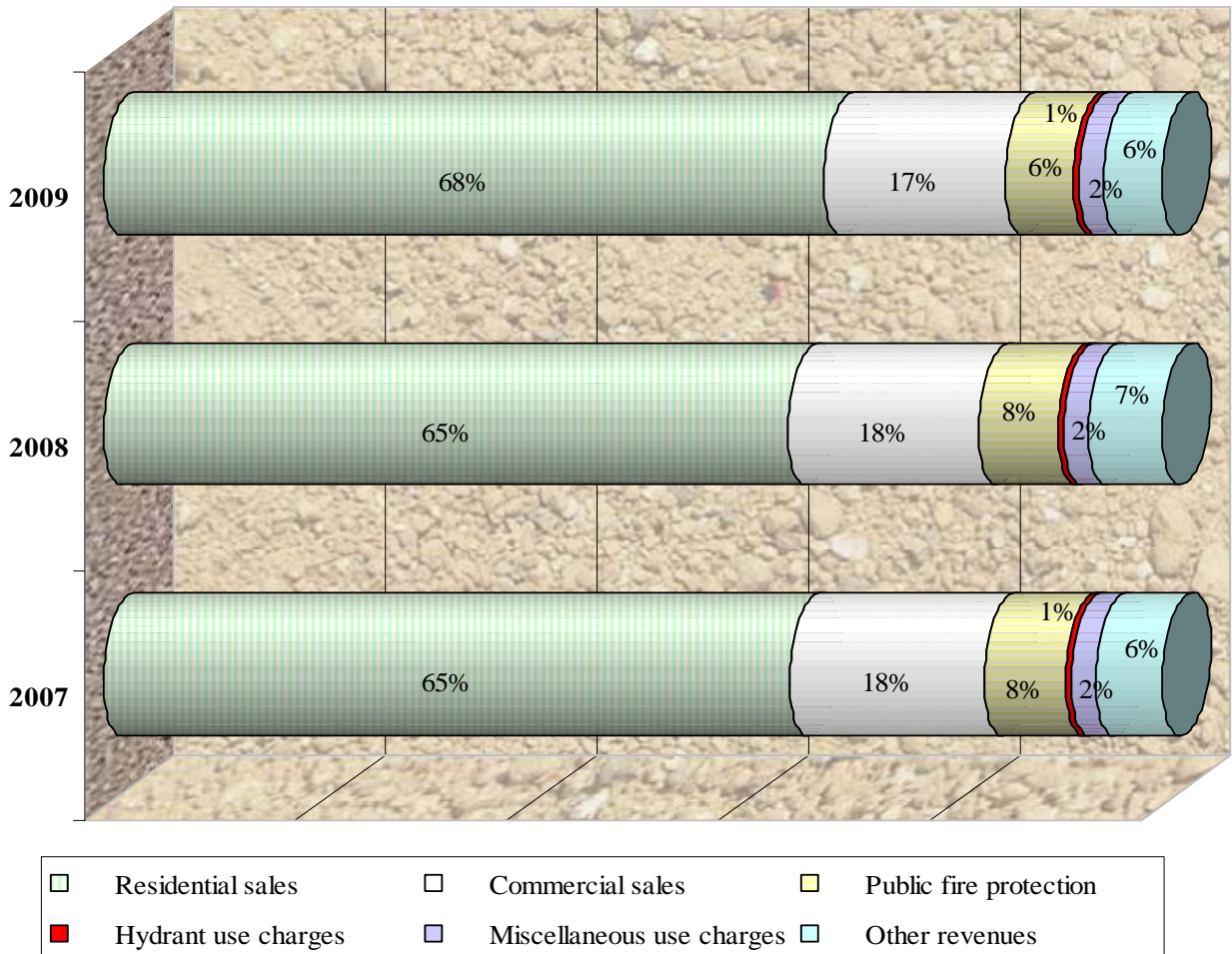
Management's Discussion and Analysis

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Net assets increased \$7.1 million during 2009. Operating revenues increased by \$4.2 million due to the RCA approved interim rate increase of 7.0% effective January 1, 2009, increased consumption due to warmer and dryer summer months and slight customer growth. Non-operating revenues increased by \$1.2 million due to \$1.9 million increase in short-term investment income and a decrease of \$0.7 million in intergovernmental revenue.

During 2008 net assets increased by \$1.5 million. Operating revenues increased by \$.4 million due to modest customer growth of approximately 0.3%. Non-operating revenues decreased by \$1.1 million due to lower returns on investments caused by poor market conditions. Special items of \$1.3 million resulted from net pension obligations and net OPEB obligations written off in 2008.

Revenues by Source



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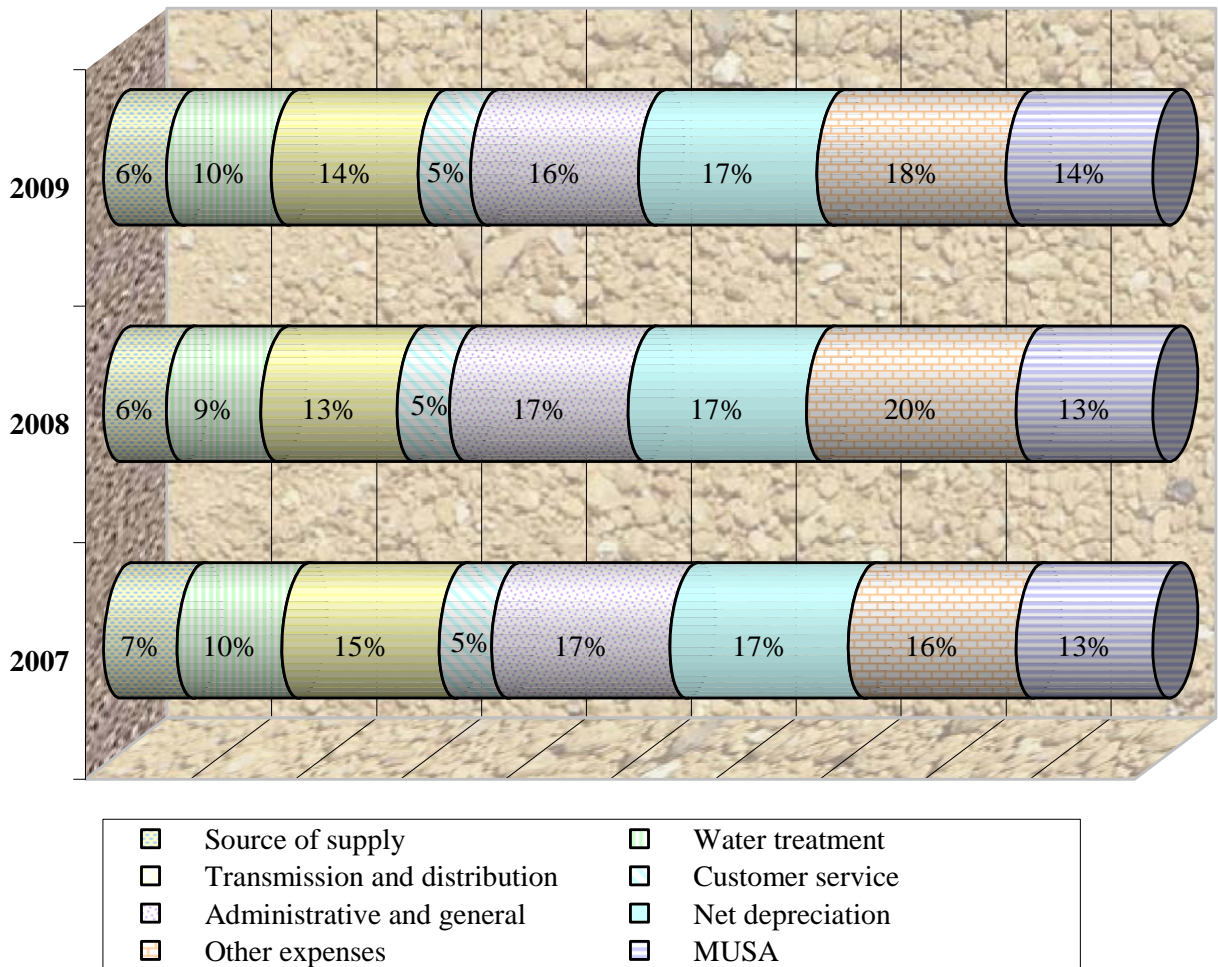
Management's Discussion and Analysis

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2009 operating expenses decreased by \$0.9 million from 2008. This decrease was due primarily to a \$0.2 million decrease in depreciation expense, a result of the new depreciation rates ordered by the Regulatory Commission and implemented as of January 2009, being offset with a \$0.7 million decrease in administrative and general expenses.

Operating expenses increased by \$1.2 million in 2008. The increase was due primarily to a \$.7 million increase in depreciation expense associated with increased plant in service. Additional contributing factors were increases in labor costs from negotiated labor agreements and increases in fuel, chemical and utility costs.

Expenses by Source



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Management's Discussion and Analysis

December 31, 2009 and 2008

Capital Assets and Debt

Capital Assets

The following table summarizes the Utility's capital assets, net of accumulated depreciation, as of December 31, 2009, 2008 and 2007.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Miscellaneous intangible plant	\$ 753,032	864,785	988,175
Source of supply plant	22,151,317	22,998,256	24,015,813
Pumping plant	9,195,462	5,831,074	5,832,317
Water treatment plant	45,489,272	45,236,689	46,697,141
Transmission and distribution plant	344,150,638	324,375,368	300,172,397
General plant land	762,256	762,256	762,256
General plant	<u>31,402,505</u>	<u>29,585,617</u>	<u>27,150,899</u>
Net plant in service	453,904,482	429,654,045	405,618,998
Plant acquisition adjustment	1,531,014	1,645,790	1,760,566
Property held for future use	1,985,619	1,985,619	1,985,619
Construction work in progress	<u>19,013,996</u>	<u>12,748,091</u>	<u>18,551,748</u>
Total net capital plant	<u>\$ 476,435,111</u>	<u>446,033,545</u>	<u>427,916,931</u>
Increase in net capital plant	<u>\$ 30,401,566</u>	<u>18,116,614</u>	

Total net capital assets increased by \$30.4 million in 2009. Construction work in progress increased by \$6.3 million during 2009. In 2009 the increase in construction work in progress was due to additions of \$41 million netted by deletions of \$34.7 million. In 2008 the decrease in construction work in progress was primarily due to completion and closure to plant in service of the large multi-year Anchorage Water Loop project.

