

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**  
(A Major Enterprise Fund of the Municipality of  
Anchorage, Alaska)

Financial Statements, Required  
Supplementary Information, and Other  
Information  
December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

**(A Major Enterprise Fund of the Municipality of Anchorage, Alaska)**

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Information**

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Port of Alaska, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Port of Alaska's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Port of Alaska, as of December 31, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Alaska's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Port of Alaska Enterprise Fund, and do not purport to, and do not present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 2021 and 2020, the changes in its financial position and its cash flows for the years 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules of the Port of Alaska's proportionate share of the net pension and net other postemployment benefit liability and asset and Port contributions to the pension and other postemployment benefit plans be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Statistical Section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2022 on our consideration of the Port of Alaska'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 the Port of Alaska'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 Port of Alaska's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
August 19, 2022

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## **Management's Discussion and Analysis**

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# Municipality of Anchorage, Alaska Port of Alaska Fund

## Management's Discussion and Analysis December 31, 2021 and 2020

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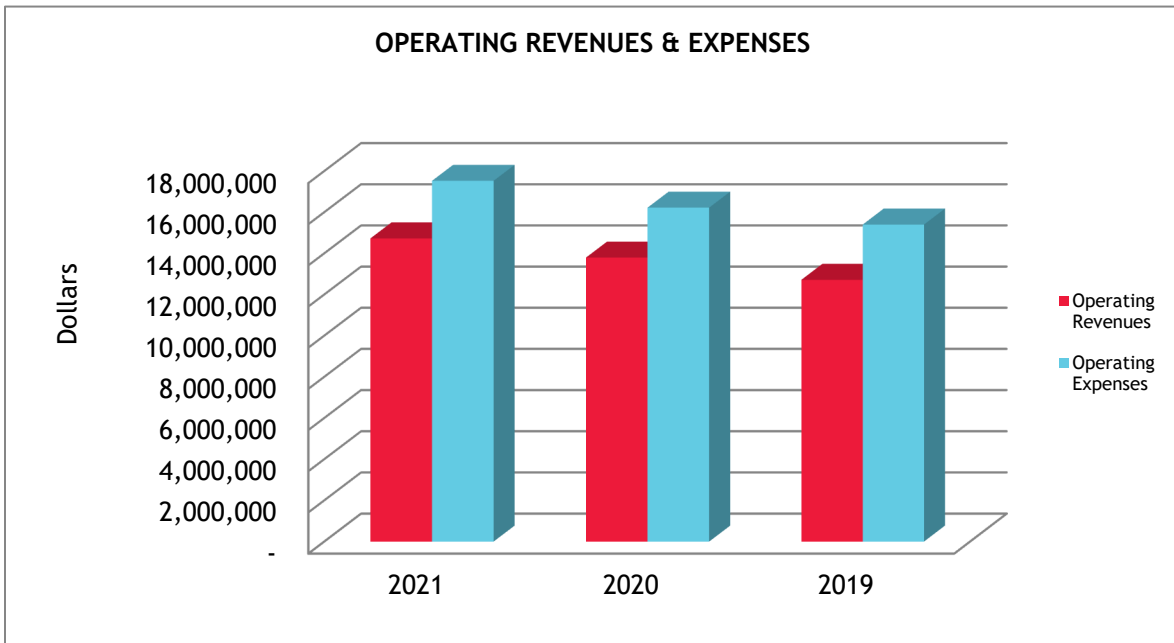
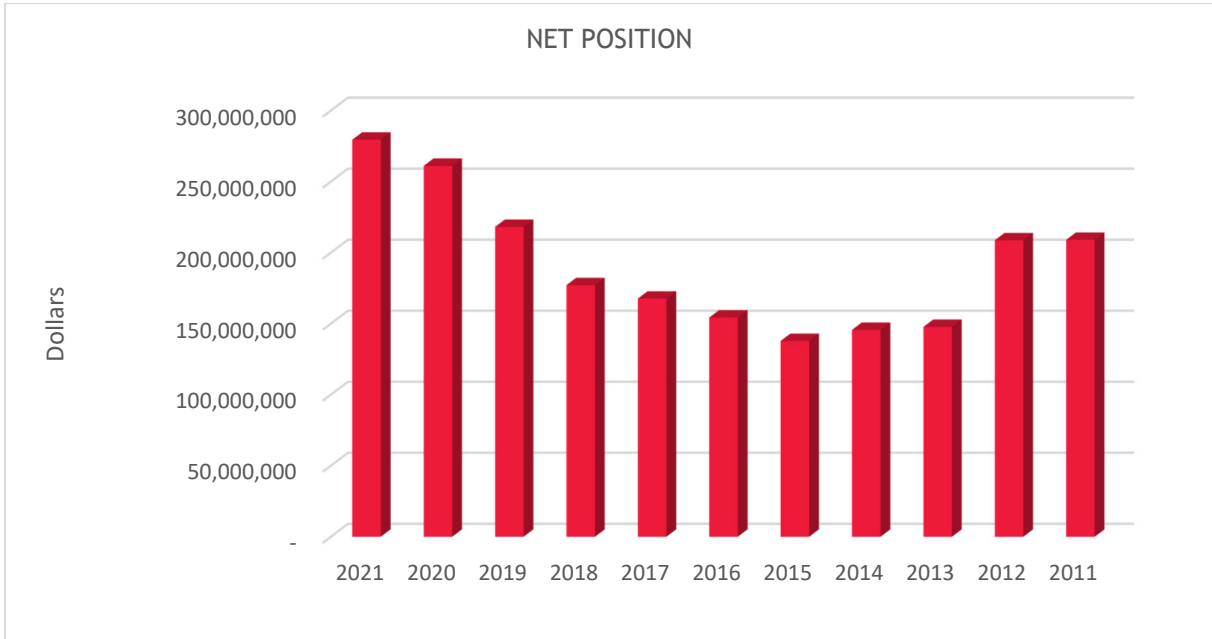
The Port of Alaska Fund (Port) is a department of the Municipality of Anchorage, Alaska (Municipality of Anchorage). A commission consisting of nine members oversees the Port's tariff issues. The commission recommends tariff rates, fees, and charges imposed by the Port for its services to the Anchorage Assembly for approval. The following is a discussion and analysis of the Port's financial performance, providing an overview of the financial activities for the years ended December 31, 2021 and 2020. This discussion and analysis are designed to assist the reader in focusing on the significant financial issues, provide an overview of the Port's financial activities and identify changes in the Port's financial position. We encourage readers to consider the information presented here in conjunction with the Port's financial statements and accompanying notes, taken as a whole.

### Financial Highlights

- Net position increased \$18,424,856 or 7.06% in 2021. The increase in net position was primarily due to capital contributions of \$25,616,270 exceeding the operating loss of \$2,797,558 and transfers to other funds of \$2,045,664. In 2020, the increase in net position was primarily due to capital contributions of \$48,889,068 exceeding the operating loss of \$2,427,380 and transfers to other funds of \$1,917,772.
- Operating revenues increased \$932,309 or 6.76% in 2021 and \$1,079,078 or 8.49% in 2020 due to increases in rates approved and scheduled with Tariff 9.0 which went into effect 1/1/2020.
- Operating expenses increased by \$1,302,487 or 8.03% in 2021. The increase is primarily due to an increase in legal services of \$655,630 which are directly related to ongoing litigation from the Port Intermodal Expansion Project lawsuit (see Note 11) and a \$315,758 increase in professional services contracts. Operating expenses increased by \$823,462 or 5.35% in 2020. The increase is primarily due to an increase in other postemployment benefit expense of \$470,496 and an increase in interdepartmental costs of \$128,704.

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Management's Discussion and Analysis December 31, 2021 and 2020



# Municipality of Anchorage, Alaska Port of Alaska Fund

## Management's Discussion and Analysis December 31, 2021 and 2020

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### Overview of the Financial Statements

The Port is a business type activity of the Municipality that operates the Port of Alaska. The Port reports as an enterprise fund of the Municipality.

The Port's financial statements offer short and long-term information about activities of the Port and collectively provide an indication of the Port's financial health. The basic financial statements present on a comparative basis for the years ended December 31, 2021 and 2020, and include the following: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and notes to the basic financial statements. The basic financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

**Statements of Net Position** - These statements include all of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

**Statements of Revenues, Expenses, and Changes in Net Position** - These statements present the Port's operating revenues and expenses and nonoperating revenues and expenses, and the change in net position of the Port for the years presented.

**Statements of Cash Flows** - These statements report cash and cash equivalent activities for the year resulting from operating activities, noncapital financing activities, capital, and related financing activities, and investing activities. The net result of these activities added to beginning of year cash and cash equivalents reconciles to cash and cash equivalents at the end of the year. The Port presents its Statements of Cash Flows using the direct method of reporting operating cash flows.

**Notes to Financial Statements** - provide the reader with additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Required Supplementary Information** - presents certain information concerning the progress of funding the Port's obligation to provide pension and other postemployment benefits.

### Financial Analysis of the Port

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

These two statements report the Port's net position and changes in net position. One can think of the Port's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as one way to measure financial health or whether financial health is improving or deteriorating. However, one will need to also consider other nonfinancial factors such as changes in economic conditions, population growth and new or changed legislation.

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Management's Discussion and Analysis  
December 31, 2021 and 2020**

Changes in the Port's net position can be determined by reviewing the following condensed Summary of Net Position as of December 31, 2021, 2020, and 2019. The analysis below focuses on the Port's net position at the end of the year (Table 1) and changes in net position (Table 2) during the year.

**TABLE 1**  
Summary of Net Position

|  | 2021                  | 2020                  |
|--|-----------------------|-----------------------|
| <b>Assets and Deferred Outflows of Resources:</b>                        |                       |                       |
| Current assets   | \$ 16,838,190         | \$ 13,360,582         |
| Noncurrent assets  | 378,730,774           | 327,918,586           |
| Deferred outflows of resources   | 159,425               | 300,492               |
| <b>Total Assets and Deferred Outflows of Resources</b>                   | <b>\$ 395,728,389</b> | <b>\$ 341,579,660</b> |
| <b>Liabilities and Deferred Inflows of Resources:</b>                    |                       |                       |
| Current liabilities  | \$ 2,697,815          | \$ 7,250,180          |
| Noncurrent liabilities   | 112,383,273           | 73,120,334            |
| Deferred inflows of resources  | 1,148,767             | 135,468               |
| <b>Total Liabilities and Deferred Inflows of Resources</b>               | <b>116,229,855</b>    | <b>80,505,982</b>     |
| <b>Net Position:</b>   |                       |                       |
| Net investment in capital assets   | 260,135,560           | 232,663,599           |
| Restricted for capital construction                                      | 758,136               | 11,748,152            |
| Restricted for debt service  | 5,963,135             | 7,967,418             |
| Unrestricted   | 12,911,703            | 8,694,509             |
| <b>Total Net Position</b>  | <b>279,768,534</b>    | <b>261,073,678</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> | <b>\$ 395,998,389</b> | <b>\$ 341,579,660</b> |

During 2021 the Port's total assets and deferred outflows of resources increased by \$54,148,729. Noncurrent assets increased by \$50,812,188 primarily due to a \$65,374,677 increase in capital assets and a \$6,810,582 increase of intergovernmental receivables, which were offset by a \$22,267,882 decrease in equity in the general cash pool. Current assets increased by \$3,477,608 primarily due to an increase in equity in the general cash pool. During 2020 the Port's total assets and deferred outflows of resources increased by \$71,117,722. Noncurrent assets increased by \$64,922,086 primarily due to a \$45,902,332 increase in capital assets and a \$27,960,514 increase in equity in the general cash pool, which offset a decrease of \$9,094,533 in intergovernmental receivables. Current assets increased by \$6,207,352 primarily due to an increase in equity in the general cash pool.

During 2021 the Port's current liabilities decreased by \$4,552,365 primarily due to a \$4,143,688 decrease in capital acquisition and construction accounts and retainage payable and a decrease of \$456,323 in accounts payable. Total liabilities and deferred inflows of resources increased by \$35,723,873 primarily due to usage of \$40,000,000 notes payable and a decrease in the net pension liability of \$550,934 and \$1,013,299 increase to related to pensions and related to other postemployment benefits. During 2020 the Port's current liabilities decreased by \$843,700 primarily due to a \$1,167,097 decrease in capital acquisition and construction accounts and retainage payable exceeding an increase in accounts payable of \$182,013. Total liabilities and deferred inflows of resources increased by \$28,175,003 due to the issuance of revenue bonds and related premiums received of \$69,191,345 exceeding the decrease caused through repayment of notes payable of \$40,000,000.

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Management's Discussion and Analysis  
December 31, 2021 and 2020**

Changes in the Port's net position can be determined by reviewing the following condensed Summary of Revenues, Expenses, and Changes in Net Position for the years ending December 31, 2021 and 2020 (Table 2).

During 2021 the Port's operating revenues increased by \$932,309 or 6.76%, due to rate increases implemented in Tariff 9.0 and Preferential User Agreement increases executed in accordance with current agreements. During 2020 the Port's operating revenues increased by \$1,079,078 or 8.49%, due chiefly to the rate increase implemented in Tariff 8 and Preferential User Agreement increases executed in current agreements.

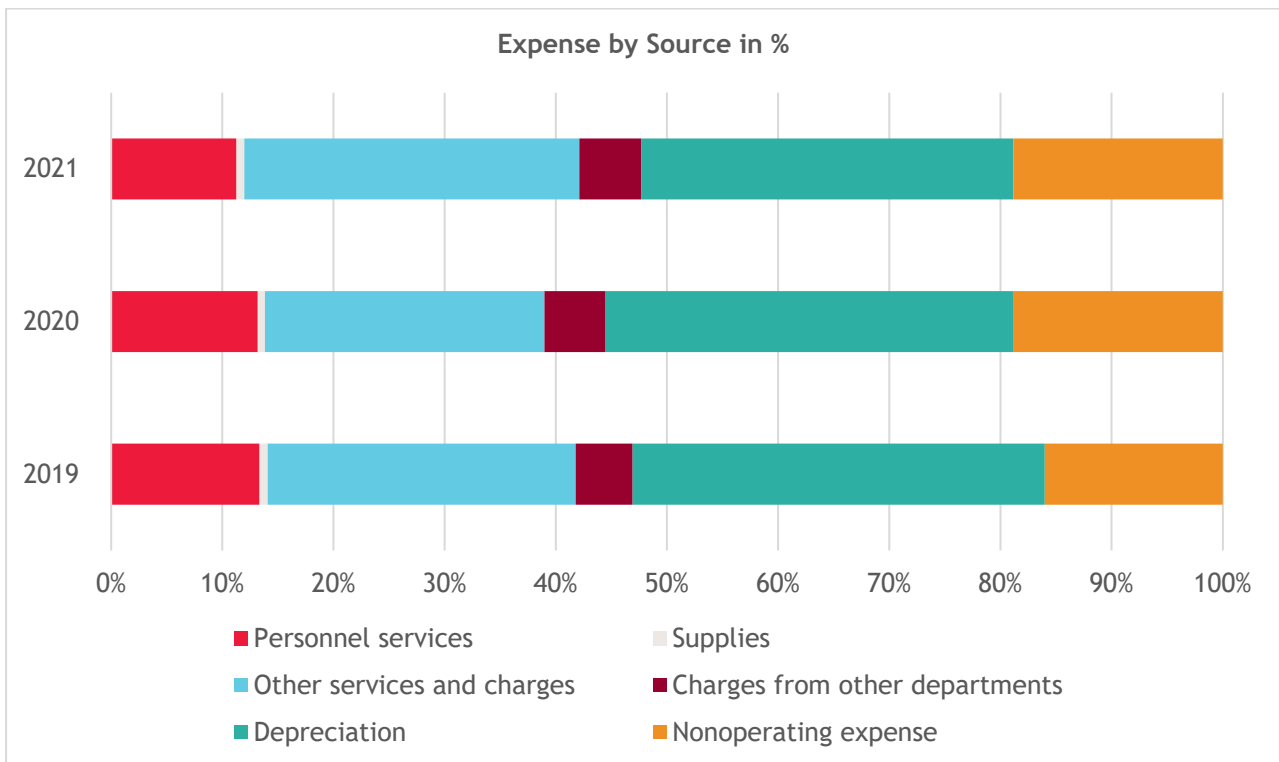
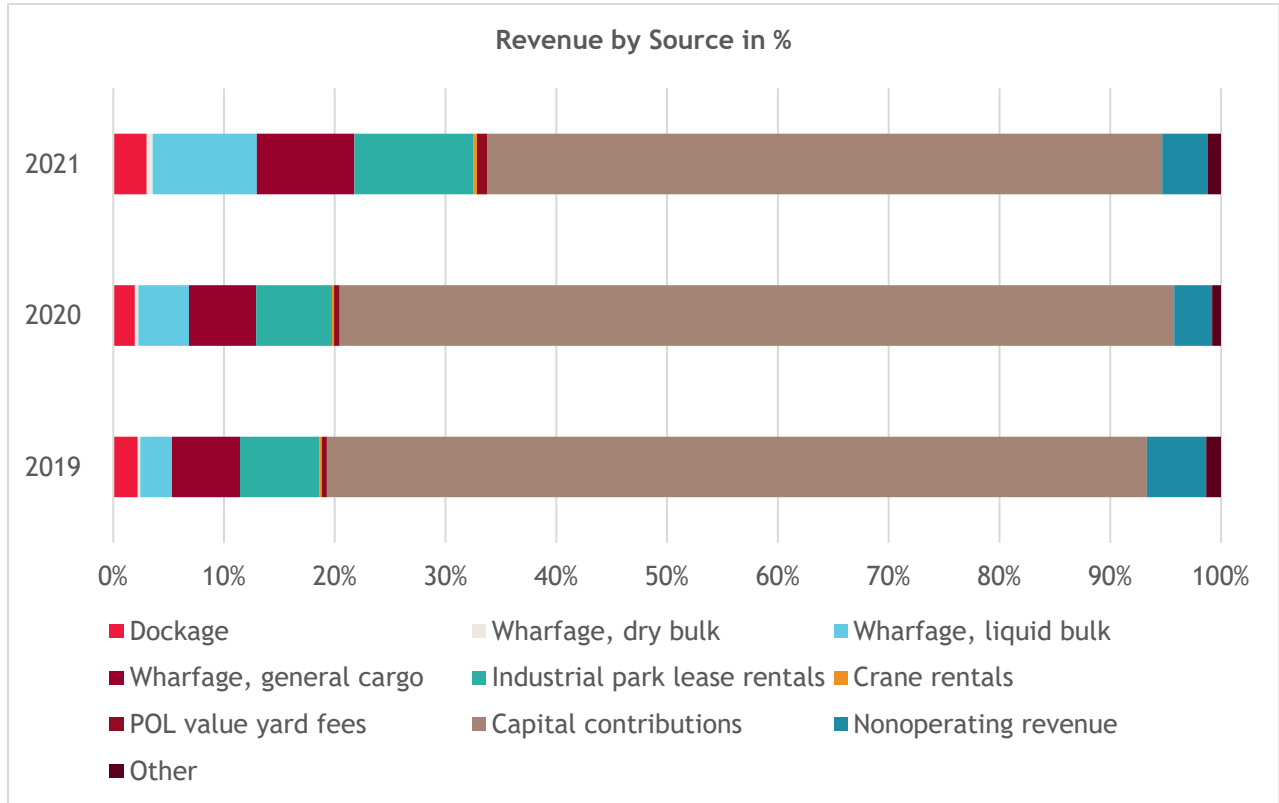
During 2021 the Port's operating expenses increased \$1,302,487 due primarily to an increase in legal services of \$655,630 which are directly related to ongoing litigation from the Port Intermodal Expansion Project lawsuit (see Note 11), and a \$315,758 increase in professional services contracts. In 2020 the Port's operating expenses increased by \$823,462 due to an increase in other postemployment benefit expense of \$470,496 and an increase in interdepartmental costs of \$128,704.

