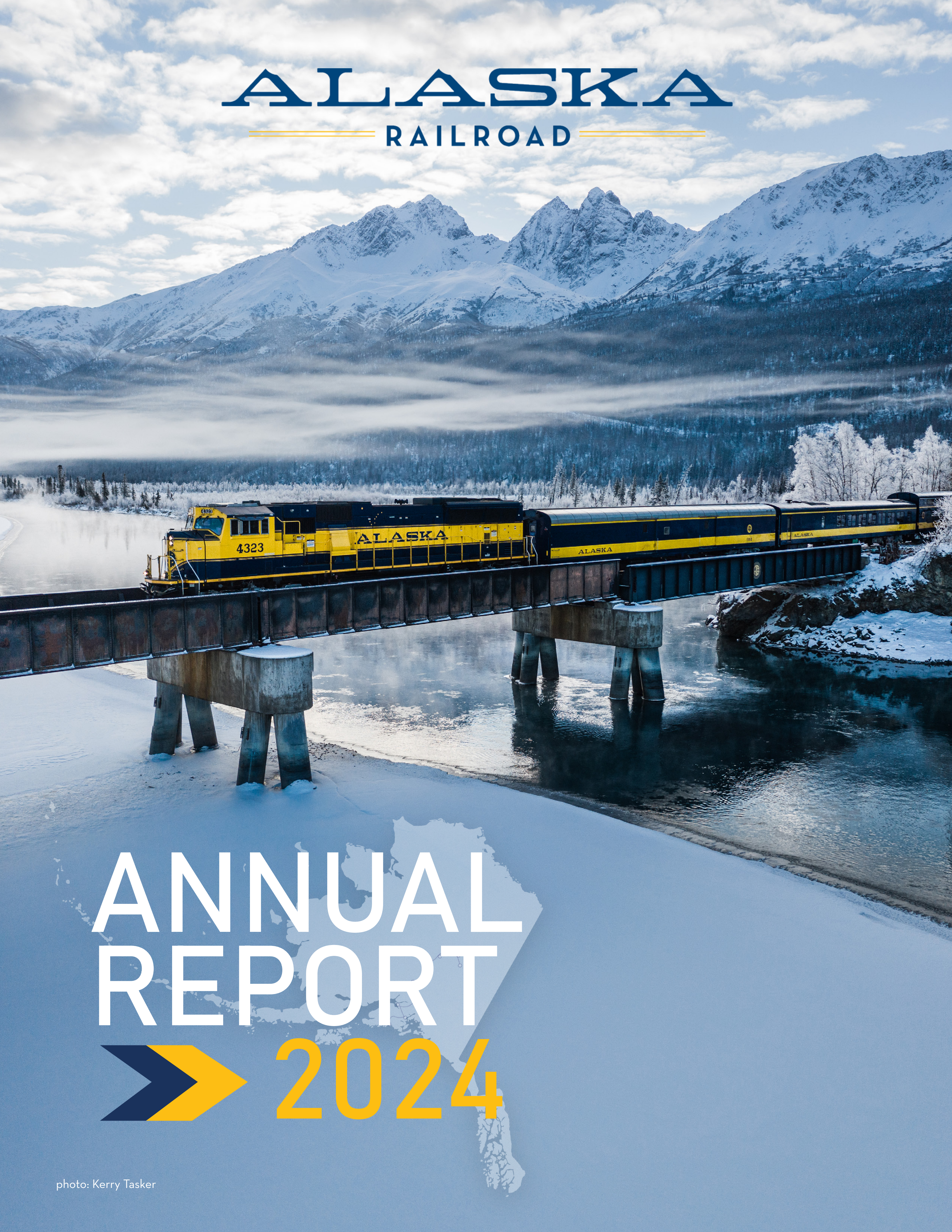
ALASKA RAILROAD



ANNUAL REPORT 2024

photo: Kerry Tasker

OUR MISSION

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

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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

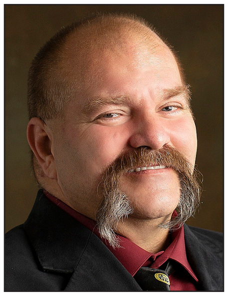
BOARD OF DIRECTORS

Board Chair
John Shively

Vice Chair
Judy Petry

Commissioner
Ryan Anderson

Director
John Binkley



Director
T.J. Dinsmore

Director
John Reeves

Commissioner
Julie Sande

Denali Star Train in September
photo: Brice Douglas

YEAR IN REVIEW

On Sunday, June 30, 2024, shortly after noon, a forest fire was reported approximately one mile north of the Denali National Park Entrance. By early evening, the public was notified that the visitor center and all public facilities were closed due to the fire with restricted vehicle access. The fire interrupted the supply of power and water for nearby hotels. It was quickly obvious that rail travel was also about to be disrupted on one of the busiest travel weekends of the year.

Swift and pragmatic responses to sudden changes are the trademark of every Alaska Railroader. We found ourselves having to quickly adapt our operations to avoid bringing passengers through the active fire management area. Our real estate team, then in the process of working to acquire new property in Cantwell for its operational benefits, supported both passenger and freight services by providing space to load and unload passengers from train to motorcoaches and adjust freight shipments while train traffic was delayed. Our marketing and on-board team worked to notify passengers rapidly as conditions changed. Collaborating with other private businesses allowed visitors to make necessary adjustments and continue their travels. Our team of special agents remained on-site to monitor the investigation. Finally, our safety team provided direct support for the Riley Creek Fire Incident Command, acting as a liaison to ensure safe train movements through the area. These individuals transported critical firefighting supplies into the fire management area and helped fire crews have quick access to the front-line response via our hyrail vehicles.

Reflecting on the admirable efforts of our staff, we see that railroaders remained focused on safety and delivering on our promise of customer service excellence, a consistent course we set for ourselves no matter the circumstance. With those efforts, our business lines delivered good results in 2024, with a net income of $25.3 million. Although a reduction from 2023's $44.2 million, much of the difference stems from a timing issue with a federal grant that was executed after December 31, 2024. While cash flows to the corporation will be unchanged, this timing issue reduced 2024 net income by $15.4 million and will instead be included in the net income for 2025.

Safety Focused

The Riley Creek fire underscored why we prepare for adverse conditions. Our organization has planned, practiced, and conducted emergency response drills, provided first aid training, and established management plans to ensure we effectively handle risks and operations during small and large-scale incidents. Improving operational safety is at the core of our operations, and we remain committed to reducing accidents, injuries, and mitigating risks for our employees and the communities we serve.

Railroading is inherently challenging work, from physical work demands, to extreme weather, fatigue, and transporting hazardous materials across hundreds of miles. We are cognizant of the risks of

Riley Creek Fire near Denali Park. photo: Tom Covington

our industry and with that in mind have continued to focus on improving our safety metrics. Our safety and risk management efforts focus on three key areas: reviewing all reported accidents and injuries to identify areas of improvement, supporting training and education for our employees across departments, and working within our communities to foster a knowledge of rail safety and effective, coordinated emergency responses.

In 2024, the Alaska Railroad's Safety Department created a Fatigue Management Program, designed to systematically identify areas where fatigue may impact our employees and allowing us to develop targeted prevention strategies to combat fatigue-related risks. This proactive approach incorporates science-based assessment tools, scheduling optimization, and employee education components to enhance overall safety and operational effectiveness throughout the railroad.

To foster a greater understanding of work processes and occupational risks, office workers took part in guided tours throughout the year of operational areas, gaining visibility into the work accomplished in our yards, our shops and along our rail lines. This incredibly valuable exchange allowed employees to share their expertise and passion with colleagues who work in vastly different environments.

