100 YEARS
ALASKA RAILROAD
1923 - 2023

ANNUAL REPORT 2023

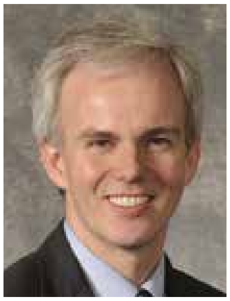
OUR MISSION

Through excellent customer service and sound business management practices, the Alaska Railroad Corporation provides safe, efficient and economical rail transportation and real estate services that support and grow economic development opportunities for the State of Alaska.

TABLE OF CONTENTS

ALASKA RAILROAD LEADERSHIP

MANAGEMENT TEAM



President and Chief Executive Officer
Bill O'Leary

Chief Operating Officer
Clark Hopp

Chief Financial Officer
Michelle Maddox

Chief Counsel
Andy Behrend

Vice President
Real Estate
Christy Terry

Chief Human Resources Officer
Jennifer Mergens

Chief Engineer
Brian Lindamood

Vice President Marketing
& Customer Service
Dale Wade

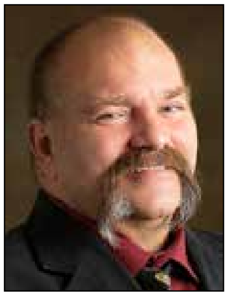
BOARD OF DIRECTORS

Board Chair
John Shively

Vice Chair
Judy Petry

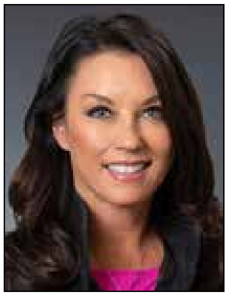
Commissioner
Ryan Anderson

Director
John Binkley



Director
T.J. Dinsmore

Director
John Reeves



Commissioner
Julie Sande

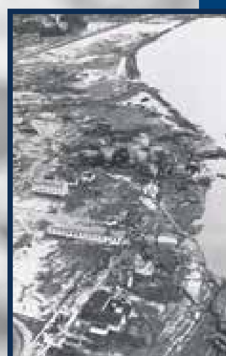
100 YEARS and GOING STRONG

1923 On July 15, President Warren Harding drives golden spike completing the Alaska Railroad.

1938 Alaska Railroad posts its first profitable year.

1943 Two tunnels built through the Chugach mountains connecting rail to Whittier, a fuel depot and military port.

1962-64 First car-barge service is established at Whittier, with ship-rail service following in 1964, providing direct connection of rail cars from the lower 48 states to Alaska. The 1964 Good Friday Earthquake causes nearly $30 million in damage.



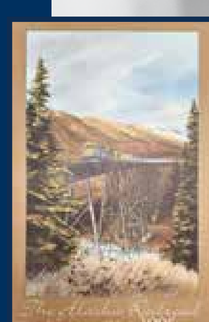
1967 Control of the railroad passes from Secretary of the Interior to Secretary of Transportation.

1984 Governor Sheffield signs legislation establishing the quasi-public Alaska Railroad Corporation and its seven-member board of directors.

1985 The Alaska Railroad becomes the property of the State of Alaska. Purchased from the federal government for $22.3 million.

1988 A new depot is constructed at popular travel destination Denali National Park & Preserve.

1995 Annual ridership reaches a new high with 492,528 passengers.



1996 Alaska Railroad posts record profit of $8.0 million. Passenger ridership grows to 512,000. The Alaska Railroad begins to qualify for federal funding and receives $10 million in Congressional grant underwriting installation of 87,000 railroad ties.

2000

The railroad buys 16 new 4,000 horsepower SD70MAC locomotives to increase fuel efficiency and capacity.

2002

Projects completed using federal funds include Bill Sheffield Rail Depot at Ted Stevens Anchorage International Airport, the Ship Creek Plaza and side-unloading barge dock in Whittier. Real estate revenues exceed $11 million for the first time.

2004

Eight SD70MAC locomotives purchased, increasing ARRC's fleet to 60. Anchorage Operations Center and Fairbanks Depot are completed.

2006

For the first time, the railroad issues tax-exempt bonds to fund aggressive track refurbishment.

2008-09

The railroad reduces its workforce by about 25% (200 positions) during a two-year period in response to a global economic downturn.

2011

Ground-breaking ceremony for the Tanana River Bridge (Northern Rail Extension, Phase 1). U.S. Surface Transportation Board authorizes the Alaska Railroad to build and operate the new Port MacKenzie Rail Extension.

2014

Northern Rail Extension- Phase 1 complete.

2015

Alaska Railroad becomes the first U.S. railroad to be granted Federal Railroad Administration approval to transport liquefied natural gas by rail.

2020

The railroad implements Positive Train Control meeting federal safety mandate. Railroad reflects $7.8 million loss in 2020 due to reduced ridership during the pandemic.

2023

The railroad celebrates centennial year with record ridership numbers and posts net income of $44.3 million. Introduces largest 5-year capital plan in its history, laying plans for infrastructure to support development into the next 100 years.

YEAR IN REVIEW

For the past 100 years the Alaska Railroad has been a consistent engine driving economic growth and development for Alaska. Any business that weathers a century of operations will have experienced periods of growth and contraction, successes and challenges. The Alaska Railroad is no different, and has proven itself a reliable workhorse, forging ahead no matter the conditions, delivering safe, reliable service to our passengers and customers.

When the State of Alaska purchased the railroad from the federal government for $22.3 million in 1985, there was an awareness that the maintenance of the railroad had been deferred to the point of neglect. Creating and executing a long-term plan to repair, rehabilitate and develop the rail and its operations was fundamental to ensuring the railroad could continue to maintain critical transportation infrastructure for this state. Creating the Alaska Railroad Corporation as a self-sustaining, self-funded organization laid the groundwork for an operation that is responsive, nimble and future-oriented.

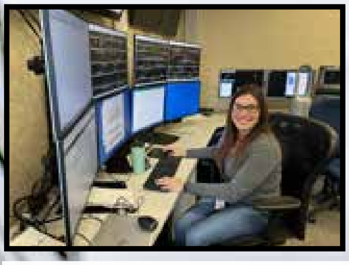
Since that time, modernization efforts have continued in earnest with the purchase of new, more powerful and efficient locomotives, improved technology and expanded service. Consistent reinvestment and growth of our business lines has allowed the railroad to reinvest in critical infrastructure including rails, ties, bridges and docks. Over the past 40 years, the railroad has grown annual revenue from $56.1 million in 1983 (with expenses of $53.3 million) to $264.4 million in 2023 with total net income of $44.3 million. Our 100th anniversary as a railroad was a milestone that we celebrated across the railbelt this year; but operations did not take a back seat to celebrations, and our operations delivered strong results in 2023.

The Alaska Railroad Corporation has not received any bona-fide offers of a sale arrangement within the calendar year of 2023, nor is the Corporation aware of any potential sales that require analysis under AS 42.40.260.

SAFE, SECURE OPERATIONS

Central to our operations is a commitment to continuous improvement and a safety-oriented culture. Safeguarding employees from workplace accidents and incidents is ingrained in our organizational core, founded on the principle that ensuring employee safety is a collective responsibility. In 2023, we aspired to achieve an FRA casualty rate of 4.2 or lower, and we are pleased to report that we not only met but surpassed this target with a rate of 4.0. We acknowledge that the ultimate objective of all safety programs is to attain both accident and incident-free operations, and this remains an ongoing pursuit for our railroad. The reduction in the casualty rate is a positive indication, reinforcing the effectiveness of our proactive safety culture efforts.

Over the last century, a constant for the railroad has been achieving success in spite of Alaska's weather and rugged terrain and 2023 was no different. Spring arrived unseasonably late in Alaska's railbelt, delaying the Maintenance-of-Way's (MOW) task of replacing rail ties and relaying rail sections well into winter. MOW successfully replaced over 43,000 hardwood ties, surfaced 833,900 feet of track and relaid more than 11,000 feet of rail. In 2023, the bridge crew faced a substantial workload, executing tie deck replacements on four bridges from Fairbanks to Portage, in conjunction with superstructure and substructure repairs on three other bridges, and general repairs along the majority of the railroad's track. Despite the formidable environmental obstacles, our crews completed their work without significant injury or incident. Their dedication underscores an ongoing commitment to maintaining the railroad in optimal condition, ensuring our ability to deliver safe and dependable service.



ARRC employee Lauren Shinn at the PTC lab housed at the Anchorage Operations Center.

Over the last two decades, we have seen significant transformation in railroad operations with the integration of essential information technology components. By the end of 2020, the railroad successfully met the implementation deadline for Positive Train Control (PTC), a venture we initiated in 2008. This system enhances the monitoring and control of train movements, augmenting the quality of information available for railroad decision-making. In the past year, our Advanced Train Control Systems (ATCS) team provided round-the-clock support for PTC, including comprehensive training for the primary end users, namely transportation employees. The ATCS team also introduced Real Time Kinematic (RTK) technology, offering survey-grade location accuracy for both track surveys and locomotive positions. Recognizing the advantages of RTK, and its broader application beyond PTC, other departments including real estate, engineering, MOW, and signal/telecom are now looking into leveraging this technology in meeting their departmental missions.

Mat-Su first responders aboard an ARRC coach during emergency training exercise.

In October, our safety department orchestrated a comprehensive emergency preparedness drill in the Matanuska-Susitna Valley. This collaborative effort involved local, state, and federal agencies, providing first responders with valuable training for rail-specific emergencies, such as mass casualty derailments or oil spill responses. By offering resources and access to our railcars and railroad infrastructure, ARRC facilitated joint planning, coordination, and tactic development with local first responders. This allowed them to familiarize themselves with track safety protocols, fleet resources, tank car anatomy, and ARRC's drone capabilities for gathering site information during disasters. Our commitment to safety encompasses every aspect of our rail operations, which includes the health and success of the communities we serve.

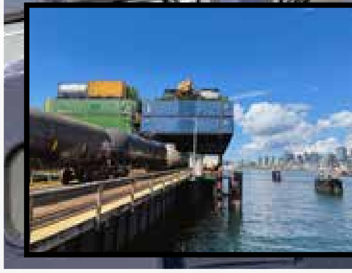
CONNECTION

ARRC employees demonstrating drone capabilities during emergency response training in Mat-Su.

Over the course of the last century, the Alaska Railroad has provided a venue for people to travel and connect with destinations across Alaska. In 2023, we transported 540,329 passengers along our rail. Offering a unique departure from other popular methods of conveyance, passengers were again eager to ride aboard our trains, and the standout for passenger revenue was the Denali Star connecting Anchorage to Fairbanks. Providing service that is responsive, accommodating and reliable from the point of booking through boarding, travel and arrival ensures we meet our passengers' expectations of service excellence. To that end, this past year we enhanced our online booking software, RailStudio. A small and dedicated team of employees working alongside a contractor provided upgrades to our front-end service for passengers during booking. With a reputation that we have built centered on service excellence, we will continue to find ways to improve.

ARRC locomotive and coaches await departure north to Fairbanks from Nenana.

In 2023, the railroad transported 3.5 million tons of freight for its customers, marking a slight decrease compared to the previous year. Despite this, freight service remained the primary revenue driver, contributing 46% of total revenue for the year. Our port in Seward proved to be a valuable gateway for bulk commodities that arrived via ship, further diversifying our supply chain to all points north. At the heart of freight operations lies the Alaska Rail Marine (ARMs) service, a vital but often unknown aspect of the industry to the public. ARMs rail-to-barge transportation links our Whittier dock with Seattle and the expansive rail network of the lower 48 states. Operating since 1964, this service has steadily grown over the past 60 years. On average, ARRC moves approximately 420,000 tons of freight through 52 barges; in 2023, we sailed 66 heavily-loaded barges, an all-time record. Growth and development in the Alaskan economy this year, largely driven by North Slope activity, added considerable volume for our freight operations spurring challenges when volume exceeded capacity. This necessitated deploying strategic measures to alleviate pressure and ensure timely deliveries for our customers. Collaborating closely with ARRC's team in Seattle, our freight marketing team facilitated alternative shipping arrangements and managed the flow of freight through partner rail yards. Communicating directly with our customers and understanding their needs ensured they were engaged throughout this process. As a non-contiguous state, our service and transportation teams recognize the indispensable role that transportation plays for the delivery of anything from pantry staples to pipe for oil and gas development projects.



Seattle barge operations.

Adaptability and responsiveness have been the cornerstones of our service philosophy, enabling us to connect our customers with the places they want to go and the things they need most. With 2023 providing a large volume of freight and robust passenger ridership, our dispatchers, conductors, brakemen and engineers respond to each situation with careful attention and expertise ensuring the smooth operation of our rail services. When hazardous weather conditions or busy rail lines presented themselves, our transportation department replied with quick adaptive-thinking and exceptional skill. A group known for their meticulous planning and effective coordination, transportation employees overcame many challenges in 2023 and delivered exceptional results.

COMMUNITY

The Alaska Railroad has been an instrumental business along railbelt communities for 100 years, and being a good community partner is a legacy that we foster and steward throughout our organization. We were honored to receive the Alaska Chamber's 2023 Rita Sholton Large Business of the Year Award in September, which recognized the contributions the railroad makes each day in the lives of Alaskans. As our trains have been part of the fabric of railbelt communities for the last century, it is easy for us to fade into the background. For that reason, we wanted to take a moment to share a few highlights from this past year with our part in helping to build a stronger, healthier, more resilient Alaska.

ARRC received Alaska Chamber's 2023 Rita Sholton Large Business of the Year Award on September 27.

In May and September 2023, we held Community Open House events in Anchorage and Fairbanks, hosting several thousand guests in our depots and aboard our trains. Along with the ever-popular free train rides, these events

Locomotive 4328 with commemorative Centennial wrap.

were an opportunity for the public to meet our dedicated staff who care for our railroad day-in and day-out. As part of our school-business partnership with Government Hill Elementary School, their Parent Teacher Association (PTA) volunteered to sell concessions and drinks at the Anchorage Open House, generating funds that support school activities and programs. On the north end, the Anne Wien Elementary School PTA fed crowds of Fairbanks Open House attendees, with their concessions also serving as a fundraiser to support their local school. Offering space and opportunity at railroad events is just one small way we're helping to enhance community connections.

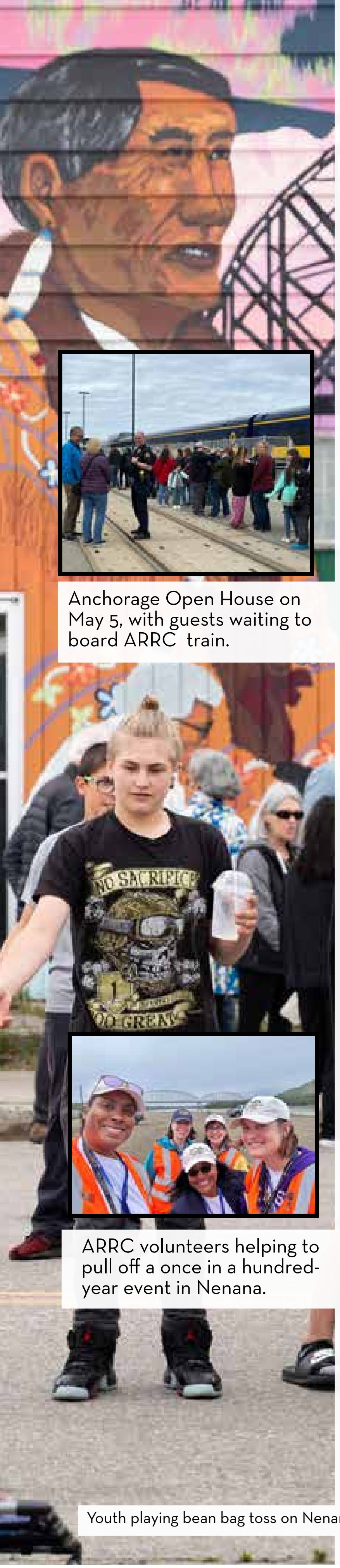
Anchorage Open House on May 5, with guests waiting to board ARRC train.

