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

Financial Statements, Required Supplementary Information, and Supplementary Information
Year Ended June 30, 2025
(With Independent Auditor's Report Thereon)

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Contents

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of State of Alaska International Airport System (Airport System), an enterprise fund of the State of Alaska, as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of State of Alaska International Airport System, as of June 30, 2025, and the changes in its 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only State of Alaska International Airport System and do not purport to, and do not, present fairly the financial position of the State of Alaska as of June 30, 2025, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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.

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 26, the Schedules of the Airport System's Proportionate Share of the Net Pension Liability and Pension Contributions, and the Schedules of the Airport System's Proportionate Share of the Net OPEB Liability (Asset) and OPEB Contributions on pages 73 through 80 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 Schedule of Revenues, Expenses, and Changes in Fund Net Position and Schedule 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 Schedule of Revenues, Expenses, and Changes in Fund Net Position and Schedule of Net Revenues in Excess of Net Revenues Required are 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 January 30, 2026 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
January 30, 2026

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is an executive summary of the financial performance and activity of the State of Alaska International Airport System (Airport System or AIAS), an enterprise fund of the State of Alaska. It provides an introduction and understanding of the Airport System's basic financial statements for the fiscal year ended June 30, 2025, with selected comparable data for the fiscal year ended June 30, 2024. 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 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 that of private businesses, and its services are self-supporting through user charges and fees. The IARF is structured as a single enterprise fund that uses accrual accounting, like 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 construction in progress and land, are capitalized and depreciated over the assets' useful lives. Certain net position balances are restricted for debt service, construction activities, net Other Post-Employment Benefits (OPEB), 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 supplementary 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 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 34-72.

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 OPEB benefits to its employees. Required Supplementary Information can be found immediately after the Notes on pages 74-83.

Financial Statement Highlights

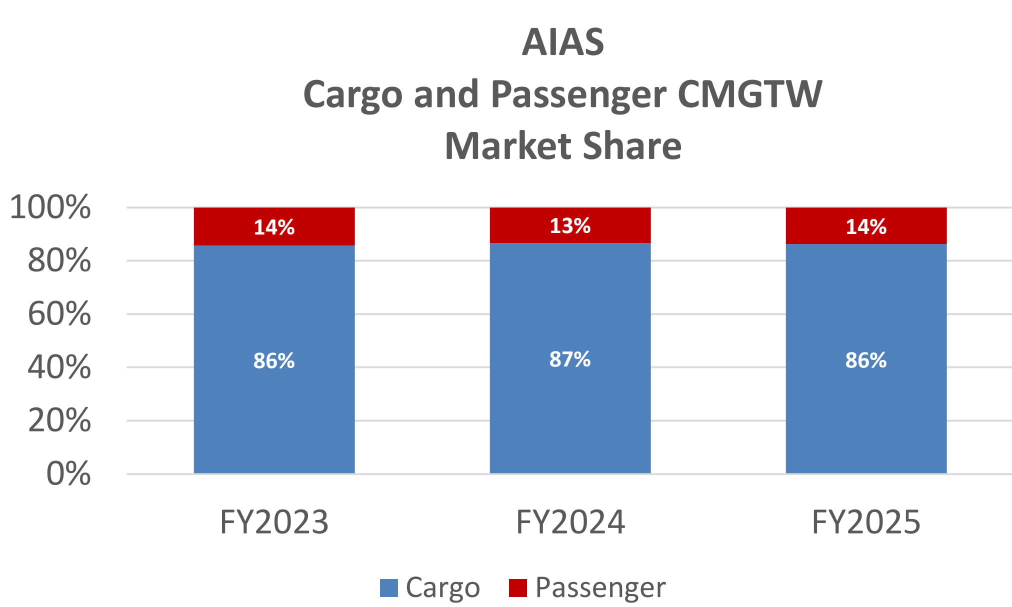
The AIAS Financial Report reflects a stable debt profile, secured reserves, resilient activity, and sound management of its operations. In fiscal year 2025, the financial highlight was an increase in Net Position of $50,857 thousand or 4.6% over fiscal year 2024. The increase was primarily driven by an increase in Total Current Assets of $42,519 thousand over fiscal year 2024 and Net Investments in Capital Assets of $13,002 thousand over fiscal year 2024. Drivers of these two significant contributions were an increase in Total Operating Revenues of $22,274 thousand due primarily to increased activity and a decrease in Revenue Bonds Payable of $23,150 thousand due to a 2016 A and B Bond Refund and Forward Delivery. The resulting positive effect on the Airport System's Net Position is a testament to AIAS' partners' commitments to the Airport System and to AIAS's ability to work with its partners: Signatory Airlines, Federal Aviation Administration (FAA), and internal agencies, including Departments of Administration, Revenue, Finance, and Transportation & Public Facilities, to successfully manage its business. Fiscal year 2025 marks the Airport System's shift from stabilizing its financial and operational foundation to optimizing is foundation and positioning itself for future growth and continued leadership in global aviation.

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 which are the determining factors for calculating the Cost Per Enplanement (CPE) metric, drive the primary business model. The AIAS Landing Fee is one of the most relevant key metrics for AIAS, in addition to the CPE metric. Landed weight at AIAS is measured using aircraft Certified Maximum Gross Takeoff Weight (CMGTW) as the unit of measure. In fiscal year 2025, AIAS cargo CMGTW represented 86% of total AIAS landed weight, and passenger CMGTW represented 14%.

Figure 1 shows the Market Share of Cargo and Passenger CMGTW for fiscal years 2025, 2024, and 2023 for the Airport System to be stable.

Figure 1 - AIAS Cargo to Passenger CMGTW Market Share

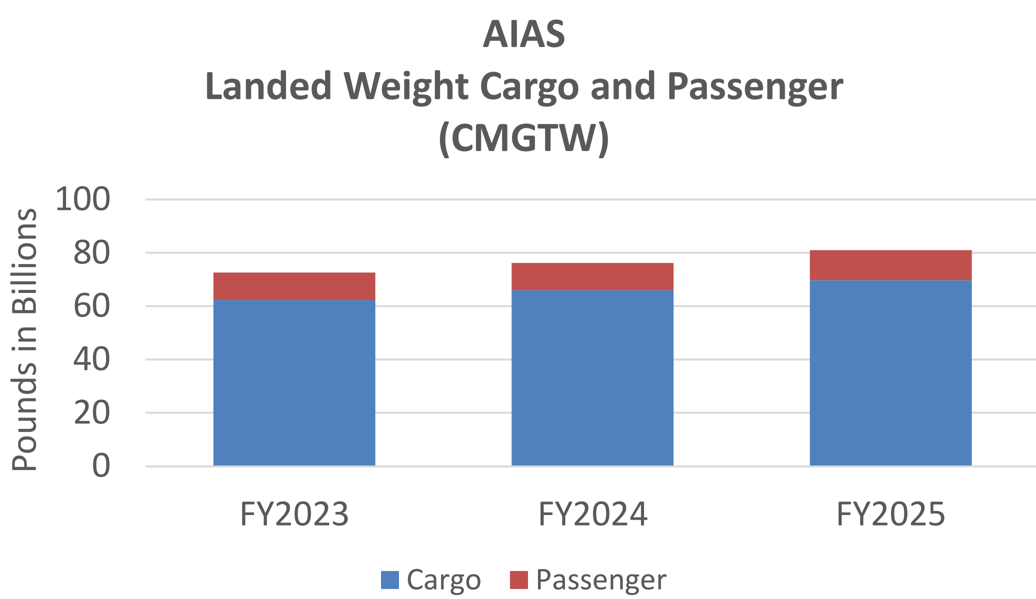


Though the market share of Landed Weight Cargo and Passenger CMGTW at AIAS has been static since 2023, the Landed Weight Cargo and Passenger CMGTW itself has steadily increased as shown in Figure 2. After experiencing an almost 5% increase from fiscal year 2023 to 2024 in Combined Landed Weight of cargo and passenger carriers, the 6.4% increase from fiscal year 2024 to 2025 underscored consumers' reliance on e-commerce and air cargo's importance to supporting the business of two-day or less delivery times. The "see saw" of combined landed weight between 2022 and 2024 due to the air cargo market's recalibration post-Pandemic was replaced in fiscal years' 2023, 2024, and 2025 by steady air cargo and passenger growth.

Beginning in fiscal year 2024 and continuing through fiscal year 2025, AIAS leadership and its Airline Technical Representative hosted working group meetings with its airlines, ground handlers, and deicers to brainstorm ways to alleviate congestion during significant winter weather events. These working group meetings have resulted in several improvements ranging from deicing equipment and personnel increases to improved communications between airport operations, airfield maintenance and Air Traffic Control. Ultimately, the participation in these working group meetings, support of the Airlines Airport Affairs Committee, and the outcomes of these and other similar issue resolution methods underscore the AIAS' strong partnerships with and commitments from its airlines and tenants.

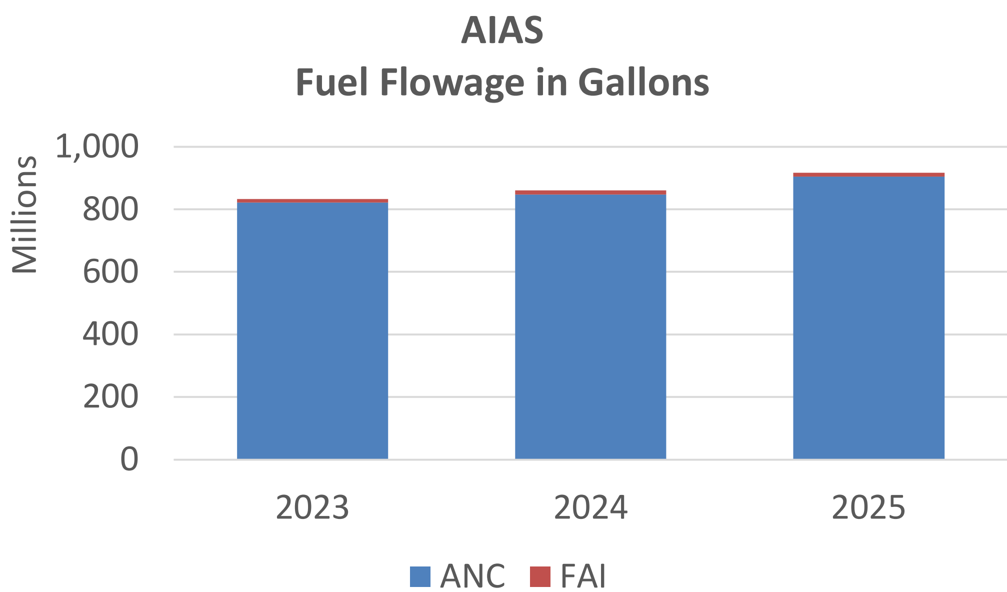
Figure 2 shows the Combined Landed Weight of Cargo and Passenger aircraft for fiscal years 2025, 2024, and 2023 for both AIAS airports.

