State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Financial Statements and Supplementary Information
Years Ended June 30, 2021 and 2020

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Contents

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Independent Auditor's Report

State of Alaska Department of Transportation
and Public Facilities
Juneau, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of State of Alaska International Airports System (Airports System), an enterprise fund of the State of Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Airports System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of State of Alaska International Airports System, as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Airports System ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Airports System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Airports System's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 16 the Schedules of the Corporation's Proportionate Share of the Net Pension Liability and Pension Contributions, and the Schedules of the Corporation's Proportionate Share of the Net OPEB Liability (Asset) and OPEB Contributions on pages 58 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report February 11, 2022 on our consideration of the Airports System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Airports System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Airports System's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
February 11, 2022

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Management’s Discussion and Analysis

The purpose of the following management's discussion and analysis of the financial performance and activity of the State of Alaska International Airports System (Airports System or AIAS) is to help readers understand the basic financial statements of the Airports System for the years ended June 30, 2021 and 2020, with selected comparative information for the year ended June 30, 2019. The following discussion has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follows this section.

Overview of the Financial Statements

The Alaska International Airports System is a major enterprise fund of the State of Alaska, created by Chapter 88 of the Session Laws of Alaska of 1961, and is comprised of the operations of the Ted Stevens Anchorage International Airport (ANC) and Fairbanks International Airport (FAI). The Airports System financial report includes three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and the notes to the financial statements. The MD&A provides an introduction and understanding of the basic financial statements of the Airports System.

The financial statements themselves include the statements of net position, the statements of revenues, expenses and changes in fund net position and the statements of cash flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. According to the Governmental Accounting Standards Board (GASB), the objective in developing new reporting standards is "to enhance the understanding and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors."

Impact of COVID-19 Pandemic on the Airports System

The COVID-19 outbreak (Pandemic) significantly disrupted and continues to have a substantial impact on global national economies as well as the Airports System since the Pandemic began in mid-Fiscal Year 2020 through Fiscal Year 2021. The full economic impact of the Pandemic on the Airports System and airlines utilizing the Airports System is currently difficult to predict. The Airports System experienced similarly significant reductions of passenger movements at both ANC and FAI in FY2020 and FY2021 as were experienced by most airports in the United States and globally. However, the Airports System (especially at ANC) also experienced a significant surge in cargo airline activity dislocations and disruptions in global supply chain activities resulting from the Pandemic.

Like most airports globally, the Airports System experienced significant reductions in passenger airline operations and passenger throughput volumes since the mid-March 2020 onset of the Pandemic. The largest reduction in Airports System passenger movements occurred in April 2020, where airline reported passenger enplanements declined approximately 88.9% from their April 2019 level. Relatively consistent with most airports in the United States, the rate of monthly enplanement recovery has had slow but steady improvement since onset of the Pandemic, with the Airports System passenger movements returning to monthly levels nearing approximately 85% – 90% of same-month FY19 levels by the end of Fiscal Year 2021.

The Airports System has served as an international and intra-state cargo airline operations support facility for several decades. The Pandemic has reduced trans-Pacific international passenger airline operations significantly as well as increasing cargo airline activity substantially over the same period. Global demand attributable to increased e-commerce product demand and global supply chain dislocations have resulted in increased Airports System "pure freighter" cargo airline activity, primarily at ANC. The increase in cargo CMGTW activity has partially offset the Pandemic induced decline in passenger airline activity on airfield, terminal, and concession revenue streams. Overall airline CMGTW increased 13.2% and 5.1% in FY2021 and FY2022, respectively.

In response to the Pandemic, the Airports System has implemented more rigorous cleaning and other operational and public health related measures. In Fiscal Year 2020, the Airports System also implemented certain airline, concessionaire, and lease tenant payment deferral plans to help mitigate initial Pandemic related cash flow concerns. The support consisted of conditional deferral of payments/rents for the months of April, May, and June 2020 – with payment deferred until August 2020. Pandemic relief was also afforded Airports System airlines and tenants by the Governor of Alaska's order effectively waiving Airports System concession rents for the month of April 2020. Most Airports System concession lease agreements contain provisions for waiver of minimum monthly concession payment requirements in months where airport passenger enplanement levels declined significantly, typically by approximately 25 percent relative to the average of the same month over the prior three years. Those waiver provisions were in effect for most concessionaire agreements from April 2020 through April 2021.

Federal Aid Related to COVID-19

The Airports System applied for and received approval for participation in the Federal Aviation Administration (FAA) administered Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Coronavirus Response and Relief Act (CRRSAA), and airport rescue grants as part of the American Rescue Plan Act of 2021 (ARPA) airport grant programs. Pandemic relief grant funds totaling $103.8 million were made available to the Airports System for reimbursement of eligible costs by individual program in the amounts of $33.1 million (CARES Act), $18.3 million (CRRSAA), and $52.4 million (ARPA). The Airports System recognized $13.1 million and $9.9 million of the grant funds as contributed capital in Fiscal Years 2021 and 2022, respectively. In Fiscal Year 2021, the Airports System further contributed $3.1 million of pandemic relief grant funds received to pay debt service on the bonds issued for conduit financing of ANC Consolidated Rental Car Facility (RAC) to help mitigate a significant Pandemic related increases to the facility's Customer Facility Charge (CFC) rate.

The remaining available grant funds are anticipated to be used by the Airport System to mitigate the impact of the Pandemic in by applying for reimbursement of $25 million dollars in debt service defeasance cost and $20 million of eligible operating costs in Fiscal Year 2022, and $20 million and $15.8 million of eligible operating costs in Fiscal Years 2023 and 2024, respectively.

Airline Industry Update

The disruptive impact of the Pandemic has been dramatic to the aviation industry globally, especially for passenger airlines, which experienced declines as great as 90% at the onset of the Pandemic. Recovery has been relatively slow and steady, but generally belabored due to the persistent detrimental impact of the Pandemic on business and leisure travel. Trans-Pacific cargo activity has increased significantly since onset of the Pandemic, primarily due to displacement of passenger airline belly-hold cargo capacity and growth in e-commerce induced increases in air cargo shipment volumes.

Near-term duration of the Pandemic's impact on the Airports System and the nature and timing of an anticipated eventual full and sustained recovery of passenger airline activity to or near pre-Pandemic levels is still unclear, although monthly passenger movements had improved sufficiently by the end of Fiscal Year 2021 as to no longer trigger suspension of airport concessionaire lease contract Minimum Annual Guarantee waiver provisions, which had been in effect since approximately April 2020. A recovery in passenger airline activity may likely be accompanied by some level of reduction or tapering of the surge in cargo airline activity experienced by the Airports System over the course of the Pandemic to-date, but the likelihood, extent, and nature of a reduction is uncertain and may be tempered by continued or sustained levels of current e-commerce driven air cargo activity or global supply chain disruption not directly correlated to global passenger movements.

Alaska's unique geographic position along the great circle route between Asia and North America was reaffirmed by the Pandemic to have allowed the Airports System to continue to play a significant role in the global air cargo industry. The locations of Ted Stevens Anchorage (ANC) and Fairbanks International (FAI) airports (together comprising AIAS), combined with judicious inter-airline cargo trans-load legislation and international cargo marketing efforts by airport staff, has contributed to continued steady growth of the international cargo component of AIAS operations. ANC is among the leading cargo airports in the world and was ranked fourth and fifth in air cargo of world cargo airports, respectively, in calendar years 2020 and 2019 by Airports Council International – North America (ACI-NA). ANC was also ranked as the second busiest airport in North America by Cargo in 2020, according to Airports Council International – North America (ACI-NA).

Management foresees continued post-Pandemic growth for both cargo and passenger airline activity for the Airports System to some degree. That growth may be affected to varying degrees by changes in the global economy, as occurred in Fiscal Years 2021 and 2020 due to the Pandemic or similar events. The Airports System continues to respond to global volatility and competitive pressures by working to hold rates and fees as level as possible and continuing deleveraging as opportunities occur. Additionally, the Airports System continues marketing the competitive advantages its geographic location and operating characteristics for cargo freighter operators and passenger airlines by providing operating incentives through its operating agreement and other limited program specific offerings.

Airports System's Activity and Operating Highlights

Similar to fiscal year 2020, 2021 Airports System airline activity levels have been mostly driven by the impact of the Pandemic. The first three quarters of fiscal year 2020 encompassed modest growth in both passenger and airline activity relative to fiscal year 2019, however the occurrence of the Pandemic in the fourth quarter of Fiscal Year 2020 resulted in dramatic declines in passenger movements, along with a significant surge in cargo airline activity which has continued beyond Fiscal Year 2021. The level of the Airports System's passenger airline activity improved relatively steadily throughout Fiscal Year 2021 with monthly passenger airline activity levels nearing the end of Fiscal Year 2021 nearing 80% of Fiscal Year 2019 passenger airline activity levels.

Airline Operating Activity for Fiscal Years 2021, 2020, and 2019

In fiscal years 2021 and 2020, the Airports System experienced annual decreases of 34.3 and 22.2%, respectively, in passenger enplanements as a direct result of the global COVID-19 pandemic occurrence. The decreases followed a 2.5% increase in fiscal year 2019 in Airports System passenger enplanements. Cargo activity, as measured by CMGTW, increased 29.5% and 9.8% in fiscal years 2021 and 2020, respectively, following an increase of 1.1% in fiscal years 2019. Generally stable airline activity, both passenger and cargo up to the point of COVID-19 pandemic, appeared to have been driven by continued improvement in overall domestic and global economic conditions. The global Pandemic however brought significant variations in both passenger airline (decreases) and cargo airline (increases) activity reflect the disruptions on the Airports System resulting from the Pandemic. While passenger airline activities seemed to be trending toward Pre-Pandemic levels by the end of Fiscal Year 2021, cargo airline activity remained somewhat elevated relative to Pre-Pandemic activity levels.

A summarized comparison of airport traffic at June 30 is as follows:

	2021	Percentage Change	2020	Percentage Change	2019
International and Domestic Cargo Landed Weight (CMGTW):					
ANC	34,418,400	29.6%	26,556,989	9.7%	24,202,128
FAI	155,642	5.9%	147,026	33.0%	110,522
Airports System Total	34,574,042	29.5%	26,704,015	9.8%	24,312,650
Enplanements (number of passengers):					
ANC	1,452,011	(33.9%)	2,197,794	(22.2%)	2,824,465
FAI	287,649	(36.2%)	450,812	(22.0%)	577,961
Airports System Total	1,739,660	(34.3%)	2,648,606	(22.2%))	3,402,426
Landings:					
ANC	84,038	1. 8%	82,567	(4.9%)	86,808
FAI	15,176	(12.8%)	17,402	(14.4%)	20,335
Airports System Total	99,214	(0.8%)	99,969	(6.7%)	107,143
Landed Weight (CMGTW):					
ANC	34,719,317	14.4%	30,345,706	5.9%	28,664,290
FAI	764,334	(22.8%)	990,495	(14.4%)	1,157,236
Airports System Total	35,483,651	13.2%	31,336,201	5.1%	29,821,526

Financial Position

The statement of net position represents the Airports System's financial position at the end of a fiscal period. It discloses the enterprise fund's assets and liabilities and the difference between those categories, net position. Net position is an indicator of fiscal health. A summarized comparison of the Airports System's assets, liabilities and net position at June 30, 2021, 2020, and 2019, is as follows:

June 30,	2021	2020	2019
Assets and Deferred Outflows			
Current assets	$ 214,462,376	$ 193,480,642	$ 179,524,392
Noncurrent assets:			
Capital assets, net	1,140,854,063	1,184,687,468	1,210,245,964
Other noncurrent assets	76,985,717	73,487,727	75,240,831
Deferred outflows – pension/OPEB related	10,649,565	10,729,363	9,912,837
Total Assets and Deferred Outflows	**$ 1,442,951,721**	**$ 1,462,385,200**	**$ 1,474,924,024**
Liabilities, Deferred Inflows and Net Position			
Current liabilities	$ 54,304,552	$ 64,594,032	$ 72,800,009
Noncurrent liabilities – long-term debt outstanding and other liabilities	391,093,908	405,624,276	425,356,053
Total liabilities	445,398,460	470,218,308	498,156,062
Deferred inflows – pension/OPEB related	4,408,861	4,393,823	5,702,345
Net position:			
Net investment in capital assets	833,325,414	863,218,696	878,911,161
Restricted	44,167,601	44,783,617	43,191,784
Unrestricted	115,651,385	79,770,756	48,962,672
Total net position	993,144,400	987,773,069	971,065,617
Total Liabilities, Deferred Inflows and Net Position	**$ 1,442,951,721**	**$ 1,462,385,200**	**$ 1,474,924,024**

Current assets increased $21.0 million, or 10.8%, in fiscal year 2021 from fiscal year 2020. The changes in fiscal years 2020 and 2019 relative to prior year, were $14.0 million, a 7.8% increase and $37.1 million, a 26.1% increase, respectively. The net increase in fiscal year 2021 current assets was primarily due to $48.1 million increase in restricted and unrestricted cash and investments, offset by a $15.8 million decrease in FAA unbilled AIP grant receivables.