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2009 Major Additions - gross (millions):

<u>Transmission and distribution plant</u>		<u>Water pumping plant</u>	
Hiland Road water intertie phase II	\$ 4.5	Hiland Road water intertie phase II	\$ 2.0
Sand Lake area water extension	2.6	Other miscellaneous projects	<u>1.3</u>
Anchorage loop - phase IV	2.2	Total pumping plant	\$ <u>3.3</u>
Norm-Newt Drive water upgrade	2.1		
Knik View water intertie	1.7	<u>Water treatment plant</u>	
Downtown CIPP water improvements	1.6	ERWTF roof-window upgrade	\$ <u>1.8</u>
DeBarr Kleven-Hoyt water upgrade	1.4	Total treatment plant	\$ <u>1.8</u>
South Addition water upgrade phase IV	1.3		
Christensen Dr. water upgrade	1.0	<u>General plant</u>	
San Ernesto water upgrade	1.0	Misc. computer equip. & software	\$ 2.9
Turnagain Heights water improvements	0.9	SCADA	1.0
Well onsite disinfection upgrade	0.9	Vehicles	<u>0.7</u>
SCADA design	0.8	Total general plant	\$ <u>4.6</u>
PME Strawberry Rd	0.5		
Water process upgrades	0.5	<u>Other plant</u>	
Other miscellaneous projects	<u>4.2</u>	Misc. and source of supply plant	\$ <u>0.1</u>
Total transmission and distribution plant	\$ <u>27.2</u>	Total other plant	\$ <u>0.1</u>
		Total additions	\$ <u><u>37.0</u></u>

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

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Management's Discussion and Analysis

December 31, 2009 and 2008

Debt

Changes in the Utility's debt are shown in the following table as of December 31, 2009, 2008, and 2007. The table includes only debt having a long-term component.

	Table 4		
	Net Debt		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue bonds, net	\$ 145,651,758	148,037,582	151,656,073
Special assessments bond	—	—	40,000
Bonds total	<u>145,651,758</u>	<u>148,037,582</u>	<u>151,696,073</u>
Long-term loans	<u>54,592,335</u>	<u>49,113,974</u>	<u>41,084,186</u>
Total net debt	<u><u>\$ 200,244,093</u></u>	<u><u>197,151,556</u></u>	<u><u>192,780,259</u></u>
Increase in net debt	<u><u>\$ 3,092,537</u></u>	<u><u>4,371,297</u></u>	

In 2009, the Utility issued \$49.7 million in revenue refunding bonds to defease \$50.4 million in 1998 and 1999 revenue bonds. Approximately \$8.2 million was received from the State of Alaska Drinking Water Loan Program to finance capital improvements. Bond principal payments totaled \$4.1 million, while loan principal payments totaled \$2.8 million.

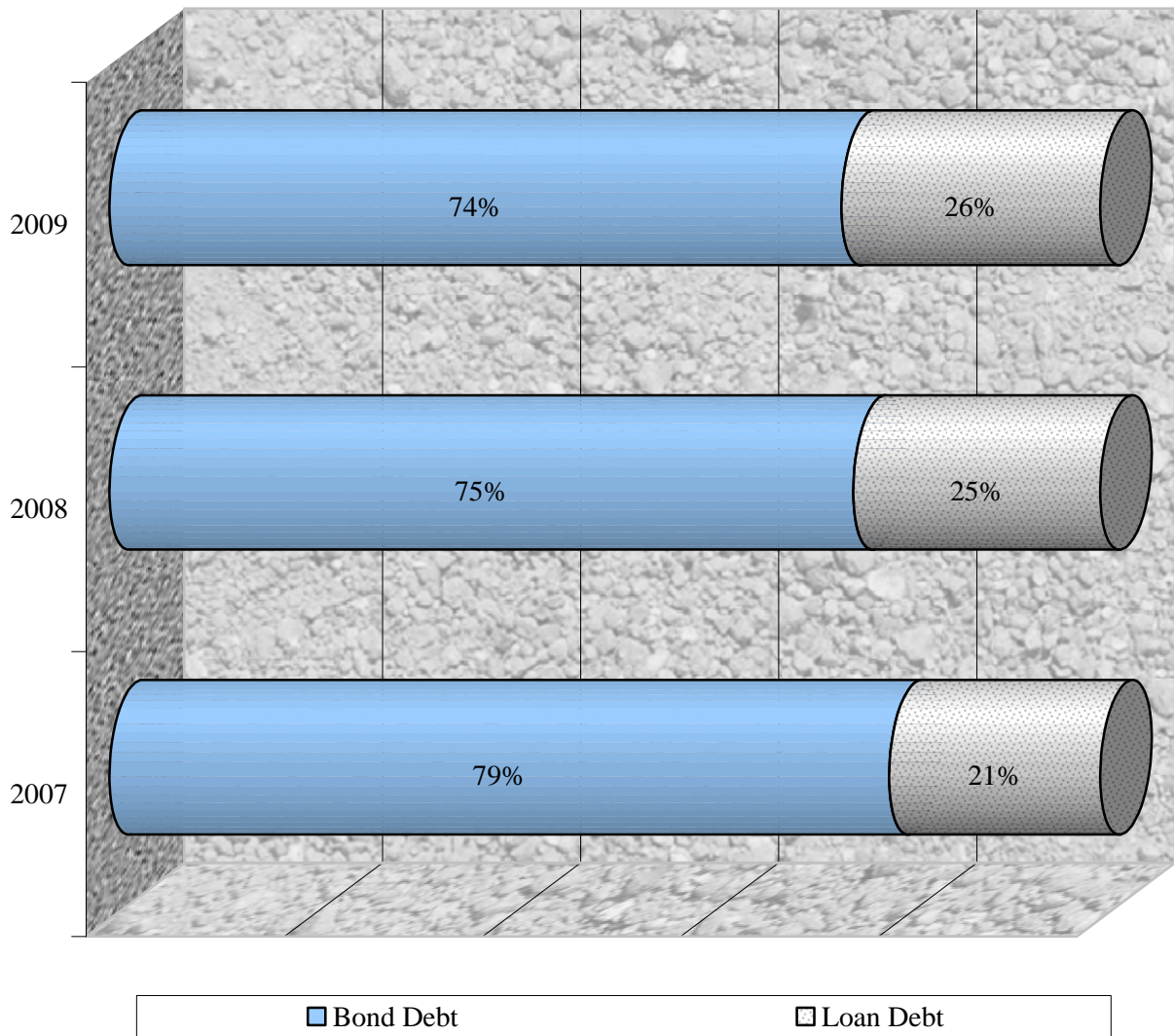
During 2008, approximately \$9.2 million was received from the State of Alaska Drinking Water Loan Program to finance capital improvements. Bond principal payments totaled \$4.3 million, while loan principal payments totaled \$1.1 million.

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Net Debt by Type



Additional information on the Utility's long-term obligations can be found in note 4 of this report.

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Management's Discussion and Analysis

December 31, 2009 and 2008

Economic Factors and Next Year's Budgets and Rates

Budgetary Matters

The 2010 budget anticipates revenue increases due to the combined effects of a modest customer growth and a rate increase of 2.5% effective January 1, 2010.

Operating expenses were budgeted to increase by \$0.7 million or 3.0% from the 2009 budget. Increases are expected due to higher wages, higher commodity, shipping, utility and fuel costs.

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 Regulatory Commission of Alaska (RCA), and as a result, revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities.

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

Contacting the Utility's Financial Management

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA
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Balance Sheets

December 31, 2009 and 2008

Assets	2009	2008
Capital assets:		
Plant in service, at cost	\$ 673,760,883	639,466,872
Less accumulated depreciation	(219,856,401)	(209,812,827)
Net plant in service	453,904,482	429,654,045
Plant acquisition adjustment less amortization of \$1,790,930 in 2009 and \$1,676,154 in 2008	1,531,014	1,645,790
Plant held for future use	1,985,619	1,985,619
Construction work in progress	19,013,996	12,748,091
Net capital assets	476,435,111	446,033,545
Restricted assets:		
Current:		
Equity in bond and grant capital acquisition and construction pool	10,610,237	36,684,410
Revenue bond debt service investments	4,981,276	2,720,647
Interim rate escrow investments	2,385,041	—
Capital projects investments	1,300	177,110
Noncurrent:		
Customer deposits	538,397	354,958
Total restricted assets	18,516,251	39,937,125
Current assets:		
Equity in general cash pool	11,864,976	17,122,430
Accrued interest receivable	129,131	25,579
Accounts receivable:		
Utility customers, less estimated uncollectibles of \$93,282 in 2009 and \$81,072 in 2008	4,040,293	3,472,626
Other, less estimated uncollectibles of \$82,795 in 2009 and \$94,189 in 2008	156,510	185,334
Interfund loan receivable from Wastewater Utility Capital Projects Fund	6,583,628	—
Special assessments receivable	89,665	97,676
Unbilled reimbursable projects	393,025	375,701
Inventory of materials and supplies, at average cost	1,539,907	1,553,233
Total current assets	24,797,135	22,832,579
Noncurrent deferred charges and other assets:		
Unamortized cost of debt issuance	1,495,972	1,238,571
Unbilled special assessments	1,063,962	877,426
Other	644,525	367,587
Total noncurrent deferred charges and other assets	3,204,459	2,483,584
Total assets	\$ 522,952,956	511,286,833

See accompanying notes to basic financial statements.

