MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Basic Financial Statements with Other Information

December 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Anchorage, an enterprise fund of the Municipality of Anchorage, Alaska, which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 12 to the financial statements, in 2015 the Port of Anchorage adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with the respect to this matter.

As discussed in Note 1, the financial statements present only the Port Fund and do not purport to, and do not present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 2015 and 2014, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, the Schedule of Net Pension Liability and the Schedule of Pension Contributions on page 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended December 31, 2015 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Anchorage's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

BDO USA, LLP

Anchorage, Alaska
October 26, 2016

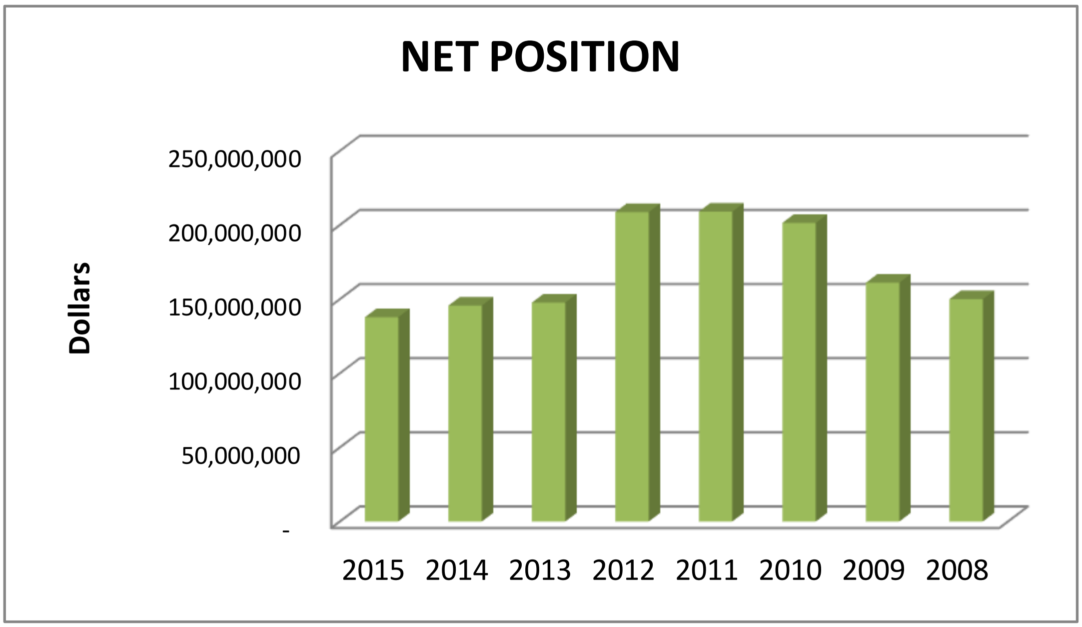
Management's Discussion and Analysis

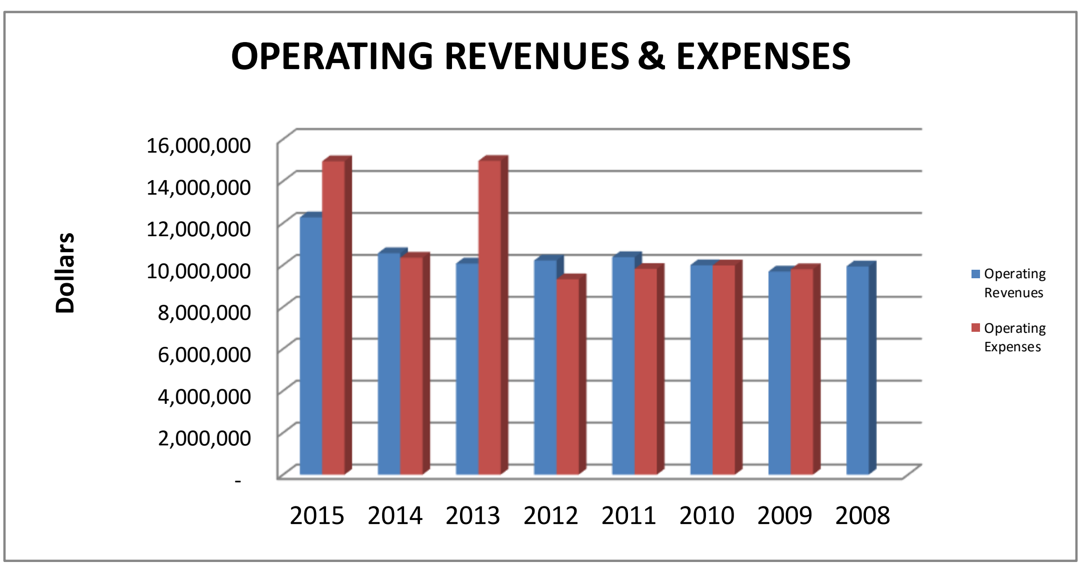
December 31, 2015 and 2014

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

FINANCIAL HIGHLIGHTS

- Net Position decreased $7,802,121 or 5.4% in 2015 and decreased $2,055,296, or 1.4% in 2014. The 2015 decrease includes the effect of GASB 68 adoption which lowered net position by $1,303,976.
- Operating Revenues increased $1,708,347 or 16.2% in 2015 and increased $493,222, or 4.9% in 2014.
- Operating Expenses increased $9,481,054 or 63.4% in 2015 and decreased $4,600,262, or 44.5% in 2014.





OVERVIEW OF THE FINANCIAL REPORT

The Port reports as an enterprise fund of the Municipality of Anchorage (Municipality), while charging customers for services it provides. A commission consisting of nine members oversees the Port's tariff issues. The commission recommends tariff rates, fees, and charges imposed by the Port for its services to the Anchorage Assembly for approval.

This annual report consists of the following financial statements: Comparative Statements of Net Position; Comparative Statements of Revenues, Expenses, and Changes in Net Position; Comparative Statements of Cash Flows; Notes to the Basic Financial Statements; and Management's Discussion and Analysis. These statements include all assets, liabilities, and deferred inflows/outflows using the accrual basis of accounting.

Statement of Net Position – This statement presents information regarding the Port's assets, liabilities, deferred inflows/outflows and with the difference reported as net position at December 31, 2015 and December 31, 2014. Net position represents the total assets and deferred outflows less total liabilities and deferred inflows. The Statement of Net Position classifies assets and liabilities as current and non-current.

Statement of Revenues, Expenses, and Changes in Net Position – This statement presents the Port's operating revenues and expenses and non-operating revenues and expenses for the years ended December 31, 2015 and December 31, 2014 with the difference – income before transfers – being combined with any capital contributions or repayments and transfers to determine the change in net position for the respective year. The change, combined with last year's (restated) ending net position total reconciles to the net position total at the end of this year.

Statement 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 Port presents its Statement of Cash Flows using the direct method of reporting operating cash flows.

ANALYSIS OF THE FINANCIAL STATEMENTS

Net Position

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

These two statements report the Port's net position and changes in that position. One can think of the Port's net position, the difference between assets, liabilities, and deferred inflows/outflows, as one way to measure financial health or whether 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 and new or changed legislation.

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

TABLE 1
Statement of Net Position

	2015	2014	2013 (restated)
Assets:			
Current and Other Assets	$ 18,446,569	$ 20,550,972	$ 21,157,706
Non-Current Assets	163,713,052	168,338,131	169,018,927
Total Assets	182,159,621	188,889,103	190,176,633
Deferred Outflows of Resources	195,619	-	-
Total Assets and Deferred Outflows of Resources	$ 182,355,240	$ 188,889,103	$ 190,176,633
Liabilities:			
Current Liabilities	1,109,143	1,348,188	597,538
Non-Current Liabilities	43,387,749	41,908,990	41,891,874
Total Liabilities	44,496,892	43,257,178	42,489,412
Deferred Inflows of Resources	28,544	-	-
Total Liabilities and Deferred Inflows of Resources	44,525,436	43,257,178	42,489,412
Net Position:			
Net Investment in Capital Assets	123,153,679	128,338,131	129,018,927
Restricted for Capital Construction	2,077,591	1,659,452	-
Unrestricted	12,598,534	15,634,342	18,668,294
Total Net Position	$ 137,829,804	$ 145,631,925	$ 147,687,221
Total Liabilities, Deferred Inflows of Resources and Net Position	182,355,240	188,889,103	190,176,633
Change in Net Position	$ (7,802,121)	$ (2,055,296)	$ (61,025,896)

During 2015 the Port's total assets decreased by $6.7 million. Non-Current assets decreased by $4.6 million. Current Assets decreased by $2.1 million primarily due to a decrease in the equity in the capital acquisition and construction account. During 2014 the Port's total assets decreased by $1.3 million. Non-Current assets decreased by $680,796. Current assets decreased by $607,734 primarily due to an increase in the construction cash pool.

During 2015 the Port's total liabilities increased by $1.2 million to recognize a net pension liability pursuant to the implementation of GASB 68 (see Note 11 – New Accounting Pronouncements). Current liabilities decreased by $239,045 primarily due to decrease in capital acquisition and constructionaccounts and retainage payable. Non-current liabilities increased by $1.2 million likewise to recognize a net pension liability as noted above. During 2014 the Port's total liabilities increased by $767,766 all due to an increase in construction accounts payable.

Changes in the Port's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ending December 31, 2015, 2014, and 2013 (Table 2).

Operating revenues overall increased in 2015 by $1.7 million. This was mostly due to additions in petroleum related wharfage (liquid bulk) and industrial park lease rental revenue.