The largest component of the Airports System's total assets is capital assets. Net capital assets decreased in fiscal years 2021 and 2020 by $43.8 million (a 3.8% decrease) and $25.6 million (a 2.1% decrease), respectively. Net capital assets increased $4.8 million and decreased $20.3 million, respectively, in fiscal years 2019 and 2018. The changes between fiscal years primarily resulted from variation in amount of annual capital expenditures plus annual depreciation expense.

The Airports System's capital assets have been primarily constructed using proceeds from revenue bonds over the last several decades, but more recently a greater proportion of the funding has been coming through operating revenues and capital contributions from federal grants and other sources. Passenger facility charges (PFC's) have been used primarily for debt service on ANC and FAI terminal projects over the last decade with a general intention to continue to do so through approximately 2026. However, while pre-Pandemic collections were exceeding the rate anticipated in the initial PFC applications, the likelihood that collections might outpace impositions has been reduced somewhat due to adverse impact of Covid-19 Pandemic on passenger movements. Either way, new applications are anticipated to be filed sometime over the next several years and may likely result in a change from funding eligible project debt service recovery to pay-as-you-go eligible capital projects and equipment.

The largest portion of total liabilities consists of long-term debt, incurred to finance and acquire Airports System's capital project assets. The outstanding balance of noncurrent long-term debt (revenue bonds payable) was $324.4 million at fiscal year 2021 year-end, a $16.8 million reduction from $341.2 million balance at fiscal year 2020 year-end. The 2020 fiscal year-end balance represented a $16.0 million decrease from the $357.2 million fiscal year 2019 year-end balance.

The annual reductions over each of the three years is primarily attributable to scheduled debt service payments, no additional new debt issuances, and deleveraging through optional redemptions.

The Airports System's investment in capital assets is reported net of related debt as a component of net position on the statement of net position. Cash required to service the debt is provided primarily from revenue from charges to airline customers, concessions, and land rental fees for ongoing operations, along with the contributions from PFC's.

Fiscal year 2021 current liabilities decreased $10.3 million from fiscal year 2020 and had decreased $8.2 million in fiscal year 2020 from fiscal year 2019. The decrease in fiscal year 2020 was primarily attributable to a $15.3 decrease in restricted unearned revenue, offset by a $4.3 million increases in accounts payable.

Debt service reserve in the amount of $26.9 million, $26.9 million, and $26.4 million is included in noncurrent assets along with the Capital Project Fund and other reserves at fiscal year-ends for 2021, 2020, and 2019, respectively. The debt service reserves are ultimately eligible for expenditure for capital projects or may be utilized for debt service upon satisfying all Bond Committee Resolution reserve requirements.

The restricted and unrestricted remaining net positions are derived from the Airports System operations, grant revenue, and PFC collections. Restricted net position balances for fiscal years 2021, 2020, and 2019 are $44.2 million, $44.8 million, and $43.2 million, respectively. Net position balances are subject to restrictions on how they may be used under AIAS bond resolutions and state and federal regulations. The remaining unrestricted noncapital net position of $115.7 million, $79.8 million, and $40.0 million in fiscal years 2021, 2020, and 2019, respectively, may be used to meet any of the Airports System's ongoing operations, subject to legislative approval and consent from the signatory airlines.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Management's Discussion and Analysis, continued
(Unaudited)

Operating Revenues

	2021 Revenue	Increase (Decrease)	Percentage Increase (Decrease)	2020 Revenue	Increase (Decrease)	Percentage Increase (Decrease)	2019 Revenue
Concessions	$ 9,527,117	$ (4,289,412)	(31.0%)	$ 13,816,529	$ (2,439,233)	(15.0%)	$ 16,255,762
Terminal/land rents	21,505,165	(3,945,851)	(15.5%)	25,451,016	1,027,150	4.2%	24,423,866
Landing fees	53,123,507	(8,803,848)	(14.2%)	61,927,355	(1,036,350)	(1.6%)	62,963,705
Fuel flowage fees	24,236,026	3,267,772	15.6%	20,968,254	1,323,923	6.7%	19,644,331
Aircraft parking	6,979,460	2,922,433	72.0%	4,057,027	172,677	4.4%	3,884,350
Vehicle parking	5,994,351	(1,508,907)	(20.1%)	7,503,258	(1,799,851)	(19.3%)	9,303,109
Airline bad debt	(505,725)	(28,401)	6.0%	(477,324)	(477,324)	n/a	-
Other	1,117,644	(2,340,269)	(67.7%)	3,457,913	(1,331,384)	(27.8%)	4,789,297
Total	$ 121,977,545	$ (14,726,483)	(10.8%)	$ 136,704,028	$ (4,560,392)	(3.2%)	$ 147,892,759
Passenger Facility Charge	$ 4,656,388	$ (2,146,59)	(31.6%)	$ 6,802,979	$ (412,806)	(5.7%)	$ 6,869,290

Fiscal year 2021 Airports System operating revenues decreased $14.7 million, a 10.8% decrease over 2020 operating revenues. Airport concessions (including rental cars) and vehicle parking were adversely impacted by the effect of Pandemic driven reductions in passenger movements for most of FY2021. Conversely, a large surge in Pandemic spurred cargo airline CMGTW activity which began in the fourth quarter of FY2020, continued throughout FY2021. Aircraft CMGTW is the primary driver for landing, fuel-flowage, and aircraft parking fee revenues and the Airports System saw growth in cargo airline activity which helped offset the reduction in passenger airline activity related operating revenues in FY2021. Airports System operating revenues decreased $4.5 million, a 3.2% decrease, in fiscal year 2020 from 2019

The fiscal year 2021 and 2020 operating revenues decreases were also in part attributable to airline activity rates and fees decreases driven by FAA Pandemic relief grant revenues as well as Pandemic related increases in cargo airline activity CMGTW levels. Fiscal year 2021 and 2020 Concession revenues decreased 31.0% and 15.0% respectively, due to Pandemic impact on passenger movements, while Fiscal Year 2019 Concession revenues had experienced a 9.3% increase over Fiscal Year 2018, primarily due to growth in passenger movements.

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Operating Expenses

	2021 Expense	Increase (Decrease)	Percentage Increase (Decrease)	2020 Expense	Increase (Decrease)	Percentage Increase (Decrease)	2019 Expense
Facilities	$ 28,414,941	$ (240,927)	(0.8%)	$ 28,655,868	$ 3,427,675	13.6%	$ 25,228,193
Field and equipment maintenance	21,826,233	2,044,520	10.3%	19,781,713	(619,576)	(3.0%)	20,401,289
Safety	14,970,989	2,614,171	21.2%	12,356,818	(632,163)	(4.9%)	12,988,981
Administration	11,515,395	(2,036,969)	(15.0%)	13552,364	47,650	0.4%	13,504,714
Operations	6,073,214	1,299,347	27.2%	4,773,867	502,649	11.8%	4,271,218
Environmental	1,328,277	(987,817)	(42.7%)	2,316,094	231,130	11.1%	2,084,964
Other expenses	2,737,668	(840,830)	(23.5%)	3,578,498	(1,086)	0.0%	3,579,584
Total	$ 86,866,717	$ 1,851,495	2.2%	$ 85,015,222	$ 2,956,279	3.6%	$ 82,058,943

The Airports System's operating expenses, before depreciation, increased 2.2% in FY 2021 relative to prior year. As in prior years, actual operating expense variance was modest in the current year. Overall, operating expense for fiscal year 2021 and 2020 also was generally comparable with fiscal year 2019 operating expense, with consideration of some shifts between departments to reflect periodic fluctuation in operational requirements.

Depreciation expense was $77.1 million in fiscal year 2021, an increase of $2.5 million or 3.3%, from the $74.6 million fiscal year 2020 expense. Fiscal year 2020 depreciation expense was $2.4 million greater than in fiscal year 2019.

Interest expense, net of construction fund interest earnings, was $11.6 million in fiscal year 2021, a decrease of $1.3 million or 10.1% from $12.9 million in fiscal year 2020. Interest expense in 2020 and 2019 was $12.9 million and $13.2 million, respectively. The amount of the Airports System's long-term debt that was in weekly resetting variable rate demand note mode at year end was $43.0 million for fiscal years 2021 and 2020, respectively, and was $50.0 million at the end of fiscal year 2019.

Changes in Net Position

The Airports System's loss before nonoperating revenues and expenses and capital contributions and transfers was $42.0, $22.9, and $12.9 million in fiscal years 2021, 2020, and 2019, respectively.

Due to the Airports System using debt service and pay-as-you-go rates and fees funding requirements in developing rates and fees, rather than depreciation expense, it is anticipated that operating losses will likely occur in years for which noncash depreciation expense exceeds debt service, debt service coverage, and rates and fees funded capital project costs.

Capital contributions from the FAA Airport Improvement Program (AIP) totaled $39.4, $26.5 million, and $65.5 million in fiscal years 2021, 2020, and 2019, respectively. The increase in FY2021 was in part due to pandemic relief provisions of the FAA's AIP program where certain eligible grant match provisions had been waived as well as direct grant funding relief provided. The FY2020 reduction primarily resulted from completion of the Runway 15/33 Rehabilitation project in FY2019, which had been a two-year project. Capital contributions from the Transportation Safety Administration (TSA) in fiscal year 2020 were down approximately $5.3 million, resulting from FY2019 receipt of partial settlement of ANC claims relating to ANC Post 9/11 security project expenditures that had been required, but not funded, by TSA at the time. TSA had however made funding commitments at the time, and long-standing negotiations involving those commitments to reimburse recently resulted in commencement of annual payments that are not guaranteed, as they are subject to annual appropriation of the funds negotiated to be paid each year.

Combined ANC and FAI PFC revenues were down 31.6% in 2021 at $4.7 million, compared with $6.8 million in 2020. Fiscal year 2019 PFC revenues were $7.2 million. PFC revenue decreases over the last two years is primarily attributable to global impact of COVID-19 impact on passenger movements, Fiscal year 2019 PFC revenue was $7.2 million, a 5.0% increase from Fiscal Year 2018.

The Airports System recognized $13.1 million of FAA CARES ACT pandemic relief contributions in fiscal year 2021, with $3.1 million of that amount in turn contributed to pay debt service on outstanding ANC Rental Car Facility (ANC RAC) conduit financing debt. The contribution was made to provide pandemic relief to the ANC traveling public by offsetting an approximately 100% increase to the ANC RAC CFC (customer facility charge) rate which went into effect at the end of calendar year 2020 as a result of the significant decline in ANC passenger movements from the impact of COVID-19 pandemic.

The change in net position is an indicator of whether the overall fiscal condition of the Airports System has generally improved or worsened during the year, notwithstanding variances arising from differences in the lives of capital assets and the lives of the underlying long-term debt financing them.