The railroad again participated in an emergency response drill in Fairbanks, offering emergency responders the opportunity to work from railcars, practice emergency evacuations and hazardous material spills. Connecting with other railbelt emergency responders ensures we know how to collaborate during large-scale incidents to deliver an effective response.

Lastly, we have emphasized reducing risks caused by trespassing along our rail. The actions of trespassers pose risks not only to themselves, but to our passengers, our employees and our equipment and other property. We cleared brush along our yards, upgraded surveillance cameras, installed gates and fencing to deter trespassers, continued public safety outreach and added police and security patrols during the summer season. Reducing risks for our passengers and reducing trespasses on our property has required both practical and proactive measures.

Despite strong safety performance early in the year, an uptick in year-end injuries resulted in a higher than desired key safety metrics. Continuing to reduce accidents and injuries remains a priority, and reviewing each instance to improve outcomes for our employees and communities is an ongoing endeavor.

Continuous Improvement to Reinvestment

For over a century, we have played a vital role in connecting Alaska to markets and development, transporting goods across vast stretches of territory to the people and businesses that rely on them. As a state-owned corporation mandated to be self-sustaining, we function independently to grow and expand business opportunities while reinvesting the proceeds back into Alaska's rail infrastructure.

Whittier Rail Barge
photo: Alexander Washburn

The heart of railroading in Alaska is infused with a sense of pride and responsibility, driven by a sincere commitment to continuous improvement and reinvestment.

In late 2023, we released our five-year capital plan, with planned investment to be over half a billion dollars over five years. Over the past year, as part of this five-year plan, we have invested in numerous critical improvements to strengthen our infrastructure and meet the demands of the businesses we serve. As in prior years, we have a strong ongoing capital improvement program. In 2024, our MOW team changed out 51,000 hardwood ties, changed nine mainline culverts, surfaced 973,000 feet of track and completed superstructure and substructure repairs to three bridges. With a budget of $39 million, our Projects and Engineering teams worked closely with communities and contractors to conduct significant repair and replacement work in 2024. In 2024, the team worked to complete the Federal Transit Administration (FTA) and National Environmental Policy Act process and final design for the replacement of bridge 127.5, which allows for construction to start in 2025. Additionally, the team completed the replacement of timber trestle bridges at MP 25.7 which markedly improves the safety and reliability of ARRC's transportation corridor.

Our Mechanical department has developed a comprehensive plan to retrofit our General Purpose locomotive fleet with state-of-the-art electronic control systems. This upgrade is designed to significantly enhance operational performance and overall efficiency. The new controls feature idle reduction technology, substantially reducing emissions while delivering considerable fuel cost savings. Additionally, the department replaced all refrigerators and freezers in three bistro cars, removing the split systems prone to condenser failure due to environmental changes. The new self-contained units, with their low heat exchange, have achieved 100% reliability for the first season of service.

In 2024, our Signal and Telecommunications team upgraded three at-grade crossings ensuring safety and efficiency for rail and road transportation. Properly functioning at-grade crossings minimize congestion and ensure smooth traffic flow. For the public, these crossings may be one of the few direct interactions they have with our rail operations, and ensuring their safe and reliable performance is important.

As part of a proof-of-concept pilot program, we added mobile Starlink to some of our fleet vehicles. In vast stretches of wilderness that would otherwise lack cellular connectivity, employees can now access the internet and place phone calls. Effective communication is vital to the safety, efficiency, and overall success of the railroad, and modernization efforts keep us abreast of the latest advances. Feedback has been positive, and opportunities for pilot-project expansion are being considered.

Positive train control (PTC) remains

The Alaska Railroad Corporation has not received any bona-fide offers of a sale arrangement within the calendar year of 2024, nor is the Corporation aware of any potential sales that require analysis under AS 42.40.260.


Whittier Freight
photo: Brice Douglas

fundamental to our commitment to continuous safety improvement. In 2024, ARRC replaced over 90 devices supporting PTC that had reached end-of-life, increasing the uptime reliability rate for our equipment. Real-time monitoring of train speed and location serves as a safety net to prevent accidents, derailments, and unauthorized movements. We have tested and installed software upgrades to PTC throughout the year, ensuring our system's functionality and sustainability, and continue to work toward further implementing ARRC's Vital Functions Program (an upgrade to the PTC system) to further improve the safety and efficiency of our train movements.

We are very pleased to report that in 2024, we had no overspeed derailments, no train crew de-certifications for overspeed or authority violations, and an overall improvement in the safe operation of trains on our tracks.

Our real estate department invested in infrastructure improvements for both railroad facilities and tenants. Along Depot Drive in Anchorage, we improved safe access for buses and vehicle traffic, invested in storm drain improvements, and upgraded sidewalks and lighting. The Fairbanks yard water system received comprehensive improvements, restoring critical fire suppression capabilities. Anchorage's Historic Freight Shed had 25 roof trusses retrofitted for greater snow load capacity. Anchorage headquarters received cost-effective improvements with better lighting, paint, and carpet. Finally, the Fairbanks water tower underwent a refreshing new paint job, standing tall as a symbol of our vibrant north-end hub.

Unified in Progress

Integrated operations mean each employee at the Alaska Railroad understands their role within the organization and understands how each of their talents fit within the larger organization. Railroaders as a whole are adaptable, and this year, like other years, we have worked across departments to make substantial improvements in the way we conduct our business.

From 2023 through 2024, a cross-departmental team of employees has shown considerable success in obtaining several federal grants, a result of countless hours spent putting together scope, schedule, budget and detailed grant information to apply for grant opportunities. The teamwork across departments has allowed the railroad to accelerate our capital program and most importantly make critical improvements to railroad infrastructure such as our tracks, rail equipment acquisition, bridges and safety monitoring systems.

ARRC's Engineering teams achieved significant milestones by working collaboratively on a few key initiatives this year. They worked with our Legal team to revise and align the General Conditions with the Alaska Department of Transportation and Public Facilities Standard Specifications for Highway Construction, fully replacing a version from early


2024 Open House in Fairbanks
photo: Jaime Holt


Holiday Train Light Set Up
photo: Cat Clarke

2000s. This comprehensive overhaul was a joint effort which fundamentally improved project administration across the Procurement, Accounting, and Project teams.

In 2024, Engineering also developed and implemented Alaska-specific standard specifications for railway construction, establishing a robust framework for future projects. In addition, they finalized a series of standard drawings for our Maintenance-of-Way (MOW) team, enhancing the procurement process for track materials. These detailed drawings, created with input from other departments, ensure accurate and up-to-date specifications, reducing costly errors in material orders and improving operational efficiency. In our pursuit of modernization, we collectively advanced the clearance application process, replacing outdated systems with streamlined, 21st-century procedures. By refining workflows, training staff on new protocols, and empowering MOW personnel to independently manage clearances, we improved logistical efficiency for customers and internal work groups, fostering greater autonomy and productivity.

Customer Centered

With over a century of operations, we have continued to refine what service excellence means. All aspects of our business start with trying to understand our customers' needs and finding new ways to deliver value. Consistent on-time performance and personalized communication supports strong, long-lasting relationships. In 2024, we recommitted our focus on the customer.

