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

Financial Statements and Supplementary Information
Year Ended June 30, 2023

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

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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 Airport System (Airport System), an enterprise fund of the State of Alaska, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Airport 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 Airport System, as of June 30, 2023, and the respective changes in financial position for the year 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 Airport 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 Airport System ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 Airport 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 Airport 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 20, 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 64 through 73 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport System's basic financial statements. The accompanying Combining Schedules of Revenues, Expenses, and Changes in Fund Net Position and Schedules of Net Revenues in Excess of Net Revenues Required are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying Combining Schedules of Revenues, Expenses, and Changes in Fund Net Position and Schedules of Net Revenues in Excess of Net Revenues Required is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report July 31, 2024 on our consideration of the Airport 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 Airport 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 Airport System's internal control over financial reporting and compliance.

BDO USA, P.C.

Anchorage, Alaska
July 31, 2024

Management’s Discussion and Analysis

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

Management's Discussion and Analysis
(Unaudited)

This Management's Discussion and Analysis (MD&A) is an executive summary of the financial performance and activity of the State of Alaska, Alaska International Airport System (Airport System or AIAS). It provides an introduction and understanding of the Airport System's basic financial statements for the fiscal year ended June 30, 2023, with selected comparable data for the fiscal year ended June 30, 2022. Management has intended that the MD&A be read in conjunction with the basic financial statements, notes, and supplementary information found in this report. This information, taken collectively, is designed to provide the reader with an understanding of the AIAS' finances.

The Airport System is a major enterprise 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 monies received by the AIAS for rents and fees are deposited into the International Airport Revenue Fund (IARF), which is the primary fund for which this financial report is presented. Though the AIAS is a state government organization and presented within the State's government financial statements, it is a governmental enterprise fund that operates and accounts for financial inflows and outflows associated with its activities in a manner similar to private businesses, and its services are primarily self-supporting through user charges and fees. The IARF is structured as a single enterprise fund that uses accrual accounting, similar to private sector businesses, which means revenues are recognized when earned, and expenses are recognized when incurred. This method provides a more complete picture of the financial performance and condition of the fund. Capital asset costs, apart from land and construction in progress, are capitalized and depreciated over the assets' useful lives. Certain net position balances are restricted for debt service, construction activities, and major maintenance activities.

The Airport System's financial report includes four parts: MD&A, basic audited financial statements and associated notes, required supplementary information, and other information. The AIAS financial report is prepared in accordance with accounting principles generally accepted in the United States of America set by the Governmental Accounting Standards Board (GASB). One of GASB's key objectives is to develop reporting standards "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."

Three financial statements comprise the basic financial statements and associated notes of the AIAS financial report: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows:

1. The Statement of Net Position includes all AIAS assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) as well as obligations to creditors and investors (liabilities). This statement also provides the basis for evaluating the capital structure of the AIAS and assessing liquidity and financial flexibility.

2. The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues and expenses, and nonoperating revenues and expenses of the AIAS for the fiscal year with the difference, net income or loss, being combined with any capital contributions to arrive at the change in net position for the fiscal year. This statement captures the amount of operating revenue that the AIAS earned for the fiscal year along with the amount of operating expense that was incurred during the same period thus revealing whether the AIAS was able to cover its operating obligations with its operating income.

3. The Statement of Cash Flows provides information about the AIAS' cash and cash equivalents, receipts, and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, and capital and noncapital financing activities and provides insight regarding sources providing cash and cash equivalents, activities using cash and cash equivalents, and the AIAS' ability to manage its inflows and outflows of cash.

These three statements are followed by Notes to the Financial Statements (Notes) that provide additional information necessary for the reader to fully understand the data provided in the financial statements. The Notes immediately follow the Statement of Cash Flows on pages 28-62.

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information required by GASB concerning the State of Alaska's progress in funding its obligations to provide pension and Other Postemployment Benefits (OPEB) benefits to its employees. Required Supplementary Information can be found immediately after the Notes on pages 76-81.

Financial Statement Highlights

The AIAS Financial Report reflects a stable debt profile, secured reserves, resilient activity, and a flexible capital program. Fiscal year 2023 financial highlights include successful completion of negotiations of a new, 10-year, fully residual AIAS Operating Agreement and Passenger Terminal Lease (OAPTL). Thirty-three air carriers executed the OAPTL that was effective July 1, 2023, further stabilizing AIAS' market position. AIAS' realization of $43,723 thousand in capital contributions through federal grant programs and Passenger Facility Charges (PFCs) had a positive effect on the Airport System's net position at the end of fiscal year 2023. Fiscal year 2023 showed continued flexibility in its capital program and highly predictable debt requirements due to the prior year's defeasement of all variable rate debt.

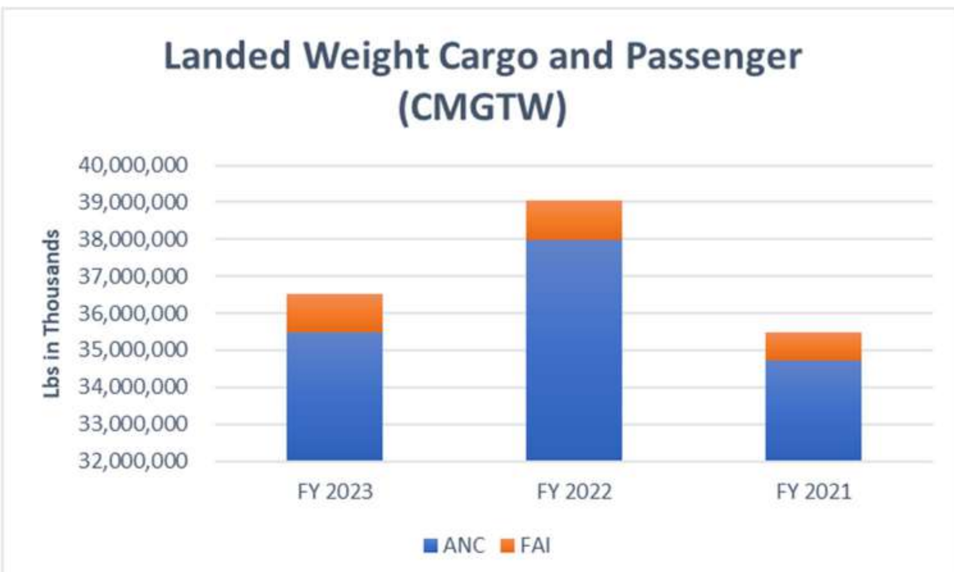
Activity Highlights

The AIAS is uniquely located in the northern hemisphere to be within 9.5 hours flight time of the industrialized world. This geographic location, coupled with reasonable fees to carriers, establishes the AIAS airports as advantageous technical stopping points for air cargo carriers traveling from Asia to North America along the Great Circle Route. Operating under this cargo technical stop business model, whereby cargo aircraft landings are the primary activity, is different from airports for which passenger operations and enplanements drive the primary business model, which are the determining factors for calculating the Cost Per Enplanement (CPE) metric. The AIAS Landing Fee is one of the most relevant key metrics for AIAS, in addition to the CPE metric. Landings at AIAS are measured as Landed Weight using aircraft Certified Maximum Gross Takeoff Weight (CMGTW) as the unit of measure.

After experiencing double-digit percentage increases in fiscal years 2021 and 2022, in fiscal year 2023, AIAS experienced a 6.5% decrease from fiscal year 2022 in Combined Landed Weight of cargo and passenger carriers. The decrease was expected as the second half of fiscal year 2022 showed monthly percentage increases dropping to single digits. As more passenger flights returned to AIAS, so did "belly cargo," meaning cargo carried in the bellies of passenger aircraft versus all-cargo aircraft. As cargo moved to the bellies of lighter weight passenger aircraft, the need for more and heavier all-cargo aircraft decreased, thus so did CMGTW.

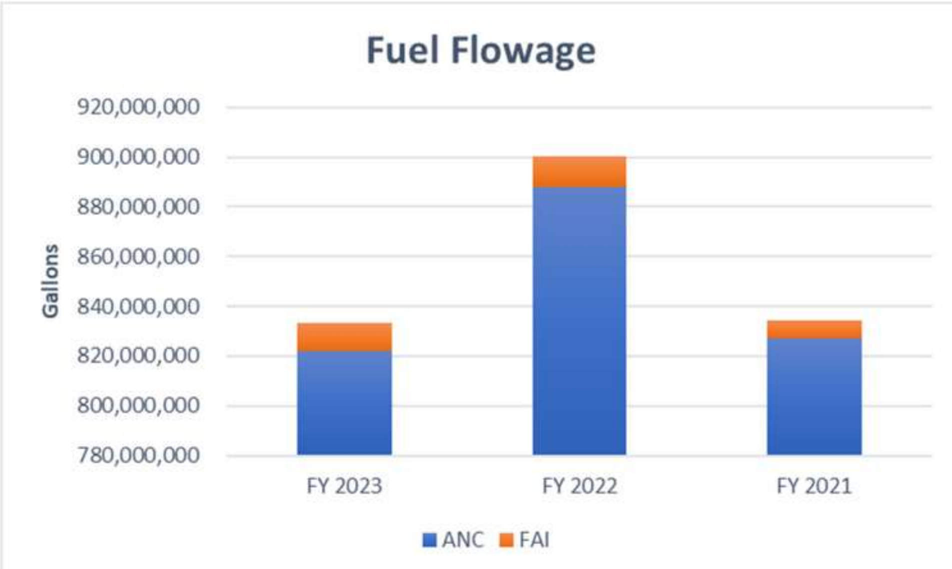
Figure 1 shows the Combined Landed Weight of Cargo and Passenger aircraft for fiscal years 2023, 2022, and 2021 for both AIAS airports.

Figure 1 - AIAS Combined Landed Weight of Cargo and Passenger Carriers



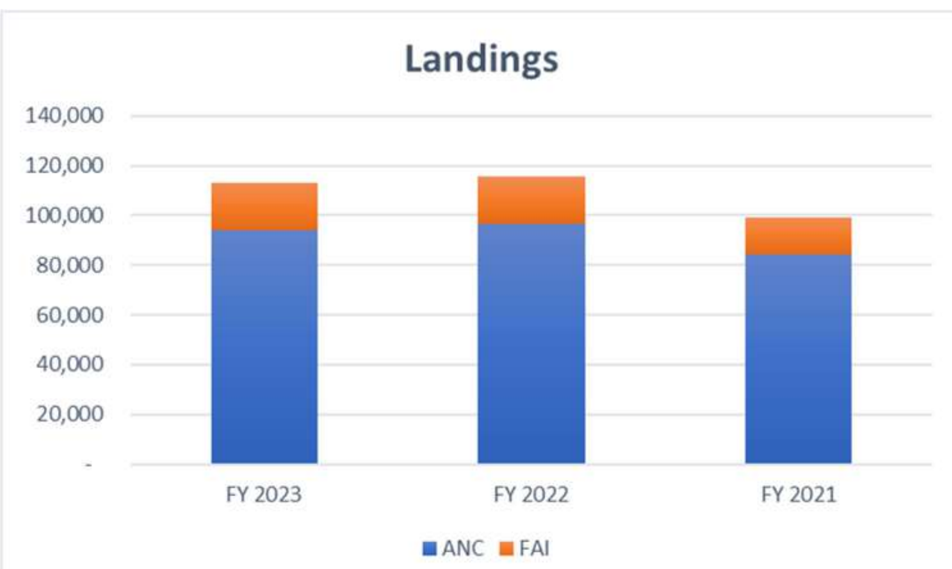
Closely related to Landed Weight activity is Fuel Flowage activity. In fiscal year 2023, Fuel Flowage activity decreased 7.5% from fiscal year 2022 activity. Figure 2 shows Fuel Flowage in gallons for the AIAS airports.

Figure 2 - AIAS Fuel Flowage (Gallons)



Though combined AIAS cargo and passenger aircraft landings also decreased in fiscal year 2023, the decrease was minimal at 2.1% compared to fiscal year 2022. Landings experienced a smaller decrease than CMGTW and Fuel, because landings relate directly to the number of aircraft landing regardless of the size of those aircraft, as opposed to CMGTW and Fuel Flowage measurements which are directly related to aircraft size. Increases in the number of passenger flights offset decreases in the number of all cargo flights, thereby AIAS Landings were less affected than were Landed Weight and Fuel Flowage. Figure 3 shows AIAS Landings for fiscal years 2023, 2022, and 2021.