For the year ended June 30, 2021, net position increased $5.4 million. Change in net position was positive in the amounts of $16.7 million and $57.5 million for fiscal years 2020 and 2019, respectively.

The following is a summary of the Revenues, Expenses and Changes in Net Position:

Year Ended June 30,	2021	2020	2019
Operating revenues	$ 121,977,545	$ 136,704,028	$ 141,264,420
Operating expenses, excluding depreciation amortization expense	(86,866,717)	(85,015,222)	(82,058,943)
Operating income before depreciation	35,110,828	51,688,806	59,205,477
Depreciation and amortization expenses	(77,056,755)	(74,578,132)	(72,138,949)
Nonoperating revenues	1,126,166	6,825,510	6,833,235
Nonoperating expenses	(12,151,964)	(13,940,289)	(14,577,225)
Capital contributions	58,343,056	46,711,557	78,185,177
Change in Net Position	$ 5,371,331	$ 16,707,452	$ 57,507,715

Cash and Investment Management

The Airports System's cash and investments totaled $247.6 million, $202.2 million, and $196.0 million at June 30, 2021, 2020 and 2019, respectively. Of these amounts, $75.7 million, $78.4 million, and $82.2 million were reserved and/or restricted for Operation and Maintenance reserve fund, Construction (Capital Projects) fund investments, Debt service reserve fund, Repair and replacement fund, Passenger facilities charges fund, and Revenue bond redemption fund.

The State Treasury Division of the Department of Revenue, following the appropriate Alaska Statutes, controls cash and investments and concentrates on large and very marketable issues with nonvolatile investment returns. All deposits are insured or collateralized by United States Government or agency obligations and other permitted investments. Funds that will be used for bond requirements are invested in time or demand deposits, direct obligations of the United States and other financial instruments maturing prior to the respective interest payment and maturity dates. An annual cash flow projection for capital projects is developed for all bond and investments proceeds to maximize investment income while ensuring cash is available for capital project expenses. All investments must be made following the investment policy that is in compliance with the applicable bond resolutions and Alaska Statutes.

The Airports System finances its capital program through a combination of Airports System revenues, entitlement and discretionary grants received from the FAA, other grant sources, PFCs, and revenue bonds. Over the last two and a half decades, long-term debt had been the principal source of funding for capital improvement projects, with a transition to FAA Airport Improvement Project grant funding and pay-as-you go capital expenditures funded through airport operating revenues. The Airports System, through its Bond Resolutions, has covenanted to maintain a debt service coverage ratio of not less than 1.25. The Airports System has historically maintained a coverage ratio higher than its requirement. At June 30, 2021, 2020 and 2019, the Airports System's debt service coverage was 1.79, 2.55, and 2.07, respectively.

Capital Financing and Debt Management

The amount of outstanding Airports System revenue bonds as of June 30, 2021, 2020, and 2019 was $319.4 million, $333.4 million, and $346.5 million, respectively.

Airports System revenue bonds had been assigned the following ratings at June 30, 2021:

Fitch	A+	Stable outlook
Moody's	A1	Stable outlook

Shortly after Fiscal Year 2021 year-end, the Airports System issued $85.5 million of Series 2021 revenue refunding bonds which, along with a $40 million cash contribution plus prepaid debt service, defeased and refunded a total of $154.4 million of outstanding revenue bonds payable. The transaction achieved an $81.8 million reduction in scheduled debt service payments and provided net present value savings of approximately $77.3 million, of which approximately $24.9 million was attributable to the refunding portion of the transaction. The refunding bonds were rated by Fitch and Moody's rating services, respectively, at A+ and A1 with Stable outlook.

Contacting the Airports System's Financial Management

The financial report is designed to provide the Airports System's management, investors, creditors, and customers with a general view of the Airports System's finances and to demonstrate its accountability for the funds it receives and expends. For additional information about this report please contact:

Alaska International Airports System Office
P.O. Box 196960
Anchorage, AK 99519
dot.aias.staff@alaska.gov

Basic Financial Statements

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Net Position

June 30,	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted cash and investments (Note 4):		
Cash with State Treasury	$ 129,461,187	$ 88,186,096
Investments	42,478,512	35,653,777
Total unrestricted cash and investments	171,939,699	123,839,873
Other restricted assets - Passenger Facility Charges:		
Cash with State Treasury	3,681,069	5,258,686
Total other restricted assets	3,681,069	5,258,686
Federal grants receivable (Note 2e)	9,872,384	3,840,615
Federal grants receivable CARES Act	6,413,329	9,942,200
Federal grants receivable - Unbilled (Note 2e)	15,900,233	31,696,056
Due from State of Alaska General Fund	1,729,985	9,004,930
Accounts receivable, net of allowance for doubtful accounts of $4,604,168 and $4,218,689 for 2021 and 2020, respectively	4,925,677	9,898,282
Total Current Assets	214,462,376	193,480,642
Noncurrent Assets		
Restricted cash and investments (Note 5):		
Investments - operations and maintenance reserve	23,024,364	22,972,064
Repair and replacement reserve	500,956	508,829
Capital project fund (Note 4)	4,617,524	6,752,364
Debt service reserve fund (Note 4)	26,912,434	26,861,028
Revenue bond redemption fund (Note 5):		
Bond interest	5,974,021	5,574,356
Bond principal	10,987,191	10,469,682
Total restricted or reserved cash and investments	72,016,490	73,138,323
Net other post employment benefit (OPEB) Asset	4,969,227	349,404
Capital assets, net of accumulated depreciation (Note 7)	1,140,854,063	1,184,687,468
Total Noncurrent Assets	1,217,839,780	1,258,175,195
Total Assets	1,432,302,156	1,451,655,837
Deferred Outflows of Resources:		
Pension related	7,093,668	6,470,533
Other postemployment benefit related	3,555,897	4,258,830
Total Deferred Outflows of Resources	10,649,565	10,729,363
Total Assets and Deferred Outflows of Resources	$ 1,442,951,721	$ 1,462,385,200

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Net Position, continued

June 30,	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 9,981,388	$ 5,583,203
Unearned revenue:		
Unearned revenue - restricted (Note 2h)	15,900,233	31,696,056
Unearned revenue - unrestricted	1,205,041	1,164,650
Total Unearned revenue	17,105,274	32,860,706
Environmental remediation (Note 6)	618,630	1,476,840
Compensated absences (Note 2i)	3,771,731	3,716,680
Accrued liability - payroll	2,258,213	2,539,881
Due to State of Alaska General Fund	2,590,642	630,040
Liabilities payable from restricted assets:		
Accrued interest	3,338,674	3,856,682
Revenue bonds (Note 8)	14,640,000	13,930,000
Total Current Liabilities	54,304,552	64,594,032
Noncurrent Liabilities		
Revenue bonds payable, less current portion (Note 8)	324,418,607	341,152,164
Environmental remediation obligation, less current portion (Note 6)	5,567,670	4,378,620
Compensated absences, less current portion (Note 2i)	1,279,881	1,091,855
Other postemployment benefit (OPEB) liability	99,242	1,886,825
Net pension liability	59,728,508	57,114,812
Total Noncurrent Liabilities	391,093,908	405,624,276
Total Liabilities	445,398,460	470,218,308
Deferred Inflows of Resources:		
Pension related	425,704	2,295,877
Other postemployment benefit related	3,983,157	2,097,946
Total Deferred Inflows of Resources	4,408,861	4,393,823
Net Position		
Net investment in capital assets (Note 7)	833,325,414	863,218,696
Restricted (Note 5)	44,167,601	44,783,617
Unrestricted	115,651,385	79,770,756
Total Net Position	993,144,400	987,773,069
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 1,442,951,721	$ 1,462,385,200

See accompanying notes to financial statements.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Revenues, Expenses and Changes in Fund Net Position

Years Ended June 30,	2021	2020
Operating Revenues		
Airfield operations	$ 84,338,993	$ 90,022,121
Concession fees	9,527,117	13,816,529
Terminal rents (Note 3)	13,837,688	18,210,922
Vehicle parking fees	5,994,351	7,503,258
Land rental fees	7,667,477	7,240,094
Airline bad debt	(505,725)	(477,324)
Other	1,117,644	388,428
Total Operating Revenues	121,977,545	136,704,028
Operating Expenses		
Facilities	28,414,941	28,655,868
Field and equipment maintenance	21,826,233	19,781,713
Safety	14,970,989	12,356,818
Administration	11,515,395	13,552,364
Operations	6,073,214	4,773,867
Environmental expenses	1,328,277	2,316,094
Vehicle parking and curbside services	1,464,183	2,063,825
Risk management	1,273,485	1,514,673
Depreciation	77,056,755	74,578,132
Total Operating Expenses	163,923,472	159,593,354
Operating Loss	(41,945,927)	(22,889,326)
Nonoperating Revenues (Expenses)		
Investment income	300,497	5,631,219
Interest expense	(11,639,751)	(12,922,954)
Grants	35,609	57,223
Gain/(loss) on disposal of capital assets	277,847	119,733
Reimbursable services income	512,213	1,017,335
Reimbursable services expenses	(512,213)	(1,017,335)
Net Nonoperating Revenues (Expenses)	(11,025,798)	(7,114,779)
Loss Before Capital Contributions and Transfers	$ (52,971,725)	$ (30,004,105)

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Revenues, Expenses and Changes in Fund Net Position, continued

Years Ended June 30,	2021	2020
Capital Contributions		
Transportation Safety Administration	$ 3,790,921	$ 46,623
Capital contributions - other	452,100	3,444,873
CARES Act	13,100,000	9,942,200
CARES Act - RAC	(3,100,000)	-
Federal Aviation Administration	39,443,647	26,474,882
Passenger Facility Charge (Note 14)	4,656,388	6,802,979
Total Capital Contributions	58,343,056	46,711,557
Change in Net Position	5,371,331	16,707,452
Net Position, beginning of year	987,773,069	971,065,617
Net Position, end of year	$ 993,144,400	$ 987,773,069

See accompanying notes to financial statements.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Cash Flows

Years Ended June 30,	2021	2020
Operating Activities		
Receipts from customers and users	$ 127,496,266	$ 130,726,869
Payments to employees and suppliers	(85,875,157)	(102,442,718)
Net cash from operating activities	41,621,109	28,284,151
Noncapital Financing Activities		
Grants	35,609	57,223
Net cash from noncapital financing activities	35,609	57,223
Capital and Related Financing Activities		
Acquisition of capital assets	(33,829,064)	(49,019,636)
Proceeds from sale of capital assets	883,561	-
Capital grants received	55,840,159	48,365,134
Advances (payments) from (to) State of Alaska	9,235,547	1,907,154
Payments of revenue bonds	(13,930,000)	(13,175,000)
Interest paid on bonds	(14,337,162)	(15,538,164)
Passenger facility charges	3,524,211	5,826,876
Net cash from (for) capital and related financing activities	7,387,252	(21,633,636)
Investing Activities		
Proceeds from sales and maturities of investment securities	196,550,167	196,960,455
Purchase of investment securities	(203,197,212)	(190,333,180)
Change in restricted assets and investments	(1,121,833)	3,810,693
Net cash from (for) investing activities	(7,768,878)	10,437,968
Net Increase in Cash and Equivalents	41,275,092	17,145,706
Cash and Equivalents, beginning of year	88,186,096	71,040,390
Cash and Equivalents, end of year	$ 129,461,188	$ 88,186,096

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Cash Flows, continued

Years Ended June 30,	2021	2020
Operating Activities		
Operating loss	$ (41,945,927)	$ (22,889,326)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	77,056,755	74,578,132
Bad debt expense	505,725	477,324
Changes in assets, deferred outflows, liabilities, and deferred inflows that provided (used) cash:		
Accounts receivable	4,972,605	(6,546,625)
Accrued liability - payroll	(281,668)	303,521
Deferred outflows	40,391	(816,526)
Net OPEB asset	79,798	(86,606)
Accounts payable	(4,619,823)	(10,140,880)
Unearned revenue	4,398,185	92,142
Environmental remediation - restricted (Note 2h)	330,840	(634,380)
Compensated absences - unrestricted	243,077	827,539
OPEB Liability	(1,787,583)	(9,307,905)
Net pension liability	2,613,696	3,736,263
Deferred inflows	15,038	(1,308,522)
Net Cash From Operating Activities	$ 41,621,109	$ 28,284,151

See accompanying notes to financial statements.