**TABLE 2**  
Summary of Revenues, Expenses, and Changes in Net Position

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| <b>Operating Revenues:</b>                      |                       |                       |
| Dockage   | \$ 1,273,487          | \$ 1,270,139          |
| Wharfage, dry bulk                              | 225,369               | 210,837               |
| Wharfage, liquid bulk                           | 3,956,808             | 2,961,881             |
| Wharfage, general cargo                         | 3,703,672             | 3,932,954             |
| Industrial park lease rentals                   | 4,509,536             | 4,442,927             |
| Crane rentals                                   | 141,913               | 124,502               |
| POL valve yard fees                             | 403,063               | 328,210               |
| Other   | 513,526               | 523,615               |
| <b>Total Operating Revenues</b>                 | <b>14,727,374</b>     | <b>13,795,065</b>     |
| <b>Operating Expenses:</b>                      |                       |                       |
| Personnel services                              | 2,434,403             | 2,431,500             |
| Supplies  | 152,501               | 133,150               |
| Other services and charges                      | 6,507,748             | 5,098,796             |
| Charges from other departments                  | 1,198,886             | 1,113,852             |
| Depreciation                                    | 7,231,394             | 7,445,147             |
| <b>Total Operating Expenses</b>                 | <b>17,524,932</b>     | <b>16,222,445</b>     |
| Operating Loss                                  | (2,797,558)           | (2,427,380)           |
| <b>Nonoperating Revenues (Expenses)</b>         |                       |                       |
| Nonoperating revenues                           | 1,718,408             | 2,212,353             |
| Nonoperating expenses                           | (4,066,600)           | (3,813,550)           |
| <b>Net Nonoperating Revenues (Expenses)</b>     | <b>(2,348,192)</b>    | <b>(1,601,197)</b>    |
| Loss before capital contributions and transfers | (5,145,750)           | (4,028,577)           |
| Capital contributions and transfers             | 23,570,606            | 46,971,296            |
| <b>Change in Net Position</b>                   | <b>18,424,856</b>     | <b>42,942,719</b>     |
| <b>Net Position, beginning</b>                  | <b>261,073,678</b>    | <b>218,130,959</b>    |
| <b>Net Position, ending</b>                     | <b>\$ 279,498,534</b> | <b>\$ 261,073,678</b> |

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Management's Discussion and Analysis December 31, 2021 and 2020



**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Management's Discussion and Analysis  
December 31, 2021 and 2020**

**Capital Assets and Debt Administration**

**Capital Assets**

The following table summarizes the Port's capital assets, at cost, as of December 31, 2021, 2020, and 2019.

**TABLE 3  
Net Capital Assets**

|                                       | 2021                 | 2020                 |
|---------------------------------------|----------------------|----------------------|
| Land                                  | \$ 38,439,459        | \$ 38,439,459        |
| Infrastructure                        | 34,339,992           | 36,347,357           |
| Buildings                             | 2,351,351            | 2,485,771            |
| Building improvements                 | 436,629              | 15,791               |
| Land improvements                     | 97,434,025           | 101,260,529          |
| Vehicles                              | 283,119              | 384,366              |
| Machinery and equipment               | 697,603              | 1,012,215            |
| Computer hardware                     | 35,754               | 45,040               |
| Computer software                     | 487,064              | 181,522              |
| Art                                   | 21,344               | 21,344               |
| Construction work in progress         | 172,710,185          | 101,668,454          |
| <b>Total Net Capital Assets</b>       | <b>347,236,525</b>   | <b>281,861,848</b>   |
| <b>Increase in net capital assets</b> | <b>\$ 65,374,677</b> | <b>\$ 45,902,332</b> |

2021 Major additions include:

- Wharf Pile Enhancements - \$714,167
- Stevedore Building Lift Station Upgrade - \$425,108
- Port GIS Implementation and Enhancement - \$363,338

Construction work in progress increased by \$71,041,731 in 2021 due to the continued progress and work done on the Port of Alaska Modernization Program (PAMP) Phase 1 - completion of Petroleum and Cement Terminal.

Additional information on the Port's capital assets can be found in Note 5.

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Management’s Discussion and Analysis  
December 31, 2021 and 2020**

**Debt**

The following table summarizes the Port’s debt as of December 31, 2021, 2020, and 2019.

**TABLE 4  
Net Debt**

|                       | 2021               | 2020              |
|-----------------------|--------------------|-------------------|
| Revenue bonds, net    | \$ 69,045,251      | \$ 69,191,345     |
| Notes payable         | 40,000,000         | -                 |
| <b>Total Net Debt</b> | <b>109,045,251</b> | <b>69,191,345</b> |
| Increase in net debt  | \$ 39,853,906      | \$ 29,191,345     |

Additional information on the Port’s long-term obligations can be found in Note 7.

During 2021 the Port executed the \$40,000,000 revolving credit agreement with a commercial bank. This funding was used solely for construction work on the Petroleum and Cement Terminal and will be repaid as the reimbursement from grant funds are received.

The Port issued 2 separate series of revenues bonds in 2020, 2020 Series A and 2020 Series B. The proceeds of the 2020 Series A bonds will be used to pay or reimburse the costs of a portion of Phase 1 of the Port of Alaska Modernization Program, including the replacement of the Port’s existing, Petroleum, Oil and Lubricants/Cement Terminal 1 with the Port Petroleum and Cement Terminal. The proceeds of the 2020 Series B Bonds were used to refund the balance of the notes payable from direct borrowings. The 2020 Series A bonds have a total authorized amount of \$18,885,000, are due in annual installments of \$1,275,000 to \$3,875,000 (principal payments beginning in 2045 through 2050), plus interest at 2.53%. The 2020 Series B bonds have a total authorized amount of \$46,210,000, are due in annual installments of \$370,000 to \$2,960,000 (principal payments beginning in 2023 through 2045), plus interest at 1.051% to 3.52%.

**Economic Factors and Next Year’s Budgets and Rates**

The Port of Alaska supports more than \$14 billion in commercial activity in Alaska as the State’s main inbound containerized freight and fuel distribution center. It is the conduit for goods consumed by 90% of Alaska’s population. \$7.1 billion in consumer goods cross the dock at the Port annually, supporting an estimated \$9.2 billion in total retail sales activity across Alaska. Other nonretail freight valued at \$2.9 billion supports state-wide economic activity to include supplies, materials and equipment used in food service, manufacturing, and construction activities. Petroleum valued at \$1.5 billion passes over the docks and through the Port of Alaska Valve Yard to support the Ted Stevens Anchorage International Airport and military operations at Joint Base Elmendorf Richardson.



# Municipality of Anchorage, Alaska Port of Alaska Fund

## Management's Discussion and Analysis December 31, 2021 and 2020

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The Port of Alaska's strategic location provides economic value to the communities and businesses it serves with proximity to population centers, Intermodal transportation connections, and a freight handling infrastructure suited to the needs of the users. The Port's on-property intermodal connectivity includes truck, train, and fuel pipeline and Alaska's principal air cargo hub is less than eight miles away. Efficient and continued operations at the Port are a critical part of the foundation of a successful and sustainable state and local economy and are necessary for businesses and the people they serve to continue.

The 2021 budget projected Port operating revenues of \$13.1 million and \$1.9 million in nonoperating revenues. Actual 2021 operating revenues earned \$14.7 million and were \$1.6 million over budget projections. Actual 2021 nonoperating revenues including capital contributions earned approximately \$27.3 million and were \$25.4 million over budget projections. The increase in operating revenue was attributable to an approximately 7.7% increase in tonnage across the dock for Petroleum dockside deliveries to the Port of Alaska. The overall tonnage increased 6.03% seeing a small decrease in dry bulk goods - cement and cargo tonnage. The overall tonnage increase combined with the approved, scheduled tariff increases set forth in Tariff 9.0 as well as increases to the Preferential User Agreements contributed to the overall increased performance over the budget. The variance in the nonoperating revenue was due to the direct funding from the State of Alaska in the amount of \$25.6 million for grant related expenditures related to the Port Modernization Program - Petroleum and Cement Terminal construction and decreased earnings on investment income earned of \$7,652 compared to the \$203,791 budgeted amount.

The 2020 budget projected Port operating revenues of \$13 million and \$2.3 million in nonoperating revenues. Actual 2020 operating revenues earned \$13.8 million and were \$800,000 over budget projections. Actual 2020 nonoperating revenues including capital contributions earned approximately \$51.1 million and were \$46.9 over budget projections. The increase in operating revenue was attributable to an approximately 25% increase in tonnage across the dock for Petroleum dockside deliveries to the Port of Alaska. This uptick in petroleum tonnage across the dock is due to shift in transportation of fuel modes from over the road deliveries to waterborne deliveries. The overall tonnage of the Port increased approximately 10%. This tonnage increase combined with approved, scheduled tariff increases set forth in Tariff 9.0 contributed to the overall increased performance over budget.

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

In 2019, the Port undertook an extensive review of the tariff rates in light of the expiration of Tariff 8.2 on 12/31/2019 and the potential requirement to create capacity in the Port's income stream for debt service coverage to repay future borrowings necessary in order to complete the Petroleum & Cement Terminal, Phase 1, Anchorage Port Modernization Program. Following the review of the tariff and the completion of a Revenue Requirements report, which included various Rate scenarios recommendations provided by an independent contractor, the Port Commission promulgated a ten year tariff with a rate structure that would support ongoing operations at the Port as well as provide income for future debt service payments. The Anchorage Assembly approved the rates, terms, and conditions of the Port's Terminal Tariff 9.0 and it was implemented on January 1, 2020. Tariff 9.0 increased all tariff fees (except for petroleum and cement) as follows: 3.5% in 2020, 3.93% in 2021,

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Management's Discussion and Analysis December 31, 2021 and 2020

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3.01% in 2022 - 2027, and no increases in 2028 - 2029. Additionally, commodity specific rate increases for operating and debt service coverage on Petroleum and Cement were implemented as follows: 23.81% in 2020, 24.24% in 2021, 12.95% in 2022 - 2026, 8.65% in 2027, and 5.64% in 2028-2029. The Port Commission will review the established tariff rates each year and revise as needed to meet operating and debt service coverage requirements.

### Contacting the Port's Financial Management

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

General information can be found at: <http://www.portofalaska.com>

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## Financial Statements

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**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**  
**Statements of Net Position**

| <i>December 31,</i>  | 2021                  | 2020                  |
|--|-----------------------|-----------------------|
| <b>Assets and Deferred Outflows of Resources</b>             |                       |                       |
| <b>Current Assets</b>  |                       |                       |
| Cash   | \$ 650                | \$ 650                |
| Equity in general cash pool                                  | 12,066,195            | 11,695,973            |
| Equity in bond and capital acquisition and construction pool | 3,323,241             | -                     |
| Accrued interest on investments                              | 55,196                | 57,237                |
| Accounts receivable, net                                     | 923,910               | 1,096,459             |
| Prepaid items and deposits                                   | 139,973               | 181,238               |
| Parts inventory  | 329,025               | 329,025               |
| <b>Total Current Assets</b>                                  | <b>16,838,190</b>     | <b>13,360,582</b>     |
| <b>Noncurrent Assets</b>                                     |                       |                       |
| Unrestricted assets:   |                       |                       |
| Assets held for resale                                       | 242,093               | 242,093               |
| Capital assets, net  | 347,236,525           | 281,861,848           |
| Net other postemployment benefits asset                      | 1,064,242             | 169,934               |
| <b>Total unrestricted noncurrent assets</b>                  | <b>348,542,860</b>    | <b>282,273,875</b>    |
| Restricted assets:   |                       |                       |
| Restricted cash - settlement set aside                       | 1,950,000             | 1,950,000             |
| Equity in general cash pool - held for debt service          | 5,693,135             | 7,967,418             |
| Equity in general cash pool - held for capital projects      | -                     | 19,993,096            |
| Intergovernmental receivables                                | 22,544,779            | 15,734,197            |
| <b>Total restricted noncurrent assets</b>                    | <b>30,187,914</b>     | <b>45,644,711</b>     |
| <b>Total Noncurrent Assets</b>                               | <b>378,730,774</b>    | <b>327,918,586</b>    |
| <b>Total Assets</b>  | <b>395,568,964</b>    | <b>341,279,168</b>    |
| <b>Deferred Outflows of Resources</b>                        |                       |                       |
| Related to pensions  | 135,667               | 200,034               |
| Related to other postemployment benefits                     | 23,758                | 100,458               |
| <b>Total Deferred Outflows of Resources</b>                  | <b>159,425</b>        | <b>300,492</b>        |
| <b>Total Assets and Deferred Outflows of Resources</b>       | <b>\$ 395,728,389</b> | <b>\$ 341,579,660</b> |

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**  
**Statements of Net Position, continued**

| <i>December 31,</i>  | 2021                  | 2020                  |
|--|-----------------------|-----------------------|
| <b>Liabilities, Deferred Inflows of Resources and Net Position</b>       |                       |                       |
| <b>Current Liabilities</b>   |                       |                       |
| Accounts payable   | \$ 387,521            | \$ 843,844            |
| Capital acquisition and construction accounts and retainages payable     | 1,792,357             | 5,936,045             |
| Compensated absences payable   | 167,472               | 160,155               |
| Unearned revenue   | 37,500                | -                     |
| Accrued payroll liabilities  | 122,914               | 122,197               |
| Accrued interest payable   | 190,051               | 187,939               |
| <b>Total Current Liabilities</b>   | <b>2,697,815</b>      | <b>7,250,180</b>      |
| <b>Noncurrent Liabilities</b>  |                       |                       |
| Other noncurrent liabilities   | 1,747,630             | 1,761,154             |
| Compensated absences payable   | 122,294               | 145,855               |
| Net pension liability  | 1,468,098             | 2,019,032             |
| Net other postemployment benefits liability                              | -                     | 2,948                 |
| Notes payable  | 40,000,000            | -                     |
| Bonds payable, including unamortized premium, net of current portion     | 69,045,251            | 69,191,345            |
| <b>Total Noncurrent Liabilities</b>                                      | <b>112,383,273</b>    | <b>73,120,334</b>     |
| <b>Total Liabilities</b>   | <b>115,081,088</b>    | <b>80,370,514</b>     |
| <b>Deferred Inflows of Resources</b>                                     |                       |                       |
| Related to pensions  | 585,445               | -                     |
| Related to other postemployment benefits                                 | 563,322               | 135,468               |
| <b>Total Deferred Inflows of Resources</b>                               | <b>1,148,767</b>      | <b>135,468</b>        |
| <b>Net Position</b>  |                       |                       |
| Net investment in capital assets   | 260,135,560           | 232,663,599           |
| Restricted for capital construction                                      | 758,136               | 11,748,152            |
| Restricted for debt service  | 5,693,135             | 7,967,418             |
| Unrestricted   | 12,911,703            | 8,694,509             |
| <b>Total Net Position</b>  | <b>279,498,534</b>    | <b>261,073,678</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> | <b>\$ 395,728,389</b> | <b>\$ 341,579,660</b> |