Figure 3 - AIAS Combined Cargo and Passenger Landings



AIAS passenger carrier activity is measured by enplanements. AIAS passenger activity is integral to statewide economic health given the many businesses in Alaska that rely on tourism as their primary revenue source. As Origination and Destination (O&D) and intra-Alaska passenger and cargo hub airports, AIAS airports weathered better and recovered more quickly from the COVID-19 Pandemic (Pandemic) than many other U.S. airports, especially those reliant on international travel. Though still not fully recovered to fiscal year 2019 pre-pandemic levels of 3,404,859 enplanements, the highest in AIAS history since the opening of Russian airspace, AIAS airports are seeing the favorable impacts of returning cruise, international, and intra-state travelers. The fiscal year 2023 was 95.6% of the fiscal year 2019 Enplanements and a 5.6% increase over the fiscal year 2022. Alaska's promotion of wide-open spaces, wilderness, national parks, and friendliness to outdoor travelers continues to favor strong, steady passenger growth. Figure 4 shows AIAS Passenger Enplanements for fiscal years 2023, 2022, and 2021.

Figure 4 - AIAS Passenger Enplanements

As AIAS moves through fiscal year 2024, it is experiencing better-than-expected increases in all activities. Combined Landed Weight year-to-date through April 2024 is up 3.8%, and Fuel Flowage is up 1.6% compared to fiscal year 2023, indicating consumers' continued reliance on e-commerce and on-demand delivery as well as travelers' continued desire to visit Alaska. Landings are up 6.7% year-to-date over fiscal year 2023 indicating strong cargo and passenger operations. For the same period, Enplanements are up 4.3% to fiscal year 2023, and new service routes for both airports starting in summer 2024 bode well for meeting or exceeding AIAS' fiscal year 2019 pre-Pandemic Enplanements of 3.4 million. While many factors out of AIAS' control, such as continued high inflation and political unrest both at home and abroad can negatively impact AIAS activity levels, the Airport System remains cautiously optimistic given the current fiscal year 2024 trends.

Financial Analysis

Fiscal year 2023 for the AIAS was a year of recalibration of activity and stabilization of its business and operations through finalizing its OAPTL, leveraging outstanding federal Pandemic Relief funding, augmenting its workforce, and maximizing available federal capital grant monies for the benefit of its carriers and itself. Working through these initiatives resulted in AIAS increasing its Net Position in fiscal year 2023 by $22,030 thousand, stabilizing and decreasing long-term debt profile, leveraging its assets, and managing its liabilities. Additionally, by managing expenses in relationship to anticipated revenues, AIAS earns a portion of the noncapital funding from operational revenues and invests it in capital assets. Having noncapital cash on hand allows projects to be initiated, which are later reimbursed by capital funding. AIAS' financial management resulted in a bond rating upgrade from A1 to Aa3 with a revised outlook to stable from positive.

Activity-generated revenue increased as did expenses. Continued passenger and cargo activity stabilization post-Pandemic contributed to the increased revenue. Intensified efforts to weather workforce challenges; vacillating fuel costs; and rising costs for materials, chemicals, and utilities all caused expenses to increase. Though expenses outweighed revenues, operations and maintenance costs were substantively offset by leveraging $39,099 thousand Pandemic Relief dollars in fiscal year 2023, and by realizing a fiscal year 2023 $10,455 thousand increase in investment income over fiscal year 2022. Total capital contributions for fiscal year 2023 were $43,723 thousand. The total capital contributions difference of $27,745 thousand between fiscal year 2023 and fiscal year 2022 is mainly attributed to a $13,274 thousand decrease in capital project costs eligible for FAA reimbursement, an $11,489 thousand FAA capital contributions reclassification in fiscal year 2022 which did not exist in fiscal year 2023, and a $2,489 thousand reduction in reimbursement from TSA for ANC Post 9-11 security project expenditures. Together, non-operating revenues, including Pandemic Relief dollars and investment income and capital contributions, including Airport Improvement Program (AIP) grant and Passenger Facility Charge (PFC) monies, resulted in a fiscal year 2023 AIAS' Net Position increase of $22,030 thousand over fiscal year 2022.

A review of the Combining Schedules of Revenues, Expenses and Changes in Fund Net Position shows the financial impacts of fiscal year 2023 compared to fiscal year 2022 for each of the AIAS airports. ANC is the busiest airport in Alaska for both passenger and cargo activity. FAI is the diversionary airport for ANC trans-Pacific cargo flights and a cargo and passenger hub for northern Alaska communities. To maintain the reliability and viability of the Airport System core business—that of a trans-Pacific cargo carrier technical stop--FAI's operations must mimic ANC's, despite the significantly lower traffic, thus FAI's expenses are higher than its revenues.

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Net Position

The statement of net position represents the Airport System's financial position at the end of a fiscal period. It presents the AIAS' assets and liabilities and the differences between those categories, or net position. Net Position discloses AIAS' ability to manage assets and liabilities, invest in essential infrastructure, maintain financial flexibility, and ensure long-term sustainability. A strong Net Position is a clear indicator of sound financial management and a robust fiscal outlook. A summarized comparison of the Airport System's assets, liabilities and net position in thousands as of June 30, 2023, and 2022, is:

June 30, (in thousands)	2023	2022
Assets and Deferred Outflows		
Current assets	$ 238,339	$ 199,976
Noncurrent assets:		
Capital assets, net of accumulated depreciation (Note 6)	1,087,906	1,120,604
Other noncurrent assets	115,240	127,826
Deferred outflows – pension/OPEB related	11,815	13,102
Total Assets and Deferred Outflows of Resources	**$ 1,453,300**	**$ 1,461,508**
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities	$ 36,029	$ 32,456
Noncurrent liabilities – long-term debt outstanding and other liabilities	351,739	335,385
Total liabilities	387,768	367,841
Deferred inflows of resources:		
Pension and other postemployment benefit related	2,474	42,243
Lease related	25,218	35,534
Deferred amount of bond refunding	983	1,063
Total deferred inflows of resources	28,675	78,840
Net position:		
Net investment in capital assets (Note 6)	845,972	869,359
Restricted (Note 4)	52,745	42,734
Unrestricted	138,140	102,734
Total net position	1,036,857	1,014,827
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 1,453,300**	**$ 1,461,508**

Total current assets increased $38,363 thousand, or 19.2%, in fiscal year 2023 from fiscal year 2022. The net increase was primarily due to receiving airline rents and fees for capital projects in advance of construction. In addition, the balance in federal grants receivable increased due to delays in processing reimbursement submittals due to staffing issues at the State level, and an increase in PFC cash. The sum of these increases was reduced mainly by a decrease in the Due from State of Alaska General Fund fiscal year 2022 balance as a result of an increase in the fiscal year 2023 allocation of reimbursements to AIAS capital projects, and a reduction in Lease Receivable driven mainly by the fiscal year 2023 lease amortization adjusted by the portion of noncurrent Lease Receivable reclassified to current Lease Receivable at fiscal year ended 2023. Fiscal year 2023 noncurrent assets decreased $45,284 thousand, or -3.6% from fiscal year 2022, primarily due to changes in capital assets, net of accumulated depreciation, and to a lesser extent, due to reductions in Net other post-employment benefit (OPEB) Asset due to a decrease in Net Pension Obligation Deferred Contribution (Deferred Outflow), and noncurrent Lease Receivable. The net change from the fiscal year 2022 to the fiscal year 2023 of total assets was de minimus at -0.5%.

Though deferred outflows of resources decreased 9.8% in fiscal year 2023 from fiscal year 2022, the decrease did not contribute significantly to the overall change in total assets and deferred outflows of resources which remained essentially flat between fiscal years 2023 and 2022, at -0.6%.

The Airport System's total liabilities are comprised substantially of long-term debt incurred to finance and acquire the AIAS' capital project assets; current liabilities represent approximately 9.3% of total liabilities. Fiscal year 2023's current liabilities increased $3,573 thousand, or 11.0%, from fiscal year 2022 primarily attributed to the $3,755 thousand, or 61.8%, increase in revenue bonds payable that are due in fiscal year 2024. Noncurrent liabilities increased a net $16,354 thousand, or 4.9%, primarily caused by an increase in net pension liability totaling $24,591 thousand (45.6%); however, the increase in the net pension liability is offset partially by a decrease in bonds payable and unamortized bond premium totaling $13,738 thousand in fiscal year 2023 from fiscal year 2022.

Fiscal year 2022 deferred inflows of resources decreased ($50,165) thousand, or -63.6%, attributed substantially to the decrease of pension and OPEB related costs of $39,769 thousand, and a $10,316 thousand, or -29.0%, decrease in GASB 87 deferred lease revenues. See Note 10 Pension and OPEB and 11 Leases for additional details.

As of June 30, 2023, AIAS' net decrease in Total Liabilities, Deferred Inflows of Resources, and Net Position is $8,208 thousand, or -0.6%, less than on June 30, 2022.

AIAS's Net investment in capital assets is reported net of related debt and decreased $23,386 thousand (2.7%) in fiscal year 2023 from fiscal year 2022. The main contributing factor to this decrease is the net $32,698 thousand decrease in capital investment, attributable to increases in Infrastructure and construction projects in progress as of the fiscal year 2023, but offset by almost twice the amount in fiscal year 2023 depreciation. However, this net impact was reduced by the fiscal year 2023 bonds' principal payment and the bonds' premium amortization.

In summary, AIAS' total net position improved from fiscal year 2022 to fiscal year 2023 by 2.2% or $22,030 thousand reflecting AIAS' ability to manage its revenue and expenses and includes the changes in pension and OPEB assets and liabilities. Changes in pension and OPEB are a result of multiple factors including but not limited to, gains and losses attributable to the investment markets, increases and decreases in member salaries, and member conversions from the defined contribution plan to the defined benefit plan.

Operating and Nonoperating Revenues

Statements of Revenues, Expenses and Changes in Fund Net Position

Years Ended June 30, (in thousands)	2023	2022
Operating Revenues		
Airfield operations	$ 54,140	$ 62,907
Concession fees	23,272	17,782
Terminal rents (Note 2)	17,697	13,268
Vehicle parking fees	10,112	10,972
Land rental fees	9,011	8,678
Bad debt recovery / (expense)	2,429	(722)
Other	2,343	1,932
Total Operating Revenues	119,004	114,817
Operating Expenses		
Facilities	27,801	28,532
Field and equipment maintenance	28,282	25,745
Safety	15,620	17,628
Administration	14,390	15,669
Operations	6,371	6,564
Environmental expenses	9,109	4,343
Vehicle parking and curbside services	2,352	1,860
Risk management	1,206	1,223
Depreciation	75,664	74,857
Total Operating Expenses	180,795	176,421
Operating Loss	$ (61,791)	$ (61,604)

Nonoperating Revenues (Expenses)

Investment income / (loss)	$ 7,937	$ (2,518)
Lease interest income	240	372
Interest expense	(7,538)	(9,400)
Grants FAA – CARES Act	-	10,091
Grants FAA – CRRSSA Act & ACRGP	39,099	12,693
Grants - Other	357	333
Gain on disposal of capital assets	3	248
Reimbursable services income	61	124
Reimbursable services expenses	(61)	(124)
Net Nonoperating Revenues	40,098	11,819
Loss Before Capital Contributions and Transfers	$ (21,693)	$ (49,785)

Operating Revenues

Fiscal year 2023 Airport System operating revenues increased $4,187 thousand, or 3.6%, from fiscal year 2022. However, airfield operations experienced a decrease of $8,767 thousand in fiscal year 2023, or 13.9% from fiscal year 2022. This decrease is the result of economic challenges posed by the Pandemic, which impacted airline operations at AIAS. To offset this decrease in airfield operations, Pandemic Relief monies were used to lower airlines' rates and fees, allowing time for airlines to rebuild post-Pandemic as was the intention of the Pandemic Relief Grants. This resulted in decreased airfield operating revenues and increased nonoperating grant revenues. Increased revenues from collections of concession fees ($5,490 thousand or 30.9%) and terminal rents ($4,429 thousand or 33.4%) point to increased passenger traffic for fiscal year 2023 and an increase to the AIAS terminal rental rates as per the OAPTL. An increase in airline bad debt recovery ($3,151 thousand or 436.4%) contributed to an increase in operating revenues, which resulted in a decrease in the allowance for bad debts.