Figure 2 - AIAS Combined Landed Weight of Cargo and Passenger Carriers



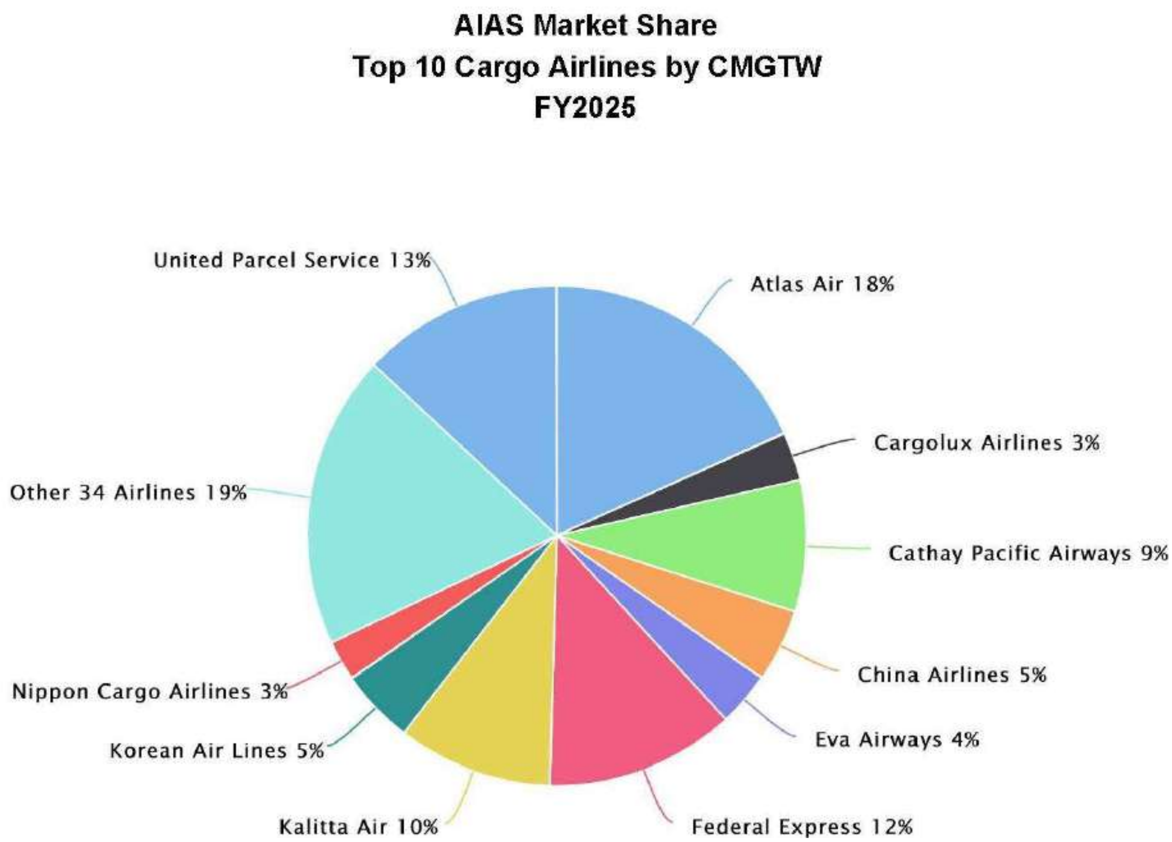
Closely related to Landed Weight activity is Fuel Flowage activity. In fiscal year 2025, Fuel Flowage activity increased 6.5% from fiscal year 2024 activity. Figure 3 shows Fuel Flowage in gallons for the AIAS airports.

Figure 3 - AIAS Fuel Flowage (Gallons)



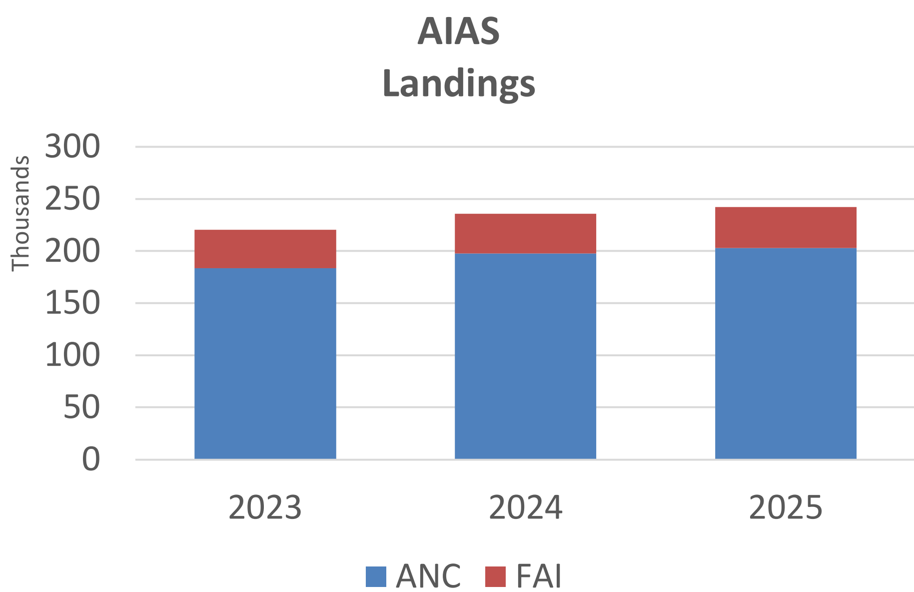
Cargo activity at AIAS airports cannot be understated as Figures 1 and 2 show. Figure 4 shows AIAS Market Share by Cargo Airlines as measured in CMGTW for fiscal year 2025. Of the cargo carriers, UPS and Federal Express have land leases at ANC on which they process their flights. All other carriers share use of 14 ANC-administered hardstands. During times of busy summer construction, adverse weather, or unanticipated aircraft mechanicals, ANC works together with FAI and its carriers to best leverage its assets to support its cargo customers. Beginning in fiscal year 2024 and continuing through current day, AIAS has piloted a program to preferentially lease 5 of its 14 hardstands to its cargo customers that meet the minimum qualifications for eligibility. For fiscal year 2025, Atlas and Cathay Pacific executed preferential lease agreements for October 2024 through March 2025. There was little snow at either airport during this time, so the pilot program was extended for fiscal year 2026. Atlas, Cathay Pacific, and Kalitta each have preferential hardstand leases beginning October 2025 through March 2026.

Figure 4 - AIAS Market Share Top 10 Cargo Airlines By CMGTW



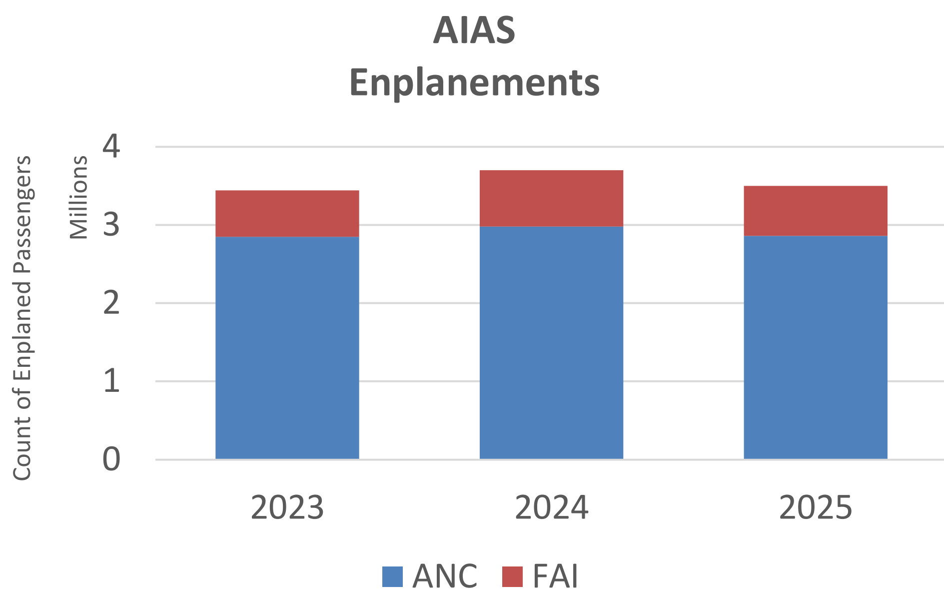
Similar to the metrics discussed above, Figure 5 shows AIAS cargo and passenger aircraft landings also increased in fiscal year 2025 by 2.8% compared to fiscal year 2024. A comparison of the modest increase in AIAS cargo and passenger aircraft landings to the larger increases of AIAS landed weight cargo and passenger and AIAS fuel flowage indicates that larger aircraft carrying more passengers and/or cargo may account for the lower increase in aircraft landings. Steady increases in landings at FAI, including 3.4% for fiscal year 2025 over 2024 and 3.2% for fiscal year 2024 over 2023 indicate an increasing willingness of cargo airlines to plan for and leverage FAI's facilities during times of adverse weather or significant summer construction activities at ANC, thus strengthening and expanding the System's business and operational reach. Landings by Cargo, Commercial Passenger, and Regional Passenger carriers have been constant as a percent to total landings at 47%, 26%, and 27%, respectively for fiscal years 2025, 2024, and 2023. Figure 5 shows AIAS Landings for fiscal years 2025, 2024, and 2023 by airport.

Figure 5 - 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 have a diversified passenger base driven by strong resource development and tourism economies as well as statewide reliance on air travel. Rounding out the airline activity metrics, AIAS passenger enplanements experienced a decrease in fiscal year 2025 from the previous fiscal year of 3.7%. The reported decrease results from a reduction in load factors for commercial carriers and commuter airlines. For commuter airlines, the largest reduction was due to decline in operations of Ravn Alaska, which eventually ceased operations in August 2025. The reduction was not replaced by smaller carriers or Essential Air Service operators. Contributing factors for the reduction of commercial carriers can be attributed to lower winter travel demand, shifts in travel patterns, and higher average airfares and reduction of intra-Alaska service frequencies. Activity reductions were slightly offset by regional and international activity during fiscal year 2025. Figure 6 shows AIAS Passenger Enplanements for fiscal years 2025, 2024, and 2023.

Figure 6 - AIAS Passenger Enplanements



As AIAS approaches the halfway point of fiscal year 2026, it is experiencing activity slightly below fiscal year 2025 and slightly above its fiscal year 2026 plan which was conservatively developed during the initial period of uncertainty regarding imposition of tariffs. Combined Landed Weight year-to-date through November 2025 is down 0.5%, and Fuel Flowage is up 0.2% compared to fiscal year 2025, indicating consumers' continued reliance on e-commerce and on-demand delivery. Landings are down 0.6% year-to-date over fiscal year 2025, indicating steady cargo and passenger operations. For the same period, Enplanements are up 0.4% to fiscal year 2025 largely due to a strong July 2025 with 35,530 additional enplanements. Lastly, while not a metric tied directly to financial performance, AIAS enplaned, deplaned, and in-transit mail and freight as measured in metric tons is up 4.1% year-to-date through November 2025 as compared to the same period last year. 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 2026 trends.

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Financial Analysis

Fiscal year 2025 for the AIAS was a year of assessments and adjustments to prepare for its anticipated future growth. In fiscal year 2025, AIAS adjusted its rates and fees to cover the cessation of Pandemic Relief - Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and Airport Coronavirus Response Grant Program (ACRGP) and per the 2023-2033 Operating Agreement and Passenger Terminal Lease (OAPTL), the expiration of the floor on Terminal Lease Rent by which terminal rents were subsidized by landing fees. The termination of these two programs resulted in adjustments that increased the landing fees and terminal rents. These higher fees combined with increased activity resulted in $185,311 thousand in Total Operating Revenues in fiscal year 2025 versus $163,037 thousand in fiscal year 2024. With Pandemic Relief grants to process, AIAS resources shifted focus and processed an additional $4,460 thousand in fiscal year 2025 of federal infrastructure grants, including Airport Improvement Program (AIP), Bipartisan Infrastructure Law (BIL)/Infrastructure Investment and Jobs Act (IIJA), Supplemental Discretionary monies. AIAS also collaborated with Department of Revenue to execute the first stage of a Bond Refunding and Forward Delivery of 2016 A and B Bonds resulting in net present value savings this fiscal year of $5,304 thousand and worked with a third-party contractor to complete 36 concessionaire account audits beginning in 2019 through present day that yielded net additional concession revenues of $860 thousand in fiscal year 2025. Additional activities included initiating the groundwork to implement a new Certified Activity Reporting (CAR) process that increases report accuracy by decreasing manual entry, applying the concessionaire Pandemic Relief credits, and continuing to improve its financial processes for the benefit of its carriers and itself. Working through these initiatives resulted in AIAS increasing its Net Position in fiscal year 2025 by $50,857 thousand. Through responsible management of its resources and relationships, AIAS retained its ability to adjust as needed to external impacts such as federal policy, climate, and other changes while still positioning itself for future growth. AIAS' flexible and adaptable management shows in its unchanged Aa3 positive rating in FY 2025.