*See accompanying notes to basic financial statements.*

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

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

| <i>Years Ended December 31,</i>             | 2021               | 2020               |
|---|--------------------|--------------------|
| <b>Operating Revenues</b>                   |                    |                    |
| Charges for sales and services:             |                    |                    |
| Dockage                                     | \$ 1,273,487       | \$ 1,270,139       |
| Wharfage, dry bulk                          | 225,369            | 210,837            |
| Wharfage, liquid bulk                       | 3,956,808          | 2,961,881          |
| Wharfage, general cargo                     | 3,703,672          | 3,932,954          |
| Storage revenue                             | 259,675            | 272,130            |
| Office rental                               | 51,307             | 104,886            |
| Utilities                                   | 21,247             | 27,705             |
| Miscellaneous                               | 181,297            | 118,894            |
| <b>Total charges for sales and services</b> | <b>9,672,862</b>   | <b>8,899,426</b>   |
| Other operating revenues:                   |                    |                    |
| Crane rentals                               | 141,913            | 124,502            |
| Industrial park lease rentals               | 4,509,536          | 4,442,927          |
| POL value yard fees                         | 403,063            | 328,210            |
| <b>Total other operating revenues</b>       | <b>5,054,512</b>   | <b>4,895,639</b>   |
| <b>Total Operating Revenues</b>             | <b>14,727,374</b>  | <b>13,795,065</b>  |
| <b>Operating Expenses</b>                   |                    |                    |
| Operations:                                 |                    |                    |
| Personnel services                          | 2,774,789          | 2,673,288          |
| Pension                                     | 99,163             | (63,785)           |
| Other postemployment benefits               | (439,549)          | (178,003)          |
| Supplies                                    | 152,501            | 133,150            |
| Other services and charges                  | 6,507,748          | 5,098,796          |
| Charges from other departments              | 1,198,886          | 1,113,852          |
| <b>Total operations</b>                     | <b>10,293,538</b>  | <b>8,777,298</b>   |
| Depreciation                                | 7,231,394          | 7,445,147          |
| <b>Total Operating Expenses</b>             | <b>17,524,932</b>  | <b>16,222,445</b>  |
| <b>Operating loss</b>                       | <b>(2,797,558)</b> | <b>(2,427,380)</b> |

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

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

| <i>Years Ended December 31,</i>                 | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| <b>Nonoperating Revenues (Expenses)</b>         |                       |                       |
| Intergovernmental revenues - PERS on-behalf     | \$ (46,562)           | \$ 66,618             |
| Investment income - short-term investments      | 7,652                 | 458,510               |
| Security fees                                   | 1,502,007             | 1,494,782             |
| Right-of-way fees                               | 208,749               | 186,668               |
| Interest on long-term obligations               | (2,123,958)           | (791,410)             |
| Debt issuance costs                             | (209,333)             | (1,248,466)           |
| Security contract                               | (1,686,747)           | (1,773,674)           |
| Gain on sale of capital assets                  | -                     | 5,775                 |
| <b>Total Nonoperating Revenues (Expenses)</b>   | <b>(2,348,192)</b>    | <b>(1,601,197)</b>    |
| Loss before capital contributions and transfers | (5,145,750)           | (4,028,577)           |
| <b>Contributions and Transfers</b>              |                       |                       |
| Capital contributions                           | 25,616,270            | 48,889,068            |
| Transfers to other funds:                       |                       |                       |
| Municipal service assessment                    | (1,355,911)           | (1,281,973)           |
| Dividend  | (689,753)             | (635,799)             |
| <b>Change in Net Position</b>                   | <b>18,424,856</b>     | <b>42,942,719</b>     |
| <b>Net Position, beginning</b>                  | <b>261,073,678</b>    | <b>218,130,959</b>    |
| <b>Net Position, ending</b>                     | <b>\$ 279,498,534</b> | <b>\$ 261,073,678</b> |

*See accompanying notes to basic financial statements.*



**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

**Statements of Cash Flows**

| <i>Years Ended December 31,</i>   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>                               |                      |                      |
| Receipts from customers   | \$ 14,937,423        | \$ 13,883,300        |
| Payments to employees   | (2,790,316)          | (2,626,949)          |
| Payments to vendors   | (7,088,831)          | (5,189,578)          |
| Internal activity - payments made to other funds                          | (1,198,886)          | (1,113,852)          |
| <b>Net cash flows from operating activities</b>                           | <b>3,859,390</b>     | <b>4,952,921</b>     |
| <b>Cash Flows for Noncapital Financing Activities</b>                     |                      |                      |
| Transfer to other funds   | (2,045,664)          | (1,917,772)          |
| Security contract   | (1,686,747)          | (1,773,674)          |
| Right of way and security fees  | 1,710,756            | 1,681,450            |
| <b>Net cash flows for noncapital financing activities</b>                 | <b>(2,021,655)</b>   | <b>(2,009,996)</b>   |
| <b>Cash Flows from (for) Capital and Related Financing Activities</b>     |                      |                      |
| Interest payments on long-term obligations                                | (2,267,940)          | (689,134)            |
| Acquisition and construction of capital assets                            | (76,749,759)         | (54,514,576)         |
| Proceeds from sale of capital assets                                      | -                    | 5,775                |
| Proceeds from issuance of long-term debt                                  | 40,000,000           | 69,191,345           |
| Principal payments on long-term debt                                      | -                    | (40,000,000)         |
| Debt issuance costs   | (209,333)            | (1,248,466)          |
| Capital contributions received  | 18,805,688           | 57,983,601           |
| <b>Net cash flows from (for) capital and related financing activities</b> | <b>(20,421,344)</b>  | <b>30,728,545</b>    |
| <b>Cash Flows from Investing Activities</b>                               |                      |                      |
| Investment income   | 9,693                | 428,249              |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>               | <b>(18,573,916)</b>  | <b>34,099,719</b>    |
| <b>Cash and Cash Equivalents, beginning</b>                               | <b>41,607,137</b>    | <b>7,507,418</b>     |
| <b>Cash and Cash Equivalents, ending</b>                                  | <b>\$ 23,033,221</b> | <b>\$ 41,607,137</b> |
| <b>Components of Cash</b>   |                      |                      |
| Cash  | \$ 650               | \$ 650               |
| Equity in general cash pool   | 12,066,195           | 11,695,973           |
| Equity in bond and capital acquisition and construction pool              | 3,323,241            | -                    |
| Restricted cash - settlement set aside                                    | 1,950,000            | 1,950,000            |
| Restricted equity in general cash pool - debt service                     | 5,693,135            | 7,967,418            |
| Restricted equity in general cash pool - capital projects                 | -                    | 19,993,096           |
| <b>Cash, ending</b>   | <b>\$ 23,033,221</b> | <b>\$ 41,607,137</b> |

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

**Statements of Cash Flows, continued**

| <i>Years Ended December 31,</i>  | 2021                 | 2020                 |
|--|----------------------|----------------------|
| <b>Reconciliation of Operating Loss to Net Cash Flows</b>  |                      |                      |
| <b>from Operating Activities:</b>  |                      |                      |
| Operating loss   | \$ (2,797,558)       | \$ (2,427,380)       |
| Adjustments to reconcile operating loss to net cash flows from operating activities:   |                      |                      |
| Depreciation   | 7,231,394            | 7,445,147            |
| PERS relief - noncash expenses   | (46,562)             | 66,618               |
| Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources that provided (used) cash: |                      |                      |
| Accounts receivable  | 172,549              | 88,235               |
| Prepaid items and deposits   | 41,265               | (126,121)            |
| Net other postemployment benefits asset  | (894,308)            | (153,773)            |
| Deferred outflows of resources related to pensions   | 64,367               | (19,654)             |
| Deferred outflows of resources related to other postemployment benefits:   | 76,700               | 31,370               |
| Unearned revenue   | 37,500               | -                    |
| Accounts payable   | (456,323)            | 182,013              |
| Compensated absences payable   | (16,244)             | 8,336                |
| Net pension liability  | (550,934)            | (46,182)             |
| Net other postemployment benefits liability  | (2,948)              | (64,907)             |
| Other noncurrent liabilities   | (13,524)             | (13,524)             |
| Accrued payroll liabilities  | 717                  | 38,003               |
| Deferred inflows of resources related to pensions  | 585,445              | (105,916)            |
| Deferred inflows of resources related to other postemployment benefits   | 427,854              | 50,656               |
| <b>Net Cash Flows from Operating Activities</b>  | <b>\$ 3,859,390</b>  | <b>\$ 4,952,921</b>  |
| <b>Noncash Investing, Capital, and Financing Activities</b>  |                      |                      |
| Capital purchases on account   | \$ 1,792,357         | \$ 5,936,045         |
| Capital contributions  | 22,544,779           | 15,734,197           |
| <b>Total Noncash Investing, Capital, and Financing Activities</b>  | <b>\$ 24,337,136</b> | <b>\$ 21,670,242</b> |

*See accompanying notes to basic financial statements.*

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements December 31, 2021 and 2020

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### 1. Description of Business and Summary of Significant Accounting Policies

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

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

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

The accounting records and accompanying financial statements conform to U.S. Generally Accepted Accounting Principles (GAAP). The accrual basis of accounting is used for enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred.

Accounting and reporting treatment applied to the Port is accounted for on a flow of economic resources measurement focus. As such, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the Port are included on the Statements of Net Position. Net position as shown on the statements is segregated into the following categories: Net investment in capital assets, Restricted for capital construction, Restricted for debt service; and Unrestricted.

#### Cash Pool and Investments

The Municipality uses a central treasury to account for all cash and investments. Bond and grant proceeds are shown as equity in the capital acquisition and construction pool and are used for capital projects; all other cash is shown as equity in the general cash pool. Equity in the general capital cash pools are treated as a cash equivalent for cash flow purposes. Investments are recorded at fair value. Interest on cash pool investments is allocated to the Port each month based on its monthly closing cash pool equity balances.

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

# Municipality of Anchorage, Alaska

## Port of Alaska Fund

### Notes to Financial Statements

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#### Restricted Assets

It is the Port's policy to first use restricted assets to make certain payments when both restricted and unrestricted assets are available for the same purpose. "Intergovernmental receivables" represent grant receivables due from state and federal governments. The Port has restricted assets of \$30,187,914 and \$45,644,711 at December 31, 2021 and 2020, respectively.

#### Parts Inventory

Parts inventory is valued at cost using the specific identification method and is expensed when used (consumption method). The value of the Port's inventory totaled \$329,025 at December 31, 2021 and 2020.

#### Capital Assets

Capital assets are stated at cost. To be considered for capitalization, the cost of an asset must exceed \$5,000 and the service life must exceed more than one year. Land, construction in progress, and works of art are not depreciated. The Port depreciates all other assets using a straight-line method and whole life convention. Additions to plant in service are recorded at original cost of contracted services, direct labor and materials, interest and indirect overhead charges. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Estimated lives of major capital asset categories follow:

|                                |             |
|--------------------------------|-------------|
| Buildings                      | 5-44 years  |
| Building improvements          | 10-20 years |
| Land improvements              | 5-40 years  |
| Vehicles                       | 5-7 years   |
| Machinery and equipment        | 3-20 years  |
| Computer hardware and software | 3-10 years  |
| Office furniture and fixtures  | 5-20 years  |
| Infrastructure                 | 3-40 years  |

#### Deferred Outflows of Resources

In addition to assets, the Statements of Net Position report a separate section of deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. At December 31, 2021 and 2020, the Port had deferred outflows of resources from pension and other postemployment benefits (OPEB) related items. These items are amortized to expense over time.

#### Operating Revenues and Expenses

Operating revenues and expenses result from providing services in connection with the Port's principal ongoing operations. Nonoperating revenues and expenses include those revenues and expenses not directly related to the Port's principal ongoing operations.

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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### Compensated Absences Payable

The Port records compensated absences payable, which includes cashable sick leave, when earned.

### Pensions and Other Postemployment Benefits (OPEB)

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

### Deferred Inflows of Resources

In addition to liabilities, the Statements of Net Position present deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until then. At December 31, 2021 and 2020, the Port had deferred inflows of resource for pension and OPEB related items. These items are amortized as a reduction of expense over varying periods of time based on their nature.

### Intergovernmental Charges

Certain functions of the Municipality of a general and administrative nature are centralized and the related cost is allocated to the various funds of the Municipality, including the Port. Charges from other departments to the Port totaled \$1,198,886 and \$1,113,852 for the years ended December 31, 2021 and 2020, respectively. These amounts do not include the Port's payments to the Municipality's risk management programs.

### Net Position

The Port's net position is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, less the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Port's restricted net position represents assets restricted for capital construction in accordance with intergovernmental grant agreements or terms of legal settlements, as well as amounts restricted for debt service. Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets. When both restricted and unrestricted resources are available for use, generally it is the Port's policy to use restricted resources first, then unrestricted resources when they are needed.

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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### **Risk Management and Self-Insurance**

The Municipality is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; illness of and injuries to employees; unemployment; and natural disasters. The Municipality utilizes three risk management funds to account for and finance its uninsured risks of loss.

The Municipality provides coverage up to the maximum of \$3,000,000 per occurrence for automobile and general liability claims and for each workers' compensation claim. No settled claim exceeded this commercial coverage in 2021, 2020 or 2019.

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

All Municipal departments participate in the Municipality's risk management program and make payments to the risk management funds based on actuarial estimates of the amounts needed to pay prior and current year claims. The Port does not include any portion of the Municipality's claims payable among its liabilities on the Statements of Net Position.

### **Interfund Payable/Receivable**

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

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

**2. Cash and Investments**

At December 31, 2021 and 2020, the Municipality had the following investments held in the Municipal Central Treasury:

December 31, 2021

| Investment Type                   | Fair Value*           | Fixed Income Investment Maturities (in years) |                       |                      |                      |
|-----------------------------------|-----------------------|---|-----------------------|----------------------|----------------------|
|                                   |                       | Less Than 1                                   | 1-5                   | 6-10                 | More Than 10         |
| Central treasury unrestricted:    |                       |   |                       |                      |                      |
| Money market funds                | \$ 80,191,431         | \$ -  | \$ -                  | \$ -                 | \$ -                 |
| Repurchase Agreements             | 27,285,694            | 27,285,694                                    | -                     | -                    | -                    |
| Commercial Paper                  | 10,994,052            | 10,994,052                                    | -                     | -                    | -                    |
| Certificates of Deposit           | 4,560,196             | 4,560,196                                     | -                     | -                    | -                    |
| U.S. treasuries                   | 120,975,556           | 13,900,572                                    | 90,219,967            | 16,855,017           | -                    |
| U.S. agencies                     | 8,226,227             | -   | 1,073,504             | 4,595,007            | 2,557,716            |
| Municipal bonds                   | 162,814               | -   | 18,610                | 144,204              | -                    |
| Asset-backed securities**         | 21,500,890            | -   | 11,114,637            | 1,915,491            | 8,470,762            |
| Corporate fixed income securities | 139,309,176           | 38,716,758                                    | 52,594,979            | 42,752,680           | 5,244,759            |
|                                   | <b>\$ 413,206,036</b> | <b>\$ 95,457,272</b>                          | <b>\$ 155,021,697</b> | <b>\$ 66,262,399</b> | <b>\$ 16,273,237</b> |
| Central treasury restricted:      |                       |   |                       |                      |                      |
| Money market funds                | \$ 54,814,675         | \$ -  | \$ -                  | \$ -                 | \$ -                 |
| U.S. treasuries                   | 9,177,692             | 9,177,692                                     | -                     | -                    | -                    |
| U.S. agencies                     | 2,496,378             | 2,496,378                                     | -                     | -                    | -                    |
|                                   | <b>\$ 66,488,745</b>  | <b>\$ 11,674,070</b>                          | <b>\$ -</b>           | <b>\$ -</b>          | <b>\$ -</b>          |

\* Fair value includes accrued income.

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

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

December 31, 2020

| Investment Type                       | Fair Value*           | Fixed Income Investment Maturities (in years) |                       |                      |                      |
|---------------------------------------|-----------------------|---|-----------------------|----------------------|----------------------|
|                                       |                       | Less Than<br>1                                | 1-5                   | 6-10                 | More Than<br>10      |
| <b>Central treasury-unrestricted:</b> |                       |   |                       |                      |                      |
| Money market funds                    | \$ 78,959,479         | \$ -  | \$ -                  | \$ -                 | \$ -                 |
| U.S. treasuries                       | 107,697,330           | -   | 96,477,708            | 10,238,499           | 981,123              |
| U.S. agencies                         | 27,567,964            | 10,411,045                                    | 371,139               | 10,838,106           | 5,947,674            |
| Municipal bonds                       | 725,872               | -   | 54,203                | 333,528              | 338,141              |
| Asset-backed securities**             | 22,945,988            | 241,387                                       | 12,109,746            | 2,887,506            | 7,707,349            |
| Corporate fixed income securities     | 130,020,418           | 12,172,799                                    | 59,734,200            | 54,905,810           | 3,207,609            |
| Domestic equities***                  | 9,486                 | -   | -                     | -                    | -                    |
|                                       | <b>\$ 367,926,537</b> | <b>\$ 22,825,231</b>                          | <b>\$ 168,746,996</b> | <b>\$ 79,203,449</b> | <b>\$ 18,181,896</b> |
| <b>Central treasury-restricted:</b>   |                       |   |                       |                      |                      |
| Money market funds                    | \$ 21,846,171         | \$ -  | \$ -                  | \$ -                 | \$ -                 |
| U.S. treasuries                       | 54,488,045            | -   | 54,488,045            | -                    | -                    |
| U.S. agencies                         | 40,528,022            | -   | 40,528,022            | -                    | -                    |
| Corporate fixed income securities***  | 1,035,136             | -   | 1,035,136             | -                    | -                    |
|                                       | <b>\$ 117,897,374</b> | <b>\$ -</b>                                   | <b>\$ 96,051,203</b>  | <b>\$ -</b>          | <b>\$ -</b>          |

\* Fair value includes accrued income.

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

\*\*\* In 2019, the Central Treasury obtained an equity position when a corporate fixed income security was restructured via bankruptcy. The Municipality chose to hold this position until it is advantageous to sell it. The position was sold in 2020.