Operating Expenses

Fiscal year 2023 AIAS operating expenses were $180,795 thousand, a $4,374 thousand increase (2.5%) from fiscal year 2022. The increase is attributable primarily to increased costs in field and equipment maintenance due to weather conditions at both airports requiring the use of more sand and deicing materials and to mission critical incentive pay wage adjustments for airfield operators and environmental expenses due to consultant services retained to address per- and polyfluoroalkyl substances (PFAS) at both airports. These increases were offset primarily due to personnel vacancies.

These operating revenue and operating expense changes resulted in a total operating loss for fiscal year 2023 of $61,791 thousand versus the fiscal year 2022 operating loss of $61,604 thousand. This includes noncash depreciation expense of $75,664 thousand, and $74,857 thousand for fiscal years 2023 and 2022, respectively. The net operating loss was partially offset by Pandemic relief funds disclosed in the nonoperating revenues (expenses) section with the remaining being funded mainly by available cash funds from prior-fiscal year operating activities. Once the Pandemic relief funds are fully utilized, the rates and fees mitigation will no longer be available for airlines and concessionaires. The rates and fees model, calculated on a residual basis, will provide the appropriate fee structure to generate operating revenues, rather than being offset by Pandemic relief funds.

Nonoperating Revenues (Expenses)

In fiscal year 2023, net nonoperating revenues were $40,098 thousand, versus $11,819 thousand in fiscal year 2022, resulting in a year-over-year increase of $28,279 thousand. The increase was primarily attributable to recognizing total Pandemic Relief funds of $39,099 thousand in fiscal year 2023 compared to $22,784 thousand in fiscal year 2022, an increase of $16,315 thousand, and to earning investment income on Broad-term Fixed Income Securities of $7,937 thousand in fiscal year 2023 versus experiencing a loss of $2,518 thousand in fiscal year 2022 due to market volatility resulting in a net change of $10,455 thousand.

These operating revenue and operating expense changes resulted in a total operating loss before capital contributions and transfers for fiscal year 2023 of $21,693 thousand versus the fiscal year 2022 operating loss of $49,785 thousand.

Because the Airport System uses debt service and pay-as-you-go capital funding requirements rather than depreciation expense to determine its rates and fees, it is anticipated that operating losses will likely occur in years when noncash depreciation expense exceeds debt service, debt service coverage, and rates and fees funded capital project costs.

Capital Contributions

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

Years Ended June 30, (in thousands)	2023	2022
Capital Contributions		
Federal Aviation Administration	$ 36,209	$ 49,483
Adjustments to Federal Aviation Administration	-	11,489
Transportation Safety Administration	753	3,242
Passenger Facility Charge (Note 7)	6,761	7,254
Total Capital Contributions	$ 43,723	$ 71,468

In fiscal year 2023, capital contributions recognized from the Federal Aviation Administration (FAA) grants were $36,209 thousand versus $60,972 thousand (including the Adjustments to Federal Aviation Administration) in fiscal year 2022. Fiscal year 2023 grants administered by the FAA represented 82.8% of total capital contributions which was down nominally from the fiscal year 2022 FAA capital contributions of $49,483 thousand or 69.2%. Passenger Facility Charges (PFCs) represented 15.5% of total capital contributions in fiscal year 2023, or $6,761 thousand, versus fiscal year 2022 at $7,254 thousand (10.1%). The decrease in PFCs, although enplanements are up, fiscal-year over fiscal-year, is attributable to timing issues with PFCs remittances and recording of related transactions, which are being addressed by AIAS.

Transportation Safety Administration (TSA) capital contributions in fiscal year 2023 of $753 thousand compared to fiscal year 2022 of $3,242 thousand (1.7% and 4.5% of total capital contributions, respectively) mainly represent a 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. Long-standing negotiations involving those commitments to reimburse airports recently resulted in the commencement of annual payments that are not guaranteed, as they are subject to annual appropriation of the funds negotiated to be paid each year.

Capital Fund Sources

Below is a breakdown of the capital fund sources authorized or awarded to AIAS in fiscal years 2023 and 2022.

Years Ended June 30, (in thousands)	2023	2022
Capital Fund Sources		
International Airport Revenue Fund	$ 29,438	$ 47,361
Airport Improvement Program (AIP)	92,155	36,630
Supplemental Discretionary	-	32,744
Pandemic Relief	-	7,428
Total Capital Fund Sources	$ 121,593	$ 124,163

Below is a list of the majority of projects for which FAA awarded the Airport System AIP grants in fiscal year 2023 and 2022, in thousands:

Fiscal year 2023

Airport	**Project Description**	**Total (USD)**
ANC	Gate B4, B6, B7, B8, and B9 Improvements	$ 3,926
ANC	Acquire Snow Removal Equipment	2,348
ANC	Passenger Boarding Bridge Gate B-9 Replacement	1,630
ANC	Master Plan Update	1,259
FAI	General Aviation Apron/Taxiway/Lighting Improvements	17,462

Fiscal year 2022

Airport	Project Description		Total (USD)
ANC	ANC Taxiway K, G1 and J Improvements Phase 1	$	19,322
ANC	ANC Taxilanes E1/E3 & TW E/G Reconstruction		18,800
ANC	ANC Terminal Access Road Improvements		10,457
ANC	Improve/Modify/Rehab Terminal Building (Escalator Enclosure, NT Door Replace and ST Cooling Replace)		9,077
ANC	AIA Taxilane S Improvements		6,137
ANC & FAI	Acquire Snow Removal and ARFF Equipment		8,935

For additional details, see Note 6.

Change in Net Position

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

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

Years Ended June 30, (in thousands)		2023		2022
Change in Net Position	$	22,030	$	21,683
Net Position, beginning of year		1,014,827		993,144
Net Position, end of year after adjustment	$	1,036,857	$	1,104,827

For the fiscal year 2023, AIAS' change in net position was $22,030 thousand versus the fiscal year 2022 of $21,683 thousand. Both fiscal years reflect AIAS' ability to leverage federal Pandemic Relief monies to offset operating expenses increases related to personal services expenditures and deicing chemicals due to an increase in winter weather events. In addition, AIAS successfully minimized capital project costs borne by AIAS' signatory airlines by leveraging available FAA capital grants. Another key factor in offsetting operating expenses increases is the fiscal year 2023 increase in investment income due to increased returns on investments, particularly in fixed-income securities, which has been impacted favorably by the increase in interest rates in the past two fiscal years. Lessening debt service requirements through the fiscal year 2021 bond defeasance and refunding transaction also assisted AIAS in ensuring stable and manageable rates and fees for the airlines in fiscal year 2023.

Capital Assets

The Airport System's capital assets have been primarily constructed using proceeds from General Airport Revenue Bonds (GARBs); however, rehabilitation and reconstruction of the infrastructure assets have been primarily funded through operating revenues and capital contributions from federal grants and other sources. For the past several decades, PFCs have been used to pay debt service on the GARBs funding expansion and upgrade of the ANC and FAI terminals. During the fiscal year 2023, it became apparent ANC would meet its authorized limits on all outstanding PFC applications within the fiscal year 2024. Therefore, ANC submitted a new PFC application for a pay-go Passenger Boarding Bridge Replacement Program that FAA approved for starting collections immediately following the expiration of the current application. FAI will meet its authorized limits on its outstanding PFC applications within the next three to five years and is reviewing capital project candidates for a new PFC application.

AIAS' projects and project elements that are ineligible for federal funding are funded through rates and fees charged to airport users and retained within the Airport System Capital Project Fund. These capital projects and expenditures are subject to policies set forth in the OAPTL. See Note 2 for additional details.

Projects completed in fiscal year 2023 totaled $31,215 thousand, and $70,814 thousand in fiscal year 2022. Construction in progress as of fiscal years ending 2023 and 2022 totaled $18,193 thousand and $6,382 thousand, respectively.

Debt service reserves in the amounts of $26,343 and $26,944, in thousands, are included in noncurrent assets at fiscal year-ends for 2023 and 2022, respectively. Debt service reserves are ultimately eligible for capital project expenditures or may be utilized to pay additional debt service upon satisfying all Bond Committee Resolution reserve requirements.

The Airport System, through its Bond Resolutions, has covenanted to maintain a debt service coverage ratio of not less than 1.25. The Airport System has historically maintained a coverage ratio higher than its requirement. As of June 30, 2023, and 2022, the Airport System's debt service coverage was 3.43 and 1.98, respectively. The high debt service coverage ratio was due to leveraging $39,099 thousand in Pandemic Relief to offset allowable operational expenses in fiscal year 2023 coupled with an increase in investment income of $10,455 thousand. A portion of the extra cash on hand was put toward funding capital projects in fiscal year 2024 as agreed by AIAS and its Signatory Airlines.

Economic Factors and Outlook

As AIAS moves through fiscal year 2024, AIAS sees steady increases in passenger and cargo operations continuing and is experiencing its first real capacity constraints during significant weather events and its redeye bank. At ANC, third-party, airside land development continues with the construction of new wide-body hardstands expected in the summer of 2025 and continuing through 2026 and 2027. The finalization of ANC's Master Plan Update, including its updated forecast, in the fourth quarter of 2024, is expected to show steady growth in activity across the 20-year horizon for both passenger and air cargo activity.

FAI expects to kick off its Master Plan Update in calendar year 2025, further illuminating the Airport System's opportunities in both land and air service development. Today, AIAS is seeing the first considerations by carriers and ground handlers to more frequently leverage FAI's facilities, thus strengthening and expanding the System's business and operational reach.

In contrast, impacts of inflation on consumer spending as well as on materials, workforce shortages and workers' higher fringe benefit and wage expectations, weather disruptions due to climate change, and worldwide political unrest are expected to affect AIAS' overall operations, especially air cargo traffic, in unpredictable ways.

To mitigate these impacts, in fiscal year 2024, Airport System will continue to foster its transparent and trustworthy relationships with its 33 Signatory Airlines. The AIAS will focus on investing in capital infrastructure, upgrading technological systems, digitizing policies and procedures, training and retaining its employees, and improving work processes to be more efficient and reliable. Remaining Pandemic Relief grant monies will be again used to offset fiscal year 2024 rates and fees.

AIAS' position in the trans-Pacific air cargo business and passenger travel in the State, its low leverage of debt to operating revenue, continued flexibility in its capital program, and its new, 10-year fully residual OAPTL, has resulted in AIAS being upgraded by Moody's to Aa3, outlook stable from its A1 positive credit profile and ANC's #1 rank among U.S. airports and #4 rank globally by cargo landed weight, according to the 2022 FAA U.S. statistics and the 2023 Airport Council International (ACI) World report, respectively.

