

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

Basic Financial Statements and Supplementary Information

December 31, 2009 and 2008

(With Independent Auditor's Report Thereon)

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Wastewater Utility Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Wastewater Utility Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in note 1, the financial statements present only the Wastewater Utility Fund and do not purport to, and do not present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 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 Wastewater Utility Fund as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 3 through 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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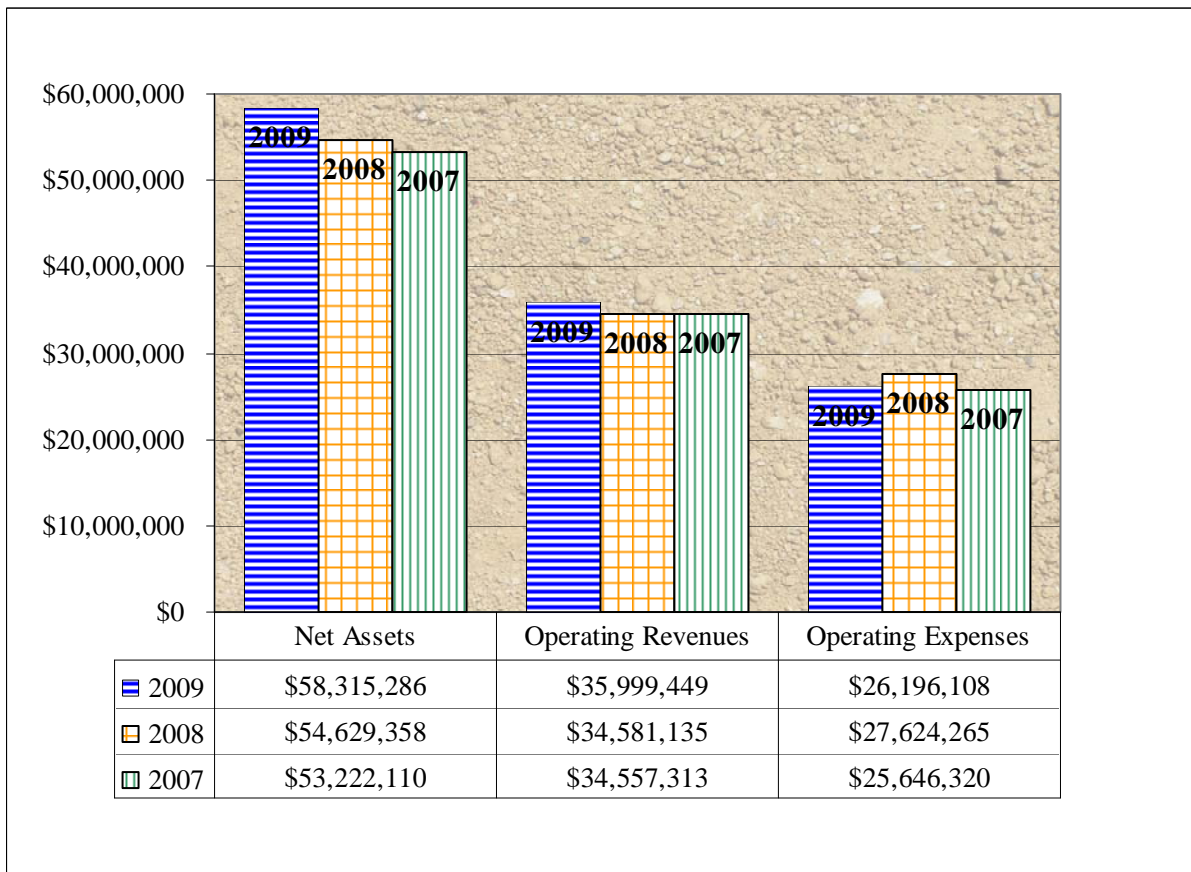
Management's Discussion and Analysis

December 31, 2009 and 2008

This section of the Municipality of Anchorage Wastewater 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 \$40,870,000, or 13% in 2009 and \$11,860,000, or 4% in 2008.
- Net Assets increased by \$3,690,000, or 7% in 2009 and \$1,410,000, or 3% in 2008.
- Operating Revenues increased by \$1,420,000, or 4% in 2009 and \$24,000, or 0.1% in 2008.
- Operating Expenses decreased by \$1,430,000, or 5% in 2009 and increased by \$1,980,000, or 7% in 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

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economically regulated by the Regulatory Commission of Alaska (RCA). Upon approval by the Assembly, changes to tariff rates, fees, and charges are submitted to the RCA for approval.

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

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

Statements of Revenues, Expenses, and Changes in Net Assets – This statement presents the Utility's operating revenues and expenses and 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 beginning-of-year cash reconciles to cash and cash-equivalents at the end of the year. The Utility presents its Statement of Cash Flows using the direct method of reporting operating cash flows.

Analysis of the Financial Statements

Net Assets

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

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

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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	\$ 347,941,222	307,075,272	295,220,183
Current and other assets	21,323,081	36,658,984	48,230,515
Total assets	<u>369,264,303</u>	<u>343,734,256</u>	<u>343,450,698</u>
Liabilities:			
Net debt outstanding	127,367,583	115,074,341	105,986,345
Current and other liabilities	183,581,434	174,030,557	184,242,243
Total liabilities	<u>310,949,017</u>	<u>289,104,898</u>	<u>290,228,588</u>
Net assets:			
Invested in capital assets net of debt	49,033,023	38,368,275	47,084,628
Restricted	1,819,474	237	46,962
Unrestricted	7,462,789	16,260,846	6,090,520
Total net assets	<u>\$ 58,315,286</u>	<u>54,629,358</u>	<u>53,222,110</u>
Change in net assets	<u>\$ 3,685,928</u>	<u>1,407,248</u>	

In 2009, the Utility's total assets increased by \$25.5 million. Net capital assets increased by \$40.9 million due primarily to additions to wastewater plant of \$53 million offset by additions to accumulated depreciation of \$10 million and a reduction of \$2.2 million in construction work in progress (see Note 3). Current and other assets decreased by \$15.3 million due primarily to a \$12.4 million reduction in cash and investments restricted for capital construction. Additionally, there was a \$2.8 million reduction in equity from the general cash pool of which \$1.8 million was used to establish the interim rate escrow investment account, associated with 2009 interim rates, ordered by the Regulatory Commission of Alaska.

Total liabilities increased by \$21.8 million in 2009. Net debt outstanding increased by \$12.3 million due to additional low interest State of Alaska loans of \$16.8 million, offset by debt principal payments of \$4.5 million (see Note 4). Current and other liabilities increased \$9.6 million during the year, mostly attributable to interfund borrowings of \$6.6 million used in funding capital construction, a reduction in restricted liabilities related to capital construction of \$1.1 million, and additions of \$9.5 million in contributions in aid of construction, net of amortization of \$5.8 million. (See Note 6 of this report.)

In 2008, the Utility's total assets increased by \$0.3 million. Net capital assets increased by \$11.9 million due primarily to additions to wastewater plant of \$21.6 million that were offset by additions to accumulated depreciation of \$12.4 million. Current and other assets decreased by \$11.6 million in 2008 due primarily to a \$13.4 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.

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Total liabilities decreased by \$1.1 million in 2008. Net debt outstanding increased by \$9.1 million due to additional low interest State of Alaska loans of \$12.1 million, offset by debt principal payments of \$3 million (see Note 4). Current and other liabilities decreased \$10.2 million during the year, due to reductions in contributions in aid of construction, net of amortization of \$1.9 million and re-payment of the interfund payable (capital project fund) of \$8.9 million.

Changes in the Utility's net assets can be determined by reviewing the following condensed Summary of Revenues, Expenses, and Changes in Net Assets for the years ending December 31, 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	\$ 26,040,130	25,575,203	26,176,173
Commercial sales	7,146,293	6,324,260	5,886,148
Public authorities	1,348,725	1,369,791	1,200,338
Miscellaneous use charges	1,464,301	1,311,881	1,294,654
Nonoperating revenues	<u>1,198,524</u>	<u>855,420</u>	<u>1,661,014</u>
Total revenues	<u>37,197,973</u>	<u>35,436,555</u>	<u>36,218,327</u>
Operating expenses:			
Collection system	3,972,445	3,778,334	3,988,969
Treatment plant	9,172,670	8,076,071	7,717,493
Customer service	1,790,215	1,842,958	1,912,414
Administrative and general	7,071,689	7,696,199	6,791,762
Depreciation, net of amortization	4,189,089	6,230,703	5,235,682
Nonoperating expenses	<u>3,053,690</u>	<u>3,711,434</u>	<u>2,368,857</u>
Total expenses	<u>29,249,798</u>	<u>31,335,699</u>	<u>28,015,177</u>
Income before transfers and special items	<u>7,948,175</u>	<u>4,100,856</u>	<u>8,203,150</u>
Transfers:			
Transfers to other funds	(4,410,330)	(4,088,967)	(3,868,187)
Transfers from other funds	148,083	155,950	-
Total transfers	<u>(4,262,247)</u>	<u>(3,933,017)</u>	<u>(3,868,187)</u>
Special items:			
Net pension obligation write-off	-	1,087,535	-
Net other postemployment benefits obligation write-off	-	151,874	-
Total special items	<u>-</u>	<u>1,239,409</u>	<u>-</u>
Change in net assets	3,685,928	1,407,248	4,334,963
Beginning net assets	<u>54,629,358</u>	<u>53,222,110</u>	<u>48,887,147</u>
Ending net assets	<u>\$ 58,315,286</u>	<u>54,629,358</u>	<u>53,222,110</u>