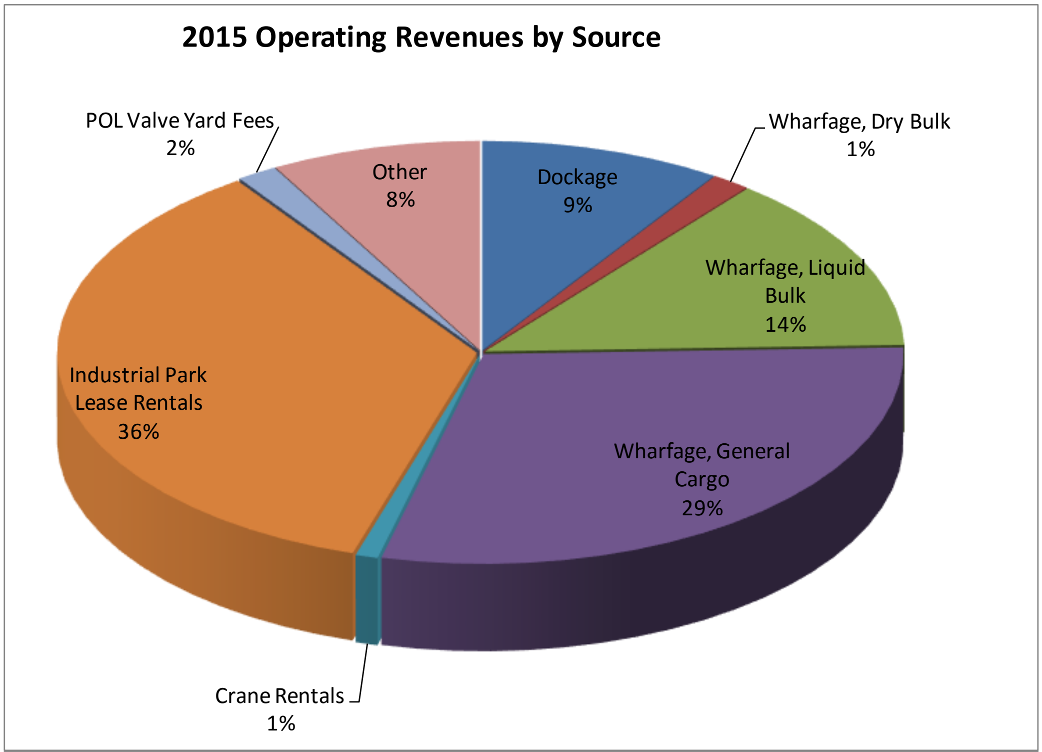
Management's Discussion and Analysis

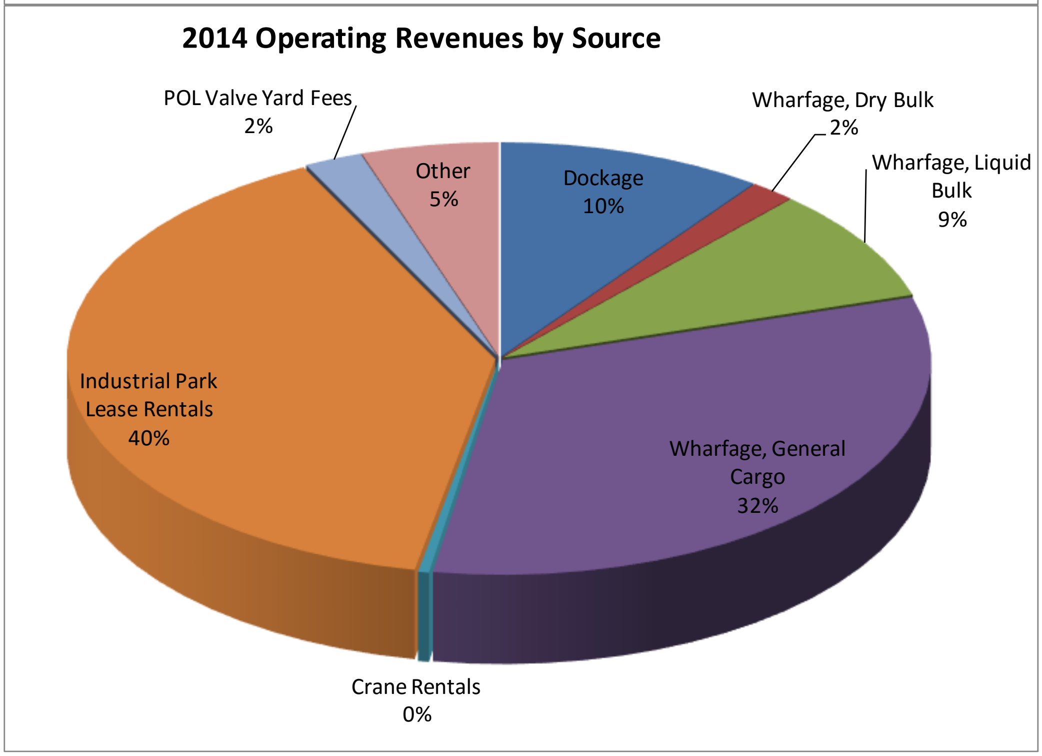
December 31, 2015 and 2014

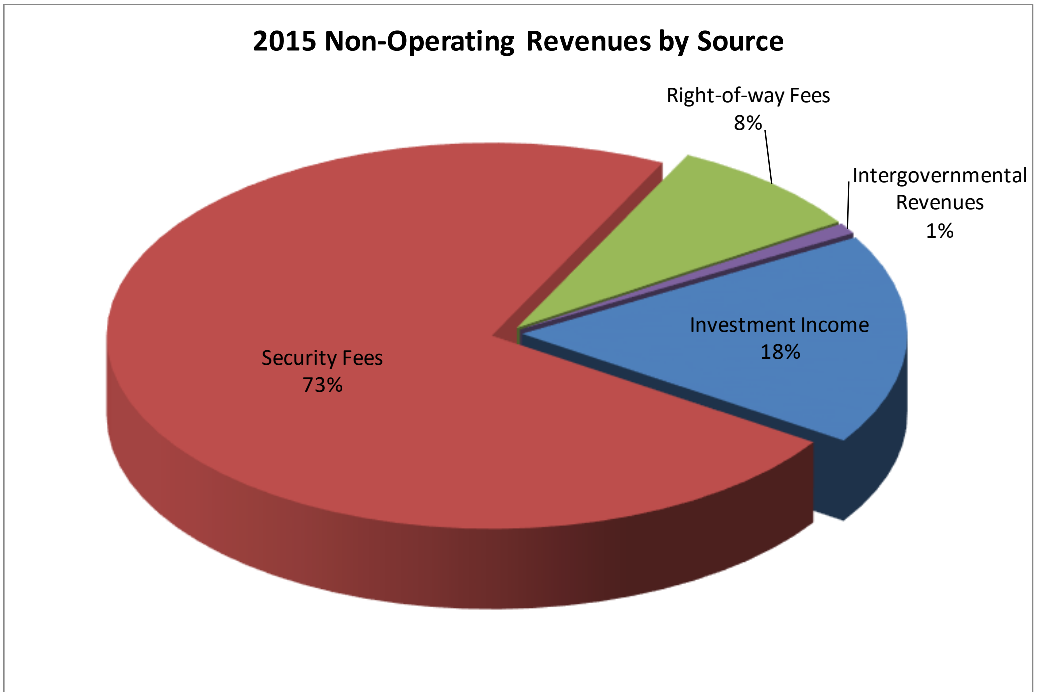
Operating expenses increased by $9.4 million, which was primarily attributable to transactions in work in progress expensed in 2015. After an evaluation of the costs incurred to date on the Anchorage Port Modernization project, the determination was made that the expenses were noncapitalizable expenses.

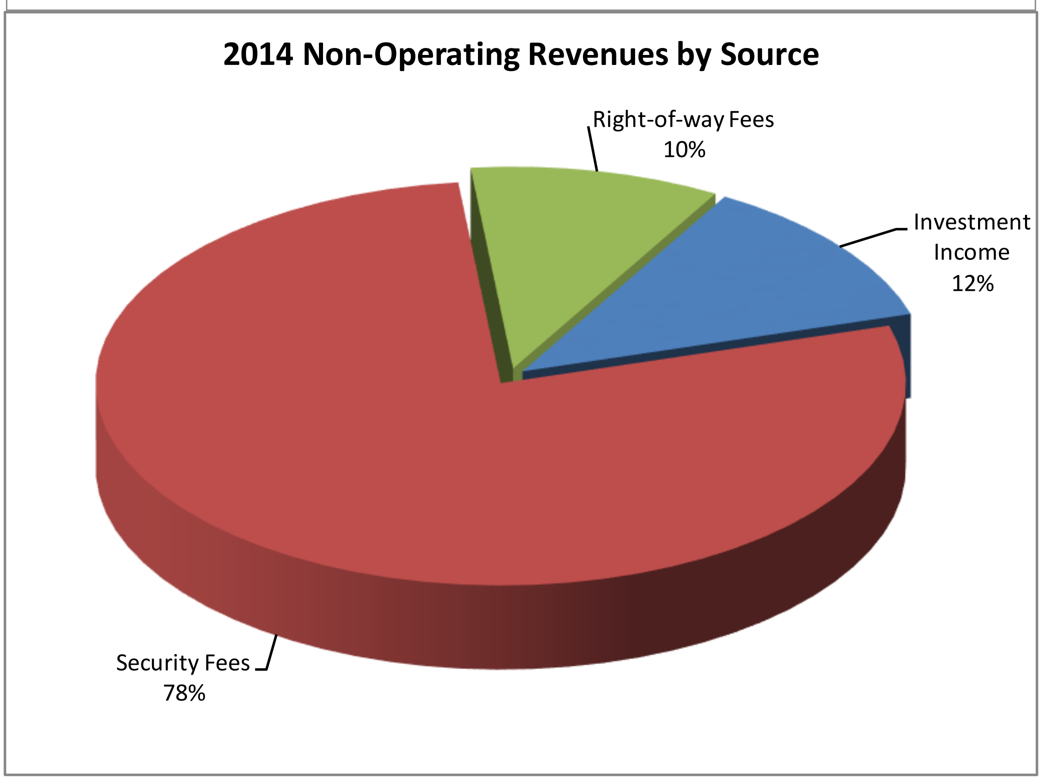
TABLE 2
Statement of Revenues, Expenses, and Changes in Net Position