Requests for Information

The Airport System's financial report is designed to provide detailed information about the AIAS' operations and to demonstrate for all those with an interest in the AIAS' finances, its accountability for the assets it controls and the funds it receives and expends. Questions concerning any of the information provided in this report or for any additional information should be addressed to the AIAS Controller by email: dot.aias.staff@alaska.gov or in writing to:

Alaska International Airport System Office
Attn: AIAS Controller
P.O. Box 196960
Anchorage, AK 99519

Basic Financial Statements

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

Unaudited Statements of Net Position

As of June 30,	2023
Assets and Deferred Outflows of Resources	
Current Assets	
Unrestricted cash and investments (Note 3):	
Cash with State Treasury	$ 130,282
Investments	27,299
Total unrestricted cash and investments	157,581
Other restricted assets - Passenger Facility Charges:	
Cash with State Treasury	17,806
Total other restricted assets	17,806
Federal grants receivable (Note 1f)	28,667
Federal grants receivable - Unbilled (Note 1f)	8,430
Federal grants receivable - CARES Act	-
Federal grants receivable - CRRSSA Act & ACRGP	16,315
Due from State of Alaska General Fund	174
Accounts receivable, net of allowance for doubtful accounts of $5,326,137 and $4,604,168 for 2023 and 2022, respectively	5,117
Lease receivable	4,249
Total Current Assets	238,339
Noncurrent Assets	
Restricted cash and investments (Note 4):	
Investments - operations and maintenance reserve	26,736
Repair and replacement reserve	500
Capital project fund (Note 3)	1,137
Debt service reserve fund (Note 3)	26,343
Revenue bond redemption fund (Note 4):	
Bond interest	2,862
Bond principal	4,841
Total restricted or reserved cash and investments	62,419
Lease Receivable (Note 1h or Note 11)	21,324
Net other post employment benefit (OPEB) Asset	31,497
Capital assets, net of accumulated depreciation (Note 6)	1,087,906
Total Noncurrent Assets	1,203,146
Total Assets	1,441,485
Deferred Outflows of Resources:	
Pension related	9,478
Other postemployment benefit related	2,337
Total Deferred Outflows of Resources	11,815
Total Assets and Deferred Outflows of Resources	$ 1,453,300

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

Unaudited Statements of Net Position

As of June 30,		2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$	13,075
Unearned revenue:		
Unearned revenue - unrestricted		1,662
Total Unearned revenue		1,662
Environmental remediation (Note 5)		1,423
Compensated absences (Note 1k)		3,833
Accrued liability - payroll		2,902
Due to State of Alaska General Fund		475
Liabilities payable from restricted assets:		
Accrued interest		2,824
Revenue bonds (Note 8)		9,835
Total Current Liabilities		36,029
Noncurrent Liabilities		
Revenue bonds payable, less current portion (Note 8)		227,890
Unamortized bond premium		30,706
Environmental remediation obligation, less current portion (Note 5)		12,807
Compensated absences, less current portion (Note 1k)		1,823
Net pension liability		78,513
Total Noncurrent Liabilities		351,739
Total Liabilities		387,768
Deferred Inflows of Resources:		
Other postemployment benefit related		2,474
Deferred amount of bond refunding		983
Deferred lease revenues (Note 1h or Note 11)		25,218
Total Deferred Inflows of Resources		28,675
Net Position		
Net investment in capital assets (Note 6)		845,972
Restricted (Note 4)		52,745
Unrestricted		138,140
Total Net Position		1,036,857
Total Liabilities, Deferred Inflows of Resources and Net Position	$	1,453,300

See accompanying notes to financial statements.

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

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

For the Year Ended June 30,		2023
Operating Revenues		
Airfield operations	$	54,140
Concession fees		23,272
Terminal rents (Note 2)		17,697
Vehicle parking fees		10,112
Land rental fees		9,011
Airline bad debt recovery		2,429
Other		2,343
Total Operating Revenues		119,004
Operating Expenses		
Facilities		27,801
Field and equipment maintenance		28,282
Safety		15,620
Administration		14,390
Operations		6,371
Environmental expenses		9,109
Vehicle parking and curbside services		2,352
Risk management		1,206
Depreciation		75,664
Total Operating Expenses		180,795
Operating Loss		(61,791)
Nonoperating Revenues (Expenses)		
Investment income		7,937
Lease interest income		240
Interest expense		(7,538)
Federal Aviation Administration - CRRSSA Act & ACRGP		39,099
Grants - Other		357
Gain on disposal of capital assets		3
Reimbursable services income		61
Reimbursable services expenses		(61)
Net Nonoperating Revenues		40,098
Loss Before Capital Contributions and Transfers	$	(21,693)

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

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

For the Years Ended June 30,		2023
Capital Contributions		
Federal Aviation Administration	$	36,209
Transportation Safety Administration		753
Passenger Facility Charge (Note 7)		6,761
Total Capital Contributions		43,723
Change in Net Position		22,030
Net Position, beginning of year		1,014,827
Net Position, end of year	$	1,036,857

See accompanying notes to financial statements.

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

Unaudited Statements of Cash Flows

For the Year Ended June 30,		2023
Operating Activities		
Receipts from customers and users	$	115,927
Payments to employees and suppliers		(108,650)
Net cash from operating activities		7,277
Noncapital Financing Activities		
Grants		32,987
Net cash from noncapital financing activities		32,987
Capital and Related Financing Activities		
Acquisition of capital assets		(43,613)
Proceeds from sale of capital assets		62
Capital grants received		53,133
Payments to State of Alaska		(5,171)
Payments of revenue bonds		(6,080)
Interest paid on bonds		(11,521)
Passenger facility charges		6,632
Net cash for capital and related financing activities		(6,558)
Investing Activities		
Proceeds from sales and maturities of investment securities		162,502
Purchase of investment securities		(183,153)
Investment income		6,543
Lease interest income		236
Change in restricted assets and investments		1,810
Net cash for investing activities		(12,062)
Net Increase in Cash and Equivalents		21,644
Cash and Equivalents, beginning of year		108,638
Cash and Equivalents, end of year	$	130,282

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

Unaudited Statements of Cash Flows, continued

For the Years Ended June 30,		2023
Operating Activities		
Operating loss	$	(61,791)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		75,664
Bad debt expense		
Changes in assets, deferred outflows, liabilities, and deferred inflows that provided (used) cash:		
Accounts receivable		(2,833)
Deferred lease revenues		10,435
Deferred outflows		(1,287)
Net OPEB asset		7,231
Accrued liability - payroll		247
Accounts payable		(706)
Unearned revenue		(244)
Environmental remediation - restricted (Note 1i)		5,542
Compensated absences - unrestricted		593
Net pension liability		24,591
Deferred inflows		(50,165)
Net Cash From Operating Activities	$	7,277

See accompanying notes to financial statements.

1. Organization

a) 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.

b) Governmental Accounting

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

c) 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 Airport System are reported using the flow of economic resources measurement focus. This measurement focus distinguishes operating activities from nonoperating items.

The Airport 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, it is the State’s policy to use restricted resources first, then unrestricted resources as they are needed.

d) Management's Use of Estimates

Management must make estimates and assumptions that affect the reported amounts of assets and liabilities, 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; however, documentation to support estimates is retained.

e) Cash and Investments

For the Statement of Cash Flows, the Airport System considers cash equivalents to be all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased.

The Airport System accounts for marketable securities at fair value. Investments are segregated between current and noncurrent based upon maturity. Using this method, investments in debt securities and certain equity securities are carried at fair value and unrealized gains and losses are recorded in the Statements of Revenues, Expenses, and Changes in Fund Net Position.

f) Accounts Receivable and FAA Receivable (Billed and Unbilled)

In addition to receivables owed from airline customers and other lease tenants for the use of airfield and airport facilities, the Airport System records and reports separately amounts it anticipates will be collected from the FAA for capital project expenditures that have met all eligibility requirements for reimbursement under the FAA AIP. Federal grant revenues are recognized in the period earned as capital contributions, or nonoperating revenues, when related to Pandemic Relief Funds approved to reimburse operating expenses and debt service. The Airport System has recorded accounts receivable for as yet unreimbursed grant revenues at fiscal year-end.

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is set up as a reserve through a fiscal year-end charge to operating expenses. The allowance is based on management's assessment of the potential for losses due to uncollectible accounts, accounting for historical experience, and currently available information.

g) Capital Assets

Less an allowance for accumulated depreciation, all capital assets are carried at cost or at acquisition value when properties are acquired by donation or by the termination of leases. Property initially received from the federal government 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 is removed from the accounts, and any gain or loss is reflected in operations in the fiscal year of disposition.

h) Leases

Airport System as Lessor

The Airport System leases land, buildings, and terminal space to tenants and concessionaires under leasing agreements. With the adoption of GASB 87, the Airport System as the lessor, recognizes a lease receivable that is measured at the present value of the lease payments expected to be received for the lease term, and a deferred inflow of resources at the commencement of the lease term. Certain exceptions apply for regulated leases and short-term leases. The deferred inflow of resources is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relates to future periods. Subsequently, the lease receivable is reduced by the lease payments received. The deferred inflow of resources is recognized as revenue over the agreement term. The present value calculation includes the following key inputs: (1) discount rate, (2) lease term, and (3) lease payments.

Periodic amortization of the discount on the lease receivable is reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the lease term. Any initial direct costs are reported as an outflow of resources for that period. Remeasurement of a lease receivable occurs when there are modifications, including but not limited to changes in the lease charges, lease term, and the adding or removing of an underlying asset to the lease agreement. In case of a partial or full lease termination, the Airport System reduces the carrying value of the lease receivable and the related deferred inflow of resources and include a gain or loss for the difference. The Airport System closely monitors changes in circumstances that may require the remeasurement of the present value of its leases.

Following GASB 87, the Airport System does not recognize a lease receivable and a deferred inflow of resources for short-term leases. A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible contract duration of twelve months or less, including any options to extend, regardless of their probability of being exercised. For short-term lease agreements, the Airport System recognizes lease payments as inflows of resources (revenues) based on the lease agreements' payment provisions. Liabilities are only recognized for short-term leases if payments are received in advance, and receivables are only recognized if payments are received after the reporting period.

Regulated Leases

The leases between the Airport System, air carriers, and other aeronautical users are subject to external laws and regulations are considered regulated leases. As permitted by GASB 87, the Airport System recognizes inflows of resources based on the payment provisions of the lease agreements, therefore the accounting policies under "Airport System as Lessor" do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note 11.

i) Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Airport System's principal ongoing operations. The principal operating revenues of the Airport System are charges to customers for airfield operations, concession fees, rent and user fees. Operating expenses include 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 these definitions are reported as nonoperating revenues and expenses.

j) Capital Contributions

The Airport System executes numerous capital projects annually to improve its facilities and maintain its service levels. Capital project costs incurred are funded through FAA grants and airline rents and fees. AIAS may incur preliminary costs on projects, e.g., conceptual design, survey, environmental, prior to FAA reimbursement or may incur costs in excess of grant awards due to unanticipated cost overruns. The AIAS makes a point of advising our funding partners of these costs and has experienced all costs being met. Grant revenues are recorded once the associated grants are executed and expenditures meeting the recognition requirements under GASB 33 have been incurred. The AIAS recorded $36,209 thousand as revenue from the FAA in fiscal year 2023 for capital project costs.

TSA capital contributions in fiscal year 2023, in the amount of $753 thousand, represents a partial settlement of ANC claims relating to ANC Post 9/11 security project expenditures. At June 30, 2023, $753 thousand of expenditures remain unreimbursed. These expenditures are not authorized to be recognized as grant revenues at year end, because specific stipulations were put into place precluding airports from claiming revenues or receivables until the funds were authorized by Congress.

PFCs that are restricted for use to acquire capital assets or repay capital-related debt are also collected by the Airport System from the airlines (Note 7).

k) Compensated Absences

Airport 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 fiscal year-end. Estimated compensated absences and balances recorded as current and long-term portions, respectively, on June 30, are $3,833 and $1,823 thousand in 2023.

l) 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 for which the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

m) Capitalized Interest

For capital projects paid by bond proceeds issued prior to June 30, 2020, 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, and it is amortized over the depreciable life of the related assets on a straight-line basis. The GASB-issued Statement No. 89 which, effective July 1, 2020, for the Airport System, eliminated the requirement to capitalize interest going forward.

n) Due to/from State of Alaska General Fund

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

o) Income Taxes

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

p) Passenger Facility Charges/Grants Revenue Recognition

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

q) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement 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 Airport System has two items for reporting in this category: (1) deferred outflows of resources related to its participation in the Alaska Public Employees' Retirement System (PERS), and (2) other Post-employment Benefits (OPEB).