In 2023, the Alaska Railroad provided over $220,000 of in-kind donations to more than 250 non-profit organizations across the railbelt. A central part of the railroad's corporate giving program includes rail-ticket donations for non-profit organizations to use for fundraising activities. We are pleased to support these organizations who enhance the quality of life, educational opportunities and business development throughout Alaska. Corporate giving and community mindedness is not just undertaken on the corporate level, but is a personal commitment shared by railroaders. In 2023, railroaders donated food to local foodbanks in Anchorage and Fairbanks, and supported numerous community non-profits through the United Way employee fundraising drive. When railroaders received a call-to-action for children in need during the holidays, they quickly responded by providing toys, games, books and arts and crafts supplies to the Salvation Army's Angel Tree Program.

The railroad's commitment to community engagement goes beyond finances; it entails active participation and collaboration with community and business partners to address challenges and foster solutions. In Fairbanks, our real estate division collaborated closely with local companies to address a problematic property, employing effective remedies to improve the immediate environment and also inject new business opportunities and positive development in the area. Similarly, in the Anchorage region, our real estate division has been diligently working on finalizing the design for improvements that will enhance access in the Ship Creek district. By expanding downtown access, we aim to create a more vibrant and welcoming environment that encourages long-term residency and fosters community growth.

ARRC volunteers helping to pull off a once in a hundred-year event in Nenana.

Lastly, we want to acknowledge the community effort needed to support the Centennial Celebration in Nenana on July 15. This event brought together over 800 attendees, ranging from local community members to international guests, making it a standout moment in 2023. Commemorating Eielson's First Flight, the Mears Bridge, and the 100-year milestone of the golden spike connecting rails from north to south was a formidable undertaking, requiring numerous stakeholder meetings and planning sessions to orchestrate the festivities. This large event in a small community demonstrated the possibilities of achievement when businesses, cities, and tribal partners work together. Thank you to the City of Nenana and the Nenana Native Association for hosting the railroad and being partners for this once in a hundred-year occasion.



Youth playing bean bag toss on Nenana's A Street during the July 15th celebration.

TEAMWORK

Our locomotives and their horsepower have been in high demand across our rail and yards this year. While this heightened utilization reflects a robust volume of freight and passengers, particularly during the short summer season, it has occasionally strained our capacity when locomotives required emergency or scheduled maintenance. Despite these challenges, our dedicated crew in the mechanical shops demonstrated remarkable resilience, ensuring timely repairs to keep our trains operating as planned. It was the expertise and commitment of our employees in the car shops and diesel shops that enabled us to swiftly address both routine maintenance and emergency repairs. This team effort ensured that all but one passenger train operated as scheduled in the summer of 2023. Looking ahead, efforts are underway to procure additional locomotives for use in 2024, a move we expect will alleviate some of the operational constraints we've faced this year.

Throughout the year, our workforce was strengthened by individuals who, while often working independently, did so with the broader support of their fellow railroaders in mind. Along remote sections of track, MOW heavy equipment operator, John Cusack IV tackled the monumental task of clearing unprecedented snow accumulations from sections of track and signal huts. His commitment to going above and beyond exemplified the ethos of our workplace and yielded significant benefit for our telecommunications and signal team who had more time to complete their duties. John's efforts enhanced the safety of our rail operations and bolstered efficiency. Meanwhile, at our Anchorage Terminal, Edna Racicot stepped up admirably to fulfill both the roles of timekeeper and crew dispatcher during a period of transition while we recruited a new timekeeper. Edna's dedication ensured that essential operations ran smoothly, maintaining continuity and efficiency. And at Anchorage headquarters, Josh Cappel, a carman turned information technology asset management systems specialist, played an instrumental role in advancing the integration of information technology across departments. Along with a team of developers, he designed and implemented new interfaces streamlining the process of performance review and problem identification, empowering our mechanical division to swiftly address repairs and take preventive measures. These are just three stories that underscore the daily contributions of our railroaders who consistently strive to uphold our mission of providing safe, efficient services that support Alaska's economic development.

FORGING AHEAD

A 2023 year in review would not be complete without addressing two significant challenges faced throughout the year: inflation and a tight labor market. From the cost of procuring diesel for our locomotives, to contracts, and for postage, the cost of doing business got more expensive in 2023. Positive returns from our business lines provided a buffer from substantial erosion of this year's profits. And, much like other employers nationwide, the railroad has struggled with hiring personnel to fill some vacant positions. To address this, amongst other strategies we have actively utilized social media platforms to

2023 Gold Spike Winner Edna Racicot with President & CEO Bill O'Leary.

2023 Gold Spike Award Winner Michael Norris with Roadmaster Richard Bush.

2023 Gold Spike Awards in Whittier recognized team excellence amongst transportation, MOW and mechanical departments.

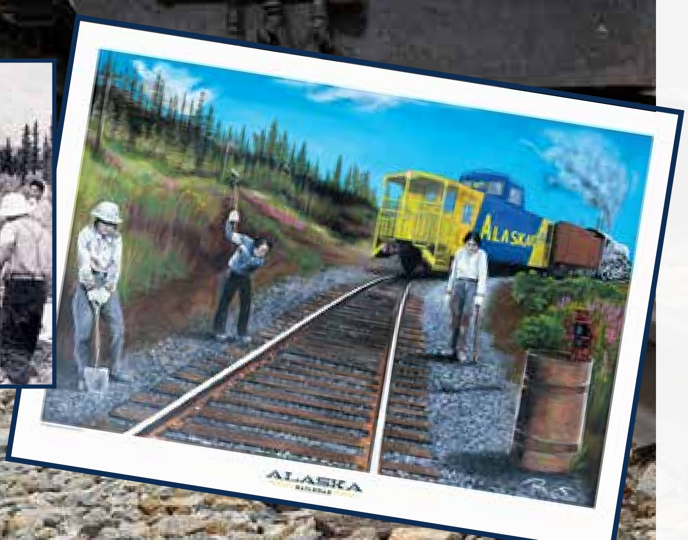
ARRC crews clear snow and debris following a January 2023 avalanche near Girdwood.

enhance our visibility and attract a broader pool of applicants. This low-cost investment has yielded significant returns, enabling us to remain competitive amidst a challenging labor landscape.

While our centennial year and celebration in Nenana was a momentous milestone for the Alaska Railroad, 2023 was not our destination; rather, we are looking well beyond 2023 and forging ahead into our next 100 years of operations. As a young state with minimal transportation infrastructure, Alaska requires continued partnership across all sectors in order for us to reach more opportunities and connect with changing development needs. Our five-year capital improvement plan released in December totals nearly $470 million dollars across a variety of funding sources, including $155 million of internally generated funds. Being a leader in the economic development of Alaska first requires continual improvements to our existing infrastructure to meet current and future demands. Over the past century the railroad has proven itself to be both nimble and resilient, adjusting to opening and closing markets; a self-sustaining entity that is forward looking and self-correcting. As we move into the next 100 years, we will continue the hard work and service to Alaska that brought us here.

Bill O'Leary | President and CEO

John Shively | Board Chair



Released in late 2023, ARRC's official 2024 art print titled *Women on the Railroad*, celebrates the all-women, Athabascan crew of section hands working near Cantwell in the 1940's. Artist is ARRC employee Riana Sather.

Annual art prints, posters, pins and rail tickets are available for donation as part of ARRC's corporate giving program. This year ARRC supported over 250 non-profits with over $220,000 of in-kind donations.

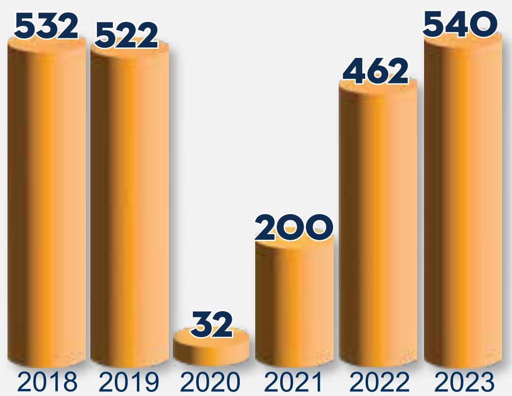
ARRC Conductor Michelle Flanagan Castro in Nenana on July 15.

BUSINESS HIGHLIGHTS

PASSENGER BUSINESS

The railroad's passenger business saw its highest level of ridership with 540,329 total passengers in 2023, besting pre-pandemic ridership in 2018 that saw 531,611 passengers.

Passenger Ridership (in thousands)

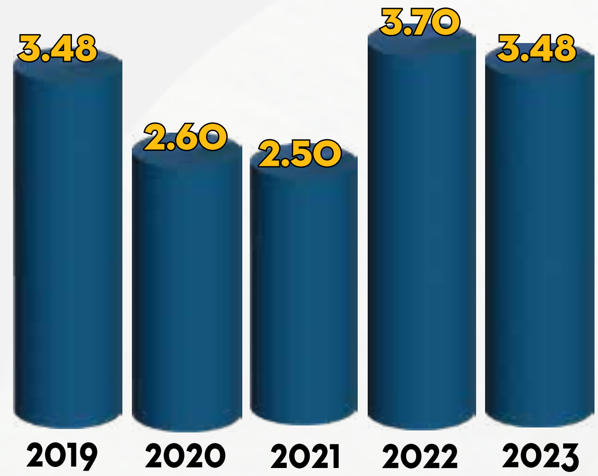


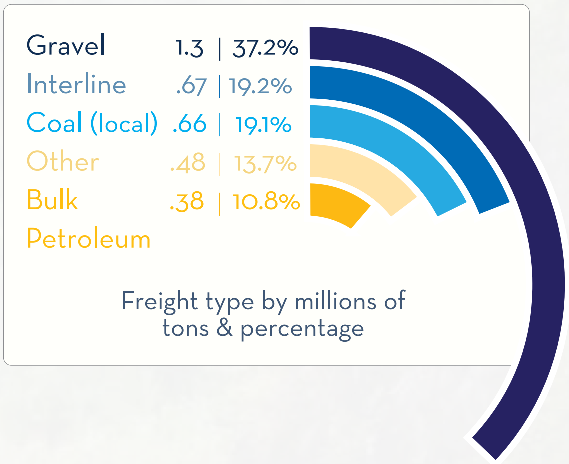
Onboard Services Manager Alana Nerup leads a team of tour guides to Nenana. Operating since 1981, the tour guide program provides hands-on hospitality training to high school students aboard summer passenger trains.

Railroaders in Nenana on July 15, celebrating 100 years of railroad history.

FREIGHT BUSINESS

Total Freight Tonnage (in millions of tons)

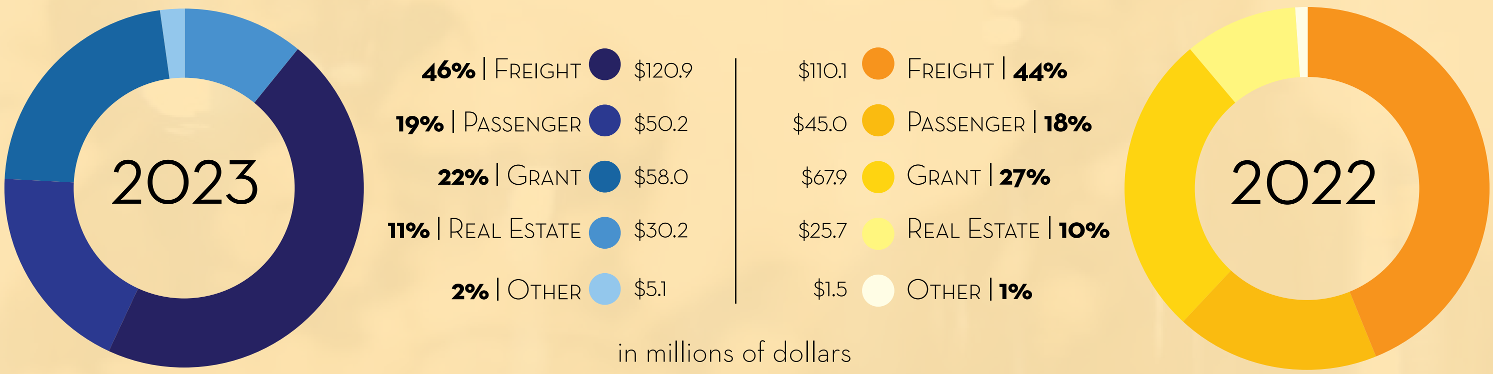




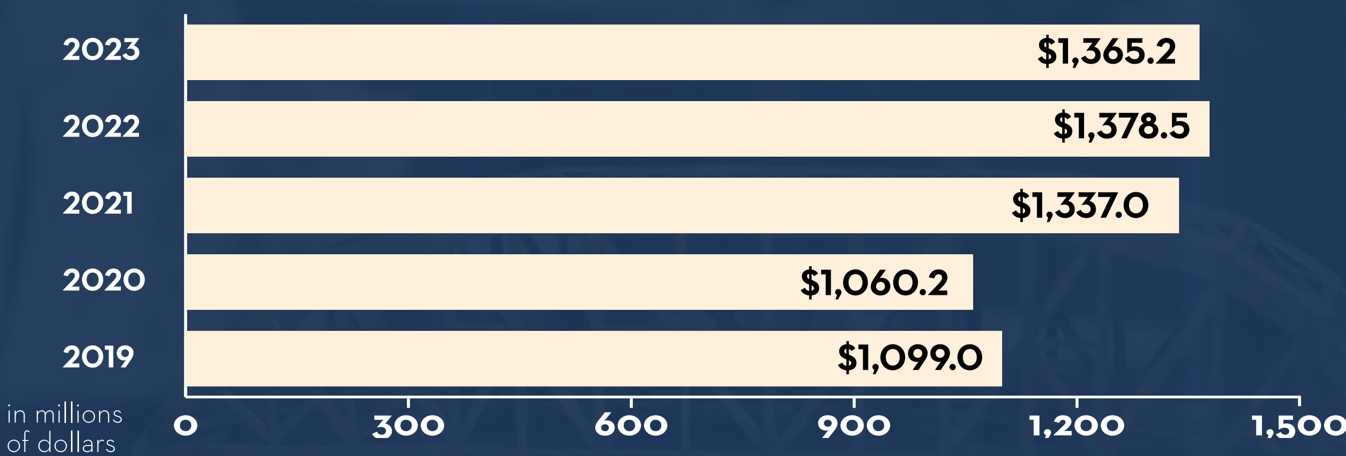
Freight type by millions of tons & percentage

North slope oil field activity kept freight business busy in 2023. Pipe departing Seward for projects north.