Passenger service posted another strong year, despite service adjustments and cancellations to the Denali Star Train as a result of the Riley Creek Fire that lowered total ridership by approximately 6% compared to 2023. Our Coastal Classic Train posted record-high ridership in 2024, with 81,505 passengers. This was a 7% increase over 2023, which saw 76,118 passengers. Another highlight for passenger services was record ridership aboard the Aurora Winter Train in 2024, with 13,303 passengers compared to 11,339 passengers in 2023. Recognizing a potential for growth and an expanding market space, the railroad saw opportunity to expand our marketing efforts and promote Alaska to new potential customers drawn by an active aurora borealis season. Responding to this growing market has delivered results for the railroad, as well as connected railbelt communities with more passengers and travelers outside of the summer travel season.

The Real Estate department initiated a customer service survey to assess the needs of its customers and opportunities for improvement and expansion. The feedback is valuable for the department to meet the needs of its tenants, provide additional support and resources to help fulfill their objectives, and help build a vibrant and sustainable economic corridor.

The Alaska Railroad giftshop posted record profit in 2024. We placed an emphasis on improving our website with improved navigation and displaying

Conductor Hat
photo: Brice Douglas

merchandise with professional-quality photos and have worked closely with suppliers to understand current market trends and finalize designs that align with our customers preferences. We continue to improve our inventory management practices, ensuring that we maintain a good balance of items in stock while avoiding excess inventory. All of this has resulted in revenue growth of 14% over 2023.

Effective business practices and strategic planning have significantly bolstered our customer responsiveness. By committing to the purchase of four locomotives in 2024 and leasing three additional units, we were able to increase capacity and efficiency to meet the rising demands during our busiest season. This strategic investment ensured we were able to meet increased gravel demand, from 1,296 tons in 2023 to 1,455 tons in 2024. We also met increased volume for bulk petroleum transport which reached a 10-year high. Our work underscores our commitment to maintaining consistent and responsive service that delivers for our customers and for Alaska.

Vision Driven

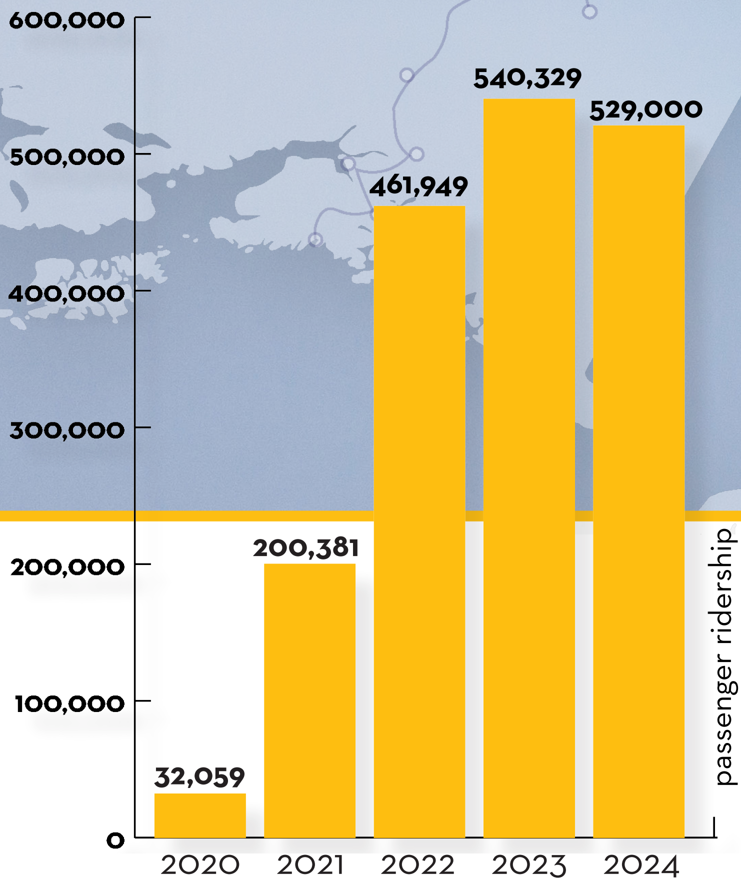
In late 2024, in conjunction with our Board of Directors, we finalized the Alaska Railroad's 2025-2030 strategic plan. We committed to an updated vision that focuses on our unique ability to be a prominent leader in transportation and real estate services, that ultimately seeks to grow and support Alaska's economic development. We developed key performance indicators for all of our business lines, operations and community practices. As we move forward, reducing our incident and injuries remains a top priority, with a goal to be best-in-class by safety metrics. We will be reinvesting in training and safety programs, upgrading signal and defect detector systems, continuing positive train control upgrades, and systematically repairing or replacing our century-old bridges. We will continue to grow our freight business lines driven by Interior fuel needs, Southcentral construction, and North Slope development. We will expand our marine footprint and build a 50-year gateway to Alaska by completing the Seward Passenger Dock and Terminal in 2026. We will continue to invest in our rail, yards, equipment and fleet to ensure efficient and reliable transportation that supports all Alaska. We will continue to deliver on our promise of service excellence by connecting directly with our customers, business partners and community stakeholders. Lastly, we will continue with sustainable and smart business practices that have brought us and our state significant growth and investment over the past 101 years.

Bill O'Leary
President and CEO

John Shively
Board Chair

BUSINESS HIGHLIGHTS

The Aurora Winter Train achieved record ridership in 2024, with 13,303 passengers - a 13% increase compared to 2023.



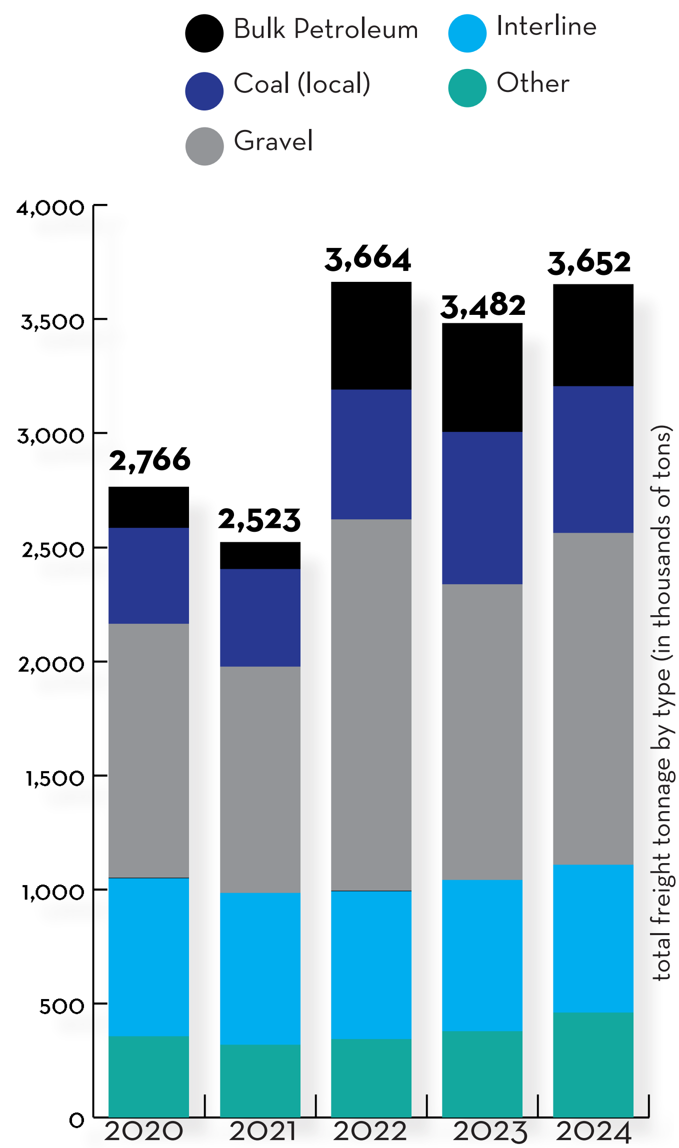
PASSENGER BUSINESS

The railroad's passenger business saw a slight decline in ridership in 2024 as compared to 2023, with still well over half a million passengers aboard both ARRC and contract coaches.