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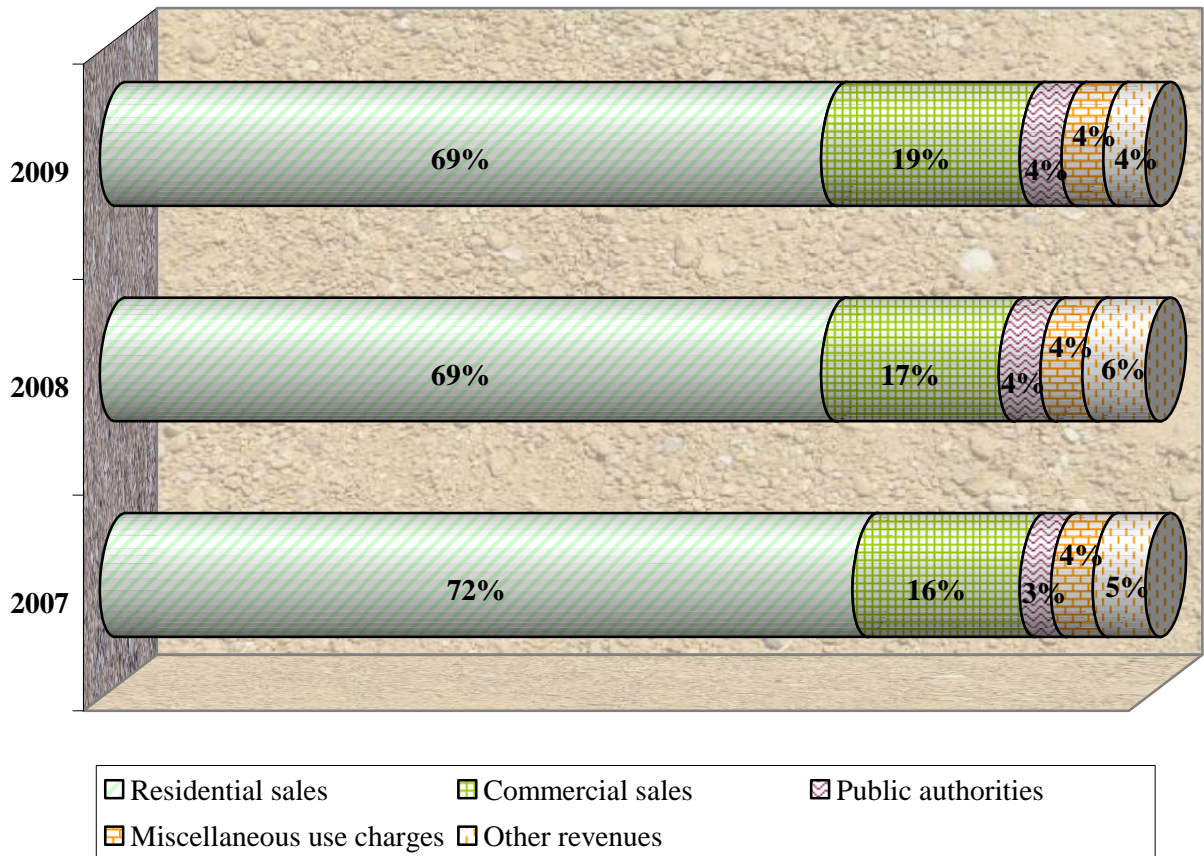
Management's Discussion and Analysis

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Net assets increased \$3.7 million during 2009. The total of operating and nonoperating revenues increased by \$1.8 million and the total of operating and nonoperating expenses decreased by \$2.1 million plus an increase in MUSA paid of \$0.3 million.

The Utility experienced a 6.5% interim rate increase and modest customer growth of approximately 0.3%. Total operating revenues showed an increase of \$1.4 million or 4%. Operating revenues also reflect the impacts of a cost of service study that was implemented in mid 2008.

Revenues by Source



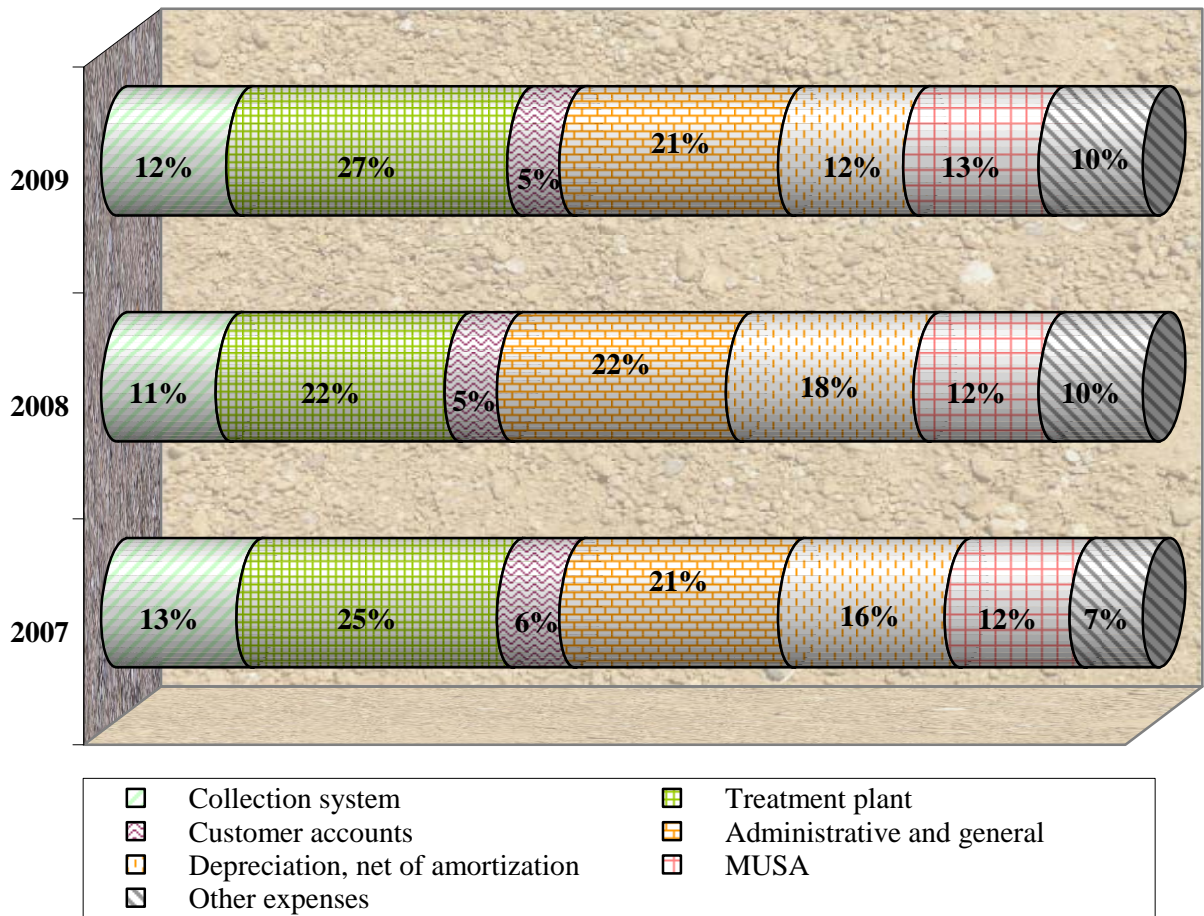
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Operating expenses decreased by \$1.4 million in 2009. The change was due primarily to a \$2.0 million decrease in depreciation expense, a result of the new depreciation rates ordered by the Regulatory Commission and implemented as of January 2009,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

Expenses by Source



Net assets increased \$1.4 million during 2008. Operating revenues increased by \$24 thousand during the year. The Utility experienced modest customer growth at approximately 0.3%. Residential Sales decreased while Commercial Sales increased as a result of a Cost of Service Study approved by the RCA in mid 2008. The Cost of Service Study reduced residential rates and increased commercial rates. Cost of service studies are revenue neutral to the Utility.

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Operating expenses increased by \$2.0 million in 2008. The increase was due primarily to a \$1.0 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.

Special items of \$1.2 million resulted from net pension obligations and net OPEB obligations written off in 2008. Additional information on this write off can be found in note 8 of this report.

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	\$ 813,026	915,798	1,031,789
Collection plant	212,719,315	186,078,803	183,502,249
Treatment & pumping plant	76,369,452	67,687,381	66,823,674
General plant land	4,203,352	4,203,352	4,203,352
General plant	<u>39,773,158</u>	<u>31,898,606</u>	<u>25,977,358</u>
Net plant in service	333,878,303	290,783,940	281,538,422
Property held for future use	1,379,931	1,379,931	1,379,931
Construction work in progress	<u>12,682,988</u>	<u>14,911,401</u>	<u>12,301,830</u>
Total net capital plant	<u>\$ 347,941,222</u>	<u>307,075,272</u>	<u>295,220,183</u>
Increase in net capital plant	<u>\$ 40,865,950</u>	<u>11,855,089</u>	

Total net capital assets increased \$40.9 million in 2009. Collection plant received the majority with net additions of \$26.6 million. Treatment and pumping plant and General plant received the remainder with net additions of \$8.7 million and \$7.9 million respectively. Construction work in progress decreased by \$2.2 million in 2009 having additions of \$47.7 million netted by deletions of \$49.9 million (see Note 3 of this report). Construction work in progress increased by \$2.6 million in 2008. The 2008 increase was the result of \$21.7 million in additions partially offset by \$19.1 million in closures to plant-in-service.