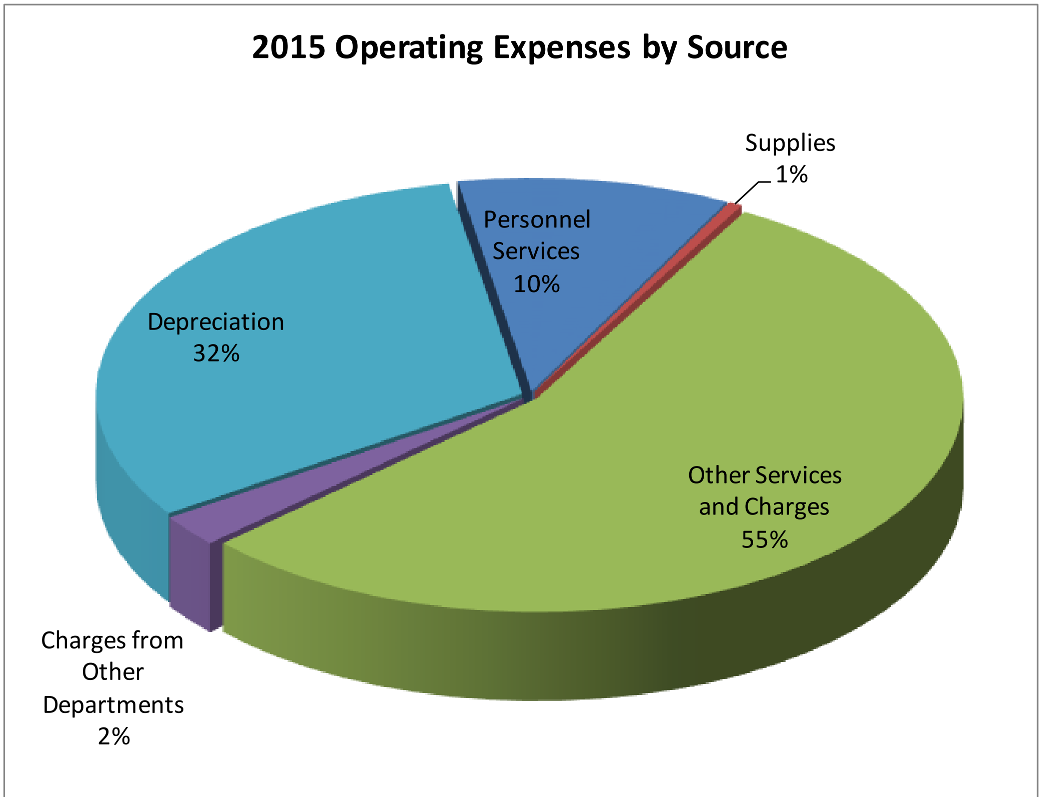
	2015	2014	2013 (restated)
Operating Revenues:			
Dockage	$ 1,142,837	$ 1,061,272	$ 956,080
Wharfage, Dry Bulk	181,234	179,256	153,813
Wharfage, Liquid Bulk	1,682,558	900,922	570,819
Wharfage, General Cargo	3,608,772	3,414,255	3,440,514
Industrial Park Lease Rentals	4,363,254	4,182,255	4,172,846
Crane Rentals	105,858	43,375	59,025
POL Valve Yard Fees	191,560	231,774	330,359
Other	994,524	549,141	385,572
Total Operating Revenues	$ 12,270,597	$ 10,562,250	$ 10,069,028
Operating Expenses:			
Personnel Services	2,529,141	2,540,648	2,543,727
Supplies	126,534	186,802	220,651
Other Services and Charges Restated	13,444,548	3,564,257	3,000,933
Charges from Other Departments	591,109	626,392	518,417
Depreciation	7,733,968	8,026,147	4,060,256
Total Operating Expenses	24,425,300	14,944,246	10,343,984
Operating Income (loss)	(12,154,703)	(4,381,996)	(274,956)
Nonoperating Revenues (Expenses)			
Non-Operating Revenues	1,954,080	1,747,839	1,564,589
Non-Operating Expenses	(2,076,089)	(1,764,761)	(2,032,144)
Net Non-Operating Revenues	(122,009)	(16,922)	(467,555)
Income Before Capital Contributions and Transfers	(12,276,712)	(4,398,918)	(742,511)
Capital Contributions and Transfers and Special Item	5,778,567	2,343,622	(60,283,385)
Change in Net Position	(6,498,145)	(2,055,296)	(61,025,896)
Net Position, beginning Restated	144,327,949	147,687,221	208,713,117
Net Position, ending	$ 137,829,804	$ 145,631,925	$ 147,687,221

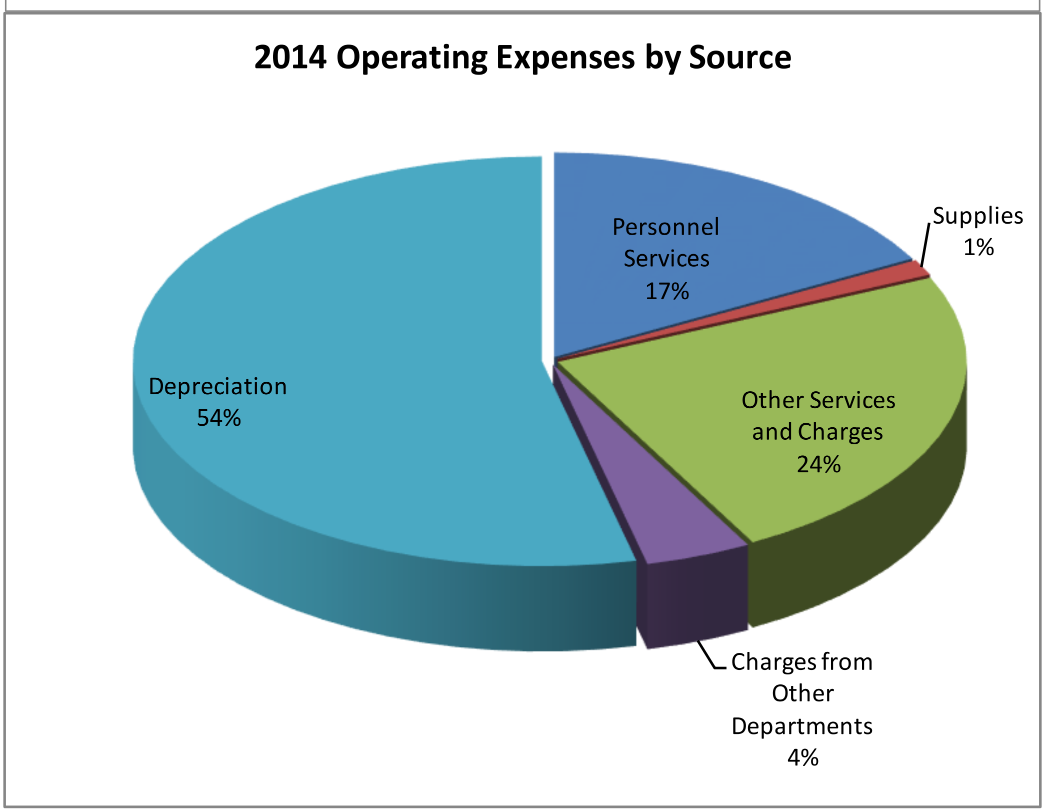

2015 Operating Revenues by Source
POL Valve Yard Fees 2%
Other 8%
Dockage 9%
Wharfage, Dry Bulk 1%
Wharfage, Liquid Bulk 14%
Industrial Park Lease Rentals 36%
Wharfage, General Cargo 29%
Crane Rentals 1%

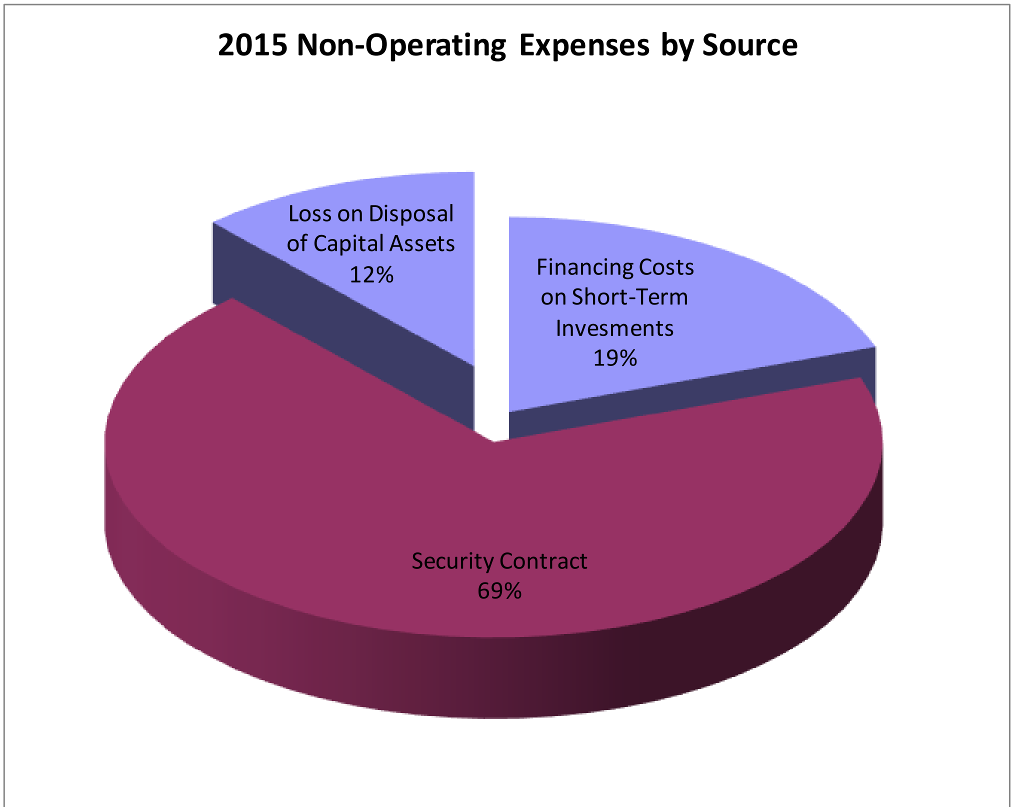

2014 Operating Revenues by Source
POL Valve Yard Fees 2%
Other 5%
Dockage 10%
Wharfage, Dry Bulk 2%
Wharfage, Liquid Bulk 9%
Industrial Park Lease Rentals 40%
Wharfage, General Cargo 32%
Crane Rentals 0%

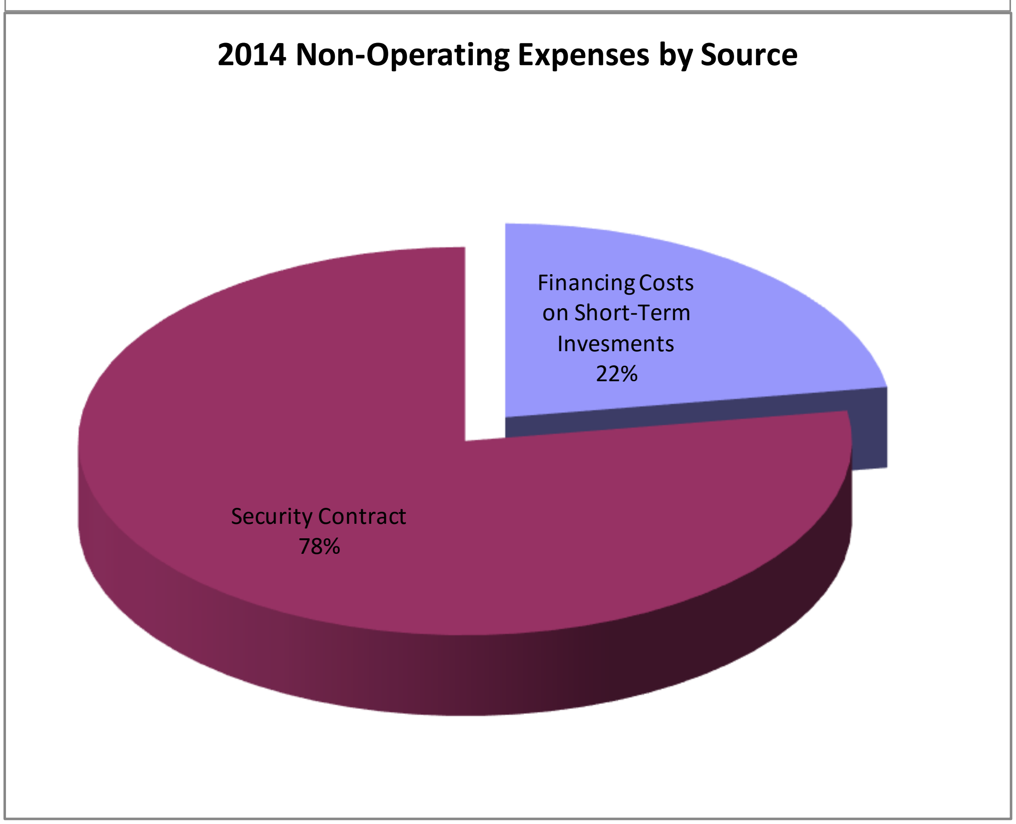

2015 Non-Operating Revenues by Source
Right-of-way Fees 8%
Intergovernmental Revenues 1%
Investment Income 18%
Security Fees 73%