Liabilities and Net Assets	2009	2008
Net assets:		
Invested in capital assets, net of related debt	\$ 59,545,318	54,759,830
Restricted	7,366,317	2,720,647
Unrestricted	14,658,737	17,035,882
Total net assets	<u>81,570,372</u>	<u>74,516,359</u>
Noncurrent liabilities:		
Compensated absences payable	251,716	193,541
Pollution remediation obligation	145,000	155,000
Revenue bonds payable	141,246,000	147,270,000
Less unamortized discounts and losses	(4,424,771)	(4,561,836)
Plus unamortized premiums	3,575,529	1,234,418
Net revenue bonds payable	<u>140,396,758</u>	<u>143,942,582</u>
Alaska drinking water loans payable	<u>51,450,906</u>	<u>46,964,219</u>
Total noncurrent liabilities	<u>192,244,380</u>	<u>191,255,342</u>
Current liabilities:		
Accounts payable	1,127,835	1,143,451
Accrued payroll	855,690	569,876
Compensated absences payable	1,008,799	972,807
Accrued interest	1,467,961	2,775,748
Pollution remediation obligation	10,000	—
Long-term obligations maturing within one year	8,396,429	6,244,755
Total current liabilities	<u>12,866,714</u>	<u>11,706,637</u>
Liabilities payable from restricted assets:		
Current:		
Capital acquisition and construction accounts and retainages payable	1,872,678	2,450,283
Noncurrent:		
Customer deposits payable	538,397	354,958
Total liabilities payable from restricted assets	<u>2,411,075</u>	<u>2,805,241</u>
Deferred liabilities:		
Other deferred credits	19,550	19,575
Contributions in aid of construction, net of amortization	233,840,865	230,983,679
Total deferred liabilities	<u>233,860,415</u>	<u>231,003,254</u>
Total liabilities	<u>441,382,584</u>	<u>436,770,474</u>
Total liabilities and net assets	<u>\$ 522,952,956</u>	<u>511,286,833</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
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Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2009 and 2008

	2009	2008
Operating revenues:		
Charges for sales and services:		
Residential sales	\$ 31,909,734	29,847,959
Commercial sales	9,995,106	8,383,736
Total charges for sales and services	41,904,840	38,231,695
Other:		
Public fire protection	3,698,074	3,500,243
Hydrant use charges	264,254	189,242
Miscellaneous	1,368,347	1,135,708
Total other	5,330,675	4,825,193
Total operating revenues	47,235,515	43,056,888
Operating expenses:		
Source of supply	2,752,625	2,633,254
Water treatment	4,130,606	4,187,959
Transmission and distribution	5,961,552	5,795,812
Customer accounts	2,223,347	2,391,825
Administrative and general	6,873,012	7,617,978
Total operations	21,941,142	22,626,828
Depreciation, net of amortization	7,201,903	7,442,828
Total operating expenses	29,143,045	30,069,656
Operating income	18,092,470	12,987,232
Nonoperating revenues (expenses):		
Investment income – short-term investments	2,856,542	990,083
Water property rental	90,723	45,358
Miscellaneous non-operating revenues	1,498	—
Interest on long-term obligations	(7,539,671)	(8,207,536)
Allowance for funds used during construction	921,091	510,930
Amortization of bond premium/discount	(486,604)	(493,069)
Amortization of debt expense	(157,923)	(212,911)
Interest expense – other	(818,100)	(552,131)
Intergovernmental revenue	—	664,439
Total nonoperating revenues (expenses)	(5,132,444)	(7,254,837)
Income before transfers and special items	12,960,026	5,732,395
Transfers:		
Transfer to other funds	(6,112,876)	(5,762,882)
Transfer from other funds	206,863	162,315
Total transfers	(5,906,013)	(5,600,567)
Special items:		
Net pension obligation write-off	—	1,165,721
Net other postemployment benefits obligation write-off	—	165,709
Total special items	—	1,331,430
Change in net assets	7,054,013	1,463,258
Net assets – beginning	74,516,359	73,053,101
Net assets – ending	\$ 81,570,372	74,516,359

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 44,647,062	42,190,770
Payments to employees	(13,755,548)	(13,890,297)
Payments to vendors	(6,135,489)	(6,754,308)
Internal activity – payments made to other funds	(2,204,997)	(1,103,332)
Net cash provided by operating activities	<u>22,551,028</u>	<u>20,442,833</u>
Cash flows from non-capital and related financing activities:		
Transfers to other funds	(6,112,876)	(5,762,882)
Transfers from other funds	206,863	162,315
Intergovernmental revenue	—	664,439
Net cash used by non-capital and related financing activities	<u>(5,906,013)</u>	<u>(4,936,128)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term obligations	(4,098,226)	(4,305,120)
Interest payments on long-term obligations	(8,554,690)	(8,145,552)
Acquisition and construction of capital assets	(40,608,604)	(31,521,583)
Capital contributions – intergovernmental	5,904,277	2,659,376
Capital contributions – customer/special assessments	301,479	326,820
Proceeds from (payments to) bond sales	(2,497,545)	—
Proceeds from Alaska drinking water loans	8,243,511	9,174,912
Principal payments on Alaska drinking water loans	(2,765,150)	(1,145,124)
Net payments on loan from primary government	—	(194,445)
Net payments for loan to Wastewater Utility Capital Projects Fund	(6,583,628)	—
Net cash used by capital and related financing activities	<u>(50,658,576)</u>	<u>(33,150,716)</u>
Cash flows from investing activities:		
Proceeds from purchase or sales and maturity of investments	26,186,556	14,899,397
Interest received	2,752,990	1,221,506
Net cash provided by investing activities	<u>28,939,546</u>	<u>16,120,903</u>
Net decrease in cash	(5,074,015)	(1,523,108)
Cash, beginning of year	17,477,388	19,000,496
Cash, end of year	\$ <u>12,403,373</u>	<u>17,477,388</u>
Cash and cash equivalents		
Equity in general cash pool	\$ 11,864,976	17,122,430
Customer deposits	538,397	354,958
Cash and cash equivalents, end of year	<u>\$ 12,403,373</u>	<u>17,477,388</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 18,092,470	12,987,232
Transfer to escrow account	(2,385,041)	—
Adjustments to reconcile operating income to net cash provided by operating activities:		
Allowance for uncollectible accounts	816	38,752
Depreciation, net of amortization	7,201,903	7,442,828
Water property rentals	90,723	45,358
Miscellaneous non-operating revenues	1,498	—
Changes in assets and liabilities increasing (decreasing) cash:		
Accounts receivable and other receivables	(531,648)	(130,940)
Unbilled reimbursable projects	(17,324)	20,058
Inventories	13,326	(194,240)
Customer deposits payable	183,439	2,036
Deferred charges and other assets	(463,474)	(404,598)
Accounts payable and other liabilities	(15,616)	(176,737)
Accrued payroll liabilities	285,814	569,876
Compensated absences payable	94,167	68,633
Pollution remediation obligation	—	155,000
Other deferred credits	(25)	19,575
Net cash provided by operating activities	<u>\$ 22,551,028</u>	<u>20,442,833</u>
Noncash investing, capital, and financing activities:		
Contributed capital – private development	\$ 2,678,593	2,553,338
Capital purchases on account, net	1,274,920	1,228,177
Total noncash investing, capital, and financing activities	<u>\$ 3,953,513</u>	<u>3,781,515</u>

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
WATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2009 and 2008

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

The Anchorage Water Utility (Utility) began in 1919 as a general government function of the City of Anchorage's Public Works Department and later evolved into an enterprise fund. In the early 1970's the Utility became its own department of the City and following unification of the City of Anchorage and the Greater Anchorage Area Borough, now exists as a public utility of the Municipality of Anchorage (Municipality). The Utility, whose service area equals 125 square miles of metropolitan Anchorage, from Eklutna to Girdwood, collects water from two major surface watersheds and many deep underground wells. In 2005, the Assembly authorized the Utility to be governed by a Board of Directors. The accompanying financial statements include the activities of the Water Utility Fund.

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

Notes to Basic Financial Statements

December 31, 2009 and 2008

(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 amortized cost which approximates 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 capital assets are deferred and amortized over the life of the related bond issue or over their estimated useful life.

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

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(f) Property, Plant, and Equipment

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

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

The Utility 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 follow:

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

(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 billed. The Utility accrued \$1,510,000 and \$1,190,000 for the years ended December 31, 2009 and 2008 respectively.

(i) Accrued Leave

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

(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

MUNICIPALITY OF ANCHORAGE, ALASKA
WATER UTILITY FUND

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costs allocated to the Utility totaled \$1.9 and \$1.6 million for the years ended December 31, 2009 and 2008, respectively.

(k) Risk Management

The Municipality self-insures to the extent of \$2,000,000 for automobile and general liability claims. Workers' compensation is self-insured to the extent of \$1,000,000 per occurrence. Coverage in excess of these amounts is insured by private carriers. For the year ended December 31, 2009, general liability and workers compensation paid by the Municipality was \$6,764,370. The Municipality has established reserves of \$16,192,805 as of December 31, 2009. For 2008, the Municipality paid \$6,495,198 and had reserves of \$15,196,223.

For the year ended December 31, 2009, the Municipality paid \$46,235,550 for medical, dental, vision, and life benefit claims. The Municipality has established reserves of \$7,354,588 as of December 31, 2009. For 2008 the Municipality paid \$42,883,966 and had reserves of \$5,260,400. Claims incurred but not reported included in the established reserves are \$13,971,107 for general liability and workers' compensation and medical, dental, vision, and life benefits. For 2008, claims incurred but not reported were \$12,327,800.

Unemployment compensation expense is based on actual claims paid by the State of Alaska and reimbursed by the government. No provision has been made for claims incurred but not reported by the State of Alaska at December 31, 2009.

(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 Receivable – Wastewater Capital Projects Fund

When the Utility borrows from the Municipality's 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 Drinking Water Fund, the cash pool is reimbursed from these proceeds. In 2009, the Municipality of Anchorage Water Utility's construction cash pool loaned the Municipality of Anchorage Wastewater Utility \$6.8 million to fund capital projects.

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

December 31, 2009 and 2008

(2) Cash and Investments

At December 31, 2009, the Municipality had the following cash and investments, with fixed income maturities as noted:

Investment Type	Fair Value	Fixed Income Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Petty Cash	\$ 37,009	-	-	-	-
Master Lease Agreement	759,080	-	-	-	-
Interim Rate Escrow Investments	4,204,515	-	-	-	-
Central Treasury - Unrestricted					
Cash & Money Market Funds	7,485,277	-	-	-	-
Repurchase Agreements	1,090,609	1,090,609	-	-	-
U.S. Treasuries	38,958,683	-	22,216,639	12,865,216	3,876,828
U.S. Agencies	69,907,823	31,558,214	34,202,195	4,147,414	-
International Agencies	1,366,435	1,366,435	-	-	-
Structured Securities*	44,825,821	2,406,758	12,619,305	2,869,397	26,930,361
Corporate Securities	100,968,467	23,131,446	65,166,738	8,999,493	3,670,790
	<u>264,603,115</u>	<u>59,553,462</u>	<u>134,204,877</u>	<u>28,881,520</u>	<u>34,477,979</u>
Central Treasury - Restricted					
Cash & Money Market Funds	6,930,883	-	-	-	-
Repurchase Agreements	350,056	350,056	-	-	-
Commercial Paper	29,776,093	29,776,093	-	-	-
Certificates of Deposit	13,164,506	13,164,506	-	-	-
U.S. Treasuries	12,504,694	-	7,130,946	4,129,390	1,244,358
U.S. Agencies**	101,214,024	88,904,826	10,977,989	1,331,209	-
International Agencies***	5,386,512	5,386,512	-	-	-
Structured Securities*	14,387,887	772,503	4,050,459	921,000	8,643,925
Corporate Securities	57,192,403	29,316,739	23,808,843	2,888,596	1,178,225
	<u>\$ 240,907,058</u>	<u>167,671,235</u>	<u>45,968,237</u>	<u>9,270,195</u>	<u>11,066,508</u>

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

**\$46,652,881 in callable 1-5 year notes are expected to be called within the next year and are classified as *Less Than 1*.