In addition to liabilities, the Statement 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 Airport System has three deferred inflows of resources for reporting in this category, which relate to (1) other post-employment benefits; (2) the deferred amount of the bond refunding; and (3) deferred lease revenues. Deferred inflow balances resulting from the pension amounts are determined by the difference between projected and actual experienced including economic and demographic factors, the difference between projected and actual investment earnings, changes in the proportionate share of collective net pension liability, and the difference between employer contributions and proportionate share of contributions. The OPEB-related amounts are determined by changes in actuarial assumptions, differences between expected and actual experienced including economic and demographic factors, and the net excess of actual investment earnings over projected investment earnings of the Airport System’s other post-employment plan investments.

r) 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 PERS, and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

s) New Accounting Standards

GASB 96, Subscription-based Information Technology (IT) Arrangements (SBITA). During fiscal year 2023, the Airports System adopted GASB 96, which are measures required to recognize financial arrangements related to information technology subscriptions. GASB 96 requires that governments report assets and liabilities with inflows or outflows of resources based on the contract’s payment provisions for these subscriptions which were previously reported as operating expenses. The GASB 96 pronouncement establishes the model for SBITA accounting based on the foundational principle that subscriptions are financings of the right to use an underlying asset. In accordance with GASB 96, parties to a subscription agreement, the vendor and government, are required to recognize a subscription liability and an intangible right-to-use a subscribed asset (a capital asset, hereinafter referred to as the subscribed asset), and a subscription receivable and deferred inflow of resources, respectively, thereby enhancing the relevance and consistency of information about governments’ subscription-based IT activities. GASB 96 also requires enhanced disclosure, which includes a general description of the subscription arrangement, the aggregated amount of resource inflows and outflows recognized from subscription contracts, including those not included in the measurement of the subscription liability and receivable, and the disclosure of the long-term effect of subscription arrangements on a government's resources. GASB 96 is effective for the Airports System's fiscal year ended June 30, 2023, and was implemented effectively on July 1, 2022. AIAS has determined that GASB 96 has no material impact on its financial statements for fiscal year-ended June 30, 2023. Implementing this new standard did not significantly affect the overall financial net position, results of operations, or cash flows of AIAS. The impact was deemed immaterial and did not warrant any adjustments in the financial statements. (Note 12)

t) Nonoperating Revenues

Nonoperating Revenues include grant reimbursements for Pandemic-related operating expenditures and debt service payments. Congress intended the Pandemic relief funds to provide aid to the airport and airline industries. As such, AIAS applied for the relief funds to use as concessionaire rent mitigation, rates and fees mitigation, and debt restructuring. A total of $39,099 thousand for Pandemic relief expenditures were recognized during fiscal year 2023.

u) Recently Issued Accounting Standards

GASB Statement No. 99 – Omnibus. The objectives of this Statement are to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements, and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, public-private and public-public partnerships (PPPs), and SBITAs are effective for fiscal years beginning after June 15, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 – Accounting and Financial Reporting for Derivative Instruments are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100 – Accounting Changes and Error Corrections. An Amendment of GASB Statement No. 62, the objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective in fiscal years beginning after December 15, 2023.

GASB Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This statement is effective in fiscal years beginning after June 15, 2024.

2. AIAS Airline Operating Agreement and Passenger Terminal Lease

The AIAS Airline Operating Agreement and Passenger Terminal Lease ("Agreement" or "OAPTL") is an Agreement between the State of Alaska, DOT&PF, and each of its AIAS Signatory Airlines operating at ANC and/or FAI. AIAS Signatory Airlines substantially represent all the regularly scheduled airlines that use AIAS facilities. The Agreement, which the fiscal year 2023 financial statements reflect, was effective July 1, 2013, and expired June 30, 2023, coinciding with the end of fiscal year 2023.

In anticipation of the expiration of the Agreement, the AIAS and the AIAS Airlines Airport Affairs Committee (AAAC) Lease Negotiation subcommittee successfully negotiated a new ten-year Agreement that was effective July 1, 2023, and will expire June 30, 2033. The AIAS and the AAAC are strong partners: both parties value the existing, transparent, supportive, and functional language of the current Agreement; thus, the new Agreement is largely a continuation of the existing Agreement. As of the end of first quarter of fiscal year 2024, 33 air carriers, substantially the same carriers that were signatory to the existing Agreement, executed the new Agreement and remain Signatory Airlines of the AIAS. Below is an overview of the existing Agreement, and any meaningful differences applicable to the new Agreement.

The current OAPTL provides for the funding of the AIAS Capital Improvements Program (CIP) through June 30, 2023. The new CIP, like the existing, is comprised of two components: one is a pre-approved, small projects budget for each of the ten years, and one is language that subjects nonemergency substantive CIP projects to airline majority-in-interest balloting. A one-time adjustment to the pre-approved, small projects budget is provided for midway through the Agreement. Other projects are presented on an as-needed basis at AIAS AAAC Quarterly Meetings.

The OAPTL states the rights, privileges, and obligations of the parties and provides a framework for supporting the operations, development, and improvement of the AIAS airports for the benefit of its users. The OAPTL also provides the financial basis for establishing AIAS' rates and fees, including terminal rental rates, landing fees, fuel flowage fees, international terminal docking fees, aircraft parking fees, passenger loading bridge fees, and federal inspection services charges, and other rates and fees. Each fiscal year, and as per the Agreement, rates and fees are reviewed and adjusted to ensure that revenues are sufficient to meet operations and maintenance expenses, CIP costs, debt service requirements, and other funding requirements established by the resolution authorizing issuance of the revenue bonds. Midway through the fiscal year, if the projection of annual revenues made at that time is five percent, more or less, than the initially budgeted AIAS requirements for the fiscal year, the OAPTL allows for the DOT&PF to adjust the rents, fees, and charges. If at any time during the fiscal year, the Airport System projects annual revenues will not be sufficient to cover the AIAS total revenue requirement, the Agreement also allows the DOT&PF to immediately adjust landing fees.

The Agreement further provides for the payment of a fuel flowage fee for fuel purchased at the Airports by Signatory Airlines. As a benefit, Signatory Airlines to the AIAS' full residual Agreement receive a reduced rate for fuel flowage fees and landing fees. This benefit, along with having the ability to affect the AIAS CIP and preferentially lease space, provides Signatory Airlines more control in covering the risk associated with the Agreement. AIAS rates and fees are published via the State of Alaska's Online Public Notice system.

In addition, the Agreement states that revenues generated through rates and fees be retained as described:

- To satisfy annual debt service requirements due during the fiscal year on all outstanding bonds per the Bond Resolution.
- Within the Supplemental Repair and Replacement Fund, an amount to maintain a repair and replacement allowance of $1,500,000 (which is subordinate to the bond resolution requirement of $500,000; see Note 4). Note that in the new Agreement, this Supplemental Repair and Replacement Fund was removed, as it is not required nor was it being monitored or encumbered.
- Within the Maintenance and Operation Reserve Fund, an amount equal to one-quarter of the projected annual operation and maintenance expense of the Airport System.
- Within the Airport 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 and at fiscal year-end, any funds more than the amounts outlined previously are to be used per the Agreement or the Bond Resolution. If the Airport System does not receive enough funds during the fiscal year to meet the minimum revenue requirements stipulated in the bond covenants, the Airport System will recognize the minimum amount of revenue necessary to meet those requirements should the Signatory Airlines be unable to assist with the shortfall.

Additional but not all-inclusive, material changes reflected in the new OAPTL are:

- Airport Administered Premises fees and Terminal Rental Rate calculations were simplified as the transition from shared cost recovery among all airfield users to full cost recovery by passenger air carriers and terminal users is complete. The completion of this transition also eliminated the need for a Landing Fee minimum (floor).
- To better support ANC’s business model of being a cargo carrier technical stop and a passenger carrier origination and destination airport, the AIAS changed its aircraft Gate and Parking Management Protocols. Aircraft Parking Charge Multipliers were increased for stays longer than 24 hours. A Prior Permission Required (PPR) procedure was also established for ANC only. This procedure allows for ad hoc parking for longer than four hours, provided space is available. Should an aircraft park longer than 4 hours without a PPR, that carrier will be assessed a penalty.
- The obligation to support the Sitka Rocky Gutierrez Airport (SIT) as an alternate airport was removed, although the same obligation was kept for Cold Bay Airport.
- The annual escalation rate for the pre-approved CIP budget is seven percent for the first five years and will be re-evaluated for the second half of the Agreement.
- The Mega Project Approval Process was modified to ensure all impacted by any proposed terminal capital projects were given fair representation in the airline majority-in-interest balloting process.

3. Cash and Investments

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments for which the Commissioner of Revenue has fiduciary responsibility. Investment officers or contracted external investment managers complete the investment transactions. The funds are invested 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 when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers.

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. Please reference Table 1 - Total Pooled AIAS Investments Managed by the Department of Revenue, Treasury Division.

Table 1 – Total Pooled AIAS Investments Managed by the Department of Revenue, Treasury Division

FY 2023 (in thousands)

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	$ 17,806	156,270	497	15,322	10,893	965	99	9	59	$ 201,920
										-
Pooled investments:										-
IntermediateTerm Pool		27,299	-	-	-	-	-			27,299
Total Cash & Investments	17,806	183,569	497	15,322	10,893	965	99	9	59	229,219
Accrued Interest	-	748	3	75	53	5	-	-	-	884
Total Assets Per SSB	$ 17,806	$ 184,317	$ 500	$ 15,397	$ 10,946	$ 970	$ 99	$ 9	$ 59	$ 230,103

	Unrestricted	Restricted	Total
Cash	$ 157,018	45,786	$ 202,804
Investment	27,299	-	27,299
	$ 184,317	$ 45,786	$ 230,103

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/home/Investments/Annual-Investment-Reports. Cash and investments as of June 30, 2023, are summarized below:

		2023
Cash with State Treasury	$	130,282
Investments – unrestricted		27,299
Investments – restricted		26,736
Capital project fund (Note 6)		1,137
Debt service reserve fund (Note 6)		26,343
Repair and replacement account – restricted		500
Passenger facilities charges – restricted		17,806
Total pooled investments		230,103
Revenue bond redemption fund – restricted		7,703
Total Cash and Investments	$	237,806

4. Restricted Net Position

The Airport 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 fiscal year.

- The Airport System is required by the FAA to keep all unliquidated PFC revenues remitted on deposit in an interest-bearing account. PFC and interest earned on those charges collected by the Airport System may only be used to pay allowable costs of FAA-approved projects, such as those to enhance security, capacity, and noise reduction.

- 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 monies are required to be paid.

The AIAS' restricted net position at fiscal year's end is:

June 30,	2023
Repair and replacement account:	
Invested in short-term, fixed-income pool	$ 500
Maintenance and operating reserve:	
Invested in short-term, fixed-income pool	26,736
Passenger facility charge revenue fund:	
Cash in banks and State treasury	17,806
Revenue bond redemption fund:	
Bond interest – daily money fund	2,862
Bond principal – daily money fund	4,841
	7,703
Total Restricted Net Position	$ 52,745

5. Environmental Remediation Obligation

The Airport System has accrued certain environmental pollution remediation liabilities for seven ANC and six FAI sites for which obligating events as described in GASB pronouncement 49 have been deemed to have occurred, and the AIAS is in whole or in 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 $1,423 and $12,807, all in thousands at the end of FY 2023.

Since FY 2017, ANC has been working to address an issue involving a repaired stormwater discharge outfall experiencing intermittent foam effluence discharges. Those discharges have been determined to have violated its relevant wastewater permits and in FY 2020, ANC entered into a Compliance Order by Consent (COBC) with the State's Department of Environmental Conservation. AIAS considers the subject discharge to be a stormwater effluent discharge resulting from airport operations and as such regulatory requirements related to pollution prevention and control are not covered by GASB 49 pursuant to section 4(d). See further discussion of this matter at Footnote 12 - Contingent Liabilities.

6. 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. No land was acquired or sold, nor has any significant "greenfield construction" occurred since the early 2000's when the ANC South Terminal and FAI's terminal were both expanded.

Since that project, all other increases to capital assets are the result of pay-as-you-go capital improvement projects, including remodels, upgrades, reconstruction, replacement, and depreciation of existing assets.

The following is a summary of capital assets:

Fiscal Year Ended June 30, 2023	Life	2023 Carrying Value
Property and Equipment		
Land		$ 31,203
Infrastructure	5-40 years	1,190,001
Buildings	10-40 years	1,156,527
Equipment	5-10 years	157,439
		2,535,170
Accumulated depreciation and amortization:		
Infrastructure		(707,979)
Buildings		(632,221)
Equipment		(125,257)
		(1,465,457)
Construction in progress		18,193
Net Capital Assets		$ 1,087,906

Capital asset activity for the fiscal year ended June 30, 2023 was:

Fiscal Year Ended June 30, 2023	Beginning Balance	Additions	Deletions	Ending Balance
Property and Equipment				
Land	$ 31,203	$ -	$ -	$ 31,203
Infrastructure	1,168,861	21,140	-	1,190,001
Buildings	1,154,441	2,086	-	1,156,527
Equipment	150,377	7,989	(927)	157,439
	2,504,882	31,215	(927)	2,535,170
Accumulated depreciation:				
Infrastructure	(671,291)	(36,688)	-	(707,979)
Buildings	(600,707)	(31,515)	1	(632,221)
Equipment	(118,662)	(7,462)	868	(125,256)
	(1,390,660)	(75,665)	869	(1,465,456)
Construction in progress	6,382	43,027	(31,217)	18,192
Net Capital Assets	$ 1,120,604	$ (1,423)	$ (31,275)	$ 1,087,906

The Airport System’s net investment in capital assets includes the following:

Fiscal Year Ended June 30, 2023	2023
Capital assets, net of accumulated depreciation	$ 1,087,906
Plus: Capital projects and debt service reserve (unspent proceeds and reserve contributions)	27,480
Less:	
Current bonds payable	(9,835)
Noncurrent bonds payable plus unamortized premium, net	(258,596)
Deferred amount of bond refunding	(983)
Net Investment in Capital Assets	$ 845,972

In FY 2023, capital asset additions accounted for $43,027 of capital assets, capital deletions were $927, and depreciation expense was $75,665, all in thousands. Capital asset deletions were similar in amounts and reason to FY 2022.