1. Organization

The accompanying financial statements include only the accounts of the State of Alaska International Airports System (Airports System or AIAS), an enterprise fund of the State of Alaska (State) created by Chapter 88 of the Session Laws of Alaska of 1961 to equip, finance, maintain, and operate the two international airports located in Anchorage (ANC) and Fairbanks (FAI), Alaska. The airports are under the administration of the State of Alaska Department of Transportation and Public Facilities (DOT&PF). These financial statements are not intended to present complete financial activity of the State as a whole. The State's Annual Comprehensive Financial Report is available from the State's Division of Finance in the Department of Administration.

2. Summary of Significant Accounting Policies

(a) Governmental Accounting

The accounting policies used in preparation of the financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governmental entities.

(b) Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Airports System are reported using the flow of economic resources measurement focus. This measurement focus distinguishes operating activities from nonoperating items.

The Airports System uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Management's Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

(d) Cash and Investments

For purposes of the statement of cash flows, the Airports System considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

The Airports System accounts for marketable securities at fair value. Investments are segregated between current and noncurrent based upon maturity and intended use. Under this method, investments in debt securities and certain equity securities are carried at fair value and unrealized gains and losses are recorded in the statement of revenues, expenses, and changes in fund net position.

(e) Accounts Receivable and FAA Receivable (billed and unbilled)

In addition to airfield and airport facilities use-related receivables owed from airline customers and other lease tenants, the Airports System separately records and reports amounts it anticipates will be collected from the Federal Aviation Administration (FAA) for amounts expended on capital projects.

For those capital project expenditures having met all eligibility requirements for reimbursement under the FAA Airport Improvement Program, revenue is recognized in the period billed as capital contributions. For capital project expenditures for which not all grant reimbursement criteria thresholds have been substantively met, the Airports System has recorded accounts receivable balances and corresponding deferred revenue liabilities.

Management has provided an allowance for accounts recorded at year-end which it estimates may be uncollectible.

(f) Capital Assets

Property and equipment is carried at cost, except property originally received from the federal government which is recorded at fair market value at the date contributed. Major additions and improvements to property and equipment are capitalized. Depreciation is provided over estimated useful lives using the straight-line method. Repair and maintenance costs are expensed as incurred.

The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any gain or loss is reflected in operations in the year of disposition.

(g) Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Airports System’s principal ongoing operations. The principal operating revenues of the Airports System are charges to customers for airfield operations, concession fees, rent and user fees. Operating expenses include the facilities, field and equipment maintenance, safety, operations, environmental, vehicle parking, risk management, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(h) Capital Contributions

The Airports System incurs costs on projects that have not been approved for reimbursement by the FAA and amounts in excess of grant awards on certain approved projects. In addition to the $39.4 and $26.5 million recorded as revenue from the FAA during 2021 and 2020, respectively, approximately $15.9 and $31.7 million of project cost had been expended, but had not yet substantively met grant permissible reimbursement threshold conditions and were recorded as deferred revenues. Management believes these amounts will be reimbursed by the FAA upon their approval of the grant award, modification, or compliance with conditional restrictions, but are treated as claims until appropriate FAA approval is received.

The Airports System also collects passenger facility charges from airlines that are restricted for use for the acquisition of capital assets or the repayment of capital related debt (Note 14).

(i) Compensated Absences

Airports System employees receive time off or pay for leave hours accumulated. Routine annual leave is paid as used and the accumulated leave liability is estimated at year end. Estimated compensated absences balances recorded as current and long-term portions, respectively, at June 30 are $3,771,731 and $1,279,881 in 2021 and $3,716,680 and $1,091,855 in 2020.

(j) Bond Premiums, Discounts and Refunding Transactions

Premiums, discounts and refunding gains or losses are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

(k) Capitalized Interest

Interest expense, net of income earned on construction bond proceeds, is capitalized from the date of the borrowing until the assets are ready for their intended use on those capital projects paid for from the bond proceeds and is amortized over the depreciable life of the related assets on a straight-line basis.

(l) Due to/from State of Alaska General Fund

The Airports System uses the State's central treasury for payments of current obligations. The obligations are settled daily from the Airports System's cash or investment accounts with the central treasury.

(m Leases

The Airports System leases substantially all terminal building space to airlines and concessionaires. All such leases have been treated as operating leases since ownership risks are retained by the Airports System.

(n) Income Taxes

The Airports System qualifies for exemption from federal income taxes under current provisions of the Internal Revenue Code.

(o) Passenger Facility Charges/Grants Revenue Recognition

Revenue from FAA grants is recognized as earned as eligible expenditures are incurred and PFC revenues are recognized as reported and received from airlines.

(p) Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Airports System has one item for reporting in this category; Deferred outflows of resources related to our participation in the Public Employees' Retirement System (PERS). In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Airports System has one item for reporting in this category; a deferred inflow of resources related to our participation in PERS.

(q) Net Pension Liability

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

(r) Subsequent Events

The Airports System has evaluated subsequent events as of February 11, 2022, the date on which the financial statements were issued, and determined that no material events requiring disclosure had occurred, other than having undertaken a revenue bond refunding in August 2021. In that transaction AIAS issued $85.5 million of Series 2021 refunding bonds, which in conjunction with the contribution of $40.0 million of cash and prior debt service funds on hand, defeased/refunded $154.4 million of par of then outstanding AIAS revenue bonds. The transaction resulted in a $68.9 million reduction of outstanding bonds payable and an estimated $81.8 million reduction in scheduled debt service payments between FY2022 and FY2036. The refunding portion of the transaction provided an estimated net present value savings of approximately $24.9 million.

(s) New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined.

GASB Statement No. 84 – Fiduciary Activities – Effective for year-end June 30, 2021. This Statement addresses criteria for identifying and reporting fiduciary activities. This did not impact the Airport System for the year ended June 30, 2021.

GASB Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 – Effective for year-end June 30, 2021. This Statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria. This did not impact the Airport System for the year ended June 30, 2021.

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

GASB Statement No. 87 – Leases – Effective for year-end June 30, 2022, This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period – Effective for year-end June 30, 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 91 – Conduit Debt Obligations – Effective for year-end June 30, 2023.This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

GASB Statement No. 92 - Omnibus 2020 – Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB Statement No. 93 – Replacement of Interbank Offered Rates – The provisions of this Statement, except for paragraph 11b, 13 and 14, are required to be implemented for year-end June 30, 2021. The requirements in paragraph 11b, 13 and 14 are required to be implemented for year-end June 30, 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements – Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

3. Airline Operating Agreement and Terminal Building Leases

The DOT&PF, in connection with operating the Anchorage International Airport and the Fairbanks International Airport (Airports System), executed airline operating agreements and terminal building leases (Agreements) at the beginning of fiscal year 2014 with substantially all regularly scheduled airlines that utilize its facilities. The Agreements are effective July 1, 2013 and terminate June 30, 2023.

The Agreements provide for the funding of an associated Capital Improvements Program (CIP) which will run through 2023 at an initially estimated cost of $450.7 million, with approximately $351.7 million funded from the Federal Aviation Airport Improvements Program (AIP) receipts and the remaining $99 million primarily funded by annual rates and fees. The Agreements provide for periodic adjustments to the CIP, with most nonemergency substantive additions subject to airline majority-in-interest balloting.

The Agreements are instrumental in the periodic setting of rents and fees. Additionally, they are intended to set forth the rights, privileges, and obligations of the parties and to facilitate the development, promotion, and improvement of air transportation. The rents and fees calculated, according to the Agreements, are airline terminal building rental rates, landing fees, international terminal docking fees, aircraft parking fees, passenger loading bridge fees, and charges relating to federal inspection services. The Agreements also establish procedures for review and adjustment of airline rents and fees each fiscal year to ensure that revenues are sufficient to meet operations and maintenance expense, debt service requirements of the revenue bonds and other funding requirements established by the resolution authorizing issuance of the revenue bonds. The Agreements provide for the DOT&PF to adjust the aforementioned rents, fees, and charges midway through the year if the projection of annual revenues made at that time is greater than 5% more or less than the anticipated Airports System requirements for the year. The Agreements also provide for the DOT&PF to immediately adjust landing fees if, at any time during the year, the Airports System projects annual revenues will not be sufficient to cover the total Airports System revenue requirement.

The Agreements further provide for the payment of a fuel flowage fee of $0.027 per gallon for fuel purchased at the Airports by signatory airlines. For users of the Airports System who have not signed the Agreements, the fuel flowage fee is $0.04 per gallon greater, except for aircraft under 12,500 certified maximum gross takeoff weight (CMGTW). The Agreements also contain provisions which include a differential increase of 25% for landing fees charged to users who have not signed the Agreements, but also waive the 25% landing fee and $0.04 fuel flowage (within certain limitations) differential for nonsignatory aircraft landing at FAI.

The Agreements provide that revenues may be retained up to the following amounts:

An amount necessary to satisfy debt service requirements due during the fiscal year on all outstanding bonds.

Within the Supplemental Repair and Replacement Fund, an amount to maintain a repair and replacement allowance of $1.5 million (which is subordinate to the bond resolution requirement of $500,000 – Note 5). Each subsequent year, this amount is adjusted to correspond with changes in the local consumer price index.

Within the Maintenance and Operation Reserve Fund, an amount equal to one quarter of the projected annual operation and maintenance expense of the Airports System, resulting in fund deposit increases of approximately $0.1 and $1.1 million in fiscal years 2021 and 2020, respectively, with respective year-end balances of approximately $23.0, $23.0, and $21.9 million for the years ended June 30, 2021, 2020, and 2019.

Within the Airports System Capital Project Fund, an amount equal to the amount authorized from rates and charges in the annual budget for each fiscal year for capital projects approved by signatory airlines, plus the amount authorized from rates and charges in the annual budget for that fiscal year for capital projects not requiring signatory airline approval.

Within the Excess Revenue Fund, any funds in excess of these amounts at year-end are to be deferred and recognized as revenue in the following year. If the Airports System does not receive enough funds during the year to meet the minimum revenue requirements stipulated in the bond covenants, the Airports System will recognize the minimum amount of revenue necessary to meet those requirements, as well as a receivable for the amount of the shortfall.

4. Cash and Investments

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The funds invest in the State's internally managed General Fund and Other Nonsegregated Investments Pool (GeFONSI), Short-term Fixed Income Pool, Broad Market Fixed Income Pool, SSgA Russell 3000 Pool, SSgA MSCI EAFE Index Pool, and the Lazard International Equity Pool. The GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. The complete financial activities of the funds are shown in the State of Alaska's Annual Comprehensive Financial Report (ACFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for the investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term, Short-term Liquidity, Intermediate-term Fixed Income Pool and the Broad Market Fixed Income Pool is allocated to the pool participants daily on a pro-rata basis.