***\$4,947,923 in callable 1-5 year notes are expected to be called within the next year and are classified as *Less Than 1*.

The Utility's unrestricted cash and investments represent 4.5% of the unrestricted Municipal Central Treasury. The Utility's restricted cash and investments represent 7.7% 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.

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

- Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies.
- Corporate debt securities that are guaranteed by the U.S. government or the Federal Deposit Insurance Corporation (FDIC) as to principal and interest.
- Taxable and tax-exempt municipal securities having a long-term rating of at least A- by a nationally recognized rating agency or taxable or tax-exempt municipal securities having a short-term rating of at least A-1 by Standard and 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 and 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 and 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 and Poor's sovereign rating of AAA, or a Moody's sovereign rating for bank deposits of Aaa, or a Fitch national rating of AAA, and subject to supervision and examination by federal or state banking authorities.
- Repurchase agreements secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies.
- Dollar denominated corporate debt instruments rated BBB- or better (investment grade) by Standard and 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 and Poor's or the equivalent by another nationally recognized rating agency, including emerging markets.

MUNICIPALITY OF ANCHORAGE, ALASKA
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Notes to Basic Financial Statements

December 31, 2009 and 2008

- Dollar denominated debt instruments of foreign governments rated BBB- or better (investment grade) by Standard and 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 and Poor's or the equivalent by another nationally recognized rating agency.
- Mortgage backed securities, including generic mortgage-backed pass-through securities issued by Ginnie Mae, Freddie Mac, and Fannie Mae, as well as non-agency mortgage-backed securities, collateralized mortgage obligations (CMOs), or commercial mortgage-backed securities (CMBS), which must have a credit rating of AA- or better by Standard and Poor's or the equivalent by another nationally recognized rating agency.
- Debt issued by the Tennessee Valley Authority.
- Money market mutual funds rated Am or better by Standard & Poor's, or the equivalent by another nationally recognized rating agency, as long as they consist of allowable securities as outlined above.
- The Alaska Municipal League Investment Pool (AMLIP).
- Mutual funds consisting of allowable securities as outlined above.
- Interfund loans from a Municipal Cash Pool to a Municipal Fund.

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

- Structured investment vehicles.
- Asset backed commercial paper.
- Short sales.
- Securities not denominated in U.S. dollars.
- Commodities.
- Real estate investments.
- Derivatives, except "To be announced" forward mortgage-backed securities, or 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

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Notes to Basic Financial Statements

December 31, 2009 and 2008

for each portfolio's investment mandate. The IMA and P&P limit the concentration of investments for the working capital portfolio and the internally managed portfolio at the time new investments are purchased as follows:

Investment Type	Concentration Limit	Working Capital Portfolio	Internally Managed Portfolio
		Holding % at 12/31/2009	Holding % at 12/31/2009
U.S. Government Securities*	50% to 100% of investment portfolio	77%	50%
Repurchase Agreements	0% to 50% of investment portfolio	0%	1%
Certificates of Deposit**	0% to 50% of investment portfolio Maximum 5% per issuer	0%	10%
Bankers' Acceptances	0% to 25% of investment portfolio Maximum 5% per issuer	0%	0%
Commercial Paper	0% to 15% of investment portfolio Maximum 5% per issuer	0%	15%
Corporate Bonds	0% to 15% of investment portfolio Maximum 5% per issuer	12%	15%
Alaska Municipal League Investment Pool (AMLIP)***	0% to 25% of investment portfolio	0%	0%
Money Market Mutual Funds	0% to 25% of investment portfolio	9%	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	2%	5%
		<u>100%</u>	<u>100%</u>

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

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

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

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(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 Municipality Central Treasury utilize the duration method to measure exposure to interest rate risk. Interest rate risk is disclosed 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, 2009, were 0.45 years, 1.84 years, and 3.73 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, 2009, the Municipal Central Treasury's investment in commercial paper totaled \$29,776,093, 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 Municipal Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$224,127,525 at December 31, 2009. The distribution of ratings on these securities was as follows:

Moody's		S&P	
Aaa	32%	AAA	37%
Aa	20%	AA	18%
A	24%	A	27%
Baa	12%	BBB	10%
Ba or lower	3%	BB or lower	2%
Not Rated	9%	Not Rated	6%
	100%		100%

At December 31, 2009, Municipal Central Treasury was invested in Asset Backed Securities and Mortgage Backed Securities valued at \$10,242,479 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.

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Notes to Basic Financial Statements

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(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, 2009, the Municipality held a total of \$86,385,037 in securities issued by the Federal National Mortgage Association (FNMA) and a total of \$49,333,660 in securities issued by the Federal Home Loan Mortgage Corporation (FHLMC). These investments compromised 8.9% and 5.1%, respectively, of the total portfolio. Securities issued by FNMA and FHLMC comprised \$79,735,840 (15.7%) and \$41,614,072 (8.2%), respectively, 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, 2009, the Municipal Central Treasury had bank deposit carrying amounts totaling \$28,315,004, of which \$1,250,000 was covered by federal depository insurance. Bank deposits of \$13,627,550 were secured by collateral held at the depository bank, and additional bank deposits of \$772,948 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 \$1,440,665 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, 2009 all debt obligations held in the Municipal Central Treasury were payable in U.S. dollars.

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

December 31, 2009 and 2008

(3) Capital Assets

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

	December 31, 2008	Additions	Retirements	December 31, 2009
Miscellaneous intangible plant	\$ 1,233,907	11,684	—	1,245,591
Source of supply plant	45,921,926	67,053	(157,474)	45,831,505
Pumping plant	8,843,993	3,314,887	(48,039)	12,110,841
Water treatment plant	74,687,897	1,775,408	—	76,463,305
Transmission and distribution plant	460,714,935	27,213,014	(714,998)	487,212,951
General plant - land	762,256	—	—	762,256
General plant	47,301,958	4,637,050	(1,804,574)	50,134,434
	<u>639,466,872</u>	<u>37,019,096</u>	<u>(2,725,085)</u>	<u>673,760,883</u>
Less accumulated depreciation	<u>(209,812,827)</u>	<u>(13,223,353)</u>	<u>3,179,779</u>	<u>(219,856,401)</u>
Net plant in service	429,654,045	23,795,743	454,694	453,904,482
Plant acquisition adjustment	3,321,944	—	—	3,321,944
Less accumulated amortization	(1,676,154)	(114,776)	—	(1,790,930)
Plant held for future use	1,985,619	—	—	1,985,619
Construction work in progress	<u>12,748,091</u>	<u>40,960,307</u>	<u>(34,694,402)</u>	<u>19,013,996</u>
Total net capital assets	<u>\$ 446,033,545</u>	<u>64,641,274</u>	<u>(34,239,708)</u>	<u>476,435,111</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, resulting from the sale of assets, are netted against retirements to accumulated depreciation. Auction proceeds are \$22,833 for the year ended December 31, 2009. Cost of removal, resulting from the retirement, or abandonment of assets, is reported as reduction to accumulated depreciation in the retirements column. Cost of removal is \$477,526 for the year ended December 31, 2009. The Utility's 2010 construction budget is \$35,530,000.

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Capital assets for the year ended December 31, 2008 follow:

	<u>December 31, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2008</u>
Miscellaneous intangible plant	\$ 1,233,907	—	—	1,233,907
Source of supply plant	45,930,381	54,549	(63,004)	45,921,926
Pumping plant	8,536,227	307,766	—	8,843,993
Water treatment plant	74,687,897	—	—	74,687,897
Transmission and distribution plant	430,171,119	30,741,196	(197,380)	460,714,935
General plant - land	762,256	—	—	762,256
General plant	<u>45,470,794</u>	<u>6,025,858</u>	<u>(4,194,694)</u>	<u>47,301,958</u>
	606,792,581	37,129,369	(4,455,078)	639,466,872
Less accumulated depreciation	<u>(201,173,583)</u>	<u>(13,085,690)</u>	<u>4,446,446</u>	<u>(209,812,827)</u>
Net plant in service	405,618,998	24,043,679	(8,632)	429,654,045
Plant acquisition adjustment	3,321,944	—	—	3,321,944
Less accumulated amortization	(1,561,378)	(114,776)	—	(1,676,154)
Plant held for future use	1,985,619	—	—	1,985,619
Construction work in progress	<u>18,551,748</u>	<u>28,772,375</u>	<u>(34,576,032)</u>	<u>12,748,091</u>
Total net capital assets	<u>\$ 427,916,931</u>	<u>52,701,278</u>	<u>(34,584,664)</u>	<u>446,033,545</u>

Transfers of assets between plant categories are reported in additions to plant in service. Transfers for the year ended December 31, 2008, are \$54,549 from General plant to Source of supply plant. Auction proceeds, resulting from the sale of assets, are netted against retirements to accumulated depreciation. Auction proceeds are \$132 for the year ended December 31, 2008.

(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 Drinking Water Fund to fund capital improvement projects. These loans enter repayment status one year after the initiation of operation of the facilities with the loan terms included in the contract. In 2009, the Utility obtained additional low interest loans of \$8,243,511.

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. In 2009, the Utility issued 14-year revenue refunding bonds for \$49,680,000. These bonds refunded the 1998 Senior Lien Water Revenue and Refunding Bonds and the 1999 Water Revenue and Refunding Bonds (see Note 5).