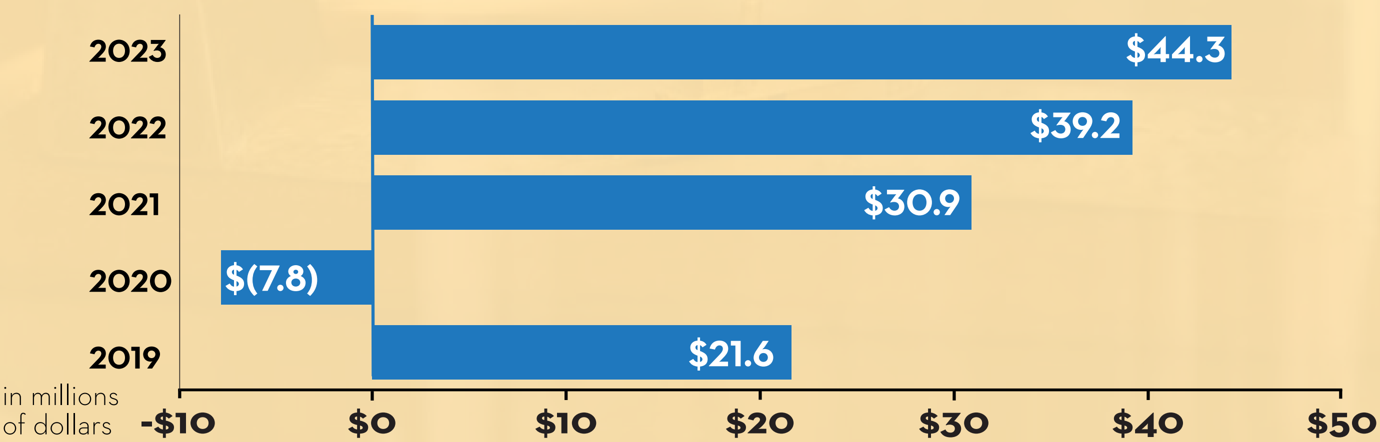
REVENUE SOURCES



TOTAL ASSETS



NET INCOME



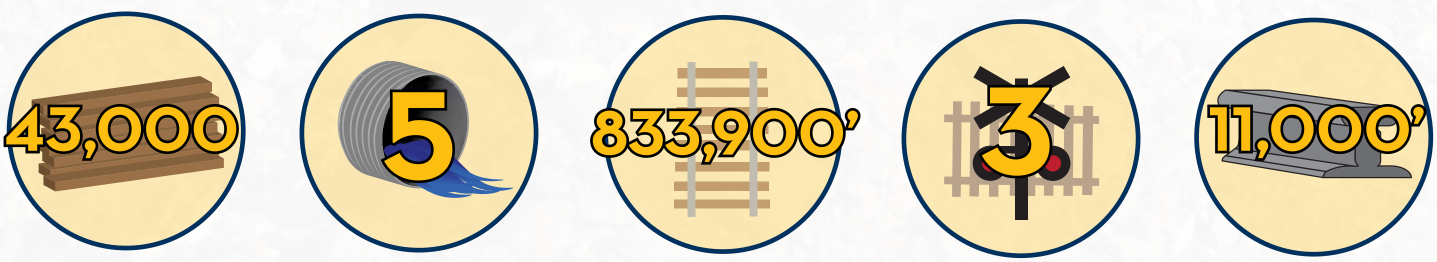
CAPITAL HIGHLIGHTS

BRIDGE CONSTRUCTION

Construction began on replacement of Bridge 25.4 crossing Falls Creek, about 4 miles south of Moose Pass. Existing structure is being replaced with a new 112-foot concrete ballast deck bridge.

Construction began on replacement of Bridge 25.7 crossing Lower Trail Lake about 4 miles south of Moose Pass. Existing structure is being replaced with a new 360-foot 12 span steel beam bridge.

MAINTENANCE-OF-WAY



In 2023, maintenance-of-way teams changed out over 43,000 hardwood ties and five mainline culverts, surfaced 833,900 feet of track, upgraded three railway crossings with full rebuilds, and relaid over 11,000 feet of rail (including upgrading plates and fasteners).

FINANCIAL HIGHLIGHTS

EARNINGS (IN THOUSANDS)

	2023	2022
Operating Revenues		
Freight	$120,905	$110,146
Passenger	50,240	44,996
Other	408	462
Grant	57,991	67,902
TOTAL OPERATING REVENUE	**229,544**	**223,506**
Operating Expenses	211,467	202,275
OPERATING INCOME	**18,077**	**21,231**
Non-Operating Revenues (Expenses):		
Net Real Estate Income	21,706	16,954
Gain on Sale of Capital Assets	1,542	72
Investment Income	3,162	924
Interest Expense	612	926
Grant Revenue	(824)	(918)
NET INCOME	**44,275**	**39,189**
Net position, Beginning of Year	440,562	401,373
NET POSITION, END OF YEAR	**$484,837**	**$440,562**
OPERATING RATIO	**0.92**	**0.91**

STATEMENT OF NET POSITION (IN THOUSANDS)

	2023	2022
Assets:		
Current Assets	$146,948	$171,006
Capital Assets	899,395	881,753
Restricted Assets	8,412	8,647
Other Assets	285,926	282,662
Deferred Outflows:		
Pension and Postretirement Actuarial	24,492	34,391
TOTAL ASSETS & DEFERRED OUTFLOWS	**1,365,173**	**1,378,459**
Liabilities:		
Current Liabilities	32,919	52,562
Other Liabilities	47,568	53,207
TOTAL LIABILITIES	**80,487**	**105,769**
Deferred Inflows:		
Pension and Postretirement Actuarial	14,516	20,219
Leases (GASB 87)	262,534	259,844
Unearned Grant Revenue	522,799	552,065
TOTAL LIABILITIES & DEFERRED INFLOWS	**880,336**	**937,897**
NET POSITION	**484,837**	440,562
TOTAL LIABILITIES & DEFERRED INFLOWS AND NET POSITION	**$1,365,173**	**$1,378,459**

March 29, 2024

In accordance with Alaska Statute (AS) 42.40.260, it is our pleasure to present the financial section of the Alaska Railroad Corporation's (ARRC) Annual Report for the fiscal year ending December 31, 2023.

The financial section of the Annual Report is presented in four parts:

- Management's Discussion and Analysis (MD&A) — provides an introduction, overview, and analysis of the basic financial statements
- The independent auditor's report on the basic financial statements
- The basic financial statements and accompanying notes
- Required supplementary information relating to the ARRC's defined benefit pension and other post-employment benefit plans

Whether an ARRC customer, creditor, or other resident of the State of Alaska, we hope you find this section of the Annual Report useful.

Sincerely,

Michelle Maddox

Michelle Maddox
Chief Financial Officer

Amy Kinnaman

Amy Kinnaman
Controller

ALASKA RAILROAD CORPORATION

Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

ALASKA RAILROAD CORPORATION

Table of Contents

ALASKA RAILROAD CORPORATION

Management's Discussion and Analysis (Unaudited)

December 31, 2023 and 2022

This section of the Alaska Railroad Corporation's (ARRC's) annual financial report presents management's discussion and analysis of the ARRC's financial performance during the years ended December 31, 2023 and 2022. Please read it in conjunction with the ARRC's financial statements, which follow this section.

Financial Highlights

The ARRC's total net position increased 10.0% during the course of this year's operations and increased 9.8% over the course of 2022 operations.

- During 2023, the ARRC's operating revenue was greater than operating expenses by $18.1 million, yielding an operating ratio of 0.92. Last year, operating revenue was greater than operating expenses by $21.2 million, yielding an operating ratio of 0.91.
- The total 2023 operating costs of the ARRC's programs were $211.5 million, an increase of 4.5% compared to last year. The total 2022 operating costs of the ARRC's programs were $202.3 million, an increase of 27.9% compared to last year.
- Expenditures on capital assets totaled $68.0 million during 2023, an increase of 27.6% compared to last year. Expenditures on capital assets totaled $53.3 million during 2022, a decrease of 2.9% compared to last year.
- Grant funding was used for $38.7 million, or 56.9%, of the 2023 capital expenditures. Grant funding was used for $33.4 million, or 62.6%, of the 2022 capital expenditures. These amounts were recorded as unearned revenue in the regulatory liabilities section of the statements of net position. Revenue associated with capital grants is recognized when the assets are depreciated. Grant revenue for capital assets equals grant depreciation expense in operations and real estate. More detailed information can be found in notes 4 and 8 to the financial statements.

Overview of the Financial Statements

The ARRC is a component unit of the State of Alaska and operates like a stand-alone business. The ARRC is subject to the jurisdiction of the Surface Transportation Board (STB), and the ARRC's rates for services are established by its board of directors and designed to recover the cost of providing the service. The financial statements report information about the ARRC using accounting methods similar to those used by private sector companies. This annual report consists of two parts – *management's discussion and analysis (this section)* and the *basic financial statements*. The basic financial statements consist of five statements that present information about the ARRC's overall financial status:

- Statement of net position – The statement of net position reports assets, deferred outflows, liabilities, deferred inflows, and net position of the ARRC. Assets and liabilities are segregated into current and noncurrent; that is, assets and liabilities that are expected to be received or liquidated within one year (current), and those that are not expected to be received or liquidated within one year (noncurrent). Net position, the difference between the ARRC's assets, liabilities, deferred outflows, and deferred inflows is one way to measure the ARRC's financial health. Over time, increases or decreases in the ARRC's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- Statement of revenues, expenses, and changes in net position – This statement reflects revenue earned from services and expenses incurred to operate the ARRC, as well as the activities of the ARRC not considered to be operations. All of the current year's revenue and expenses are accounted for in this statement, regardless of when cash is received or paid.

- Statement of cash flows – This statement reports activities of the ARRC as they affect cash balances.
- Statement of fiduciary net position – The statement of fiduciary net position reports assets, deferred outflows, liabilities, deferred inflows, and net position of the Defined Benefit Pension Plan and Defined Benefit Postretirement Medical Plan. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government wide financial statements because the resources of those funds are not available to support the ARRC's own programs.
- Statement of changes in fiduciary net position – This statement reflects additions to and deductions from the fiduciary net position. All of the current year's additions and reductions are accounted for in this statement, regardless of when cash is received or paid.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

In addition to the basic financial statements and accompanying notes, the financial statements present certain required supplementary information regarding the Defined Benefit Pension Plan and Defined Benefit Postretirement Medical Plan. The statements also include notes to the required supplementary information.

Financial Analysis of the Alaska Railroad Corporation

Net position – ARRC's net position increased 10.0% between fiscal years 2022 and 2023 to approximately $484.8 million. ARRC's net position increased 9.8% between fiscal years 2021 and 2022 to approximately $440.6 million.

		2023	2022	2021*
			(In thousands)	
Assets:				
Current assets	$	146,948	171,006	135,758
Capital assets		899,395	881,753	890,213
Other noncurrent assets		294,338	291,309	300,595
Total assets		1,340,681	1,344,068	1,326,566
Deferred outflows:				
Pension and postretirement		24,492	34,391	10,452
Total assets and deferred outflows	$	1,365,173	1,378,459	1,337,018
Liabilities:				
Current liabilities	$	32,919	52,562	42,977
Notes payable outstanding, less current installments		10,710	12,192	6,119
Revenue bonds payable, less current portion, net of a unamortized premiums		—	1,357	21,344
Net pension liability		26,220	32,387	—
Other liabilities		10,638	7,271	4,988

(Continued)

		2023	2022	2021*
			(In thousands)	
Deferred inflows:				
Pension and postretirement	$	14,516	20,219	47,913
Lease related		262,534	259,844	255,813
Regulatory liabilities:				
Unearned grant revenue		522,799	552,065	556,491
Total liabilities and deferred inflows	$	880,336	937,897	935,645
Net position:				
Net investment in capital assets	$	350,609	289,853	286,444
Restricted for reinvestment in infrastructure		134,228	150,709	114,929
Total net position	$	484,837	440,562	401,373

**ARRC adopted GASB 96 – SBITA's effective January 1, 2023 and retroactively adopted to January 1, 2022.*

Capital assets – Capital assets, net of accumulated depreciation increased $18.1 million in 2023, as expenditures on capital additions exceeded depreciation expense. Capital assets, net of accumulated depreciation decreased $8.5 million in 2022, as depreciation expense exceeded expenditures on capital additions. During 2023 and 2022, the ARRC continued an extensive capital improvement plan, including bridge rehabilitations and track refurbishing. Also during this time period, ARRC continued developing the federally mandated positive train control system. Capital expenditures also funded dock and slip work, and vehicle and equipment fleet replacements.

Long-term debt – Notes payable decreased $1.8 million and increased $5.7 million in 2023 and 2022, respectively. Revenue bonds payable decreased by $17.3 million and $16.5 million in 2023 and 2022, respectively. Revenue bonds were paid in full in 2023.

Regulatory liabilities – The STB regulate the ARRC's operations and has specific accounting requirements. The ARRC's board of directors establishes rates for services that are designed to recover the cost of providing the services. The ARRC records regulatory assets and liabilities, as allowed by Governmental Accounting Standards Board Codification Section Re. 10, *Regulated Operations*. The regulatory liability consists of unearned grant revenue relating to capital assets funded with federal grants. Unearned grant revenue decreased $29.3 million and decreased $4.4 million in 2023 and 2022, respectively. The changes in unearned grant revenue reflects the grant revenue received and/or recognized as the related capital assets are depreciated, partially offset by capital assets constructed with grant funding, as discussed in note 8.

(Continued)

Net other postemployment benefit assets and net pension assets / (liabilities) – The net postretirement benefits assets increased $0.9 million during 2023, as a result of favorable investment returns on plan assets. The net pension liability decreased $6.2 million during 2023, as a result of favorable investment returns on plan assets. The net postretirement benefits assets decreased $6.8 million during 2022, as a result of unfavorable investment returns on plan assets. The net pension liability increased $46.2 million during 2022, as a result of unfavorable investment returns on plan assets.

Deferred outflows and inflows – Deferred outflows or inflows of resources relating to pension and postretirement plans increase or decrease based on the net difference between actual and projected plan earnings, variances in plan activity versus projected activity, or changes in plan assumptions. The deferred outflows of resources will be recognized as expense and the deferred inflows of resources will be recognized as income during the years 2023 and later, as reflected in note 7. Deferred outflows of resources decreased $9.9 million and increased $23.9 million during 2023 and 2022, respectively. The decrease in deferred outflows was a result of favorable investment returns. Deferred inflows of resources decreased $27.1 million and $28.1 million during 2023 and 2022, respectively. The decrease in deferred inflows was primarily a result of a decrease in unearned grant revenue.

		2023	2022	2021*
			(In thousands)	
Deferred outflows:				
Postretirement actuarial (note 7)	$	8,785	9,624	3,831
Pension actuarial (note 7)		15,707	24,767	6,621
Total deferred outflows	$	24,492	34,391	10,452
Deferred inflows:				
Postretirement actuarial (note 7)	$	7,221	8,848	11,278
Pension actuarial (note 7)		7,295	11,371	36,635
Regulatory liability – unearned grant revenue (note 8)		522,799	552,065	556,491
Lease (Note 10)		262,534	259,844	255,813
Total deferred inflows	$	799,849	832,128	860,217

(Continued)

Change in net position – During 2023, ARRC reported a net income of $44.3 million, an increase of $5.1 million from ARRC's reported net income in 2022 of $39.2 million. During 2022, ARRC reported a net income of $39.2 million, an increase of $8.3 million from ARRC's reported net income in 2021 of $30.9 million.

		2023	2022	2021
			(In thousands)	
Operating revenue:				
Freight	$	120,905	110,146	77,495
Passenger		50,240	44,996	22,489
Other		408	462	648
Total transportation revenue		171,553	155,604	100,632
Grant revenue		57,991	67,902	65,548
Total		229,544	223,506	166,180
Operating expense:				
Transportation		46,795	45,789	35,444
Passenger		18,354	16,569	11,350
Advanced train control systems		1,718	1,382	814
Marketing and customer service		35,054	30,610	20,161
Mechanical		29,625	28,452	25,567
Engineering		59,862	56,831	55,016
Facilities		11,632	11,139	11,214
General and administrative		8,427	11,503	(1,433)
Total		211,467	202,275	158,133
Operating income (loss)		18,077	21,231	8,047
Nonoperating revenue (expenses):				
Real estate, net of expenses		21,706	16,954	12,769
Gain on sale of capital assets		1,542	72	10,334
Investment income		3,162	924	3
Interest expense		612	926	(166)
Grant revenue		(824)	(918)	(89)
Net income (loss)	$	44,275	39,189	30,898

Revenue – The ARRC's total revenue increased approximately 7.5% and totaled $264.4 million in 2023. Total revenue increased approximately 24.2% and totaled $246.0 million in 2022. Approximately 45.7% and 44.8% of the ARRC's revenue comes from freight revenue during 2023 and 2022, respectively, and 19.0% and 18.3% of the revenue comes from passenger services during 2023 and 2022, respectively. The majority of the remaining income relates to real estate activities and federal grant revenue.