Capital asset deletions in FY 2023 resulted from reclassifying some individual project elements such as environmental remediation work and some equipment purchases from capital expenditures to operating expenses.

Capital Fund Sources

Aside from bond proceeds for the terminal expansion projects at ANC and FAI, federal grants administered by the FAA are the largest fund source for AIAS' Capital Improvement Program (CIP), and the FAA AIP is the largest awarding $92,155 thousand in fiscal year 2023. In fiscal year 2023, AIP funding was used for ANCs' Gate Improvements on the B Concourse and replacement of the Passenger Boarding Bridge at Gate B-9. ANC's also utilized AIP funding for the replacement of existing snow removal equipment, as well as fund the Master Plan Update. AIP funding was used for FAI's General Aviation Apron, Taxiway, and Lighting improvements.

In 2018, Congress recognized the annual needs of airports nationwide exceeded the existing FAA AIP annual appropriation. To alleviate the exceedance, Congress appropriated Supplemental Discretionary (SDI) funding of $5 billion to be dispersed across five years at $1 billion each year and directed FAA to administer it. SDI funding criteria was expanded to include projects that would likely not rank high enough in the AIP to be funded.

Part of AIAS' annual capital project authorization includes pre-approved General Category Project (GCP) Allowances as defined and scheduled in the OAPTL. These annual GCP Allowances plus individual projects by which the Signatory Airlines are notified or approve by ballot represent AIAS' annual Capital Project Fund authorization. In fiscal year 2023, AIAS' Signatory Airlines authorized $29,438 thousand for capital project expenditures.

TSA capital contributions in the amount of $753 thousand in fiscal year 2023 represent partial settlements of ANC claims relating to ANC Post 9/11 security project expenditures.

The federal Bipartisan Infrastructure Law (BIL), effective November 15, 2021, includes two programs the AIAS did leverage: Airport Terminals Program (ATP) and Airport Infrastructure Grants (AIG). FAI received $7,755 thousand in AIG funding for apron improvements and ANC received $1,630 thousand in ATP funding for replacement of a passenger boarding bridge. Through fiscal year 2025, the AIAS plans to apply for ATP and AIG funds to augment its capital program. Projects AIAS will submit will be for various facility renewal and runway, terminal area, and cargo hardstand expansion projects at ANC, FAI, and LHD.

7. Passenger Facility Charges

Under Part 158 of the Code of Federal Regulations and through an FAA-administered application process, the FAA granted public agency sponsors of commercial service airports the authority to impose PFC ranging from $1.00 to $4.50 per enplaned passenger. Per FAA regulations, PFC may be used for funding PFC-eligible AIAS facility improvements or paying debt service on facility-related infrastructure. Expenditures of PFC revenues are limited to eligible costs of projects approved in advance by the FAA, which are defined as fund FAA approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition.

PFC imposed are $3.00 at ANC and $4.50 at FAI, and of each PFC collected, airlines retain approximately $0.11 to cover administrative costs. During the fiscal year ended June 30, 2023, the AIAS recognized $6,761 in thousands, in PFC revenues. Effectively, all ANC and FAI annual PFC collections are dedicated to paying annual debt service under current and ANC approved collections are complete, and FAI FAA approved applications that are scheduled to expire the earlier of 2026 or upon collection of the approved application amounts. A new PFC application for ANC will be forthcoming during FY 2024.

8. Revenue Bonds Payable

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

June 30,	2023
Series 2016A, maturing October 1, between 2023 and 2031 in annual installments of varying amounts, interest payable semi-annually at 5.00%, except for the 2024 maturity with interest payable semi-annually at 2.50%	$ 73,635
Series 2016B, maturing October 1, between 2031 and 2035 in annual installments of varying amounts, interest payable semi-annually at 5.00%	82,495
Series 2016C, maturing October 1 in annual installments of varying amounts between 2020 and 2023; interest payable semi-annually at 5.00%	1,085
Series 2021A, maturing October 1 in annual installments of varying amounts between 2033 and 2035; interest payable semi-annually at 4.00%	11,710
Series 2021B, maturing October 1 in annual installments of varying amounts between 2031 and 2032; interest payable semi-annually at 4.00%	7,460
Series 2021C, maturing October 1 in annual installments of varying amounts between 2022 and 2030; interest payable semi-annually at 5.00%	61,340
Total Bonds Payable	237,725
Unamortized bond premium/(discount) and deferred gain/(loss)	30,706
	268,431
Less amount currently payable with restricted assets	(9,835)
Long-term portion	$ 258,596

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 9,835	$ 11,324	$ 21,15
2025	16,880	10,718	27,59
2026	13,925	10,011	23,93
2027	14,635	9,297	23,93
2028	15,380	8,546	23,92
2029-2033	70,745	26,038	96,78
2034-2036	96,325	9,646	105,97
Total	$ 237,725	$ 85,580	$ 323,30

The following is a summary of the revenue bonds payable:

FY Ending June 30,	Beginning Balance	New Issuances	Refunding/ Redemptions	Principal Payments	Ending Balance
2023	$ 243,805	$ -	$ -	$ (6,080)	$ 237,725

AIAS currently has revenue bond Series 2021A, 2021B, and 2021C, which are at a fixed rate, providing predictability and stability to AIAS Signatory Carriers' coverage requirements.

All AIAS revenue bonds were issued pursuant to bond resolutions. The bond resolutions define the uses described in Note 2 and list certain other requirements. Among these is a requirement for net revenues to be available for satisfying debt service and to be equal to 1.25 times the sum of annual debt service payments and required deposits to the bond redemption fund. The net revenue requirements were met for the fiscal year ended June 30, 2023.

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

The DOT&PF provides administrative and technical services benefiting all State-owned airports and seaplane bases. These costs are allocated based upon budgetary estimates of the pro rata portion which are borne by the various facilities as set forth in the annual appropriation and budget document of the State. Costs allocated to the Airport System and included in operating expenses for the fiscal year ended June 30, 2023, amounted to $3,380 in thousands.

Capital project management services are performed by the DOT&PF personnel and are capitalized to fixed assets. The capital project management services indirect costs allocated to the Airport System and capitalized in constructions in progress amounted to $3,591 in thousands during the fiscal year ended June 30, 2023.

10. Pension and Other Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

The Airports System participates in the 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 a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at https:/drb.alaska.gov/docs/reports/. 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 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 Postemployment Benefits Plans (OPEB) benefits. A complete benefit comparison chart is available at https://drb.alaska.gov/docs/materials/PERSTierChart.pdf.

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 DB 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 fiscal year ended June 30, 2023, were determined in the June 30, 2021, actuarial valuations, respectively. The Airports System's contribution rates for the 2023 fiscal year were:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	22.00%	24.79%	2.79%
Postemployment healthcare	0%	0%	-%
Total Contribution Rates	22.00%	24.79%	2.79%

In 2023, the Airports System was credited with the following contributions into the pension plan.

Plan Measurement Period (in thousands)	Airports System FY23
Airports System contributions (including DBUL)	$ 5,912
On-behalf contributions	991
Total Contributions	$ 6,904

In addition, employee contributions to the plan totaled $877 thousand during the Airports System fiscal year 2023.

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

As of June 30, 2023, 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:

Net Pension Liability (in thousands)	2023
Airports System proportionate share of NPL	$ 78,513
State's proportionate share of NPL associated with the Airports System	-
Total Net Pension Liability	$ 78,513

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, 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, 2022, measurement date, the Airports System's proportion was 3.0946 percent, which was an increase of 0.1202 from its proportion as of June 30, 2021.

For the fiscal year ended June 30, 2023, the Airports System recognized pension expense increase of $5,080,763.

As of June 30, 2023, the Airports System's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,245	-
Changes in proportion and differences between Airports System contributions and proportionate share of contributions	-	-
Airports System contributions subsequent to the measurement date	7,203	-
Total Deferred Outflows and Deferred Inflows	$ 9,448	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

The $7,203 thousand 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 fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FY Ending June 30, (in thousands)		
2024	$	(267)
2025		(684)
2026		(1,642)
2027		4,838

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to the measurement date of June 30, 2023, and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022:

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 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.75%.
Mortality – Peace Officer/ Firefighter	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

	Post-commencement morality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Mortality – Others	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time.
	Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

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 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 adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the following table (note that the rates shown below exclude the inflation component of 2.82%):

Asset Class	Long-Term Expected Real Rate of Return
Broad domestic equity	6.17%
Global equity (non-U.S.)	6.55%
Aggregate bonds	1.63%
Real assets	4.87%
Private equity	11.57%
Cash equivalents	0.49%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 in accordance with the method prescribed in GASB 67. In the event benefit payments not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 4.13% as of June 30, 2023.

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 7.25 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 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Airports System's proportionate share of the net pension liability	3.0946%	$ 105,696	$ 78,513	$ 55,593

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

General Information About the 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 DB 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 retirement accounts, occupational death and disability benefits, and retiree medical insurance plan. A separate Health Reimbursement Arrangement (HRA) account helps 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, https://doa.alaska.gov/drb/pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other non-employer contributions. In addition, actual remittances to the PERS system require that the Airports System contribute at 22 percent. 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 percent with two years of service, plus an additional 25 percent 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 fiscal year ended June 30, 2023, the Airports System was required to contribute 5.0 percent of covered salary into the Plan. In addition, during 2023, the State on-behalf contribution rate for OPEB was 2.79 percent.

The Airports System and employee contributions to PERS for pensions for the fiscal year ended June 30, 2023, were $1,128 and $1,803 in thousands, respectively. The Airports System contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

General Information About the Plan

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://drb.alaska.gov/docs/reports/.

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 fiscal year ended June 30, 2023, were:

	Other	Police/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	1.10%	1.10%
Occupational Death and Disability Benefits	0.30%	0.68%
Total Contribution Rates	1.40%	1.78%

In 2023, the Airports System was credited with the following contributions to the OPEB plans in thousands:

	Airports System Measurement Period Fiscal Year July 1, 2022 to June 30, 2023
Employer contributions – ARHCT	$ 750
Employer contributions - RMP	248
Employer contributions - ODD	92
Nonemployer contributions (on-behalf) - ARHCT	-
Total Contributions	$ 1,090

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

As of June 30, 2023, the Airports System reported an asset for its proportionate share of the net OPEB assets (NOW) that reflected a reduction for State OPEB support provided to the Airports System, which differs at June 30, 2022, of a liability (asset) for its proportionate share of the net OPEB liabilities (NOL) and net OPEB assets (NOW). The amount recognized by the Airports System for its proportional share, the related State proportion, and the totals were as follows (in thousands):

		FY 2023
Airports System's proportionate share of NOL – ARHCT	$	-
Airports System's proportionate share of NOL – RMP		-
Airports System's proportionate share of NOL – ODD		-
State's proportionate share of the NOL associated with the Airports System		-
Total Net OPEB Liabilities	$	-

		FY 2023
Airports System's proportionate share of NOL – ARHCT	$	(30,317)
Airports System's proportionate share of NOL – RMP		(517)
Airports System's proportionate share of NOL – ODD		(663)
State's proportionate share of the NOL associated with the Airports System		-
Total Net OPEB Assets	$	(31,497)

The total OPEB liabilities for the June 30, 2022, measurement date was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, 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, 2021 Measurement Date Employer Proportion	June 30, 2022 Measurement Date Employer Proportion	Change
Airports System's proportionate share of the net OPEB liabilities (asset):			
ARHCT	1.46946%	1.54082%	0.07136 %
RMP	1.44334%	1.17895%	(0.26439)%
ODD	1.45994%	1.90975%	0.44981 %

As a result of its requirement to contribute to the plans, the Airports System recognized OPEB expense of $750 thousand and on-behalf revenue of $0 for support provided by the State associated with the ARHCT plan.