Activity-generated revenue increased as did expenses. Cargo activity increased and contributed to the increased revenue as did increases to the landing fee and terminal rental rate. Total Operating Revenues for fiscal year 2025 were up $22,274 thousand or 13.7% over fiscal year 2024. Increases were largely driven by personnel services contractual requirements, the implementation of federally required employee worker screening programs, and various personnel services impacts related to new hires, position reclasses, and formerly vacant positions being filled. Though total expenses outweighed revenues, Operating Revenues outweighed Operating Expenses net of Depreciation by $59,558 thousand. Total operating costs were substantively offset by leveraging $57,285 thousand in Capital Contributions and PFCs in fiscal year 2025. The total capital contributions decrease of $16,058 thousand between fiscal year 2025 and fiscal year 2024 is mainly attributed to timing misalignments related to when end-of-year expenditures generate receivables, when cash receipts occur after fiscal year closeout, and when design costs are incurred before a federal grant is awarded and those design costs transferred to the federal grant appropriation for reimbursement. Together, and investment income and capital contributions, including AIP, BIL/IIJA grant, and PFC monies, resulted in a fiscal year 2025 AIAS' Net Position increase of $50,857 thousand over fiscal year 2024.

A review of the Combining Schedules of Revenues, Expenses, and Changes in Fund Net Position shows the financial impacts of fiscal year 2025 compared to fiscal year 2024 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, 2025, and 2024 is:

June 30, (in thousands)	2025	2024
Assets and Deferred Outflows of Resources		
Current assets	$ 312,878	$ 270,359
Noncurrent assets:		
Capital assets, net of accumulated depreciation (Note 6)	1,095,405	1,103,067
Other noncurrent assets	140,106	152,065
Deferred outflows – pension/OPEB related	12,587	12,895
Total Assets and Deferred Outflows of Resources	$ 1,560,976	$ 1,538,386
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities	$ 47,895	$ 49,459
Noncurrent liabilities – long-term debt outstanding and other liabilities	315,634	337,610
Total liabilities	363,529	387,069
Deferred inflows of resources:		
Pension and other post-employment benefit related	845	1,575
Deferred amount of bond refunding	6,077	903
Lease related	35,814	44,986
Total deferred inflows of resources	42,736	47,464
Net position:		
Net investment in capital assets (Note 6)	903,771	890,769
Restricted (Note 4)	103,349	97,125
Unrestricted	147,591	115,960
Total Net Position	1,154,711	1,103,854
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,560,976	$ 1,538,387

Total current assets increased $42,519 thousand, or 15.7%, in fiscal year 2025 from fiscal year 2024. The net increase was primarily due to receipt of $16,054 thousand Pandemic Relief cash in fiscal year 2025 following revenue recognition of it in fiscal year 2024 and 2023, higher than expected market returns on investments, an increase in PFC cash and federal grants receivable, and higher activity levels. Increases in accounts receivable were due to entry-level staffing issues that continued to plague the AIAS. The sum of these increases was reduced mainly by the cessation of Pandemic Relief and a decrease in lease receivable due to the reclassification of some leases from nonregulated to regulated leases. During fiscal year 2025, presentation of interest receivable was segregated out of the cash balances for both the restricted and unrestricted basis. This did not impact the Total Current Asset or Total Noncurrent Asset balances.

Fiscal year 2025 noncurrent assets decreased in fiscal year 2025 by $19,621 thousand or 1.6% from fiscal year 2024 primarily due to decreases in the Debt Service Reserve Fund resulting from the 2016 A and B Bond Refund and Forward Delivery, Bond interest increased $8,114 thousand mainly due to a $6,642 thousand Airport System cash contribution as part of the final phase of the forward delivery transaction. Lease receivables decreased $8,716 thousand primarily due to reclassification of nonregulated to regulated leases. See Note 11. Capital assets, net of accumulated depreciation decreased due to a decrease in investment in capital projects. Less investment occurred because of startup delays due to unexpected federal regulatory changes and federal review slowdowns. The net change from the fiscal year 2024 to the fiscal year 2025 of total assets was 1.5%.

Though deferred outflows of resources decreased 2.4% in fiscal year 2025 from fiscal year 2024, the decrease did not contribute as significantly to the overall change in total assets and deferred outflows of resources as did the changes in current assets and the Revenue Bond Redemption Fund, which increased 15.7% and 35.4%, respectively, between fiscal years 2025 and 2024.

The Airport System's total liabilities for fiscal year 2025 decreased $23,540 thousand or (6.1%) from fiscal year 2024 primarily due to a decrease in revenue bonds payable in fiscal year 2025 following the 2016 A and B Bond Refund and Forward Delivery of $23,150 thousand or (10.2%). This decrease was offset by increases in accounts payable due to payment timing; unrestricted unearned revenue related to unallocated credits being applied in the subsequent fiscal year; and payroll accrued liability due to payroll payment made in the subsequent fiscal year. Noncurrent liabilities decreased a net $21,976 thousand, or (6.5%), due to decreases in revenue bonds payable of $19,850 thousand, unamortized bond premium of $3,928 thousand, and environmental remediation obligation, less current portion of $1,255 thousand. These decreases were offset by increases in compensated absences and net pension liability of $931 thousand and $2,126 thousand, respectively.

Fiscal year 2025 deferred inflows of resources decreased $4,728 thousand, or (10.0%), attributed substantially to the decrease of deferred lease revenues of $9,172 thousand primarily resulting from leasehold remeasurements and changes from unregulated to regulated leases following a substantial audit of 36 concessionaires at ANC. This decrease was offset by an increase in deferred amount of bond refunding of $5,174 thousand. See Notes 8, Revenue Bonds Payable, and 11, Leases, for additional details.

As of June 30, 2025, AIAS' net increase in Total Liabilities, Deferred Inflows of Resources, and Net Position is $22,589 thousand, or 1.5%, more than on June 30, 2024.

AIAS's Net investment in capital assets is reported net of related debt and increased $13,002 thousand or 1.5% in fiscal year 2025 from fiscal year 2024. The main contributing factor to this increase is the net $25,742 thousand increase in capital investment, attributable to increases in Infrastructure and construction projects in progress as of the fiscal year 2025. However, this net impact was decreased by the fiscal year 2025 bonds' principal payment and the bonds' premium amortization.

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In summary, AIAS' total net position improved from fiscal year 2024 to fiscal year 2025 by 4.6% or $50,857 thousand reflecting AIAS' ability to manage its revenue and expenses, leverage its capital contributions, and manage its debt. 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 (DC) plan to the defined benefit (DB) plan.

Operating and Nonoperating Revenues

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

Years Ended June 30, (in thousands)	2025	2024
Operating Revenues		
Airfield operations	$ 109,484	$ 105,022
Concession fees	24,355	20,369
Terminal rents (Note 2)	27,204	21,312
Vehicle parking fees	11,872	12,359
Land rental fees	8,926	9,610
Bad debt recovery (expense)	2,310	(5,849)
Other	1,160	214
Total Operating Revenues	185,311	163,037
Operating Expenses		
Facilities	37,528	32,008
Field and equipment maintenance	30,124	33,332
Safety	28,504	19,775
Administration	16,583	19,868
Operations	10,228	7,500
Environmental expenses (Note 5)	(631)	1,760
Vehicle parking and curbside services	2,019	2,396
Risk management	1,398	844
Depreciation	79,347	76,470
Total Operating Expenses	205,100	193,953
Operating Loss	$ (19,789)	$ (30,916)

table continued on next page

Years Ended June 30, (in thousands)	2025	2024
Nonoperating Revenues (Expenses)		
Investment income	$ 15,666	$ 13,232
Lease interest income	482	494
Interest expense	(7,062)	(7,640)
Federal Aviation Administration - CRRSA Act & ACRGP	2,807	16,054
Grants - miscellaneous	1	443
Other nonoperating income	69	95
Reimbursement of prior-year expenditures	-	42
Gain on disposal of capital assets	1,398	66
Passenger Facility Charges	7,269	9,053
Net Nonoperating Revenues	20,630	31,839
Income (Loss) Before Capital Contributions and Transfers	$ 841	$ 923

Operating Revenues

Fiscal year 2025 Airport System operating revenues increased $22,274 thousand, or 13.7%, from fiscal year 2024. The increase is the result of two factors: increases in cargo activity and the return to a terminal rental rate and landing fee that was not suppressed by Pandemic Relief Grants or by the terminal rental rate floor defined in the prior OAPTL. These two factors resulted in a fiscal year 2025 increase over fiscal year 2024 of $4,462 thousand or 4.2% in airfield operations, $3,986 thousand or 19.6% in concession fees, and $5,892 thousand or 27.6% in terminal rents revenue. Vehicle parking fees decreased due to a lower rate of long-term parking, and land rental fees decreased due to GASB 87 review and adjustments to lease revenue. The AIAS' thorough review of long-standing unreconciled accounts and hiring of a contractor to lead collections resulted in a bad debt expense reduction of $8,159 thousand or (140%) from fiscal year 2024 to 2025, driven primarily by enhancements to the Airport's approach for assessing the collectability of outstanding receivable balances, including more refined evaluation criteria and improved monitoring of aged accounts.

Operating Expenses

Fiscal year 2025 AIAS operating expenses were $205,100 thousand, a $11,147 thousand increase or 5.7% from fiscal year 2024. The increase is attributable primarily to increased costs in Facilities and Safety in personal services related to new hires for vacant or new positions, contractual adjustments, and OPEB and Pension requirements. Implementation at both airports of the federally mandated employee worker screening program increased Operations expenses through contracted services and new equipment. These increases were offset by reallocating funds from other components, including Field and Equipment Maintenance and Administration to those components that needed additional resources. Environmental expenses decreased $2,391 thousand due to the closeout of the Don Bennet Firing Range remediation project at FAI.

These operating revenue and operating expense changes resulted in a total operating loss for fiscal year 2025 of $19,789 thousand versus the fiscal year 2024 operating loss of $30,916 thousand. This includes noncash depreciation expense of $79,347 thousand, and $76,470 thousand for fiscal years 2025 and 2024, respectively. The net operating loss was offset by investment income gains, PFCs, and a gain on disposal of capital assets. Fiscal year 2025 was the last year Pandemic relief funds were used. Rent relief for concessionaires of $2,807 thousand were processed in fiscal year 2025. This final transaction closed all Pandemic Relief grants and initiated the adjustment of rates and fees, calculated on a residual basis, to provide sufficient operating revenues to cover all AIAS expenses and capital improvements.

Nonoperating Revenues (Expenses)

In fiscal year 2025, net nonoperating revenues were $20,630 thousand, versus $31,839 thousand in fiscal year 2024, resulting in a year-over-year decrease of $11,209 thousand. The decrease was primarily attributable to recognizing total Pandemic Relief funds of $2,807 thousand in fiscal year 2025 compared to $16,054 thousand in fiscal year 2024, a decrease of $13,247 thousand. PFCs represented 35.2% of total nonoperating in fiscal year 2025, or $7,269 thousand, versus fiscal year 2024 at $9,053 thousand or 28.4%. The decrease in PFCs is attributable to decreases in enplanements and to AIAS addressing the timing issues with PFCs remittances and recording of related transactions.

The combined operating revenue, operating expense, and nonoperating revenues (expense) resulted in total operating income before capital contributions and transfers for fiscal year 2025 of $841 thousand versus the fiscal year 2024 income of $923 thousand.

Capital Contributions

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

Years Ended June 30, (in thousands)		2025		2024
Capital Contributions				
Federal Aviation Administration	$	50,016	$	66,074
Total Capital Contributions	$	50,016	$	66,074

In fiscal year 2025, capital contributions recognized from the Federal Aviation Administration (FAA) grants were $50,016 thousand versus $66,074 thousand in fiscal year 2024. Fiscal year 2025 grants administered by the FAA represented 100.0% of total capital contributions, which decreased 24.3% from the fiscal year 2024 FAA capital contributions of $66,074 thousand or 100.0% of the total capital contributions. The decrease is attributable to new federal project requirements and a slowdown in federal reviews that ultimately delayed project work.

TSA capital contributions were zero in fiscal year 2025. 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. The TSA did not issue any payments toward the security project costs during FY 2025.

The Airport System uses debt service and pay-go capital funding requirements rather than depreciation expense to determine its rates and fees.