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Long-term obligations outstanding at December 31, 2009, follow:

Description	Original Issue Date	Total Issue Amount	Interest Rates	Maturity Range	Principal Balance December 31
Revenue Bonds:					
2004 Water Revenue & Refunding Bonds	05/26/2004	\$ 18,595,000	2.00- 5.125%	2005 - 2034	\$ 3,765,000
2004 Junior Lien Water Revenue Bonds	10/12/2004	2,000,000	4.35%	2014	1,956,000
2007 Water Revenue & Refunding Bonds	06/28/2007	91,315,000	4.00-5.00%	2008 - 2037	91,100,000
2009 Water Refunding Bonds	12/16/2009	49,680,000	1.50-5.00%	2009 - 2014	49,680,000
Total Revenue Bonds		161,590,000			146,501,000
Long-Term Loans:					
127201 Airport Water Project, Phase 1B	09/01/1999	2,334,756	1.50%	2000 - 2019	1,306,786
127231 Eagle River Rsrvr/Wtr Trans Main	06/06/2000	2,000,000	1.50%	2002 - 2021	1,304,883
127241 Anch. Loop Wtr Trans Main Phs V	07/25/2000	5,039,233	1.50%	2002 - 2021	3,297,916
127251 Service Reservoir No. 6	07/25/2000	3,723,056	1.50%	2002 - 2021	2,430,431
127261 19th Spenard Upgrade	09/18/2008	770,000	1.50%	2010 - 2029	770,000
127321 Disinfection Alternative Wtr Upgrd	03/12/2002	755,000	1.50%	2002 - 2021	499,395
127331 68th Pebble-Baby Bear	09/30/2008	300,000	1.50%	2009 - 2028	285,000
127361 Christen Dr Upgrade	09/08/2009	650,000	1.50%	2010 - 2029	650,000
127381 South Addition Woodstave Upgrades	08/27/2001	922,354	1.50%	2004 - 2023	649,887
127411 Anch. Loop Wtr Trans Main Phs VI	03/02/2001	1,305,776	1.50%	2002 - 2021	855,403
127441 Daryl Industry Way	09/30/2008	28,659	1.50%	2011 - 2030 *	28,659
127461 DeBarr-Klevin-Hoyt Upgrade	12/04/2009	430,000	1.50%	2010 - 2029	430,000
127471 SCADA Water	08/04/2004	4,000,000	1.50%	2006 - 2025	3,324,800
127491 Girdwood Water Supply Imprvmnts	06/23/2004	2,135,300	1.50%	2010 - 2029	2,005,665
127531 Anch. Loop Wtr Trans Main Phs IV	10/31/2006	12,306,151	1.50%	2010 - 2029	12,306,151
127541 SCADA Water II	12/01/2004	6,500,000	1.50%	2009 - 2028	5,850,000
127571 88th Ave Water Transmission Main	10/31/2006	1,850,696	1.50%	2009 - 2028	1,758,161
127581 Pine Debarr San Rob Water Upgrd	09/28/2007	870,014	1.50%	2010 - 2029	870,014
127731 Arctic 32nd - 36th Water Upgrade	11/24/2006	404,234	1.50%	2009 - 2028	384,022
127771 East Bluff Upgrade	10/09/2006	317,763	1.50%	2009 - 2028	301,875
127781 Sullivan-Ben Boeke Water Upgrade	10/09/2006	2,189,753	1.50%	2008-2027	1,970,777
127831 Klatt Rd - NSH-PZ Intertie	09/10/2007	621,600	1.50%	2008-2027	552,059
127851 Old Glenn Highway	06/03/2008	666,608	1.50%	2011 - 2030 *	666,608
127871 Debarr-Muldoon-Turpin Upgrd	09/28/2007	3,034,740	1.50%	2009 - 2028	2,883,003
127901 SCADA Water	10/08/2007	5,300,000	1.50%	2009 - 2028	4,770,000
127911 Wtr Data Processing Project	02/03/2009	600,000	1.00%	2010 - 2014	480,000
127931 Hillside Transmission Main	07/10/2008	317,094	1.50%	2011 - 2030 *	317,094
127941 2006 Misc Water Projects	04/04/2008	846,000	1.50%	2008-2027	762,866
127961 NE Improvements Phase I	07/08/2008	929,107	1.50%	2009 - 2028	929,107
130151 Knik View Intertie	07/21/2008	13,373	1.50%	2011 - 2030 *	13,373
130161 Norm-Newt Drive	12/17/2008	668,400	1.50%	2011 - 2030 *	668,400
130221 San Ernesto Upgrade	12/17/2008	500,000	1.50%	2010 - 2029	500,000
130241 South Addition Phase IV	01/29/2009	500,000	1.50%	2010 - 2029	500,000
130431 68th Ave Redhawk Intertie	12/04/2009	270,000	1.50%	2010 - 2029	270,000
Total Long-Term Loans		63,099,667			54,592,335
Total Long-Term Debt		\$ 224,689,667			\$ 201,093,335

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

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(b) Revenue Bond Coverage Requirements

The debt service on Parity Water Bonds is paid from a special fund designated as the “Anchorage Water Revenue Bond Fund” (Parity Water Bond Fund”). The Municipality is obligated to make payments into the Parity Water Bond Fund no later than the date due sufficient to pay the principal and interest on the Parity Water Bonds as it becomes due and payable. Within the Parity Water Bond Fund is a reserve account created for the purpose of further securing the repayment of the Parity Water Bonds.

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

Fiscal year	Revenue (1)	Assessment collections (2)	Operating expenses (3)	Amount Available for debt service	Debt service requirements (accrual basis)			Coverage (5)
					Principal (4)	Interest (4)	Total	
2000	\$ 31,068,412	544,581	14,286,981	17,326,012	4,415,000	5,267,792	9,682,792	1.79
2001	30,724,971	627,537	13,785,272	17,567,236	4,060,000	5,540,110	9,600,110	1.83
2002	31,158,976	523,688	15,428,722	16,253,942	4,220,000	5,358,150	9,578,150	1.70
2003	30,602,246	452,608	15,449,834	15,605,020	4,400,000	5,165,863	9,565,863	1.63
2004	33,688,579	560,866	17,094,054	17,155,391	4,595,000	5,277,793	9,872,793	1.74
2005	39,214,137	475,004	18,733,157	20,955,984	5,185,000	5,394,050	10,579,050	1.98
2006	39,480,462	605,444	18,964,994	21,120,912	5,375,000	5,174,576	10,549,576	2.00
2007	44,755,119	292,321	26,714,777	18,332,663	3,960,000	5,549,972	9,509,972	1.93
2008	44,264,376	326,820	27,725,271	16,865,925	4,250,000	7,836,288	12,086,288	1.40
2009	\$ 50,391,141	301,479	28,054,018	22,638,602	4,095,000	7,632,687	11,727,687	1.93

- (1) Excludes interest restricted for construction, interest on advanced grants and amortization of premiums on investments, includes antenna revenue.
- (2) Assessment collections represent payments made by benefited property owners, see Capital contributions -customer/special assessments on the Statement of Cash Flows.
- (3) Excludes depreciation and Public Employees Retirement Systems (PERS) relief distributed to labor, includes Municipal Utility Service Assessment (MUSA) as per the 2007 bond covenants.
- (4) Does not include Mini-Bonds as they have no debt service requirements.
- (5) Required minimum coverage is 1.15.

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Notes to Basic Financial Statements

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(c) Debt Service Requirements

Debt service requirements to maturity follows:

Year	Revenue Bonds		Long-term Loans		Total
	Principal	Interest	Principal	Interest	
2010	\$ 5,255,000	6,094,343	3,141,429	888,274	15,379,045
2011	4,760,000	6,206,089	3,240,953	774,880	14,981,923
2012	5,810,000	6,000,111	3,255,996	721,949	15,788,057
2013	6,015,000	5,785,568	3,271,263	673,710	15,745,541
2014	6,836,000	5,588,355	3,166,758	625,240	16,216,353
2015 - 2019	19,275,000	25,497,723	16,074,492	2,408,910	63,256,125
2020 - 2024	21,965,000	21,062,006	13,379,955	1,247,154	57,654,115
2025 - 2029	22,375,000	16,260,444	8,976,782	359,531	47,971,757
2030 - 2034	31,330,000	9,733,735	84,707	1,271	41,149,713
2035 - 2037	22,880,000	1,754,000	—	—	24,634,000
	146,501,000	\$ 103,982,374	54,592,335	7,700,919	312,776,628
	(5,255,000)		(3,141,429)		Current Portion of Principal
	(4,424,771)		—		Unamortized Discounts and Loss
	3,575,529		—		Unamortized Premiums
	\$ 140,396,758		51,450,906		Total Long Term Portion

(d) Long-Term Obligations

Changes in long-term obligations for the years ending December 31 follow:

Description	December 31, 2008	Additions	Deletions	December 31, 2009	Amounts due within one year
Revenue bonds	\$ 151,365,000	49,680,000	(54,544,000)	146,501,000	5,255,000
Long-term loans	49,113,974	8,243,511	(2,765,150)	54,592,335	3,141,429
Total debt	200,478,974	57,923,511	(57,309,150)	201,093,335	8,396,429
Unamortized discounts & loss	(4,561,836)	(1,221,751)	1,358,816	(4,424,771)	—
Unamortized premiums	1,234,418	2,415,384	(74,273)	3,575,529	—
Total debt, net	197,151,556	59,117,144	(56,024,607)	200,244,093	8,396,429
Compensated absences	1,166,348	1,101,769	(1,007,602)	1,260,515	1,008,799
Pollution remediation obligation	155,000	—	—	155,000	10,000
Total long-term, net	\$ 198,472,904	60,218,913	(57,032,209)	201,659,608	

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Description	December 31, 2007	Additions	Deletions	December 31, 2008	Amounts due within one year
Revenue bonds	\$ 155,635,000	—	(4,270,000)	151,365,000	4,095,000
Assessment bonds	40,000	—	(40,000)	—	—
Long-term loans	41,084,186	9,174,912	(1,145,124)	49,113,974	2,149,755
Total debt	196,759,186	9,174,912	(5,455,124)	200,478,974	6,244,755
Unamortized discounts & loss	(5,285,416)	—	723,580	(4,561,836)	—
Unamortized premiums	1,306,489	—	(72,071)	1,234,418	—
Total debt, net	192,780,259	9,174,912	(4,803,615)	197,151,556	6,244,755
Compensated absences	1,097,715	1,040,192	(971,559)	1,166,348	972,807
Net pension obligation	165,709	—	(165,709)	—	—
Net OPEB obligation	1,165,721	—	(1,165,721)	—	—
Pollution remediation obligation	—	155,000	—	155,000	—
Total long-term, net	\$ 195,209,404	10,370,104	(7,106,604)	198,472,904	

MUNICIPALITY OF ANCHORAGE, ALASKA
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(5) Refunded Bond Issues

The Utility follows the provisions of Governmental Accounting Standards Board Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities* (GASB 23). GASB 23 generally requires that gains and losses from current refunding and advance refundings that result in the defeasance of debt be deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized gain or loss is reported as an addition to or reduction of the new debt liability.