ARRC's online giftshop underwent significant modernization in 2024, helping drive new sales records for the business line.

FREIGHT BUSINESS

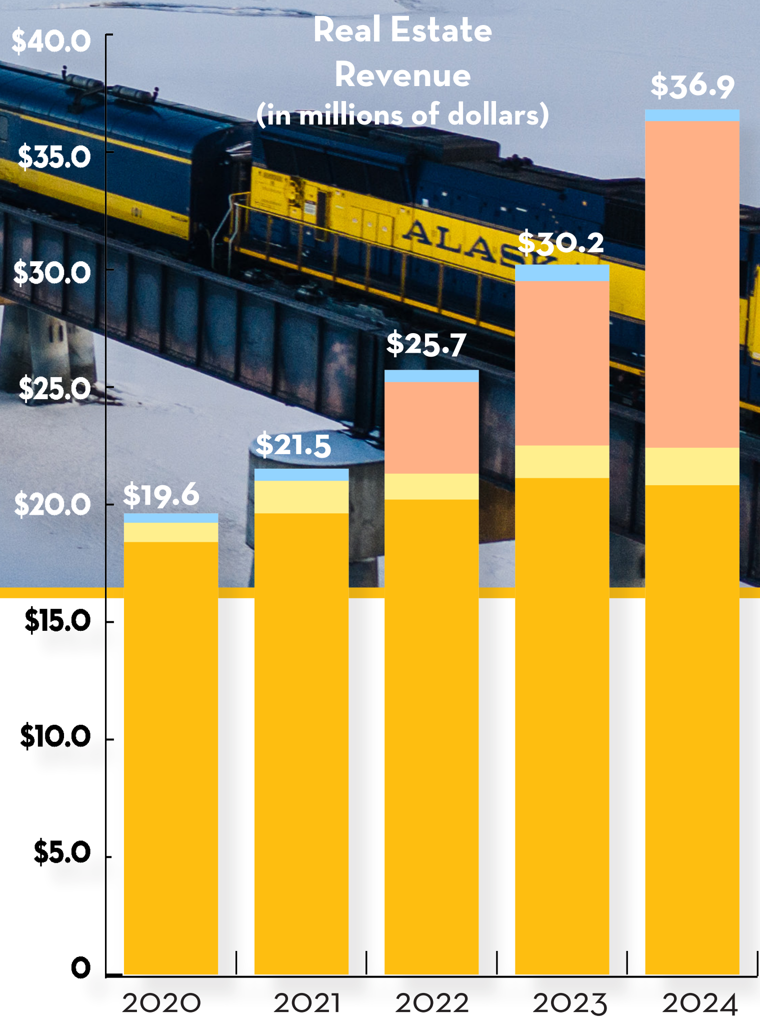
The railroad's freight business experienced growth over 2023. Construction projects around the state in 2024 increased demand for gravel.



Aurora Winter Train
photo: Kerry Tasker

REAL ESTATE BUSINESS

Revenues through leases and permits remained steady in 2024. Operations in Seward have provided additional revenues to help fund the building of the Seward Passenger Dock and Terminal set to open in spring 2026.



OPERATIONAL SAFETY

In 2024, with the help of positive train control monitoring, ARRC had

- no overspeed derailments, and
- no train crew de-certifications for overspeed or authority violations

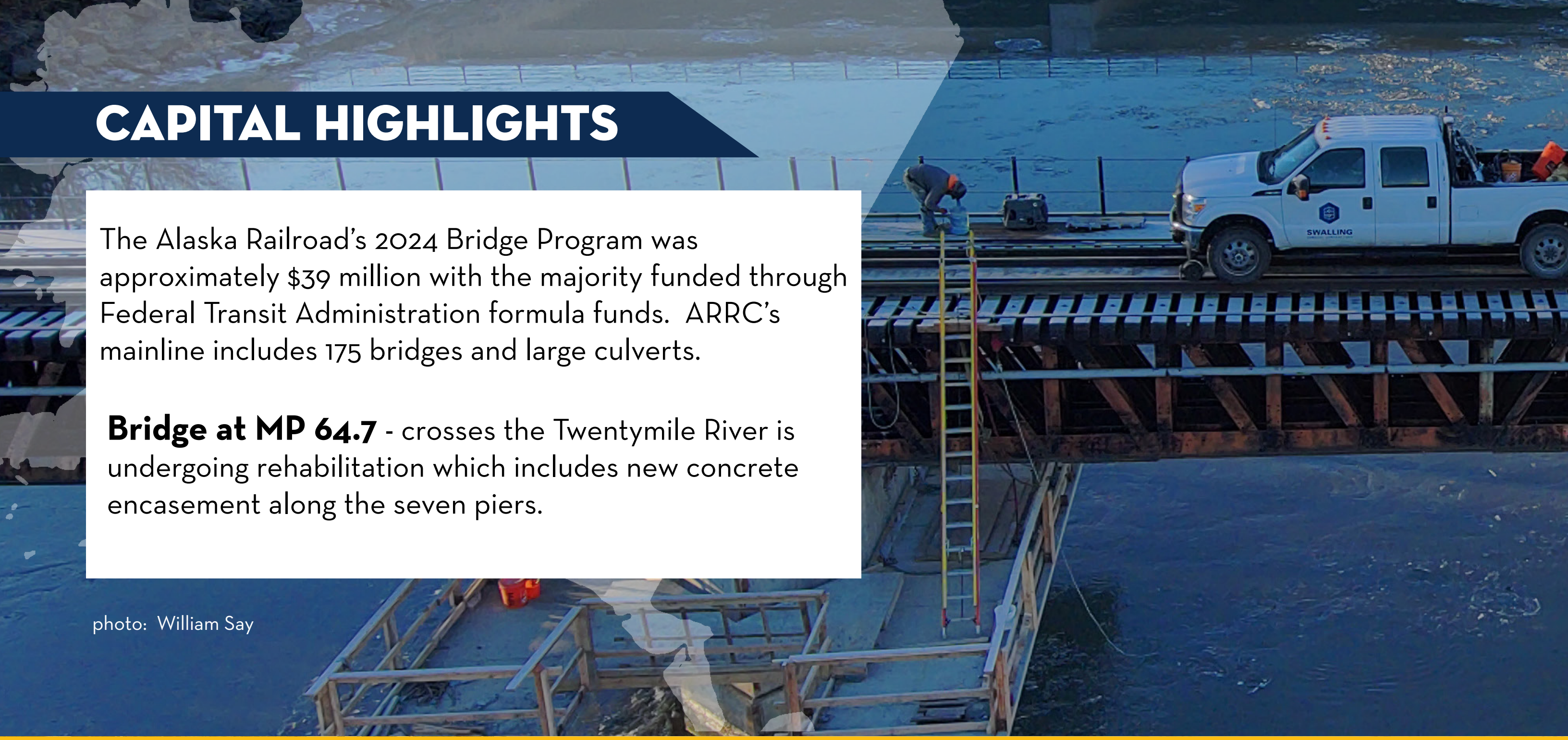
Following an 18-month build-out, ARRC's newest piece of snowfighting equipment arrived in August 2024. Specially built to ARRC specifications, the "Big Blower" has become an essential piece of ARRC's fleet.