Total transportation revenue for 2023 was $15.9 million more than 2022. The increase in transportation revenue is attributed to an increase in freight and passenger service demand.

(Continued)

Total transportation revenue for 2022 was $55.0 million more than 2021. The increase in transportation revenue is attributed to an increase in passenger service demand.

Grant revenue – Generally, federal grant revenue is recognized as the capital assets funded by the grants and are depreciated. The ARRC also recognizes grant revenue associated with maintenance expense and grant funded bond principal, interest, and issuance costs.

Operating expenses were $211.5 million in 2023, $202.3 million in 2022, and $158.1 million in 2021, an increase of $9.2 million, or 4.5%, from 2022 to 2023 and an increase of $44.1 million, or 27.9%, from 2021 to 2022. The increase in operating expenses over 2022 is attributed to an increase in contract expense, materials and supplies. The increase in operating expenses in 2022 over 2021 is attributed similarly in addition to an increase in utilities and fuel expense.

Real estate revenue was $30.2 million in 2023, $25.7 million in 2022, and $21.5 million in 2021, an increase of 17.2% from 2022 to 2023 and an increase of 19.7% from 2021 to 2022. The increase in real estate revenue is attributed to an increase in passenger dock revenue.

Real estate expenses were $8.4 million in 2023, $8.8 million in 2022, and $8.7 million in 2021, a decrease of 3.8% from 2022 to 2023 and an increase of 0.5% from 2021 to 2022.

Capital Asset and Debt Administration

Capital Assets

At the end of 2023, the ARRC had invested $899.4 million in a broad range of capital assets (net of accumulated depreciation) including land, road and roadway structures, equipment, and leasehold improvements. This amount represents a net increase (including additions and deductions) of $17.6 million, or 2.0%, over last year. The amount in 2022 represents a net decrease (including additions and deductions) of $8.5 million, or 1.0% over 2021. Grants have funded $391.8 million, $407.1 million, and $429.2 million of the assets, net of accumulated depreciation at the end of 2023, 2022 and 2021, respectively.

	2023	2022	2021
		(In thousands)	
Land and improvements	$ 41,828	41,828	41,649
Road materials and supplies	34,398	24,017	21,863
Road and roadway structures	541,466	562,765	582,295
Equipment	151,511	158,417	166,288
Leasehold improvements	1	1	3
Quarry improvements	2,901	3,095	3,095
Construction in progress	116,309	86,665	74,009
Lease assets	10,981	4,965	1,011
Total capital assets, net of accumulated depreciation	$ 899,395	881,753	890,213

The ARRC's fiscal year 2024 capital budget approved spending another $107.5 million for capital projects, principally for continued track and bridge rehabilitation, planned replacement of equipment, and other infrastructure improvements. The ARRC intends to use federal grant funding for $85.1 million of the capital additions. The remaining capital projects will be funded out of current and prior year earnings, cash flow and debt funding. Additional detailed information about the ARRC's capital assets is presented in note 4 to the financial statements.

Long-Term Debt

At the end of 2023, the ARRC had $12.2 million in notes payable outstanding, a decrease of 12.7% from 2022. The revenue bonds were paid in full in 2023. At the end of 2022, the ARRC had $14.0 million in notes payable outstanding, an increase of 69.2% from 2021, and $18.9 million in revenue bonds payable outstanding, a decrease of 50.2% from 2021.

In early 2024, the ARRC issued $9.9 million in notes payable for a new equipment lease as part of its continuing capital investment program.

Bond Rating

During June 2015, Moody's issued an "A3" rating with a stable outlook and Standard & Poor's issued an "A" rating with a stable outlook in association with the ARRC's Capital Grant Receipts Bonds, Series 2015A and 2015B.

More detailed information about ARRC's bond-funded activities is presented in note 6 to the financial statements.

Next Year's Budget

The 2024 budgets for freight and passenger revenue are $126.8 million and $52.2 million, respectively. ARRC's net position is expected to increase $35.5 million, or approximately 7.3%, by the close of 2024.

Contacting the ARRC's Financial Management

This financial report is designed to provide residents of the State of Alaska and customers and creditors with a general overview of the ARRC's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Alaska Railroad Corporation, P.O. Box 107500, Anchorage, Alaska 99510-7500, 907-265-2300, or visit the Web site at www.alaskarailroad.com.

KPMG LLP
Suite 200
3800 Centerpoint Drive
Anchorage, AK 99503

Independent Auditors' Report

The Board of Directors
Alaska Railroad Corporation:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Alaska Railroad Corporation (Corporation), a component unit of the State of Alaska, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation, as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 Corporation'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.

Auditors' 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 auditors' 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 Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1-7 and the schedules and notes thereon related to the Corporation's defined-benefit pension plan and other postemployment benefit plan on pages 56-66 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 GAAS, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits 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 annual report but does not include the basic financial statements and our auditors' 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 audits 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.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of the Corporation'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 Corporation'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 the Corporation's internal control over financial reporting and compliance.

KPMG LLP

Anchorage, Alaska
March 29, 2024

ALASKA RAILROAD CORPORATION

Statements of Net Position

December 31, 2023 and 2022

(In thousands)

Assets and Deferred Outflows		**2023**	**2022**
Current assets:			
Cash and cash equivalents (note 3)	$	85,094	84,841
Accounts receivable, net of allowance for doubtful accounts of $794 in 2023 and $725 in 2022		23,074	20,932
Lease receivable (note 10)		13,457	13,184
Grants receivable		6,664	16,513
Materials and supplies		13,039	11,964
Prepaid expenses and other current assets		4,193	2,908
Under recovery of vehicle and equipment allocated costs (note 2(k))		248	1,017
Restricted assets (note 3)		1,179	19,647
Total current assets		146,948	171,006
Capital assets, net (notes 2(q), 4, 8, and 10)		899,395	881,753
Restricted assets (note 3)		8,412	8,647
Lease receivable (note 10)		247,066	244,669
Net other postemployment benefit (OPEB) asset (note 7)		38,842	37,975
Other assets		18	18
Total assets		1,340,681	1,344,068
Deferred outflows:			
Postretirement actuarial (note 7)		8,785	9,624
Pension actuarial (note 7)		15,707	24,767
Total deferred outflows		24,492	34,391
Total assets and deferred outflows	$	1,365,173	1,378,459
Liabilities, Deferred Inflows, and Net Position			
Current liabilities:			
Current portion of notes payable (notes 5 and 6)	$	1,482	1,777
Accounts payable and accrued liabilities		12,513	16,164
Payroll liabilities (note 11)		12,543	12,651
Lease and SBITA liability (notes 2(n) and 10)		3,701	1,504
Environmental remediation reserve (notes 5 and 12)		241	296
Interest payable		15	380
Unearned revenue		2,424	2,475
Current portion of revenue bonds payable (notes 5 and 6)		—	17,315
Total current liabilities		32,919	52,562
Notes payable, less current portion (notes 5 and 6)		10,710	12,192
Revenue bonds payable (net of unamortized premiums), less current portion (notes 5 and 6)		—	1,357
Lease and SBITA liability (notes 2(n) and 10)		6,942	3,149
Environmental remediation reserve, less current portion (notes 5 and 12)		2,113	2,078
State of Alaska advances (note 5)		1,260	1,285
Unearned revenue – long term		323	759
Net pension liability (note 7)		26,220	32,387
Total liabilities		80,487	105,769
Deferred inflows:			
Postretirement actuarial (note 7)		7,221	8,848
Pension actuarial (note 7)		7,295	11,371
Lease related (note 10)		262,534	259,844
Regulatory liability – unearned grant revenue		522,799	552,065
Total deferred inflows		799,849	832,128
Total liabilities and deferred inflows		880,336	937,897
Net position:			
Net investment in capital assets (note 4)		350,609	289,853
Restricted for reinvestment in infrastructure (notes 2(a) and 2(l))		134,228	150,709
Total net position		484,837	440,562
Commitments and contingencies (notes 5, 6, 7, 10, 11, 12, and 13)			
Total liabilities, deferred inflows, and net position	$	1,365,173	1,378,459

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Operating revenues:			
Freight	$	120,905	110,146
Passenger		50,240	44,996
Other		408	462
		171,553	155,604
Grant revenue (note 8)		57,991	67,902
		229,544	223,506
Operating expenses:			
Transportation		46,795	45,789
Passenger		18,354	16,569
Advanced train control systems		1,718	1,382
Marketing and customer service		35,054	30,610
Mechanical		29,625	28,452
Engineering		59,862	56,831
Facilities		11,632	11,139
General and administrative, net of indirect cost recovery of $1,907 in 2023 and $2,065 in 2022		8,427	11,503
		211,467	202,275
Operating income		18,077	21,231
Nonoperating revenues (expenses):			
Real estate income, less direct expenses of $8,447 in 2023 and $8,781 in 2022 (notes 6 and 10)		21,706	16,954
Gain on sale of capital assets		1,542	72
Investment income		3,162	924
Interest expense		612	926
Grant revenue (note 8)		(824)	(918)
Total nonoperating revenues		26,198	17,958
Net income		44,275	39,189
Net position, beginning of year		440,562	401,373
Net position, end of year	$	484,837	440,562

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Cash Flows

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Receipts from customers	$	169,411	148,529
Operating grants received		14,965	24,091
Payments to suppliers		(78,520)	(67,196)
Payments to employees		(70,478)	(66,581)
Net cash provided by operating activities		35,378	38,843
Cash flows from capital and related financing activities:			
Principal payments on long-term debt		(20,449)	(21,297)
Proceeds from long-term debt		—	7,850
Interest payments on long-term debt		247	586
Grant received for interest expense		(824)	(918)
Purchases and construction of capital assets		(84,600)	(50,929)
Proceeds from sales of capital assets		1,576	86
Grants and advances received for construction of capital assets		23,584	42,407
Net cash used for capital and related financing activities		(80,466)	(22,215)
Cash flows from investing activities:			
Real estate income and related cash flows		29,687	25,796
Real estate direct expenses paid		(6,211)	(6,000)
Net sales (purchases) of restricted investments		18,703	(7,606)
Interest received		3,162	924
Net cash provided by investing activities		45,341	13,114
Net increase in cash and cash equivalents		253	29,742
Cash and cash equivalents at beginning of year		84,841	55,099
Cash and cash equivalents at end of year	$	85,094	84,841
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	18,077	21,231
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		67,503	65,677
Grant revenue associated with capital assets		(43,026)	(43,811)
Changes in operating assets and liabilities that provided (used) cash:			
Materials and supplies		(1,075)	(76)
Accounts receivable		(2,142)	(7,075)
Prepaid expenses and other assets		(1,285)	(331)
Accounts payable and accrued liabilities		(477)	2,544
Over recovery of vehicle and equipment allocated costs		769	(1,916)
Payroll liabilities		(108)	1,463
Environmental remediation reserve		(20)	(132)
Accrued postretirement and pension benefits		(2,838)	1,269
Net cash provided by operating activities	$	35,378	38,843
Supplemental schedule of noncash investing and capital and related financing activities:			
Depreciation included in real estate activity	$	2,236	2,781
Capital assets acquired through accounts payable		3,152	6,326

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Fiduciary Net Position

December 31, 2023 and 2022

(In thousands)

Assets		2023	2022
Cash and cash equivalents (note 3)	$	693	1,095
Investments (note 3), at fair value:			
Mutual funds		235,704	205,815
Investment trust funds		80,259	80,900
Total assets	$	316,656	287,810
Liabilities and Net Position			
Accrued expenses	$	288	129
Claims payable		904	206
Total liabilities		1,192	335
Net position:			
Restricted for pension benefits and postemployment healthcare benefits		315,464	287,475
Total net position		315,464	287,475
Total liabilities and net position	$	316,656	287,810

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Additions:			
Contributions:			
Employer	$	3,148	2,673
Employee		5,328	4,987
Total contributions		8,476	7,660
Investment income:			
Net increase (decrease) in fair value of investments (note 3)		26,263	(47,516)
Interest, dividends, and other		7,691	8,641
Total investment income (loss)		33,954	(38,875)
Investment costs		761	639
Net investment income (loss)		33,193	(39,514)
Total additions (deductions)		41,669	(31,854)
Deductions:			
Pension and postemployment benefits		13,159	10,793
Administrative		522	427
Total deductions		13,681	11,220
Net increase (decrease)		27,988	(43,074)
Net position restricted for pension benefits and postemployment healthcare benefits:			
Beginning of year		287,476	330,549
End of year	$	315,464	287,475

See accompanying notes to financial statements.

(1) Organization and Operations

The United States Congress authorized construction of the Alaska Railroad (ARR) in 1914 and operations began in 1923. The federal government operated the railroad until its sale to the State of Alaska in January 1985. The sale of the ARR to the State of Alaska was authorized under the Alaska Railroad Transfer Act of 1982, which was signed into law on January 14, 1983. The State of Alaska legislature created the Alaska Railroad Corporation (ARRC), a component unit of the State of Alaska, to own and operate the railroad and to manage the railroad's rail, industrial, port, and other properties. The ARRC commenced operations on January 6, 1985. The investment by the State of Alaska as of December 31, 2023 and 2022 was $34.17 million.

The ARRC operates 683 track miles, providing both freight and passenger services. The ARRC serves the cities of Anchorage and Fairbanks, the ports of Whittier, Seward, and Anchorage, as well as Denali National Park and military installations. Vessel and rail barge connections are provided from Seattle, Washington.

(2) Summary of Significant Accounting Policies

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and revenue and expenses for the reporting period. Actual results could differ from these estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below:

(a) Basis of Accounting

As a component unit of the State of Alaska and for the purpose of preparing financial statements in accordance with accounting principles generally accepted in the United States of America, the ARRC is subject to the accounting requirements as set forth by the Governmental Accounting Standards Board (GASB).

The ARRC is an enterprise fund of the State of Alaska. Accordingly, the financial activities of the ARRC are reported using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The ARRC acts as trustee or fiduciary for its employee pension and other postemployment benefit (OPEB) plans. In addition, it is also responsible for other assets that, because of trust arrangements, can be used only for the trust beneficiaries. The ARRC's fiduciary activities are reported in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. These funds, which include pension and OPEB are reported using accrual accounting. Fiduciary Funds are not reflected in the government wide financial statements because the resources of those funds are not available to support the ARRC's own programs.

The ARRC is subject to the jurisdiction of the Surface Transportation Board (STB) and the ARRC's rates for services are established by the board of directors and designed to recover the cost of providing the service. Accordingly, the ARRC follows the provisions of GASB Codification Section Re. 10, *Regulated Operations*.

The ARRC's board of directors has adopted a resolution requiring a measure of net income in the statement of revenues, expenses, and changes in net position. The ARRC's board of directors has also adopted a resolution restricting net position for reinvestment in infrastructure.

(b) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include time deposits, money market accounts, money market mutual funds, and repurchase agreements with original maturities of three months or less at the time of purchase. Restricted assets are excluded from cash and cash equivalents for purposes of the statements of cash flows.

Money market accounts are valued at amortized cost. Money market mutual funds are recorded at fair value, which is determined by management based on published market prices and quotations from national exchanges.