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2009 Major Additions - Gross (millions):

<u>Collection plant</u>		<u>Treatment Plant</u>	
Northern Community Sewer Extension	\$ 2.1	Asplund_Process Improvements	\$ 0.9
Campbell Lake Sewer Upgrade	1.3	ERWWTF UV Disinfection	3.1
Northern Community Sewer Force Main	3.2	Other Miscellaneous projects	<u>0.8</u>
Turnagain Heights LID	1.3	Total treatment plant	<u>\$ 4.8</u>
King-Rovenna Sewer Upgrade	1.7		
Cope-Dorbrant Sewer Upgrade	0.8	<u>General plant</u>	
A-B Street Sewer Upgrade	2.7	SCADA Improvements	\$ 5.3
Downtown Sewer Upgrade	0.7	Customer Info System upgrade	0.5
Pump Station 10 Upgrade	5.2	ERWWTF-Bldg1 Roof Replacement	0.9
Sand Lake Area Sewer Extension	2.8	Other Miscellaneous projects	<u>3.4</u>
LS_13_21_27_52_53_Upgr	1.6	Total general plant	<u>\$ 10.1</u>
Chester Ck Discharge Structure	0.5		
Highland LID	0.5	<u>Wastewater Pumping Plant</u>	
North Pointe Bluff	0.8	Northern Comm. Sewer Force Main	2.3
Merrill Field Sewer Upgrade	0.5	Chevigny Resv. Cathodic Protection	2.3
Benson-Dawson-Chee. Sewer Upgrade	0.5	Pump Station 10 Upgrade	1.3
ASD-ERHS Sewer Extension Phase II	0.6	Other Miscellaneous projects	<u>0.2</u>
Other Miscellaneous projects	<u>5.2</u>	Total pumping plant	<u>\$ 6.1</u>
Total collection plant	<u>\$ 32.0</u>	Total additions	<u>\$ 53.0</u>

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

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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>
General obligation bonds, net	\$ 503,674	970,177	1,401,428
Revenue bonds, net	<u>67,010,533</u>	<u>67,588,046</u>	<u>68,123,488</u>
Bonds total	67,514,207	68,558,223	69,524,916
Long-term loans	<u>59,853,376</u>	<u>46,516,118</u>	<u>36,461,429</u>
Total net debt	<u>\$ 127,367,583</u>	<u>115,074,341</u>	<u>105,986,345</u>
Increase in net debt	<u>\$ 12,293,242</u>	<u>9,087,996</u>	

In 2009, approximately \$16.8 million was received from the State of Alaska Clean Water Loan Program to finance capital improvements. The Utility made principal payments towards the general obligation bonds, revenue bonds, and loans totaling \$4.5 million (see Note 4 of this report).

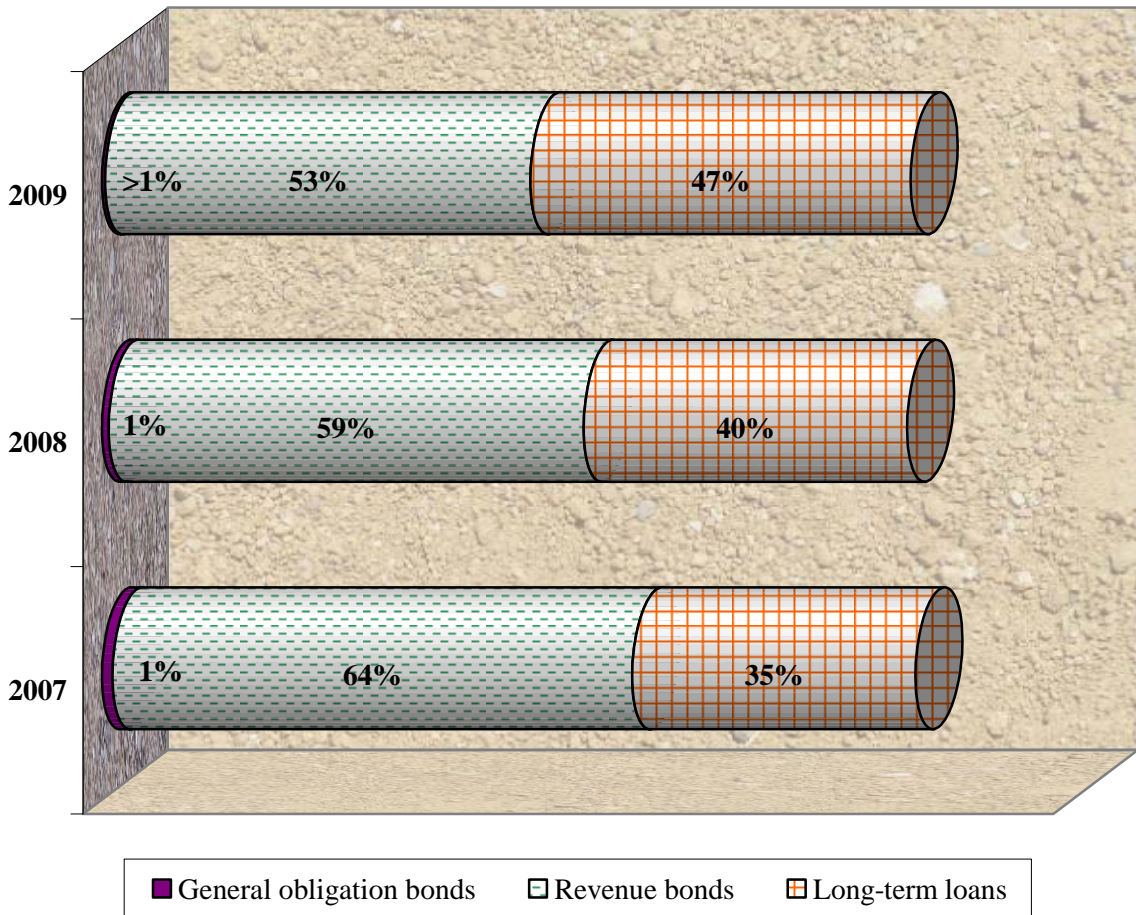
In 2008, approximately \$12.1 million was received from the State of Alaska Clean Water Loan Program to finance capital improvements. The Utility made payments towards the general obligation bond and revenue bond principal of \$1 million, while loan principal payments totaled \$2.1 million.

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Net Debt by Type



Additional information on the Utility's long-term obligations can be found in Notes 4 and 5 of this report.

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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 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 12 of this report.)

Contacting the Utility's Financial Management

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

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

**MUNICIPALITY OF ANCHORAGE, ALASKA
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Balance Sheets

December 31, 2009 and 2008

Assets	2009	2008
Capital assets:		
Plant in service, at cost	\$ 536,520,445	486,451,041
Less accumulated depreciation	(202,642,142)	(195,667,101)
Net plant in service	333,878,303	290,783,940
Plant held for future use	1,379,931	1,379,931
Construction work in progress	12,682,988	14,911,401
Net capital assets	347,941,222	307,075,272
Restricted assets:		
Current:		
Equity in bond and grant capital acquisition and construction pool	—	14,207,631
Revenue bond debt service investments	—	237
Interim rate escrow investments	1,819,474	—
Noncurrent:		
Customer deposits	342,267	426,029
Total restricted assets	2,161,741	14,633,897
Current assets:		
Equity in general cash pool	12,816,987	15,626,317
Accrued interest receivable	36,188	24,437
Accounts receivable:		
Utility customers, less estimated uncollectibles of \$87,479 in 2009 and \$73,670 in 2008	2,831,544	2,610,989
Other, less estimated uncollectibles of \$29,970 in 2009 and \$31,904 in 2008	334,843	283,149
Special assessments receivable	111,076	125,934
Unbilled reimbursable projects	192,297	278,940
Inventory of materials and supplies, at average cost	276,323	402,509
Total current assets	16,599,258	19,352,275
Noncurrent deferred charges and other assets:		
Unamortized cost of debt issuance	932,734	999,289
Unbilled special assessments	1,059,051	1,208,678
Other	570,297	464,845
Total noncurrent deferred charges and other assets	2,562,082	2,672,812
Total assets	\$ 369,264,303	343,734,256

See accompanying notes to basic financial statements.