2014 Non-Operating Revenues by Source
Right-of-way Fees 10%
Investment Income 12%
Security Fees 78%


2015 Operating Expenses by Source
Supplies 1%
Personnel Services 10%
Depreciation 32%
Other Services and Charges 55%
Charges from Other Departments 2%


2014 Operating Expenses by Source
Personnel Services 17%
Supplies 1%
Depreciation 54%
Other Services and Charges 24%
Charges from Other Departments 4%


2015 Non-Operating Expenses by Source
Loss on Disposal of Capital Assets 12%
Financing Costs on Short-Term Invesments 19%
Security Contract 69%


2014 Non-Operating Expenses by Source
Financing Costs on Short-Term Invesments 22%
Security Contract 78%

CAPITAL ASSETS AND DEBT

Capital Assets

The following table summarizes the Port's capital assets, at cost, as of December 31, 2015, 2014, and 2013.

TABLE 3
Capital Assets
(net of accumulated depreciation, in thousands)

	2015	2014	2013 (restated)
Capital Assets			
Land	$ 20,101	$ 20,101	$ 20,102
Infrastructure	48,821	50,748	54,462
Buildings	3,176	2,415	2,535
Building Improvements	35	52	69
Land Improvements	88,181	88,981	80,148
Vehicles	-	4	64
Machinery and Equipment	2,631	2,902	3,060
Computer Equipment	17	18	27
Computer Software	-	-	2
Office Equipment	-	1	-
Art	21	21	21
Total Capital Assets	162,983	165,243	160,490
Construction Work in Progress	170	3,095	8,529
Capital Inventory	559	-	-
Total	$ 163,712	$ 168,338	$ 169,019
Increase/(Decrease) in Net Capital Assets	$ (4,626)	$ (681)	$ 95,104

2015 major additions include:

- Storm Drain Improvements $ 1,737 million
- Marine Coverall Building $ 900 thousand
- Dock Pile Enhancements $ 2,491 million
- Machinary and Equipment $ 340 thousand

Construction work in progress decreased by $2,925 thousand in 2015.

Debt

In June 2013, the Port entered into a $40,000,000 Revolving Credit Agreement (Agreement) with a commercial bank. A draw in the amount of $40,000,000 under the Agreement on June 24, 2013 was used to refinance the Port's outstanding commercial paper notes. The outstanding balance under the Agreement as of December 31, 2015 was $40,000,000. On June 20, 2016 the Municipality and its commercial bank amended the Revolving Credit Agreement under and same terms and conditions but with a revised expiration date of June 20, 2019. It is anticipated that the amount outstanding under the Agreement will be refunded by long-term revenue bonds on or before the Commitment Expiration Date of June 20, 2019.

ECONOMIC FACTORS AND BUDGETS AND RATES

The 2015 budget anticipated Port operating revenues of $11 million and $1.5 million in non-operating revenues. Actual 2015 operating revenues earned amounted to $12.2 million, or $1.2 million over budget projections. Actual 2015 non-operating revenues including capital contributions earned amounted to $10.2 million or $8.8 million over budget projections. The increase in operating revenue was directly attributable to the higher than projected petroleum traffic at the Port. These additional port calls resulted in added dockage and wharfage operating revenues of $1.2 million. The contributing factors to the variance between 2015 budget and actual non-operating revenues was due to the increase in direct funding from the State of Alaska in the amount of $7.8 million for grant related expenditures and other intergovernmental revenue of $433 thousand.

The 2015 budget anticipated Port operating expenses of $19.9 million. Actual 2015 operating expenses incurred amounted to $26.9 million or $6.9 million over budget projections. The contributing factor to the variance between 2015 budget and actual operating expenses was due to a $6.9 million increase in other services and charges whose major component were transactions in construction work in progress that were determined to not be capitalizable and expensed in 2015.

In 2014, the Port undertook a review of its tariff rates terms and conditions. Following the review of its tariff the completion of a Revenue Requirements Study by an independent contractor, the Port Commission proposed, and the Anchorage Assembly approved, the rates, terms and conditions of the Port's Terminal Tariff No. 8 effective January 1, 2015. Tariff No. 8 includes annual rate increases effective January 1, 2015 through December 31, 2019.

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Port's customers, taxpayers, investors, and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. For questions about this report, or for additional financial information contact the Municipality of Anchorage, Port of Anchorage Department, 2000 Anchorage Port Road, Anchorage, AK 99501.

General information can be found at: http://www.portofanc.com/business/finances/

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Comparative Statements of Net Position

December 31, 2015 and 2014

	2015	2014
CURRENT ASSETS		
Cash	$ 150	$ 150
Equity in General Cash Pool	10,113,362	10,205,074
Capital Acquisition and Construction Accounts	4,229,634	6,988,445
Accrued Interest on Investments	33,544	47,277
Accounts Receivable, Net	1,512,785	1,281,554
Prepaid Items and Deposits	150,424	39,941
Parts Inventory	329,079	329,079
Total Unrestricted Current Assets	16,368,978	18,891,520
Restricted Assets:		
Intergovernmental Receivables	2,077,591	1,659,452
Total Restricted Current Assets	2,077,591	1,659,452
Total Current Assets	18,446,569	20,550,972
NON-CURRENT ASSETS		
Capital Assets:		
Capital Assets, at Cost	272,982,449	267,524,498
Less: Accumulated Depreciation	(109,998,645)	(102,281,238)
Net Capital Assets	162,983,804	165,243,260
Construction Work in Progress	169,875	3,094,871
Total Capital Assets	163,153,679	168,338,131
Capital Inventory	559,373	-
Total Non-Current Assets	163,713,052	168,338,131
Total Assets	182,159,621	188,889,103
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow of Net Pension Liability	195,619	-
Total Deferred Outflows of Resources	195,619	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	182,355,240	188,889,103

The notes are an integral part of these financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Comparative Statements of Net Position

December 31, 2015 and 2014

	2015	2014
CURRENT LIABILITIES		
Accounts Payable	484,280	481,616
Capital Acquisition and Construction Accounts and Retainages Payable	280,177	490,850
Compensated Absences Payable, Current Portion	167,525	164,942
Accrued Payroll Liabilities	141,580	177,472
Accrued Interest Payable	35,581	33,308
Total Unrestricted Current Liabilities	1,109,143	1,348,188
Total Current Liabilities	1,109,143	1,348,188
NON-CURRENT LIABILITIES		
Other Non-Current Liabilities	1,830,252	1,842,013
Compensated Absences Payable, Net of Current Portion	74,831	66,977
Net Pension Liability	1,482,666	-
Notes Payable	40,000,000	40,000,000
Total Non-Current Liabilities	43,387,749	41,908,990
Total Liabilities	44,496,892	43,257,178
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow of Net Pension Liability	28,544	-
Total Deferred Inflows of Resources	28,544	-
NET POSITION		
Net Investment in Capital Assets	123,153,679	128,338,131
Restricted for Capital Construction	2,077,591	1,659,452
Unrestricted	12,598,534	15,634,342
Total Net Position	137,829,804	145,631,925
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET	$ 182,355,240	$ 188,889,103

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Comparative Statements of Revenues, Expenses and Changes in Net Position

For The Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Charges for Sales and Services:		
Dockage	$ 1,142,837	$ 1,061,272
Wharfage, Dry Bulk	181,234	179,256
Wharfage, Liquid Bulk	1,682,558	900,922
Wharfage, General Cargo	3,608,772	3,414,255
Storage Revenue	327,061	230,883
Office Rental	114,462	135,041
Utilities	45,232	28,675
Miscellaneous	507,769	154,542
Total Charges for Sales and Services	7,609,925	6,104,846
Other:		
Crane Rentals	105,858	43,375
Industrial Park Lease Rentals	4,363,254	4,182,255
POL Value Yard Fees	191,560	231,774
Total Other	4,660,672	4,457,404
Total Operating Revenues	12,270,597	10,562,250
OPERATING EXPENSES		
Operations:		
Personnel Services	2,529,141	2,540,648
Supplies	126,534	186,802
Other Services and Charges	13,444,548	3,564,257
Charges from Other Departments	591,109	626,392
Total Operations	16,691,332	6,918,099
Depreciation	7,733,968	8,026,147
Total Operating Expenses	24,425,300	14,944,246
Operating Loss	(12,154,703)	(4,381,996)
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental Revenues	18,075	-
Investment Income-Short Term Investments	344,603	211,006
Security Fees	1,426,724	1,361,865
Right-of-Way Fees	164,678	174,968
Interest on Long-Term Obligations	(407,004)	(397,024)
Security Contract	(1,425,306)	(1,367,737)
Loss on Disposal of Capital Assets	(243,779)	-
Total Non-Operating Revenues (Expenses)	(122,009)	(16,922)
Loss before Contributions and Transfers	(12,276,712)	(4,398,918)
CONTRIBUTIONS AND TRANSFERS		
Capital Contributions	7,834,571	2,882,353
Transfers to Other Funds:		
Municipal Service Assessment	(2,056,004)	(533,731)
Other Transfers to Other Funds	-	(5,000)
Total Contributions and Transfers	5,778,567	2,343,622
Change in Net Position	(6,498,145)	(2,055,296)
Net Position, January 1, as restated	144,327,949	147,687,221
Net Position, December 31	$ 137,829,804	$ 145,631,925

The notes are an integral part of these financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Comparative Statements of Cash Flows