(c) Materials and Supplies

Materials and supplies inventories are carried at the lower of weighted average cost or market. Road materials and supplies include rail, ties, ballast, and other track materials. These items will generally be capitalized when placed into service and, accordingly, are included in capital assets.

(d) Capital Assets

Capital assets (excluding intangible right-to-use lease and subscription-based information technology arrangement (SBITA) assets) are stated at cost. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the related assets, ranging from 3 to 32 years.

(e) Restricted Assets

Restricted assets include interest bearing savings and money market mutual fund accounts, and are reported at fair value. These assets are restricted as to use by the terms of grant, trust, bond, debt service, or other third-party agreements.

(f) Regulatory Assets and Liabilities

The ARRC's rates for services are established by the board of directors and are designed to recover the cost of providing the service. For purposes of establishing rates, the ARRC defers the recognition of grant revenue relating to depreciable capital assets funded with grants and amortizes the unearned amounts over the life of the related capital assets. This unearned revenue is reported as deferred inflows because all eligibility criteria have been met.

(g) Operations

The ARRC considers all revenues and expenses related to the transportation of freight and passengers, including general and administrative costs, to be operating revenues and expenses. Revenues and expenses associated with leasing and permitting ARRC property are not considered a part of the ARRC's primary operations and are reported as non-operating activities.

(Continued)

(h) Grants

Grant revenue is recognized when all eligibility requirements have been met; however, revenue for grants expended for depreciable capital assets is recognized over the period in which the asset is depreciated, as described in note 2(f).

(i) Income Taxes

As a corporation owned by the State of Alaska, the ARRC is exempt from federal and state income taxes.

(j) Environmental Remediation Costs

The ARRC accrues for losses, including legal fees, associated with environmental remediation obligations based on obligating events as defined under GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* Costs of future expenditures for environmental remediation liabilities are not discounted to their present value.

(k) Vehicle and Equipment Allocated Costs

The ARRC's vehicle and equipment costs for maintenance, fuel, depreciation, and leases are recorded in the vehicle and equipment cost pool. These costs are recovered through various responsibility centers through a fixed charge rate based on usage of vehicles and equipment. Any over recovery or under recovery of actual vehicle and equipment cost is applied against fixed charge rates in subsequent years.

(l) Net Position

As of December 31, 2023 and 2022, the ARRC's board of directors has restricted $134.2 million and $150.7 million, respectively, of net position for reinvestment in infrastructure.

(m) Pensions and Defined-Benefit Postretirement Medical Plan

For purposes of measuring the net pension liability, net other post-employment benefit asset (OPEB), deferred outflows of resources and deferred inflows of resources related to pension and OPEB assets, and pension and OPEB expenses, information about the fiduciary net position of the ARRC's defined-benefit plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The fair value for mutual fund investments is determined based on published market prices and quotations from national security exchanges. The fair value of real estate and collective funds is determined based on the net asset value per share of the fund.

(n) Leases (Lessee and Lessor) and Subscription-Based Information Technology Arrangements

The ARRC is a lessee for various noncancellable leases and subscription-based information technology arrangements (SBITA). For leases and SBITA's with a maximum possible term of 12 months or less at commencement, ARRC recognizes expense based on the provisions of the contract. For leases and SBITA's greater than 12 months, ARRC recognizes a liability and an intangible right-to-use asset.

(Continued)

The ARRC leases a significant portion of its real property to various parties. For non-cancellable leases with a term of more than 12 months, including any extension options reasonably certain to exercise, the ARRC recognizes a lease receivable and a deferred inflow of resources. ARRC measures the lease receivable at the present value of receipts expected to be received during the lease term. The deferred inflow is measured as the lease receivable plus amounts received in advance. Significant consideration and professional judgement was given in the selection and use of this rate methodology to ensure it reflects the fair value of properties being leased and includes an interest factor that reflects the receipt of money over time. Rates will be updated the first of every calendar year. Such changes will only impact newly issued or remeasured leases. The ARRC monitors changes in circumstances that may require remeasurement of a lease. Lease basis amounts are reported as current and long term lease receivables and deferred inflow on the balance sheet. The lease receivable is amortized on an effective interest method basis over the lease term. Annual lease revenue is recognized as real estate revenue.

(o) Recently Issued Accounting Pronouncements Not Yet Adopted

GASB Statement No. 101, Compensated Absences was issued in June 2022. The Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability as long as it is identified as a net change. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. ARRC is currently analyzing the impact of the new standard on its financial statements and related disclosures.

GASB Statement No. 102 (GASB 102), Certain Risk Disclosures was issued in December 2023. The Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement apply to the financial statements of all state an local governments and are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. ARRC is currently analyzing the impact of the new standard on its financial statements and related disclosures.

(p) Recently Adopted Accounting Pronouncements

GASB Statement No. 96 (GASB 96), Subscription-Based Information Technology Arrangements (SBITA) was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The ARRC adopted GASB 96 effective January 1, 2023 retroactively to January 1, 2022. The adoption did not impact net position at January 1, 2022.

GASB Statement NO. 99 (GASB 99), Omnibus 2022 was issued April 2022. The Statement enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics including issues related to lease implementation, derivative instruments, nonmonetary transactions, public-private and public-public partnerships and availability payment arrangements, SBITAs, LIBOR, SNAP and other terminology updates. Specifically, the paragraphs implemented for fiscal year ended December 31, 2023 address the following topics:

Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives (paragraphs 11-17).

Clarification of provisions in Statement No. 96 SBITAs related to terms and definitions: subscription termination, short-term SBITAs, and measurement of subscription liabilities (paragraph 23-25).

ARRC adopted GASB 99 effective January 1, 2023.

(3) Deposits and Investment Risk

ARRC's restricted assets are reported on the statements of net position as follows at December 31, 2023 and 2022:

		2023	2022
		(In thousands)	
Restricted assets – current:			
Money market mutual funds	$	1,179	19,647
		1,179	19,647
Restricted assets – non-current:			
Interest bearing savings		98	106
Money market mutual funds		8,314	8,541
		8,412	8,647
	$	9,591	28,294

The assets are restricted by the terms of grant, trust, bond, debt service, or other agreements and are summarized as follows at December 31, 2023 and 2022:

Description of restriction		2023	2022
		(In thousands)	
Capital assets as authorized by the Department of Natural Resources	$	98	106
Advance grant funding		411	427
Equipment purchase		7,901	7,851
State of Alaska advance funding for Northern Rail Extension		1,175	1,187
Debt service reserve 2015A and 2015B		4	18,460
Debt service reserve 2012A and 2012B for notes payable		2	263
	$	9,591	28,294

(a) ARRC Investments and Deposits

ARRC's cash and cash equivalents consist of the following at December 31, 2023 and 2022:

		2023	2022
		(In thousands)	
Cash	$	9,302	8,176
Money market deposit accounts		19,348	10,167
Money market mutual funds		56,444	66,498
	$	85,094	84,841

(i) Custodial Credit Risk

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the ARRC's deposits may not be returned to it. For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the ARRC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The ARRC's Investment Policy requires that all investments be collateralized and/or insured.

At December 31, 2023, the ARRC's carrying amount of cash and cash equivalents was $85.1 million and the bank balance was $86.1 million. Of the bank balance, $250,000 per institution was covered by federal depository insurance, $75.8 million represents money market funds held by the ARRC's agent in the ARRC's name, and the remaining balance is uncollateralized. At December 31, 2023, the ARRC's carrying amount and bank balance of restricted assets was $9.6 million, all of which was held by a custodian bank in ARRC's name.

At December 31, 2022, the ARRC's carrying amount of cash and cash equivalents was $84.8 million and the bank balance was $85.7 million. Of the bank balance, $250,000 was covered by federal depository insurance, $76.7 million represents money market funds held by the ARRC's agent in the ARRC's name, and the remaining balance is uncollateralized. At December 31, 2022, the ARRC's carrying amount and bank balance of restricted assets was $28.2 million, all of which was held by a custodian bank in ARRC's name.

(ii) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The ARRC's Investment Policy limits investment maturities to five years or less as a means of managing its exposure to fair value losses arising from increasing interest rates. The ARRC uses the specific identification method to report maturities of investments.

(iii) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The ARRC's Investment Policy authorizes the ARRC to invest in U.S. Treasury and agency obligations, state and local government obligations, corporate bonds, certificates of deposit, bankers' acceptances, commercial paper, asset-backed securities, and money market funds. The ARRC's cash and cash equivalents and its restricted assets consist primarily of money market funds, which are excluded from credit risk disclosure requirements.

(iv) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The ARRC Investment Policy places no limit on the amount the ARRC may invest in any one issuer.

(v) Foreign Currency Risk

Foreign currency risk arises when changes in foreign exchange rates will adversely affect the fair value of an investment. ARRC does not have a policy to limit foreign currency risk associated with investment funds. ARRC does not have exposure to foreign currency risk in its investment funds at December 31, 2023 or 2022.

(vi) Fair Value Measurements

The ARRC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The ARRC has the following recurring fair value measurements as of December 31, 2023 and 2022:

		Fair value measurements using		
	December 31, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Investments by fair value level:				
Cash and cash equivalents:				
Money market mutual funds	$ 56,444	56,444	—	—
Restricted assets:				
Money market mutual funds	9,493	9,493	—	—
Total investments by fair value level	$ 65,937	65,937	—	—

		Fair value measurements using		
	December 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Investments by fair value level:				
Cash and cash equivalents:				
Money market mutual funds	$ 66,498	66,498	—	—
Restricted assets:				
Money market mutual funds	28,188	28,188	—	—
Total investments by fair value level	$ 94,686	94,686	—	—

Mutual funds are recorded at fair value, which is determined by management based on published market prices and quotations from national exchanges.

(b) *Fiduciary funds deposits and investment risk*

Cash and cash equivalents consist of $693 thousand and $1.1 million at December 31, 2023 and 2022, respectively.

(i) Custodial Credit Risk

The fiduciary funds' Investment Policies require that all investments be collateralized and/or insured.

At December 31, 2023 and 2022, the fiduciary fund's carrying amount of cash and cash equivalents and the bank balance was $693 thousand and $1.1 million, respectively. All balances are insured or collateralized as of each year-end.

(ii) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fiduciary Funds' Investment Policies require five year rolling time-weighted rates of return, on a risk-adjusted basis which are tied to plan benchmarks. The Fiduciary Funds' Investment Managers monitor, report and evaluate all variances against the benchmarks and the strategies to manage its exposure to fair value losses arising from increasing interest rates.

(iii) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The Fiduciary Funds' Investment Policies authorizes investments in domestic and international equities, real estate, commodities and fixed income. The Fiduciary Funds' cash and cash equivalents consist primarily of deposit accounts, which are excluded from credit risk disclosure requirements.

(iv) Concentration of Credit Risk

The Fiduciary Funds have certain investments that exceed 5% of their total investment balances as of December 31 as follows (in thousands):

Investment		2023	2022
MFS International Equity	$	38,649	33,568
Vanguard		30,093	26,924
T Rowe Price		27,035	23,926
HOTCHKIS & Wiley		24,358	21,233
Metropolitan West		22,932	19,223
Morgan Stanley Prime Property		19,416	20,609
MFS Mid Cap		18,424	N/A
JP Morgan		18,346	17,716
RREEF		18,315	21,672
T.Rowe Price		16,881	N/A
DFA		15,986	N/A
Rimrock		N/A	14,693

(v) Foreign Currency Risk

Foreign currency risk arises when changes in foreign exchange rates will adversely affect the fair value of an investment. The Fiduciary Funds do not have policies to limit foreign currency risk associated with investment funds. The Fiduciary Funds do not have exposure to foreign currency risk in their investment funds.

(vi) Fair Value Measurements

The Fiduciary Funds categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fiduciary Funds have the following recurring fair value measurements as of December 31, 2023 and 2022:

		Fair value measurements using		
	December 31, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Investments by fair value level:				
Pension trust fund:				
Mutual funds	$ 188,833	188,833	—	—
OPEB trust fund:				
Mutual funds	46,871	46,871	—	—
Total investments by fair value level	235,704	235,704	—	—
Investments measured at net asset value (NAV):				
Investment trust funds	80,259			
Total investments measured at the NAV	80,259			
Total investments	$ 315,963			

		Fair value measurements using		
	December 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Investments by fair value level:				
Pension trust fund:				
Mutual funds	$ 163,760	163,760	—	—
OPEB trust fund:				
Mutual funds	42,055	42,055	—	—
Total investments by fair value level	205,815	205,815	—	—
Investments measured at net asset value (NAV):				
Investment trust funds	80,900			
Total investments measured at the NAV	80,900			
Total investments	$ 286,715			

Mutual funds are recorded at fair value, which is determined by management based on published market prices and quotations from national exchanges.

The valuation method for investments measured at NAV per share (or its equivalents) is presented as follows for December 31, 2023 and 2022:

	December 31, 2023 Fair value (in thousands)	Unfunded commitment	Redemption frequency (if currently eligible	Redemption notice period
Investment trust funds:				
Equities/Equity funds (a)	$ 42,528	—	Monthly	None
Real estate trust funds (b)	37,731	—	Quarterly	45-90 days
Total trust funds	$ 80,259	—		

		December 31, 2022 Fair value	Unfunded commitment	Redemption frequency (if currently eligible	Redemption notice period
		(in thousands)			
Investment trust funds:					
Equities/Equity funds (a)	$	38,619	—	Monthly	None
Real estate trust funds (b)		42,281	—	Quarterly	45-90 days
Total trust funds	$	80,900	—		

(a) ***Equities and equity funds***. This type includes two funds that trade and invest in securities. These are investments in funds that speculate in equities. They buy securities in expectation of capital gains and potential dividend income.

(b) ***Real estate trust funds***. This type includes investments in two real estate funds. These funds make direct investments in real-estate holdings as well as indirect investments in real estate related mortgages and other securities. These funds invest in a range of commercial and residential real estate markets in the United States, Asia, and Europe. Distributions from each fund will be received as the underlying investments of the fund receive cash flows or are liquidated. It is expected that the underlying investments of the fund will be liquidated over the next 5-10 years, gradually, with realizations expected in each year. The fair value of each underlying investment is determined using the NAV per share (or its equivalent) of the ARRC's ownership interest in net equity. Once it has been determined that an underlying investment will be sold, the investment is typically sold in a competitive market process. The fund managers review offers and approve of the buyer prior to completion.

(4) Capital Assets

During 2002, the ARRC received initial approval from its federal cognizant agency, which was updated in 2005, of its indirect cost rate agreement. In compliance with Federal Transit Administration (FTA) Circulars, ARRC will continue to update its indirect cost rate proposal but will retain it on site and make it available for review during its annual financial audit. This agreement allows ARRC to allocate certain general and administrative expenses to grant-funded capital assets. Indirect costs allocated to capital assets under this agreement totaled $1.9 million and $2.1 million during the years ended December 31, 2023 and 2022, respectively.