As of June 30, 2023, the Airports System reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

June 30, 2023 (in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 26	$ (452)
Changes in assumptions	100	(2,015)
Changes in benefits		
Net difference between projected and actual earnings on OPEB plan investments	1,816	-
Changes in proportion and differences between Airports System's contributions and proportionate share of contributions and proportionate share of contributions	21	(6)
Airports System contributions subsequent to the measurement date	374	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	$ 2,337	$ (2,473)

The $374 thousand 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 fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal Year Ending June 30,	
2023	$ (382)
2024	(803)
2025	(1,776)
2026	4,833
2027	(120)
Thereafter	(145)
Total Amortization	$ 1,607

Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023.

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 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Investment rate of return	7.25%, net of post-retirement healthcare plan investment expenses. This is based on an average of inflation rates of 2.50% and a real return of 4.75%.
Mortality – Peace Officer/ Firefighter (ARHCT Plan, RMP, and ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted and amount-weighted (ODD Plan only), and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, Safety Disabled Retiree, headcount-weighted and amount-weighted (ODD Plan only), and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, headcount-weighted and amount-weighted (ODD Plan only), and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted and amount-weighted (ODD Plan only) and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

Mortality – Non-Safety Employee (ARHCT Plan, RMP, & ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted and amount-weighted (ODD Plan only) and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates (ARHCT and RMP), headcount-weighted and on 98% of male and 106% of female rates (ODD Plan), amount-weighted of the Pub-2010 General Retiree table and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted and amount-weighted (ODD Plan only), and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates (ARHCT and RMP), headcount-weighted and on 102% of male and 108% of female rates and amount-weighted (ODD Plan only) of the Pub-2010 Contingent Survivor table, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2022 actuarial valuation.

Long-Term Expected Rate of Return

The long-term expected rate of return on postretirement healthcare 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 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 adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the postretirement healthcare plans' target asset allocation as of June 30, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%):

Asset Class	Long-Term Expected Real Rate of Return
Broad domestic equity	6.17%
Global equity (non-U.S.)	6.55%
Aggregate Bonds	1.63%
Real assets	4.87%
Private equity	11.57%
Cash equivalents	(0.49)%

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2023 was 7.25%. 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 postretirement healthcare 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 postretirement healthcare plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability in accordance with the method prescribed by GASB 74. In the event benefit payments are not covered by the Plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 4.13% as of June 30, 2023.

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) as of June 30, 2023, calculated using the discount rate of 7.25%, as well as what the System's net OPEB liability (asset) 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 (in thousands):

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Airports System's proportionate share of the net OPEB liability (asset):				
ARHCT	3.0946%	$ (18,012)	$ (30,317)	$ (40,635)
RMP	3.0946%	$ 95	$ (517)	$ (983)
ODD	3.0946%	$ (625)	$ (663)	$ (693)

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 (asset) as of June 30, 2023, calculated using the healthcare cost trend rates as summarized in the 2022 actuarial valuation report, as well as what the System's net OPEB liability (asset) would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (in thousands):

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Airports System's proportionate share of the net OPEB liability (asset):				
ARHCT	3.0946%	$ (41,849)	$ (30,317)	(16,545)
RMP	3.0946%	$ (1,048)	$ (517)	198
ODD	3.0946%	$ 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, 2022, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,237.04 per year for each full-time employee, and $1.43 per hour for part-time employees.

Annual Postemployment Healthcare Cost

The Airports System contributed $677 thousand in DC OPEB costs during the fiscal year ended June 30, 2023. This amount has been recognized as expense/expenditures.

11. Leases

(a) Leases as Lessor

AIAS leases terminal space, buildings, land, and other structures to tenants and concessionaires under various lease agreements, which will terminate by fiscal year 2062. Charges to Signatory Airlines are generated from terminal building rentals, facilities use fees, and landing fees in accordance with the AIAS OAPTL. Under the terms of certain lease agreements, concession fees are based principally on a percentage of a concessionaire's gross sales or a stated minimum annual guarantee, whichever is greater, or on other land and building rents based on square footage rental rates. As a lessor, the AIAS recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term; however, the asset underlying the lease is not derecognized. There are certain exceptions to this accounting treatment for regulated leases, short-term leases, and leases of assets held as investments. The Airport System has no leases of assets held as investments; therefore, the lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable as well as any payments received at or before the commencement of the lease term that relate to future periods.

(b) Nonregulated Leases

For these leases, the Airport System is reporting a lease receivable of $25,573 thousand for fiscal year 2023. The deferred inflow of resources for fiscal year 2023 is $25,218 thousand. The AIAS also reports lease revenue of $5,315 and lease interest revenue of $240, in thousands in fiscal year 2023.

These leases did not have an implicit rate of return; therefore, to discount the lessor revenues to the net present value for new agreements entered into and/or agreements modified in fiscal year 2023, the Airport System used the all-in Net True Interest Cost (TIC) for the Series 2021A, 2021B, and 2021C revenue bonds. As of June 30, 2023, the minimum future rentals and fees to be received under non-cancellable leases or concession agreements for the next five fiscal years and subsequent five-year increments are:

Concession Fees

Fiscal Year	Principal	Interest	Total
2024	$ 3,046	$ 134	$ 3,180
2025	1,794	108	1.902
2026	1,398	89	1,487
2027	1,236	74	1,310
2028	1,091	61	1,152
2029-2033	4,716	121	4,837
Subtotal	$ 13,281	$ 587	$ 13,868

Terminal Rents

Fiscal Year	Principal	Interest	Total
2024	$ 66	$ 3	$ 69
2025	52	2	54
2026	51	1	52
2027	50	1	51
2028	27	1	28
2029-2033	43	1	44
Subtotal	$ 289	$ 9	$ 298

Vehicle Parking Fees

Fiscal Year	Principal	Interest	Total
2024	$ 158	$ -	$ 158
Subtotal	$ 158	$ -	$ 158

Land Rental Fees

Fiscal Year	Principal	Interest	Total
2024	$ 979	$ 128	$ 1,107
2025	789	118	907
2026	722	110	832
2027	664	102	766
2028	559	95	654
2029-2033	2,832	379	3,211
2034-2038	2,026	232	2,258
2039-2043	1,031	156	1,187
2044-2048	743	105	848
2049-2053	592	69	661
2054-2058	583	37	620
2059-2062	325	6	331
Subtotal	$ 11,845	$ 1,537	$ 13,382
Grand Total	$ 25,573	$ 2,133	$ 27,706

(c) Excluded – Short Term Leases

The Airport System does not recognize a lease receivable and a deferred inflow of resources for short-term leases in accordance with GASB 87. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months or less, including any options to extend, regardless of their probability of being exercised.

(d) Regulated Leases

Following GASB 87, the AIAS does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the FAA regulated aviation leases between airports, air carriers, and other aeronautical users. Regulated leases at AIAS include the AIAS OAPTL and other related passenger and cargo airline leases, aeronautical agreements, fueling, and ground handling leases. The leased assets under these agreements include gates, passenger hold rooms, common-use facilities, concourse operations space, baggage service areas, hangars, cargo facilities, and tie-down spaces.

The AIAS OAPTL provides for paying rentals, fees, and charges for airline use and occupancy of airfield and terminal facilities to allow the AIAS to recover all operating and maintenance expenses, bond debt service, and coverage on bond debt service allocable to the airfield and terminal cost centers. For regulated leases, AIAS recognized leasehold rentals revenue from terminal space ($10,765 thousand), buildings ($315 thousand), land ($6,173 thousand), aircraft ramp parking ($326 thousand) and tie downs ($649 thousand) in fiscal year 2023. All future payments for regulated leases are based on rates and fees calculated semi-annually, at the beginning of each fiscal year, and at mid-fiscal year, based on the budgeted revenues, expenses, and debt service requirements, and are allocated as per the AIAS OAPTL. As a result, expected future minimum payments for regulated leases are indeterminable. Terminal gates, totaling 43 gates, are subject to preferential or common use by the counterparties to these agreements as follows: 23 gates are leased on a preferential basis; the remaining 20 gates are leased on a common-use basis.

(e) Leases as Lessee

AIAS has determined that it has not entered into any material finance or operating leases. Therefore, the GASB 87 new accounting and financial reporting guidance for leases as the lessee is not applicable to AIAS in FY 2023.

12. Subscription-Based Information Technology Arrangements

The GASB defines a SBITA as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. SBITAs occur when agreements for information technology equipment are transacted over a period exceeding 12 months, and the payor (the SBITA vendor) is granted permission to control the asset by the payee, in this case, AIAS. AIAS has entered into SBITA contracts to complete certain business activities. AIAS SBITAs-related expenditures and supporting documentation were examined to determine the impact of GASB 96 on AIAS financial statements. However, AIAS has determined that it has not entered into any SBITA agreement that may be deemed material to its financial statements. Therefore, the GASB 96 new accounting and financial reporting guidance for SBITAs is not applicable to AIAS in FY 2023.

13. Contingencies

In the normal course of its activities, AIAS is involved in the mitigation of circumstances not easily predicted and the defense of various claims and litigation. Tenant disagreements; emergent environmental concerns; global economic factors such as supply chain disruptions, political unrest, the Pandemic; unforeseen impacts to construction; and national workforce challenges shaped the environment in which the AIAS conducted its business in FY 2023. Below are descriptions of the AIAS' contingencies and its various means for addressing them.

The AIAS is currently working through two tenant issues at ANC: one with a concessionaire and one with a former property lessee in default of its lease of a development site referred to as "6A.". The assessed likelihood of an unfavorable final outcome related to litigation over the failed development is remote but unlikely. The dispute concerns unpaid design and pre-construction work between the former airport lessee and its third-party contractors and a failed attempt at a global settlement. The ANC airport has been named as a defendant. The amount at issue is uncertain. The Airport System believes it has strong defenses to the asserted claims. In both cases, tenant lease language and State of Alaska law and regulations have been relied upon as supporting documentation for the AIAS' position.

Like many primary airports in the United States, ANC and FAI have been found to have PFAS in soils and ground water at levels deemed higher than U.S. Environmental Protection Agency's preliminary healthy advisory levels. Both airports have conducted studies to best define limits and identify sources of the substance. As this is a nationwide as well as statewide issue, the AIAS is working with its tenants, neighbors, the FAA, and the Alaska Department of Environmental Conservation (ADEC) to find viable solutions to remediate existing and mitigate future impacts to airport property. Current projects include FAI's remediation of its Aircraft Rescue and Firefighting Training Areas and ANC's ongoing site characterization work.

In FY2020, ANC entered into a Compliance Order by Consent (COBC agreement with the State of Alaska's Department of Environmental Conservation (ADEC) regarding storm water effluent 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. The study period has since been extended, as the issue appears to have been addressed: testing samples are showing a significant trend toward lower effluent contamination likely resulting from ceasing use of the firefighting substance known to contain PFAS. Both airports are working with tenants, FAA, and ADEC on various environmental documentation efforts for property development projects. It is difficult to forecast with any level of certainty the expected long-term costs of PFAS remediation or the level of outside funding that will support efforts.

Current AIAS tenant leases include provisions requiring the tenant to indemnify the Airport System for any damage to property or losses to the Airport System because 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 Airport System at this time. Additionally, federal guidance is expected to further address the issues related to the existence of PFAS on airports and on properties nearby airports. The future Environmental Protection Agency guidance and federal funding for remediation are both uncertain at this time.