Capital Fund Sources

Below is a breakdown of the capital fund sources authorized or awarded to AIAS. Federal fund sources, including AIP, Supplemental Discretionary, and BIL/IIJA are reported as awarded for federal fiscal year 2025 (October 1, 2024 through September 30, 2025). IARF sources are reported as approved by Signatory Airlines for state fiscal year 2025 (July 1, 2024 through June 30, 2025). IARF funds include pre-approved General Categories Projects Allowances and other projects approved through the process defined in Section 6 of the AIAS Airline Operating Agreement and Passenger Terminal Lease (OAPTL).

Years Ended June 30, (in thousands)	2025	2024
Capital Fund Sources		
International Airport Revenue Fund	$ 62,162	$ 40,860
Airport Improvement Program	49,640	47,389
Supplemental Discretionary	5,445	3,317
Bipartisan Infrastructure Law/Infrastructure Investment and Jobs Act	5,999	16,832
Total Capital Fund Sources	$ 123,246	$ 108,398

Below is a list of the projects for which FAA awarded the Airport System AIP and BIL/IIJA grants in federal fiscal year 2025, in thousands:

Projects Funded with AIP and Supplemental Discretionary Grants

Airport	Project Description	Total (USD)
ANC	Taxilane E & M Improvements	$ 38,741
ANC	LHD Aircraft & Lakeshore Drive Rehabilitation	3,356
ANC	RON 12-14 Rehabilitation	3,134
ANC	ALCS Resilience & Reliability	3,118
ANC	North Terminal Cogeneration Power Facility	2,327
ANC	Snow Removal Equipment 2025	1,604
ANC	Taxilane V Gate	1,173
FAI	Acquire Snow Removal Equipment	1,633

Projects Funded with BIL/IIJA Airport Infrastructure or Terminal Grants

Airport	Project Description		Total (USD)
ANC	Passenger Boarding Bridge Replacement N3 & N5	$	3,697
ANC	West Perimeter Road		1,739
ANC	Taxiway R North & Taxilane U Improvements		564

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)	2025	2024
Change in Net Position	$ 50,857	$ 66,997
Net Position, beginning of year	1,103,854	1,036,857
Net Position, end of year	$ 1,154,711	$ 1,103,854

For the fiscal year 2025, AIAS' change in net position was $50,857 thousand versus the fiscal year 2024 of $66,997 thousand. Fiscal year 2025 reflects AIAS' return to nearly full cost recovery through its rates and fees absent significant Pandemic Relief monies to offset expenses, as opposed to fiscal year 2024 when Pandemic Relief monies were still being leveraged. In addition to its rates and fees adjustments, AIAS continued to leverage federal infrastructure grants and executed the first stage of the 2016 A and B Bond Refund and Forward Delivery to maximize available federal monies, garner savings, and level debt service for its Signatory Airlines. Increases in cargo activity also served to offset expenses. These initiatives speak to the commitments and partnerships AIAS shares with its Signatory Airlines, FAA, tenants, and internal partners. Working together, AIAS and its stakeholders have been able to transition from stabilization efforts post-Pandemic to optimization efforts that are forward-looking maintaining safe and reliable operations.

Net Investment in 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 fiscal year 2024, ANC began collections on 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. Expenditures related to the new application began during fiscal year 2025. FAI will meet its authorized limits on its outstanding PFC applications within fiscal year 2027 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 International Airport Revenues 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 2025 totaled $64,676 thousand, and $84,081 thousand in fiscal year 2024. Construction in progress as of fiscal years ended 2025 and 2024 totaled $32,827 thousand and $25,742 thousand, respectively.

Debt service reserves in the amounts of $20,969 and $27,726, in thousands, are included in noncurrent assets at fiscal year-ends for 2025 and 2024, respectively. Debt service reserves may be utilized to pay additional debt service upon satisfying all Bond Committee Resolution reserve requirements, upon meeting the debt service requirements, and any remaining reserves are eligible for capital project expenditures, if similar in scope of the original debt issue.

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, 2025 and 2024, the Airport System's debt service coverage was 2.84 and 3.56, respectively. The debt service coverage ratio in fiscal year 2025 decreased as AIAS more fully weaned itself from Pandemic Relief and worked with its carriers to raise rates and fees and leverage extra cash on hand to fund capital projects while maintaining adequate reserves should unforeseen circumstances such as precipitated by geopolitical instability, that are out of AIAS control, affect its ability to operate at its current level. Like in fiscal year 2024, a portion, $2,000 thousand, of the extra cash on hand, due to increased activity was put toward funding capital projects in fiscal year 2025 as agreed by AIAS and its Signatory Airlines.

Economic Factors and Outlook

As AIAS moves into the second quarter of fiscal year 2026, capacity constraints during significant weather events and its redeye bank continue, and passenger and cargo activities are essentially flat to last year and slightly above AIAS' conservative plan for fiscal year 2026. These early activity indicators at both airports show the System is weathering the shifting impacts of everchanging federal policy and an unsteady national economy. AIAS' strong financial position and its commitment to its Signatory Airlines positions the System to continue investing in its capital improvement program to alleviate capacity constraints and advance sustainability efforts, including a Sustainability Plan and Part 150 Noise Study at ANC and Noise Exposure Map Update at FAI.

ANC's Master Plan Update Forecast that was approved by FAA August 30, 2023, shows steady growth in activity across the 20-year horizon for both passenger and air cargo activity. Delayed by federal workforce reductions and the recent federal government shutdown, approval of the Airport Layout Plan and full Master Plan Update is awaiting final FAA approval and acceptance. Despite the delay, AIAS is moving forward with planning four airport-administered, wide-body hardstands located within ANC's West Airport. Design is underway and construction is planned for summers 2028 and

2029. Third-party, airside land development also continues to progress with the construction of new wide-body hardstands expected in the summer of 2026 and continuing through 2027 and 2028.

In October 2025, ANC announced that beginning May 2026, Southwest Airlines will launch seasonal service from Anchorage, and American Airlines will begin new seasonal service between ANC and Phoenix. Through expanded service with existing carriers, and the announcement of a new passenger carrier, ANC expects a 5.5% increase in seat capacity for summer 2026.

FAI expects to kick off its Master Plan and Noise Exposure Map Update in spring 2026, further illuminating the Airport System's opportunities in both land and air service development. Through its U.S. Department of Transportation Small Community Air Service Development Program (SCASDP) Grant awarded May 2025, new air service for Fairbanks' residents is being pursued. Early planning for a new PFC Application for FAI has begun, as the current application is expected to expire in the second half of fiscal year 2027.

In early fiscal year 2026, AIAS executed the second stage of its 2016 A and B Bond Refund and Forward Delivery resulting in an additional net present value savings of $4,198 thousand, or 6.79% savings of refunded bonds. Through the full bond transaction, AIAS provided its Signatory Airlines an additional total net present value savings of $9,501 thousand or 6.99% and level, fixed rate debt service of approximately $23 million annually on its total outstanding debt through expiration in 2036. Throughout 2026, AIAS will continue to position itself financially to support the capital and operational expansion it needs to support its future activity.

In contrast, lingering inflation, tariffs, continued workforce challenges, 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 the impacts, in fiscal year 2026, the 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 and air service development, maximizing its non-aeronautical revenue, leveraging available federal grant opportunities, upgrading technological systems, digitizing policies and procedures, training and retaining its employees, and improving work processes to be more efficient and reliable.

AIAS' position in the trans-Pacific air cargo business and intra- and inter-State passenger travel, its low ratio of debt to operating revenue, flexibility in its capital program, and strong relationships with its airline and non-airline stakeholders are strong foundations on which to grow its business and retain ANC's #1 rank among U.S. airports and #4 rank globally by cargo landed weight, according to the 2024 FAA U.S. statistics and the 2024 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 Airport System
(An Enterprise of the State of Alaska)

Statement of Net Position
(in thousands)

As of June 30,		2025
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted cash and investments (Note 3):		
Cash with State Treasury	$	196,718
Investments		40,285
Interest receivable		832
Accounts receivable, net of allowance for doubtful accounts of $5,831		12,282
Prepaid expenses		48
Total unrestricted assets	$	250,165
Other restricted assets - Passenger Facility Charges:		
Cash with State Treasury (Note 3)		35,528
Interest receivable		244
Federal grants receivable (Note 1f)		10,039
Federal grants receivable - Unbilled (Note 1f)		9,285
Passenger Facility Charges receivable		1,382
Lease receivable (Note 1h & Note 11)		6,235
Total Current Assets	$	312,878
Noncurrent Assets		
Investments - operations and maintenance reserve	$	30,704
Repair and replacement reserve		523
Capital project fund		94
Debt service reserve fund		20,969
Revenue bond redemption fund (Notes 3 & 4):		
Bond interest		10,939
Bond principal		10,241
Total restricted or reserved cash and investments	$	73,470
Lease Receivable (Note 1h & Note 11)		30,193
Net other post employment benefit (OPEB) Asset (Note 10)		36,443
Capital assets, net of accumulated depreciation (Note 6)		1,095,405
Total Noncurrent Assets	$	1,235,511
Total Assets	$	1,548,389
Deferred Outflows of Resources:		
Pension related (Note 10)		10,398
Other postemployment benefit related (Note 10)		2,189
Total Deferred Outflows of Resources	$	12,587
Total Assets and Deferred Outflows of Resources	$	1,560,976

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

Statement of Net Position, continued
(in thousands)

As of June 30,		2025
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$	15,941
Unearned revenue - unrestricted		3,319
Environmental remediation (Note 5)		1,300
Compensated absences (Note 1k)		4,355
Accrued liability - payroll		4,363
Due to State of Alaska General Fund (Note 1n)		2,567
Liabilities payable from restricted assets:		
Accrued interest		2,470
Revenue bonds (Note 8)		13,580
Total Current Liabilities	$	47,895
Noncurrent Liabilities		
Revenue bonds payable, less current portion (Note 8)	$	191,160
Unamortized bond premium (Note 8)		23,153
Environmental remediation obligation, less current portion (Note 5)		11,698
Compensated absences, less current portion (Note 1k)		2,993
Net pension liability (Note 1r & 10)		86,630
Total Noncurrent Liabilities		315,634
Total Liabilities	$	363,529
Deferred Inflows of Resources:		
Other postemployment benefit related (Note 10)	$	845
Deferred amount of bond refunding		6,077
Deferred lease revenues (Note 1h & Note 11)		35,814
Total Deferred Inflows of Resources	$	42,736
Net Position		
Net investment in capital assets (Note 6)	$	903,771
Restricted (Note 4)		103,349
Unrestricted	$	147,591
Total Net Position	$	1,154,711
Total Liabilities, Deferred Inflows of Resources and Net Position	$	1,560,976

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

Statement of Revenues, Expenses and Changes in Fund Net Position
(in thousands)

For the Year Ended June 30,		2025
Operating Revenues		
Airfield operations	$	109,484
Concession fees		24,355
Terminal rents (Note 2)		27,204
Vehicle parking fees		11,872
Land rental fees		8,926
Bad debt expense		2,310
Other		1,160
Total Operating Revenues		185,311
Operating Expenses		
Facilities		37,528
Field and equipment maintenance		30,124
Safety		28,504
Administration		16,583
Operations		10,228
Environmental expenses (Note 5)		(631)
Vehicle parking and curbside services		2,019
Risk management		1,398
Depreciation		79,347
Total Operating Expenses		205,100
Operating Loss		(19,789)
Nonoperating Revenues (Expenses)		
Investment income		15,666
Lease interest income		482
Interest expense		(7,062)
Federal Aviation Administration - CRRSA Act & ACRGP (Note 1f)		2,807
Grants - miscellaneous		1
Other nonoperating income		69
Passenger Facility Charge (Note 7)		7,269
Gain on disposal of capital assets		1,398
Net Nonoperating Revenues (Expenses)		20,630
Loss Before Capital Contributions and Transfers	$	841

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

Statement of Revenues, Expenses and Changes in Fund Net Position
(in thousands)

For the Year Ended June 30,		2025
Capital Contributions		
Federal Aviation Administration	$	50,016
Total Capital Contributions		50,016
Change in Net Position		50,857
Net Position, beginning of year		1,103,854
Net Position, end of year	$	1,154,711

See accompanying notes to financial statements.