FRA CASUALTY RATE

2023	2024
4.3	4.6

FRA Casualty Rate = FRA Reportable Injuries (regardless of lost time) x 200,000 divided by total hours worked.

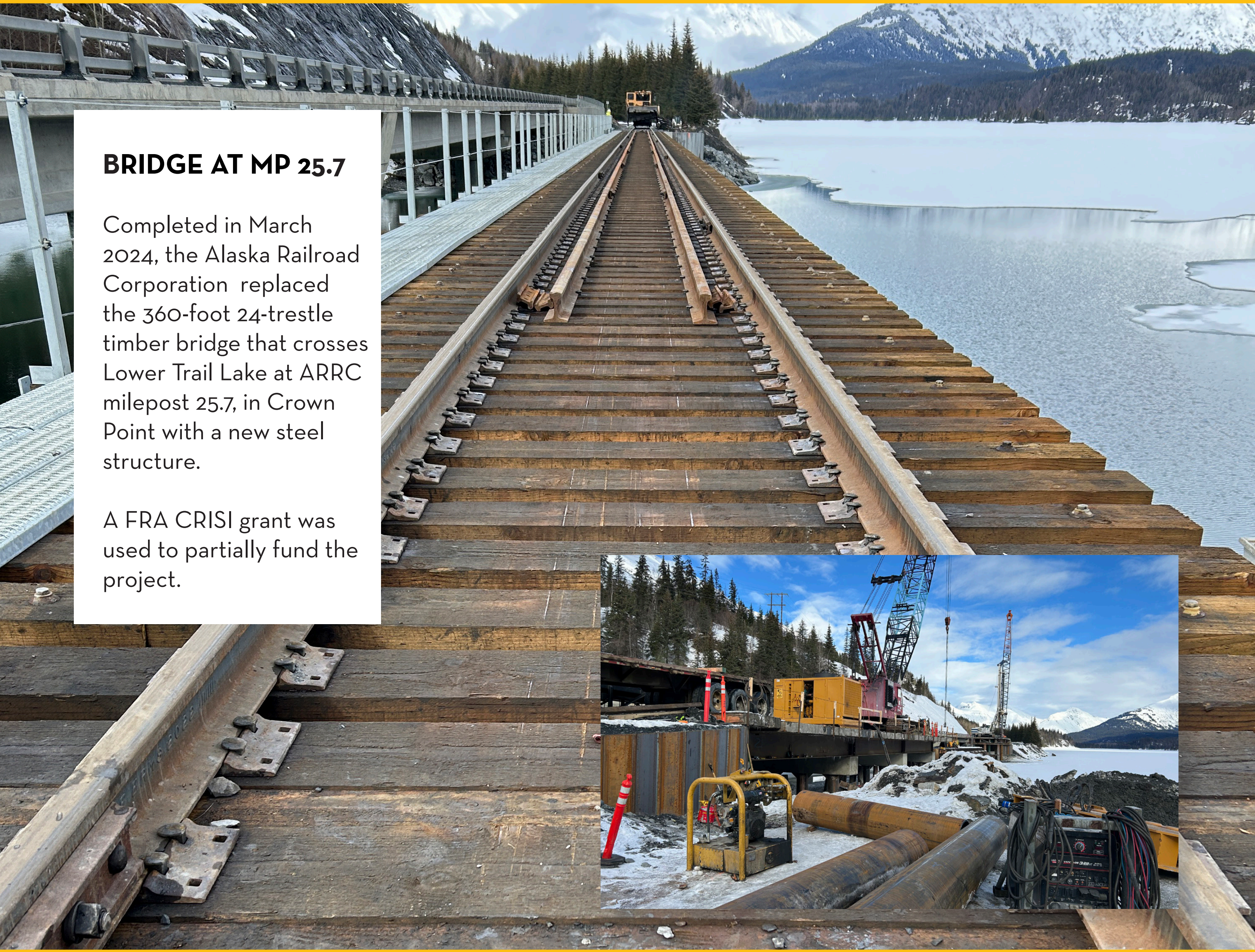
CAPITAL HIGHLIGHTS



The Alaska Railroad's 2024 Bridge Program was approximately $39 million with the majority funded through Federal Transit Administration formula funds. ARRC's mainline includes 175 bridges and large culverts.

Bridge at MP 64.7 - crosses the Twentymile River is undergoing rehabilitation which includes new concrete encasement along the seven piers.

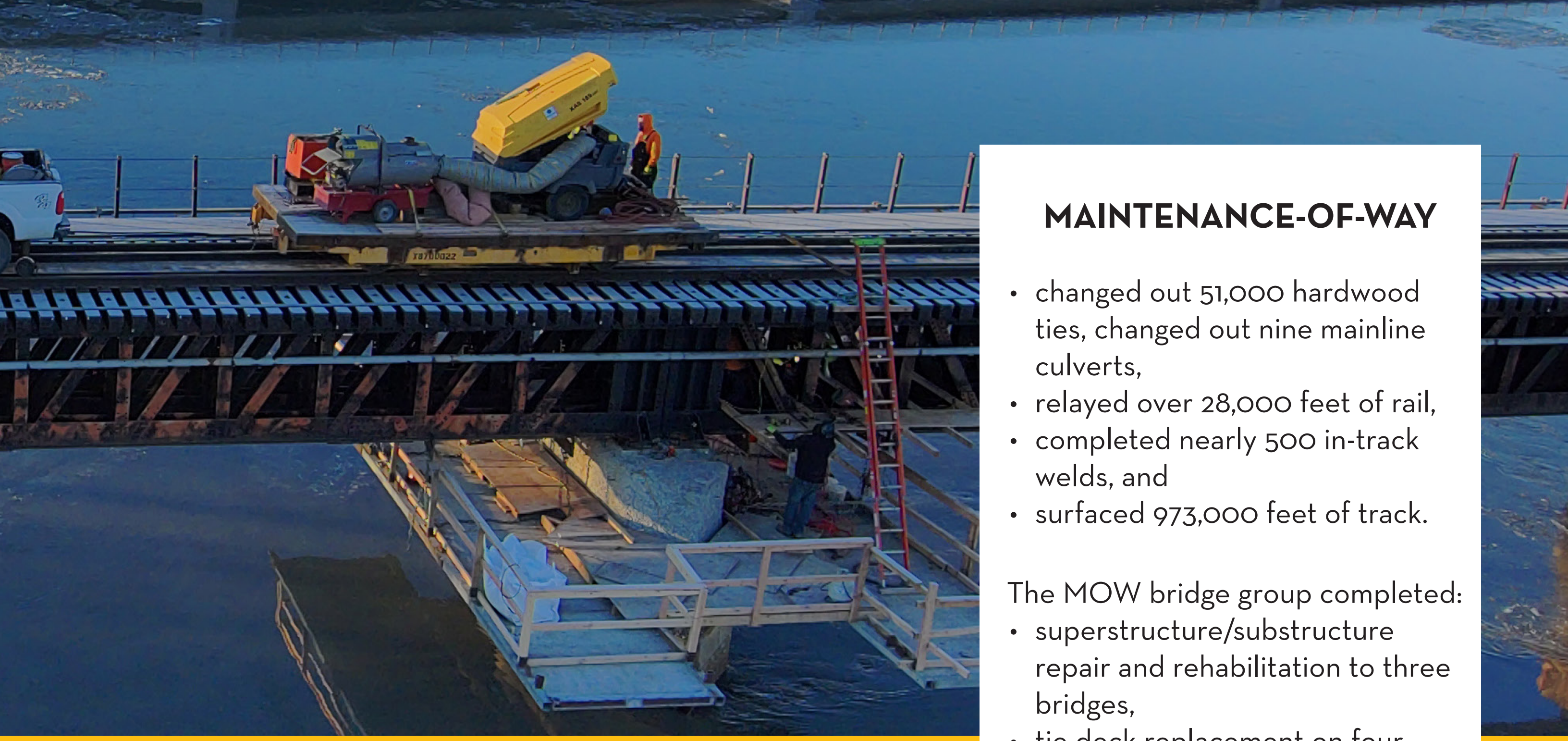
photo: William Say



BRIDGE AT MP 25.7

Completed in March 2024, the Alaska Railroad Corporation replaced the 360-foot 24-trestle timber bridge that crosses Lower Trail Lake at ARRC milepost 25.7, in Crown Point with a new steel structure.