In 2009 the Utility issued \$49,680,000 in Water Revenue Refunding Bonds. The proceeds from these bonds were used to fully defease the 1998 Senior Lien Water Revenue and Refunding Bonds in the amount of \$10,120,000 and the 1999 Water Revenue and Refunding Bonds in the amount of \$40,325,000. As a result of the refunding, the Utility reduced its total debt service requirement by \$9,677,110 which resulted in an economic gain of \$5,848,119.

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, 2009, the following are considered defeased:

1998 Senior Lien Revenue Bonds	\$ 10,120,000
1999 Revenue Bonds	40,325,000
2004 Revenue Bonds	<u>11,175,000</u>
	<u>\$ 61,620,000</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
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(6) Deferred Liabilities

Contributions in Aid of Construction (CIAC) for the years ending December 31 follow:

	December 31, 2008	Additions	Deletions	December 31, 2009
Contributions in Aid of Construction				
Customer:				
Special assessments \$	47,211,666	410,543	—	47,622,209
Private development	124,834,614	2,678,593	(318,814)	127,194,393
Other	3,372,367	—	—	3,372,367
Intergovernmental	187,827,491	5,904,277	(294,812)	193,436,956
Total CIAC	<u>363,246,138</u>	<u>8,993,413</u>	<u>(613,626)</u>	<u>371,625,925</u>
Accumulated Amortization				
Customer	(73,905,012)	(2,648,101)	318,814	(76,234,299)
Intergovernmental	(58,357,447)	(3,488,126)	294,812	(61,550,761)
Total amortization	<u>(132,262,459)</u>	<u>(6,136,227)</u>	<u>613,626</u>	<u>(137,785,060)</u>
Net CIAC \$	<u><u>230,983,679</u></u>	<u><u>2,857,186</u></u>	<u><u>—</u></u>	<u><u>233,840,865</u></u>
	December 31, 2007	Additions	Deletions	December 31, 2008
Contributions in Aid of Construction				
Customer:				
Special assessments \$	46,771,825	439,841	—	47,211,666
Private development	122,423,559	2,553,338	(142,283)	124,834,614
Other	3,121,156	251,211	—	3,372,367
Intergovernmental	185,434,118	2,408,165	(14,792)	187,827,491
Total CIAC	<u>357,750,658</u>	<u>5,652,555</u>	<u>(157,075)</u>	<u>363,246,138</u>
Accumulated Amortization				
Customer	(71,431,758)	(2,615,537)	142,283	(73,905,012)
Intergovernmental	(55,230,138)	(3,142,101)	14,792	(58,357,447)
Total amortization	<u>(126,661,896)</u>	<u>(5,757,638)</u>	<u>157,075</u>	<u>(132,262,459)</u>
Net CIAC \$	<u><u>231,088,762</u></u>	<u><u>(105,083)</u></u>	<u><u>—</u></u>	<u><u>230,983,679</u></u>

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(7) Net Assets

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

	2009	2008
Net capital assets	\$ 476,435,111	446,033,545
Less: Net revenue bonds payable long-term	140,396,758	143,942,582
Less: Unspent debt proceeds	(17,195,165)	(36,861,520)
Alaska drinking water loan payable, long-term	51,450,906	46,964,219
Long-term obligations maturing within one year	8,396,429	6,244,755
Contributions in aid of construction, net	233,840,865	230,983,679
Invested in capital assets, net of related debt	\$ 59,545,318	54,759,830

Net assets restricted are comprised of:

	2009	2008
Revenue bond debt service investments	\$ 4,981,276	2,720,647
Interim rate escrow investment	2,385,041	—
Restricted net assets	\$ 7,366,317	2,720,647

(8) Retirement Plan

State of Alaska Public Employees' Retirement System

(a) Plan Descriptions

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

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

All full-time and regular part-time Utility employees are eligible to participate in PERS if they are employed fifteen hours or more per week. For both the defined benefit plan and the defined contribution plan, benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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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/dr/pers/.

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

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

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

Detailed contribution rates for the Utility and actuarial methods for the plan for the year ended 2009 are as follows:

	Employee Rate		Contractual Rate		ARM Board Adopted Rate		GASB 45*	
	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>	<u>1/1 to 6/30/09</u>	<u>7/1 to 12/31/09</u>
Pension	2.09%	2.50%	6.82%	8.16%	10.91%	10.25%	8.47%	10.72%
Postemployment Healthcare	4.66%	4.25%	15.18%	13.84%	24.31%	17.40%	37.25%	53.96%
Total Contribution Rate	6.75%	6.75%	22.00%	22.00%	35.22%	27.65%	45.72%	64.68%

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

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The significant actuarial information and assumptions used in the most recent valuation of the plan follow:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay for Pension; Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.25% for pension, 4.5% for healthcare
Projected Salary Increases	Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of service, 1.0% grading down to 0%. Productivity: 0.5% per year
Inflation	3.5%

The State of Alaska Public Employees' Retirement System retiree healthcare benefits are partially funded. The PERS plan uses the percentage of ARC methodology in the development of the investment rate of return.

(c) Annual Pension and Postemployment Healthcare Cost

The Utility is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State contributed approximately 13.22% from January 1 through June 30 and 5.65% between July 1 and December 31, 2009 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 \$16,162,963 as a PERS on-behalf payment. For 2009 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 eighteen months from July 1, 2008 to December 31, 2009 are shown below:

Year	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	Utility Contributions	% of TBC Contributed
2009	\$ 709,672	1,278,546	1,988,218	1,988,218	100%
7/1 to 12/31/2008	\$ 272,261	641,980	914,241	914,241	100%

The Utility's 2008 financial statements do reflect the inclusion of \$664,439 of PERS relief (included in intergovernmental revenue) and related PERS operating expenses for the period

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Notes to Basic Financial Statements

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January 1, 2008 to June 30, 2008. In addition due to the conversion to cost sharing at July 1, 2008, the Utility also recognized a special item (gain) associated with the write-off of its previously reported net pension obligation (\$1,165,721) and net other postemployment benefit obligation (\$165,709).

(d) Funding Policy and Annual Pension and Postemployment HealthCare Costs – PERS Tier IV Defined Contribution Plan

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

	TIER IV	
	<u>1/1 - 6/30</u>	<u>7/1 - 12/31</u>
Employee Contribution	8.00%	8.00%
Employer Contribution		
Retirement	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%
Retiree Medical Plan	0.99%	0.83%
Death & Disability Benefit	0.58%	0.30%
Total Employer Contribution	9.57%	9.13%

*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, 2009 a rate of \$62.18 per full time employee per pay period and \$1.04 per part time hour worked was paid. For pay periods ending after July 1, 2009, a rate of \$65.37 per full time employee pay period and \$1.09 per part time hour worked was paid.

For the year ended December 31, 2009, the Utility contributed \$102,184 to PERS Tier IV for retirement and retiree medical, and it contributed \$44,037 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$121,860.

For the year ended December 31, 2008, the Utility contributed \$69,015 to PERS Tier IV for retirement and retiree medical, and it contributed \$28,105 for Health Reimbursement Arrangement. Employee contributions were \$84,046.

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 12.87% 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.

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

Notes to Basic Financial Statements

December 31, 2009 and 2008

(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 1993, in accordance with the State of Alaska Department of Environmental Conservation (ADEC) regulations, the Utility commenced activities to remove three leaking, underground fuel storage tanks and the surrounding contaminated soils. Additional contamination was identified on the affected property (unrelated to the tank leakage) requiring additional removal of soils. An ADEC report indicates the Utility performed some groundwater sampling at the site, but there is no documentation indicating a groundwater characterization had been completed. In 2009, the Utility's consultant submitted to the ADEC a plan for closing the case on this site. The Utility is awaiting the ADEC's input and or approval regarding the plan.

The Utility used the expected cash flow technique to measure the liability. The Utility estimated a reasonable range of potential outlays of \$75,000 to \$350,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$155,000. 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 the Municipal Utility Service Assessment (MUSA) expense 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. The Superior Court decision was appealed by the Utility to the State of Alaska Supreme Court. 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 to make a determination on the merits of the reasonableness of the Utility's proposed rate increase. The Utility submitted written direct testimony in the remand proceeding on December 18, 2009. The remand will conclude following additional testimony from the Attorney General and the Utility and a final hearing on the matter is scheduled for July 21 through July 27, 2010. A final decision on the MUSA matter is due from the RCA by October 25, 2010.

Revenue collected subject to refunds approximated \$18 million through December 31, 2009, of which approximately \$3.3 million was associated with revenues collected in 2009. In light of the Supreme Court decision, the Utility believes that it is unlikely that it will ultimately be required to refund the revenue collected, and therefore has not recorded a liability for a refund payable.

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

Notes to Basic Financial Statements

December 31, 2009 and 2008

(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 7%. The RCA granted the requested interim rate increase effective January 1, 2009. On February 10, 2010, the RCA issued Order U-08-157(10). The Order resolved all issues remaining in the docket following a full adjudicatory proceeding and found that “no refund is necessary” for revenues collected based on interim and refundable rates during the period from January 1, 2009 until December 31, 2009. Upon close review of the RCA order, it appears that the final approved rate increase was actually approximately \$0.6 million lower than the interim rates collected from Water Utility customers. On February 19, 2010 the Utility filed a notice to the Commission informing it that errors may have been made in determination of the final order and that refunds would likely be required. The Utility anticipates an order from the Commission requiring refunds of approximately \$0.6 million to its customers during 2010. This anticipated refund, associated with 2009 sales, was accrued by the Utility in its 2009 financial statements.

(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%. The RCA granted the requested interim rate increase effective January 1, 2010. On March 12, 2010, the Utility negotiated a tentative settlement agreement with the Attorney General. A stipulation requesting that the 2.5% rate increase be approved on a permanent basis was filed with the RCA on April 13, 2010.