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

Statement of Cash Flows
(in thousands)

For the Year Ended June 30,	2025
Operating Activities	
Receipts from customers	184,396
Payments to employees	(71,890)
Payments to suppliers	(41,762)
Net cash from operating activities	70,744
Noncapital Financing Activities	
Grants	18,931
Net cash from noncapital financing activities	18,931
Capital and Related Financing Activities	
Acquisition of capital assets	(71,761)
Proceeds from sale of capital assets	1,521
Capital grants received	46,258
Advances (payments) to State of Alaska	(2,740)
Payments of revenue bonds	(16,880)
Interest paid on bonds	(11,244)
Bond proceeds	67,750
Principal payments on refunded debt	(74,020)
Bond issuance costs (COI and Underwriter)	(609)
Passenger facility charges	7,269
Net cash used for capital and related financing activities	(54,456)
Investing Activities	
Investment income received	8,045
Lease interest income	483
Net cash from investing activities	8,528
Net Increase in Cash and Equivalents	43,747
Cash and Equivalents, beginning of year	263,047
Cash and Equivalents, end of year	306,794

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

Statement of Cash Flows
(in thousands)

For the Year Ended June 30,	2025
Operating Activities	
Operating loss	(19,789)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	79,347
Gain on sale of assets	3
Changes in assets, deferred outflows, liabilities, and deferred inflows that provided (used) cash:	
Accounts receivable	(2,954)
Lease receivable	9,320
Deferred outflows	308
Prepaid expenses	(12)
Net OPEB asset	2,650
Accrued liability - payroll	1,080
Accounts payable	1,564
Unearned revenue	1,899
Environmental remediation - restricted (Note 1h)	(1,326)
Compensated absences - unrestricted	1,255
Net pension liability	2,126
Deferred inflows OPEB	(730)
Deferred inflows Bond refunding	5,174
Deferred inflows Lease revenues	(9,171)
Net Cash From Operating Activities	70,744

See accompanying notes to financial statements.

1. Organization

a) Organization

The accompanying financial statements include only the accounts of the State of Alaska International Airport System (Airport 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 (ACFR) 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 Airport System'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 with a maturity of three months or less when purchased.

The Airport System measures its investments at fair value, which are segregated between current and noncurrent based upon maturity. Using this method, investments in debt securities and certain equity securities are recorded at fair value and unrealized gains and losses are recorded in the Statement 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 Federal Aviation Administration (FAA) for capital project expenditures that have met all eligibility requirements for reimbursement under the FAA Airport Improvement Program (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 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 acquisition 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. 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 principal portion of the lease payments received. The deferred inflow of resources is recognized as revenue on a straight-line basis over the agreement term. The present value calculation includes the following key inputs: (1) discount rate, (2) lease term, and (3) lease payments. The airport uses the all-in True Interest Cost (TIC) rate from its most recent bond issuance as the best estimate of its incremental borrowing rate.

Periodic amortization of the discount on the lease receivable is reported as interest revenue for that period. 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.

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, or environmental, prior to FAA reimbursement or may incur costs in excess of grant awards due to unanticipated cost overruns. 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 $50,016 thousand as revenue from the FAA in fiscal year 2025 for capital project costs.

AIAS did not receive any Transportation Safety Administration (TSA) capital contributions in fiscal year 2025 as a part of the settlement of ANC claims relating to ANC post-9/11 security project expenditures. At June 30, 2025, $753 thousand of expenditures still remain unreimbursed. These expenditures are not 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.

k) Compensated Absences

Airport System employees earn annual and sick leave in accordance with State personnel policies. A liability for compensated absences is recorded when leave is earned, and the obligation is probable and measurable. At June 30, 2025, the estimated liability for compensated absences totaled $7,348, with $4,355 reported as current and $2,993 reported as noncurrent, all in thousands. Sick leave usage was determined to be immaterial to the financial statements as a whole; accordingly, no additional recognition or disclosure was required.

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) Interest Costs

The Airport System expenses construction related interest costs as incurred. All interest cost incurred is reported as nonoperating expense.

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 earned from the airlines.

Passenger Facility Charges (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).

q) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports 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 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) OPEB; (2) the deferred amount of the bond refunding; and (3) deferred lease revenues.

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

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 establishes updated recognition and measurement standards for employee leave benefits. This Statement replaces the guidance in GASB Statement No. 16 with a unified model requiring recognition of liabilities for compensated absences based on whether leave is more likely than not to be used for time off or otherwise paid or settled. The measurement of the liability is based on the employee's pay rate as of the financial statement date and includes salary-related payments directly and incrementally associated with the leave. Application of the Statement is effective for the Airport System's fiscal year ending June 30, 2025. The adoption of GASB Statement No. 101 did not have a significant impact on the Airport System.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This requires disclosure of concentrations and constraints that make the reporting unit vulnerable to a substantial impact due to events that have occurred or are more likely than not to occur within 12 months of the financial statement issuance date. Application of this Statement is effective for the Airport System's fiscal year ending June 30, 2025. The adoption of GASB Statement No. 102 did not have a significant impact on the Airport System.

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 $2,807 thousand for Pandemic relief expenditures were recognized during fiscal year 2025. As of June 30, 2025, all

Pandemic relief reimbursements have been received, and no further reimbursements are expected in future years.

u) Recently Issued Accounting Standards

GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of AIAS.

- GASB Statement No. 103, *Financial Reporting Model Improvements*, issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. This Statement also addresses certain application issues and continues the requirement that the basic financial statements be preceded by the Management's Discussion and Analysis (MD&A), which is presented as required supplementary information. This Statement is effective in fiscal years beginning after June 15, 2025.

- GASB Statement No. 104, *Disclosure of Certain Capital Assets,* issued in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets, such as lease assets, intangible right-to-use assets, and subscription assets which must be disclosed separately by major classes of underlying assets. Additional disclosures are also required for capital assets held for sale. This Statement is effective in fiscal years beginning after June 15, 2025.

- GASB Statement No. 105, *Subsequent Events*, issued in December 2025. The objective of this Statement is to improve the financial reporting requirements for subsequent events by clarifying the definition of subsequent events, distinguishing between recognized and nonrecognized subsequent events, and specifying related disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026.

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 was effective July 1, 2023, and will expire June 30, 2033.

The current Agreement provides for the funding of the AIAS Capital Improvements Program (CIP) for the 10 years of the agreement, through June 30, 2033. The CIP is comprised of two components: one is 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. Projects other than the pre-approved projects are presented for review and discussion on an as-needed basis at AIAS AAAC Quarterly Meetings. After each Quarterly Meeting, these projects are sent to the Signatory Airlines for either notification or approval as described in Section 6 of the OAPTL.

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, 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'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.
- Maintain a Repair and Replacement allowance of $500,000, which is a requirement of the Bond Resolution (see Note 4).
- 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.
- If the Airport System does not receive enough funds during the fiscal year to meet the minimum revenue requirements stipulated in the bond covenants, and Signatory Airlines are unable to assist with the shortfall, then the Airport System will draw down from the Excess Revenue funds to meet its fiscal year-end obligations.
- To better support ANC's business model of being a cargo carrier technical stop and a passenger carrier origination and destination airport, AIAS Gate and Parking Management Protocols for aircraft have a Prior Permission Required (PPR) procedure 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 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 ensures all impacted by any proposed terminal capital projects are given fair representation in the airline majority-in-interest balloting process.

3. Cash and Investments

Cash and investments as of June 30, 2025, are summarized below (in thousands):

June 30, 2025		Pooled Investments & Bond Redemption Fund		Interest receivable		Total
Cash with State Treasury	$	196,718	$	832	$	197,550
Investments – unrestricted		40,285		-		40,285
Investments – restricted		30,704		-		30,704
Capital project fund (Note 6)		94		-		94
Debt service reserve fund (Note 4)		20,969		93		21,062
Repair and replacement account – restricted		523		2		525
Passenger facilities charges – restricted		35,528		149		35,677
Total pooled investments		324,821		1,076		325,897
Revenue bond redemption fund – restricted		21,180		-		21,180
Total Cash and Investments	$	346,001	$	1,076	$	347,077

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The Airport System participates in the pooled investment plan created by the Department of Revenue, Treasury Division (Treasury). The Treasury's invested assets under the investment authority of the Commissioner of Revenue which relate to the Airport System (in thousands) are as follows:

June 30, 2025	General Fund and GeFONSI	International Airport Revenue Fund & Repair and Replacement Account	Debt Service Reserve & Construction Fund	Other	Total
Short-term Fixed Income Pool	$ 2,706,404	$ 227,945	$ 21,062	$ 2,953,665	$ 5,909,076
Individually Held Debt & Other Instruments	14,092	-	-	-	14,092
Intermediate-term Fixed Income Pool	756,105	40,285	-	-	796,390
Broad Market Fixed Income	124,166	-	-	906,161	1,030,327
Domestic Equity Pool	230,609	-	-	519,697	750,306
International Equity Pools	140,832	-	-	349,137	489,969
Real Assets	20,722	-	-	80,804	101,526
Total Investments	3,992,930	268,230	21,062	4,809,464	9,091,686
Interest Receivable	9,633	834	93	10,976	21,536
Net Invested Assets	$ 4,002,563	$ 269,064	$ 21,155	$ 4,820,440	$ 9,113,222

The 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's 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 and 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 Treasury.

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

FY 2025

	General Fund and GeFONSI	Int'l Airport Fund		Debt Service Reserve		International Airport Construction Funds				
SSB Account		AY04	AY05	AY2E	AY2U	AY9X	AY9Y	AY3A	AY3B	
Fund Name	PFC	IARF	IAR R&R	2002 RSRV	2003 RSRV	2006 B	2006 C	2010 C	2010 D	
Fund #	3273/3275	1027	3271	3277	3278	3267	3268	3269	3270	Total
Cash & equivalents:										
Short Term Pool	$ 35,528	227,422	523	8,862	12,107	48	2	10	34	$ 284,536
Pooled investments:										
Intermediate Term Pool	-	40,285	-	-	-	-	-	-	-	40,285
Total Cash & Investments	35,528	267,707	523	8,862	12,107	48	2	10	34	324,821
Interest Receivable	149	832	2	48	45	-	-	-	-	1,076
Total Assets Per SSB	$ 35,677	$ 268,539	$ 525	$ 8,910	$ 12,152	$ 48	$ 2	$ 10	$ 34	$ 325,897

	Unrestricted	Restricted	Total
Cash	$ 197,550	88,062	$ 285,612
Investments	40,285	-	40,285
	$ 237,835	$ 88,062	$ 325,897

The Airport System's revenue bond redemption fund cash in the amount of $21,062 thousand is held outside the Treasury by Bank of New York, Mellon.

For detailed information on the funds under the fiduciary authority of the Commissioner of Revenue, please see website at: https://treasury.dor.alaska.gov/home/investments.

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.

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 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 repair and replacement account may be used to eliminate deficiencies in the bond reserve accounts in the event surplus revenues are not available.

- 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.

- Capital project funds are monies only for specified capital projects, either through grant requirements or the vote of Signatory Carriers for improvements or the acquisition of land, buildings, infrastructure, and equipment and not for operational costs. These are primarily construction bond proceeds or related investment earnings herein.

- Debt service reserve funds are required to ensure sufficient funds are available to make interest and principal payments on outstanding debt and meet the obligations to bondholders.

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.

Per GASB 34 and GASB 63, a liability related to restricted assets should be recognized if the asset results from a resource flow that also results in the recognition of a liability, or if the liability will be liquidated with the reported restricted assets. The net OPEB asset (NOA) meets this definition of a restricted asset, as related to the payment of related OPEB benefits.

The AIAS' restricted net position at fiscal year-end is (in thousands):

June 30, 2025		Restricted Net Position
Maintenance and operating reserve:		
Invested in short-term, fixed-income pool	$	30,704
Repair and replacement account:		
Invested in short-term, fixed-income pool		525
Passenger Facility Charge revenue fund:		
Cash in banks and State treasury		35,677
Net OPEB Asset		36,443
Total Restricted Net Position	$	103,349

5. Environmental Remediation Obligation

The Airport System has accrued certain environmental pollution remediation liabilities for nine ANC and seven 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 $1,300 and $11,698, all in thousands, at the end of fiscal year 2025.