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# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

The Port had the following investment balances held in the Municipal Central Treasury at December 31, 2021 and 2020:

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| Equity in general cash pool                             | \$ 15,389,436        | \$ 11,695,973        |
| Restricted cash - settlement set aside                  | 1,950,000            | 1,950,000            |
| Equity in general cash pool - held for debt service     | 5,693,135            | 7,967,921            |
| Equity in general cash pool - held for capital projects | -                    | 19,993,096           |
| <b>Total investments held in central treasury</b>       | <b>\$ 23,032,571</b> | <b>\$ 41,606,990</b> |

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

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

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

- Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies.
- Corporate Debt Securities that are guaranteed by the U.S. government or the Federal Deposit Insurance Corporation (FDIC) as to principal and interest.
- Taxable and tax-exempt municipal securities having a long-term rating of at least A- by a nationally recognized rating agency or taxable or tax-exempt municipal securities having a short-term rating of at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch.
- Debt securities issued and guaranteed by the International Bank for Reconstruction and Development (IBRD) and rated AAA by a nationally recognized rating agency.
- Commercial paper, excluding asset-backed commercial paper, rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch.
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (with maturities of not more than 365 days), and deposits with any bank, the short-term obligations of which are rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch and which is either:
  - a) Incorporated under the laws of the United States of America, or any state thereof, and subject to supervision and examination by federal or state banking authorities; or
  - b) Issued through a foreign bank with a branch or agency licensed under the laws of the United States of America, or any state thereof, or under the laws of a country with a Standard & Poor's sovereign rating of AAA, or a Moody's sovereign rating for bank deposits of Aaa, or a Fitch national rating of AAA, and subject to supervision and examination by federal or state banking authorities.

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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

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

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

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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

| Investment Type                     | Concentration Limit                              | Working Capital<br>Portfolio Holding %<br>at December 31,<br>2021 | Working Capital<br>Portfolio Holding %<br>at December 31,<br>2020 |
|-------------------------------------|--|---|---|
| U.S. government securities*         | 50% to 100% of portfolio                         | 15%   | 13%   |
| Repurchase agreements               | 0% to 50% of portfolio                           | 13%   | -%  |
| Certificates of Deposit             | 0% to 25% of portfolio                           | 2%  | -%  |
| Commercial paper                    | Maximum 5% per issuer                            | 6%  | -%  |
| Corporate fixed income securities** | 0% to 25% of portfolio;<br>maximum 5% per issuer | 18%   | 8%  |
| Money market mutual funds**         | 0% to 25% of portfolio                           | 46%   | 79%   |
|                                     |  | 100%  | 100%  |

\* Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations.

\*\* The maximum exposure to Corporate floating rate and variable rate debt securities in the Working Capital Portfolio is 10 percent. Corporation fixed income debt securities must have a final maturity within one (1) year of purchase, and corporate floating rate or variable rate debt securities must have a final maturity within two (2) years of purchase.

\*\*\* The Working Capital Portfolio may not be invested in AMLIP.

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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The IMA and P&P limit the concentration of investments for the internally managed portfolio at the time new investments are purchased as follows:

| Investment Type             | Concentration Limit      | Internally Managed<br>Holding % at<br>December 31, 2021 | Internally Managed<br>Holding % at<br>December 31, 2020 |
|-----------------------------|--------------------------|---|---|
| U.S. government securities* | 50% to 100% of portfolio | 21%   | 76%   |
| Corporate fixed income      | 0% to 25% of portfolio   | 5%  | 1%  |
| Money market mutual funds** | 0% to 25% of portfolio   | 74%   | 23%   |
|                             |                          | <b>100%</b>   | <b>100%</b>   |

\* Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations.

\*\* The Internally Managed Portfolio contained an excess of cash equivalents at December 31, 2021 and 2020, respectively, in anticipation of planned spending within a week.

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The externally managed portfolios of the Municipal Central Treasury utilize the duration method to measure exposure to interest rate risk.

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

AMC 6.50.030 requires the Working Capital Portfolio have a duration of zero to 270 days. At December 31, 2021, the Working Capital Portfolio had a duration of 0.10 years, or approximately 37 days, and was within the targeted duration. AMC 6.50.030 also requires that the Contingency Reserve Portfolio have an average duration within half a year of its benchmark. At December 31, 2021, the Contingency Reserve Portfolio had a duration of 1.78 years as compared to its benchmark, Barclays 1-3 Year Government Index, which had a duration of 1.92 years. AMC 6.50.030 requires the Strategic Reserve Portfolio have a maximum duration no greater than one year in excess of its benchmark. At December 31, 2021, the Strategic Reserve Portfolio had a duration of 3.22 years as compared to its benchmark, Barclays Intermediate Government/Corporate Index, which had a duration of 3.92 years.

***Credit Risk***

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

At December 31, 2021, the Municipal Central Treasury’s investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$185,142,999. The distribution of ratings on these securities was as follows:

|             | Moody’s |             | S&P  |
|-------------|---------|-------------|------|
| Aaa         | 13%     | AAA         | 7%   |
| Aa          | 1%      | AA          | 6%   |
| A           | 18%     | A           | 12%  |
| Baa         | 31%     | BBB         | 39%  |
| Ba or lower | 23%     | BB or lower | 23%  |
| Not rated   | 14%     | Not rated   | 13%  |
|             | 100%    |             | 100% |

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

At December 31, 2020, the Municipal Central Treasury’s investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$222,823,400. The distribution of ratings on these securities was as follows:

|             | Moody’s |             | S&P  |
|-------------|---------|-------------|------|
| Aaa         | 15%     | AAA         | 7%   |
| Aa          | 2%      | AA          | 10%  |
| A           | 19%     | A           | 13%  |
| Baa         | 16%     | BBB         | 24%  |
| Ba or lower | 23%     | BB or lower | 21%  |
| Not rated   | 25%     | Not rated   | 25%  |
|             | 100%    |             | 100% |

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. GASB Statement No. 40 requires disclosure when the amount invested in a single issuer exceeds 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government, as well as mutual funds and other pooled investments, are exempted from this requirement.

At December 31, 2021 and 2020, the Municipal Central Treasury had no investments in any single issuer exceeding 5% of total investments.

***Custodial Credit Risk***

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

All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, with market value not less than the collateralized deposit balances.

AMC 6.50.030 requires that repurchase agreements be secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies. As of December 31, 2021 and 2020, the Municipality had \$157,329 and \$135,917, respectively, in cash deposits and investments exposed to custodial risk.

***Foreign Currency Risk***

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

# Municipality of Anchorage, Alaska

## Port of Alaska Fund

### Notes to Financial Statements

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The Municipal Central Treasury is not exposed to foreign currency risk because AMC 6.50.030 explicitly prohibits the purchase of securities not denominated in U.S. Dollars. At December 31, 2021 and 2020, all debt obligations held in the Municipal Central Treasury were payable in U.S. Dollars.

#### *Fair Value Measurements*

At December 31, 2021 and 2020, the Municipality had the following cash and investments, valued as follows:

- Asset-backed securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Money market funds are valued at amortized cost.
- Repurchase agreements are valued at the daily closing price as reported using the daily price quoted by the financial institution holding the investment for the Municipality.
- Commercial paper is valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- U.S. TIPS are valued at the closing price reported on the active market on which the individual securities traded.
- U.S. treasuries are valued at the closing price reported on the active market on which the individual securities traded.
- U.S. agencies are valued using pricing models maximizing the use of observable inputs for similar securities.
- Municipal bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Corporate fixed income securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Domestic equities are valued at the closing price reported on the active market on which individual securities are traded.

The Municipality utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Port determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principle or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: quoted prices for identical assets or liabilities in active markets
- Level 2 Inputs: quoted prices for similar assets or liabilities in active or inactive markets; or inputs other than quoted prices that are observable
- Level 3 Inputs: significant unobservable inputs for assets or liabilities

The Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

The Municipality had the following recurring fair value measurements as of December 31, 2021:

| Investment type:  | Total          | Level 1        | Level 2        |
|---|----------------|----------------|----------------|
| Central treasury - unrestricted investments measured at fair value: |                |                |                |
| Commercial Paper  | \$ 10,994,052  | \$ -           | \$ 10,994,052  |
| U.S. treasuries   | 120,975,556    | 120,975,556    | -              |
| U.S. agencies   | 8,226,227      | -              | 8,226,227      |
| Municipal bonds   | 162,814        | -              | 162,814        |
| Asset-backed securities   | 21,500,890     | -              | 21,500,890     |
| Corporate fixed income securities                                   | 139,309,176    | -              | 139,309,176    |
|   | 301,168,715    | \$ 120,975,556 | \$ 180,193,159 |
| Investments measured at amortized cost:                             |                |                |                |
| Money market funds  | 80,191,431     |                |                |
| Repurchase Agreements   | 27,285,694     |                |                |
| Certificates of Deposit   | 4,560,196      |                |                |
| Total central treasury - unrestricted                               | \$ 413,206,036 |                |                |
| Central treasury - restricted investments measured at fair value:   |                |                |                |
| U.S. treasuries   | \$ 9,177,692   | \$ 9,177,692   | \$ -           |
| U.S. agencies   | 2,496,378      | -              | 2,496,378      |
|   | 11,674,070     | \$ 9,177,692   | \$ 2,496,378   |
| Investments measured at amortized cost:                             |                |                |                |
| Money market funds  | 54,814,675     |                |                |
| Total central treasury - restricted                                 | \$ 66,488,745  |                |                |

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

The Municipality had the following recurring fair value measurements as of December 31, 2020:

| Investment type:  | Total          | Level 1        | Level 2        |
|---|----------------|----------------|----------------|
| Central treasury - unrestricted investments measured at fair value: |                |                |                |
| U.S. treasuries   | \$ 107,697,330 | \$ 107,697,330 | \$ -           |
| U.S. agencies   | 27,567,964     | -              | 27,567,964     |
| Municipal bonds   | 725,872        | -              | 725,872        |
| Asset-backed securities   | 22,945,988     | -              | 22,945,988     |
| Corporate fixed income securities                                   | 130,020,418    | -              | 130,020,418    |
| Domestic equities   | 9,486          | 9,486          | -              |
|   | 288,967,058    | \$ 107,706,816 | \$ 181,260,242 |
| Investments measured at amortized cost:                             |                |                |                |
| Money market funds  | 78,959,479     |                |                |
| Total central treasury - unrestricted                               | \$ 367,926,537 |                |                |
| Central treasury - restricted investments measured at fair value:   |                |                |                |
| U.S. treasuries   | \$ 54,488,045  | \$ 54,488,045  | \$ -           |
| U.S. agencies   | 40,528,022     | -              | 40,528,022     |
| Corporate fixed income securities                                   | 1,035,136      | -              | 1,035,136      |
|   | 96,051,203     | \$ 54,488,045  | \$ 41,563,158  |
| Investments measured at amortized cost:                             |                |                |                |
| Money market funds  | 21,846,171     |                |                |
| Total central treasury - restricted                                 | \$ 117,897,374 |                |                |

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# Municipality of Anchorage, Alaska

## Port of Alaska Fund

### Notes to Financial Statements

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#### 3. Accounts Receivable

The Port reports accounts receivable on its Statements of Net Position net of allowances for uncollectable accounts. At December 31, 2021 and 2020, the Port reported gross receivables of \$923,910 and \$1,096,459, respectively. At December 31, 2021 and 2020, the Port determined that allowance for uncollectable accounts was not necessary because a majority of the receivable balances were in current status.

#### 4. Port Modernization Project

The Port of Alaska (Port) is a Municipality of Anchorage owned and operated facility that handles half of all Alaska inbound marine freight, some 4.9 million tons of fuel and cargo in 2021, half of which is delivered to final destinations outside of Anchorage. It is critical transportation infrastructure that serves regional, statewide, and national commerce, economic development, homeland security and disaster recovery needs. The Port is:

- The intermodal transport hub that efficiently connects Alaska's primary marine, road, rail, pipeline, and air cargo systems.
- The Department of Defense commercial strategic seaport that projects U.S. power across Alaska, the Pacific Rim, and the Arctic.
- Anchorage's only foreign trade zone (FTZ no. 160) that extends U.S. Customs duty benefits to Ted Stevens International Airport and other businesses and sites throughout the region.
- Critical infrastructure that is key to successful implementation of virtually every state and federal earthquake/disaster response plan.

The Port has more inbound cargo-handling capacity than all other Southcentral Alaska ports combined. It is located at the state's population center and routinely handles containers, dry bulk, break bulk, petroleum products, and cruise ships. It is adjacent to hundreds of millions of dollars of public and private cargo-handling infrastructure, Alaska Railroad's main freight yard, two private barge terminals, Joint Base Elmendorf-Richardson (JBER) and Ted Stevens International Airport. It is the only inbound-cargo port on Alaska's Railbelt-connected road system and is situated in a geographical area that is virtually tsunami-proof.

The Port's docks first opened in 1961 and have long exceeded their 35-year design life. Its aging wharf piles have lost up to three-quarters of their original thickness to corrosion. Port officials started installing pile jackets in 2004 and have to date reinforced all the dock's piles. However, these jackets are a one-time fix that last 10 to 15 years; and all terminals continue to lose load-bearing capacity and will likely start closing in the next 5 to 6 years, regardless of repairs, seismic activity, or anything else.

The Port of Alaska Modernization Program (PAMP) is a series of construction projects that will:

- Replace aging docks and related infrastructure
- Improve operational safety and efficiency
- Accommodate modern shipping operations
- Improve resiliency - to survive extreme earthquakes and Cook Inlet's harsh marine environment

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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PAMP and Municipal officials have been working with engineers to replace all the Port docks. Phase 1, the construction of the new Petroleum & Cement Terminal (PCT) at the Port of Alaska is near completion and will fully open for fuel and cement offloading operations by mid-year 2022. Construction crews are returning to complete the remaining work and upon acceptance of the completed asset, ownership of the PCT will be transferred to the Port of Alaska. A brief history of the project includes

- 2016: Conduct a comprehensive test-pile program to demonstrate constructability and support design and permitting work for the PCT.
- 2017-2019: Complete the South Backlands Stabilization project providing shore improvements and transitional dredging to support the trestle and dock structures.
- 2020: Completed the PCT trestle and platform construction.
- 2021: Construction still in process to complete the PCT, to include, fendering, mooring dolphins, utilities, and plumbing to connect the facility to the Port's existing petroleum and cement infrastructure.

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

**5. Capital Assets**

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2021:

|   | Balance<br>January 1,<br>2021 | Increase             | Decrease              | Balance<br>December 31,<br>2021 |
|---|-------------------------------|----------------------|-----------------------|---------------------------------|
| <b>Capital assets not being depreciated:</b>      |                               |                      |                       |                                 |
| Land  | \$ 38,439,459                 | \$ -                 | \$ -                  | \$ 38,439,459                   |
| Works of art                                      | 21,344                        | -                    | -                     | 21,344                          |
| Construction in progress                          | 101,668,454                   | 72,162,233           | (1,120,502)           | 172,710,185                     |
| <b>Total capital assets not being depreciated</b> | <b>140,129,257</b>            | <b>72,162,233</b>    | <b>(1,120,502)</b>    | <b>211,170,988</b>              |
| <b>Capital assets being depreciated:</b>          |                               |                      |                       |                                 |
| Buildings   | 7,069,156                     | -                    | -                     | 7,069,156                       |
| Building improvements                             | 377,334                       | 425,109              | -                     | 802,443                         |
| Land improvements                                 | 136,006,034                   | 715,943              | -                     | 136,721,977                     |
| Vehicles  | 1,304,470                     | -                    | -                     | 1,304,470                       |
| Machinery and equipment                           | 12,156,203                    | 55,295               | -                     | 12,211,498                      |
| Computer hardware                                 | 182,503                       | 4,655                | -                     | 187,158                         |
| Computer software                                 | 216,152                       | 363,338              | -                     | 579,490                         |
| Office furniture and fixtures                     | 64,788                        | -                    | -                     | 64,788                          |
| Infrastructure                                    | 130,042,145                   | -                    | -                     | 130,042,145                     |
| <b>Total capital assets being depreciated</b>     | <b>287,418,785</b>            | <b>1,564,340</b>     | <b>-</b>              | <b>288,983,125</b>              |
| <b>Less accumulated depreciation for:</b>         |                               |                      |                       |                                 |
| Buildings   | 4,583,385                     | 134,420              | -                     | 4,717,805                       |
| Building improvements                             | 361,543                       | 4,271                | -                     | 365,814                         |
| Land improvements                                 | 34,745,505                    | 4,542,447            | -                     | 39,287,952                      |
| Vehicles  | 920,104                       | 101,247              | -                     | 1,021,351                       |
| Machinery and equipment                           | 11,143,988                    | 369,907              | -                     | 11,513,895                      |
| Computer hardware                                 | 137,463                       | 13,941               | -                     | 151,404                         |
| Computer software                                 | 34,630                        | 57,796               | -                     | 92,426                          |
| Office furniture and fixtures                     | 64,787                        | -                    | -                     | 64,787                          |
| Infrastructure                                    | 93,694,789                    | 2,007,365            | -                     | 95,702,154                      |
| <b>Total accumulated depreciation</b>             | <b>145,686,194</b>            | <b>7,231,394</b>     | <b>-</b>              | <b>152,917,588</b>              |
| <b>Capital assets being depreciated, net</b>      | <b>141,732,591</b>            | <b>(5,667,054)</b>   | <b>-</b>              | <b>136,065,537</b>              |
| <b>Total Capital Assets, net</b>                  | <b>\$281,861,848</b>          | <b>\$ 66,495,179</b> | <b>\$ (1,120,502)</b> | <b>\$ 347,236,525</b>           |