SSB ACCOUNT FUND NAME FUND #	 PFC 3273/3275	AY04 IARF 1027	AY05 IAR R&R 3271	AY2E 2002 RSRV 3277	AY2U 2003 RSRV 3278	AY9X 2006 B 3267	AY9Y 2006 C 3268	AY3A 2010 C 3269	AY3B 2010 D 3270	 Total
Cash & equivalents:										
Short-Term Pool	$ 3,681,069	$ 152,490,088	$ 500,974	$ 16,401,297	$ 10,512,036	$ 2,062,710	$ 2,207,608	$ 958	$ 346,400	$ 188,203,140
Pooled Investments:										
Intermediate Term Pool	-	42,478,512	-	-	-	-	-	-	-	42,478,512
Total Cash & Investments	3,681,069	194,968,600	500,974	16,401,297	10,512,036	2,062,710	2,207,608	958	346,400	230,681,652
Accrued Interest		(4,537)	(17)	(548)	(351)	(68)	(73)	1	(13)	(5,606)
Total Assets Per SSB	$ 3,681,069	$ 194,964,063	$ 500,957	$ 16,400,749	$ 10,511,685	$ 2,062,642	$ 2,207,535	$ 959	$ 346,387	$ 230,676,046

	Unrestricted	Restricted	Total
Cash	$ 152,485,551	$ 35,711,983	$ 188,197,534
Investment	42,478,512		42,478,512
	$ 194,964,063	$ 35,711,983	$ 230,676,046

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx

Cash and investments at June 30, 2021 and 2020, respectively, are summarized as follows:

	2021	2020
Cash with State Treasury	$ 129,461,187	$ 88,186,096
Investments – unrestricted	42,478,512	35,653,777
Investments – restricted	23,024,364	22,972,064
Capital project fund (Note 7)	4,617,524	6,752,364
Debt service reserve fund (Note 7)	26,912,434	26,861,028
Repair and replacement account – restricted	500,956	508,829
Passenger facilities charges – restricted	3,681,069	5,258,686
Total pooled investments	230,676,046	186,192,844
Revenue bond redemption fund – restricted	16,961,212	16,044,038
Total Cash and Investments	$ 247,637,258	$ 202,236,882

5. Restricted Net Position

The Airports System is required to maintain various restricted funds in compliance with the resolution authorizing issuance of its revenue bonds. The purpose of these funds is as follows:

- The repair and replacement account may be used (1) to eliminate deficiencies in the bond reserve accounts; or (2) for extraordinary repairs, renewals, and betterments in the event surplus revenues are not available.

- The maintenance and operating reserve fund is maintained at an amount equal to one fourth (1/4) of the projected annual maintenance and operations expense for the year.

- The Airports System is required by the FAA to keep all unliquidated passenger facility charge revenues remitted to it on deposit in an interest-bearing account. Passenger facility charges and interest earned on those charges collected by the Airports System may only be used to pay allowable costs of approved projects.

- The revenue bond redemption fund is composed of bond interest and principal retirement accounts held by the bond trustee (Trustee) and may be used only for debt service. These reserve accounts were initially established from proceeds of revenue bonds and are to be subsequently maintained by monthly transfers from the revenue fund in amounts sufficient to provide for annual debt service requirements. As dictated by the bond resolution, these funds are not managed by the Commissioner of Revenue, but by an external entity.

Under the terms of the revenue bonds, all funds held by the Trustee in the revenue bond redemption fund must be held in time or demand deposits in any bank or trust company authorized to accept deposits of public funds (including the Trustee), direct obligations of the United States of America, bonds, notes or other indebtedness, deposit accounts, commercial paper, money market funds, or obligations the principal of and interest on which are guaranteed by the United States of America, maturing prior to the respective interest payment dates, maturity dates or minimum sinking fund payment dates on which such moneys are required to be paid.

Restricted net position consists of the following at:

June 30,	2021	2020
Repair and replacement account:		
Short-term fixed income pool	$ 500,956	$ 508,829
Maintenance and operation reserve:		
Short-term fixed income pool	23,024,364	22,972,064
Passenger facility charge revenue fund:		
Cash in banks and State treasury	3,681,069	5,258,686
Revenue bond redemption fund:		
Bond interest – daily money fund	5,974,021	5,574,356
Bond principal – daily money fund	10,987,191	10,469,682
	16,961,212	16,044,038
Total Restricted Net Position	$ 44,167,601	$ 44,783,617

6. Environmental Remediation Obligation

The Airports System has accrued certain environmental pollution remediation liabilities for three ANC and eight FAI sites for which obligating events as described in GASB pronouncement 49 have been deemed to have occurred and the Airports System is in whole or part a responsible party. The liabilities were valued using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. Amounts recorded as current and long-term portions of these estimated liabilities were, respectively, $618,630 and $5,567,670 in 2021 and $1,476,840 and $4,378,620 in 2020.

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7. Capital Assets

Airport property was owned by the federal government prior to statehood and contributed to the State after that date. Subsequent additions to property and equipment have been funded by governmental contributions, bond proceeds, and operating revenues.

The following is a summary of capital assets:

June 30,	Life	2021 Carrying Value	2020 Carrying Value
Land		$ 31,202,636	$ 31,202,636
Infrastructure	5-40 years	1,114,642,906	1,105,731,264
Buildings	10-40 years	1,140,149,886	1,136,141,994
Equipment	5-10 years	149,924,884	138,506,316
Total capital assets		2,435,920,312	2,411,582,210
Accumulated depreciation and amortization:			
Infrastructure		(635,717,103)	(598,298,892)
Buildings		(569,133,390)	(536,460,754)
Equipment		(112,805,127)	(106,350,705)
Total accumulated depreciation and amortization		(1,317,655,620)	(1,241,110,351)
Construction in progress		22,589,371	14,215,609
Total Capital Assets, net		$ 1,140,854,063	$ 1,184,687,468

Capital asset activity was as follows:

Year Ended June 30, 2021	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 31,202,636	$ -	$ -	$ 31,202,636
Infrastructure	1,105,731,264	8,911,642	-	1,114,642,906
Buildings	1,136,141,994	4,807,892	(800,000)	1,140,149,886
Equipment	138,506,316	11,735,768	(317,200)	149,924,884
Construction in progress	14,215,609	33,348,679	(24,974,917)	22,589,371
Total capital assets	2,425,797,819	58,803,981	(26,092,117)	2,458,509,683
Accumulated depreciation:				
Infrastructure	(598,298,892)	(37,418,212)	-	(635,717,104)
Buildings	(536,460,754)	(32,866,921)	194,286	(569,133,389)
Equipment	(106,350,705)	(6,771,622)	317,200	(112,805,127)
Total accumulated depreciation and amortization	(1,241,110,351)	(77,056,755)	511,486	(1,317,655,620)
Total Capital Assets, net	$ 1,184,687,468	$ (18,252,774)	$ (25,580,631)	$ 1,140,854,063

Year Ended June 30, 2020	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 31,202,636	$ -	$ -	$ 31,202,636
Infrastructure	1,016,865,088	88,866,176	-	1,105,731,264
Buildings	1,129,838,449	6,303,545	-	1,136,141,994
Equipment	132,971,562	5,865,052	(330,298)	138,506,316
Construction in progress	66,221,179	45,510,356	(97,515,926)	14,215,609
Total capital assets	2,377,098,914	146,545,129	(97,846,224)	2,425,797,819
Accumulated depreciation:				
Infrastructure	(563,351,259)	(34,947,633)	-	(598,298,892)
Buildings	(505,358,338)	(31,102,416)	-	(536,460,754)
Equipment	(98,143,353)	(8,528,083)	320,731	(106,350,705)
Total accumulated depreciation and amortization	(1,166,852,950)	(74,578,132)	320,731	(1,241,110,351)
Total Capital Assets, net	$ 1,210,245,964	$ 71,966,997	$ (97,525,493)	$ 1,184,687,468

The Airports System's net investment in capital assets includes the following:

June 30,	2021	2020
Capital assets, net of accumulated depreciation	$ 1,140,854,063	$ 1,184,687,468
Plus: Capital projects and debt service reserve (unspent proceeds and reserve contributions)	31,529,958	33,613,392
Less:		
Current bonds payable	(14,640,000)	(13,930,000)
Noncurrent bonds payable, net	(324,418,607)	(341,152,164)
Net Investment in Capital Assets	$ 833,325,414	$ 987,218,696

Depreciation expense for the years ended December 31, 2021 and 2020 was $77,056,755 and $74,578,132, respectively.

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8. Revenue Bonds Payable

The following is a summary of the Airports System's revenue bonds payable:

June 30,	2021	2020
Series 1999A, maturing October 1, 2024; interest payable semi-annually at 5.00%	$ 50,000	$ 50,000
Series 2006A, maturing in annual installments of generally increasing amounts from October 1, 2015 through October 1, 2022; interest payable semi-annually at 4.00% to 5.00%	2,000,000	2,000,000
Series 2009A, maturing October 1, 2030; variable interest rate calculated weekly; interest payable monthly	43,000,000	43,000,000
Series 2010A, maturing in annual installments of varying amounts through October 1, 2027; interest payable semi-annually at 5.00%	77,285,000	87,865,000
Series 2010C, maturing October 1, 2033; interest payable semi-annually at 5.00%	12,565,000	12,565,000
Series 2010D, maturing October 1, 2035; interest payable semi-annually at 6.28% before Build America Bonds (BABs) direct-pay 35% interest subsidy	19,540,000	19,540,000
Series 2016A, maturing in annual installments of varying amounts from October 1, 2023 through October 1, 2035; interest payable semi-annually at 2.50% for the 2024 maturities and at 5.00% for all other maturities	73,635,000	73,635,000
Series 2016B, maturing in annual installments of varying amounts from October 1, 2023 through October 1, 2035; interest payable semi-annually at 2.50% for the 2024 maturities and at 5.00% for all other maturities	82,495,000	82,495,000
Series 2016C, maturing in annual installments of varying amounts from October 1, 2020 through October 1, 2023; interest payable semi-annually at 5.00%	8,870,000	11,220,000
Series 2016D, maturing in annual installments of varying amounts from October 1, 2017 through October 1, 2020; interest payable semi-annually at 5.00%	-	1,000,000
Total bonds payable	319,440,000	333,370,000
Unamortized bond (premium)/discount and deferred (gain) loss	19,618,607	21,712,164
	$ 339,058,607	$ 355,082,164
Less amount currently payable with restricted assets	(14,640,000)	(13,930,000)
Revenue Bonds Payable, Net of Current Portion	$ 324,418,607	$ 341,152,164

The following is a summary of debt payment requirements for each of the next five years and thereafter:

Year Ending June 30,	Principal	Interest*	Less 2010D BABs 35% Subsidy	Total
2022	$ 14,640,000	$ 13,784,458	$ (429,763)	$ 27,994,696
2023	17,395,000	12,845,209	(429,763)	29,810,446
2024	16,180,000	11,955,834	(429,763)	27,706,071
2025	16,930,000	11,190,584	(429,763)	27,690,821
2026	17,735,000	10,386,459	(429,763)	27,691,696
2027-2031	105,990,000	39,884,329	(2,148,814)	143,725,515
2032-2036	130,570,000	17,892,572	(1,528,912)	146,933,660
	$ 319,440,000	$ 117,939,445	$ (5,826,541)	$ 431,552,904

* Interest requirements for variable-rate bonds have been computed using 0.033%, the rate effective at June 30, 2021.

The following is a summary of the revenue bonds payable:

Years Ending June 30,	Beginning Balance	New Issuances	Refunding/ Redemptions	Principal Payments	Ending Balance
2021	$ 333,370,000	$ -	$ -	$ (13,930,000)	$ 319,440,000
2020	$ 346,545,000	$ -	$ -	$ (13,175,000)	$ 333,370,000

Revenue bonds have been previously issued pursuant to bond resolutions that prescribe the use of accounts described in Note 3 as well as the use of certain other practices. Among these is a requirement that net revenues available for debt service, as defined by the bond resolution, must at least equal 1.25 times the sum of: (1) annual debt services; and (2) required deposits to the bond redemption fund. The net revenues requirement was met for the years ended June 30, 2021 and 2020.

9. Interest Arbitrage Rebate

Bonds issued after August 15, 1986 are subject to Internal Revenue Service (IRS) income tax regulations which require rebates to the U.S. Government of interest income earned on investments purchased with the proceeds from the bonds or any applicable reserves in excess of the allowable yield of the issue. The Airports System performed a final calculation for its 1999 series bonds upon closure of the related construction funds, as balances are due the earlier of within 60 days after bonds are discharged or every five years from the anniversary of the date of issuance. Total bond interest arbitrage rebate liability was $0 at June 30, 2021 and 2020, respectively. Total paid to the IRS was also $0 during the years ended June 30, 2021 and 2020, respectively.