For The Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 12,499,366	$ 10,132,676
Payments to Employees	(2,524,906)	(2,471,588)
Payments to Vendors	(13,690,662)	(3,569,139)
Internal Activity - Payments Made to Other Funds	(591,109)	(626,392)
Net Cash Flows From Operating Activities	(4,307,311)	3,465,557
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer to Other Funds	(2,056,004)	(538,731)
Security Contract	1,418	(5,872)
Right of Way & Security Fees	164,678	174,968
Net Cash Flows From Non-Capital Financing Activities	(1,889,908)	(369,635)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(2,762,657)	(6,863,023)
Proceeds from Disposition of Capital Assets	3,084	-
Financing Costs on Long-Term Obligations	(404,731)	(363,716)
Grant Proceeds Capital	6,152,664	1,247,658
Net Cash Flows From Capital and Related Financing Activities	2,988,360	(5,979,081)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	358,336	236,164
Net Cash Flows From Investing Activities	358,336	236,164
Net Decrease in Cash	(2,850,523)	(2,646,995)
Cash, January 1	17,193,669	19,840,664
Cash, December 31	$ 14,343,146	$ 17,193,669
COMPONENTS OF CASH		
Cash	$ 150	$ 150
Cash in Central Treasury	10,113,362	10,205,074
Capital Acquisition and Construction Accounts	4,229,634	6,988,445
Cash and Cash Equivalents, December 31	$ 14,343,146	$ 17,193,669

The notes are an integral part of these financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Comparative Statements of Cash Flows

For The Years Ended December 31, 2015 and 2014

	2015	2014
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$ (12,154,703)	$ (4,381,996)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by		
Depreciation	7,733,968	8,026,147
PERS Relief- Noncash Expenses	18,075	-
Changes in Assets, Deferred Inflows and Outflows of Resources, and Liabilities Which Increase (Decrease) Cash:		
Accounts Receivable	228,769	(429,574)
Prepaid Items and Deposits	(110,483)	(1,096)
Deferred Outflows of Resources Related to Pensions	(133,806)	-
Accounts Payable	2,664	185,404
Compensated Absences Payable	10,437	23,655
Net Pension Liability	268,144	-
Other Non-Current Liabilities	(11,761)	(2,388)
Accrued Payroll Liability	(35,892)	45,405
Deferred Inflows of Resources Related to Pensions	(122,723)	-
Net Cash Flows From Operating Activities	$ (4,307,311)	$ 3,465,557
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital Purchases on Account	$ 280,177	$ 490,850
Capital Inventory Additions, net of sale	559,373	-
Total Noncash Investing, Capital, and Financing Activities	$ 839,550	$ 490,850

The notes are an integral part of these financial statements.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Anchorage (Port) first began operations in September 1961. It had capacity to berth one marine cargo ship at a time, and more than 38,000 tons of marine cargo moved across its single berth that year. Since 1964, the Port has expanded to a five berth terminal providing facilities for the movement of containerized freight, bulk petroleum, break bulk freight and cement. Today, approximately 4 million tons of material moves across its docks each year. The Port serves 87 percent of the State of Alaska's population, handles 90 percent of the consumer goods of Alaska and is one of 23 Strategic Seaports designated by the Department of Defense. The Port is the major gateway for Alaska's water-borne commerce and a vital element of the regional economy.

The Port's steady growth in the past decade is expected to continue into the future. To keep pace with the future trends in the shipping industry and to better serve its existing clients, the Port is currently undergoing a modernization project that began in 2014. This project targets four marine terminals that are in need of replacement. The marine terminal redevelopment will upgrade crane reach and provide a deeper draft to accommodate larger ships and improve commercial dock space.

The accompanying financial statements reflect the activities of the Port. The Port is an enterprise fund of the Municipality of Anchorage (Municipality). Enterprise funds are established to finance and account for the operation and maintenance of facilities and services such as those of the Port that are predominately self-supported by user charges. User charges for the Port are established in the Port of Anchorage Terminal Tariff No. 8 and through contractual Terminal Preferential Usage Agreements as recommended by the Anchorage Port Commission, and approved by the Anchorage Municipal Assembly and reported to the Federal Maritime Commission.

The accounting records and accompanying financial statements conform to U.S. Generally Accepted Accounting Principles (GAAP). 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 and expenses are recognized in the period incurred.

Accounting and reporting treatment applied to the Port is accounted for on a flow of economic resources measurement focus. As such, all assets deferred outflows, liabilities and deferred inflows associated with the operation of both the operating and capital fund for the Port are included on the Statement of Net Position. Net position as shown on the statement is segregated into the following categories: Net Investment in Capital Assets; Restricted for Capital Construction; and Unrestricted.

(a) Cash Pool and Investments

The Municipality uses a central treasury to account for all cash and investments. 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 capital cash pools are treated as a cash equivalent for cash flow purposes. Investments are recorded at fair value. Interest on cash pool investments is allocated to the Port each month based on its monthly closing cash pool equity balances.

For purposes of the Statements of Cash Flows, the Port has defined cash as the demand deposits and all investments maintained in the general and construction cash pool, regardless of maturity period, since the various funds use the general and construction cash pool essentially as a demand deposit account.

(b) Restricted Assets
It is the Port's policy to first use restricted assets to make certain payments when both restricted and unrestricted assets are available for the same purpose. "Intergovernmental receivables" represent grant receivables due from state and federal governments. At this time the Port has restricted assets of $2,077,591 and $1,659,452 at December 31, 2015 and 2014, respectively.

(c) Parts Inventory
Parts inventory is valued at cost using the specific identification method and is expensed when used (consumption method). The value of the Port's inventory totaled $329,079 and $329,075 at December 31, 2015 and 2014, respectively.

(d) Capital Assets
Capital assets are stated at cost. To be considered for capitalization, the cost of an asset must exceed $5,000 and the service life must exceed more than one year. Land, construction in progress, and art are not depreciated. The Port depreciates all other assets using a straight-line method and whole life convention. Additions to plant in service are recorded at original cost of contracted services, direct labor and materials, interest and indirect overhead charges.

Estimated lives of major plant and equipment categories follow:

Building Improvements	10-20 years
Buildings	5-44 years
Computers	3-10 years
Infrastructure	3-40 years
Land Improvements	5-40 years
Machinery and Equipment	3-20 years
Office Equipment	5-20 years
Vehicles	5-7 years

(e) Operating Revenues and Expenses
Operating revenues and expenses result from providing services in connection with the Port's principal ongoing operations. Non-operating revenues and expenses include those revenues and expenses not directly related to the Port's principal ongoing operations.

(f) Accrued Leave
The Port records annual leave, which includes cashable sick leave, when earned.

(g) Intergovernmental 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 Port. Charges from other departments to the Port totaled $591,109 and $626,392 for the years ended December 31, 2015 and 2014, respectively, which does not include the Port's payments to the Municipality's risk management programs.

(h) Risk Management and Self-Insurance
The Municipality is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; illness of and injuries to employees;

unemployment; and natural disasters. The Municipality utilizes three risk management funds to account for and finance its uninsured risks of loss.

The Municipality provides coverage up to the maximum of $2,500,000 per occurrence for automobile and general liability claims and $2,000,000 for each workers' compensation claim. No settled claim exceeded this commercial coverage in 2015, 2014 or 2013.

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

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

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 2015, is dependent upon future developments. At December 31, 2015, claims incurred but not reported included in the liability accounts are $17,720,226 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

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

	Balance January 1, 2015	Current Year Claims and Changes in	Claims Payment	Balance December 31, 2015
General Liability/Workers' Compensation	18,030,928	14,931,121	(7,075,555)	25,886,494
Medical/Dental	7,086,801	60,749,094	(58,933,939)	8,901,956
Unemployment	98,411	281,210	(313,025)	66,596
	$ 25,216,140	$ 75,961,425	$(66,322,519)	$ 34,855,046

	Balance January 1, 2014	Current Year Claims and Changes in Estimates	Claims Payment	Balance December 31, 2014
General Liability/Workers' Compensation	18,484,350	8,590,527	(9,043,949)	18,030,928
Medical/Dental	6,933,274	47,412,207	(47,258,680)	7,086,801
Unemployment	94,750	364,529	(360,868)	98,411
	$ 25,512,374	$ 56,367,263	$(56,663,497)	$ 25,216,140

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

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

(i) Interfund Payable/Receivable – Capital Projects Fund

In the event that the Port borrows from the Municipal Central Treasury to fund capital projects, the Municipality assesses a monthly fee. The fee is based on the investment earnings rate plus a margin negotiated between the Municipality and the Port. When the Port sells commercial paper, the cash pool will be reimbursed from the debt proceeds. In the event that other funds borrow from the Port, the Port will receive the investment earnings.

NOTE 2 – CASH AND INVESTMENTS

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

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

* Market value plus accrued income.

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

(a) Municipal Central Treasury

The Municipality manages its Central Treasury in four portfolios; one internally managed portfolio and three externally managed duration portfolios based on liability duration and cash needs: working capital, contingency reserve and strategic reserve.

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

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

- Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies.
- Corporate Debt Securities that are guaranteed by the U.S. government or the Federal Deposit Insurance Corporation (FDIC) as to principal and interest.
- Taxable and tax-exempt municipal securities having a long-term rating of at least A- by a nationally recognized rating agency or taxable or tax-exempt municipal securities having a short-term rating of at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch.
- Debt securities issued and guaranteed by the International Bank for Reconstruction and Development (IBRD) and rated AAA by a nationally recognized rating agency.
- Commercial paper, excluding asset-backed commercial paper, rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch.
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (with maturities of not more than 365 days), and deposits with any bank, the short-term obligations of which are rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch and which is either:

  a) Incorporated under the laws of the United States of America, or any state thereof, and subject to supervision and examination by federal or state banking authorities; or
  b) Issued through a foreign bank with a branch or agency licensed under the laws of the United States of America, or any state thereof, or under the laws of a country with a Standard & Poor's sovereign rating of AAA, or a Moody's sovereign rating for bank deposits of Aaa, or a Fitch national rating of AAA, and subject to supervision and examination by federal or state banking authorities.

- Repurchase agreements secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies.
- Dollar denominated corporate debt instruments rated BBB- or better (investment grade) by Standard & Poor's or the equivalent by another nationally recognized rating agency.
- Dollar denominated corporate debt instruments rated lower than BBB- (non-investment grade) by Standard & Poor's or the equivalent by another nationally recognized rating agency, including emerging markets.

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

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

- Structured Investment Vehicles.
- Asset Backed Commercial Paper.
- Short Sales.
- Securities not denominated in U.S. Dollars.
- Commodities.
- Real Estate Investments.
- Derivatives, except "to be announced" forward mortgage-backed securities (TBAs) and derivatives for which payment is guaranteed by the U.S. government or an agency thereof.