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2020:

|   | Balance<br>January 1,<br>2020 | Increase             | Decrease              | Balance<br>December 31,<br>2020 |
|---|-------------------------------|----------------------|-----------------------|---------------------------------|
| <b>Capital assets not being depreciated:</b>      |                               |                      |                       |                                 |
| Land  | \$ 38,439,459                 | \$ -                 | \$ -                  | \$ 38,439,459                   |
| Works of art                                      | 21,344                        | -                    | -                     | 21,344                          |
| Construction in progress                          | 50,311,867                    | 52,891,741           | (1,535,154)           | 101,668,454                     |
| <b>Total capital assets not being depreciated</b> | <b>88,772,670</b>             | <b>52,891,741</b>    | <b>(1,535,154)</b>    | <b>140,129,257</b>              |
| <b>Capital assets being depreciated:</b>          |                               |                      |                       |                                 |
| Buildings   | 7,069,156                     | -                    | -                     | 7,069,156                       |
| Building improvements                             | 377,334                       | -                    | -                     | 377,334                         |
| Land improvements                                 | 134,639,909                   | 1,468,306            | (102,181)             | 136,006,034                     |
| Vehicles  | 1,274,970                     | 29,500               | -                     | 1,304,470                       |
| Machinery and equipment                           | 11,816,810                    | 339,393              | -                     | 12,156,203                      |
| Computer hardware                                 | 158,895                       | 23,608               | -                     | 182,503                         |
| Computer software                                 | 86,067                        | 130,085              | -                     | 216,152                         |
| Office furniture and fixtures                     | 64,788                        | -                    | -                     | 64,788                          |
| Infrastructure                                    | 130,042,145                   | -                    | -                     | 130,042,145                     |
| <b>Total capital assets being depreciated</b>     | <b>285,530,074</b>            | <b>1,990,892</b>     | <b>(102,181)</b>      | <b>287,418,785</b>              |
| <b>Less accumulated depreciation for:</b>         |                               |                      |                       |                                 |
| Buildings   | 4,448,965                     | 134,420              | -                     | 4,583,385                       |
| Building improvements                             | 360,815                       | 728                  | -                     | 361,543                         |
| Land improvements                                 | 30,344,351                    | 4,503,335            | (102,181)             | 34,745,505                      |
| Vehicles  | 820,613                       | 99,491               | -                     | 920,104                         |
| Machinery and equipment                           | 10,690,662                    | 453,326              | -                     | 11,143,988                      |
| Computer hardware                                 | 126,197                       | 11,266               | -                     | 137,463                         |
| Computer software                                 | 18,776                        | 15,854               | -                     | 34,630                          |
| Office furniture and fixtures                     | 64,787                        | -                    | -                     | 64,787                          |
| Infrastructure                                    | 91,468,062                    | 2,226,727            | -                     | 93,694,789                      |
| <b>Total accumulated depreciation</b>             | <b>138,343,228</b>            | <b>7,445,147</b>     | <b>(102,181)</b>      | <b>145,686,194</b>              |
| <b>Capital assets being depreciated, net</b>      | <b>147,186,846</b>            | <b>(5,454,255)</b>   | <b>-</b>              | <b>141,732,591</b>              |
| <b>Total Capital Assets, net</b>                  | <b>\$235,959,516</b>          | <b>\$ 47,437,486</b> | <b>\$ (1,535,154)</b> | <b>\$ 281,861,848</b>           |

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

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**6. Operating Leases**

The Port has leased 200 acres of space in the Port Industrial Park to unrelated third parties. The 2021 carrying value of the leased assets is \$10,099,174 with a cost of \$15,880,584 and accumulated depreciation of \$5,781,410. The 2020 carrying value of the leased assets is \$10,159,121 with a cost of \$15,880,584 and accumulated depreciation of \$5,721,463. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows:

*Years Ending December 31,*

|              |                      |
|--------------|----------------------|
| 2022         | \$ 4,773,823         |
| 2023         | 3,239,500            |
| 2024         | 3,230,586            |
| 2025         | 3,230,674            |
| 2026         | 3,230,765            |
| 2027-2031    | 16,138,215           |
| 2032-2036    | 15,918,215           |
| 2037-2041    | 15,941,160           |
| 2042-2046    | 13,128,215           |
| 2047-2051    | 13,128,215           |
| <b>Total</b> | <b>\$ 91,959,368</b> |

Total lease revenue was \$4,509,536 and \$4,442,927 for the years ended December 31, 2021 and 2020, respectively.

**7. Noncurrent Liabilities**

***Revenue Bonds***

The Port issued 2 separate series of revenues bonds in 2020: 2020 Series A and 2020 Series B. The proceeds of the 2020 Series A bonds will be used to pay or reimburse the costs of a portion of Phase 1 of the Port of Alaska Modernization Program, including the replacement of the Port's existing, Petroleum, Oil and Lubricants/Cement Terminal 1 with the Port Petroleum and Cement Terminal. The proceeds of the 2020 Series B Bonds were used to refund the balance of the notes payable from direct borrowings. The 2020 Series A bonds have a total authorized amount of \$18,885,000, are due in annual installments of \$1,275,000 to \$3,875,000 (principal payments beginning in 2045 through 2050), plus interest at 2.53%. The 2020 Series B bonds have a total authorized amount of \$46,210,000, are due in annual installments of \$370,000 to \$2,960,000 (principal payments beginning in 2023 through 2045), plus interest at 1.051% to 3.52%.

***Notes Payable from Direct Borrowings***

The Port's notes payable from direct borrowings consists of a Subordinate Lien Port Revenue Notes with U.S. Bank National Association. The proceeds from the notes are used to fund capital improvements to Port facilities on a short-term basis. The notes have a total authorized amount of \$40,000,000 and an expiration date of June 24, 2023. The interest rate charged to the Port is variable; as of December 31, 2021, the interest rate was 0.86%. In 2020, amounts drawn were repaid with proceeds from the issuance of 2020 Series B Revenue Bonds. There was no outstanding balance at December 31, 2020.

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

On December 27, 2021, \$40,000,000 was drawn and was outstanding at December 31, 2021.

The amount of interest expense recognized on the notes for the year ended December 31, 2021 and 2020 was \$4,756 and \$619,582, respectively.

Changes in noncurrent liabilities, except for amounts discussed in Note 10, for the year ended December 31, 2021 were as follows:

|                                      | Balance<br>January 1,<br>2021 | Additions            | Reductions          | Balance<br>December<br>31, 2021 | Due Within<br>One Year |
|--------------------------------------|-------------------------------|----------------------|---------------------|---------------------------------|------------------------|
| Revenue bonds payable                | \$ 65,095,000                 | \$ -                 | \$ -                | \$ 65,095,000                   | \$ -                   |
| Unamortized premium                  | 4,096,345                     | -                    | (146,094)           | 3,950,251                       | -                      |
| Total revenue bonds payable          | 69,191,345                    | -                    | (146,094)           | 69,045,251                      | -                      |
| Notes payable from direct borrowings | -                             | 40,000,000           | -                   | 40,000,000                      | -                      |
| Environmental obligation             | 1,761,154                     | -                    | (13,524)            | 1,747,630                       | -                      |
| Compensated absences payable         | 306,010                       | 173,993              | (190,237)           | 289,766                         | 167,472                |
| <b>Total Noncurrent Liabilities</b>  | <b>\$ 71,258,509</b>          | <b>\$ 40,197,969</b> | <b>\$ (336,331)</b> | <b>\$ 111,120,147</b>           | <b>\$ 167,472</b>      |

Changes in noncurrent liabilities, except for amounts discussed in Note 10, for the year ended December 31, 2020 were as follows:

|                                      | Balance<br>January 1,<br>2020 | Additions            | Reduction:             | Balance<br>December<br>31, 2020 | Due Within<br>One Year |
|--------------------------------------|-------------------------------|----------------------|------------------------|---------------------------------|------------------------|
| Revenue bonds payable                | \$ -                          | \$ 65,095,000        | \$ -                   | \$ 65,095,000                   | \$ -                   |
| Unamortized premium                  | -                             | 4,096,345            | -                      | 4,096,345                       | -                      |
| Total revenue bonds payable          | -                             | 69,191,345           | -                      | 69,191,345                      | -                      |
| Notes payable from direct borrowings | 40,000,000                    | -                    | (40,000,000)           | -                               | -                      |
| Environmental obligation             | 1,774,678                     | -                    | (13,524)               | 1,761,154                       | -                      |
| Compensated absences payable         | 297,674                       | 179,039              | (170,703)              | 306,010                         | 160,155                |
| <b>Total Noncurrent Liabilities</b>  | <b>\$ 42,072,352</b>          | <b>\$ 69,370,384</b> | <b>\$ (40,184,227)</b> | <b>\$ 71,258,509</b>            | <b>\$ 160,155</b>      |

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

Debt service requirements to maturity follow:

| <i>Year Ending December 31,</i> | Revenue Bonds        |                      |                       |
|---------------------------------|----------------------|----------------------|-----------------------|
|                                 | Principal            | Interest             | Total                 |
| 2022                            | \$ -                 | \$ 2,280,611         | \$ 2,280,611          |
| 2023                            | 715,000              | 2,280,611            | 2,995,611             |
| 2024                            | 525,000              | 2,272,953            | 2,797,953             |
| 2025                            | 370,000              | 2,265,955            | 2,635,955             |
| 2026                            | 1,385,000            | 2,260,653            | 3,645,653             |
| 2027-2031                       | 9,550,000            | 10,800,210           | 20,350,210            |
| 2032-2036                       | 10,775,000           | 9,566,673            | 20,341,673            |
| 2037-2041                       | 12,520,000           | 7,820,097            | 20,340,097            |
| 2042-2046                       | 14,830,000           | 5,514,353            | 20,344,353            |
| 2047-2050                       | 14,425,000           | 1,847,250            | 16,272,250            |
|                                 | <b>\$ 65,095,000</b> | <b>\$ 46,909,366</b> | <b>\$ 112,004,366</b> |

***Port Revenues Pledged***

The Port has pledged future gross revenues, net of operating expenses, to repay the Port revenue bonds. The bonds are payable solely from gross revenues of the Port and are payable through 2050. The total principal and interest remaining to be paid on the bonds at December 31, 2021 was \$112,004,366. Principal and interest paid for the year ended December 31, 2021 was \$0 and \$2,267,940 respectively. Total pledged revenues for the year ended December 31, 2021 were \$16,379,312.

***Revenue Bond Coverage Requirements***

The Port's Schedule of Revenue Bond Coverage follows:

| Fiscal<br>Year | Revenue (1)   | Operating<br>Expenses (2) | Amount<br>Available<br>for Debt<br>Service | Principal (3) | Interest (3) | Total | Coverage (4) |
|----------------|---------------|---------------------------|--|---------------|--------------|-------|--------------|
| 2021           | \$ 16,445,782 | \$ 13,865,915             | \$ 2,579,867                               | -             | -            | -     | n/a          |

- (1) Excludes allowance for funds used during construction, includes nonoperating revenue. Excludes payments received for PERS relief from the State of Alaska.
- (2) Excludes pension expense, PERS on behalf expense, OPEB on behalf expense, OPEB expense, depreciation and transfers to other funds; but includes regular/recurring nonoperating expenses.
- (3) Excludes amounts funded out of bond proceeds.
- (4) Required minimum coverage is 1.35.



# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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### *Port Revolving Credit Agreement*

In June 2013, the Assembly authorized the establishment of a long-term borrowing program in the amount of \$40 million as an interim financing program for the Port expansion project. On June 20, 2019, the Port and its commercial bank amended the Revolving Credit Agreement under the same terms and conditions but with a revised expiration date of July 21, 2021. Any amount may be repaid prior to that date at the option of the Port. In December 2020, the outstanding principal balance of \$40 million was paid off with the Port Revenue Bond Series B, with the option to draw up to \$40 million for financing for capital projects related to the Port Modernization Project.

This long-term borrowing program was amended and restated as of July 1, 2021, with a new expiration date of December 29, 2023. The interest rate per annum is the applicable spread of 0.75 percent plus the Securities Industry and Financial Markets Association (SIFMA) rate. As of December 31, 2021, the Port did not incur any interest expense on unpaid principal. The commitment fee of 0.35 percent is assessed on the un-utilized balance, as of December 31, 2021, the Port has paid \$136,333 in commitment fees. On December 27, 2021, the Port exercised the option to draw an additional \$40 million for the needed financing for capital projects related to the Port Modernization Project. The note payable funded \$16,263,357 in capital assets during 2021.

### **8. Other Noncurrent Liability**

In February 2012, the Port entered into an agreement with the Department of Defense to acquire 48 acres of undeveloped land (Tract J) for fair market value of \$10,305,000. In exchange, the Port has committed to provide a permanent access road connecting Joint Base Elmendorf-Richardson to the Port and to accept responsibility for the environmental condition of the transferred land. This obligation is reflected on the Port's Statements of Net Position as a noncurrent liability totaling \$1,747,630 and \$1,761,154 at December 31, 2021 and 2020, respectively. See note 9 for a description of environmental issues affecting this land.

### **9. Environmental Issues**

In 2011, the Port recognized a capital contribution in the amount of \$8,425,612 related to the land described in Note 8. Both Tract H and Tract J at the Port are ADEC designated contaminated sites. In 2021 and 2020, the monitoring and reporting costs for Tract J were \$4,245 and \$13,269, respectively. No required monitoring expenses were incurred for Tract H in 2021.

### **10. Pension and Other Postemployment Benefits**

#### *(a) Defined Benefit (BD) Pension Plan*

##### *General Information About the Plan*

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

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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The Plan is included in an annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and 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/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

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 Board (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

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

### *Employee Contribution Rates*

Regular employees are required to contribute 6.75% of their annual covered salary. 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.

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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*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 or DBUL contribution.

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

*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 proprietary funds 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 plan year ended June 30, 2020 and June 30, 2021 were determined in the June 30, 2017 and June 30, 2018 actuarial valuations, respectively. The Port's contribution rates for the 2021 and 2020 calendar year were as follows:

| <i>January 1, 2021 to June 30, 2021</i> | Employer<br>Effective Rate | ARM Board<br>Adopted Rate | State<br>Contribution<br>Rate |
|---|----------------------------|---------------------------|-------------------------------|
| Pension                                 | 14.57%                     | 26.58%                    | 8.85%                         |
| Postemployment healthcare (ARHCT)       | 7.43%                      | 4.27%                     | -%                            |
| <b>Total Contribution Rates</b>         | <b>22.00%</b>              | <b>30.85%</b>             | <b>8.85%</b>                  |

| <i>July 1, 2021 to December 31, 2021</i> | Employer<br>Effective Rate | ARM Board<br>Adopted Rate | State<br>Contribution<br>Rate |
|--|----------------------------|---------------------------|-------------------------------|
| Pension                                  | 15.54%                     | 26.99%                    | 8.11%                         |
| Postemployment healthcare (ARHCT)        | 6.46%                      | 3.12%                     | -%                            |
| <b>Total Contribution Rates</b>          | <b>22.00%</b>              | <b>30.11%</b>             | <b>8.11%</b>                  |

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

| <i>January 1, 2020 to June 30, 2020</i> | Employer<br>Effective Rate | ARM Board<br>Adopted Rate | State<br>Contribution<br>Rate |
|---|----------------------------|---------------------------|-------------------------------|
| Pension                                 | 15.72%                     | 23.73%                    | 6.62%                         |
| Postemployment healthcare (ARHCT)       | 6.28%                      | 4.89%                     | -%                            |
| <b>Total Contribution Rates</b>         | <b>22.00%</b>              | <b>28.62%</b>             | <b>6.62%</b>                  |

| <i>July 1, 2020 to December 31, 2020</i> | Employer<br>Effective Rate | ARM Board<br>Adopted Rate | State<br>Contribution<br>Rate |
|--|----------------------------|---------------------------|-------------------------------|
| Pension                                  | 22.00%                     | 26.58%                    | 8.85%                         |
| Postemployment healthcare (ARHCT)        | -%                         | 4.27%                     | -%                            |
| <b>Total Contribution Rates</b>          | <b>22.00%</b>              | <b>30.85%</b>             | <b>8.85%</b>                  |

In 2021, the Port was credited with the following contributions to the pension plan:

|   | Measurement Period<br>July 1, 2020<br>to<br>June 30, 2021 | Port's Fiscal Year<br>January 1, 2021<br>to<br>December 31, 2021 |
|---|---|--|
| Employer contributions (including DBUL) | \$ 147,763  | \$ 151,957   |
| Nonemployer contributions (on-behalf)   | 88,688  | 84,344   |
| <b>Total Contributions</b>              | <b>\$ 236,451</b>   | <b>\$ 236,301</b>  |

In 2020, the Port was credited with the following contributions into the pension plan:

|   | Measurement Period<br>July 1, 2019<br>to<br>June 30, 2020 | Port's Fiscal Year<br>January 1, 2020<br>to<br>December 31, 2020 |
|---|---|--|
| Employer contributions (including DBUL) | \$ 138,494  | \$ 148,316   |
| Nonemployer contributions (on-behalf)   | 72,689  | 86,042   |
| <b>Total Contributions</b>              | <b>\$ 211,183</b>   | <b>\$ 234,358</b>  |

In addition, employee contributions to the Plan totaled \$31,121 and \$48,139 during the Port's 2021 and 2020 fiscal years, respectively.

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

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

At December 31, 2021 and 2020, the Port reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Port. The amount recognized by the Port for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Port were as follows:

|   | 2021                |
|---|---------------------|
| Port proportionate share of NPL                             | \$ 1,468,098        |
| State's proportionate share of NPL associated with the Port | 198,882             |
| <b>Total Net Pension Liability</b>                          | <b>\$ 1,666,980</b> |
|   | 2020                |
| Port proportionate share of NPL                             | \$ 2,019,032        |
| State's proportionate share of NPL associated with the Port | 835,767             |
| <b>Total Net Pension Liability</b>                          | <b>\$ 2,854,799</b> |

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 to calculate the net pension liability as of that date. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 to calculate the net pension liability as of that date.

The Port's proportion of the net pension liability was based on a projection of the Port'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, 2021 measurement date, the Port's proportion was 0.04002 percent, which was an increase of 0.00581 from its proportion measured as of June 30, 2020. At the June 30, 2020 measurement date, the Port's proportion was 0.03421 percent, which was a decrease of 0.00353 from its proportion measured as of June 30, 2019.