(12) Interfund Transfers

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

<u>Description</u>	<u>Amount</u>
Transfer to other funds:	
Municipal utility service assessment	\$ <u>6,112,876</u>
Transfer from other funds:	
Municipal utility service assessment 2008 refund	\$ <u>206,863</u>

The composition of interfund transfers as of December 31, 2008 is as follows:

<u>Description</u>	<u>Amount</u>
Transfer to other funds:	
Municipal utility service assessment	\$ <u>5,762,882</u>
Transfer from other funds:	
Medical dental self-insurance fund	\$ <u>162,315</u>

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

Notes to Basic Financial Statements

December 31, 2009 and 2008

(13) Subsequent Events

(a) *Disposal of Land*

On February 25, 2010, Anchorage Water Utility received payment of \$2,393,308 for the disposal of nine acres of Municipality of Anchorage/Anchorage Water Utility property, Tract 4, International East Subdivision, at fair market value to Chugach Electric Association.

(b) *State of Alaska Loans*

Subsequent to December 31, 2009, the Utility received \$4.9 million in loans from the State of Alaska Drinking Water Fund for capital construction projects.

STATISTICAL SECTION

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Financial ratios:					
Current ratio (current assets / current liabilities)	1.93	1.95	2.45	0.98	1.51
Quick ratio (quick assets / current liabilities)	1.81	1.82	2.31	0.89	1.39
Return on investment (change in net assets / total assets)	1.3%	0.3%	1.0%	0.8%	0.4%
Return on equity (change in net assets / net assets)	8.6%	2.0%	6.7%	4.8%	2.3%
Debt to equity as a percent of capital structure (outstanding debt / capital structure over net assets / capital structure)	<u>71%</u> 29%	<u>72%</u> 28%	<u>72%</u> 28%	<u>63%</u> 37%	<u>64%</u> 36%
Operating margin (operating income / operating revenues)	38%	30%	32%	35%	37%
Revenue bond debt coverage (amount available for revenue bond debt service / revenue bond principal & interest)	1.93	1.40	1.93	2.00	1.98
Weighted cost of long term debt	4.01%	4.59%	4.80%	5.41%	5.61%

⁽¹⁾ Adjusted 2008 debt to equity ratio to include cost of issuance

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

Table 1
 Total Accounts

<u>Type of service</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	51,302	51,177	51,026	50,832	50,428
Commercial	3,533	3,520	3,499	3,484	3,478
Total	<u>54,835</u>	<u>54,697</u>	<u>54,525</u>	<u>54,316</u>	<u>53,906</u>
Growth rate	0.25%	0.32%	0.38%	0.76%	

MUNICIPALITY OF ANCHORAGE, ALASKA
WATER UTILITY FUND

Statistical Section (unaudited)

Table 2

Current Water Rates

Type of Service	2009 ⁽¹⁾	2008 ⁽²⁾	2007 ⁽³⁾	2006 ⁽⁴⁾
Metered:				
Customer charge (per account)	\$ 10.33	9.65	9.65	9.00
Meter rate				
(Depending on meter size ranging between 5/8" to 8")	5.14 to 272.37	4.80 to 254.55	4.80 to 254.55	4.50 to 237.90
Metered usage rate (per 1,000 gallons):				
Residential	3.99	3.73	3.73	3.48
Commercial	3.99	3.73	3.73	3.48
Unmetered:				
Customer charge (per account)	10.33	9.65	9.65	9.00
Residential (per unit)	28.73	26.85	26.85	25.10
Commercial:				
3/4"	40.71	38.05	38.05	35.55
1"	82.07	76.70	76.70	71.70
1 1/2"	214.59	200.55	200.55	187.45
2"	388.62	363.20	363.20	339.45

⁽¹⁾ Rates effective 1/1/09

⁽²⁾ Rates effective 1/1/07

⁽³⁾ Rates effective 1/1/07, will continue for 2008

⁽⁴⁾ Rates effective 5/30/06

MUNICIPALITY OF ANCHORAGE, ALASKA
WATER UTILITY FUND

Statistical Section (unaudited)

Table 3

Revenues and Expenses - Budget to Actual

	Budget	Actual	Variance Favorable / (Unfavorable)
Operating revenues:			
Residential sales	\$ 32,545,000	31,909,734	(635,266)
Commercial sales	9,330,000	9,995,106	665,106
Public fire protection	3,800,000	3,698,074	(101,926)
Hydrant use charges	325,000	264,254	(60,746)
Miscellaneous use charges	1,200,000	1,368,347	168,347
Total operating revenues	<u>47,200,000</u>	<u>47,235,515</u>	<u>35,515</u>
Nonoperating revenues:			
Investment income - short-term investments	2,900,000	2,856,542	(43,458)
Intergovernmental revenue	-	-	-
Water property rental	30,000	90,723	60,723
Miscellaneous non-operating revenue	-	1,498	1,498
Total nonoperating revenues	<u>2,930,000</u>	<u>2,948,763</u>	<u>18,763</u>
Total revenues	<u>50,130,000</u>	<u>50,184,278</u>	<u>54,278</u>
Expenses:			
Source of supply expense:			
Operations	2,182,640	2,482,801	(300,161)
Maintenance	393,360	269,824	123,536
Total source of supply	<u>2,576,000</u>	<u>2,752,625</u>	<u>(176,625)</u>
Water treatment expense:			
Operations	4,452,740	3,688,765	763,975
Maintenance	544,260	441,841	102,419
Total treatment	<u>4,997,000</u>	<u>4,130,606</u>	<u>866,394</u>
Transmission and distribution expense:			
Operations	1,883,250	2,023,127	(139,877)
Maintenance	4,099,750	3,938,425	161,325
Total transmission and distribution	<u>5,983,000</u>	<u>5,961,552</u>	<u>21,448</u>
Customer accounts expense	2,353,000	2,223,347	129,653
Administrative and general expense	8,387,000	6,873,012	1,513,988
Depreciation, net of amortization	7,950,000	7,201,903	748,097
Total operating expenses	<u>32,246,000</u>	<u>29,143,045</u>	<u>3,102,955</u>
Other expense:			
Municipal utility service assessment	6,050,000	5,906,013	143,987
Interest on long-term obligations	8,300,000	8,357,771	(57,771)
Amortization of debt expense	600,000	644,527	(44,527)
Allowance for funds used during construction	(840,000)	(921,091)	81,091
Total other expenses	<u>14,110,000</u>	<u>13,987,220</u>	<u>122,780</u>
Total expenses	<u>\$ 46,356,000</u>	<u>43,130,265</u>	<u>3,225,735</u>
Net income	<u>\$ 3,774,000</u>	<u>7,054,013</u>	<u>3,280,013</u>
Dividend to general government	400,000	-	400,000
Increase in net assets	<u>\$ 3,374,000</u>	<u>7,054,013</u>	<u>3,680,013</u>

WATER UTILITY FUND
Statistical Section (unaudited)
Table 4
Debt Principal by Issue

Description	Original Issue Date	Total Issue Amount	12/31/2008 Principal Balance	2009 New (Retired) Debt	2009 Principal Payments	12/31/2009 Principal Balance	Current Portion
Revenue Bonds							
1998 S. L. water ref.	06/01/98	\$ 28,930,000	12,080,000	(10,120,000)	1,960,000	-	-
1999 Wtr ref rev bond	10/15/99	68,515,000	42,160,000	(40,325,000)	1,835,000	-	-
2004 Rev refunding	05/26/04	18,595,000	3,955,000	-	190,000	3,765,000	545,000
2004 Rev mini-bond	10/12/04	2,000,000	1,960,000	(774)	3,226	1,956,000	-
2007 Wtr Ref Rev Bond	06/28/07	91,315,000	91,210,000	-	110,000	91,100,000	115,000
2009 Wtr Refunding Bond	12/16/09	49,680,000	-	49,680,000	-	49,680,000	4,595,000
Total revenue bonds		259,035,000	151,365,000	(765,774)	4,098,226	146,501,000	5,255,000
Alaska Drinking Water (ADW) Loans							
127201 - Airport IB	09/01/99	2,334,756	1,427,080	-	120,294	1,306,786	122,099
127231 - ER Reservoir	06/06/00	2,000,000	1,403,463	-	98,580	1,304,883	100,058
127241 - Anch Loop Phase V	07/25/00	5,039,233	3,547,064	-	249,148	3,297,916	252,884
127251 - Service Reservoir	07/25/00	3,723,056	2,614,042	-	183,611	2,430,431	186,365
127261 - 19th Spenard Upgrade	09/16/08	770,000	770,000	-	-	770,000	38,500
127321 - Disinfection Alt. Upgrade	03/22/02	755,000	537,123	-	37,728	499,395	38,294
127331 - 68th Pebble-Baby Bear	09/30/08	300,000	300,000	-	15,000	285,000	15,000
127361 - Christen Dr Upgrade	09/08/09	650,000	-	650,000	-	650,000	32,500
127381 - South Add Woodstave	08/27/01	922,354	696,307	-	46,420	649,887	46,420
127411 - Anch Loop Phase VI	03/02/01	1,305,776	920,026	-	64,623	855,403	65,592
127441 - Daryl Industry Wy Upgr	09/30/08	28,659	28,659	-	-	28,659	-
127461 - DeBarr-Klevin-Hoyt Upgrd	12/04/09	430,000	-	430,000	-	430,000	21,500
127471 - SCADA Water	08/04/04	4,000,000	3,507,468	-	182,668	3,324,800	185,408
127491 - GW Supply Improv I,II,III	06/23/04	2,135,300	2,005,665	-	-	2,005,665	100,283
127531 - Anch Loop Phase IV	10/31/06	12,306,151	7,000,000	5,306,151	-	12,306,151	615,308
127541 - SCADA Water II	12/01/04	6,500,000	6,500,000	-	650,000	5,850,000	325,000
127571 - 88th Ave. Main	10/31/06	1,850,696	1,850,696	-	92,535	1,758,161	92,535
127581 - Pine Debarr Upgrade	09/08/07	870,014	496,206	373,808	-	870,014	43,501
127731 - Arctic Upgrade	11/24/06	404,234	404,234	-	20,212	384,022	20,212
127771 - Est Bluff Upgrade	10/09/06	317,763	317,763	-	15,888	301,875	15,888
127781 - Sullivan-Boeke Upgrade	10/09/06	2,189,753	2,080,265	-	109,488	1,970,777	109,488
127831 - Klatt Rd-NSH-PZ	09/10/07	621,600	582,729	-	30,670	552,059	30,670
127851 - Old Glenn Hwy	06/03/08	666,608	649,817	16,791	-	666,608	-
127871 - Debarr-Turpin Upgrade	09/28/07	3,034,740	3,034,740	-	151,737	2,883,003	151,737
127901 - SCADA Water III	10/08/07	5,300,000	5,300,000	-	530,000	4,770,000	265,000
127911 - Wtr Data Processing Proj	09/08/09	600,000	-	600,000	120,000	480,000	120,000
127931 - Hillside Trans. Main	07/10/08	317,094	317,094	-	-	317,094	-
127941 - 2006 Misc Wtr Projects	04/04/08	846,000	809,414	-	46,548	762,866	37,232
127961 - NE Improvements Phs I	07/08/08	929,107	832,346	96,761	-	929,107	46,455
130151 - Knik View Intertie	07/21/08	13,373	13,373	-	-	13,373	-
130161 - Norm-Newt Drive	12/17/08	668,400	668,400	-	-	668,400	-
130221 - San Ernesto Upgrade	12/17/08	500,000	500,000	-	-	500,000	25,000
130241 - South Add. Phs. IV Proj	02/02/09	500,000	-	500,000	-	500,000	25,000
130431 - 68th Ave Redhawk Intertie	12/04/09	270,000	-	270,000	-	270,000	13,500
Total ADW loans		63,099,667	49,113,974	8,243,511	2,765,150	54,592,335	3,141,429
Total debt		\$ 322,134,667	200,478,974	7,477,737	6,863,376	201,093,335	8,396,429