The following tables summarize activity in the capital assets accounts during the years ended December 31, 2023 and 2022:

	Balance at January 1, 2023	Increases	Decreases	Balance at December 31, 2023
		(In thousands)		
Capital assets not being depreciated:				
Land and improvements	$ 41,828	—	—	41,828
Road materials and supplies	24,017	33,305	(22,924)	34,398
Construction in progress	86,665	68,010	(38,366)	116,309
Total capital assets not being depreciated	152,510	101,315	(61,290)	192,535
Capital assets being depreciated:				
Road and roadway structures	1,235,570	19,088	(678)	1,253,980
Equipment	545,665	19,279	(1,628)	563,316
Leasehold improvements	2,172	—	—	2,172
Total capital assets being depreciated	1,783,407	38,367	(2,306)	1,819,468
Capital assets being depleted:				
Quarry improvements	4,114	—	—	4,114
Less accumulated depreciation for:				
Road and roadway structures	672,805	40,381	(672)	712,514
Equipment	387,248	26,157	(1,600)	411,805
Leasehold improvements	2,171	—	—	2,171
Total accumulated depreciation	1,062,224	66,538	(2,272)	1,126,490
Less accumulated depletion for:				
Quarry improvements	1,019	194	—	1,213
Capital assets being depreciated and depleted, net excluding lease assets	724,278	(28,365)	(34)	695,879
Net capital assets, excluding lease assets	$ 876,788	72,950	(61,324)	888,414
Lease and SBITA assets, net (note 10)				10,981
Total capital assets, net as reported in the statement of net position				$ 899,395

	Balance at January 1, 2022	Increases	Decreases	Balance at December 31, 2022
		(In thousands)		
Capital assets not being depreciated:				
Land and improvements	$ 41,649	179	—	41,828
Road materials and supplies	21,863	17,385	(15,231)	24,017
Construction in progress	74,009	53,326	(40,670)	86,665
Total capital assets not being depreciated	137,521	70,890	(55,901)	152,510
Capital assets being depreciated:				
Road and roadway structures	1,213,254	22,316	—	1,235,570
Equipment	527,673	18,175	(183)	545,665
Leasehold improvements	2,172	—	—	2,172
Total capital assets being depreciated	1,743,099	40,491	(183)	1,783,407
Capital assets being depleted:				
Quarry improvements	4,114	—	—	4,114
Less accumulated depreciation for:				
Road and roadway structures	630,959	41,846	—	672,805
Equipment	361,385	26,032	(169)	387,248
Leasehold improvements	2,169	2	—	2,171
Total accumulated depreciation	994,513	67,880	(169)	1,062,224
Less accumulated depletion for:				
Quarry improvements	1,019	—	—	1,019
Capital assets being depreciated and depleted, net excluding lease assets	751,681	(27,389)	(14)	724,278
Net capital assets, excluding lease assets	$ 889,202	43,501	(55,915)	876,788
Lease and SBITA assets, net (note 10)				4,965
Total capital assets, net as reported in the statement of net position				$ 881,753

Depreciation was charged to the following departments during the years ended December 31, 2023 and 2022:

	2023		2022	
	Grant-funded depreciation	Nongrant-funded depreciation	Grant-funded depreciation	Nongrant-funded depreciation
	(In thousands)		(In thousands)	
Transportation	$ 9,836	2,487	9,880	2,206
Passenger	—	33	—	36
Marketing and customer service	—	482	—	514
Mechanical	3,434	7,523	3,217	7,359
Engineering	26,266	8,285	26,793	8,517
Facilities	3,345	1,647	3,566	1,625
General and administrative	145	819	355	1,031
Real estate	169	2,067	605	2,176
	$ 43,195	23,343	44,416	23,464

Net investment in capital assets is as follows at December 31, 2023 and 2022:

	2023	2022
	(In thousands)	
Net capital assets	$ 899,395	881,753
Capital assets acquired through accounts payable	(3,152)	(6,326)
Notes payable (note 6)	(12,192)	(13,969)
Lease liabilities (note 10)	(10,643)	(868)
Outstanding balance of revenue bonds (note 6)	—	(18,672)
Unearned grant revenue	(522,799)	(552,065)
	$ 350,609	289,853

(5) Long-Term Liabilities

Long-term liability activity is summarized as follows during the years ended December 31, 2023 and 2022:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Due within one year
			(In thousands)		
Long-term debt:					
Notes payable	$ 13,969	—	(1,777)	12,192	1,482
Revenue bonds payable	17,315	—	(17,315)	—	—
Plus (less) unamortized amounts:					
Issuance premiums	1,357	—	(1,357)	—	—
Total revenue bonds payable	18,672	—	(18,672)	—	—
Environmental remediation reserve	2,374	35	(55)	2,354	241
State of Alaska advances	1,285	—	(25)	1,260	—
Unearned revenue – long-term	1,169	—	(436)	733	410
Total long-term liabilities excluding lease and SBITA liabilities	$ 37,469	35	(20,965)	16,539	2,133
Lease liabilities and SBITA (note 10)				10,643	3,701
Total long-term liabilities as reported in statement of net position				27,182	5,834

		Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Due within one year
				(In thousands)		
Long-term debt:						
Notes payable	$	8,254	7,850	(2,135)	13,969	1,777
Revenue bonds payable		33,805	—	(16,490)	17,315	17,315
Plus (less) unamortized amounts:						
Issuance premiums		4,029	—	(2,672)	1,357	—
Total revenue bonds payable		37,834	—	(19,162)	18,672	17,315
Environmental remediation reserve		2,506	22	(154)	2,374	296
State of Alaska advances		1,380	—	(95)	1,285	—
Unearned revenue – long-term		1,411	—	(242)	1,169	410
Total long-term liabilities excluding lease and SBITA liabilities	$	51,385	7,872	(21,788)	37,469	19,798
Lease liabilities (note 10)					4,653	1,504
Total long-term liabilities as reported in statement of net position					$ 42,122	21,302

The ARRC has arrangements for two short-term unsecured lines of credit. The general purpose line of credit allows borrowing up to $10.0 million at rates of 78.5% to 100% of Secured Overnight Financing Rate (SOFR) average plus 1.45% to 1.85%. The self-insurance line of credit allows borrowing up to $10.0 million at rates of 78.5% to 100% of SOFR average plus 1.45% to 1.85%. None of the lines of credit had an outstanding balance at December 31, 2023 or 2022.

(6) Long-Term Debt

Long-term debt at December 31, 2023 and 2022 consists of the following:

	2023	2022
	(In thousands)	
Notes payable:		
Note payable, secured by real estate revenue, due in monthly payments of $36,210, including interest at 2.65%, matured on April 21, 2023	$ —	144
Note payable, secured by real estate revenue, due in monthly payments of $48,538, including interest at 2.65%, matured on April 21, 2023	—	192
Note payable, secured by equipment, due in monthly payments of $74,376, including interest at 2.21%, matures on December 17, 2029	5,011	5,783
Note payable, secured by equipment, due in monthly payments of $77,489 including interest at 3.46%, matures on December 23, 2032	7,181	7,850
	12,192	13,969
Less current portion	1,482	1,777
	$ 10,710	12,192
Revenue bonds:		
Revenue Bonds – Series 2015A and 2015B, interest at 4.0%–5.0%, payable semiannually on February 1 and August 1, secured by 5307 and 5337 FTA Formula Funds, matures on August 1, 2023	$ —	17,315
Less current portion	—	17,315
	$ —	—

In early 2024, the ARRC issued $9.9 million in notes payable for a new equipment lease as part of its continuing capital investment program.

Annual payments on debt are scheduled as follows at December 31, 2023:

	Notes payable		
	Principal	**Interest**	**Total**
		(In thousands)	
Years ending December 31:			
2024	$ 1,482	341	1,823
2025	1,524	299	1,823
2026	1,567	255	1,822
2027	1,611	211	1,822
2028	1,657	165	1,822
2029-2033	4,351	261	4,612
	12,192	$ 1,532	13,724
Current portion of principal	(1,482)		(1,482)
Total noncurrent portion	$ 10,710		12,242

State of Alaska Authorizations

Chapter 30, SLA 2022, authorized the ARRC to issue up to $60 million in revenue bonds to finance the replacement of a passenger dock and terminal facility in Seward. To date, no bonds have been issued.

Chapter 8, SLA 2015, authorized the ARRC to issue up to $37 million in revenue bonds to finance a positive train control rail transportation safety project that qualifies for federal financial participation and associated costs. To date, $34.7 million in bonds have been issued, with a premium of $5.1 million.

(7) Employee Benefits

(a) Alaska Railroad Corporation Pension Plan

The ARRC has a single-employer defined-benefit-pension plan (the Plan) administered by the Tax Deferred Savings and Pension Committee covering all regular represented and non-represented employees who are not covered by the Civil Service Retirement System (CSRS). Benefits provided by the Plan include retirement, disability, and death benefits. Benefit terms and contribution rates are established and amended under the authority of the Board of Directors. Benefits under this Plan are based upon the employee’s years of service and final average compensation. The ARRC’s funding policy is to contribute each year an actuarially determined contribution rate recommended by an independent actuary. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees contribute an amount equal to 9% of eligible compensation.

As of December 31, 2023, the Plan assets consist of cash and cash equivalents of less than 1%, fixed-income securities of 39.9%, equities of 47.0%, and real estate investments of 12.8%.

At December 31, the plan membership consisted of the following:

	2023	2022
Inactive plan members or beneficiaries currently receiving benefits	410	385
Inactive plan members entitled to but not yet receiving benefits	459	415
Active plan members	697	691
	1,566	1,491

The components of the net pension liability for the Plan at December 31, 2023 and 2022 were as follows:

		2023	2022
		(In thousands)	
Total pension liability	$	286,115	268,116
Fiduciary net position		(259,895)	(235,729)
Net pension liability	$	26,220	32,387
Plan fiduciary net position as a percentage of the total pension liability		90.8 %	87.9 %

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2023 and 2022 the ARRC reported a liability for the pension plan. The net pension liability was measured as of December 31, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 and 2021, respectively. For the years ended December 31, 2023 and 2022, the ARRC recognized pension expense of $2.0 million and $5.4 million, respectively.

At December 31, the ARRC reported deferred outflows of resources and deferred inflows of resources related to pension as follows:

	2023		2022	
Deferred outflows and (inflows) of resources	**Deferred outflows of resources**	**Deferred inflows of resources**	**Deferred outflows of resources**	**Deferred inflows of resources**
	(In thousands)		(In thousands)	
Differences between expected and actual experience	$ 3,710	(3,251)	501	(4,733)
Changes of assumptions	227	(4,044)	2,780	(6,638)
Net difference between actual and projected earnings on investments	11,770	—	21,486	—
Total	$ 15,707	(7,295)	24,767	(11,371)

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

	Amount
	(In thousands)
Year ending December 31:	
2024	$ (210)
2025	1,891
2026	8,337
2027	(1,606)
	$ 8,412

Actuarial Assumptions: The total pension liability in the January 1 actuarial valuation was determined using the following actuarial assumptions:

Actuarial assumption	2023	2022
Inflation	2.5%	2.5%
Salary increases	2.5% CPI plus merit based rates	2.5% CPI plus merit based rates
Long term rate of return	7.25%	7.25%
Cost of living allowance	1.25%	1.25%
Retirement, disablement, and termination	Based on 2015-2019 experience study	Based on 2015-2019 experience study
Administrative expenses	0.75% of payroll, based on current year actual expense	0.66% of payroll, based on current year actual expense

Mortality rates were based on the Society of Actuaries RP-2014 healthy annuitant mortality table, rolled back to 2006 using MP-2014 and projected forward to 2015 using MP-2017, adjusted 91% for males and 96% for females and the Scale MP-2021 generational mortality improvement in longevity that management expects to occur in the future.

The long-term expected rate of return on pension plan investments of 7.25% was determined by management 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 intermediate-term and long-term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Intermediate-term expected real rate of return	Long-term expected real rate of return
U.S. Treasury Inflation Protected Securities (TIPS)	5.00 %	(0.49)%	2.00 %
Total return bond	13.00	(0.10)	2.68
Global bond	5.00	0.63	2.68
High yield bond	7.00	2.15	3.66
Domestic large cap	20.00	3.61	5.85
Domestic mid cap	12.00	4.59	6.10
Domestic small cap	8.00	4.83	6.34
International equity	13.00	4.34	5.61
Commodities	2.00	3.32	3.90
Real estate	15.00	3.56	4.63
Total	100.00 %		

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the ARRC contributions will be made based on the actuarially determined contribution rate. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability/(asset) to changes in the discount rate: The following presents the net pension liability/(asset) calculated using the discount rate of 7.25%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current rate:

		1% Decrease (6.25)%	Current discount rate (7.25)%	1% Increase (8.25)%
			(In thousands)	
Net pension liability (asset) as of:				
December 31, 2023	$	65,570	26,220	(6,254)
December 31, 2022		69,855	32,387	1,496

The annual money-weighted rate of return, net of investment expense, was 11.60% and -10.60% for the years ended December 31, 2023 and 2022, respectively.

Changes in the net pension liability are as follows:

		Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
			(In thousands)	
Balances at January 1, 2023	$	268,116	235,729	32,387
Changes for the year:				
Service cost		6,321	—	6,321
Interest		19,459	—	19,459
Changes of benefit terms		—	—	—
Difference between expected and actual experience		4,283	—	4,283
Changes of assumptions		—	—	—
Contributions – employer		—	3,148	(3,148)
Contributions – employee		—	5,328	(5,328)
Net investment income		—	28,181	(28,181)
Benefit payments, including refunds of employee contributions		(12,064)	(12,064)	—
Administrative expenses		—	(427)	427
Net changes		17,999	24,166	(6,167)
Balances at December 31, 2023	$	286,115	259,895	26,220

(Continued)

		Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability/(asset) (a) – (b)
			(In thousands)	
Balances at January 1, 2022	$	257,862	271,627	(13,765)
Changes for the year:				
Service cost		6,500	—	6,500
Interest		18,796	—	18,796
Changes of benefit terms		—	—	—
Difference between expected and actual experience		(5,206)	—	(5,206)
Changes of assumptions		390	—	390
Contributions – employer		—	2,673	(2,673)
Contributions – employee		—	4,987	(4,987)
Net investment income		—	(32,967)	32,967
Benefit payments, including refunds of employee contributions		(10,226)	(10,226)	—
Administrative expenses		—	(365)	365
Net changes		10,254	(35,898)	46,152
Balances at December 31, 2022	$	268,116	235,729	32,387

Additional required supplementary information for ARRC's defined-benefit pension plan can be found on pages 56 through 58.

(b) Alaska Railroad Corporation Health Care Trust

The ARRC sponsors a single-employer, defined-benefit retiree health care plan (Plan) administered by the Non-Represented Tax Deferred Saving, 457 and Health Care Trust Plan Committee covering non-represented and Alaska Railroad Workers (ARW) represented employees, who became employed prior to November 4, 2014. The Plan also covers regular represented employees hired before April 2, 2015 for Carmen's Division of Transportation Communication International Union (TCU), March 4, 2016 for United Transportation Union (UTU), April 26, 2016 for International Brotherhood of Teamsters Local 959 (IBT), and June 28, 2019 for American Train Dispatchers Association (ATDA) as specified in the labor agreements.

The Plan provides postretirement medical benefits to employees receiving retirement under the pension plan and retired CSRS employees who do not qualify for the federal medical insurance, and who move directly from active coverage to retiree coverage. The Plan is contributory with retiree premiums adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The ARRC's funding policy is to contribute each year an amount equal to the actuarially determined contribution. Benefit terms and contribution rates are established and amended under the authority of the Board of Directors and management.

There were no contributions recognized or due by the Plan from the ARRC during the year ended December 31, 2023 or 2022. As of December 31, 2023, the Plan assets are held in trust and consist of cash and cash equivalents of less than 1%, fixed-income securities of 59.3%, equities of 32.9%, and real estate investments of 7.8%.

At December 31, the Plan membership consisted of the following:

	2023	2022
Inactive plan members or beneficiaries currently receiving benefits	34	37
Inactive plan members entitled to but not yet receiving benefits	—	—
Active plan members	326	349
	360	386

The components of the net other postemployment benefit (OPEB) asset for the Plan at December 31, 2023 and 2022 were as follows:

		2023	2022
		(In thousands)	
Total OPEB liability	$	16,726	13,771
Fiduciary net position		(55,568)	(51,746)
Net OPEB (asset)	$	(38,842)	(37,975)
Plan fiduciary net position as a percentage of the total OPEB (asset)		(332.2)%	(375.8)%

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2023 and 2022, the ARRC reported an asset for the OPEB plan. The net OPEB asset was measured as of December 31, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of January 1, 2023 and 2022. For the years ended December 31, 2023 and 2022, the ARRC recognized net OPEB income of $1.7 million and $1.5 million, respectively.