10. Costs Allocated from the Department of Transportation and Public Facilities

The DOT&PF provides administrative and technical services benefiting all of Alaska's airports and aircraft bases. Related costs are allocated based upon budgetary estimates of the pro rata portion which should be borne by the various facilities as set forth in the annual appropriation and budget document of the State. Costs allocated to the Airports System and included in operating expenses for the years ended June 30, 2021 and 2020 amounted to $3,365,767 and $3,802,632, respectively.

Capital project management services are performed by the DOT&PF personnel and are capitalized to capital assets. The indirect costs allocated to the Airports System and capitalized in construction in progress amounted to $1,836,282 and $5,493,305, respectively, during the years ended June 30, 2021 and 2020.

11. Pension and Other Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plans

The Airports System participates in the Alaska Public Employees' Retirement System (PERS). PERS 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 is included in an annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at http://doa.alaska.gov/drb/pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment healthcare 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/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 OPEB benefits. A complete benefit comparison chart is available at the website noted above.

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

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 these notes.

Alaska Statute 39.35.255 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. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process

The Airports System records the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.50% 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, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or 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. 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 change results in lower ARM Board Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates for the year ended June 30, 2021 were determined in the June 30, 2019 actuarial valuations, respectively. The Airports System's contribution rates for the 2021 fiscal year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	26.58%	8.85%
Postemployment healthcare	7.43%	4.27%	-%
Total Contribution Rates	22.00%	30.85%	8.85%

In 2021, the Airports System was credited with the following contributions into the pension plan.

Plan Measurement Period	Airports System FY21	Airports System FY20
Airports System contributions (including DBUL)	$ 3,473,892	$ 3,738,388
On-behalf contributions	2,812,609	2,255,933
Total Contributions	$ 6,286,501	$ 5,994,321

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In addition, employee contributions to the plan totaled $891,276 and $945,299 during the Airports System fiscal years 2021 and 2020, respectively.

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

At June 30, 2021 and 2020, the Airports System reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Airports System. The amount recognized by the Airports System for its proportional share, the related State proportion, and the total were as follows:

	2021	2020
Airports System proportionate share of NPL	$ 59,728,508	$ 57,114,812
State's proportionate share of NPL associated with the Airports System	24,715,641	22,679,186
Total Net Pension Liability	$ 84,444,149	$ 79,793,998

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 to calculate the net pension liability as of that date. The Airports System's proportion of the net pension liability was based on a projection of the Airports System'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, 2020 measurement date, the Airports System's proportion was 2.88543 percent, which was a decrease of 0.0014 from its proportion as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the Airports System recognized pension expense increases of $1,501,115 and $4,278,935, respectively.

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At June 30, 2021, the Airports System's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	189,475	-
Net difference between projected and actual earnings on pension plan investments	2,430,967	-
Changes in proportion and differences between Airports System contributions and proportionate share of contributions	-	425,704
Airports System contributions subsequent to the measurement date	4,473,226	-
Total Deferred Outflows and Deferred Inflows	$ 7,093,668	$ 425,704

At June 30, 2020, the Airports System's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 845,527
Changes in assumptions	1,748,611	-
Net difference between projected and actual earnings on pension plan investments	818,909	-
Changes in proportion and differences between Airports System contributions and proportionate share of contributions	-	1,450,350
Airports System contributions subsequent to the measurement date	3,903,013	-
Total Deferred Outflows and Deferred Inflows	$ 6,470,533	$ 2,295,877

The $4,473,226 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. 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 June 30,	
2022	$ (193,266)
2023	854,901
2024	903,601
2025	629,502

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020:

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on service.
Allocation methodology	Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for fiscal years 2022 to 2039 to the Plan, as determined by projections based on the June 30, 2019 valuation. The liability is expected to go to zero at 2039.
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 health annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30,2018 actuarial valuation to better reflect the expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.36%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	6.24 %
Global equity (non-U.S.)	18%	6.67 %
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01 %
Real assets	13%	3.82 %
Private equity	11%	10.00 %
Cash equivalents	-%	(1.09)%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%, which is unchanged from the discount rate used since the prior measurement date, which was also 7.38%. 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Airports System's proportionate share of the net pension liability calculated using the discount rate of 7.38 percent, as well as what the Airports System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.38 percent) or one-percentage-point higher (8.38 percent) than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Airports System's proportionate share of the net pension liability	2.89%	$ 77,783,060	$ 59,728,508	$ 44,689,447

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 (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the annual comprehensive financial report for PERS, and at the following website, as noted above. http://doa.alaska.gov/drb/pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Airports System contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of the employment from the Plan and are applied to cover a portion of the employer match contributions.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2021 and 2020, the Airports System was required to contribute 5.0% of covered salary into the Plan. In addition, during 2021, the State on-behalf contribution rate for OPEB was 0%.

The Airports System and employee contributions to PERS for pensions for the year ended June 30, 2021 were $1,525,124 and $953,202, respectively. The Airports System contribution amount was recognized as pension expense/expenditures.

The Airports System and employee contributions to PERS for pensions for the year ended June 30, 2020 were $1,434,184 and $896,365, respectively. The Airports System contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in the PERS, the Airports System participates in the following cost-sharing multiple-employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

The ARHCT is self-funded, self-insured, and provides major medical coverage to retirees of the DB Plan. The ARHCT was closed to all new members effective July 1,2006. Benefits vary by Tier level. The RMP is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The Plans OPEB plans are included in the annual comprehensive financial report for PERS, at the following website, as noted above. http://doa.alaska.gov/drb/pers

Employer Contribution Rate

Employer contribution rates are actuarily determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2021 were as follows:

	Other	Police/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	1.27%	1.27%
Occupational Death and Disability Benefits	0.31%	0.70%
Total Contribution Rates	1.58%	1.97%

In 2021, the Airports System was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2019 to June 30, 2020	Airports System Fiscal Year July 1, 2020 to June 30, 2021
Employer contributions – ARHCT	$ 1,493,452	$ 1,771,518
Employer contributions - RMP	236,464	233,462
Employer contributions - ODD	67,732	37,401
Nonemployer contributions (on-behalf) - ARHCT	-	-
Total Contributions	$ 1,797,648	$ 2,042,381

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

At June 30, 2021 and 2020, the Airports System reported a liability (asset) for its proportionate share of the net OPEB liabilities (NOL) and net OPEB assets (NOA) that reflected a reduction for State OPEB support provided to the Airports System. The amount recognized by the Airports System for its proportional share, the related State proportion, and the totals were as follows:

	2021	2020
Airports System's proportionate share of NOL – ARHCT	$ -	$ 1,548,033
Airports System's proportionate share of NOL – RMP	99,242	338,792
State's proportionate share of the NOL associated with the Airport System	-	615,499
Total Net OPEB Liabilities	$ 99,242	$ 2,502,324

	2021	2020
Airports System's proportionate share of NOA – ARHCT	$ (4,581,667)	$ -
Airports System's proportionate share of NOA – ODD	(387,560)	(349,404)
Total Net OPEB Assets	$ (4,969,227)	$ (349,404)

The total OPEB liabilities for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 to calculate the net OPEB liabilities as of that date. The Airports System's proportion of the net OPEB liabilities and assets were based on a projection of the Airports System's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2019 Measurement Date Employer Proportion	June 30, 2020 Measurement Date Employer Proportion	Change
Airports System's proportionate share of the net OPEB liabilities (asset):			
ARHCT	1.04329%	1.01172%	(0.03157)%
RMP	1.41611%	1.39915%	(0.01696)%
ODD	1.44110%	1.42172%	(0.01938)%

As a result of its requirement to contribute to the plans, the Airports System recognized OPEB expense of ($4,737,313) and on-behalf revenue of $0 for support provided by the State associated with the ARHCT plan.

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At June 30, 2021, the Airports System reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (3,985,157)
Changes in assumptions	1,838,287	(6,648)
Changes in benefits		
Net difference between projected and actual earnings on OPEB plan investments	-	(6,017)
Changes in proportion and differences between Airports System's contributions and proportionate share of contributions and proportionate share of contributions	187,716	(8,189)
Airports System contributions subsequent to the measurement date	1,529,895	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	$ 3,555,897	$ (3,983,157)

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (1,174,283)
Changes in assumptions	2,218,194	(6,681)
Net difference between projected and actual earnings on OPEB plan investments	-	(683,917)
Changes in proportion and differences between Airports System's contributions and proportionate share of contributions and proportionate share of contributions	168,371	(233,065)
Airports System contributions subsequent to the measurement date	1,872,265	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	$ 4,258,830	$ (2,097,946)

The $1,529,895 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2022	$ (3,832,155)
2023	650,006
2024	710,354
2025	503,868
2026	3,214
Thereafter	7,558
Total Amortization	$ (1,957,155)

Actuarial Assumptions

The total OPEB liability for each plan for the measurement period ended June 30, 2020 was determined by actuarial valuations as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020:

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officer/ Firefighter. Graded by service from 6.75% to 2.75% for all others
Allocation methodology	Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for fiscal years 2022 to 2039 to the Plan, as determined by projections based on the June 30, 2019 valuation.
Investment return of return	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 health annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 20% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflected expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contribution trend rates were updated to reflect the ongoing shift in population form pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.
3. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.
4. The amounts included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the plans' targeted asset allocation as of June 30, 2020 are summarized in the following table (note that the rates shown below exclude the inflation component of 2.36%):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	6.24 %
Global equity (non-U.S.)	18%	6.67 %
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01 %
Real assets	13%	3.82 %
Private equity	11%	10.00 %
Cash equivalents	-%	(1.09)%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan was 7.38%, unchanged from the discount rate used in the prior measurement date, which was 7.38%. 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 fiduciary net position or each plan 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Airports System's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.38%, as well as what the Airports System's proportionate share of the respective plan's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Airports System's proportionate share of the net OPEB liability (asset):				
ARHCT	2.885%	$ 4,780,875	$ (4,581,667)	$ (12,336,621)
RMP	2.885%	$ 846,704	$ 99,242	$ (46,542)
ODD	2.885%	$ (329,787)	$ (387,560)	$ (362,123)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the Airports System's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rates, as well as what the Airports System's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Airports System's proportionate share of the net OPEB liability (asset):				
ARHCT	2.885%	$ (13,245,876)	$ (4,581,667)	$ 5,910,190
RMP	2.885%	$ (104,680)	$ 99,242	$ 940,507
ODD	2.885%	$ n/a	$ n/a	$ n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2020, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,159.04 per year for each full-time employee, and $1.38 per hour for part-time employees.

Annual Postemployment Healthcare Cost

The Airports System’s contributed $545,930 and $629,515 in DC OPEB costs during the years ended June 30, 2020 and 2021, respectively. These amounts have been recognized as expense/ expenditures.

12. Rental Income under Operating Leases

The Airports System’s leasing operations consist of leasing land, buildings, and terminal space to airlines and other tenants.

The following is a schedule of minimum future rental income payments under noncancelable operating leases for each year for the next five years as of June 30, 2021:

Year Ending June 30,	
2022	$ 6,719,608
2023	6,435,978
2024	4,807,408
2025	3,726,347
2026	3,187,994

These amounts do not include contingent fees, which may be received under certain leases that involve a concession fee based upon gross receipts. Contingent fees amounted to $8.0 million in 2021 and $10.3 million in 2020 and are included in concession and vehicle parking fees. The above schedule includes minimum guaranteed rentals only to the extent of the remaining term of noncancelable leases and are subject to monthly minimum guarantee waiver provisions included in most leases when monthly airport passenger movements decline relative to average of same month, prior three years, as has occurred over the course of the COVID-19 pandemic.