A FRA CRISI grant was used to partially fund the project.



MAINTENANCE-OF-WAY

- changed out 51,000 hardwood ties, changed out nine mainline culverts,
- relayed over 28,000 feet of rail,
- completed nearly 500 in-track welds, and
- surfaced 973,000 feet of track.

The MOW bridge group completed:
- superstructure/substructure repair and rehabilitation to three bridges,
- tie deck replacement on four bridges,
- drove pile for a bridge undergoing work in 2025, and
- repairs to nine other bridges.

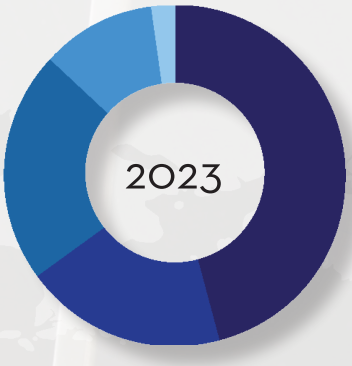
photo: Rachel Maddy

SIGNAL & TELECOM

- completed fiber optic installations at three railroad locations. The new fiber optic cables increased bandwidth and improved uptime reliability rate.
- deployed application for logging FRA required hours of service records. New application is mobile friendly, user friendly and saves the railroad over $60k a year in licensing.
- completed three complete grade crossing upgrades; two in Anchorage and one in Talkeetna.

photo: Judy Patrick

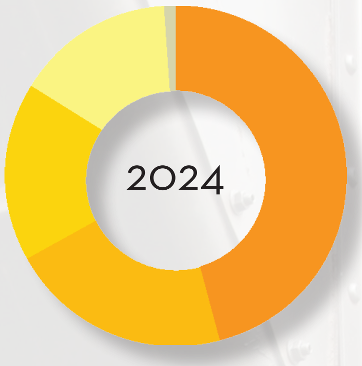
REVENUE SOURCES



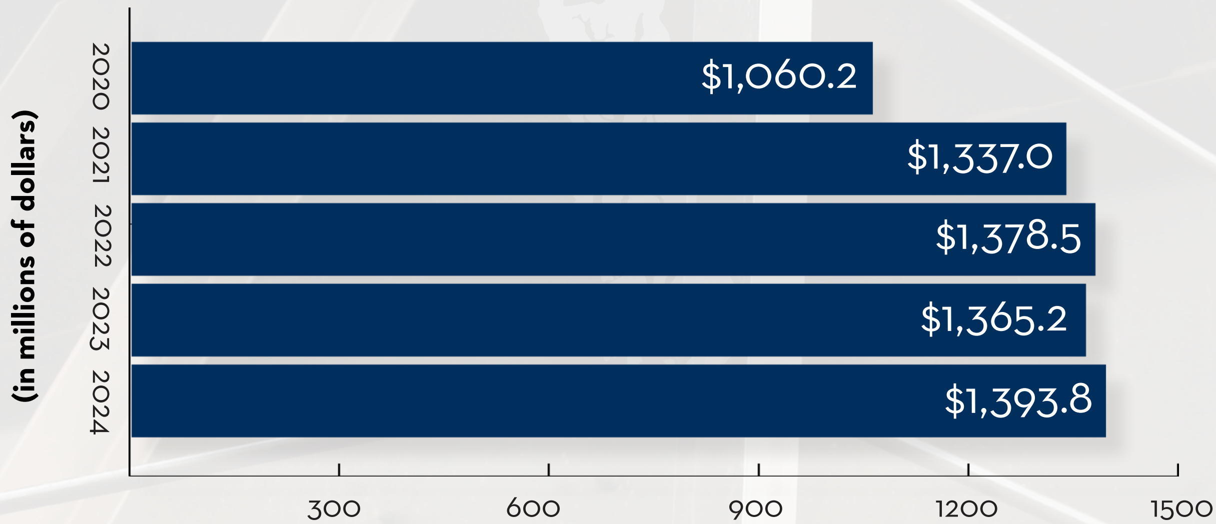
46% | Freight $120.9
19% | Passenger $50.2
22% | Grant $58.0
11%| Real Estate $30.2
2% | Other $5.1

$117.1 Freight | **46%**
$52.9 Passenger | **21%**
$42.6 Grant | **17%**
$36.9 Real Estate | **15%**
$3.5 Other | **1%**

in millions of dollars



TOTAL ASSETS & DEFERRED OUTFLOWS



NET INCOME

FINANCIAL HIGHLIGHTS

EARNINGS (IN THOUSANDS)

	2024	2023
Operating Revenues		
Freight	$ 117,129	$ 120,905
Passenger	52,891	50,240
Other	485	408
Grant	42,646	57,991
TOTAL OPERATING REVENUE	**213,151**	**229,544**
Operating Expenses	218,321	211,548
OPERATING INCOME	**(5,170)**	**17,996**
Non-Operating Revenues (Expenses):		
Net Real Estate Income	28,172	21,706
Gain on Sale of Capital Assets	34	1,542
Investment Income	2,972	3,162
Interest Expense	(719)	612
Grant Revenue	-	(824)
NET INCOME	**25,289**	**44,194**
Net position, Beginning of Year	484,756	440,562
NET POSITION, END OF YEAR	**$ 510,045**	**$ 484,756**
OPERATING RATIO	**1.02**	**0.92**

STATEMENT OF NET POSITION (IN THOUSANDS)

	2024	2023
Assets:		
Current Assets	$ 128,175	$ 146,948
Capital Assets	927,886	899,395
Restricted Assets	14,679	8,412
Other Assets	310,453	285,926
Deferred Outflows:		
Pension and Postretirement Actuarial	12,582	24,492
TOTAL ASSETS & DEFERRED OUTFLOWS	**1,393,775**	**1,365,173**
Liabilities:		
Current Liabilities	37,467	32,470
Other Liabilities	45,914	48,098
TOTAL LIABILITIES	**83,381**	**80,568**
Deferred Inflows:		
Pension and Postretirement Actuarial	11,827	14,516
Leases (GASB 87)	259,132	262,534
Unearned Grant Revenue	529,390	522,799
TOTAL LIABILITIES & DEFERRED INFLOWS	**883,730**	**880,417**
NET POSITION	**510,045**	**484,756**
TOTAL LIABILITIES & DEFERRED INFLOWS AND NET POSITION	**$ 1,393,775**	**$ 1,365,173**

March 31, 2025

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, 2024.