Liabilities and Net Assets	2009	2008
Net assets:		
Invested in capital assets, net of related debt	\$ 49,033,023	38,368,275
Restricted	1,819,474	237
Unrestricted	7,462,789	16,260,846
Total net assets	<u>58,315,286</u>	<u>54,629,358</u>
Noncurrent liabilities:		
Compensated absences payable	241,258	185,465
Pollution remediation obligation	92,500	102,500
Revenue bonds payable	65,835,000	66,450,000
Less unamortized discounts and losses	(109,841)	(159,652)
Plus unamortized premiums	670,374	702,698
Net revenue bonds payable	<u>66,395,533</u>	<u>66,993,046</u>
General obligation bonds payable	—	505,000
Less unamortized discounts and losses	—	(14,823)
Net general obligation bonds payable	<u>—</u>	<u>490,177</u>
Alaska clean water loans payable	56,005,183	43,615,100
Total noncurrent liabilities	<u>122,734,474</u>	<u>111,386,288</u>
Current liabilities:		
Accounts payable	1,190,998	403,004
Accrued payroll	366,046	512,711
Compensated absences payable	966,890	932,210
Accrued interest	945,024	1,250,842
Pollution remediation obligation	10,000	—
Interfund loan payable to Water Utility Capital Projects Fund	6,583,628	—
Long-term obligations maturing within one year	4,966,867	3,976,018
Total current liabilities	<u>15,029,453</u>	<u>7,074,785</u>
Liabilities payable from restricted assets:		
Current:		
Capital acquisition and construction accounts and retainages payable	1,302,207	2,377,509
Noncurrent:		
Customer deposits payable	342,267	426,029
Total liabilities payable from restricted assets	<u>1,644,474</u>	<u>2,803,538</u>
Deferred liabilities:		
Contributions in aid of construction, net of amortization	171,540,616	167,840,287
Total liabilities	<u>310,949,017</u>	<u>289,104,898</u>
Total liabilities and net assets	<u>\$ 369,264,303</u>	<u>343,734,256</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	\$ 26,040,130	25,575,203
Commercial sales	7,146,293	6,324,260
Public authorities	1,348,725	1,369,791
Total charges for sales and services	34,535,148	33,269,254
Other miscellaneous services	1,464,301	1,311,881
Total operating revenues	35,999,449	34,581,135
Operating expenses:		
Collection system	3,972,445	3,778,334
Treatment plant	9,172,670	8,076,071
Customer accounts	1,790,215	1,842,958
Administrative and general	7,071,689	7,696,199
Total operations	22,007,019	21,393,562
Depreciation, net of amortization	4,189,089	6,230,703
Total operating expenses	26,196,108	27,624,265
Operating income	9,803,341	6,956,870
Nonoperating revenues (expenses):		
Investment income - short-term investments	1,197,783	217,437
Interest on long-term obligations	(3,243,921)	(3,600,128)
Allowance for funds used during construction	1,019,157	570,418
Amortization of bond premium/discount	(51,044)	(79,499)
Amortization of debt expense	(46,494)	(52,204)
Interest expense - other	(731,388)	(550,021)
Miscellaneous nonoperating revenue	741	—
Intergovernmental revenue	—	637,983
Total nonoperating revenues (expenses)	(1,855,166)	(2,856,014)
Income before transfers and special items	7,948,175	4,100,856
Transfers:		
Transfers to other funds	(4,410,330)	(4,088,967)
Transfers from other funds	148,083	155,950
Total transfers	(4,262,247)	(3,933,017)
Special items:		
Net pension obligation write-off	—	1,087,535
Net other postemployment benefits obligation write-off	—	151,874
Total special items	—	1,239,409
Change in net assets	3,685,928	1,407,248
Net assets – beginning	54,629,358	53,222,110
Net assets – ending	\$ 58,315,286	54,629,358

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Receipts from customers and users	\$ 34,057,137	34,279,181
Payments to employees	(12,821,272)	(12,822,250)
Payments to vendors	(4,974,407)	(5,340,570)
Internal activity – payments made to other funds	(3,440,108)	(2,230,609)
Net cash provided by operating activities	12,821,350	13,885,752
Cash flows from non-capital and related financing activities:		
Transfers to other funds	(4,410,330)	(4,088,967)
Transfers from other funds	148,083	155,950
Intergovernmental revenue	—	637,983
Net cash used by non-capital and related financing activities	(4,262,247)	(3,295,034)
Cash flows from capital and related financing activities:		
Principal payments on long-term obligations	(1,075,000)	(1,030,000)
Interest payments on long-term obligations	(4,281,127)	(3,800,724)
Acquisition and construction of capital assets	(47,985,061)	(20,102,448)
Capital contributions – intergovernmental	6,153,226	797,334
Capital contributions – customer/special assessments	420,981	842,664
Proceeds from Alaska clean water loans	16,801,626	12,111,434
Principal payments on Alaska clean water loans	(3,464,368)	(2,056,745)
Net payments on loan from primary government	—	(8,929,611)
Net proceeds on loan from Water Utility Capital Projects Fund	6,583,628	—
Net cash used by capital and related financing activities	(26,846,095)	(22,168,096)
Cash flows from investing activities:		
Proceeds from purchase or sales and maturity of investments	14,207,868	13,468,336
Interest received	1,186,032	269,793
Net cash provided by investing activities	15,393,900	13,738,129
Net increase (decrease) in cash	(2,893,092)	2,160,751
Cash, beginning of year	16,052,346	13,891,595
Cash, end of year	\$ 13,159,254	16,052,346
Cash and cash equivalents		
Equity in general cash pool	\$ 12,816,987	15,626,317
Customer deposits	342,267	426,029
Cash and cash equivalents, end of year	\$ 13,159,254	16,052,346
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,803,341	6,956,870
Transfer to escrow account	(1,819,474)	—
Adjustments to reconcile operating income to net cash provided by operating activities:		
Allowance for uncollectible accounts	11,873	(16,254)
Depreciation, net of amortization	4,189,089	6,230,703
Miscellaneous nonoperating revenue	741	—
Changes in assets and liabilities increasing (decreasing) cash:		
Accounts receivable and other receivables	(269,264)	60,934
Unbilled reimbursable projects	86,643	101,306
Inventories	126,186	77,689
Customer deposits payable	(83,762)	(46,867)
Deferred charges and other assets	44,175	(123,584)
Accounts payable and other liabilities	787,994	(36,198)
Accrued payroll liabilities	(146,665)	512,711
Compensated absences payable	90,473	65,942
Pollution remediation obligation	—	102,500
Net cash provided by operating activities	\$ 12,821,350	13,885,752
Noncash investing, capital, and financing activities:		
Contributed capital – private development	\$ 3,245,836	2,561,489
Capital purchases on account, net	750,217	1,093,564
Total noncash investing, capital, and financing activities	\$ 3,996,053	3,655,053

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

December 31, 2009 and 2008

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

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

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

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

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

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

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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 a capital asset are deferred and amortized over the life of the related bond issue or over their estimated useful life.

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(f) Property, Plant, and Equipment

Property, plant, and equipment is stated at cost. To be considered for capitalization, the 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 service life procedure, and remaining life technique. The Utility's depreciation model is approved by the RCA. Additions to wastewater plant in service are at original cost of contracted services, direct labor and materials, interest and indirect overhead charges.

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

The Utility implemented new depreciation rates in 2009, as a result of the RCA approving a new depreciation study in 2008. In addition to the new rates, the Utility has employed amortization accounting for specific General Plant accounts and changed its accounting policy with respect to net salvage to include provisions for future salvage and cost of removal in annual depreciation rates for specific plant accounts. Proceeds associated with the sale of an asset are credited to the accumulated depreciation account and costs associated with the retirement of an asset are debited against the accumulated depreciation account.

Estimated lives of major plant and equipment categories follow:

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

(g) Operating Revenues and Expenses

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

(h) Unbilled Revenues

Utility revenues are based on cycle billings rendered to customers monthly. The Utility accrues an estimate of revenue at year-end for services sold but not yet billed. The Utility accrued \$1,150,000 and \$1,020,000 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

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costs allocated to the Utility totaled \$1.7 million and \$1.4 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 Payable – Water Utility Capital Projects Fund

When the Utility borrows from the Anchorage Central Treasury to fund capital projects, the Municipality assesses a monthly fee. The fee is based on the investment earnings rate, plus 49 basis points. When the Utility sells bonds or secures loans from the Alaska Clean Water Fund, the cash pool is reimbursed from these proceeds. In 2009, the Municipality of Anchorage Water Utility's construction cash pool loaned the Municipality of Anchorage Wastewater Utility \$6.8 million to fund capital projects.

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(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.

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,

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Notes to Basic Financial Statements

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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.

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- 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.

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

Investment Type	Concentration Limit	Working Capital 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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(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.

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(3) Capital Assets

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

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

Transfers of assets between plant categories are reported in additions to plant in service. There are no transfers for the year ended December 31, 2009. Auction proceeds, resulting from the sale of assets and cost of removal, resulting from the retirement or abandonment of assets are reported netted in the "Retirements" column for accumulated depreciation. Auction proceeds are \$26,490 and cost of removal is \$135,836 for the year ended December 31, 2009. The Utility's 2010 construction budget is \$30,780,000.

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

Notes to Basic Financial Statements

December 31, 2009 and 2008

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 \$	1,159,916	—	—	1,159,916
Pumping plant	8,125,024	—	—	8,125,024
Wastewater treatment plant	106,047,806	4,687,415	—	110,735,221
Collection plant	303,548,347	7,604,543	(129,493)	311,023,397
General plant land	4,203,352	—	—	4,203,352
General plant	45,651,958	9,354,151	(3,801,978)	51,204,131
	<u>468,736,403</u>	<u>21,646,109</u>	<u>(3,931,471)</u>	<u>486,451,041</u>
Less accumulated depreciation	<u>(187,197,981)</u>	<u>(12,400,447)</u>	<u>3,931,327</u>	<u>(195,667,101)</u>
Net plant in service	281,538,422	9,245,662	(144)	290,783,940
Plant acquisition adjustment	910,422	—	—	910,422
Less accumulated amortization	(910,422)	—	—	(910,422)
Plant held for future use	1,379,931	—	—	1,379,931
Construction work in progress	<u>12,301,830</u>	<u>21,694,190</u>	<u>(19,084,619)</u>	<u>14,911,401</u>
Total net capital assets \$	<u><u>295,220,183</u></u>	<u><u>30,939,852</u></u>	<u><u>(19,084,763)</u></u>	<u><u>307,075,272</u></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, 2008. Auction proceeds, resulting from the sale of assets, are reported netted in the "Retirements" column for accumulated depreciation. Auction proceeds are \$144 for the year ended December 31, 2008. The Utility's 2009 construction budget is \$25,600,000.