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 fiscal year 2020, ANC entered into a Compliance Order by Consent (COBC) with the State's Department of Environmental Conservation (ADEC). 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 paragraph 4(d). See further discussion of this matter in Note 13 - Contingent Liabilities.

6. Capital Assets

Airport property was transferred from the federal government to Alaska at no cost when Alaska became a state in 1959. Subsequent additions to land have been acquired from government and private entities as detailed in the Airport Layout Plan. Additions to infrastructure 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 those projects, 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.

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The following is a summary of capital assets, in thousands:

Year Ended June 30,	Life		2025 Carrying Value
Property and Equipment			
Land		$	31,203
Infrastructure	5-40 years		1,293,596
Buildings	10-40 years		1,181,247
Equipment	5-10 years		167,395
			2,673,441
Accumulated depreciation and amortization:			
Infrastructure			(784,603)
Buildings			(696,181)
Equipment			(130,079)
			(1,610,863)
Construction in progress			32,827
Net Capital Assets		$	1,095,405

Capital asset activity for the fiscal year (in thousands) was:

Year Ended June 30, 2025		Beginning Balance		Additions		Deletions		Ending Balance
Property and Equipment								
Land	$	31,203	$	-	$	-	$	31,203
Infrastructure		1,258,010		35,586		-		1,293,596
Buildings		1,162,555		18,692		-		1,181,247
Equipment		166,559		10,398		(9,562)		167,395
		2,618,327		64,676		(9,562)		2,673,441
Accumulated depreciation:								
Infrastructure		(745,854)		(38,749)		-		(784,603)
Buildings		(663,376)		(32,805)		-		(696,181)
Equipment		(131,772)		(7,785)		9,478		(130,079)
		(1,541,002)		(79,339)		9,478		(1,610,863)
Construction in progress		25,742		71,761		(64,676)		32,827
Net Capital Assets	$	1,103,067	$	57,098	$	(64,760)	$	1,095,405

The Airport System's net investment in capital assets includes the following, in thousands:

Fiscal Year Ended June 30,		2025
Capital assets, net of accumulated depreciation	$	1,095,405
Plus: Capital projects, revenue bond redemption fund, and debt service reserve (unspent proceeds and reserve contributions)		42,336
Less:		
Current bonds payable		(13,580)
Noncurrent bonds payable plus unamortized premium, net		(214,313)
Deferred amount of bond refunding		(6,077)
Net Investment in Capital Assets	$	903,771

In fiscal year 2025, capital asset additions accounted for $71,761 of capital assets, capital deletions were $9,562, and depreciation expense was $79,347, all in thousands.

Capital asset deletions in fiscal year 2025 resulted from disposing of several pieces of equipment at both ANC and FAI, the majority being at end of life.

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' CIP, and the FAA AIP is the largest, awarding $49,640 thousand in federal fiscal year 2025 ended September 30, 2025. The projects for which this AIP funding will be used include, but are not limited to, ANC's Taxilane E & M Improvements, replacement of snow removal equipment, and both landside and airside pavement rehabilitation projects. At FAI, this AIP funding will be used to replace snow removal equipment. Because the outside construction season at AIAS Airports is limited to the summer months, FAA grants are typically received in the federal fiscal year prior to the project construction year.

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. For federal fiscal year 2025, ANC received $3,118 thousand in SDI funding for its Airfield Lighting System Control Resiliency and Reliability Improvements project.

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). At the end of federal fiscal year 2025, ANC had received $2,303 thousand in AIG funding and $3,697 thousand in ATP funding. The AIG and ATP funding received in federal fiscal year 2025 will fund 3 projects: West Perimeter Road Rehabilitation, Taxiway R North & Taxlilane U Improvements, and Passenger Boarding Bridge Replacement N3 & N5. 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.

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 2025, AIAS' Signatory Airlines authorized $62,162 thousand for capital project expenditures.

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.

PFCs 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, 2025, the AIAS recognized $7,269 thousand in PFC revenues. During fiscal year 2024, ANC received approval to use collected PFC revenue, from April 1, 2024 through May 1, 2029, to fund the replacement of 14 Passenger Boarding Bridges; authorized to collect and use $29,083 thousand. All FAI annual PFC collections, scheduled to expire in early 2026, are dedicated to paying annual debt service until approved collections are complete. A new PFC application for FAI is anticipated during fiscal year 2026.

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8. Revenue Bonds Payable

The following is a summary of the Airport System's revenue bonds payable (in thousands):

June 30,		2025
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 2025 maturity with interest payable semi-annually at 2.50%	$	23,755
Series 2016B, maturing October 1, between 2031 and 2035 in annual installments of varying amounts, interest payable semi-annually at 5.00%		38,095
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%		55,970
Series 2025A, maturing October 1 in annual installments of varying amounts between 2026 and 2035; interest payable semi-annually at 5.00%		67,750
Total Bonds Payable		204,740
Unamortized bond premium (discount)		23,153
		227,893
Less amount currently payable with restricted assets		(13,580)
Long-term portion	$	214,313

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

Fiscal Year Ending June 30,		Principal		Interest		Total
2026	$	13,580	$	9,706	$	23,286
2027		14,510		9,004		23,514
2028		15,375		8,256		23,631
2029		15,955		7,473		23,428
2030		16,600		6,659		23,259
2031-2035		103,570		19,173		122,743
2036		25,150		608		25,758
Total	$	204,740	$	60,879	$	265,619

The following is a summary of the revenue bonds payable (in thousands):

Year Ended June 30, 2025	Beginning Balance	New Issuances	Refunding/ Redemptions	Amortization/ Principal Payments	Ending Balance
Premium	$ 27,081	$ 6,368	$ (6,789)	$ (3,507)	$ 23,153
Bonds Payable	$ 227,890	$ 67,750	$ (74,020)	$ (16,880)	$ 204,740

On January 23, 2025, the Airport System closed the first phase of a forward delivery bond transaction to affect the current refunding of a portion of the outstanding Series 2016A and Series 2016B revenue bonds. The transaction included the issuance of $67,750 thousand in Series 2025A revenue refunding bonds with a bond premium of $6,368 thousand. The transaction refunded $29,620 thousand of Series 2016A and $44,400 thousand of Series 2016B revenue bonds for a combined refunding of $74,020 thousand. Included in this phase of the transaction was a $1,500 thousand Airport System cash contribution. The resulting Series 2025A revenue bonds were issued at a fixed rate maintaining the predictability and stability of AIAS Signatory Carriers' coverage requirements.

The transaction was structured to allow for partial settlement and defeasance in fiscal year 2025, with the remaining refunding completed subsequent to fiscal year end 2025, on July 8, 2025, at which time the entirety of the Series 2016A and Series 2016B revenue bonds were defeased. Because the remaining portion of these revenue bonds had not yet been legally defeased as of June 30, 2025, principal amounts continue to be reported as bonds payable in the accompanying statement of net position.

The first phase of the bond transaction resulted in a total net decrease in debt service of approximately $8,791 thousand with a net present value savings of approximately $5,304 thousand. The difference between the reacquisition price of the refunded bonds and their carrying amount of $5,605 thousand resulted in a deferred inflow of resources which is being amortized as a reduction to interest expense over the remaining life of the refunded debt.

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, 2025. The calculation of the Debt Service Coverage and Net Revenues in Excess of Net Revenues Required can be found in the Supplementary information, page (88).

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 that 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, 2025, amounted to $725 thousand.

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 construction in progress amounted to $3,159 thousand during the fiscal year ended June 30, 2025.

10. Pension and Other Post-Employment Benefits Plans

(a) Defined Benefit Pension Plan (DB)

General Information About the Plan

The State of Alaska participates in the State of Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing, multiple-employer defined-benefit plan (the Plan) that covers eligible State and local government employees, other than teachers. The Airport System is allocated a proportionate share of the State of Alaska's pension amounts. The Plan was established and is administered by the State of Alaska Department of Administration's Division of Retirement and Benefits (DRB). Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in an annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at 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 postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Peace officers and firefighters 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 (OPEB). 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 July 1, 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 a DB agent-multiple-employer plan to a DB 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. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 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 (ARM) Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and DRB management has recorded all pension related liabilities, deferred inflows/outflows of recourses, and disclosures as required by GAAP.

The Airport System records the related on-behalf contributions as revenue and expense 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. Peace officers 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 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 DC plan. Contributions derived from the DC employee payroll is referred to as the Defined Benefit Unfunded Liability (DBUL) contribution.

ARM Board-Adopted Rate: This is the rate formally adopted by the ARM 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 a lower ARM Board Rates than previously adopted.

State 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 AIAS 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, 2025 were determined in the June 30, 2023 actuarial valuations. The Airport System's contribution rates for fiscal year 2025 were:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:			
Pension	22.00%	26.76%	4.76%
Defined contribution - Pension	-%	-%	-%
Total Contribution Rates	22.00%	26.76%	4.76%

Alaska Statue 39.35.255(a) capped the employer rate at 22% with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. For the fiscal year the employer rate is 22.00% for pension and 0.00% for ARHCT. The contribution requirements for the Airport System are established and may be amended by the ARM Board. Additionally, there is a DBUL amount levied against the DC Plan payroll. The DBUL amount is computed as the difference between (a) amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less (b) total of the employer contribution for (1) defined contribution employer matching amount, (2) major medical, (3) occupational death and disability, and (4) health reimbursement arrangement. The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

In 2025, the Airport System was credited with the following contributions into the pension plan.

Plan Measurement Period (in thousands)	Airport System FY 25
Airport System contributions (including DBUL)	$ 7,537
On-behalf contributions	2,130
Total Contributions	$ 9,667

In addition, employee contributions to the plan totaled $901 thousand during the Airport System fiscal year 2025.

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

As of June 30, 2025, the Airport 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 Airport System. The amount recognized by the Airport System for its proportional share, the related State proportion, and the total were as follows:

Net Pension Liability (in thousands)		2025
Airport System proportionate share of NPL	$	86,630
State's proportionate share of NPL associated with the Airport System		-
Total Net Pension Liability	$	86,630

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, to calculate the net pension liability as of that date. The Airport System's proportion of the net pension liability was based on a projection of the Airport 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, 2024 measurement date, the Airport System's proportion was 1.579549%, which was a decrease of 0.050163% from its proportion as of June 30, 2023.

For the fiscal year ended June 30, 2025, the Airport System recognized pension expense of $2,255 thousand.

As of June 30, 2025, the Airport 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		834		-
Changes in proportion and differences between Airport System contributions and proportionate share of contributions				-
Airport System contributions subsequent to the measurement date		9,564		-
Total Deferred Outflows and Deferred Inflows	$	10,398	$	-

The $9,564 thousand reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date and will be recognized as a reduction in the net pension liability in the fiscal year ending June 30, 2026. 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)	
2026	$ (2,322)
2027	4,323
2028	(638)
2029	(529)
Total Amortization	$ 834

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

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.
Allocation methodology	Amounts for the June 30, 2024 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2025 to 2039. The liability is expected to go to zero at 2039.
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 rate of 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 mortality 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.
All 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.

The total pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 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.

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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, 2025, are summarized in the following table (note that the rates shown below exclude the inflation component of 2.51%):

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.74%
Global equity (ex-U.S.)	6.37%
Global equity	5.88%
Aggregate bonds	2.30%
Real assets	4.54%
Private equity	9.28%
Cash equivalents	0.60%

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.

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

The following presents the Airport System's proportionate share of the net pension liability as of June 30, 2025, calculated using the discount rate of 7.25%, as well as what the Airport System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower 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%)
Airport System's proportionate share of the net pension liability	1.57955%	$ 115,400	$ 86,630	$ 62,284

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 DC plan. This Plan is administered by the State of Alaska, Department of Administration's Division of Retirement and Benefits, 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. Certain active members of the DB Plan were eligible to transfer to the DCR Plan if that member had not bested in the DB Plan. Included in the Plan are individual retirement accounts, occupational death and disability benefits, and a retiree medical insurance plan. A separate Health Reimbursement Arrangement (HRA) Plan allows for medical care expenses to be reimbursed from individual savings accounts established for eligible persons. This Plan became effective July 1, 2026, at which time contributions by employers began. This Plan is included in the ACFR 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 Airport System contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2025, to cover a portion of the Airport System's employer match contributions. For the year ended June 30, 2025, forfeitures reduced pension expense by $0.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the fiscal year ended June 30, 2025, the Airport System was required to contribute 5% of covered salary into the Plan.