13. AIAS Capital Improvement Program

The Airports System's Capital Improvement Program (CIP) is effectively a ten-year plan, initially approved by signatory airlines pursuant to the Operating Agreement and is effective over the term of the Operating Agreement; FY2014 through FY2023. Currently, the program total cost is estimated at approximately $567.1 million, with anticipated funding sources estimated to be comprised of $428.2 million from the FAA Airport Improvement Program and $138.9 million from rates and fees and prior bond sale proceeds. The Operating Agreement provides for adjustment to the CIP, primarily through periodic majority-in-interest airline ballots. In addition to proceeds from airport revenue, revenue bond proceeds, and AIP, funding sources also may also include other grants from sources like the Homeland Security and Transportation Security Administration. During fiscal years 2021 and 2020, the Airports System expended approximately $33.5 million and $49.6 million, respectively, on its on-going CIP.

ANC Capital Projects

At the end of fiscal year 2021, ANC had completed projects involving EDS Replacement projects in the B Concourse and North Terminal and Horizontal Infrastructure EQ Repair projects. Work commenced or continued on Runway 7R/25L Lighting Rehabilitation, Taxiway S Rehabilitation, Surface Sealing projects at Taxilanes U and P, and Taxiway R North, North Terminal Common Area Improvements, South Terminal Cooling System Upgrades, and Cascading Escalator Enclosure Replacement projects.

FAI Capital Projects

FAI completed a Terminal Escalator Replacement project and was nearing completion of Runway 2R/20L Reconstruction project at 2021 fiscal year end and work continued into fiscal year 2022 on the Firing Range Remediation project.

14. Passenger Facility Charges

Under Part 158 of the Code of Federal Regulations, the FAA granted public agencies controlling commercial service airports the authority to impose passenger facility charges (PFC's), ranging from $1.00 to $4.50 per enplaned passenger, to be used towards eligible State of Alaska facility improvements or debt service on facility-related infrastructure. Airlines retain approximately $0.11 of each PFC collected to cover administrative costs. Expenditures of PFC revenues are limited to eligible costs of projects approved in advance by the FAA.PFC's imposed are $3.00 at ANC and $4.50 at FAI. During the years ended June 30, 2021 and 2020, respectively, the Airports System recognized approximately $4.7 and $6.8 million in PFC revenues. Effectively all ANC and FAI PFC annual collections at current levels are dedicated to annual debt service under current applications scheduled to expire the earlier of 2026 or upon collection of the approved application amounts.

15. Contingencies

In the normal course of its activities, the Airports System is involved in the defense of various claims and litigation.

The Airports System's leases with its tenants include provisions requiring the tenant to indemnify the Airports System for any damage to property or losses to the Airports System as a result of the tenant's operations. Accordingly, in the opinion of management, any tenant environmental remediation plans and final disposition are not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Airports System. In Fiscal Year 2017, the Fairbanks International Airport (FAI) was alerted to the presence of per- and polyfluoroalkyl substances (PFAS) in the ground water at their Aircraft Rescue and Firefighting Training Areas in concentrations higher than U.S. Environmental Protection Agency's preliminary healthy advisory levels. In cooperation with the Alaska Department of Environmental Conservation (ADEC), FAI hired an environmental consultant to identify and sample private water wells near the airport to determine if these compounds are present and above health advisory levels outside airport property.

In FY2020, ANC entered into a Compliance Order By Consent (COBC) agreement with the State of Alaska's Department of Environmental Conservation (ADEC) regarding discharge of storm water effluent discharge related to airport operations at ANC stormwater discharge Outfall D, located near Point Woronzof. The COBC resulted in suspended civil penalties of $1.14 million dollars, with the suspension contingent upon ANC's compliance with the terms of the COBC, including successfully developing and implementing a plan to address the foaming within five years. ANC submitted its first report to ADEC in October 2020 regarding its plan to address the issue in conformance with the agreement and the ADEC subsequently extended the study period for the Outfall D to allow for better analysis of the foaming problem.

The Airports System participates in the State's risk management and self-insurance program for property, casualty and workers' compensation, and specialty coverages. The Division of Risk Management (Risk Management) acts as the insurance carrier for each State agency, funding all sudden and accidental property and casualty claims. Risk Management allocates annual premiums to each State agency through a cost of the risk premium allocation system. Risk Management has purchased excess insurance coverage to maintain the self-insurance risk at an acceptable level for the State.

Given the relatively large amount of capital project activity occurring annually, the Airports System periodically receives assertions of claims from its contractors regarding capital project activity related to matters such as cost over-runs, delays, and changed conditions. The Airports System believes it has strong defenses to all such currently asserted claims, and has not concluded the likelihood of an unfavorable outcome to be either remote or probable for any material amount related to such claims which total approximately $1.0 million in the aggregate at the end of fiscal year 2021.

Impact of COVID-19 Pandemic on the Airports System

The COVID-19 outbreak (Pandemic) significantly disrupted and continues to have a substantial impact on global national economies as well as the Airports System since the Pandemic began in mid-Fiscal Year 2020 through Fiscal Year 2021. The full economic impact of the Pandemic on the Airports System and airlines utilizing the Airports System is currently difficult to predict. The Airports System experienced similarly significant reductions of passenger movements at both ANC and FAI in FY2020 and FY2021 as were experienced by most airports in the United States and globally. However, the Airports System (especially at ANC) also experienced a significant surge in cargo airline activity dislocations and disruptions in global supply chain activities resulting from the Pandemic.

Like most airports globally, the Airports System experienced significant reductions in passenger airline operations and passenger throughput volumes since the mid-March 2020 onset of the Pandemic. The largest reduction in Airports System passenger movements occurred in April 2020, where airline reported passenger enplanements declined approximately 88.9% from their April 2019 level. Relatively consistent with most airports in the United States, the rate of monthly enplanement recovery has had slow but steady improvement since onset of the Pandemic, with the Airports System passenger movements returning to monthly levels nearing approximately 85% – 90% of same-month FY19 levels by the end of Fiscal Year 2021.

The Airports System has served as an international and intra-state cargo airline operations support facility for several decades. The Pandemic has reduced trans-Pacific international passenger airline operations significantly as well as increasing cargo airline activity substantially over the same period. Global demand attributable to increased e-commerce product demand and global supply chain dislocations have resulted in increased Airports System "pure freighter" cargo airline activity, primarily at ANC. The increase in cargo CMGTW activity has partially offset the Pandemic induced decline in passenger airline activity on airfield, terminal, and concession revenue streams. Overall airline CMGTW increased 13.2% and 5.1% in FY2021 and FY2022, respectively.

In response to the Pandemic, the Airports System has implemented more rigorous cleaning and other operational and public health related measures. In Fiscal Year 2020, the Airports System also implemented certain airline, concessionaire, and lease tenant payment deferral plans to help mitigate initial Pandemic related cash flow concerns. The support consisted of conditional deferral of payments/rents for the months of April, May, and June 2020 – with payment deferred until August 2020. Pandemic relief was also afforded Airports System airlines and tenants by the Governor of Alaska's order effectively waiving Airports System concession rents for the month of April 2020. Most Airports System concession lease agreements contain provisions for waiver of minimum monthly concession payment requirements in months where airport passenger enplanement levels declined significantly, typically by approximately 25 percent relative to the average of the same month over the prior three years. Those waiver provisions were in effect for most concessionaire agreements from April 2020 through April 2021.

Federal Aid Related to COVID-19

The Airports System applied for and received approval for participation in the Federal Aviation Administration (FAA) administered Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Coronavirus Response and Relief Act (CRRSAA), and airport rescue grants as part of the American Rescue Plan Act of 2021 (ARPA) airport grant programs. Pandemic relief grant funds totaling $103.8 million were made available to the Airports System for reimbursement of eligible costs by individual program in the amounts of $33.1 million (CARES Act), $18.3 million (CRRSAA), and $52.4 million (ARPA). The Airports System recognized $13.1 million and $9.9 million of the grant funds as contributed capital in Fiscal Years 2021 and 2022, respectively. In Fiscal Year 2021, the Airports System further contributed $3.1 million of pandemic relief grant funds received to pay debt service on the bonds issued for conduit financing of ANC Consolidated Rental Car Facility (RAC) to help mitigate a significant Pandemic related increases to the facility's Customer Facility Charge (CFC) rate. The remaining available grant funds are anticipated to be used by the Airport System to mitigate the impact of the Pandemic in by applying for reimbursement of $25 million dollars in debt service defeasance cost and $20 million of eligible operating costs in Fiscal Year 2022, and $20 million and $15.8 million of eligible operating costs in Fiscal Years 2023 and 2024, respectively.

Required Supplementary Information

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Airports System's Proportionate Share of the Net Pension Liability

Years Ended June 30,	Airports System's Proportion of the Net Pension Liability	Airports System's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.02885429	$ 59,728,508	$ 24,715,641	$ 84,444,149	$ 32,268,143	185.10%	61.61%
2020	0.02899832	$ 57,114,812	$ 22,679,186	$ 79,793,998	$ 31,931,728	178.87%	63.42%
2019	0.02767591	$ 53,378,549	$ 15,459,862	$ 68,838,411	$ 30,259,187	176.40%	65.19%
2018	0.02812401	$ 54,169,758	$ 20,181,773	$ 74,351,531	$ 29,451,708	183.93%	63.37%
2017	0.02773600	$ 72,276,181	$ 9,107,244	$ 81,383,425	$ 28,644,435	252.32%	59.55%
2016	0.01090483	$ 52,541,599	$ 13,865,223	$ 66,406,822	$ 28,560,244	183.97%	63.96%
2015	0.01411333	$ 35,285,936	$ 30,540,584	$ 65,826,520	$ 13,189,609	267.53%	62.37%
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System Pension Plan

Schedule of Airports System's Contributions - Pension Plan

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 3,473,892	$ 3,473,892	$ -	$ 32,268,143	10.77%
2020	$ 3,738,388	$ 3,738,388	$ -	$ 31,931,728	11.71%
2019	$ 3,789,090	$ 3,789,090	$ -	$ 30,637,193	12.37%
2018	$ 4,768,695	$ 4,768,695	$ -	$ 30,259,187	15.76%
2017	$ 4,164,501	$ 4,164,501	$ -	$ 29,451,708	14.14%
2016	$ 3,669,966	$ 3,669,966	$ -	$ 28,644,435	12.81%
2015	$ 3,673,359	$ 3,673,359	$ -	$ 28,560,244	12.86%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Airports System's Proportionate Share of the Net OPEB Liability (Asset) - ARHCT

Years Ended June 30,	Airports System's Proportion of the Net OPEB Liability	Airports System's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	2.899832%	$ (4,581,667)	$ (1,903,771)	$ (6,485,438)	$ 30,069,574	-15.24%	106.15%
2020	2.899832%	$ 1,548,033	$ 615,499	$ 2,163,532	$ 30,637,193	5.05%	98.13%
2019	2.767605%	$ 11,022,549	$ 3,199,685	$ 14,222,234	$ 30,259,187	36.43%	88.12%
2018	1.048044%	$ 3,299,234	$ 1,230,042	$ 4,529,276	$ 29,451,708	11.20%	89.68%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan

Schedule of Airports System's Contributions - ARHCT

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 1,771,518	$ 1,771,518	$ -	$ 31,931,728	5.55%
2020	$ 1,493,453	$ 1,493,453	$ -	$ 30,069,574	4.97%
2019	$ 1,366,135	$ 1,366,135	$ -	$ 30,637,193	4.46%
2018	$ 1,485,238	$ 1,485,238	$ -	$ 30,259,187	4.91%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Airports System's Proportionate Share of the Net OPEB Liability (Asset) - RMP

Years Ended June 30,	Airports System's Proportion of the Net OPEB Liability (Asset)	Airports System's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	2.885429%	$ (99,242)	$ -	$ (99,242)	$ 30,069,574	-0.33%	95.23%
2020	2.899832%	$ 338,792	$ -	$ 338,792	$ 30,637,193	1.11%	83.17%
2019	2.767597%	$ 172,181	$ -	$ 172,181	$ 30,259,187	0.57%	88.71%
2018	1.010124%	$ 26,154	$ -	$ 26,154	$ 29,451,708	0.09%	93.98%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of Airports System's Contributions - RMP

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 233,462	$ 233,462	$ -	$ 31,931,728	0.73%
2020	$ 236,464	$ 236,464	$ -	$ 30,069,574	0.79%
2019	$ 153,900	$ 153,900	$ -	$ 30,637,193	0.50%
2018	$ 34,999	$ 34,999	$ -	$ 30,259,187	0.12%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Airports System's Proportionate Share of the Net OPEB Asset - ODD

Years Ended June 30,	Airports System's Proportion of the Net OPEB Liability (Asset)	Airports System's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2021	2.885429%	(387,560)	$ -	$ (387,560)	$ 30,069,574	-1.29%	283.80%
2020	2.899832%	$ (349,404)	$ -	$ (349,404)	$ 30,637,193	-1.14%	297.43%
2019	2.767601%	$ (262,798)	$ -	$ (262,798)	$ 30,259,187	-0.87%	270.62%
2018	1.396341%	$ (98,369)	$ -	$ (98,369)	$ 29,451,708	-0.33%	212.97%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of Airports System's Contributions - ODD

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 37,401	$ 37,401	$ -	$ 31,931,728	0.12%
2020	$ 67,732	$ 67,732	$ -	$ 30,069,574	0.23%
2019	$ 66,428	$ 66,428	$ -	$ 30,637,193	0.22%
2018	$ 153,116	$ 153,116	$ -	$ 30,259,187	0.51%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

1. Public Employees' Retirement System – Schedule of the Airports System's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

In 2020, the discount rate was lowered from 8% to 7.38%.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Airports System will present only those years for which information is available.