(4) Long-Term Obligations

(a) Long-Term Obligations Issued

The Utility obtains low interest loans from the State of Alaska, Department of Environmental Conservation Alaska Clean Water Fund to fund capital improvement projects. These loans are to be repaid within 20 years (with the exception of one loan to be repaid in five years) of the initiation of operation of the facilities. In 2009, the Utility obtained additional low interest loans of \$16,801,626.

The Utility issues revenue bonds to provide funds for capital construction and refunding of earlier bond issues. These bonds are generally issued as 30-year serial bonds with varying amounts of principal maturing each year. During 2009 and 2008, the Utility issued no bonds.

**MUNICIPALITY OF ANCHORAGE, ALASKA
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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:					
1999 Sewer Revenue Bonds	10/15/1999	\$ 5,180,000	4.50 - 6.00%	2000 - 2029	\$ 115,000
2004 Wastewater Revenue Bonds	06/10/2004	22,620,000	3.00 - 5.125%	2007 - 2034	6,750,000
2007 Wastewater Revenue & Refunding Bonds	06/28/2007	59,665,000	4.00 - 5.00%	2008 - 2037	59,585,000
Total Revenue Bonds		<u>87,465,000</u>			<u>66,450,000</u>
General Obligation Bonds:					
1993 GO Refunding	06/15/1993	19,245,000	2.20 - 5.40%	1993 - 2010	505,000
Total General Obligation Bonds		<u>19,245,000</u>			<u>505,000</u>
Long-Term Loans:					
127011 Eagle River STP	09/06/1989	6,208,283	1.50%	1993 - 2012	1,201,340
127041 Pt. Woronzof Phase V	04/26/1993	2,443,128	1.50%	1995 - 2014	749,255
127061 Girdwood Wastewater	04/24/1995	1,565,161	1.50%	1999 - 2018	795,685
127071 Eagle River TID ER-3	10/30/1995	2,073,031	1.50%	1999 - 2018	1,051,408
127081 Misc Wastewater Projects	05/08/1995	2,071,475	1.50%	2002 - 2021	1,332,230
127091 Chester Creek Pump Stn R&R	06/11/1997	959,587	1.50%	1999 - 2018	490,607
127101 FY97 Misc Wastewater Projects	06/11/1997	2,250,000	1.50%	2009 - 2028	2,137,500
127111 Equipment - Wastewater 1998	01/21/1998	286,051	1.50%	2001 - 2020	169,392
127131 Chester Creek Sewer Trunk Study	04/02/1998	300,127	1.50%	2004 - 2023	210,089
127141 Facility Replace & Rehab Proj 1998	01/21/1998	1,305,252	1.50%	2009 - 2028	1,198,115
127151 Operations Facilities, Phase II	01/21/1998	1,138,248	1.50%	2006 - 2022	737,888
127161 Wastewater Data Processing	03/12/1998	1,182,000	1.50%	2008 - 2012	709,200
127211 FY99 Misc Small Sewer R&R, Phs I	07/23/2001	1,410,000	1.50%	2003 - 2022	974,486
127271 C-5-7 Trunk Sewer Upgrade	05/19/2003	2,229,617	1.50%	2007 - 2026	1,935,992
127281 Asplund Facility Solids Handling	01/21/2000	4,290,279	1.50%	2002 - 2021	2,579,740
127291 Operations Facility, Phase III	03/18/2003	3,608,588	1.50%	2004 - 2023	2,832,372
127301 Septic System Site Upgrade	01/21/2000	500,000	1.50%	2004 - 2023	349,362
127371 Old Glenn Hwy	02/22/2008	2,000,000	1.50%	2011 - 2030 *	2,000,000
127421 B-4AB Sewer Trunk Upgrade	08/20/2001	2,370,748	1.50%	2003 - 2022	1,534,683
127451 SCADA Sewer	06/18/2004	13,000,000	1.50%	2009 - 2028	12,498,070
127481 Asplund WW Treatment Facility	06/18/2004	4,200,000	1.50%	2006 - 2025	3,456,961
127631 Asplund Process Impr	01/30/2008	8,000,000	1.50%	2010 - 2028	7,600,000
127641 (C-F) Interceptor Upgrade	12/16/2009	39,993	1.50%	2011 - 2030 *	39,993
127651 C-2(A,B) Sewer Improvements	08/01/2007	1,700,000	1.50%	2010 - 2029	1,700,000
127661 King-Rovenna Sewer Upgrade	08/01/2007	1,545,498	1.50%	2010 - 2029	1,545,498
127671 C-5-N Campbell Lake	08/07/2007	886,086	1.50%	2010 - 2029	886,086
127691 ER WWTF Gravity Thickener	12/28/2007	201,970	1.50%	2010 - 2029	201,970
127701 Girdwood WWTF Improvements	12/16/2009	841,000	1.50%	2011 - 2030 *	841,000
127721 San Ernesto Hoyt Upgrade	12/22/2008	404,000	1.50%	2010 - 2029	404,000
127741 Septage Improvements	10/29/2008	1,000,000	1.50%	2011 - 2030 *	1,000,000
130031 Asplund Improvements	01/16/2008	2,701,000	1.50%	2009 - 2028	2,430,900
130071 Pump Station Upgrade	12/16/2009	650,000	1.50%	2011 - 2030 *	650,000
130091 Asplund Generator Upgrade	10/16/2008	200,000	1.50%	2011 - 2030 *	200,000
130101 Minnesota-Benson Sewer Upgrade	06/16/2009	395,625	1.50%	2009 - 2028	375,844
130131 Arctic 32nd-36th Upgrade	07/09/2008	437,275	1.50%	2009 - 2028	415,411
130191 Pump Station 10 Upgrade	12/12/2008	1,000,000	1.50%	2011 - 2030 *	1,000,000
130301 Cope Dorbrant Upgrade	09/09/2008	233,000	1.50%	2011 - 2030 *	233,000
130311 Douglas St Sewer	09/09/2008	117,000	1.50%	2008 - 2027	105,300
130321 ER WWTR Improvements	11/05/2008	1,000,000	1.50%	2010 - 2029	1,000,000
130361 Dometown Sewer Upgrade	10/06/2009	280,000	1.50%	2010 - 2029	280,000
Total Long-Term Loans		<u>77,024,022</u>			<u>59,853,376</u>
Total Long-Term Debt		<u>\$ 183,734,022</u>			<u>\$ 126,808,376</u>

* 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 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 (4)
					Principal	Interest	Total	
2000	\$ 25,719,749	1,131,036	13,461,586	13,389,199	110,000	260,057	370,057	36.18
2001	24,848,166	1,102,733	13,650,933	12,299,966	75,000	291,318	366,318	33.58
2002	25,593,935	952,980	14,189,645	12,357,270	80,000	288,093	368,093	33.57
2003	25,318,049	725,096	14,717,225	11,325,920	85,000	284,573	369,573	30.65
2004	26,802,108	886,986	15,821,938	11,867,156	90,000	707,312	797,312	14.88
2005	29,168,118	919,373	16,401,620	13,685,871	90,000	1,365,706	1,455,706	9.40
2006	31,163,232	1,017,357	17,576,955	14,603,634	95,000	1,361,319	1,456,319	10.03
2007	35,566,755	481,651	23,627,253	12,421,153	520,000	1,672,649	2,192,649	5.66
2008	34,954,522	842,664	24,844,546	10,952,640	575,000	3,225,638	3,800,638	2.88
2009	\$ 37,346,056	420,981	26,417,348	11,349,689	595,000	3,204,697	3,799,697	2.99

(1) Excludes interest restricted for construction, interest on advanced grants, amortization of premiums on investments, and intergovernmental revenue.

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

(3) Excludes depreciation and PERS relief distributed to labor, but includes MUSA as per the 2007 bond covenants.

(4) Required minimum coverage 1.15.