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**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

For the year ended December 31, 2021, the Port recognized pension expense of \$315,438 and on-behalf revenue (credits) of \$46,562 for support provided by the State. At December 31, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ -                                 | \$ (6,504)                          |
| Net difference between projected and actual earnings<br>on pension plan investments                          | -                                    | (578,941)                           |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | 57,683                               | -                                   |
| Port contributions subsequent to the measurement date  | 77,984                               | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to Pensions</b>        | <b>\$ 135,667</b>                    | <b>\$ (585,445)</b>                 |

For the year ended December 31, 2020, the Port recognized pension expense of \$422,998 and on-behalf revenue of \$107,967 for support provided by the State. At December 31, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ 6,405                             | \$ -                                |
| Net difference between projected and actual earnings<br>on pension plan investments                          | 82,175                               | -                                   |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | 34,777                               | -                                   |
| Port contributions subsequent to the measurement date  | 76,677                               | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to Pensions</b>        | <b>\$ 200,034</b>                    | <b>\$ -</b>                         |

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**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

The \$77,984 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*Year Ending December 31,*

|                           |                     |
|---------------------------|---------------------|
| 2022                      | \$ (83,359)         |
| 2023                      | (132,613)           |
| 2024                      | (143,450)           |
| 2025                      | (168,340)           |
| <hr/>                     |                     |
| <b>Total Amortization</b> | <b>\$ (527,762)</b> |

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

|                           |   |
|---------------------------|---|
| Actuarial cost method     | Entry age normal  |
| Amortization method       | Unfunded Accrued Actuarial Liability, level percent of pay basis  |
| Inflation                 | 2.50% per year  |
| Salary increases          | For peace officer/firefighter, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on service.  |
| Allocation methodology    | Amounts for the June 30, 2021 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 2023 to 2039. The liability is expected to go to zero at 2039.  |
| Investment rate of return | 7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.   |
| Mortality                 | Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others. |

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The actuarial assumptions used in the June 30, 2020 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

The total pension liability for the measurement period ended June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

---

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

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The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2014 to June 30, 2018. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2019 actuarial valuation 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.04%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

*June 30, 2021*

| Asset Class              | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|-------------------|--|
| Broad domestic equity    | 28%               | 6.63%                                  |
| Global equity (non-U.S.) | 19%               | 5.41%                                  |
| Aggregate bonds          | 22%               | 0.76%                                  |
| Opportunistic            | 6%                | 4.39%                                  |
| Real assets              | 13%               | 3.16%                                  |
| Private equity           | 12%               | 9.29%                                  |
| Cash equivalents         | -%                | 0.13%                                  |

*June 30, 2020*

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

***Discount Rate***

The discount rate used to measure the total pension liability was 7.38%. The discount rate used did not change from the prior measurement date. 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.

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

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

The following presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the Port'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:

| <i>June 30, 2021</i> | Proportional<br>Share | 1% Decrease<br>(6.38%) | Current<br>Discount Rate<br>(7.38%) | 1% Increase<br>(8.38%) |
|----------------------|-----------------------|------------------------|-------------------------------------|------------------------|
|----------------------|-----------------------|------------------------|-------------------------------------|------------------------|

|  |          |              |              |            |
|--|----------|--------------|--------------|------------|
| Port's proportionate share of<br>the net pension liability | 0.04002% | \$ 2,174,458 | \$ 1,468,098 | \$ 874,665 |
|--|----------|--------------|--------------|------------|

| <i>June 30, 2020</i> | Proportional<br>Share | 1% Decrease<br>(6.38%) | Current<br>Discount Rate<br>(7.38%) | 1% Increase<br>(8.38%) |
|----------------------|-----------------------|------------------------|-------------------------------------|------------------------|
|----------------------|-----------------------|------------------------|-------------------------------------|------------------------|

|  |          |              |              |              |
|--|----------|--------------|--------------|--------------|
| Port's proportionate share of<br>the net pension liability | 0.03421% | \$ 2,625,168 | \$ 2,019,032 | \$ 1,510,652 |
|--|----------|--------------|--------------|--------------|

***Pension Plan Fiduciary Net Position***

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

***(b) Defined Contribution (DC) Pension Plan***

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

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Port 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.

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

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***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 December 31, 2021 and 2020 to cover a portion of the Port's employer match contributions. For the year ended December 31, 2021, forfeitures reduced pension expense by \$1,208.

***Employee Contribution Rate***

For the years ended December 31, 2021 and 2020, employees were required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

***Employer Contribution Rate***

For the years ended December 31, 2021 and 2020, the Port was required to contribute 5% of covered salary into the Plan.

The Port and employee contributions to PERS for pensions for the year ended December 31, 2021 were \$30,843 and \$49,349, respectively. The Port and employee contributions to PERS for pensions for the year ended December 31, 2020 were \$30,086 and \$48,139, respectively. The contribution amounts were recognized as pension expense/expenditures in the respective years.

***(c) Defined Benefit Other Postemployment Benefits (OPEB) Plans***

As part of its participation in PERS, the Port 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 comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/dr/pers>.

***Employer Contribution Rate***

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

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

Employer contribution rates for the year ended December 31, 2021 and 2020 were as follows:

| <i>January 1, 2021 to June 30, 2021</i>    | Other        | Peace/Fire   |
|--|--------------|--------------|
| Alaska Retiree Healthcare Trust            | 7.43%        | 7.43%        |
| Retiree Medical Plan                       | 1.27%        | 1.27%        |
| Occupational Death and Disability Benefits | 0.31%        | 0.70%        |
| <b>Total Contribution Rates</b>            | <b>9.01%</b> | <b>9.40%</b> |

| <i>July 1, 2021 to December 31, 2021</i>   | Other        | Peace/Fire   |
|--|--------------|--------------|
| Alaska Retiree Healthcare Trust            | 6.46%        | 6.46%        |
| Retiree Medical Plan                       | 1.07%        | 1.07%        |
| Occupational Death and Disability Benefits | 0.31%        | 0.31%        |
| <b>Total Contribution Rates</b>            | <b>7.84%</b> | <b>7.84%</b> |

| <i>January 1, 2020 to June 30, 2020</i>    |  |              |
|--|--|--------------|
| Alaska Retiree Healthcare Trust            |  | 6.28%        |
| Retiree Medical Plan                       |  | 1.32%        |
| Occupational Death and Disability Benefits |  | 0.26%        |
| <b>Total Contribution Rates</b>            |  | <b>7.86%</b> |

| <i>July 1, 2020 to December 31, 2020</i>   |  |              |
|--|--|--------------|
| Alaska Retiree Healthcare Trust            |  | -%           |
| Retiree Medical Plan                       |  | 1.27%        |
| Occupational Death and Disability Benefits |  | 0.31%        |
| <b>Total Contribution Rates</b>            |  | <b>1.58%</b> |

In 2021 and 2020, the Port was credited with the following contributions to the OPEB plans:

|                                | Measurement<br>Period<br>July 1, 2020<br>to<br>June 30,<br>2021 | Port's Fiscal<br>Year<br>January 1,<br>2021<br>to<br>December 31,<br>2021 | Measurement<br>Period<br>July 1, 2019<br>to<br>June 30,<br>2020 | Port's Fiscal<br>Year<br>January 1,<br>2020<br>to<br>December<br>31, 2020 |
|--------------------------------|---|---|---|---|
| Employer contributions - ARHCT | \$ 34,210   | \$ 30,403   | \$ 55,100   | \$ 44,896   |
| Employer contributions - RMP   | 7,604   | 7,204   | 7,719   | 7,788   |
| Employer contributions - ODD   | 2,721   | 2,797   | 2,519   | 2,641   |
| <b>Total Contributions</b>     | <b>\$ 44,535</b>  | <b>\$ 40,404</b>  | <b>\$ 65,338</b>  | <b>\$ 55,325</b>  |

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

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

At December 31, 2021 and 2020, the Port reported an asset and liability for its proportionate share of the net OPEB assets (NOA) and net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Port. The amount recognized by the Port for its proportional share, the related State proportion, and the total were as follows:

|   | 2021         | 2020       |
|---|--------------|------------|
| Port's proportionate share of NOL - RMP                               | \$ -         | \$ 2,948   |
| Subtotal Net OPEB Liabilities   | -            | 2,948      |
| Total Net OPEB Liabilities  | -            | 2,948      |
| Port's proportionate share of NOA - ARHCT                             | 1,030,901    | 154,877    |
| Port's proportionate share of NOA - RMP                               | 10,983       | -          |
| Port's proportionate share of NOA - ODD                               | 22,358       | 15,057     |
| Subtotal Net OPEB Assets  | 1,064,242    | 169,934    |
| State's proportionate share of the ARHCT NOA associated with the Port | 135,021      | 64,255     |
| Total Net OPEB Assets   | \$ 1,199,263 | \$ 234,189 |

The total OPEB liabilities (asset) for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 to calculate the net OPEB liabilities (asset) as of that date. The Port's proportion of the net OPEB liabilities (asset) were based on a projection of the Port's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

|  | Employer Proportion                  |                                      |            |
|--|--------------------------------------|--------------------------------------|------------|
|  | June 30, 2020<br>Measurement<br>Date | June 30, 2021<br>Measurement<br>Date |            |
| Port's proportionate share of the net OPEB liabilities (assets): |                                      |                                      |            |
| ARHCT  | 0.03420%                             | 0.03291%                             | (0.00129)% |
| RMP  | 0.04157%                             | 0.04001%                             | (0.00156)% |
| ODD  | 0.05523%                             | 0.05315%                             | (0.00208)% |

**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

|  | Employer Proportion                  |                                      | Change     |
|--|--------------------------------------|--------------------------------------|------------|
|  | June 30, 2019<br>Measurement<br>Date | June 30, 2020<br>Measurement<br>Date |            |
| Port's proportionate share of the net OPEB liabilities (assets): |                                      |                                      |            |
| ARHCT  | 0.03772%                             | 0.03420%                             | (0.00352)% |
| RMP  | 0.04966%                             | 0.04157%                             | (0.00809)% |
| ODD  | 0.06660%                             | 0.05523%                             | (0.01137)% |

**Collective Totals (All Plans)**

For the year ended December 31, 2021, the Port recognized collective OPEB expense of \$(399,986) and revenue of \$(46,847) for support provided by the Plans.

At December 31, 2021, the Port reported collective deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

| <i>All Plans</i>  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience   | \$ 817                               | \$ (17,455)                         |
| Changes in assumptions  | 3,414                                | (45,655)                            |
| Net difference between projected and actual earnings on OPEB plan investments                             | -                                    | (495,818)                           |
| Changes in proportion and differences between Port contributions and proportionate share of contributions | 794                                  | (4,394)                             |
| Port contributions subsequent to the measurement date   | 18,733                               | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans</b>       | <b>\$ 23,758</b>                     | <b>\$ (563,322)</b>                 |

For the year ended December 31, 2020, the Port recognized collective OPEB expense of \$(111,847) and revenue of \$(41,349) for support provided by the Plans.

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

At December 31, 2020, the Port reported collective deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

| <i>All Plans</i>   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ 16                                | \$ (18,110)                         |
| Changes in assumptions   | 4,141                                | (115,803)                           |
| Net difference between projected and actual earnings<br>on OPEB plan investments                             | 63,978                               | -                                   |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | 8,563                                | (1,555)                             |
| Port contributions subsequent to the measurement date  | 23,760                               | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to OPEB Plans</b>      | <b>\$ 100,458</b>                    | <b>\$ (135,468)</b>                 |

The \$18,733 reported as collective deferred outflows of resources related to OPEB plans resulting from Port contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <i>Year Ending December 31,</i> |                     |
|---------------------------------|---------------------|
| 2022                            | \$ (170,665)        |
| 2023                            | (115,826)           |
| 2024                            | (124,161)           |
| 2025                            | (144,302)           |
| 2026                            | (1,544)             |
| Thereafter                      | (1,800)             |
| <b>Total Amortization</b>       | <b>\$ (558,298)</b> |

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**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

**ARHCT Plan**

At December 31, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to the ARHCT Plan from the following sources:

| <i>ARHCT Plan</i>  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ -                                 | \$ (10,826)                         |
| Changes in assumptions   | -                                    | (38,958)                            |
| Net difference between projected and actual earnings<br>on OPEB plan investments                             | -                                    | (482,407)                           |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | -                                    | (3,140)                             |
| Port contributions subsequent to the measurement date  | 13,940                               | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to ARHCT Plan</b>      | <b>\$ 13,940</b>                     | <b>\$ (535,331)</b>                 |

At December 31, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to the ARHCT Plan from the following sources:

| <i>ARHCT Plan</i>  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ -                                 | \$ (12,425)                         |
| Changes in assumptions   | -                                    | (107,959)                           |
| Net difference between projected and actual earnings<br>on OPEB plan investments                             | 62,141                               | -                                   |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | 8,205                                | -                                   |
| Port contributions subsequent to the measurement date  | 18,442                               | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to ARHCT Plan</b>      | <b>\$ 88,788</b>                     | <b>\$ (120,384)</b>                 |

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**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

The \$13,940 reported as deferred outflows of resources at December 31, 2021 related to the ARHCT Plan resulting from Port contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Year Ending December 31,*

|                           |    |                     |
|---------------------------|----|---------------------|
| 2022                      | \$ | (165,937)           |
| 2023                      |    | (111,097)           |
| 2024                      |    | (119,295)           |
| 2025                      |    | (139,003)           |
| <b>Total Amortization</b> |    | <b>\$ (535,332)</b> |

**Retiree Medical Plan**

At December 31, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to the RMP Plan from the following sources:

| <i>RMP Plan</i>  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ 817                               | \$ (522)                            |
| Changes in assumptions   | 3,414                                | (6,527)                             |
| Net difference between projected and actual earnings<br>on OPEB plan investments                             | -                                    | (9,826)                             |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | 395                                  | -                                   |
| Port contributions subsequent to the measurement date  | 3,373                                | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to RMP Plan</b>        | <b>\$ 7,999</b>                      | <b>\$ (16,875)</b>                  |

At December 31, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to the RMP Plan from the following sources:

| <i>RMP Plan</i>  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ 16                                | \$ (634)                            |
| Changes in assumptions   | 4,141                                | (7,624)                             |
| Net difference between projected and actual earnings<br>on OPEB plan investments                             | 1,320                                | -                                   |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | 359                                  | -                                   |
| Port contributions subsequent to the measurement date  | 3,921                                | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to RMP Plan</b>        | <b>\$ 9,757</b>                      | <b>\$ (8,258)</b>                   |

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**Notes to Financial Statements**

The \$3,373 reported as deferred outflows of resources at December 31, 2021 related to the RMP Plan resulting from Port contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Year Ending December 31,*

|                           |    |                    |
|---------------------------|----|--------------------|
| 2022                      | \$ | (2,629)            |
| 2023                      |    | (2,634)            |
| 2024                      |    | (2,733)            |
| 2025                      |    | (3,046)            |
| 2026                      |    | (325)              |
| Thereafter                |    | (881)              |
| <b>Total Amortization</b> |    | <b>\$ (12,248)</b> |

**ODD Plan**

At December 31, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to the ODD Plan from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| <i>ODD Plan</i>  |                                      |                                     |
| Difference between expected and actual experience  | \$ -                                 | \$ (6,107)                          |
| Changes in assumptions   | -                                    | (170)                               |
| Net difference between projected and actual earnings<br>on OPEB plan investments                             | -                                    | (3,585)                             |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | 398                                  | (1,254)                             |
| Port contributions subsequent to the measurement date  | 1,421                                | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to ODD Plan</b>        | <b>\$ 1,819</b>                      | <b>\$ (11,116)</b>                  |

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**Municipality of Anchorage, Alaska  
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**Notes to Financial Statements**

At December 31, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to the ODD Plan from the following sources:

| <i>ODD Plan</i>  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience  | \$ -                                 | \$ (5,052)                          |
| Changes in assumptions   | -                                    | (221)                               |
| Net difference between projected and actual earnings<br>on OPEB plan investments                             | 516                                  | -                                   |
| Changes in proportion and differences between Port<br>contributions and proportionate share of contributions | -                                    | (1,555)                             |
| Port contributions subsequent to the measurement date  | 1,398                                | -                                   |
| <b>Total Deferred Outflows of Resources and Deferred Inflows<br/>of Resources Related to ODD Plan</b>        | <b>\$ 1,914</b>                      | <b>\$ (6,828)</b>                   |

The \$1,421 reported as deferred outflows of resources at December 31, 2021 related to the ODD Plan resulting from Port contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Year Ending December 31,*

|                           |                    |
|---------------------------|--------------------|
| 2022                      | \$ (2,097)         |
| 2023                      | (2,096)            |
| 2024                      | (2,133)            |
| 2025                      | (2,253)            |
| 2026                      | (1,219)            |
| Thereafter                | (920)              |
| <b>Total Amortization</b> | <b>\$ (10,718)</b> |

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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***Actuarial Assumptions***

The total OPEB asset and liability for each plan for the measurement period ended June 30, 2020 was determined by actuarial valuations as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2021:

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|  |   |
|--|---|
| Actuarial cost method                    | Entry age normal  |
| Amortization method                      | Unfunded Accrued Actuarial Liability, level percent of pay basis  |
| Inflation                                | 2.50% per year  |
| Salary increases                         | Graded by service, from 7.75% to 2.75% for Peace Officer/<br>Firefighter. Graded by service from 6.75% to 2.75% for all others.   |
| Allocation methodology                   | Amounts for the June 30, 2021 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 2023 to 2039.  |
| Investment return of return              | 7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.   |
| Healthcare cost trend rates              | Pre-65 medical: 6.5% grading down to 4.5%<br>Post-65 medical: 5.4% grading down to 4.5%<br>Prescription drug: 7.5% grading down to 4.5%<br>EGWP: 7.5% grading down to 4.5%  |
| Mortality<br>(ARHCT, RMP, and ODD Plans) | Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Post-commencement mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. The rates for pre-commencement mortality were 100% of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. |
| (ODD Plan)                               | Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others. Disability mortality in accordance with the RP-2014 Disabled Table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.  |
| Participation (ARHCT)                    | 100% of system paid members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible.<br>20% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.   |