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 Holding % at December 31, 2015	Managed Portfolio Holding % at December 31, 2015
U.S. Government Securities*	50% to 100% of investment portfolio	55%	83%
Repurchase Agreements	0% to 50% of investment portfolio	21%	2%
Certificates of Deposit**	0% to 50% of investment portfolio Maximum 5% per issuer	0%	0%
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%	0%
Corporate Bonds	0% to 15% of investment portfolio Maximum 5% per issuer	10%	2%
Alaska Municipal League Investment Pool (AMLIP)***	0% to 25% of investment portfolio	0%	0%
Money Market Mutual Funds	0% to 25% of investment portfolio	14%	13%
Dollar Denominated Fixed Income Securities, other than those listed herein, rated by at least one nationally recognized rating agency	0% to 15% of investment portfolio Maximum 5% per issuer	0%	0%
		100%	100%

*Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsered corporations.
**The policy limits CDs that are not secured by U.S. government securities to 20% of the internally managed portfolio.
***The Working Capital portfolio may not be invested in AMLIP.

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The externally managed portfolios of the Municipal Central Treasury, the Police and Fire Retiree Medical Trust, and the Police and Fire Retirement Pension Trust utilize the duration method to measure exposure to interest rate risk. All other funds disclose interest rate risk through the segmented time distribution tables within this note, which categorize fixed income investments according to their maturities.

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

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

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

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

(c) Credit Risk

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

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

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

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

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

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 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government, as well as mutual funds and other pooled investments, are exempted from this requirement.

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

Custodial Credit Risk

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

At December 31, 2015, the Municipal Central Treasury had bank deposit carrying amounts totaling $41,559,645, of which $500,000 was covered by federal depository insurance. Bank deposits of $13,993,299 were secured by collateral held by a third party and deposits of $27,066,346 were secured by collateral held at the depository bank. An additional $2,917,500 was invested in overnight repurchase agreements and was secured by collateral held by a third party. All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, with market value not less than the collateralized deposit balances.

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

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Municipality has no specific policy addressing foreign currency risk; however foreign currency risk is managed through the requirements of AMC 6.50.030 and the asset allocation policies of each portfolio.

The Municipal Central Treasury is not exposed to foreign currency risk because AMC 6.50.030 explicitly prohibits the purchase of securities not denominated in U.S. Dollars. At December 31, 2015, all debt obligations held in the Municipal Central Treasury were payable in U.S. Dollars.

NOTE 3 – PORT MODERNIZATION PROJECT

The Port of Anchorage serves 87% of the State of Alaska's population and is one of only 23 designated Department of Defense Strategic Seaports. In an effort to ensure the continued and safe operations of all lines of business at the Port of Anchorage, the Municipality of Anchorage has embarked on project to modernize the infrastructure at the Port. In 2015, the work on this project continued in the design phase. The existing marine terminals have reached the end of their design life and suffer from severe corrosion on the wharf piling. This project is slated to replace two general cargo terminals and two petroleum terminals to ensure infrastructure resilience and to accommodate expected growth in core business lines over a 75 year life cycle. The project, upon completion, will enable the Port to accommodate larger ships in the future by allowing for a harbor depth increase from 35 feet to 45 feet. In an effort to modernize the container business at the Port, three new container cranes with the ability to reach across vessels from 9 containers wide to 14 containers wide are being planned. The current funding for this project is through reimbursable grants from the State of Alaska.

NOTE 4 – CAPITAL ASSETS

Capital assets for the year ended December 31, 2015 are as follows:

	Captial Assets (in thousands)			
	Balance 01/01/15	Additions	Retirements	Balance 12/31/15
CAPITAL ASSETS				
Land	$ 20,101	$ -	$ -	$ 20,101
Infrastructure	127,460	1,737	-	129,197
Buildings	6,169	900	-	7,069
Building Improvements	377	-	-	377
Land Improvements	101,448	2,491	-	103,939
Vehicles	633	-	17	616
Machinery and Equipment	11,011	340	-	11,351
Computer Equipment	138	9	2	145
Computer Software	18	-	-	18
Office Equipment	148	-	-	148
Art	21	-	-	21
Total plant in service, gross	267,524	5,477	19	272,982
Less Accumulated Depreciation	(102,281)	(7,734)	(16)	(109,999)
Net plant in service	165,243	(2,257)	3	162,983
CONSTRUCTION WORK IN PROGRESS	3,095	4,727	7,652	170
CAPITAL INVENTORY	-	559	-	559
TOTAL NET CAPITAL ASSETS	$ 168,338	$ 3,029	$ 7,655	$ 163,712

Capital assets for the year ended December 31, 2014 are as follows:

	Capital Assets (in thousands)			
	Balance 01/01/14 (restated)	Additions	Retirements	Balance 12/31/14
CAPITAL ASSETS				
Land	$ 20,101	$ -	$ -	$ 20,101
Infrastructure	127,416	43	-	127,459
Buildings	6,169	-	-	6,169
Building Improvements	377	-	-	377
Land Improvements	89,141	12,307	-	101,448
Vehicles	633	-	-	633
Machinery and Equipment	10,583	428	-	11,011
Computer Equipment	137	1	-	138
Computer Software	18	-	-	18
Office Equipment	149	-	-	149
Art	21	-	-	21
Total plant in service, gross	254,745	12,779	-	267,524
Less Accumulated Depreciation	(94,256)	(8,025)	-	(102,281)
Net plant in service	160,489	4,754	-	165,243
CONSTRUCTION WORK IN PROGRESS	8,529	7,471	12,905	3,095
TOTAL NET CAPITAL ASSETS	$ 169,018	$ 12,225	$ 12,905	$ 168,338

NOTE 5 – LEASE AGREEMENTS

The Port has leased to unrelated third parties 200 acres of space in the Port Industrial Park. The 2015 carrying value of the leased assets is $10,763,582 with a cost of $15,878,994 and accumulated depreciation of $5,115,412. The 2014 carrying value of the leased assets is $11,026,541 with a cost of $15,878,994 and accumulated depreciation of $4,852,453. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows (in thousands):

Years		Amount
2016		4,302
2017		3,967
2018		3,900
2019		1,812
2020		1,813
2021-2025		3,873
2026-2030		3,517
2031-2035		3,387
Total	$	26,571
Lease Revenue for 2015	$	4,363

NOTE 6 – LONG-TERM OBLIGATIONS

In June 2013, the Anchorage Assembly authorized the establishment of a long-term borrowing program in an amount not to exceed $40,000,000 as an interim financing program for the Port expansion project. In June 2013 the Municipality entered into a $40,000,000 Revolving Credit Agreement (Agreement) with a commercial bank as a long-term borrowing program. A draw in the amount of $40,000,000 under the Agreement on June 24, 2013 was used to refinance the Port’s outstanding commercial paper notes. The outstanding balance under the Agreement as of December 31, 2015 was $40,000,000. On June 20, 2016 the Municipality and its commercial bank amended the Revolving Credit Agreement under and same terms and conditions but with a revised expiration date of June 20, 2019. It is anticipated that the amount outstanding under the Agreement will be refunded by long-term revenue bonds on or before the Commitment Expiration Date of June 20, 2019. Any amount still outstanding is required to be repaid on the Commitment Expiration Date. Any amount may be repaid prior to that date at the option of the Port. During 2015 the monthly interest rates on the note ranged from a low of 0.9950% to a high of 1.033%. The amount of interest expense recognized on the note in 2015 was $407,004. The Port’s financial statements show the Agreement’s note as a non-current liability since the lending term under the Agreement is up to three years.

Long-Term Obligations	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Amount Due within 1 Year
Revolving credit agreement	$ 40,000,000	$ -	$ -	$ 40,000,000	$ -
Compensated absences payable	231,919	186,201	175,764	242,356	167,525
Net Pension Liability	1,214,522	268,144	-	1,482,666	
Total long-term obligations	$ 41,446,441	$ 454,345	$ 175,764	$ 41,725,022	$ 167,525

NOTE 7 – OTHER NON-CURRENT LIABILITY

In February 2012, the Port entered into an agreement with the Department of Defense to acquire 48 acres of undeveloped land (Tract J) for fair market value of $10,305,000. In exchange, the Port has committed to provide a permanent access road connecting Joint Base Elmendorf-Richardson to the Port and to accept responsibility for the environmental condition of the transferred land, this obligation is reflected on the Port's Statement of Net Position as a non-current liability totaling $1,830,252 at December 31, 2015. In 2011, the Port recognized a capital contribution in the amount of $8,425,612. See Note 8 for a description of environmental issues affecting this land.

NOTE 8 – ENVIRONMENTAL ISSUES

Both Tract H and Tract J (discussed in Note 7) at the Port of Anchorage are ADEC designated contaminated sites. The Port is required to submit annual ground water monitoring reports to ADEC for both tracts. In 2015, the monitoring and reporting costs for Tract H was $1,127 and Tract J was $11,761.

NOTE 9 – MITIGATION FUND

The Port's Intermodal Expansion Program involves improvements to land located in intertidal mudflats and near shore sub-tidal waters of Knik Arm. In order to make these improvements, fill material was brought in and discharged at various locations within the Port of Anchorage. The original long term goal was to add 138 acres of developable property needed to support the expansion of the Port. Federal permitting is required in order to discharge fill material in United States waters and the Regulatory Division of the Alaska District Corps of Engineers (Corps) has jurisdiction over such matters including the review and issuance of the required permits. The Port's original permits have expired and new permits for further expansion program work will be sought.

As part of the permit requirements, the Corps required that a mitigation fund be established for restoration, enhancement, preservation and/or creation of aquatic habitats and functions to offset, as practicable, unavoidable impacts associated with authorized Port improvements within adjacent and/or nearby tributary watersheds of the Knik Arm Waterway.

The mitigation fund was established through a Memorandum of Agreement (Agreement) between the Corps and the Municipality. That Agreement and subsequent amendments set forth the procedures and processes for the management, financing and administration of the mitigation fund. The Agreement initially recognized the Municipality as the entity responsible for administering the mitigation fund on behalf of the Port. An advisory committee was established to make recommendations to the Corps and the Municipality on proposed projects that offset the ecological losses associated with the authorized Port improvements. Final approval for the allocation and distribution of all mitigation funds rests with the Corps.

From 2006 through 2009, the Port established the mitigation fund account with an initial deposit of $955,988 in fiscal year 2006 as required under the Agreement. These funds must be used for the implementation of eligible mitigation projects. Funds in this account were managed and invested consistent with the provisions of Chapter 6.50 of the Anchorage Municipal Code. Interest earned on the account was used to offset inflation of mitigation project costs, as well as other reasonable costs associated with establishing, maintaining and investing the funds contained within the account. In addition, the Municipality assessed a 5 percent administrative fee against all deposits into the account as they occurred.

Interest earnings that exceed annual inflation rate percentages times the account balance and less reasonable account management costs were treated as unrestricted earnings of the Port. At the end of 2009 the balance in the mitigation escrow account was $5,126,356.