(c) Debt Service Requirements

Debt service requirements to maturity follow:

Year	General obligation bonds		Revenue bonds		Long-term loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 505,000	27,270	615,000	3,181,475	3,848,193	774,302	8,951,240
2011	—	—	650,000	3,153,650	4,165,337	827,537	8,796,524
2012	—	—	670,000	3,127,634	4,184,566	777,598	8,759,798
2013	—	—	705,000	3,099,794	3,555,163	714,829	8,074,786
2014	—	—	730,000	3,069,950	3,568,785	661,502	8,030,237
2015-2019	—	—	4,235,000	14,813,166	16,968,739	2,524,192	38,541,097
2020-2024	—	—	7,560,000	13,551,247	14,251,300	1,306,179	36,668,726
2025-2029	—	—	14,725,000	10,941,456	9,013,093	370,432	35,049,981
2030-2034	—	—	21,125,000	6,565,455	298,200	4,473	27,993,128
2035-2037	—	—	15,435,000	1,183,375	—	—	16,618,375
	<u>\$ 505,000</u>	<u>27,270</u>	<u>66,450,000</u>	<u>62,687,202</u>	<u>59,853,376</u>	<u>7,961,044</u>	<u>197,483,894</u>
	(505,000)	—	(615,000)	—	(3,848,193)	—	Current portion of principal
	(1,326)	—	(109,841)	—	—	—	Unamortized discounts & loss
	—	—	670,374	—	—	—	Unamortized premiums
			<u>\$ 66,395,533</u>		<u>56,005,183</u>		Total long-term portion

**MUNICIPALITY OF ANCHORAGE, ALASKA
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December 31, 2009 and 2008

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

Description	December 31, 2007	Additions	Deletions	December 31, 2008	Amounts due within one year
General obligation bonds	\$ 1,440,000	—	(455,000)	985,000	480,000
Revenue bonds	67,620,000	—	(575,000)	67,045,000	595,000
Long-term loans	36,461,429	12,111,434	(2,056,745)	46,516,118	2,901,018
Total debt	105,521,429	12,111,434	(3,086,745)	114,546,118	3,976,018
Unamortized premium	740,468	—	(37,770)	702,698	—
Unamortized discounts and loss	(275,552)	—	101,077	(174,475)	—
Total, debt net	105,986,345	12,111,434	(3,023,438)	115,074,341	3,976,018
Compensated absences	1,051,733	999,400	(933,458)	1,117,675	932,210
Net pension obligation	1,087,535	—	(1,087,535)	—	—
Net OPEB obligation	151,874	—	(151,874)	—	—
Pollution remediation	—	102,500	—	102,500	—
Total long-term, net	\$ 108,277,487	13,213,334	(5,196,305)	116,294,516	

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Notes to Basic Financial Statements

December 31, 2009 and 2008

(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 refundings 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 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:

2004 Revenue bonds	\$ 14,575,000
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**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	\$ 45,502,683	143,478	—	45,646,161
Private development	104,434,141	3,245,836	(298,026)	107,381,951
Other	25,980	—	—	25,980
Intergovernmental	134,899,585	6,153,226	—	141,052,811
Paid in capital	6,882,286	—	—	6,882,286
Total CIAC, gross	<u>291,744,675</u>	<u>9,542,540</u>	<u>(298,026)</u>	<u>300,989,189</u>
Accumulated Amortization				
Customer	(61,725,133)	(2,787,865)	298,026	(64,214,972)
Intergovernmental	(59,426,341)	(2,366,117)	—	(61,792,458)
Paid in capital	(2,752,914)	(688,229)	—	(3,441,143)
Total amortization	<u>(123,904,388)</u>	<u>(5,842,211)</u>	<u>298,026</u>	<u>(129,448,573)</u>
Net CIAC	<u>\$ 167,840,287</u>	<u>3,700,329</u>	<u>—</u>	<u>171,540,616</u>
	December 31, 2007	Additions	Deletions	December 31, 2008
Contributions in Aid of Construction				
Customer:				
Special assessments	\$ 45,013,615	489,068	—	45,502,683
Private development	101,948,533	2,561,489	(75,881)	104,434,141
Other	25,980	—	—	25,980
Intergovernmental	133,743,246	1,181,022	(24,683)	134,899,585
Paid in capital	6,882,286	—	—	6,882,286
Total CIAC, gross	<u>287,613,660</u>	<u>4,231,579</u>	<u>(100,564)</u>	<u>291,744,675</u>
Accumulated Amortization				
Customer	(59,253,364)	(2,547,650)	75,881	(61,725,133)
Intergovernmental	(56,517,158)	(2,933,866)	24,683	(59,426,341)
Paid in capital	(2,064,686)	(688,228)	—	(2,752,914)
Total amortization	<u>(117,835,208)</u>	<u>(6,169,744)</u>	<u>100,564</u>	<u>(123,904,388)</u>
Net CIAC	<u>\$ 169,778,452</u>	<u>(1,938,165)</u>	<u>—</u>	<u>167,840,287</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	\$ 347,941,222	307,075,272
Less: Net revenue bonds payable, long-term	66,395,533	66,993,046
Less: Unspent debt proceeds	—	(14,207,631)
Net general obligation bonds payable, long-term	—	490,177
Alaska clean water loans payable, long-term	56,005,183	43,615,100
Long-term obligations maturing within one year	4,966,867	3,976,018
Contributions in aid of construction, net	171,540,616	167,840,287
Invested in capital assets, net of related debt	\$ 49,033,023	38,368,275

Net assets restricted are comprised of:

	2009	2008
Revenue bond debt service investments	\$ —	237
Interim rate escrow investment	1,819,474	—
Restricted net assets	\$ 1,819,474	237

(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.

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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.

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

(b) Funding Policy and Annual Pension and 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</u> <u>6/30/09</u>	<u>7/1 to</u> <u>12/31/09</u>	<u>1/1 to</u> <u>6/30/09</u>	<u>7/1 to</u> <u>12/31/09</u>	<u>1/1 to</u> <u>6/30/09</u>	<u>7/1 to</u> <u>12/31/09</u>	<u>1/1 to</u> <u>6/30/09</u>	<u>7/1 to</u> <u>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	3.50%

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 1st 2008 to December 31st 2009 are shown below:

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

The Utility's 2008 financial statements do reflect the inclusion of \$637,983 of PERS relief (included in intergovernmental revenue) and related PERS operating expenses for the period January 1, 2008 to June 30, 2008. In addition due to the conversion to cost sharing at July 1, 2008,

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

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the Utility also recognized a special item (gain) associated with the write-off of its previously reported net pension obligation (\$1,087,535) and net other postemployment benefit obligation (\$151,874).

(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	<u>8.00%</u>	<u>8.00%</u>
Employer Contribution		
Retirement	5.00%	5.00%
Health Reimbursement Arrangement *	3.00%	3.00%
Retiree Medical Plan	0.99%	0.83%
Death & Disability Benefit	<u>0.58%</u>	<u>0.30%</u>
Total Employer Contribution	<u>9.57%</u>	<u>9.13%</u>

*Health Reimbursement Arrangement - AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate per full time employee and a flat rate per hour for part time employees. Prior to July 1, 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 \$98,177 to PERS Tier IV for retirement and retiree medical, and it contributed \$42,311 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$117,936

For the year ended December 31, 2008, the Utility contributed \$66,309 to PERS Tier IV for retirement and retiree medical, and it contributed \$27,003 for Health Reimbursement Arrangement. Employee contributions were \$80,722.

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.

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This amount was applied to the obligation of the PERS defined benefit plan and is included in the contributions (ARC) recorded in the defined benefit cost-sharing plan.

(9) Contingencies

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

(10) Environmental Issues

Beginning in 1992, in accordance with the State of Alaska Department of Environmental Conservation (ADEC) regulations, the Utility commenced activities to remove two leaking, underground fuel storage tanks and the surrounding contaminated soils. The Utility maintains monitoring wells and performed soil and groundwater testing at the site. In 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 \$200,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$102,500. The potential for a material change in the estimate is possible depending upon the response received from ADEC.

(11) Wastewater Treatment Facilities Discharge Permits

The State of Alaska Department of Environmental Conservation assumed authority for permitting wastewater discharge for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November, 2008. The Eagle River treatment facility's permit was reissued by federal authorities on May 1, 2006, and remains in effect under the auspices of the State until May 1, 2011. The State released a preliminary draft permit reauthorization for Girdwood WWTF in December, 2009. AWWU has commented on the preliminary draft permit, leading to ongoing discussions with the State regarding the permit language. Plans for capital improvements to the Girdwood WWTF are contingent upon the final language of the permit.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the U.S. Environmental Protection Agency (EPA). EPA is currently evaluating the utility's application for reauthorization of the permit, which includes consultation with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species, including the Cook Inlet beluga whale. If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to date suggest that such a finding is unlikely.

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(12) Regulatory Matters

(a) *MUSA Remand*

On September 2, 2005, the Regulatory Commission of Alaska (RCA) issued an order establishing a revenue requirement for the Utility's rates that excluded Municipal Utility Service Assessment (MUSA) expense 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 \$13 million through December 31, 2009, of which approximately \$2.4 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.

(b) *2007 Test Year / 2009 Rates*

The Utility filed a revenue requirement study on November 14, 2008, requesting an interim and refundable rate increase of 6.5%. The RCA granted the requested interim rate increase effective January 1, 2009. On February 10, 2010 the RCA issued Order U-08-158(10). 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 Wastewater Utility customers. On February 19 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 financials.

(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.

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December 31, 2009 and 2008

(13) Interfund Transfers

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

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

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

<u>Description</u>	<u>Amount</u>
Transfers to other funds:	
Municipal Utility Service Assessment	\$ <u>4,088,967</u>
Transfers from other funds:	
Medical, dental self-insurance fund	\$ <u>155,950</u>

(14) Subsequent Events

Subsequent to December 31, 2009, the Utility received \$14.5 million in loans from the State of Alaska Clean Water Fund for capital construction projects.