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contributions were updated to reflect the 5% decrease from calendar year CY 20 and CY 21.
3. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

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

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|                             |   |
|-----------------------------|---|
| Actuarial cost method       | Entry age normal; level percentage of payroll   |
| Amortization method         | Unfunded accrued actuarial liability, level percent of pay basis  |
| Inflation                   | 2.50%   |
| Salary increases            | Graded by service from 6.75% to 2.75%.  |
| Allocation methodology      | Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for FY 2022-2039, as determined by projections based on the June 30, 2019 valuation.   |
| Investment return of return | 7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.   |
| Mortality                   | Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Post-termination mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table projected with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement. |
| Participation (ARHCT)       | 100% of system paid members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.  |

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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***Long-Term Expected Rate of Return***

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, 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, 2021 are summarized in the following table:

***June 30, 2021***

| Asset Class              | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|-------------------|--|
| Broad domestic equity    | 28%               | 6.63%                                  |
| Global equity (non-U.S.) | 19%               | 5.41%                                  |
| Aggregate bonds          | 22%               | 0.76%                                  |
| Opportunistic            | 6%                | 4.39%                                  |
| Real assets              | 13%               | 3.16%                                  |
| Private equity           | 12%               | 9.29%                                  |
| Cash equivalents         | %                 | 0.13%                                  |

***June 30, 2020***

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

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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***Discount Rate***

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2021 was 7.38%. The discount rate used did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

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

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

| 2021 | Proportional<br>Share | 1% Decrease<br>(6.38%) | Current<br>Discount Rate<br>(7.38%) | 1% Increase<br>(8.38%) |
|------|-----------------------|------------------------|-------------------------------------|------------------------|
|------|-----------------------|------------------------|-------------------------------------|------------------------|

Port's proportionate share of the net OPEB liability (asset):

|       |          |              |                |                |
|-------|----------|--------------|----------------|----------------|
| ARHCT | 0.03291% | \$ (674,194) | \$ (1,030,901) | \$ (1,327,120) |
| RMP   | 0.04001% | 7,168        | (10,983)       | (24,692)       |
| ODD   | 0.05315% | (21,409)     | (22,358)       | (23,114)       |

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| 2020 | Proportional<br>Share | 1% Decrease<br>(6.38%) | Current<br>Discount Rate<br>(7.38%) | 1% Increase<br>(8.38%) |
|------|-----------------------|------------------------|-------------------------------------|------------------------|
|------|-----------------------|------------------------|-------------------------------------|------------------------|

Port's proportionate share of the net OPEB liability (asset):

|       |          |            |              |              |
|-------|----------|------------|--------------|--------------|
| ARHCT | 0.03420% | \$ 161,612 | \$ (154,877) | \$ (417,024) |
| RMP   | 0.04157% | 18,269     | 2,948        | (8,647)      |
| ODD   | 0.05523% | (14,149)   | (15,057)     | (15,783)     |

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**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Financial Statements**

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

The following presents the Port’s proportionate share of the net OPEB liability (asset) calculated using the healthcare cost trend rates as summarized in the 2020 actuarial valuation reports as well as what the Port’s proportionate share of the respective plan’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| 2021  | Proportional<br>Share | 1% Decrease    | Current<br>Healthcare<br>Cost Trend<br>Rate | 1% Increase  |
|---|-----------------------|----------------|---|--------------|
| Port’s proportionate share of the net OPEB liability (asset): |                       |                |   |              |
| ARHCT   | 0.03291%              | \$ (1,361,796) | \$ (1,030,901)                              | \$ (631,597) |
| RMP   | 0.04001%              | (26,654)       | (10,983)                                    | 10,371       |
| ODD   | 0.05315%              | -              | (22,358)                                    | -            |

| 2020  | Proportional<br>Share | 1% Decrease  | Current<br>Healthcare<br>Cost Trend<br>Rate | 1% Increase |
|---|-----------------------|--------------|---|-------------|
| Port’s proportionate share of the net OPEB liability (asset): |                       |              |   |             |
| ARHCT   | 0.03420%              | \$ (447,761) | \$ (154,877)                                | \$ 199,787  |
| RMP   | 0.04157%              | 10,347       | 2,948                                       | (21,034)    |
| ODD   | 0.05523%              | -            | (15,057)                                    | -           |

***OPEB Plan Fiduciary Net Position***

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

***(d) Defined Contribution OPEB Plans***

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, 2021, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,168 per year for each full-time employee, and \$1.39 per hour for part-time employees.



# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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### *Annual Postemployment Healthcare Cost*

In 2021, the Port contributed \$15,113 in DC OPEB costs. In 2020, the Port contributed \$15,355 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

### **11. Port of Alaska Expansion Litigation**

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

Investigative reports concluded the project design was flawed and significant aspects of the work were constructed incorrectly. In March 2013, the Port filed suit to recover damages. In 2016 and 2017 the Municipality reached agreements with all the private party defendants to fully and finally settle, release and resolve any and all claims, liabilities and damages of the Municipality for a total of \$19,350,000. These settlements were recorded as legal settlements shown on the Port's statements of revenues, expenses and changes in net position as nonoperating revenue. As required under two of the settlement agreements the Port restricted \$1.95 million of the settlements to a Port litigation escrow account recorded in 2016 as restricted assets "legal settlement set-aside", of the Port's statements of net position. An order for dismissal in the US District Court for the District of Alaska was signed on February 22, 2017 closing the case filed in the State of Alaska. A separate action in the United States Court of Federal Claims against the U.S. Maritime Administration (MARAD) was filed in March 2014. Trial occurred in February 2021 and final judgement was entered on February 24, 2021 awarding MOA the sum of \$367,446,809. The judgment was timely appealed to the United States Court of Appeals for the Federal Circuit on April 25, 2022 and is pending.

In the meantime, a new project, the Port of Alaska Port Modernization Program (APMP) is moving forward. The project has secured funds to complete Phase 1 of a four phase project. The phase one project is to construct a petroleum-cement terminal that is scheduled to be completed in 2023.

### **12. New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Utility for 2021 reporting:

- GASB 89- Accounting for Interest Costs Incurred before the End of a Construction Period. Interest expense on debt for financing construction projects is expensed in the periods incurred and is not included in the historical cost of the Utility's capital assets. For the regulated utilities, Allowance for Funds Used During Construction (AFUDC) is capitalized in the financial statements in accordance with GASB Statement No. 62, paragraph 485.
- GASB 95- Postponement of the Effective Dates of Certain Authoritative Guidance. Due to the COVID-19 pandemic, the GASB Board issued GASB Statement No. 95, which postponed the effective dates of several statements which were due to be implemented during the 2020 and 2021 reporting periods. The Utility made the decision to early implement the aforementioned GASB Statements Nos. 84, 88, and 90, as the implementation of these Statements were already completed or were not applicable at the time of the issuance of GASB 95. The remainder of the Statements affected by GASB 95 will be implemented in accordance with their new effective dates as listed below.

# Municipality of Anchorage, Alaska Port of Alaska Fund

## Notes to Financial Statements

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The following standards are required to be implemented in future financial reporting periods (effective dates adjusted for the issuance of GASB 95).

- GASB 87- Leases. The provisions of this Statement are required to be implemented for the 2022 financial reporting period.
- GASB 92- Omnibus 2020. The provisions of this Statement are required to be implemented in the 2022 reporting period.
- GASB 93- Replacement of Interbank Offered Rates. The provisions of this Statement are required to be implemented in the 2022 reporting period.
- GASB 94- Public-private and Public-public Partnerships and Availability Payment Arrangements. The provisions of this Statement are required to be implemented in the 2023 reporting period.
- GASB 96- Subscription-based Information Technology Arrangements. The provisions of this Statement are required to be implemented in the 2023 reporting period.
- GASB 99- Omnibus 2022. The provisions of this Statement are required to be implemented in the 2023 and 2024 reporting periods.
- GASB 100- Accounting Changes and Error Corrections. The provisions of this Statement are required to be implemented in the 2024 reporting period.
- GASB 101- Compensated Absences. The provisions of this Statement are required to be implemented in the 2024 reporting period.

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## Required Supplementary Information

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## Municipality of Anchorage, Alaska

### Port of Alaska Fund

#### Public Employees' Retirement System - Pension Plan

#### Schedule of the Port's Proportionate Share of the Net Pension Liability

| <i>Years Ended December 31,</i>  | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Port's Proportion of the Net Pension Liability   | 0.04002%     | 0.03421%     | 0.03774%     | 0.04798%     | 0.04125%     | 0.03604%     |
| Port's Proportionate Share of the<br>Net Pension Liability                               | \$ 1,468,098 | \$ 2,019,032 | \$ 2,065,214 | \$ 2,384,302 | \$ 1,486,034 | \$ 2,014,253 |
| State of Alaska Proportionate Share of the<br>Net Pension Liability                      | 198,882      | 835,767      | 820,051      | 690,549      | 553,637      | 253,804      |
| Total Net Pension Liability  | \$ 1,666,980 | \$ 2,854,799 | \$ 2,885,265 | \$ 3,074,851 | \$ 2,039,671 | \$ 2,268,057 |
| Port's Covered Payroll   | \$ 1,085,780 | \$ 1,138,176 | \$ 1,299,520 | \$ 1,449,474 | \$ 1,286,487 | \$ 943,387   |
| Port's Proportionate Share of the<br>Net Pension Liability as a Percentage of<br>Payroll | 135.21%      | 177.39%      | 158.92%      | 164.49%      | 115.51%      | 213.51%      |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability            | 76.46%       | 61.61%       | 63.42%       | 65.19%       | 63.37%       | 59.55%       |

#### Schedule of Port Contributions

| <i>Years Ended December 31,</i>                                      | 2021         | 2020         | 2019         | 2018         | 2017         | 2016       |
|--|--------------|--------------|--------------|--------------|--------------|------------|
| Contractually Required Contributions                                 | \$ 151,957   | \$ 148,316   | \$ 164,672   | \$ 196,494   | \$ 175,980   | \$ 113,997 |
| Contributions Relative to the Contractually<br>Required Contribution | 151,957      | 148,316      | 164,672      | 196,494      | 175,980      | 113,997    |
| Contribution Deficiency (Excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -       |
| Port's Covered Payroll   | \$ 1,091,553 | \$ 1,116,420 | \$ 1,310,046 | \$ 1,462,579 | \$ 1,319,601 | \$ 961,507 |
| Contributions as a Percentage of Covered<br>Payroll                  | 13.92%       | 13.28%       | 12.57%       | 13.43%       | 13.34%       | 11.86%     |

*See accompanying notes to Required Supplementary Information.*

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**  
**Public Employees' Retirement System - OPEB Plans**  
**Schedule of the Port's Proportionate Share of the Net OPEB Liability (Asset)**

| Years Ended December 31,  | ARHCT          |              |              | RMP          |              |              | ODD          |              |              |
|---|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2021           | 2020         | 2019         | 2021         | 2020         | 2019         | 2021         | 2020         | 2019         |
| Port's Proportion of the Net OPEB Liability (Asset)   | 0.03291%       | 0.03420%     | 0.03772%     | 0.04001%     | 0.04157%     | 0.04966%     | 0.05315%     | 0.05523%     | 0.06660%     |
| Port's Proportionate Share of the<br>Net OPEB Liability (Asset)                               | \$ (1,030,901) | \$ (154,877) | \$ 55,975    | \$ (10,983)  | \$ 2,948     | \$ 11,880    | \$ (22,358)  | \$ (15,057)  | \$ (16,161)  |
| State of Alaska Proportionate Share of the<br>Net OPEB Liability (Asset)                      | (135,021)      | (64,255)     | 22,257       | -            | -            | -            | -            | -            | -            |
| Total Net OPEB Liability (Asset)  | \$ (1,165,922) | \$ (219,132) | \$ 78,232    | \$ (10,983)  | \$ 2,948     | \$ 11,880    | \$ (22,358)  | \$ (15,057)  | \$ (16,161)  |
| Port's Covered Payroll  | \$ 1,085,780   | \$ 1,138,176 | \$ 1,299,520 | \$ 1,085,780 | \$ 1,138,176 | \$ 1,299,520 | \$ 1,085,780 | \$ 1,138,176 | \$ 1,138,176 |
| Port's Proportionate Share of the<br>Net OPEB Liability (Asset) as a Percentage of<br>Payroll | -94.95%        | -13.61%      | 4.31%        | -1.01%       | 0.26%        | 0.91%        | -2.06%       | -1.32%       | -1.42%       |
| Plan Fiduciary Net Position as a Percentage<br>of the Total OPEB Liability (Asset)            | 135.54%        | 106.15%      | 98.13%       | 115.10%      | 95.23%       | 83.17%       | 374.22%      | 283.80%      | 297.43%      |

**Schedule of Port Contributions**

| Years Ended December 31,   | ARHCT        |              |              | RMP          |              |              | ODD          |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2021         | 2020         | 2019         | 2021         | 2020         | 2019         | 2021         | 2020         | 2019         |
| Contractually Required Contributions                                 | \$ 30,403    | \$ 44,896    | \$ 62,525    | \$ 7,204     | \$ 7,788     | \$ 7,402     | \$ 2,797     | \$ 2,641     | \$ 2,820     |
| Contributions Relative to the Contractually<br>Required Contribution | 30,403       | 44,896       | 62,525       | 7,204        | 7,788        | 7,402        | 2,797        | 2,641        | 2,820        |
| Contribution Deficiency (Excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Port's Covered Payroll   | \$ 1,091,553 | \$ 1,116,420 | \$ 1,310,046 | \$ 1,091,553 | \$ 1,116,420 | \$ 1,310,046 | \$ 1,091,553 | \$ 1,116,420 | \$ 1,310,046 |
| Contributions as a Percentage of Covered<br>Payroll                  | 2.79%        | 4.02%        | 4.77%        | 0.66%        | 0.70%        | 0.57%        | 0.26%        | 0.24%        | 0.22%        |

*See accompanying notes to Required Supplementary Information.*

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Required Supplementary Information  
December 31, 2021 and 2020**

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**1. Public Employees' Retirement System Pension Plan**

***Schedule of the Port's Proportionate Share of the Net Pension Liability***

This table is presented based on the Plan measurement date. For December 31, 2021, the Plan measurement date is June 30, 2021. For December 31, 2020, the Plan measurement date is June 30, 2020.

*Changes in Assumptions:*

The actuarial assumptions used in the June 30, 2020 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

In 2019, the discount rate was lowered from 8% to 7.38%.

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

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

*Schedule of Port Contributions*

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

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

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Notes to Required Supplementary Information, continued  
December 31, 2021 and 2020**

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**2. Public Employees' Retirement System OPEB Plans**

*Schedule of the Port's Proportionate Share of the Net OPEB Asset and Liability*

This table is presented based on the Plan measurement date. For December 31, 2021, the Plan measurement date is June 30, 2021. For December 31, 2020, the Plan measurement date is June 30, 2020.

*Changes in Assumptions:*

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contributions were updated to reflect the 5% decrease from calendar year (CY) 20 to CY 21.
3. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

In 2019, the discount rate was lowered from 8% to 7.38%.