The Airport System and employee contributions to PERS for pensions for the fiscal year ended June 30, 2025, were $1,570 and $2,513 in thousands, respectively. The Airport 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 Airport 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, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. 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 OPEB plans are included in the annual comprehensive financial report for PERS, at the following website, 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, 2025, were:

	Other	Police/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	0.83%	0.83%
Occupational Death and Disability Benefits	0.24%	0.69%
Total Contribution Rates	1.07%	1.52%

In 2025, the Airport System was credited with the following contributions to the OPEB plans, in thousands:

		Airport System Measurement Period Fiscal Year July 1, 2024, to June 30, 2025
Employer contributions – ARHCT	$	1,631
Employer contributions - RMP		264
Employer contributions - ODD		124
Non-employer contributions (on-behalf) - ARHCT		-
Total Contributions	$	2,019

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

As of June 30, 2025, the Airport System reported an asset for its proportionate share of the net OPEB Asset (NOA) that reflected a reduction for State OPEB support provided to the Airport System. The amount recognized by the Airport System for its proportional share, the related State proportion, and the totals were as follows (in thousands):

		FY 2025
Airport System's proportionate share of NOL – ARHCT	$	-
Airport System's proportionate share of NOL – RMP		-
Airport System's proportionate share of NOL – ODD		-
State's proportionate share of the NOL associated with the Airport System		-
Total Net OPEB Liabilities	$	-

		FY 2025
Airport System's proportionate share of NOA – ARHCT	$	34,790
Airport System's proportionate share of NOA – RMP		716
Airport System's proportionate share of NOA – ODD		937
State's proportionate share of the NOA associated with the Airport System		-
Total Net OPEB Assets	$	36,443

The total OPEB liability for each plan was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024 and adjusted to reflect updated assumptions to calculate the net OPEB assets as of that date. The Airport System's proportion of the net OPEB assets was based on a projection of the Airport System's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2023, Measurement Date Employer Proportion	June 30, 2024, Measurement Date Employer Proportion	Change
Airport System's proportionate share of the net OPEB assets:			
ARHCT	1.63006%	1.57983%	(0.05023)%
RMP	1.58934%	1.53465%	(0.05469)%
ODD	1.62179%	1.57000%	(0.05179)%

As a result of its requirement to contribute to the plans, the Airport System recognized OPEB expense of $1,630 thousand and on-behalf revenue of $0 for support provided by the State associated with the ARHCT plan.

As of June 30, 2025, the Airport System reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

June 30, 2025 (in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 37	$ (299)
Changes in assumptions	1,176	(483)
Net difference between projected and actual earnings on OPEB plan investments	543	-
Changes in proportion and differences between Airport System's contributions and proportionate share of contributions and proportionate share of contributions	4	(63)
Airport System contributions subsequent to the measurement date	429	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	$ 2,189	$ (845)

The $429 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 asset in the fiscal year ending June 30, 2026. 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,		
2026	$	(1,220)
2027		3,478
2028		(713)
2029		(572)
2030		(65)
Thereafter		7
Total Amortization	$	915

Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2024.

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 postemployment healthcare plan investment expenses. This is based on an average of inflation rates of 2.50% and a real return of 4.75%.
Allocation methodology	Amounts for the June 30, 2024 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for fiscal years 2025 to 2039.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 6.4% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx/EGWP: 6.9% grading down to 4.5% Initial trend rates are for FY 2025 Ultimate trend rates reached in FY 2050

Mortality – Peace Officer/ Firefighter (ARHCT Plan and RMP Plan)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupation causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, headcount-weighted, 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 projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Mortality – Peace Officer/Firefighter (ODD Plan)	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 mortality 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 (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-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 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-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, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

Mortality – Others (ODD Plan)	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.
Participation (ARHCT)	100% system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
Peace officer/firefighter	20% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
All others	25% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 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 the expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2023 actuarial valuation.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.50%, for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.74%
Global equity (non-U.S.)	6.37%
Global equity	5.88%
Aggregate Bonds	2.30%
Real assets	4.54%
Private equity	9.28%
Cash equivalents	0.60%

Discount Rate

The discount rate used to measure the total OPEB liability (asset) as of June 30, 2025, 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.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Airport System's proportionate share of the net OPEB asset as of June 30, 2025, calculated using the discount rate of 7.25%, as well as what the Airport System's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using a discount rate that is one percentage-point lower or one-percentage-point higher than the current rate (in thousands):

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Airport System's proportionate share of the net OPEB asset (liability):				
ARHCT	1.57983%	$ 22,029	$ 34,790	$ 45,529
RMP	1.53465%	$ (124)	$ 715	$ 1,357
ODD	1.57000%	$ 880	$ 937	$ 982

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

The following presents the Airport System's proportionate share of the net OPEB asset as of June 30, 2025, calculated using the healthcare cost trend rates as summarized in the 2023 actuarial valuation reports as well as what the Airport System's proportionate share of the respective plan's net OPEB asset (liability) 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
Airport System's proportionate share of the net OPEB asset (liability):				
ARHCT	1.57983%	$ 46,755	$ 34,790	$ 20,576
RMP	1.53465%	$ 1,442	$ 715	$ (259)
ODD	1.57000%	$ n/a	$ n/a	$ n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rate

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, 2024, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,387 per year for each full-time employee, and $1.53 per hour for part-time employees.

Annual Post-employment Healthcare Cost

The Airport System contributed $852 thousand in DC OPEB costs during the fiscal year ended June 30, 2025. 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 $36,428 thousand for fiscal year 2025. The deferred inflow of resources for fiscal year 2025 is $35,814 thousand. The AIAS also reports lease revenue of $6,702 thousand and lease interest revenue of $482 thousand in fiscal year 2025.

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 2025, the Airport System used the all-in Net True Interest Cost (TIC) for the Series 2021A, 2021B, and 2021C revenue bonds for leaseholds beginning prior to January 23, 2025. For leaseholds beginning after that date, the Airport System used the TIC for the Series 2025A revenue bonds. As of June 30, 2025, 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 (in thousands):

Concession Fees

Fiscal Year	Principal	Interest	Total
2026	$ 5,260	$ 340	$ 5,600
2027	4,995	269	5,264
2028	4,037	204	4,241
2029	3,743	147	3,890
2030	3,752	93	3,845
2031-2033	3,938	65	4,003
Subtotal	$ 25,725	$ 1,118	$ 26,843

Terminal Rents

Fiscal Year	Principal	Interest	Total
2026	$ 20	$ 2	$ 22
2027	8	2	10
2028	9	2	11
2029	9	1	10
2030	9	1	10
2031-2033	22	1	23
Subtotal	$ 77	$ 9	$ 86

Vehicle Parking Fees

Fiscal Year	Principal	Interest	Total
2026	$ 151	$ 10	$ 161
2027	153	8	161
2028	155	6	161
2029	157	4	161
2030	159	2	161
2031	68	1	69
Subtotal	$ 843	$ 31	$ 874

Land Rental Fees

Fiscal Year	Principal	Interest	Total
2026	$ 804	$ 108	$ 912
2027	655	100	755
2028	568	92	660
2029	571	85	656
2030	566	78	644
2031-2035	2,853	295	3,148
2036-2040	1,243	177	1,420
2041-2045	835	120	955
2046-2050	580	80	660
2051-2055	510	50	560
2056-2060	519	22	541
2061-2062	79	1	80
Subtotal	$ 9,783	$ 1,208	$ 10,991
Grand Total	$ 36,428	$ 2,366	$ 38,794

(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 $24,103 thousand in leasehold rentals revenue from terminal space ($14,913 thousand), land ($6,928 thousand), aircraft ramp parking ($1,582 thousand), and tie-downs ($680 thousand) in fiscal year 2025. 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 44 gates, are subject to preferential or common use by the counterparties to these agreements as follows: 24 gates are leased on a preferential basis; the remaining 20 gates are leased on a common-use basis.

12. Subscription-Based Information Technology Arrangements

The GASB defines a subscription-based information technology agreement (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. Upon completion of its review, AIAS has determined that, since the GASB 96 effective date, 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 2025.

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 political unrest, international relations, tariffs, and inflation; unforeseen impacts to construction; and continued workforce challenges shaped the environment in which the AIAS conducted its business in fiscal year 2025. Below are descriptions of the AIAS' contingencies and its various means for addressing them.

Like many primary airports in the United States, ANC and FAI have been found to have perfluoroalkyl or polyfluoroalkyl substances (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 ADEC to find viable solutions to remediate existing and mitigate future impacts to airport property. Current projects include both airports' cleanouts of existing firefighting equipment and replacement of PFAS-containing foam to a new non-fluorinated foam and ANC's ongoing site characterization work.

In FY 2020, ANC entered into a compliance order by consent (COBC) with the Alaska Department of Environmental Conservation (ADEC) regarding stormwater 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. As of this writing, ANC has submitted its stormwater plan to ADEC for approval; however, due to personnel changes at the agency, ADEC has extended ANC's current permit until it can address the update. 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 currently. Additionally, federal guidance is expected to further address the issues related to the existence of PFAS on airports and on properties nearby airports. At this time, future Environmental Protection Agency guidance and federal funding for remediation are both uncertain.

Climate impacts experienced at both airports in the recent past show an increasing amount of heavy snow, freezing rain, and high wind events. To mitigate the effects of these events, AIAS has engaged its carriers, deicers, ground handlers, and air traffic control at both airports to work together to better communicate and coordinate operations before, during, and after each event. ANC is planning to purchase software to better manage its aircraft movements and parking durations. Carriers are working with FAI and its airside service providers to better manage diversions.

Additional recommendations presented at annual internal working group meetings, after-event debriefs, and a third-party Winter Storm Efficiency Study are being implemented.

The AIAS airports receive funding for certain qualifying capital improvements through the FAA's AIP, SDI, and BIL grants. Currently, there are no known changes to these funding streams at the federal level. However, recent federal government actions raise the prospect that there may be future changes to the AIP program and other FAA-administered funding. The AIAS is carefully monitoring all federal actions that affect the Airport System and will respond appropriately to changes as they are announced.

Nonoperating revenues include grant reimbursements for Pandemic-related operating expenditures and debt service payments. Grant revenues are recognized when all of the 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 do not result in the acquisition of capital assets. Pandemic relief reimbursements totaling $2,807 thousand was recognized as nonoperating revenue and $18,861 thousand was received during fiscal year 2025. AIAS has no outstanding Pandemic relief monies to bill or collect. In total, AIAS expended $103,786 thousand in Pandemic rent relief and airport operations reimbursements between fiscal years 2020 and 2025.

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 (IDMS) was installed at FAI in 2019. In the beginning of fiscal year 2026, both FAI and ANC transitioned to a new identity management system to better secure non-public areas. Both ANC and FAI are participating in the TSA-mandated employee screening program as of September 2024.

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 2025.

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 July 8, 2025, the Airport System closed the second and final phase of the forward delivery transaction that legally defeased the remaining principal for the Series 2016A and 2016B revenue bonds. The second transaction included the issuance of $50,210 thousand in Series 2025B revenue refunding bonds with a bond premium of $3,586 thousand. The transaction refunded $23,755 thousand Series 2016A and $38,095 thousand of Series 2016B revenue bonds for a combined refunding of $61,850 thousand. Included in the transaction was a $6,642 thousand Airport System cash contribution. The resulting Series 2025B revenue bonds were issued at a fixed rate.

This phase of the bond transaction resulted in a total net decrease in debt service of approximately $14,478 thousand. The transaction represents a net present value savings of $4,198 thousand.

Management evaluated subsequent events through the date the financial statements were issued. In September 2025, New Pacific Airlines, Inc. (NPA) ceased operations at both ANC and FAI. Subsequent to year-end, the AIAS initiated the reconciliation of NPA's outstanding account balance to reflect the return of leased terminal and operational space to the System and the application of unallocated customer credits to outstanding invoices.