MUNICIPALITY OF ANCHORAGE, ALASKA
WATER UTILITY FUND
Statistical Section (unaudited)
Table 5
Capital Improvement Program
(Dollars in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Six Year Total
Project category:							
General plant	\$ 17,534	11,800	10,350	7,398	8,030	8,112	63,224
Repair and rehabilitation	10,781	12,085	28,035	31,517	29,124	28,773	140,315
Transmission/distribution	5,215	15,085	415	1,585	3,346	2,715	28,361
Total AWWU-funded	33,530	38,970	38,800	40,500	40,500	39,600	231,900
Impr. district & grants	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Total	<u>35,530</u>	<u>40,970</u>	<u>40,800</u>	<u>42,500</u>	<u>42,500</u>	<u>41,600</u>	<u>243,900</u>
Source of funding:							
Debt	27,530	32,970	35,300	37,500	38,500	34,600	206,400
Equity	6,000	6,000	3,500	3,000	2,000	5,000	25,500
Subtotal	33,530	38,970	38,800	40,500	40,500	39,600	231,900
Impr. district & grants	2,000	2,000	2,000	2,000	2,000	2,000	12,000
TOTAL	<u>\$ 35,530</u>	<u>40,970</u>	<u>40,800</u>	<u>42,500</u>	<u>42,500</u>	<u>41,600</u>	<u>243,900</u>

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

Statistical Section (unaudited)

Table 6

Production Comparison by Facility

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Water treatment facilities (WTF) production and usage data:				
Water produced yearly (millions of gallons)				
Ship Creek WTF	27.7	124.9	143.6	122.1
Wells	969.4	529.0	921.9	1,442.7
Eklutna WTF	8,212.9	7,878.6	8,177.8	7,964.8
Total	<u>9,210.0</u>	<u>8,532.5</u>	<u>9,243.3</u>	<u>9,529.6</u>
Average daily water demand (Millions of Gallons per Day)				
Ship Creek WTF	0.1	0.3	0.4	0.3
Wells	2.7	1.4	2.5	3.9
Eklutna WTF	22.5	21.6	22.4	21.8
Total	<u>25.3</u>	<u>23.3</u>	<u>25.3</u>	<u>26.0</u>
Minimum daily water demand (All facilities)	24.4	16.0	14.7	18.4
Peak production day				
Ship Creek WTF	11.8	9.0	10.0	10.1
Wells	19.0	10.2	15.4	14.9
Eklutna WTF	35.4	31.8	34.7	31.5
Total ⁽¹⁾	<u>66.2</u>	<u>51.0</u>	<u>60.1</u>	<u>56.5</u>
Four hour peak demand (All facilities) ⁽²⁾	56.2	43.8	55.6	50.4
	Current Capacity			
Source: Max design capacity (Million Gallons per Day)				
Wells	20			
Ship Creek WTF	20			
Eklutna WTF	35			
Total	<u>75</u>			
Miles of water mains ⁽⁴⁾	829	828	823	820
Number of hydrants ⁽⁴⁾ :				
Public	5,851	5,817	5,785	5,746
Private	1,356	1,204	1,156	1,125

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

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

(3) Changes made based on AWWU constructed pipes as of 3/16/08

(4) Changes made based on extensive data cleanup

MUNICIPALITY OF ANCHORAGE, ALASKA
WATER UTILITY FUND

Statistical Section (unaudited)

Table 7

Detailed Schedule of Water Plant in Service (In Thousands)

	Water Plant			Balance 12/31/09
	Balance 01/01/09	Additions	Retirements	
Water Plant in Service				
Tangible plant				
Source of supply				
Source of supply/land	\$ 747	-	-	747
Structures & improvements	2,313	-	-	2,313
Collecting & impound reservoir	4,813	-	-	4,813
Wells & spring	6,550	-	(157)	6,393
Supply mains	31,498	67	-	31,565
Pumping plant				
Structures & improvements	6,628	3,314	(48)	9,894
Other power production equipment	234	-	-	234
Electric pumping equipment	769	-	-	769
Diesel pumping equipment	52	-	-	52
Booster pumping equipment	1,161	-	-	1,161
Water treatment plant				
Structures & improvements	60,731	1,750	-	62,481
Water treatment equipment	13,957	25	-	13,982
Transmission plant				
Transmission & distribution-land	3,699	-	-	3,699
Structures & improvements	559	-	-	559
Distribution reservoir & standpipes	35,513	-	(232)	35,281
Transmission & distribution mains	394,925	26,579	(440)	421,064
Services	16,948	144	(3)	17,089
Meters	2,138	-	-	2,138
Hydrants	6,934	491	(41)	7,384
Land and land rights	762	-	-	762
General plant				
Structures & improvements	17,283	231	-	17,514
Office furniture	307	124	(7)	424
Office equipment	36	-	-	36
Computer equipment	10,924	2,288	(1,559)	11,653
Vehicles (light duty)	1,693	395	(50)	2,038
Transportation equipment (heavy duty)	1,622	390	(92)	1,920
Store equipment	59	-	-	59
Tools, shop & garage equipment	469	32	(54)	447
Laboratory equipment	140	-	(8)	132
Power operated equipment	469	-	-	469
Communication equipment	14,148	1,152	(16)	15,284
Miscellaneous equipment	152	25	(18)	159
Total tangible plant	638,233	37,007	(2,725)	672,515
Intangible plant	1,234	12	-	1,246
Total Water plant in service	639,467	37,019	(2,725)	673,761
Acquisition adjustment	3,322	-	-	3,322
Property held for future use	1,986	-	-	1,986
Construction work in progress	12,748	40,960	(34,694)	19,014
Total Water plant	\$ 657,523	77,979	(37,419)	698,083

MUNICIPALITY OF ANCHORAGE, ALASKA
WATER UTILITY FUND

Statistical Section (unaudited)

Table 7 (Continued)

Detailed Schedule of Depreciation and Amortization (In Thousands)

	Accumulated Depreciation and Amortization				Net Book Value of Plant
	Balance 01/01/09	Additions	Retirements	Balance 12/31/09	
Water Plant in Service					
Tangible plant					
Source of supply					
Source of supply/land	\$ -	-	-	-	747
Structures & improvements	843	41	-	884	1,429
Collecting & impound reservoir	3,318	81	-	3,399	1,414
Wells & spring	3,079	117	(170)	3,026	3,367
Supply mains	15,683	688	-	16,371	15,194
Pumping plant					
Structures & improvements	1,735	177	(285)	1,627	8,267
Other power production equipment	87	7	-	94	140
Electric pumping equipment	769	-	-	769	-
Diesel pumping equipment	52	-	-	52	-
Booster pumping equipment	369	53	(50)	372	789
Water treatment plant					
Structures & improvements	19,032	1,162	-	20,194	42,287
Water treatment equipment	10,419	361	-	10,780	3,202
Transmission plant					
Transmission & distribution-land	-	-	-	-	3,699
Structures & improvements	339	15	-	354	205
Distribution reservoir & standpipes	10,421	816	(327)	10,910	24,371
Transmission & distribution mains	104,848	6,373	(521)	110,700	310,364
Services	16,852	211	(3)	17,060	29
Meters	984	84	-	1,068	1,070
Hydrants	2,896	117	(42)	2,971	4,413
Land and land rights	-	-	-	-	762
General plant					
Structures & improvements	4,540	336	-	4,876	12,638
Office furniture	94	28	(7)	115	309
Office equipment	36	-	-	36	-
Computer equipment	5,612	1,191	(1,559)	5,244	6,409
Vehicles (light duty)	1,577	158	(42)	1,693	345
Transportation equipment (heavy duty)	1,565	85	(83)	1,567	353
Store equipment	22	1	-	23	36
Tools, shop & garage equipment	338	21	(49)	310	137
Laboratory equipment	118	6	(8)	116	16
Power operated equipment	318	25	-	343	126
Communication equipment	3,399	935	(16)	4,318	10,966
Miscellaneous equipment	99	10	(18)	91	68
Total tangible plant	<u>209,444</u>	<u>13,099</u>	<u>(3,180)</u>	<u>219,363</u>	<u>453,152</u>
Intangible plant	369	124	-	493	753
Total Water plant in service	<u>209,813</u>	<u>13,223</u>	<u>(3,180)</u>	<u>219,856</u>	<u>453,905</u>
Acquisition adjustment	1,676	115	-	1,791	1,531
Property held for future use	-	-	-	-	1,986
Construction work in progress	-	-	-	-	19,014
Total Water plant	<u>\$ 211,489</u>	<u>13,338</u>	<u>(3,180)</u>	<u>221,647</u>	<u>476,436</u>