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

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

*Schedule of Port Contributions*

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

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



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## Statistical Section

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**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

**Comparative Detail Schedule of Actual Revenues by Source**

|  | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Dockage                                | \$ 1,273,487        | \$ 1,270,139        | \$ 1,370,086        | \$ 1,242,374        | \$ 1,174,735        | \$ 1,089,224        | \$ 1,142,837        | \$ 1,061,272        | \$ 956,080          | \$ 1,055,158        |
| Wharfage, dry bulk                     | 225,369             | 210,837             | 141,102             | 169,575             | 150,695             | 148,896             | 181,234             | 179,256             | 153,813             | 156,981             |
| Wharfage, liquid bulk                  | 3,956,808           | 2,961,881           | 1,764,856           | 1,805,784           | 1,521,105           | 1,463,035           | 1,682,558           | 900,922             | 570,819             | 821,064             |
| Wharfage, general cargo                | 3,703,672           | 3,932,954           | 3,780,750           | 3,544,751           | 3,529,245           | 3,670,375           | 3,608,772           | 3,414,255           | 3,440,514           | 3,349,776           |
| Storage revenue                        | 259,675             | 272,130             | 234,381             | 219,392             | 237,335             | 265,309             | 327,061             | 230,883             | 49,168              | 139,190             |
| Office rental                          | 51,307              | 104,886             | 108,659             | 96,994              | 108,670             | 121,887             | 114,462             | 135,041             | 73,884              | 60,014              |
| Utilities                              | 21,247              | 27,705              | 41,688              | 46,767              | 29,687              | 30,040              | 45,232              | 28,675              | 15,462              | 15,810              |
| Crane rentals                          | 141,913             | 124,502             | 113,060             | 120,960             | 74,250              | 72,488              | 105,858             | 43,375              | 59,025              | 56,300              |
| Industrial park lease rentals          | 4,509,536           | 4,442,927           | 4,440,847           | 4,472,735           | 4,344,217           | 4,326,069           | 4,363,254           | 4,182,255           | 4,172,846           | 3,939,395           |
| Investment income - short-term         | 7,652               | 458,510             | 1,394,025           | 312,700             | 627,633             | 344,945             | 344,603             | 211,006             | 78,006              | 361,027             |
| Right-of-way fees                      | 208,749             | 186,668             | 192,445             | 202,056             | 173,391             | 167,849             | 164,678             | 174,968             | 160,682             | 146,599             |
| POL value yard fees                    | 403,063             | 328,210             | 281,832             | 302,861             | 246,957             | 176,713             | 191,560             | 231,774             | 330,359             | 367,674             |
| Security fees                          | 1,502,007           | 1,494,782           | 1,496,703           | 1,478,313           | 1,469,614           | 1,421,294           | 1,426,724           | 1,361,865           | 1,325,901           | 1,340,280           |
| Gain on sale of assets held for resale | -                   | -                   | 249,459             | 781,831             | 1,069,995           | -                   | -                   | -                   | -                   | -                   |
| Gain on sale of capital assets         | -                   | 5,775               | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Intergovernmental revenue              | (46,562)            | 66,618              | (32,445)            | 51,096              | 63,059              | 43,575              | 18,075              | 2,882,353           | -                   | -                   |
| Legal settlements                      | -                   | -                   | -                   | -                   | 6,750,000           | 12,600,000          | -                   | -                   | -                   | -                   |
| Miscellaneous revenues                 | 181,297             | 118,894             | 438,726             | 303,519             | 280,983             | 1,022,677           | 507,769             | 154,542             | 247,059             | 253,505             |
| Subtotal                               | 16,399,220          | 16,007,418          | 16,016,174          | 15,151,708          | 21,851,571          | 26,964,376          | 14,224,677          | 15,192,442          | 11,633,618          | 12,062,773          |
| Capital contributions                  | 25,616,270          | 48,889,068          | 45,651,079          | 18,650,418          | 11,619,685          | 13,323,471          | 7,834,571           | 2,882,353           | 1,811,983           | 2,216,290           |
| Transfers from other funds             | -                   | -                   | -                   | -                   | 81,500              | -                   | -                   | -                   | -                   | -                   |
| <b>Total</b>                           | <b>\$42,015,490</b> | <b>\$64,896,486</b> | <b>\$61,667,253</b> | <b>\$33,802,126</b> | <b>\$33,552,756</b> | <b>\$40,287,847</b> | <b>\$22,059,248</b> | <b>\$18,074,795</b> | <b>\$13,445,601</b> | <b>\$14,279,063</b> |

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**  
**Current Port Tariff Rates**

| Type of Service                  | Wharfage Rate |
|----------------------------------|---------------|
| Aggregates, per ton              | \$ 1.31       |
| Freight NOS                      | 7.85          |
| Bulk commodities, dry, NOS       | 3.28          |
| Cement                           | 5.89          |
| Cement, bulk through pipeline    | 2.57          |
| Coal, bulk                       | 1.31          |
| Iron or steel articles           | 5.89          |
| Logs                             | 3.28          |
| Lumber                           | 5.89          |
| Chips NOS                        | 3.93          |
| Petroleum or petroleum products: |               |
| Inbound/outbound                 | 2.53          |
| Transfers                        | 0.05          |
| Fuel                             | 1.64          |
| Powder (explosive)               | 19.63         |
| Vans or containers               | 3.93          |
| Vehicles                         | 13.09         |

Port of Anchorage Terminal Tariff No. 9  
Tariff issued 1/1/2021 and effective 1/1/2021.

Notes to tariff rates:  
NOS - Not otherwise specified

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Approved Tariff 9.0 Rate Increases**

|           | 2021   | 2022   | 2023   | 2024   | 2025   | 2026   | 2027  | 2028  | 2029  |
|-----------|--------|--------|--------|--------|--------|--------|-------|-------|-------|
| Petroleum | 24.24% | 12.95% | 12.95% | 12.95% | 12.95% | 12.95% | 8.65% | 5.64% | 5.64% |
| Cement    | 24.24% | 12.95% | 12.95% | 12.95% | 12.95% | 12.95% | 8.65% | 5.64% | 5.64% |
| Other     | 3.93%  | 3.01%  | 3.01%  | 3.01%  | 3.01%  | 3.01%  | 3.01% | 3.01% | 3.01% |

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Ten-Year Annual Dock Tonnage Report**

|                                 | 2021             | 2020             | 2019             | 2018             | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Freight NOS                     | 36               | 689              | 1,167            | 2,199            | 5,876            | 4,451            | -                | 5,463            | 6,385            | 15,333           |
| Dry bulk goods                  | 87,692           | 101,853          | 109,956          | 105,326          | 97,223           | 122,006          | 126,737          | 140,684          | 119,271          | 119,939          |
| Petroleum, NOS (vessel fueling) | 47,888           | 58,728           | 222,536          | 129,828          | 1,467            | 893              | 5,013            | 2,031            | 2,615            | 1,454            |
| Vans/flats/containers           | 1,638,486        | 1,642,547        | 1,655,612        | 1,631,303        | 1,592,473        | 1,582,951        | 1,681,223        | 1,811,136        | 1,738,601        | 1,740,969        |
| Vehicles                        | -                | -                | -                | -                | -                | -                | -                | -                | 2,615            | -                |
| Petroleum, shoreside            | 1,061,820        | 902,439          | 802,093          | 505,980          | 471,717          | 368,708          | 368,294          | 916,050          | 952,631          | 1,046,636        |
| Petroleum bulk - dockside       | 2,151,884        | 1,997,845        | 1,474,399        | 1,574,029        | 1,329,089        | 1,419,162        | 1,592,317        | 580,343          | 586,041          | 829,900          |
| <b>Total Tons</b>               | <b>4,987,806</b> | <b>4,704,101</b> | <b>4,265,763</b> | <b>3,948,665</b> | <b>3,497,845</b> | <b>3,498,171</b> | <b>3,773,584</b> | <b>3,455,707</b> | <b>3,408,159</b> | <b>3,754,231</b> |

NOS - Not otherwise specified

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Financial Ratios**

| <i>Description</i>   | 2021 | 2020 | 2019 | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012 |
|--|------|------|------|-------|-------|-------|-------|-------|-------|------|
| Current ratio (current assets / current liabilities)         | 6.33 | 1.84 | 0.88 | 13.49 | 12.51 | 12.31 | 16.63 | 15.24 | 35.41 | 0.49 |
| Quick ratio (quick assets / current liabilities)             | 6.21 | 1.80 | 0.84 | 9.30  | 10.01 | 13.23 | 14.46 | 13.77 | 13.25 | 0.28 |
| Return on investment (change in net position / total assets) | 5%   | 13%  | 15%  | 4%    | 6%    | 8%    | -4%   | -1%   | -31%  | 1%   |
| Return on equity (change in net position / net position)     | 7%   | 20%  | 23%  | 6%    | 8%    | 11%   | -5%   | -1%   | -40%  | 1%   |
| capital structure over net position)                         | 25%  | 27%  | 18%  | 23%   | 24%   | 26%   | 29%   | 27%   | 20%   | 16%  |
| Capital structure  | 75%  | 73%  | 82%  | 77%   | 76%   | 74%   | 71%   | 73%   | 80%   | 84%  |
| Operating margin   | -17% | -18% | -21% | -47%  | -36%  | -59%  | -99%  | -41%  | -3%   | 4%   |

Notes to financial ratios:

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

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Capital Improvement Program Summary  
(in thousands)**

| <i>Project Category</i>        | 2021            | 2022            | 2023            | 2024            | 2025            | 2026            | Total            |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Port Equipment                 | \$ 635          | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ 635           |
| Solar Farm                     | 100             | -               | -               | -               | -               | -               | 100              |
| Ship Creek Boat Launch Repairs | 200             | -               | -               | -               | -               | -               | 200              |
| Storm Drain Enhancements       | 1,500           | 1,500           | 1,500           | 1,500           | 1,500           | 1,500           | 9,000            |
| Wharf Pile Enhancements        | 1,750           | 1,750           | 1,750           | 1,750           | 1,750           | -               | 8,750            |
| Fender Pile Enhancements       | -               | 3,740           | -               | -               | -               | -               | 3,740            |
| <b>Total</b>                   | <b>\$ 4,185</b> | <b>\$ 6,990</b> | <b>\$ 3,250</b> | <b>\$ 3,250</b> | <b>\$ 3,250</b> | <b>\$ 1,500</b> | <b>\$ 22,425</b> |
| <i>Funding Source</i>          | 2021            | 2022            | 2023            | 2024            | 2025            | 2026            | Total            |
| Port Equity                    | \$ 4,185        | \$ 6,990        | \$ 3,250        | \$ 3,250        | \$ 3,250        | \$ 1,500        | \$ 22,425        |
| <b>Total</b>                   | <b>\$ 4,185</b> | <b>\$ 6,990</b> | <b>\$ 3,250</b> | <b>\$ 3,250</b> | <b>\$ 3,250</b> | <b>\$ 1,500</b> | <b>\$ 22,425</b> |



**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**  
**Historical Revenues for Top 10 Customers**

| <i>Customer Name</i>                        | 2016         | 2017         | 2018         | 2019         | 2020                              | 2021                              |
|---|--------------|--------------|--------------|--------------|-----------------------------------|-----------------------------------|
| Matson Navigation Co of AK LLC.             | \$ 4,032,565 | \$ 3,963,201 | \$ 3,992,345 | \$ 4,145,159 | \$ 4,341,741                      | \$ 4,310,462                      |
| TOTE Maritime Alaska, Inc.                  | 4,349,154    | 4,348,202    | 4,187,419    | 4,163,209    | 4,241,090                         | 4,222,618                         |
| Tesoro Alaska Companies Inc.                | 2,317,518    | 2,178,859    | 1,973,515    | 2,338,936    | 2,376,820                         | 2,433,227                         |
| Petro Star, Inc.                            | 439,529      | 581,691      | 812,375      | 980,349      | 1,215,060                         | 1,948,779                         |
| Alaska Maritime Agencies                    | 501,286      | 617,920      | 812,984      | 618,917      | 1,343,109                         | 1,546,637                         |
| Anchorage Sand and Gravel/ABI               | 488,344      | 507,364      | 535,896      | 698,411      | 560,139                           | 593,795                           |
| Anchorage Fueling & Service Co./ASIG        | 580,994      | 608,901      | 572,221      | 581,628      | 591,100                           | 504,888                           |
| Delta Western                               | 206,733      | 301,702      | 262,576      | 302,503      | 248,173                           | 278,493                           |
| Crowley Petroleum Distribution (CPD Alaska) | 279,141      | 302,955      | 257,136      | 238,307      | 243,441                           | 241,899                           |
| Holland America Line                        | 150,711      | 230,643      | 220,124      | 182,713      | No Revenue earned due to COVID 19 | No Revenue earned due to COVID 19 |

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Vessel Arrivals**

| <i>Category</i>         | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       |
|-------------------------|------------|------------|------------|------------|------------|------------|
| Barge                   | -          | -          | -          | 11         | -          | 1          |
| Cement Ship             | 4          | 4          | 4          | 4          | 4          | 3          |
| Cargo                   | 6          | 2          | 1          | 2          | 1          | -          |
| Cruise Ships            | 9          | 10         | 10         | 10         | -          | -          |
| Dredge                  | 2          | 1          | 1          | 3          | 5          | 6          |
| Government Ship         | -          | -          | 2          | 7          | 4          | 1          |
| Gravel Barge            | -          | -          | 1          | -          | -          | -          |
| Military Ship           | -          | 2          | 1          | 2          | 1          | 3          |
| Petroleum Barges        | 45         | 50         | 54         | 60         | 50         | 56         |
| Petroleum Tankers       | 28         | 30         | 33         | 27         | 39         | 43         |
| Pipe Ship               | 1          | 1          | 1          | -          | -          | -          |
| Ships - TOTE/MATSON     | 199        | 202        | 196        | 201        | 195        | 201        |
| Tugs                    | 89         | 77         | 79         | 79         | 80         | 93         |
| Yacht/Other small craft | -          | -          | 1          | -          | 4          | 1          |
| <b>Total</b>            | <b>383</b> | <b>379</b> | <b>384</b> | <b>406</b> | <b>383</b> | <b>408</b> |

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

**Schedule of Revenues, Expenses, and Changes in Net Position -  
Budget to Actual**

| <i>Year Ended December 31, 2021</i>         | Budget             | Actual             | Variance         |
|---|--------------------|--------------------|------------------|
| <b>Operating Revenues</b>                   |                    |                    |                  |
| Charges for sales and services:             |                    |                    |                  |
| Dockage                                     | \$ 1,110,413       | \$ 1,273,487       | \$ 163,074       |
| Wharfage, dry bulk                          | 172,029            | 225,369            | 53,340           |
| Wharfage, liquid bulk                       | 2,435,067          | 3,956,808          | 1,521,741        |
| Wharfage, general cargo                     | 3,712,981          | 3,703,672          | (9,309)          |
| Storage revenue                             | 229,722            | 259,675            | 29,953           |
| Office rental                               | 40,000             | 51,307             | 11,307           |
| Utilities                                   | 44,704             | 21,247             | (23,457)         |
| Miscellaneous                               | 253,025            | 181,297            | (71,728)         |
| <b>Total charges for sales and services</b> | <b>7,997,941</b>   | <b>9,672,862</b>   | <b>1,674,921</b> |
| Other operating revenues:                   |                    |                    |                  |
| Crane rentals                               | 56,500             | 141,913            | 85,413           |
| Industrial park lease rentals               | 4,741,194          | 4,509,536          | (231,658)        |
| POL value yard fees                         | 291,696            | 403,063            | 111,367          |
| <b>Total other operating revenues</b>       | <b>5,089,390</b>   | <b>5,054,512</b>   | <b>(34,878)</b>  |
| <b>Total Operating Revenues</b>             | <b>13,087,331</b>  | <b>14,727,374</b>  | <b>1,640,043</b> |
| <b>Operating Expenses</b>                   |                    |                    |                  |
| Operations:                                 |                    |                    |                  |
| Personnel services                          | 2,785,570          | 2,774,789          | 10,781           |
| Pension                                     | -                  | 99,163             | (99,163)         |
| Other postemployment benefits               | -                  | (439,549)          | 439,549          |
| Supplies                                    | -                  | 152,501            | (152,501)        |
| Other services and charges                  | 6,164,188          | 6,507,748          | (343,560)        |
| Charges from other departments              | 1,414,288          | 1,198,886          | 215,402          |
| <b>Total operations</b>                     | <b>10,364,046</b>  | <b>10,293,538</b>  | <b>70,508</b>    |
| Depreciation                                | 7,937,791          | 7,231,394          | 706,397          |
| <b>Total Operating Expenses</b>             | <b>18,301,837</b>  | <b>17,524,932</b>  | <b>776,905</b>   |
| <b>Operating loss</b>                       | <b>(5,214,506)</b> | <b>(2,797,558)</b> | <b>2,416,948</b> |

**Municipality of Anchorage, Alaska**  
**Port of Alaska Fund**

**Schedule of Revenues, Expenses, and Changes in Net Position -**  
**Budget to Actual, continued**

| <i>Year Ended December 31, 2021</i>             | Budget                       | Actual                       | Variance                    |
|---|------------------------------|------------------------------|-----------------------------|
| <b>Nonoperating Revenues (Expenses)</b>         |                              |                              |                             |
| Intergovernmental revenues - PERS on-behalf     | \$ -                         | \$ (46,562)                  | \$ (46,562)                 |
| Investment income-short term investments        | 203,791                      | 7,652                        | (196,139)                   |
| Security fees                                   | 1,477,975                    | 1,502,007                    | 24,032                      |
| Right-of-way fees                               | 173,000                      | 208,749                      | 35,749                      |
| Interest on long-term obligations               | (2,650,000)                  | (2,123,958)                  | 526,042                     |
| Debt issuance costs                             | (25,000)                     | (209,333)                    | (184,333)                   |
| Security contract                               | (1,686,747)                  | (1,686,747)                  | -                           |
| <b>Total Nonoperating Expenses</b>              | <b>(2,506,981)</b>           | <b>(2,348,192)</b>           | <b>158,789</b>              |
| Loss before capital contributions and transfers | (7,721,487)                  | (5,145,750)                  | 2,575,737                   |
| <b>Contributions and Transfers</b>              |                              |                              |                             |
| Capital contributions                           | -                            | 25,616,270                   | 25,616,270                  |
| Transfers to other funds:                       |                              |                              |                             |
| Municipal service assessment                    | (1,355,911)                  | (1,355,911)                  | -                           |
| Dividend  | (689,753)                    | (689,753)                    | -                           |
| <b>Change in Net Position</b>                   | <b><u>\$ (9,767,151)</u></b> | <b>18,424,856</b>            | <b><u>\$ 28,192,007</u></b> |
| Net Position, beginning                         |                              | <u>261,073,678</u>           |                             |
| Net Position, ending                            |                              | <u><u>\$ 279,498,534</u></u> |                             |

**Municipality of Anchorage, Alaska  
Port of Alaska Fund**

**Historical Debt Service Coverage for the Fiscal Year**

| Fiscal Year | Revenue (1)   | Operating Expenses (2) | Amount Available for Debt Service | Principal (3) | Interest (3) | Total | Coverage (4) |
|-------------|---------------|------------------------|-----------------------------------|---------------|--------------|-------|--------------|
| 2021        | \$ 16,445,782 | \$ 13,865,915          | \$ 2,579,867                      | \$ -          | \$ -         | -     | n/a          |

(1) Excludes allowance for funds used during construction, includes nonoperating revenue.  
Excludes payments received for PERS relief from State of Alaska.

(2) Excludes pension expense, PERS on behalf expense, OPEB on behalf expense, OPEB expense, depreciation and transfers to other funds; but includes regular/recurring nonoperating expenses.

(3) Excludes amounts funded out of bond proceeds.

(4) Required minimum coverage is 1.35.

**Other Reporting Required by *Government Auditing Standards***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Port of Alaska Fund, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port of Alaska’s basic financial statements, and have issued our report thereon dated August 19, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port of Alaska’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Alaska’s internal control. Accordingly, we do not express an opinion on the effectiveness of Port of Alaska’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

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

### Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska  
August 19, 2022