Management evaluates the collectability of accounts receivable based on specific identification of delinquent accounts, customer operating status, historical collection experience, and known economic or contractual factors. Based on this assessment, management determined that the remaining receivable balance associated with NPA is not collectible. Upon completion of the reconciliation, AIAS estimates that approximately $4.5 million of accounts receivable related to NPA will be written off.

Of the estimated write-off, $2.3 million was recognized as bad debt expense during the year ended June 30, 2025. As of June 30, 2025, the total allowance for doubtful accounts was $5.8 million, which management believes is sufficient to absorb the estimated write-off. Total net revenues for the year ended June 30, 2025, were $78.5 million. This event did not require an adjustment to the financial statements as of June 30, 2025.

Required Supplementary Information

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

Public Employees' Retirement System Pension Plan
Schedule of the Airport System's Proportionate Share of the Net Pension Liability
(in thousands)

Years Ended June 30,	Airport System's Proportion of the Net Pension Liability	Airport System's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Airport System's Covered Payroll	Airport 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
2025	1.579549%	$ 86,630	$ -	$ 86,630	$ 39,752	217.93%	67.81%
2024	1.629712%	$ 84,504	$ -	$ 84,504	$ 35,524	237.88%	68.23%
2023	1.529272%	$ 78,513	$ -	$ 78,513	$ 33,132	236.97%	67.97%
2022	1.469886%	$ 53,922	$ -	$ 53,922	$ 32,268	167.11%	76.46%
2021	0.961309%	$ 59,728	$ 24,716	$ 84,444	$ 31,932	264.45%	61.61%
2020	1.043340%	$ 57,115	$ 22,679	$ 79,794	$ 30,637	260.45%	63.42%
2019	1.074225%	$ 53,378	$ 15,460	$ 68,838	$ 30,259	227.50%	65.19%
2018	1.047884%	$ 54,170	$ 20,182	$ 74,352	$ 29,452	252.45%	63.37%
2017	1.293048%	$ 72,276	$ 9,107	$ 81,383	$ 28,644	284.12%	59.55%
2016	1.090483%	$ 52,542	$ 13,865	$ 66,407	$ 28,560	232.52%	63.96%

See accompanying notes to Required Supplementary Information.

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

Public Employees' Retirement System Pension Plan
Schedule of Airport System's Contributions - Pension Plan
(in thousands)

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airport System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 7,537	$ 7,537	$ -	$ 44,758	16.84%
2024	$ 6,638	$ 6,638	$ -	$ 39,752	16.70%
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%

See accompanying notes to Required Supplementary Information.

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

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

Years Ended June 30,	Airport System's Proportion of the Net OPEB Liability (Asset)	Airport 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)	Airport System's Covered Payroll	Airport 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
2025	1.579833%	$ (34,790)	$ -	$ (34,790)	$ 13,600	-255.81%	130.59%
2024	1.630064%	$ (37,507)	$ -	$ (37,507)	$ 12,987	-288.80%	133.96%
2023	1.540821%	$ (30,317)	$ -	$ (30,317)	$ 12,658	-239.51%	128.51%
2022	1.469464%	$ (37,697)	$ -	$ (37,697)	$ 13,204	-285.50%	135.54%
2021	1.011723%	$ (4,582)	$ (1,903)	$ (6,485)	$ 15,201	-42.66%	106.15%
2020	1.043290%	$ 1,548	$ 616	$ 2,164	$ 14,263	15.17%	98.13%
2019	1.074021%	$ 11,022	$ 3,200	$ 14,222	$ 15,201	93.56%	88.12%
2018	1.048044%	$ 3,299	$ 1,230	$ 4,529	$ 15,982	28.34%	89.68%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

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

Public Employees' Retirement System OPEB Plan
Schedule of Airport System's Contributions - ARHCT
(in thousands)

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airport System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 1,631	$ 1,631	$ -	$ 13,351	12.22%
2024	$ 935	$ 935	$ -	$ 13,600	6.88%
2023	$ 750	$ 750	$ -	$ 12,987	5.78%
2022	$ 3,863	$ 3,863	$ -	$ 12,658	30.52%
2021	$ 1,772	$ 1,772	$ -	$ 13,204	13.42%
2020	$ 1,493	$ 1,493	$ -	$ 15,201	9.82%
2019	$ 1,366	$ 1,366	$ -	$ 14,263	9.58%
2018	$ 1,485	$ 1,485	$ -	$ 15,201	9.77%
2017	*	*	*	*	*
2016	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

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

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

Years Ended June 30,	Airport System's Proportion of the Net OPEB Liability (Asset)	Airport 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)	Airport System's Covered Payroll	Airport 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
2025	1.534650%	$ (715)	$ -	$ (715)	$ 26,152	-2.73%	119.87%
2024	1.589342%	$ (754)	$ -	$ (754)	$ 22,537	-3.35%	124.29%
2023	1.488131%	$ (517)	$ -	$ (517)	$ 20,474	-2.53%	120.08%
2022	1.443343%	$ (387)	$ -	$ (387)	$ 19,064	-2.03%	115.10%
2021	1.399154%	$ (99)	$ -	$ (99)	$ 16,731	-0.59%	95.23%
2020	1.416118%	$ 339	$ -	$ 339	$ 16,374	2.07%	83.17%
2019	1.353092%	$ 172	$ -	$ 172	$ 15,058	1.14%	88.71%
2018	1.010124%	$ 26	$ -	$ 26	$ 13,470	0.19%	93.98%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

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

Public Employees' Retirement System OPEB Plan

Schedule of Airport System's Contributions - RMP

(in thousands)

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airport System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 264	$ 264	$ -	$ 31,407	0.84%
2024	$ 264	$ 264	$ -	$ 26,152	1.01%
2023	$ 248	$ 248	$ -	$ 22,537	1.10%
2022	$ 220	$ 220	$ -	$ 20,474	1.07%
2021	$ 233	$ 233	$ -	$ 19,064	1.22%
2020	$ 236	$ 236	$ -	$ 16,731	1.41%
2019	$ 154	$ 154	$ -	$ 16,374	0.94%
2018	$ 35	$ 35	$ -	$ 15,058	0.23%
2017	*	*	*	*	*
2016	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

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

Public Employees' Retirement System OPEB Plan
Schedule of the Airport System's Proportionate Share of the Net OPEB Liability (Asset) - ODD
(in thousands)

Years Ended June 30,	Airport System's Proportion of the Net OPEB Liability (Asset)	Airport 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)	Airport System's Covered Payroll	Airport 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)
2025	1.570000%	(937)	$ -	$ (937)	$ 39,752	-2.36%	346.81%
2024	1.621786%	(832)	$ -	$ (832)	$ 35,524	-2.34%	349.24%
2023	1.512975%	(663)	$ -	$ (663)	$ 33,132	-2.00%	348.80%
2022	1.459937%	(643)	$ -	$ (643)	$ 32,268	-1.99%	374.23%
2021	1.421717%	(388)	$ -	$ (388)	$ 31,932	-1.22%	283.80%
2020	1.441138%	$ (349)	$ -	$ (349)	$ 30,637	-1.14%	297.43%
2019	1.353094%	$ (263)	$ -	$ (263)	$ 30,259	-0.87%	270.62%
2018	1.396341%	$ (98)	$ -	$ (98)	$ 29,452	-0.33%	212.97%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

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

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

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airport System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 124	$ 124	$ -	$ 44,758	0.28%
2024	$ 103	$ 103	$ -	$ 39,752	0.26%
2023	$ 92	$ 92	$ -	$ 35,524	0.26%
2022	$ 88	$ 88	$ -	$ 33,132	0.27%
2021	$ 37	$ 37	$ -	$ 32,268	0.11%
2020	$ 68	$ 68	$ -	$ 31,932	0.21%
2019	$ 66	$ 66	$ -	$ 30,637	0.22%
2018	$ 153	$ 153	$ -	$ 30,259	0.51%
2017	*	*	*	*	*
2016	*	*	*	*	*

*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, 2025, the Plan measurement date is June 30, 2024.

Changes in Assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 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.

The discount rate as of June 30, 2024, was 7.25%.

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

This table is based on the Airport 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.

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, 2025, the Plan measurement date is June 30, 2024.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017, to June 30, 2021. For the ARHCT and RMP, the per capita claims costs were updated to reflect recent experience for the June 30, 2023 actuarial valuation. Employer Group Waiver Plan (EGWP) subsidies were updated to reflect higher expected subsidies due to the Inflation Reduction Act. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARMB has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher than initial trend rates in part due to the recent higher-than-expected inflationary environment.

The discount rate as of June 30, 2024, was 7.25%.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Airport 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 Airport System
(An Enterprise Fund of the State of Alaska)
(in thousands)
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position

	2025		
For the Year Ended June 30,	Anchorage	Fairbanks	Total
Operating Revenues			
Airfield operations:			
Landing fees	$ 70,614	$ 2,028	$ 72,642
Fuel flowage fees	27,031	325	27,356
Aircraft docking fees	376	259	635
Aircraft parking fees	5,094	249	5,343
Federal inspection fees	1,943	67	2,010
Aircraft ramp rental	1,297	201	1,498
Concession fees	19,462	4,893	24,355
Terminal rents	23,028	4,176	27,204
Vehicle parking fees	10,708	1,164	11,872
Land rental fees	7,893	1,033	8,926
Bad debt expense	2,221	89	2,310
Other	662	498	1,160
Total Operating Revenues	$ 170,329	$ 14,982	$ 185,311
Operating Expenses			
Facilities	$ 31,862	$ 5,666	$ 37,528
Field and equipment maintenance	23,275	6,849	30,124
Safety	20,139	8,365	28,504
Administration	12,497	4,086	16,583
Operations	7,906	2,322	10,228
Environmental expenses	833	(1,464)	(631)
Vehicle parking and curbside services	2,021	(2)	2,019
Risk management	959	439	1,398
Depreciation and amortization	65,498	13,849	79,347
Total Operating Expenses	$ 164,990	$ 40,110	$ 205,100
Operating Income (Loss)	$ 5,339	$ (25,128)	$ (19,789)

State of Alaska
International Airport System
(An Enterprise Fund of the State of Alaska)
(in thousands)
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position, continued

	2025		
For the Year Ended June 30,	Anchorage	Fairbanks	Total
Nonoperating Revenues (Expenses)			
Investment income	$ 15,666	$ -	$ 15,666
Lease interest income	188	294	482
Interest expense	(7,062)	-	(7,062)
Federal Aviation Administration – CRRSA Act & ACRGP	2,325	482	2,807
Grants – other	1	-	1
Other nonoperating revenues	69	-	69
Passenger Facility Charges	5,357	1,912	7,269
Gain on disposal of capital assets	1,362	36	1,398
Net Nonoperating Revenues (Expenses)	$ 17,906	$ 2,724	$ 20,630
Income (Loss) Before Capital Contributions and Transfers	$ 23,245	$ (22,404)	$ 841
Capital Contributions			
Federal Aviation Administration	$ 46,888	$ 3,128	$ 50,016
Change in Net Position	$ 70,133	$ (19,276)	$ 50,857

See accompanying notes to financial statements.

State of Alaska
International Airport System
(An Enterprise Fund of the State of Alaska)
(in thousands)
Schedule of Net Revenues in Excess of Net Revenues Required

For the Year Ended June 30,		2025
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	$	185,311
Federal Aviation Administration – CRRSA Act and ACRGP		2,807
Investment income		15,666
Lessee investment income		482
Total revenues	$	204,266
Maintenance and operation costs	$	205,100
Noncash adjustments:		
Depreciation		(79,347)
Total adjusted maintenance and operation costs	$	125,753
Net Revenues	$	78,513
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	$	27,621
Minimum revenue requirement factor		1.25
Net Revenues Required	$	34,526
Net Revenues in Excess of Net Revenues Required	$	43,987
Debt Service Coverage		2.84

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, 2025, 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 January 30, 2026.

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 2016A, 2016B, 2021A, 2021B, 2021C and 2025A:

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
January 30, 2026