STATISTICAL SECTION

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER 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)	1.15	2.74	1.24	0.79	0.96
Quick ratio (quick assets / current liabilities)	1.13	2.68	1.20	0.79	0.96
Return on Investment (change in net assets / total assets)	0.8%	0.2%	1.1%	1.0%	0.4%
Return on Equity (change in net assets / net assets)	4.9%	1.2%	6.3%	5.3%	2.4%
Debt to equity as a percent of capital structure (Outstanding debt / capital structure over net assets / capital structure)	<u>68%</u> 32%	<u>66%</u> 34%	<u>64%</u> 36%	<u>53%</u> 47%	<u>56%</u> 44%
Operating margin (operating income / operating revenues)	27%	20%	26%	28%	27%
Revenue bond debt coverage (amount available for revenue bond debt service / revenue bond principal & interest)	2.99	2.88	5.66	10.03	9.40
Weighted cost of long term debt (Sum of Interest Rates multiplied by percentage of total amounts outstanding for Bonds, Long Term Loans, and Amortization of Bond Discounts and Transaction Costs)	3.36%	3.62%	3.78%	3.38%	3.59%

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER 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	52,184	52,054	51,891	51,708	51,351
Commercial	<u>3,599</u>	<u>3,581</u>	<u>3,579</u>	<u>3,564</u>	<u>3,541</u>
Total	<u><u>55,783</u></u>	<u><u>55,635</u></u>	<u><u>55,470</u></u>	<u><u>55,272</u></u>	<u><u>54,892</u></u>
Growth rate	0.27%	0.3%	0.36%	0.69%	

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

Statistical Section (unaudited)

Table 2

Current Wastewater Rates

Type of Service	2009 ⁽¹⁾	2008 ⁽²⁾	2007 ⁽³⁾	2006 ⁽⁴⁾	2005 ⁽⁵⁾
Metered:					
Customer charge (per account)	\$ 5.45	5.12	5.45	5.00	4.50
Inflow and infiltration charge	0.00	0.00	3.85	3.50	3.15
Residential usage (per 1,000 gallons)	3.61	3.39	2.73	2.34	2.25
Commercial – low strength (TSS<= 275 mg/L)	3.17	2.98	2.61	2.38	2.15
Commercial – medium strength (TSS between 275 and 450mg/L)	4.21	3.95	2.97	2.71	2.45
Commercial – high strength (TSS>450 mg/L)	4.92	4.62	3.64	3.32	3.00
Unmetered:					
Customer charge (per account)	5.45	5.12	5.45	5.00	4.50
Residential charge, including I&I charge (per unit)	23.09	21.68	23.30	21.30	19.25
Commercial, including I&I charge (depends on activity)	7.60 to 644.60	7.14 to 605.26	11.60 to 1,152.60	10.00 to 989.85	9.60 to 951.70

⁽¹⁾ Rates effective 1/1/09.

⁽²⁾ Rates effective 8/8/08 , per TA119-126 and docket U-05-103(17). As a result of the cost of service study and rate design, separate I&I charges have been eliminated.

⁽³⁾ Rates effective 1/1/07.

⁽⁴⁾ Rates effective 6/5/06.

⁽⁵⁾ Rates effective 8/1/05.

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 3

Revenues and Expenses-Budget to Actual

	Budget	Actual	Variance Favorable/ (Unfavorable)
Operating revenue:			
Residential sales	\$ 27,800,000	26,040,130	(1,759,870)
Commercial sales	6,285,000	7,146,293	861,293
Public authorities	1,915,000	1,348,725	(566,275)
Miscellaneous service revenue	1,300,000	1,464,301	164,301
Total operating revenues	37,300,000	35,999,449	(1,300,551)
Nonoperating revenue:			
Investment income	1,300,000	1,197,783	(102,217)
Miscellaneous Non-Operating Revenue	-	741	741
Transfers from other funds	-	148,083	148,083
Total nonoperating revenue	1,300,000	1,346,607	46,607
Total revenues	\$ 38,600,000	37,346,056	(1,253,944)
Collection system expense:			
Operations	\$ 4,051,000	1,486,324	2,564,676
Maintenance	-	2,486,121	(2,486,121)
Total collection system expense	4,051,000	3,972,445	78,555
Treatment plant expense:			
Operations	8,995,000	8,359,677	635,323
Maintenance	-	812,993	(812,993)
Total treatment plant expense	8,995,000	9,172,670	(177,670)
Customer accounts expense	1,988,000	1,790,215	197,785
Administrative and general expense	8,632,000	7,071,689	1,560,311
Depreciation, net of amortization	4,390,000	4,189,089	200,911
Total operating expenses	28,056,000	26,196,108	1,859,892
Other expense:			
Transfers to other funds	4,300,000	4,410,330	(110,330)
Interest on long-term obligations	3,816,000	3,243,921	572,079
Other interest expense	-	731,388	(731,388)
Amortization of debt expense	84,000	97,538	(13,538)
Allowance for funds used during construction	(550,000)	(1,019,157)	469,157
Total other expenses	7,650,000	7,464,020	185,980
Total expenses	\$ 35,706,000	33,660,128	2,045,872
Net Income	\$ 2,894,000	3,685,928	791,928
Dividend to General Government	200,000	-	200,000
Increase in Net assets	\$ 2,694,000	3,685,928	991,928

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 4

Debt Principal by Issue

Description	Original Issue Date	Total Issue Amount	12/31/2008 Principal Balance	2009 New (Retired) Debt	2009 Principal Payments	12/31/2009 Principal Balance	Current Portion
<u>Revenue Bonds</u>							
Wastewater Revenue	10/15/99	\$ 5,180,000	225,000	-	110,000	115,000	115,000
Wastewater Revenue	06/10/04	22,620,000	7,195,000	-	445,000	6,750,000	460,000
Wastewater Revenue	06/28/07	59,665,000	59,625,000	-	40,000	59,585,000	40,000
Total revenue bonds		<u>87,465,000</u>	<u>67,620,000</u>	<u>-</u>	<u>595,000</u>	<u>66,450,000</u>	<u>615,000</u>
<u>GO Bonds</u>							
GO Refunding	06/15/93	19,245,000	985,000	-	480,000	505,000	505,000
Total GO bonds		<u>19,245,000</u>	<u>1,440,000</u>	<u>-</u>	<u>480,000</u>	<u>505,000</u>	<u>505,000</u>
<u>Alaska Clean Water (ACW) Loans</u>							
127011 Eagle River STP	09/06/1989	6,208,283	1,590,009	-	388,669	1,201,340	394,500
127041 Pt. Woronzof Phase V	04/26/1993	2,443,128	892,528	-	143,273	749,255	145,422
127061 Girdwood Wastewater	04/24/1995	1,565,161	877,691	-	82,006	795,685	83,236
127071 Eagle River TID ER-3	10/30/1995	2,073,031	1,159,771	-	108,362	1,051,408	109,988
127081 Misc Wastewater Projects	05/08/1995	2,071,475	1,432,876	-	100,646	1,332,230	102,155
127091 Chester Creek Pump Stn R&R	06/11/1997	959,587	541,171	-	50,564	490,607	51,322
127101 FY97 Misc Wastewater Projects	06/11/1997	2,250,000	2,250,000	-	112,500	2,137,500	112,500
127111 Equipment - Wastewater 1998	01/21/1998	286,051	183,460	-	14,068	169,392	14,279
127131 Chester Creek Sewer Trunk Study	04/02/1998	300,127	225,095	-	15,006	210,089	15,006
127141 Facility Replace & Rehab Proj 1998	01/21/1998	1,305,252	1,261,174	-	63,059	1,198,115	63,059
127151 Operations Facilities, Phase II	01/21/1998	1,138,248	794,648	-	56,761	737,888	56,761
127161 Wastewater Data Processing	03/12/1998	1,182,000	945,600	-	236,400	709,200	236,400
127211 FY99 Misc Small Sewer R&R, Phs I	07/23/2001	1,410,000	1,041,923	-	67,437	974,486	68,448
127271 C-5-7 Trunk Sewer Upgrade	05/19/2003	2,229,617	2,035,328	-	99,336	1,935,992	100,826
127281 Asplund Facility Solids Handling	01/21/2000	4,290,279	2,794,718	-	214,978	2,579,740	214,978
127291 Operations Facility, Phase III	03/18/2003	3,608,588	2,382,625	608,588	158,842	2,832,372	202,312
127301 Septic System Site Upgrade	01/21/2000	500,000	374,317	-	24,954	349,362	24,954
127371 Old Glen Hwy	02/22/2008	2,000,000	174,746	1,825,254	-	2,000,000	-
127421 B-4AB Sewer Trunk Upgrade	08/20/2001	2,370,748	1,652,736	-	118,053	1,534,683	118,053
127451 SCADA Sewer	06/18/2004	13,000,000	10,038,607	2,961,393	501,930	12,498,070	657,793
127481 Asplund WW Treatment Facility	06/18/2004	4,200,000	3,646,889	-	189,929	3,456,961	192,778
127631 Asplund Process Impr	01/30/2008	8,000,000	4,000,000	4,000,000	400,000	7,600,000	400,000
ACW-127641C-F Interceptor Upgrade	12/16/2009	39,993	-	39,993	-	39,993	-
127651 C-2(A,B) Sewer Improvements	08/01/2007	1,700,000	378,531	1,321,469	-	1,700,000	85,000
127661 King-Rovenna Sewer Upgrade	08/01/2007	1,545,498	271,626	1,273,872	-	1,545,498	77,275
127671 C-5-N Campbell Lake	08/07/2007	886,086	12,282	873,804	-	886,086	44,304
127691 ER WWTF Gravity Thickener	12/28/2007	201,970	108,739	93,231	-	201,970	10,099
ACW-127701 Girdwood WWTF Improvements	12/16/2009	841,000	-	841,000	-	841,000	-
127721 San Ernesto Hoyt Upgrade	12/22/2008	404,000	404,000	-	-	404,000	20,200
127741 Septage Improvements	10/29/2008	1,000,000	141,930	858,070	-	1,000,000	-
130031 Asplund Improvements	01/16/2008	2,701,000	2,701,000	-	270,100	2,430,900	135,050
ACW-130071 Pump Station Upgrade	12/16/2009	650,000	-	650,000	-	650,000	-
130091 Asplund Generator Upgrade	10/16/2008	200,000	200,000	-	-	200,000	-
ACW-130101 Minnesota-Benson Swr Upgrd	06/16/2009	395,625	-	395,625	19,781	375,844	19,781
130131 Arctic 32nd-36th Upgrade	07/09/2008	437,275	437,275	-	21,864	415,411	21,864
130191 Pump Station 10 Upgrade	12/12/2008	1,000,000	728,301	271,699	-	1,000,000	-
130301 Cope Dorbrant Upgrade	09/09/2008	233,000	153,062	79,938	-	233,000	-
130311 Douglas St Sewer	09/09/2008	117,000	111,150	-	5,850	105,300	5,850
130321 ER WWTF Improvements	11/05/2008	1,000,000	572,310	427,690	-	1,000,000	50,000
ACW-130361 Downtown Sewer Upgrade	10/06/2009	280,000	-	280,000	-	280,000	14,000
Total ACW loans		<u>77,024,022</u>	<u>46,516,118</u>	<u>16,801,626</u>	<u>3,464,368</u>	<u>59,853,376</u>	<u>3,848,193</u>
Total debt		<u>\$ 183,734,022</u>	<u>115,576,118</u>	<u>16,801,626</u>	<u>4,539,368</u>	<u>126,808,376</u>	<u>4,968,193</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER 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	\$ 19,600	31,690	3,786	16,644	11,716	5,069	88,505
Repair and rehabilitation	10,080	2,830	22,044	14,726	17,879	24,266	91,825
Trunk/interceptors	<u>100</u>	<u>100</u>	<u>150</u>	<u>170</u>	<u>1,945</u>	<u>3,765</u>	<u>6,230</u>
Total AWWU Funded	\$ 29,780	34,620	25,980	31,540	31,540	33,100	186,560
Impr. Distr. & Grants	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>19,000</u>
Total	<u>\$ 30,780</u>	<u>40,620</u>	<u>31,980</u>	<u>33,540</u>	<u>33,540</u>	<u>35,100</u>	<u>205,560</u>
Source of funding:							
Debt	\$ 23,780	26,120	20,480	27,540	27,540	29,100	154,560
Equity	<u>6,000</u>	<u>8,500</u>	<u>5,500</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>32,000</u>
Total AWWU Funded	\$ 29,780	34,620	25,980	31,540	31,540	33,100	186,560
Impr. Distr. & Grants	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>19,000</u>
Total	<u>\$ 30,780</u>	<u>40,620</u>	<u>31,980</u>	<u>33,540</u>	<u>33,540</u>	<u>35,100</u>	<u>205,560</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
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Statistical Section (unaudited)