Nonoperating revenues include grant reimbursements for Pandemic related operating expenditures and debt service payments. Grant revenues are recognized when all of the recognition requirements under GASB 33 have been met. Congress intended the Pandemic relief funds to provide aid to the airport and airline industries. As such, AIAS applied to use the funds for rent mitigation, rates and fees relief, and debt restructuring. The Pandemic relief funds were classified in nonoperating revenues since the expenditures are operating in nature and do not result in the acquisition of capital assets. A total of $39,099 thousand for Pandemic relief reimbursements was recognized during fiscal year 2023. Reimbursements for the $39,099 thousand recognized in FY 2023 were received during FY 2024. AIAS plans to expend approximately $18,000 thousand during FY 2024. AIAS is aware of the Congressional discussions to recoup unspent funds. If that effort comes to fruition, rates and fees will be set at the appropriate levels to recover the costs from the signatory airlines as outlined in the AIAS Airline Operating Agreement and Passenger Terminal Lease Agreement.

Political unrest and ever-increasing cyber-security concerns are being addressed through more frequent training and practical exercises to prevent physical and cyber breaches. A new Identity Management System was installed at FAI in 2019 and in ANC in 2023/2024 to better secure non-public areas.

Given the relatively large amount of capital project activity occurring annually, the Airport 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 Airport System believes it has strong defenses to all such currently asserted claims. Unfavorable outcomes in all other currently filed claims is considered unlikely. The combined potential exposure is not material with respect to AIAS ability to meet its financial obligations. All such claims are estimated to total less than $1.0 million in the aggregate at the end of fiscal year 2023.

The Airport 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.

14. Subsequent Events

On January 15, 2024, a structural fire occurred at a building owned and leased by Fairbanks International Airport (FAI). Following an investigation by the State Fire Marshal and the Airport Police and Fire Department, the building was deemed a complete loss. The estimated replacement value of the building for insurance purposes was $1.28 million. Due to the high costs associated with construction, FAI decided not to replace the building. Environmental remediation of the site is ongoing and estimated to be $500,000, which FAI expects to be fully reimbursed by the State’s Division of Risk Management. The present value of the rental revenue is $46,953.48 (July 1, 2022 through September 30, 2023). The result of the loss of the building is a reduction in the property rental revenue from a developed property lease to an undeveloped property lease rate. FAI continues to receive rental income from the land where the building was located, as the land lease agreement remains in effect. The land is still being used by a rental car company for storage of cars pending rental and the company is interested in constructing a new building on the land once site characterization and remediation work is completed and returned to a rentable condition.

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
(in thousands)

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
2023	0.03094603	$	78,513	$	-	$	78,513	$	35,524	221.02%	67.97%
2022	0.02974405	$	53,922	$	-	$	53,922	$	33,132	162.75%	76.46%
2021	0.02885429	$	59,728	$	24,716	$	84,444	$	32,268	185.10%	61.61%
2020	0.02899832	$	57,115	$	22,679	$	79,794	$	31,932	178.87%	63.42%
2019	0.02767591	$	53,378	$	15,460	$	68,838	$	30,259	176.40%	65.19%
2018	0.02812401	$	54,170	$	20,182	$	74,352	$	29,452	183.93%	63.37%
2017	0.02773600	$	72,276	$	9,107	$	81,383	$	28,644	252.32%	59.55%
2016	0.01090483	$	52,542	$	13,865	$	66,407	$	28,560	183.97%	63.96%
2015	0.01411333	$	35,286	$	30,541	$	65,827	$	13,190	267.53%	62.37%
2014	*		*		*		*		*	*	*

*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
(in thousands)

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
2023	$ 5,913	$ 5,913	$ -	$ 35,524	16.64%
2022	$ 4,121	$ 4,121	$ -	$ 33,132	12.44%
2021	$ 3,474	$ 3,474	$ -	$ 32,268	10.77%
2020	$ 3,738	$ 3,738	$ -	$ 31,932	11.71%
2019	$ 3,789	$ 3,789	$ -	$ 30,637	12.37%
2018	$ 4,769	$ 4,769	$ -	$ 30,259	15.76%
2017	$ 4,165	$ 4,165	$ -	$ 29,452	14.14%
2016	$ 3,670	$ 3,670	$ -	$ 28,644	12.81%
2015	$ 3,673	$ 3,673	$ -	$ 28,560	12.86%
2014	*	*	*	*	*

*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
(in thousands)

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
2023	3.094603%	$ (30,317)	$ -	$ (30,317)	$ 33,132	-91.50%	128.51%
2022	2.974405%	$ (37,697)	$ -	$ (37,697)	$ 31,932	-118.05%	135.54%
2021	2.899832%	$ (4,582)	$ (1,903)	$ (6,485)	$ 30,070	-15.24%	106.15%
2020	2.899832%	$ 1,548	$ 616	$ 2,164	$ 30,637	5.05%	98.13%
2019	2.767605%	$ 11,022	$ 3,200	$ 14,222	$ 30,259	36.43%	88.12%
2018	1.048044%	$ 3,299	$ 1,230	$ 4,529	$ 29,452	11.20%	89.68%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*

*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
(in thousands)

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
2023	$ 750.00	$ 750.00	$ -	$ 35,524.00	2.11%
2022	$ 3,863.00	$ 3,863.00	$ -	$ 33,132.00	11.66%
2021	$ 1,772.00	$ 1,772.00	$ -	$ 31,932.00	5.55%
2020	$ 1,493.00	$ 1,493.00	$ -	$ 30,070.00	4.97%
2019	$ 1,366.00	$ 1,366.00	$ -	$ 30,637.00	4.46%
2018	$ 1,485.00	$ 1,485.00	$ -	$ 30,259.00	4.91%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*

*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
(in thousands)

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
2023	3.094603%	$ 517	$ -	$ 517	$ 33,132	1.56%	120.08%
2022	2.974405%	$ 387	$ -	$ 387	$ 31,932	1.21%	115.10%
2021	2.885429%	$ (99)	$ -	$ (99)	$ 30,070	-0.33%	95.23%
2020	2.899832%	$ 339	$ -	$ 339	$ 30,637	1.11%	83.17%
2019	2.767597%	$ 172	$ -	$ 172	$ 30,259	0.57%	88.71%
2018	1.010124%	$ 26	$ -	$ 26	$ 29,452	0.09%	93.98%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*

*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
(in thousands)

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
2023	$ 248	$ 248	$ -	$ 35,524	0.70%
2022	$ 220	$ 220	$ -	$ 33,132	0.66%
2021	$ 233	$ 233	$ -	$ 31,932	0.73%
2020	$ 236	$ 236	$ -	$ 30,070	0.79%
2019	$ 154	$ 154	$ -	$ 30,637	0.50%
2018	$ 35	$ 35	$ -	$ 30,259	0.12%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*

*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
(in thousands)

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)
2023	3.094603%	$ (663)	$ -	$ (663)	$ 33,132	-2.00%	348.80%
2022	2.974405%	$ (643)	$ -	$ (643)	$ 31,932	-2.02%	374.23%
2021	2.885429%	$ (388)	$ -	$ (388)	$ 30,070	-1.29%	283.80%
2020	2.899832%	$ (349)	$ -	$ (349)	$ 30,637	-1.14%	297.43%
2019	2.767601%	$ (263)	$ -	$ (263)	$ 30,259	-0.87%	270.62%
2018	1.396341%	$ (98)	$ -	$ (98)	$ 29,452	-0.33%	212.97%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*

*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
(in thousands)

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
2023	$ 92	$ 92	$ -	$ 35,524	0.26%
2022	$ 88	$ 88	$ -	$ 33,132	0.27%
2021	$ 37	$ 37	$ -	$ 31,932	0.12%
2020	$ 68	$ 68	$ -	$ 30,070	0.23%
2019	$ 66	$ 66	$ -	$ 30,637	0.22%
2018	$ 153	$ 153	$ -	$ 30,259	0.51%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

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

This table is presented based on the Plan measurement date. For June 30, 2023, the Plan measurement date is June 30, 2022.

Changes in Assumptions:

The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

The discount rate as of June 30, 2023 was 7.25%.

Amounts reported reflect a change in assumptions between 2017 and 2021 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 Airport 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 Airport System's Proportionate Share of the Net OPEB Liability (Asset) – ARHCT, RMP and ODD Plans

These tables are presented based on the Plan measurement date. For June 30, 2023, the Plan measurement date is June 30, 2022.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2022 actuarial valuation.

The discount rate as of June 30, 2023 was 7.25%.

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.

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

These tables are based on the Airport 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 Airport System will present only those 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

	2023		
For the Year Ended June 30,	Anchorage	Fairbanks	Total
Operating Revenues			
Airfield operations:			
Landing fees	$ 20,318	$ 584	$ 20,902
Fuel flowage fees	24,166	299	24,465
Aircraft docking fees	394	161	555
Aircraft parking fees	4,772	425	5,197
Federal inspection fees	1,395	67	1,462
Aircraft ramp rent	1,354	205	1,559
Concession fees	17,518	5,754	23,272
Terminal rents	14,901	2,796	17,697
Vehicle parking fees	9,472	640	10,112
Land rental fees	7,975	1,036	9,011
Airline recovery of bad debt/(bad debt expense)	2,429	-	2,429
Other	2,220	123	2,343
Total Operating Revenues	106,914	12,090	119,004
Facilities	24,102	3,699	27,801
Field and equipment maintenance	23,420	4,862	28,282
Safety	10,027	5,593	15,620
Administration	11,137	3,253	14,390
Operations	5,311	1,060	6,371
Environmental expenses	3,998	5,111	9,109
Vehicle parking and curbside services	2,352	-	2,352
Risk management	1,006	200	1,206
Depreciation and amortization	61,963	13,701	75,664
Total Operating Expenses	143,316	37,479	180,795
Operating Loss	(36,402)	(25,389)	(61,791)

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, continued

	2023		
For the Years Ended June 30,	Anchorage	Fairbanks	Total
Nonoperating Revenues (Expenses)			
Investment income	7,938	-	7,938
Lease interest income	176	60	236
Interest expense	(7,538)	-	(7,538)
Federal Aviation Administration - CARES Act	-	-	-
Federal Aviation Administration - CARES Act - RAC	-	-	-
Federal Aviation Administration - CRRSSA & ACRGP	32,490	6,609	39,099
Grants - Other	357	-	357
Gain/(loss) on disposal of capital assets	3	-	3
Reimbursable services income	61	-	61
Reimbursable services expense	(61)	-	(61)
Net Nonoperating Revenues (Expenses)	33,426	6,669	40,095
Loss before Capital Contributions and Transfers	(2,976)	(18,720)	(21,696)
Capital Contributions			
Federal Aviation Administration	33,580	2,629	36,209
Transportation Safety Administration	753	-	753
Capital contributions - other	-	-	-
Passenger Facility Charges	5,099	1,662	6,761
Total Capital Contributions	39,432	4,291	43,723
Change in Net Position	$ 36,456	$ (14,429)	$ 22,027

See accompanying notes to financial statements.

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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 Airport System (Airport System) (an Enterprise Fund of the State of Alaska), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Airport System's basic financial statements as listed in the table of contents and have issued our report thereon dated July 31, 2024. We have also audited the accompanying Schedule of Net Revenues in Excess of Net Revenues required of the State of Alaska International Airport System for the year ended June 30, 2023.

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 year ended June 30, 2023, 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 Airport 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 Airport 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 Airport 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 Airport 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, P.C.

Anchorage, Alaska
July 31, 2024

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

Schedules of Net Revenues in Excess of Net Revenues Required

For the Year Ended June 30,		2023
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	$	119,004
Federal Aviation Administration - CARES Act		-
Federal Aviation Administration - CRRSSA Act and ACRGP		39,099
Passenger facility charges applied to debt service		-
Investment income (loss)		7,937
Leasee investment income		240
Total revenues		166,280
Maintenance and operation costs		180,795
Noncash adjustments:		
Depreciation		(75,664)
Total adjusted maintenance and operation costs		105,131
Net Revenues		61,149
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		17,802
Debt service on bonds during fiscal year		17,802
Minimum revenue requirement factor		1.25
Net Revenues Required		22,253
Net Revenues in Excess of Net Revenues Required	$	38,896
Debt Service Coverage		3.43

See accompanying notes to financial statements.

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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 Airport System (Airport System) (an Enterprise Fund of the State of Alaska) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Airport System's basic financial statements as listed in the table of contents and have issued our report thereon dated July 31, 2024.

Other Reporting Matters

In connection with our audit, nothing came to our attention that caused us to believe that the State of Alaska International Airport 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 Airport 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, P.C.

Anchorage, Alaska
July 31, 2024