In 2010 the Corps requested the Municipality transfer funds held in the mitigation fund account and subsequent annual deposits to a third party escrow account. The Municipality in 2010 transferred $6,580,827 to the designated third party escrow account consisting of $5,126,356 of deposits made from 2006 through 2009, $46,703 of interest earned in 2010 and $1,407,768 representing the 2010 annual required deposit. In fulfillment of its obligations the Port made its final deposit in 2011 in the amount of $1,407,850. The funds were recorded as construction work in progress to be capitalized with the infrastructure assets. In 2014, the entire amount $7,988,677 was capitalized into land improvements.

NOTE 10 – PENSIONS
State of Alaska Public Employees' Retirement System

(a) Defined Benefit Pension Plans

Public Employees Retirement System (PERS I-III)

General Information About the Plan

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

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

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at http://doa.alaska.gov/drb/pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website. They may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811 0203 or by phoning (907) 465 4460.

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

Historical Context and Special Funding Situation

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

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

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

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

Employee Contribution Rates

Regular employees are required to contribute 6.75 percent of their annual covered salary. Police and firefighters are required to contribute 7.5 percent of their annual covered salary.

Employer and Other Contribution Rates

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

Employer Effective Rate

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

ARM Board Adopted Rate

This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years (as demonstrated in the contribution rate tables below).

On-behalf Contribution Rate

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

GASB Rate

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

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

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

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

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

In 2015, the Municipality was credited with the following contributions into the pension plan.

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

In addition, employee contributions to the Plan totaled $9,401,945 during the Municipality's fiscal year. Port contributions to the Plan were $109,382 or approximately 0.5% of the total contributions.

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

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

	2015
Municipality proportionate share of NPL	$ 298,946,265
State's proportionate share of NPL associated with the Municipality	80,071,590
Total Net Pension Liability	$ 379,017,855

The Port has recorded $1,482,666 as its share of the liability. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2105 to calculate the net pension liability as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2015 measurement date, the Municipality's proportion was 6.16 percent, which was an increase of 1.39 percent from its proportion measured as of June 30, 2014.

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

	Measurement Period June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 348,455	$ -
Changes in assumptions	17,479,691	-
Net difference between projected and actual earnings on pension plan investments	-	(5,292,586)
Changes in proportion and differences between Municipality contributions and proportionate share of contributions	9,413,051	(462,752)
Municipality contributions subsequent to the measurement date	12,200,933	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	$ 39,442,130	$ (5,755,338)

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

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

Actuarial Assumptions

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

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

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

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

Discount Rate

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

Discount Rate Sensitivity

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Municipality's proportionate share of the net pension liability	6.16382%	$ 397,423,750	$ 194,627,317	$ 216,038,412

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution Pension Plans

Public Employees Retirement System (PERS IV)

Plan Information

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

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at http://doa.alaska.gov/drb/pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website. They may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811 0203 or by phoning (907) 465 4460.

Plan Participation and Benefit Terms

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

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

Plan Contribution Requirements

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

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

Health Reimbursement Arrangement

Alaska Statute 39.30.370 requires that the employer contribute "an amount equal to three percent of the employer's average annual employee compensation." For actual remittance, this amount is calculated as a flat rate per full time employee and a flat rate per hour for part time employees. Prior to July 1, 2015 a flat rate of approximately $1,961 per year for full time employees and $1.26 per part time hour worked was paid. For pay periods ending after July 1, 2015, a flat rate of approximately $2,005 per year for full time employees and $1.28 per part time hour worked were paid.

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

NOTE 11 – New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Municipality for 2015 reporting:

- GASB 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this standard is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This standard results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This standard was implemented for the 2015 financial reporting period and resulted in a significant reporting change.

- GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement were applied simultaneously with the provisions of GASB Statement No. 68, which was implemented for the 2015 financial reporting period.

- GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - Information about investment related factors that significantly affect trends in the amounts reported should be limited to those factors over which the pension plan or participating governments have influence (for example, changes in investment policies). Information about external, economic factors (for example, changes in market prices) should not be presented. The Statement also clarifies the application of certain provisions of Statements 67 and 68 with regards to the following issues: (1) information that is required to be presented of required supplementary information about investment-related factors that significantly affect trends in the amounts reported, (2) accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined pensions and (3) timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation. The provisions of this Statement were applied simultaneously with the provisions of GASB Statement No. 68, which was implemented for the 2015 financial reporting period.

- GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement were implemented for the 2015 financial reporting period.

- GASB 78 – Pensions Provided through Certain Multiple-employer Defined Benefit Pension Plans - This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement were applied simultaneously with the provisions of GASB Statement No. 68, which was implemented for the 2015 financial reporting period.

- GASB 82 – Pension Issues, An Amendment of GASB Statements No. 67, 68 and 73 - This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this Statement were applied simultaneously with the provisions of GASB Statement No. 68, which was implemented for the 2015 financial reporting period.

The following standards are either not required to be implemented for the 2015 reporting period or do not have a material effect on the Municipality's financial statements.

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

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

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

- GASB 77 – Tax Abatement Disclosures. The provisions of the Statement are required to be implemented for the 2016 financial reporting period.

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

- GASB 80 – Blending Requirements for Certain Component Units, an Amendment of GASB Statement No. 14. The provisions of the Statement are required to be implemented for the 2017 financial reporting period.

- GASB 81 – Irrevocable Split-interest Agreements. The provisions of the Statement are required to be implemented for the 2017 financial reporting period.

NOTE 12– Other Accounting Matters

Change in Accounting Principles – Implementation of GASB Statement No. 68, 71, 73, 78, and 82
As discussed in Note 10 to the financial statements, the Municipality participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the Municipality adopted the provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, which, among other accounting and reporting criteria, requires the Municipality to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Municipality's fiscal year. As a result of the implementation of this statement, the Municipality has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Port	145,631,925	(1,303,976)	144,327,949

NOTE 13 – Subsequent Events

Tariff Rates
Effective January 1, 2016, Port tariff rates will be increasing through the published Terminal Tariff No. 8, 2015 publication.

Port of Anchorage Intermodal Expansion Litigation Settlement

On June 21, 2016, the Mayor recommended and the Anchorage Assembly approved a resolution (AR2016-175) involving an agreement to fully and finally settle, release and resolve any and all claims, liabilities and damages of the Municipality relative to work performed by MKB Constructors on the Port Intermodal Expansion Project (PIEP). The resolution required the Assembly to appropriate Five Million Five Hundred Thousand Dollars ($5,500,000) of settlement proceeds as a contribution to the Port operating fund and restrict Three Hundred Fifty Thousand Dollars ($350,000) of that contribution to a Port litigation escrow account.

On August 30, 2016, the Municipality and Colaska Inc. d/b/a Quality Asphalt Paving (QAP) reached an agreement to fully and finally settle, release and resolve any and all claims, liabilities and damages of the Municipality relative to work performed by QAP on the PIEP. The agreement requires QAP to make payment in immediately available funds to the Municipality of Five Million One Hundred Fifty Thousand Dollars ($5,150,000) within 30 calendar days of the effective date of the agreement or September 29, 2016.

On October 19, 2016, the Municipality and Terracon Consultants Inc. reached an agreement to fully and finally settle, release and resolve any and all claims, liabilities and damages of the Municipality relative to work performed by Terracon on the PIEP. The agreement requires Terracon to make payment in the amount of One Million Nine Hundred and Fifty Thousand Dollars ($1,950,000) within thirty (30) calendar days of the of the effective date of the settlement agreement.

NOTE 14 – Port of Anchorage Expansion Litigation

A multi-year expansion project at the Port began in 2003 and continued until May 31, 2012. The project encountered problems and work was suspended while the Port investigated the scope and cause of the problems and determined how to proceed.

Investigative reports concluded the project design was flawed and significant aspects of the work were constructed incorrectly. In March 2013, the Port filed suit to recover damages. That case is pending before the United States District Court of Alaska. A separate action was filed in the United States Court of Federal Claims against the U.S. Maritime Administration. Both cases are active and no claims have been asserted against the Municipality.

In the meantime, the project is moving forward. A project management consultant team has been engaged; a new design concept has been approved by stakeholders and the Port; regulatory and environmental compliance data is being assembled and a test pile program is underway to evaluate alternative ways of installing pile and mitigating environmental impacts.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Port's Information on the Net Pension Liability

Year Ended December 31,	Measurement Period Ended June 30,	Municipality's Proportion of the Net Pension Liability	Municipality's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Municipality's Covered Payroll	Municipality's Proportionate Share of the Net Pension Liability as a percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	6.16382%	$ 298,946,265	$80,071,590	$ 379,017,855	$ 194,627,317	154%	63.96%

Schedule of Port Contributions

Year Ended December 31,	Contractually Required Contribution	Contribtuions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Municipality's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 21,876,448	$ 21,876,448	$ -	$ 199,173,691	10.984%

Notes to Required Supplementary Information

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

All Municipal employees who are members of a public employees' retirement system participate in the State of Alaska Public Employees' Retirement System (PERS) except for police officers hired prior to October 6, 1994, paramedics, and fire fighters hired prior to July 18, 1994, and command officers hired prior to May 24, 1994, who participate in either Plan I, Plan II, or Plan III of the Police and Fire Retirement System. All pension and postemployment healthcare benefit obligations of the Municipality are included on the government-wide, proprietary, or fiduciary financial statements.

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

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

Schedule of Municipality's Information on the Net Pension Liability

- This table is presented based on the Plan measurement date. For December 31, 2015, the Plan measurement date is June 30, 2015.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.

Required Supplementary Information

- There was a material change in the allocation methodology from the prior measurement period. The measurement period ended June 30, 2014 allocated the net pension liability based in actual contributions for 2014. The measurement period ended June 30, 2015 allocated the net pension liability based on the present value of contributions for fiscal year 2017 through 2019, as determined by projections based on the June 30, 2014 actuarial valuation.