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

A Kinnaman

Amy Kinnaman
Controller

ALASKA RAILROAD CORPORATION

Financial Statements

December 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

ALASKA RAILROAD CORPORATION

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ALASKA RAILROAD CORPORATION

Management's Discussion and Analysis

December 31, 2024 and 2023

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, 2024 and 2023. Please read it in conjunction with the ARRC's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2024 were as follows:

Total net position increased 5.2% during the course of this year's operations and increased 10.0% over the course of 2023 operations.

- During 2024, the ARRC's operating revenue was less than operating expenses by $5.2 million, yielding an operating ratio of 1.02. Last year, operating revenue was greater than operating expenses by $18.0 million, yielding an operating ratio of 0.92.
- The total 2024 operating costs of the ARRC's programs were $218.3 million, an increase of 3.2% compared to last year. The total 2023 operating costs of the ARRC's programs were $211.5 million, an increase of 4.5% compared to last year.
- Expenditures on capital assets totaled $95.4 million during 2024, an increase of 40.3% compared to last year. Expenditures on capital assets totaled $68.0 million during 2023, an increase of 27.6% compared to last year.
- Grant funding was used for $44.7 million, or 46.9%, of the 2024 capital expenditures. Grant funding was used for $38.7 million, or 56.9%, of the 2023 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.
- ARRC experienced a significant financial reporting impact in fiscal year ending 2024 due to delays in processing the Federal Transit Administration (FTA) Preventative Maintenance (PM) grant. As a result, the 2024 PM apportionment grant of $15.4 million was not formally awarded by the FTA until January 3, 2025. According to Governmental Accounting Standards Board (GASB) guidance, the 2024 FTA PM grant did not meet the eligibility requirements to be recognized as revenue in 2024. Instead, the eligibility requirements were met in 2025, resulting in ARRC's total revenue being $15.4 million lower than anticipated for 2024 and higher than budgeted for 2025. This timing difference impacts stakeholders' perception of ARRC's financial performance, distorting key financial metrics, such as the operating margin, revenue-to-expense ratio, liquidity measures, and year over year comparison.

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 5.2% between fiscal years 2023 and 2024 to approximately $510.0 million. ARRC's net position increased 10.0% between fiscal years 2022 and 2023 to approximately $484.8 million.

	2024	2023**	2022*
		(In thousands)	
ASSETS			
Current assets	$ 128,175	146,948	171,006
Capital assets	927,886	899,395	881,753
Other noncurrent assets	325,132	294,338	291,309
Total assets	**1,381,193**	**1,340,681**	**1,344,068**
DEFERRED OUTFLOWS OF RESOURCES			
Pension and postretirement	12,582	24,492	34,391
Total assets and deferred outflows	**$ 1,393,775**	**1,365,173**	**1,378,459**
LIABILITIES			
Current liabilities	37,467	32,470	52,562
Notes payable outstanding, less current installments	15,699	10,710	12,192
Revenue bonds payable, less current portion, net of a unamortized premiums	—	—	1,357
Net pension liability	19,448	26,220	32,387
Other liabilities	10,767	11,168	7,271
Total liabilites	83,381	80,568	105,769
DEFERRED INFLOWS OF RESOURCES			
Pension and postretirement	11,827	14,516	20,219
Lease related	259,132	262,534	259,844
Regulatory liabilities: Unearned grant revenue	529,390	522,799	552,065
Total liabilities and deferred inflows	**883,730**	**880,417**	**937,897**
NET POSITION			
Net investment in capital assets	364,905	350,609	289,853
Restricted for reinvestment in infrastructure	145,140	134,147	150,709
Total net position	**$ 510,045**	**484,756**	**440,562**

*ARRC adopted GASB 96 – SBITA's effective January 1, 2023 and retroactively adopted to January 1, 2022.
**ARRC adopted GASB 101 – Compensated Absences effective January 1, 2024 and retroactively adopted to January 1, 2023.

Capital assets – Capital assets, net of accumulated depreciation increased $28.5 million in 2024, as expenditures on capital additions exceeded depreciation expense. Capital assets, net of accumulated depreciation increased $17.6 million in 2023, as expenditures on capital additions exceeded depreciation expense. During 2024 and

(Continued)

2023, 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 increased $6.9 million in 2024 and decreased $1.8 million in 2023. Revenue bonds payable decreased by $17.3 million in 2023 and were paid in full.

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 increased $6.6 million in 2024 and decreased $29.3 million in 2023. 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.

Net other postemployment benefit assets and net pension assets / (liabilities) – The net postretirement benefits assets increased $5.9 million during 2024, as a result of favorable investment returns on plan assets. The net pension liability decreased $6.8 million during 2024, as a result of favorable investment returns on plan assets and better experience than anticipated. 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.

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 in future periods, as reflected in note 7. Deferred outflows of resources decreased $11.9 million and $9.9 million during 2024 and 2023, respectively. The decrease in deferred outflows was a result of favorable investment returns. Deferred inflows of resources increased $0.5 million in 2024 and decreased $32.3 million during 2023. ARRC reports deferred amounts related to leases, unearned grant revenue, pension, and OPEB.

		2024	2023	2022
			(In thousands)	
DEFERRED OUTFLOWS				
Postretirement actuarial	$	5,836	8,785	9,624
Pension actuarial		6,746	15,707	24,767
Total deferred outflows	**$**	**12,582**	**24,492**	**34,391**
DEFERRED INFLOWS				
Postretirement actuarial		8,163	7,221	8,848
Pension actuarial		3,664	7,295	11,371
Regulatory liability – unearned grant revenue		529,390	522,799	552,065
Lease		259,132	262,534	259,844
Total deferred inflows	**$**	**800,349**	**799,849**	**832,128**

(Continued)

Change in net position – During 2024, ARRC reported a net income of $25.3 million, a decrease of $18.9 million from ARRC's reported net income in 2023 of $44.2 million. During 2023, ARRC reported a net income of $44.2 million, an increase of $5.0 million from ARRC's reported net income in 2022 of $39.2 million.

		2024	2023	2022
			(In thousands)	
OPERATING REVENUE				
Freight	$	117,129	120,905	110,146
Passenger		52,891	50,240	44,996
Other		485	408	462
Total transportation revenue		170,505	171,553	155,604
Grant revenue		42,646	57,991	67,902
Total revenues		**213,151**	**229,544**	**223,506**
OPERATING EXPENSE				
Transportation		46,894	46,795	45,789
Passenger		19,918	18,354	16,569
Advanced train control systems		1,667	1,718	1,382
Marketing and customer service		32,873	35,054	30,610
Mechanical		32,933	29,625	28,452
Engineering		62,125	59,862	56,831
Facilities		12,279	11,632	11,139
General and administrative		9,632	8,508	11,503
Total operating expense		218,321	211,548	202,275
OPERATING INCOME (LOSS)		**(5,170)**	**17,996**	**21,231**
NON-OPERATING REVENUES (EXPENSE)				
Real estate, net of expenses		28,172	21,706	16,954
Gain on sale of capital assets		34	1,542	72
Investment income		2,972	3,162	924
Interest expense		(719)	612	926
Grant revenue		—	(824)	(918)
Total non-operating revenues (expense)		30,459	26,198	17,958
NET INCOME (LOSS)	**$**	**25,289**	**44,194**	**39,189**

Revenue – The ARRC's total revenue decreased approximately 4.3% and totaled $253.0 million in 2024. ARRC's total revenue increased approximately 7.5% and totaled $264.4 million in 2023. Approximately 46.3% and 45.7% of the ARRC's revenue was derived from freight services and 20.9% and 19.0% of from passenger services during 2024 and 2023, respectively. The majority of the remaining income relates to real estate activities and federal grant revenue.