(Continued)

At December 31, the ARRC reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

		2023		2022	
Deferred outflows and (inflows) of resources		**Deferred outflows of resources**	**Deferred inflows of resources**	**Deferred outflows of resources**	**Deferred inflows of resources**
		(In thousands)		(In thousands)	
Differences between expected and actual experience	$	3,215	(4,781)	1,460	(5,992)
Changes of assumptions		2,016	(2,440)	2,170	(2,856)
Net difference between actual and projected earnings on investments		3,554	—	5,994	—
Total	$	8,785	(7,221)	9,624	(8,848)

The deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense or income as follows:

		Amount
		(In thousands)
Year ending December 31:		
2024	$	499
2025		631
2026		1,064
2027		(796)
2028		(182)
Thereafter		348
	$	1,564

Actuarial Assumptions: The total OPEB liability in the January 1 actuarial valuation was determined using the following actuarial assumptions.

Actuarial assumption	2023	2022
Discount rate	6.00% based on crossover test	6.00% based on crossover test
Inflation	2.5%	2.5%
Salary increases	2.5% CPI plus merit based rates	2.5% CPI plus merit based rates
Cost of living allowance	Not Applicable	Not Applicable
Long-term rate of return	6.00%	6.00%
Retirement, disablement, and termination	Based on 2015-2019 experience study	Based on 2015-2019 experience study
Administrative expenses	0.29% of payroll, based on current actual year expenses	0.18% of payroll, based on current actual year expenses
Participation rates	Varies from 30% to 85%	Varies from 30% to 85%
Medical trend	Non medicare 8.50%, decreasing to an ultimate rate of 3.45% in 2076+ Medicare 7.50%, decreasing to an ultimate rate of 3.45% in 2076+	Non medicare 6.75%, decreasing to an ultimate rate of 4.0% in 2076+ Medicare 5.9%, decreasing to an ultimate rate of 4.0% in 2076+

Mortality rates were based on the Society of Actuaries headcount-weighted Pub-2010 General healthy annuitant table adjusted 101% for males and 110% for females and the Scale MP-2021 generational mortality improvement in longevity that management expects to occur in the future.

(Continued)

The long-term expected rate of return on OPEB plan investments of 6.00% was determined by management using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of nominal rate of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Nominal rate of return - long term
U.S. TIPS	6.00 %	5.00 %
Short-Term Bond	5.00	3.75
Total bond return	31.00	5.25
Global bond	7.00	5.00
High yield bond	11.00	6.25
Domestic large cap	11.00	8.00
Domestic mid cap	7.00	8.55
Domestic small cap	4.00	8.75
U.S. healthcare (equity)	4.00	8.50
International equity	6.00	8.75
Real estate	8.00	7.00
Total	100.00 %	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and contributions from employers will be made based on the actuarially determined contribution rate. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

(Continued)

Sensitivity of the net OPEB liability/(asset) to changes in the discount rate: The following presents the net OPEB liability/(asset) calculated using the discount rate of 6.00%, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current rate:

		1% Decrease (5.00)%	**Current discount rate (6.00)%**	**1% Increase (7.00)%**
			(In thousands)	
Net OPEB liability (asset) as of:				
December 31, 2023	$	(36,640)	(38,842)	(40,681)
December 31, 2022		(35,705)	(37,975)	(39,793)

Sensitivity of the net OPEB liability/(asset) to changes in the Medical Cost Trend Rate: The following presents the net OPEB asset calculated using the medical cost trend rate of 8.50% (Non-Medicare) and 7.50% (Medicare) beginning in 2024, decreasing to an ultimate rate of 3.45% in 2076+ as of December 31, 2023 and calculated using the medical cost trend rate of 6.75% (Non-Medicare) and 5.90% (Medicare) beginning in 2023, decreasing to an ultimate rate of 4.0% in 2076+ as of December 31, 2022, as well as what the net OPEB liability/(asset) would be if it were calculated using a trend rate that is 1-percentage-point lower or higher than the current rate:

		1% Decrease	**Medical cost trend rate**	**1% Increase**
			(In thousands)	
Net OPEB liability (asset) as of:				
December 31, 2023	$	(41,122)	(38,842)	(36,029)
December 31, 2022		(40,173)	(37,975)	(35,157)

Changes in the OPEB liabilities/(asset) are as follows:

		Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB asset (a) – (b)
			(In thousands)	
Balances at January 1, 2023	$	13,771	51,746	(37,975)
Changes for the year:				
Service cost		455	—	455
Interest		978	—	978
Changes of benefit terms		—	—	—
Difference between expected and actual experience		2,233	—	2,233
Changes in assumptions		384	—	384
Contributions – employer		—	—	—
Net investment income		—	5,012	(5,012)
Benefit payments, net of retiree premiums		(1,095)	(1,095)	—
Administrative expenses		—	(95)	95
Net changes		2,955	3,822	(867)
Balances at December 31, 2023	$	16,726	55,568	(38,842)

(Continued)

		Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB asset (a) – (b)
			(In thousands)	
Balances at January 1, 2022	$	14,197	58,922	(44,725)
Changes for the year:				
Service cost		404	—	404
Interest		796	—	796
Changes of benefit terms		—	—	—
Difference between expected and actual experience		(1,560)	—	(1,560)
Changes in assumptions		501	—	501
Contributions – employer		—	—	—
Net investment income		—	(6,547)	6,547
Benefit payments, net of retiree premiums		(567)	(567)	—
Administrative expenses		—	(62)	62
Net changes		(426)	(7,176)	6,750
Balances at December 31, 2022	$	13,771	51,746	(37,975)

Additional required supplementary information for ARRC's OPEB plan can be found on pages 59 through 61.

(c) Civil Service Retirement System (CSRS)

Federal employees who transferred to the ARRC continue to participate in the CSRS, a multiemployer, defined-benefit plan. ARRC is required to contribute 7% of the transferred employees' eligible compensation. Benefit expense related to CSRS was $7,000 and $11,000 for the years ended December 31, 2023 and 2022, respectively.

(d) Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan

The ARRC sponsors a defined contribution plan (Plan) under Section 401(k) of the Internal Revenue Code (IRC) for employees. All regular employees are eligible to contribute to the Plan. Under the terms of certain collective bargaining agreements and the plan document for non-represented employees, representing 82% of employees, the ARRC will match a portion of employee contributions. The maximum amount of matching required under the agreements is 66% of employee contributions for the first 9% of salary. Benefit expense related to the Plan was $838,000 and $872,000 for the years ended December 31, 2023 and 2022, respectively.

(e) Alaska Railroad Corporation 457 Deferred Compensation Plan

ARRC sponsors a Section 457 deferred compensation plan (Plan) under Section 457(b) of the IRC for non-represented employees. There are no benefit expenses related to the Plan for the years ended December 31, 2023 or 2022.

(8) Grants

The ARRC has spent grant funding on a variety of operating property, right-of-way acquisition, and equipment. Generally, grant revenue will be recognized equal to depreciation on these assets each year. Construction in process for pending grants is included.

The original cost of assets constructed or acquired with grant funding as of December 31, 2023 and 2022 consists of the following:

		2023	2022
		(In thousands)	
Land and improvements		$ 8,819	8,819
Road and roadway structures	15–32 year life	737,384	723,031
Equipment	5–25 year life	218,498	213,670
Construction in process		81,782	62,218
		$ 1,046,483	1,007,738

Grant revenue earned during the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
	(In thousands)	
Depreciation on assets constructed with grant funds	$ 43,195	44,416
Grant funded maintenance expense	14,965	24,091
Grant funded bond principal, interest, and issuance costs	(824)	(918)
	57,336	67,589
Grant revenue included in real estate nonoperating revenues	(169)	(605)
Grant funded interest on Series 2015A revenue bonds included in nonoperating revenues	824	918
	$ 57,991	67,902

(Continued)

The original cost of assets constructed or acquired with Capital Grant Receipts Bonds consists of the following:

			2023	2022
			(In thousands)	
Road and roadway structures	15–32 year life	$	163,777	163,777
Equipment	5–25 year life		61,937	61,937
		$	225,714	225,714

(9) Concentrations

In 2023, ARRC entered into an agreement with a customer under the Internal Revenue Code §45G. Under the agreement, ARRC received $6.0 million for qualified track maintenance expenses and gave the customer a rebate of $3.7 million each year. In 2022, ARRC entered into an agreement with a customer under the Internal Revenue Code §45G. Under the agreement, ARRC received $4.8 million for qualified track maintenance expenses and gave the customer a rebate of $2.5 million each year. The qualified track maintenance expenses and the rebate are recorded as net reductions in operating expenses.

A significant portion of ARRC's funding comes from the federal government in the form of grants. Federal grant funding was used for 57.0% and 62.6% of capital expenditures in 2023 and 2022, respectively.

(10) Lease commitments

As discussed in note 2(n), the ARRC leases a significant portion of its land to various parties under the long-term agreements. Rental income on these leases, which is included in real estate income, was $16.0 million and $15.2 million in 2023 and 2022, respectively.

As discussed in note 2(n), the ARRC leases equipment, vehicles, rail cars, computer hardware and real property.

Lease and SBITA liabilities

A summary of changes in the related lease and SBITA liabilities during the year ended December 31, 2023 is as follow:

		Balance at January 1, 2023	Additions	Deductions	Balance at December 31, 2023	Amounts due within one year
Lease liabilities	$	3,785	8,551	(2,534)	9,802	3,014
SBITA liabilities		868	555	(582)	841	687
Total lease and SBITA liabilities	$	4,653	9,106	(3,116)	10,643	3,701

A summary of changes in the related lease and SBITA liabilities during the year ended December 31, 2022 is as follows:

		Balance at January 1, 2022	Additions	Deductions	Balance at December 31, 2022	Amounts due within one year
Lease liabilities	$	969	3,418	(602)	3,785	1,081
SBITA liabilities		—	999	(131)	868	423
Total lease and SBITA liabilities	$	969	4,417	(733)	4,653	1,504

The future principal and interest lease payments as of December 31, 2023, were as follows:

		Principal	Interest	Total
Fiscal year ending December 31:				
2024	$	2,802	258	3,060
2025		2,709	174	2,883
2026		2,403	94	2,497
2027		1,888	28	1,916
	$	9,802	554	10,356

Lease assets

A summary of changes in the related lease assets during the year ended December 31, 2023 is as follows:

	Balance at January 1, 2023	Increases	Decreases	Balance at December 31, 2023
	(In thousands)			
Lease assets:				
Vehicles	$ 1,123	489	(90)	1,522
Equipment	2,493	7,527	—	10,020
Rail cars	409	417	—	826
Computer hardware	566	109	(21)	654
Real property	216	7	—	223
Total lease assets	4,807	8,549	(111)	13,245
SBITA assets:				
Infrastructure as a service	99	573	—	672
Software as a service	1,164	9	—	1,173
Total SBITA assets	1,263	582	—	1,845
Less accumulated amortization:				
Lease assets:				
Vehicles	269	292	(90)	471
Equipment	79	1,881	—	1,960
Rail cars	281	145	—	426
Computer hardware	257	159	(21)	395
Real property	87	57	—	144
Total lease accumulated amortization	973	2,534	(111)	3,396
SBITA assets:				
Infrastructure as a service	—	193	—	193
Software as a service	131	389	—	520
Total SBITA accumulated amortization	131	582	—	713
Total lease assets, net	$ 4,966	6,015	—	10,981

A summary of changes in the related lease assets during the year ended December 31, 2022 is as follows:

	Balance at January 1, 2022	Increases	Decreases	Balance at December 31, 2022
		(In thousands)		
Lease assets:				
Vehicles	$ 198	925	—	1,123
Equipment	—	2,493	—	2,493
Rail cars	409	—	—	409
Computer hardware	582	7	(23)	566
Real property	216	—	—	216
Total lease assets	1,405	3,425	(23)	4,807
SBITA assets:				
Infrastructure as a service	—	98	—	98
Software as a service	—	1,164	—	1,164
Total SBITA assets	—	1,262	—	1,262
Less accumulated amortization:				
Lease assets:				
Vehicles	80	189	—	269
Equipment	—	79	—	79
Rail cars	139	142	—	281
Computer hardware	141	139	(23)	257
Real property	34	53	—	87
Total accumulated amortization	394	602	(23)	973
SBITA assets:				
Infrastructure as a service	—	—	—	—
Software as a service	—	131	—	131
Total SBITA accumulated amortization	—	131	—	131
Total lease assets, net	$ 1,011	3,954	—	4,965

(11) Insurance

The ARRC is self-insured to certain limits for employee health benefits, personal injury, property and casualty damage claims, and workers' compensation claims, and establishes reserves for the estimated losses of such claims, including estimates of losses incurred but not reported, based on historical experience adjusted for current trends. The ARRC uses third-party administrators that process claims based on the provisions of the employee health plan, or for on-the-job injuries, in compliance with the State of Alaska Workers' Compensation Act. ARRC's commercial insurance policies with self-insured retention limits are summarized as follows at December 31, 2023 and 2022:

		2023	2022
		(In thousands)	
Casualty/liability	$	300,000	300,000
Property damage		100,000	100,000
Casualty/liability retention		5,000	5,000
Property damage retention		10,000	10,000

Self-insurance activity is summarized as follows during the years ended December 31, 2023 and 2022:

		Balance at January 1, 2023	Incurred claims	Claim payments	Balance at December 31, 2023
			(In thousands)		
Employee health benefits	$	1,921	10,779	(11,788)	912
Workers' compensation		1,846	996	(827)	2,015
	$	3,767	11,775	(12,615)	2,927

		Balance at January 1, 2022	Incurred claims	Claim payments	Balance at December 31, 2022
			(In thousands)		
Employee health benefits	$	976	13,283	(12,338)	1,921
Workers' compensation		2,184	605	(943)	1,846
	$	3,160	13,888	(13,281)	3,767

(12) Environmental Remediation Reserve

The ARRC has accrued certain environmental pollution remediation liabilities for its properties. ARRC has estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurrence, reduced by the allocation of liability to other potentially responsible parties, where applicable. The liabilities associated with these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

(13) Commitments and Contingencies

Approximately 70% of the ARRC's labor force is subject to one of five collective bargaining agreements with various expiration dates. The representative unions are:

SMART TD/LOCAL 1626 (UTU)
International Brotherhood of Teamsters Local 959 (IBT),
American Train Dispatchers Association (ATDA),
Carmen's Division of Transportation Communication International Union (TCU), and the
Alaska Railroad Workers (ARW)

The ATDA labor agreement was effective June 29, 2023 and will expire on June 28, 2026. The IBT labor agreement expired on December 21, 2023 and all parties have opened negotiations. The TCU agreement was ratified effective April 26, 2022 and will expire on April 25, 2025. The ARW labor agreement was effective July 20, 2022 and will expire July 20, 2025. The UTU labor agreement was ratified on August 24, 2023 and will expire on August 23, 2029.

The ARRC has certain other contingent liabilities resulting from lawsuits, contract disputes, and claims incident to the ordinary course of business. Provision has been made in the financial statements for probable losses, if any, from such contingencies. In the opinion of management, the resolution of such contingencies will not have a material effect on the financial position of the ARRC.