2. Public Employees' Retirement System - Schedule of the Airports System's Contributions – Pension Plan

This table is based on the Airports System's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information to be presented. However, until a full ten years of information is available, the Airports System will present only those years for which information is available.

3. Public Employees' Retirement System - Schedule of the Airports System's Proportionate Share of the Net OPEB Liability (Asset) – ARHCT, RMP and ODD Plans

This table is presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

5. Per capita claims costs were updated to reflect recent experience.
6. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.
7. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.
8. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

In 2020, the discount rate was lowered from 8% to 7.38%.

In 2020, an Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in largest projected subsidies to offset the cost of prescription drug coverage.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the Airports System will present only those years for which information is available.

4. Public Employees' Retirement System - Schedule of Airports System's Contributions – ARHCT, RMP and ODD Plans

These tables are based on the Airports System's contributions for each fiscal year presented. These contributions have been reported as deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information to be presented. However, until a full ten years of information is available, the Airports System will present only those years for which information is available.

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Supplementary Information

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Combining Schedules of Revenues, Expenses and Changes in Fund Net Position

	2021			2020		
Years Ended June 30,	Anchorage	Fairbanks	Total	Anchorage	Fairbanks	Total
Operating Revenues						
Airfield operations:						
Landing fees	$ 52,082,765	$ 1,040,742	$ 53,123,507	$ 60,031,846	$ 1,895,509	$ 61,927,355
Fuel flowage fees	24,044,469	191,557	24,236,026	20,725,921	242,333	20,968,254
Aircraft docking fees	247,978	33,133	281,111	252,114	339,347	591,461
Aircraft parking fees	4,226,867	207,316	4,434,183	3,843,914	213,113	4,057,027
Federal inspection fees	1,070,977	1,203	1,072,180	1,124,529	50,692	1,175,221
Aircraft ramp rent	1,038,951	153,035	1,191,986	1,111,531	191,272	1,302,803
Concession fees	7,649,690	1,877,427	9,527,117	11,508,048	2,308,481	13,816,529
Terminal rents	11,542,818	2,294,870	13,837,688	15,503,438	2,707,484	18,210,922
Vehicle parking fees	4,846,522	1,147,829	5,994,351	6,027,533	1,475,725	7,503,258
Land rental fees	6,681,940	985,537	7,667,477	6,280,220	959,874	7,240,094
Airline bad debt	-	-	-	-	-	-
Airline bad debt	(505,725)	-	(505,725)	(477,324)	-	(477,324)
Other	869,897	247,747	1,117,644	349,240	39,188	388,428
Total Operating Revenues	113,797,149	8,180,396	121,977,545	126,281,010	10,423,018	136,704,028
Facilities	24,287,698	4,127,243	28,414,941	22,462,006	6,193,862	28,655,868
Field and equipment maintenance	17,453,244	4,372,989	21,826,233	17,218,330	2,563,383	19,781,713
Safety	10,712,898	4,258,091	14,970,989	8,516,931	3,839,887	12,356,818
Administration	8,565,828	2,949,567	11,515,395	10,167,976	3,384,388	13,552,364
Operations	5,026,802	1,046,412	6,073,214	3,820,437	953,430	4,773,867
Environmental expenses	688,320	639,957	1,328,277	2,648,813	(332,719)	2,316,094
Vehicle parking and curbside services	1,464,183	-	1,464,183	2,063,825	-	2,063,825
Risk management	1,070,686	202,799	1,273,485	1,255,013	259,660	1,514,673
Depreciation and amortization	62,943,709	14,113,046	77,056,755	61,305,881	13,272,251	74,578,132
Total Operating Expenses	132,213,368	31,710,104	163,923,472	129,459,212	30,134,142	159,593,354
Operating Loss	(18,416,219)	(23,529,708)	(41,945,927)	(3,178,202)	(19,711,124)	(22,889,326)
Nonoperating Revenues (Expenses)						
Investment income	300,497	-	300,497	5,631,219	-	5,631,219
Interest expense	(11,639,751)	-	(11,639,751)	(12,922,954)	-	(12,922,954)
Grants	35,609	-	35,609	57,223	-	57,223
Gain/(loss) on disposal of capital assets	246,996	30,851	277,847	112,953	6,780	119,733
Reimbursable services income	385,093	127,120	512,213	744,739	272,596	1,017,335
Reimbursable services expense	(385,093)	(127,120)	(512,213)	(744,739)	(272,596)	(1,017,335)
Net Nonoperating Revenues (Expenses)	(11,056,649)	30,851	(11,025,798)	(7,121,559)	6,780	(7,114,779)
Loss before Capital Contributions and Transfers	(29,472,868)	(23,498,857)	(52,971,725)	(10,299,761)	(19,704,344)	(30,004,105)
Capital Contributions						
Transportation Safety Administration	3,790,921	-	3,790,921	47,273	(650)	46,623
Capital contributions - other	452,100	-	452,100	3,444,873	-	3,444,873
CARES Act	11,923,510	1,176,490	13,100,000	9,942,200	-	9,942,200
CARES Act - RAC	(3,100,000)	-	(3,100,000)	-	-	-
Federal Aviation Administration	23,166,833	16,276,814	39,443,647	25,671,058	803,824	26,474,882
Passenger Facility Charges	3,550,416	1,105,972	4,656,388	5,467,333	1,335,646	6,802,979
Total Capital Contributions	39,783,780	18,559,276	58,343,056	44,572,737	2,138,820	46,711,557
Change in Net Position	$ 10,310,912	$ (4,939,581)	$ 5,371,331	$ 34,272,976	$ (17,565,524)	$ 16,707,452

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Independent Auditor's Report on the Schedule of Net Revenues in Excess of Net Revenues Required

State of Alaska Department of Transportation
and Public Facilities
Juneau, Alaska

Report on the Schedule of Net Revenues in Excess of Net Revenues Required

Opinion

We have audited the financial statements of the State of Alaska International Airports System (Airports System) (an Enterprise Fund of the State of Alaska), as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Airports System's basic financial statements as listed in the table of contents and have issued our report thereon dated February 11, 2022. We have also audited the accompanying Schedule of Net Revenues in Excess of Net Revenues required of the State of Alaska International Airports System for the years ended June 30, 2021 and 2020.

In our opinion, the accompanying schedule presents fairly, in all material respects, the excess of net revenues as defined in Section 1.01 of Resolution 99-01 of the State Bond Committee of the State of Alaska regarding revenues required as defined in Section 4.10 of Resolution 99-01 of the State Bond Committee of the State of Alaska for the years ended June 30, 2021 and 2020, in accordance with the provisions of Resolution 99-01 of the State Bond Committee of the State of Alaska.

Basis for Opinion

We conducted our audit of the accompanying schedule in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the provisions of Resolution 99-01 of the State Bond Committee of the State of Alaska. Our responsibilities under those standards and the State Bond Committee of the State of Alaska are further described in the Auditor's Responsibilities for the Schedule of Net Revenues in Excess of Net Revenues Required section of our report.

We are required to be independent of the Airports System's and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Airports System's compliance with the provisions of Resolution 99-01 as referred to above.

Responsibilities of Management for the Schedule of Net Revenues in Excess of Net Revenues Required

Management is responsible for the preparation and fair presentation of this schedule in accordance with Section 1.01 of Resolution 99-01 of the State Bond Committee of the State of Alaska regarding net revenues required as defined in Section 4.10 of Resolution 99-01 of the State Bond Committee of the State of Alaska.

Auditor's Responsibilities

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airports System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airports System's ability to continue as a going concern for a reasonable period of time.

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

BDO USA, LLP

Anchorage, Alaska
February 11, 2022

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Schedules of Net Revenues in Excess of Net Revenues Required

Years Ended June 30,	2021	2020
Net Revenues, as defined in Section 1.01 of Resolution 99-01 of the State Bond Committee of the State of Alaska:		
Revenues:		
Operating revenues	$ 121,977,545	$ 136,704,028
CARES Act Grant	10,000,000	9,942,200
Passenger facility charges applied to debt service	5,200,000	8,450,000
Investment income	300,497	5,631,219
Total revenues	137,478,042	160,727,447
Maintenance and operation costs	163,923,472	159,593,354
Noncash adjustments:		
Depreciation	(77,056,755)	(74,578,132)
Total adjusted maintenance and operation costs	86,866,717	85,015,222
Net Revenues	50,611,325	75,712,225
Net Revenues Required, as defined in Section 4.10 of Resolution 99-01 and Resolution 99-07 of the State Bond Committee of the State of Alaska:		
Scheduled debt service payments	28,287,321	29,709,119
Debt service on bonds during fiscal year	28,287,321	29,709,119
Minimum revenue requirement factor	1.25	1.25
Net Revenues Required	35,359,151	37,136,399
Net Revenues in Excess of Net Revenues Required	$ 15,252,174	$ 38,575,826

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Independent Auditor's Report on Compliance with Bond Covenants Based on the Audit of the Financial Statements

State of Alaska Department of Transportation
and Public Facilities
Juneau, Alaska

Report on Compliance with Bond Covenants Based on the Audit of the Financial Statements

We have audited the accompanying financial statements of the State of Alaska International Airports System (Airports System) (an Enterprise Fund of the State of Alaska) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Airports System's basic financial statements as listed in the table of contents and have issued our report thereon dated February 11, 2022.

Other Reporting Matters

In connection with our audit, nothing came to our attention that caused us to believe that the State of Alaska International Airports System failed to comply with the terms, covenants, provisions, or conditions of the following sections of Resolution 99.01 of the State Bond Committee of the State of Alaska, relating to the State of Alaska International Airports System Revenue Bond Series 1999A, 2006A, 2009A, 2010A, 2010B, 2010C, 2010D, 2016A, 2016B, 2016C, and 2016D:

Section	Subject Matter
4.01	Punctual Payment
4.02	Against Sale or Other Disposition of Airports
4.03	Maintenance and Operation of Airports
4.04	Payment of Claims
4.05	Insurance
4.06	Books and Accounts; Financial Statements
4.07	Protection of Security and Rights of Parity Bond Owners
4.08	Maintenance of Registrar
4.09	Eminent Domain Proceeds
4.10	Rate Covenant
4.11	Further Assistance

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

BDO USA, LLP

Anchorage, Alaska
February 11, 2022