Table 6

Production Comparison by Facility

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Wastewater treatment facility (WWTF) system data: Million gallons per day (MGD)					
Asplund WWTF					
Minimum daily flow	25.7	27.3	25.0	23.8	22.9
Maximum daily flow	30.8	31.1	32.3	51.5	51.1
Average daily flow	28.1	29.2	27.4	28.1	28.2
Eagle River WWTF					
Minimum daily flow	1.3	1.4	0.8	1.2	1.2
Maximum daily flow	1.6	1.6	2.1	2.0	2.2
Average daily flow	1.4	1.5	1.5	1.5	1.5
Girdwood WWTF					
Minimum daily flow	0.3	0.4	0.4	0.3	0.3
Maximum daily flow	0.6	0.6	0.7	1.5	1.5
Average daily flow	0.4	0.5	0.5	0.4	0.5
Miles of line:					
Interceptors	45	45	45	45	45
Trunks	83	82	82	82	82
Laterals	623	616	596	594	590
Total	<u>751</u>	<u>743</u>	<u>723</u>	<u>721</u>	<u>717</u>

	<u>Current Capacity</u>
Source:	
Million gallons per day (MGD)	
Asplund WWTF	58.00
Eagle River WWTF	2.50
Girdwood WWTF	<u>0.77</u>
Total	<u>61.27</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 7

Detail Schedule of Wastewater Plant in Service (In Thousands)

	Wastewater Plant			Balance 12/31/2009
	Balance 01/01/2009	Additions	Retirements	
WASTEWATER PLANT IN SERVICE				
Tangible Plant:				
Wastewater Collection Plant				
Laterals	\$ 194,069	21,170	(237)	215,002
Trunks	62,766	8,068	(422)	70,412
Interceptors	41,490	526	(10)	42,006
Lift Stations	12,698	2,217	-	14,915
Wastewater Pumping				
Structures & Improvements	4,957	3,705		8,662
Receiving Wells	345	2,349		2,694
Electric Pumping Equipment	2,823	62		2,885
Treatment and Disposal Plant				
Treatment Plant	58,063	284		58,347
Treatment & Disposal Equipment	39,115	4,524		43,639
Effluent Tunnel-Plant Sewer	11,238	-		11,238
Outfall Sewer Lines	2,318	-		2,318
Land and Land Rights	4,203	-		4,203
General Plant:				
Structures & Improvements	23,310	1,014		24,324
Office Furniture	167	13	(4)	176
Office Equipment	92	-	(32)	60
Computer Equipment	10,614	2,460	(1,795)	11,279
Vehicles (Light Duty)	1,241	402	(184)	1,459
Transportation Equipment (Heavy Duty)	3,622	524	(223)	3,923
Store Equipment	264		-	264
Tools, Shop, & Garage Equipment	470	45	(5)	510
Laboratory Equipment	74		(2)	72
Power Operated Equipment	264		-	264
Communication Equipment	10,979	5,612	(32)	16,559
Miscellaneous Equipment	109	29	(1)	137
Total Tangible Plant	<u>485,291</u>	<u>53,004</u>	<u>(2,947)</u>	<u>535,348</u>
Intangible Plant:	1,160	12	-	1,172
TOTAL WASTEWATER PLANT IN SERVICE	<u>486,451</u>	<u>53,016</u>	<u>(2,947)</u>	<u>536,520</u>
ACQUISITION ADJUSTMENT	910	-	-	910
PROPERTY HELD FOR FUTURE USE	1,380	-	-	1,380
CONSTRUCTION WORK IN PROGRESS	14,911	47,678	(49,906)	12,683
TOTAL WASTEWATER PLANT	<u>\$ 503,652</u>	<u>100,694</u>	<u>(52,853)</u>	<u>551,493</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
WASTEWATER UTILITY FUND

Statistical Section (unaudited)

Table 7 (Continued)

Detail Schedule of Depreciation and Amortization (In Thousands)

	<u>Accumulated Depreciation and Amortization</u>				Net Book Value of Plant
	Balance			Balance	
	<u>01/01/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2009</u>	
WASTEWATER PLANT IN SERVICE					
Tangible Plant:					
Wastewater Collection Plant					
Laterals	\$ 72,686	3,632	(347)	75,971	139,031
Trunks	24,861	1,048	(448)	25,461	44,951
Interceptors	16,372	528	(10)	16,890	25,116
Lift Stations	11,025	269	-	11,294	3,621
Wastewater Pumping					
Structures & Improvements	2,954	89	-	3,043	5,619
Receiving Wells	345	5	-	350	2,344
Electric Pumping Equipment	582	52	-	634	2,251
Treatment and Disposal Plant					
Treatment Plant	17,391	729	-	18,120	40,227
Treatment & Disposal Equipment	24,975	1,159	-	26,134	17,505
Effluent Tunnel-Plant Sewer	2,980	172	-	3,152	8,086
Outfall Sewer Lines	1,945	35	-	1,980	338
Land and Land Rights	-			-	4,203
General Plant:					
Structures & Improvements	5,732	450	-	6,182	18,142
Office Furniture	151	6	(4)	153	23
Office Equipment	92	-	(32)	60	-
Computer Equipment	6,554	818	(1,795)	5,577	5,702
Vehicles (Light Duty)	1,153	25	(163)	1,015	444
Transportation Equip. (Heavy Duty)	3,148	212	(218)	3,142	781
Store Equipment	172	8	-	180	84
Tools, Shop, & Garage Equipment	370	16	(4)	382	128
Laboratory Equipment	74	-	(2)	72	-
Power Operated Equipment	97	14	-	111	153
Communication Equipment	1,655	649	(32)	2,272	14,287
Miscellaneous Equipment	109	-	(1)	108	29
Total Tangible Plant	<u>195,423</u>	<u>9,916</u>	<u>(3,056)</u>	<u>202,283</u>	<u>333,065</u>
Intangible Plant:	244	115	-	359	813
TOTAL WASTEWATER PLANT IN SERVICE	<u>195,667</u>	<u>10,031</u>	<u>(3,056)</u>	<u>202,642</u>	<u>333,878</u>
ACQUISITION ADJUSTMENT	910	-	-	910	-
PROPERTY HELD FOR FUTURE USE	-	-	-	-	1,380
CONSTRUCTION WORK IN PROGRES	-	-	-	-	12,683
TOTAL WASTEWATER PLANT	<u>\$ 196,577</u>	<u>10,031</u>	<u>(3,056)</u>	<u>203,552</u>	<u>347,941</u>