(14) Related Party Transactions

The State of Alaska awarded ARRC appropriations for two capital improvement projects totaling $4,009,884. The ARRC incurred $549,188 and $2,314,866 of costs during 2023 and 2022 under these appropriations. The State of Alaska awarded grants for a 2021 disaster declaration. Under these disaster grant awards, the ARRC incurred $241,381 and $248,604 of costs in 2023 and 2022, respectively. These amounts are included in accounts receivable, construction in progress, and unearned grant revenue as of December 31, 2023 and December 31, 2022. Consistent with other grants, revenue from these appropriations will be deferred and recognized over the life of the related capital assets.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

ALASKA RAILROAD CORPORATION

Required Supplementary Information (Unaudited)

Schedule of Changes in Plan Net Pension Liability/(Asset) and Related Ratios – Defined-Benefit Pension Plan

Last 10 Fiscal Years*

(In thousands)

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:										
Service cost	$	6,321	6,500	6,176	6,106	5,835	5,676	5,777	5,853	5,834
Interest		19,459	18,796	18,302	17,659	16,059	15,221	14,230	13,244	11,832
Changes of benefit terms		—	—	—	—	—	—	154	—	—
Differences between expected and actual experience		4,283	(5,206)	837	(1,502)	(496)	(2,321)	(482)	6,368	—
Changes of assumptions		—	390	(8,735)	(3,929)	16,396	—	272	—	—
Benefit payments, including refunds of member contributions		(12,064)	(10,226)	(9,966)	(9,116)	(8,086)	(7,062)	(6,197)	(5,541)	(4,920)
Net change in total pension liability		17,999	10,254	6,614	9,218	29,708	11,514	13,754	19,924	12,746
Total pension liability – beginning		268,116	257,862	251,248	242,030	212,322	200,808	187,054	167,130	154,384
Total pension liability – ending (a)		286,115	268,116	257,862	251,248	242,030	212,322	200,808	187,054	167,130
Plan fiduciary net position:										
Contributions – employer		3,148	2,673	3,813	4,619	5,220	3,555	4,051	4,163	3,571
Contributions – employees		5,328	4,987	4,650	4,639	4,477	4,341	4,302	4,383	4,290
Total net investment income (loss)		28,181	(32,967)	40,127	21,600	32,628	(8,075)	22,088	11,774	(199)
Benefit payments, including refunds of member contributions		(12,064)	(10,226)	(9,966)	(9,116)	(8,086)	(7,062)	(6,197)	(5,541)	(4,920)
Administrative expenses		(427)	(365)	(306)	(273)	(269)	(312)	(409)	(593)	(550)
Net change in plan fiduciary net position		24,166	(35,898)	38,318	21,469	33,970	(7,553)	23,835	14,186	2,192
Plan fiduciary net position – beginning		235,729	271,627	233,309	211,840	177,870	185,423	161,588	147,402	145,210
Plan fiduciary net position – ending (b)		259,895	235,729	271,627	233,309	211,840	177,870	185,423	161,588	147,402
Plan's net pension liability (a) – (b)	$	26,220	32,387	(13,765)	17,939	30,190	34,452	15,385	25,466	19,728
Plan fiduciary net position as a percentage of the total pension liability		90.80 %	87.90 %	105.30 %	92.86 %	87.53 %	83.77 %	92.33 %	86.39 %	88.20 %
Covered payroll	$	59,194	55,408	51,671	51,559	49,739	48,228	47,804	48,705	47,660
Net pension liability as a percentage of covered payroll		44.30 %	58.45 %	(26.64)%	34.79 %	60.70 %	71.44 %	32.18 %	52.29 %	41.39 %

* This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report and notes to required supplementary information.

ALASKA RAILROAD CORPORATION

Required Supplementary Information (Unaudited)

Schedule of ARRC Contributions – Defined-Benefit Pension Plan

Last 10 Fiscal Years*

(In thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 3,148	2,673	3,813	4,619	5,220	3,555	4,051	4,163	3,571
Contributions in relation to the actuarially determined contribution	3,148	2,673	3,813	4,619	5,220	3,555	4,051	4,163	3,571
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—
Covered payroll	$ 59,194	55,408	51,671	51,559	49,739	48,228	47,804	48,705	48,705
Contributions as a percentage of covered payroll	5.32 %	4.82 %	7.38 %	8.96 %	10.49 %	7.37 %	8.47 %	8.55 %	7.33 %

* This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report and notes to required supplementary information.

ALASKA RAILROAD CORPORATION

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined-Benefit Pension Plan

Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	11.60 %	(10.60)%	16.25 %	10.30 %	18.47 %	(4.45)%	14.05 %	8.10 %	1.00 %

* This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report and notes to the required supplementary information.

ALASKA RAILROAD CORPORATION

Required Supplementary Information (Unaudited)

Schedule of Changes in Plan Net OPEB Liability /(Asset) and Related Ratios –
Defined-Benefit Postretirement Medical Plan

Last 10 Fiscal Years *

(In thousands)

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB liability:										
Service cost	$	455	404	446	522	529	599	700	699	633
Interest		978	796	857	972	1,003	981	1,095	985	1,021
Changes of benefit terms		—	—	—	—	—	—	526	—	—
Differences between expected and actual experience		2,233	(1,560)	1,879	(1,205)	(1,998)	(4,511)	(165)	(1,832)	—
Changes of assumptions		384	501	(3,371)	(353)	1,186	1,461	—	1,442	—
Benefit payments, net of retiree premiums		(1,095)	(567)	(740)	(491)	(371)	(350)	(331)	(506)	(193)
Net change in total OPEB liability		2,955	(426)	(929)	(555)	349	(1,820)	1,825	788	1,461
Total OPEB liability – beginning		13,771	14,197	15,126	15,681	15,332	17,152	15,327	14,539	13,078
Total OPEB liability – ending (a)		16,726	13,771	14,197	15,126	15,681	15,332	17,152	15,327	14,539
Plan fiduciary net position:										
Contributions – employer		—	—	—	—	—	—	—	—	—
Total net investment income (loss)		5,012	(6,547)	5,444	3,914	6,096	(958)	4,295	2,670	(384)
Benefit payments, net of retiree premiums		(1,095)	(567)	(740)	(491)	(371)	(350)	(331)	(506)	(193)
Administrative expenses		(95)	(62)	(60)	(59)	(59)	(71)	(77)	(66)	(48)
Net change in plan fiduciary net position		3,822	(7,176)	4,644	3,364	5,666	(1,379)	3,887	2,098	(625)
Plan fiduciary net position – beginning		51,746	58,922	54,278	50,914	45,248	46,627	42,740	40,642	41,267
Plan fiduciary net position – ending (b)		55,568	51,746	58,922	54,278	50,914	45,248	46,627	42,740	40,642
Plan's net OPEB liability (asset) (a) – (b)	$	(38,842)	(37,975)	(44,725)	(39,152)	(35,233)	(29,916)	(29,475)	(27,413)	(26,103)
Plan fiduciary net position as a percentage of the total OPEB liability		(332.23)%	(375.76)%	(415.03)%	(358.84)%	(324.69)%	(295.12)%	(271.85)%	(278.85)%	(279.54)%
Covered payroll	$	32,378	33,720	33,280	32,015	32,154	33,444	35,292	46,941	47,660
Net OPEB liability as a percentage of covered payroll		(119.96)%	(112.62)%	(134.39)%	(122.29)%	(109.58)%	(89.45)%	(83.52)%	(58.40)%	(54.77)%

* This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report and notes to required supplementary information.

ALASKA RAILROAD CORPORATION

Required Supplementary Information (Unaudited)

Schedule of ARRC Contributions – Defined-Benefit Postretirement Medical Plan

Last 10 Fiscal Years *

(In thousands)

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$		—	—	—	—	—	—	—	—
Contributions in relation to the actuarially determined contribution			—	—	—	—	—	—	—	—
Contribution deficiency (excess)	$	—	—	—	—	—	—	—	—	—
Covered payroll	$	32,378	33,720	33,280	32,015	32,154	33,444	35,292	46,941	47,660
Contributions as a percentage of covered payroll		— %	— %	— %	— %	— %	— %	— %	— %	— %

* This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report and notes to required supplementary information.

ALASKA RAILROAD CORPORATION

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined-Benefit Postretirement Medical Plan

Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	9.65 %	(9.97)%	7.28 %	10.69 %	13.52 %	(2.39)%	10.55 %	3.50 %	0.70 %

* This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report and notes to the required supplementary information.

(1) Actuarial Assumptions and Methods Defined-Benefit Pension

The significant actuarial assumptions used in the defined-benefit pension valuation as of December 31, 2023 are as follows:

(a) Actuarial Valuation Date: January 1, 2023

(b) Amortization Period: The Unfunded Actuarial Accrued Liability is amortized as a level dollar payment over a closed 30-year period.

(c) Actuarial Determined Contribution: Sum of (1) employer normal cost (2) amortization of unfunded actuarial accrued liability and (3) expected administrative expenses

(d) Asset valuation method: Actuarial value of assets, 5-year smoothed market value, gains/losses recognized over 5 years

(e) Inflation: 2.5%

(f) Investment rate of return: 7.25%

(g) Administrative Expenses: $427,137 payable as of the last day of the plan year

(h) Cost of Living Allowance: 1.25% (1/2 assumed inflation Tier 1, none for Tier 2)

(i) Mortality: Society of Actuaries RP-2014 healthy annuitant table adjusted 91% for males and 96% for females and Scale MP-2021 generational mortality improvement

(j) Termination: Based on Alaska Railroad Corporation Pension and Postretirement Health Care Plans 2015-2019 Experience Study.

(k) Disability: Alaska PERS disablement rates for members other than Police and Firefighters as there is little Plan experience.

(l) Retirement: Rates vary based on age. Sample rates follow. Tier 1 deferred vested members are assumed to retire at age 58 for Tier 1 and age 62 for Tier 2:

Age	Tier 1 rate	Tier 2 rate
55	8.5 %	N/A
56	6.0	N/A
57	12.5	N/A
58	16.0	N/A
59	18.0	N/A
60	20.0	10.0 %
61	18.0	10.0
62	20.0	15.0
63	23.0	15.0
64	25.0	20.0
65	25.0	25.0
66	25.0	25.0
67	25.0	25.0
68	25.0	25.0
69	25.0	25.0
70	100.0	100.0

(m) *Changes in Actuarial Methods since the prior Valuation:*

None

(n) Administrative expenses: The administrative expenses changed from 0.66% to 0.75% of payroll, based on actual expenses paid, which increased by 16.0%.

(2) Actuarial Assumptions and Methods OPEB Healthcare Plan

The significant actuarial assumptions used in the actuarially determined contribution for the OPEB healthcare plan as of December 31, 2023 are as follows:

(a) Actuarial Valuation Date: January 1, 2023

(b) Amortization Period: The Overfunded Actuarial Accrued Liability is amortized as a level dollar payment over a rolling (open) 6-year period.

(c) Actuarially Determined Contribution: Sum of (1) employer normal cost (2) amortization of unfunded actuarial accrued liability and (3) expected administrative expenses.

(d) Asset valuation method: Actuarial value of assets, 5-year smoothed market value: gains/losses recognized over 5 years.

(e) Inflation: 2.5%

(Continued)

(f) Investment rate of return: 6%

(g) Administrative Expenses: $95,085 payable as of the last day of the plan year

(h) Mortality: Society of Actuaries headcount-weighted Pub-2010 annuitant table adjusted 101% for males and 110% for females and mortality projected fully generational with Scale MP-2021

(i) Termination: Based on ARRC 2015-2019 Experience Study

(j) Disability: Based on Alaska PERS as there is little Plan experience

(k) Retirement: Rates vary based on age. Sample rates:

Age	Tier 1 rate	Tier 2 rate
55	8.5 %	N/A
56	6.0	N/A
57	12.5	N/A
58	16.0	N/A
59	18.0	N/A
60	20.0	10.0 %
61	18.0	10.0
62	20.0	15.0
63	23.0	15.0
64	25.0	20.0
65	25.0	25.0
66	25.0	25.0
67	25.0	25.0
68	25.0	25.0
69	25.0	25.0
70	100.0	100.0

ALASKA RAILROAD CORPORATION

Notes to Required Supplementary Information (Unaudited)

December 31, 2023

(l) Health Care Trend:

Year	Increase from Prior Year	
	Non-Medicare	Medicare
2023	Actual Premiums	
2024	8.50	7.50
2025	8.50	7.50
2026	7.90	6.90
2027	7.35	6.50
2028	6.75	6.10
2029	6.20	5.70
2030	5.60	5.25
2031	5.05	4.85
2032-2038	4.45	4.45
2039-2040	4.35	4.35
2041	4.30	4.30
2042-2044	4.25	4.25
2045-2047	4.20	4.20
2048-2050	4.15	1.15
2051-2055	4.10	4.10
2056-2061	4.05	4.05
2062-2066	4.00	4.00
2067	3.90	3.90
2068	3.85	3.85
2069	3.80	3.80
2070	3.75	3.75
2071	3.70	3.70
2072	3.65	3.65
2073	3.60	3.60
2074	3.55	3.55
2075	3.50	3.50
2077+	3.45	3.45

(m) Participation Rates: 30% of future retirees elect coverage, 85% of future disabled retirees to elect coverage, 25% of disabled retirees under age 65 are Medicare eligible, all retirees over age 65 are assumed Medicare eligible, and 55% of nondisabled retirees continue coverage at first Medicare eligibility.

(n) Per capita claims costs:

		Old plan		Blue plan		Gold plan	
Age		Male	Female	Male	Female	Male	Female
50	$	15,337	18,844	14,309	17,568	12,108	14,837
55		19,813	21,814	18,469	20,328	15,592	17,149
60		25,339	25,528	23,606	23,781	19,895	20,041
64		30,601	29,423	28,496	24,701	23,990	23,073
65		11,510	10,963	10,751	10,243	9,126	8,701
70		12,602	12,005	11,766	11,211	9,977	9,512
75		13,513	12,912	12,613	12,055	10,686	10,218
80		13,985	13,458	13,051	12,562	11,053	10,643
85		13,815	13,414	12,893	12,521	10,921	10,609

		Blue Essentials Plan		Gold Essentials Plan	
Age		Male	Female	Male	Female
50	$	13,618	16,711	11,571	14,171
55		17,566	19,330	14,890	16,374
60		22,441	22,607	18,990	19,129
64		27,082	26,043	22,892	22,018
65		10,241	9,759	8,730	8,325
70		11,205	10,678	9,540	9,097
75		12,008	11,478	10,216	9,770
80		12,424	11,960	10,566	10,175
85		12,274	11,921	10,440	10,142

(o) Changes in Actuarial Methods since the prior Valuation:

Mortality tables were updated

Health care trend was updated

(p) Administrative expenses: The administrative expenses increased to 0.29% of payroll, based on actual expenses paid, which increased by 53.1%.

OFFICE LOCATIONS

ALASKA RAILROAD OFFICES	PHYSICAL LOCATION	PHONE	FAX
ANCHORAGE, ALASKA (99501)			
Headquarters Offices	327 W. Ship Creek Avenue	907.265.2300	907.265.2312
Reservations & Depot	411 W. 1st Avenue	907.265.2494	907.265.2509
Operations Center	825 Whitney Road	907.265.2434	907.265.2643
FAIRBANKS, ALASKA (99701)			
Passenger Depot	1031 Railroad Depot Road	907.458.6025	907.458.6068
Freight Customer Service	1888 Fox Avenue	907.458.6022	907.458.6034
Freight House	230 Jack Lindsey Lane	907.458.6048	907.458.6061
SEWARD, ALASKA (99664)			
Dock Operations / Terminal	913 Port Avenue	907.224.5550	907.265.2660
SEATTLE, WASHINGTON (98124)			
Barge Operations Office	Pier 15.5 Harbor Island	206.767.1100	206.767.1112

TOLL FREE NUMBERS			
Corporate Information 1.800.321.6518	Freight Marketing/Customer Service 1.800.321.6518	Passenger Customer Service 1.800.544.0552	Seattle Office 1.800.834.2772

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