Schedule of Municipality Contributions

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

STATISTICAL SECTION

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Statistical Section (Unaudited)

Table 1

COMPARATIVE DETAIL SCHEDULE OF ACTUAL REVENUES BY SOURCE

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Dockage	$ 1,142,837	$ 1,061,272	$ 956,080	$ 1,055,158	$ 991,289	$ 845,214	$ 705,081	$ 842,096	$ 828,548	$ 825,540
Wharfage, Dry Bulk	181,234	179,256	153,813	156,981	167,018	73,172	71,343	126,338	132,514	153,306
Wharfage, Liquid Bulk	1,682,558	900,922	570,819	821,064	908,131	866,712	490,956	522,305	695,566	858,866
Wharfage, General Cargo	3,608,772	3,414,255	3,440,514	3,349,776	3,428,694	3,296,428	3,613,275	3,724,411	3,570,930	3,666,203
Terminal Lease/Rental	-	-	-	-	-	-	-	-	-	-
Storage Revenue	327,061	230,883	49,168	139,190	1,210	7,245	-	4,160	13,215	8,788
Office Rental	114,462	135,041	73,884	60,014	40,864	37,394	31,167	27,699	23,964	35,038
Utilities	45,232	28,675	15,462	15,810	17,704	19,485	7,510	10,198	10,635	17,980
Crane Rentals	105,858	43,375	59,025	56,300	52,500	61,908	48,435	48,076	140,012	26,695
Industrial Park Lease	4,363,254	4,182,255	4,172,846	3,939,395	4,110,620	4,333,539	4,301,791	4,158,226	4,029,120	4,341,167
Investment Income - Long-Term	-	-	-	-	-	-	11,186	35,828	85,171	103,927
Investment Income - Short-Term	344,603	211,006	78,006	361,027	433,059	974,656	2,031,824	218,893	2,342,556	1,819,458
Right-of-Way Fees	164,678	174,968	160,682	146,599	141,378	161,522	140,074	177,083	181,227	145,000
POL Value Yard Fees	191,560	231,774	330,359	367,674	473,869	300,212	358,443	485,400	499,385	498,133
Security Fees	1,426,724	1,361,865	1,325,901	1,340,280	1,306,697	1,305,539	1,312,465	1,541,818	1,586,553	1,145,804
Gain on Disposition of Assets	-	-	-	-	-	-	-	52,470	-	640
Reimbursed Cost	-	-	-	-	-	-	2,760	873,765	-	-
Intergovernmental Revenue-Capital	18,075	2,882,353	-	-	-	-	-	57,205	47,046	29,277
Miscellaneous Revenues	507,769	154,542	247,059	253,505	179,101	144,596	57,522	(19,511)	57,035	158,154
Subtotal	14,224,677	15,192,442	11,633,618	12,062,773	12,252,134	12,427,622	13,183,832	12,886,460	14,243,477	13,833,976
Capital Contributions	7,834,571	2,882,353	1,811,983	2,216,290	9,337,718	40,170,090	10,087,667	35,974,275	968,723	2,155,516
Transfers From Other Funds	(2,056,004)	-	-	-	-	-	-	13,855	-	-
Special Item - NPO/OPEB Write-off		-	-	-	-	-	-	93,773	-	-
TOTAL	$ 20,003,244	$ 18,074,795	$ 13,445,601	$ 14,279,063	$ 21,589,852	$ 52,597,712	$ 23,271,499	$ 48,968,363	$ 15,212,200	$ 15,989,492

Table 2

CURRENT PORT TARIFF RATES

Type of Service		Wharfage Rate
Aggregates, per Ton	$	1.04
Freight NOS	$	6.24
Bulk Commodities, Dry, NOS	$	2.60
Cement	$	4.68
Cement, Bulk through Pipeline	$	1.43
Coal, Bulk	$	0.01
Iron or Steel Articles	$	4.68
Logs	$	2.60
Lumber	$	4.68
Chips NOS	$	3.12
Petroleum or Petroleum Products		
* Inbound/Outbound	$	0.14
* Transfers	$	0.00
* Fuel	$	0.01
Powder (Explosive)	$	15.60
Vans or Containers	$	3.12
Vehicles	$	10.40

Port of Anchorage Terminal Tariff No. 8.
Tariff Issued 1/1/2015 and Effective 1/1/2019.

<u>Notes to Tariff Rates:</u>
NOS - Not Otherwise Specified

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Statistical Section (Unaudited)

Table 3

TEN-YEAR ANNUAL DOCK TONNAGE REPORT (2006 - 2015)

Commodities Across Facility	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Freight NOS	-	5,463	-	15,333	2	-	124	215	478	19,740
Bulk Dry Goods	126,737	140,684	119,271	119,939	118,280	109,228	81,494	116,789	124,089	134,921
Petroleum, NOS	5,013	2,031	-	1,454	2,052	1,660	2,032	2,648	2,618	2,888
Vans, Flats, Containers	1,681,223	1,811,136	1,738,601	1,740,969	1,705,176	1,736,943	1,713,086	1,831,816	1,785,518	1,722,499
Vehicles	-	-	-	-	864	-	1,473	10,725	5,381	1,158
Petroleum, Shoreside	368,294	916,050	952,631	1,046,636	1,376,909	1,192,705	1,426,711	1,830,848	1,698,581	1,421,133
Petroleum, Rail Rack	-	-	-	-	-	-	-	-	-	76,266
Petroleum, Dockside	1,592,317	580,343	586,041	829,900	931,931	922,426	573,352	577,236	699,727	968,684
TOTAL TONS	3,773,584	3,455,707	3,396,544	3,754,231	4,135,214	3,962,962	3,798,272	4,370,277	4,316,392	4,347,289

Notes to Annual Dock Tonnage:
NOS - Not Otherwise Specified

MUNICIPALITY OF ANCHORAGE, ALASKA
PORT OF ANCHORAGE FUND

Statistical Section (Unaudited)

Table 4

FINANCIAL RATIOS

Description	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Current Ratio (current assets / current liabilities)	16.63	15.24	35.41	0.49	0.43	0.96	1.07	0.74	31.07	141.87
Quick Ratio (quick assets / current liabilities)	14.46	13.77	13.25	0.28	0.31	0.54	0.89	0.26	10.65	39.66
Return on Investment (change in net position / total assets)	-4%	-1%	-31%	1%	4%	17%	5%	19%	3%	6%
Return on Equity (change in net position / net position)	-5%	-1%	-40%	1%	5%	20%	7%	24%	3%	6%
Debt to equity as a percent of capital structure	29%	27%	20%	16%	16%	16%	20%	21%	N/A	N/A
(outstanding debt / capital structure over net position / capital structure	71%	73%	80%	84%	84%	84%	80%	79%	N/A	N/A
Operating margin (operating income (loss) / operating revenue)	-99%	-41%	-3%	4%	10%	2%	-3%	1%	8%	19%

Notes to Financial Ratios:

Quick or Acid-test ratio computed by removing from current assets inventory and restricted current assets.

Table 5

PORT OF ANCHORAGE
2016-2021 CAPITAL IMPROVEMENT PROGRAM SUMMARY
(in thousands)

PROJECT CATEGORY	2016	2017	2018	2019	2020	2021	TOTAL
Buildings and Equipment	1,839	688	-	-	-	-	2,527
Anchorage Port Modernization Project	67,000	-	260,000	31,000	-	-	358,000
Wharf Pile Enhancements	3,000	3,120	3,245	3,375	3,510	3,650	19,900
TOTAL	71,839	3,808	263,245	34,375	3,510	3,650	380,427

SOURCE OF FUNDING	2016	2017	2018	2019	2020	2021	TOTAL
State/Fed Grants	67,813	688	260,000	31,000	0	0	359,501
Equity / Operations	4,026	3,120	3,245	3,375	3,510	3,650	20,926
TOTAL	71,839	3,808	263,245	34,375	3,510	3,650	380,427

Table 6

TOP TEN CUSTOMER RANKING ON 2015 BILLINGS
HIGHEST TO LOWEST

Rank No.	Customer Name
1	TOTE MARITIME ALASKA INC
2	MATSON fka Horizon Lines LLC
3	TESORO ALASKA COMPANIES INC
4	ANCHORAGE SAND & GRAVEL/ABI
5	ANCHORAGE FUELING & SERVICE CO/ASIG
6	ALASKA MARITIME AGENCIES
7	PETRO STAR INC
8	CROWLEY PETROLEUM DIST (CPD ALASKA)
9	FLINT HILLS RESOURCES LP
10	DELTA WESTERN

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Port of Anchorage's Response to Findings

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
October 26, 2016

MUNICIPALITY OF ANCHORAGE
PORT OF ANCHORAGE FUND

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	X no
• Significant deficiency(ies) identified?	X yes	___ no
• Noncompliance material to financial statements noted?	___ yes	X no

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

Finding 2015-001 Timely Close and Review - Significant Deficiency

Criteria

Section A1.08 of Government Auditing Standards states that "management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported." Adequate internal control over financial reporting requires the timely close of the year end books and records. Review procedures should be established to ensure the accuracy of year end reconciliations.

Condition

Not all accounts were fully closed and reconciled prior to the audit. Certain accounts, which were closed and adjusted, contained posting errors. Other accounts did not have adequate supporting schedules prepared or available for audit during fieldwork.

Context

Certain accounts were not fully reconciled and closed out prior to audit fieldwork. We were given a trial balance to audit, after beginning testing procedures we noted certain errors and management noted certain errors resulting in management making numerous corrections and providing a new trial balance a couple weeks later. For example the following items required adjustment:

- Net position
- Billing revenue
- Accounts payable
- Construction work in progress
- Accounts receivable

Effect

Several journal entries were required to adjust the year-end reported balances.

Finding 2015-001 ***Timely Close and Review – Significant Deficiency, continued***

Cause	Turnover from the prior year created additional learning curve. In addition, certain accounts (accounts payable, accounts receivable and net position) were adjusted, but there was no review process to catch the journal posting error.
Recommendation	We recommend the Municipality continue to review and improve its internal processes, by establishing formal internal due dates for these tasks. Management should continue to train, monitor, and review these activities to ensure timeliness and accuracy.
Management Response	Please see the Corrective Action Plan

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MUNICIPALITY OF ANCHORAGE
PORT OF ANCHORAGE FUND

Status of Prior Year Audit Findings
Year Ended December 31, 2014

Financial Statement Findings

Finding 2014-001 **Timely Close and Review – Significant Deficiency**

Criteria

Section A1.08 of Government Auditing Standards states that "management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported." Internal control over financial reporting, should allow management to prevent, or detect and correct misstatements on a timely basis.

Status

During 2015 efforts were made my management to correct the Construction Work-in-progress reconciliation process in hopes of establishing effective internal controls over financial reporting. Management is still working on creating an effective internal control environment for all financial reporting areas. See current year finding 2015-001.

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MUNICIPALITY OF ANCHORAGE
PORT OF ANCHORAGE FUND

Corrective Action Plan
Year Ended December 31, 2015

Name of Contact Person Cheryl Beckham
Finance & Administration Manager
BeckhamCJ@ci.anchorage.ak.us
907-343-6204

Financial Statement Findings

Finding 2015-001 Timely Close and Review - Significant Deficiency

Corrective Action Plan The Port of Anchorage agrees with this finding. The corrective action plan involves the Port resuming the preparation of its Detailed and Standalone financial statements commencing fiscal year 2016. In addition, the Port will establish a review and monitoring plan of its financial activity to include quarterly reconciliation of all accounts of the Port, preparing corrective journal entries, if necessary, closing accounts at the end of each year and preparing all supporting schedules in advance of the annual audit field work.

Expected Completion Date In progress, FY 2016