Total transportation revenue for 2024 was $1.0 million less than 2023. The decrease in transportation revenue was attributed primarily to a decrease in fuel surcharge revenue.

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

Grant revenue – Generally, federal grant revenue is recognized as the capital assets funded by the grants are depreciated. The ARRC also recognizes grant revenue associated with maintenance expense and grant funded bond principal, interest, and issuance costs. For the 2024 reporting period, it is important to note that the annual apportionment for the 2024 FTA PM grant was not formally awarded in 2024 due to unforeseen delays. Consequently, the $15.4 million grant award was not recognized as revenue in 2024. However, as of the publication of the FY 2024 annual financial report, ARRC received the award and subsequently recognized the revenue in January 2025.

Operating expense was $218.3 million in 2024, $211.5 million in 2023, and $202.3 million in 2022, an increase of $6.8 million, or 3.2%, from 2023 to 2024 and an increase of $9.2 million, or 4.5%, from 2022 to 2023. The increase in operating expenses over 2023 was attributed to an increase in wages and benefits and materials and supplies. The increase in operating expenses in 2023 over 2022 is attributed to an increase in contract expense and materials and supplies.

Real estate revenue was $36.9 million in 2024, $30.2 million in 2023, and $25.7 million in 2022, an increase of 22.2% from 2023 to 2024 and an increase of 17.5% from 2022 to 2023. The increase in real estate revenue was attributed to an increase in passenger dock revenue. As stipulated in an agreement finalized in 2024, a portion of passenger dock revenue must be utilized to pay for the new Seward Passenger Dock, which will replace the existing infrastructure. This portion of revenue has been used to make a purchase price deposit for the asset, with the purchase expected to close in 2026.

Real estate expense was $8.7 million in 2024, $8.4 million in 2023, and $8.8 million in 2022, an increase of 2.9% from 2023 to 2024 and a decrease of 3.8% from 2022 to 2023.

Capital Asset and Debt Administration

Capital Assets

At the end of 2024, the ARRC had invested $927.9 million in a broad range of capital assets (net of accumulated depreciation) including land, road and roadway structures, equipment, leasehold improvements and other lease and subscription-based assets. This amount represents a net increase (including additions and deductions) of $28.5 million, or 3.2%, over last year. The amount in 2023 represents a net increase (including additions and deductions) of $17.6 million, or 2.0% over 2022. Grants have funded $401.2 million, $391.8 million, and $407.1 million of the assets, net of accumulated depreciation at the end of 2024, 2023, and 2022, respectively.

Capital Assets (Net of Depreciation)

		2024	2023	2022
			(In thousands)	
Land and improvements	$	42,461	41,828	41,828
Road materials and supplies		34,551	34,398	24,017
Road and roadway structures		585,036	541,466	562,765
Equipment		137,495	151,511	158,417
Leasehold improvements		1	1	1
Quarry improvements		2,901	2,901	3,095
Construction in progress		114,150	116,309	86,665
Lease assets		11,291	10,981	4,965
Total	**$**	**927,886**	**899,395**	**881,753**

(Continued)

The ARRC’s fiscal year 2025 capital budget approved spending another $166.4 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 $119.3 million of the capital additions. The remaining capital projects will be funded out of current and prior year earnings. 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 2024, the ARRC had $19.1 million in notes payable outstanding, an increase of 56.7% from 2023. In early 2024, the ARRC issued $9.9 million in notes payable for the purchase of flat cars and locomotives as part of its continuing capital investment program. 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 issued in 2015 were paid in full in 2023.

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 2025 budgets for freight and passenger revenue are $124.8 million and $55.0 million, respectively. ARRC’s net position is expected to increase $50.9 million, or approximately 10%, by the close of 2025.

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, 2024 and 2023, 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, 2024 and 2023, 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 page 53-63 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 31, 2025, 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 31, 2025

ALASKA RAILROAD CORPORATION

Statements of Net Position

December 31, 2024 and 2023
(In thousands)

ASSETS		**2024**	**2023**
Current Assets:			
Cash and cash equivalents (note 3)	$	59,109	85,094
Accounts receivable, net of allowance for doubtful accounts of $791 in 2024 and $794 in 2023		24,669	23,074
Lease receivable (note 10)		13,265	13,457
Grants receivable		11,564	6,664
Materials and supplies		14,291	13,039
Prepaid expenses and other current assets		3,502	4,193
Under recovery of vehicle and equipment allocated costs (note 2(k))		538	248
Restricted assets (note 3)		1,237	1,179
Total current assets		128,175	146,948
Capital Assets, Net (notes 2(d), 4, 8, and 10)		927,886	899,395
Restricted assets (note 3)		14,679	8,412
Lease receivable (note 10)		243,873	247,066
Net other postemployment benefit (OPEB) asset (note 7)		44,762	38,842
Other assets		21,818	18
Total assets		1,381,193	1,340,681
Deferred Outflows:			
Postretirement actuarial (note 7)		5,836	8,785
Pension actuarial (note 7)		6,746	15,707
Total deferred outflows		12,582	24,492
Total assets and deferred outflows	**$**	**1,393,775**	**1,365,173**
LIABILITES			
Current Liabilities:			
Current portion of notes payable (notes 5 and 6)	$	3,404	1,482
Accounts payable and accrued liabilities		14,317	12,513
Payroll liabilities (notes 5 and 11)		12,248	12,094
Lease and SBITA liability (notes 2(o) and 10)		4,012	3,701
Environmental remediation reserve (notes 5 and 12)		1,017	241
Interest payable		41	15
Unearned revenue		2,428	2,424
Total current liabilities		37,467	32,470
Noncurrent Liabilities			
Notes payable, less current portion (notes 5 and 6)		15,699	10,710
Lease and SBITA liability (notes 2(o) and 10)		6,743	6,942
Payroll liabilities - compensated absence (notes 5 and 11)		567	530
Environmental remediation reserve, less current portion (notes 5 and 12)		2,147	2,113
State of Alaska advances (note 5)		1,310	1,260
Unearned revenue – long term		—	323
Net pension liability (note 7)		19,448	26,220
Total liabilities		83,381	80,568
Deferred Inflows:			
Postretirement actuarial (note 7)		8,163	7,221
Pension actuarial (note 7)		3,664	7,295
Lease related (note 10)		259,132	262,534
Regulatory liability – unearned grant revenue		529,390	522,799
Total deferred inflows		800,349	799,849
Total liabilities and deferred inflows		883,730	880,417
Net Position:			
Net investment in capital assets (note 4)		364,905	350,609
Restricted for reinvestment in infrastructure (notes 2(a) and 2(l))		145,140	134,147
Total net position		510,045	484,756
Commitments and Contingencies (notes 5, 6, 7, 10, 11, 12, and 13)			
Total liabilities, deferred inflows, and net position	**$**	**1,393,775**	**1,365,173**

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2024 and 2023
(In thousands)

		2024	2023
Operating Revenues:			
Freight	$	117,129	120,905
Passenger		52,891	50,240
Other		485	408
		170,505	171,553
Grant revenue (note 8)		42,646	57,991
		213,151	229,544
Operating Expenses:			
Transportation		46,894	46,795
Passenger		19,918	18,354
Advanced train control systems		1,667	1,718
Marketing and customer service		32,873	35,054
Mechanical		32,933	29,625
Engineering		62,125	59,862
Facilities		12,279	11,632
General and administrative, net of indirect cost recovery of $2,093 in 2024 and $1,907 in 2023		9,632	8,508
		218,321	211,548
Operating income (loss)		(5,170)	17,996
Nonoperating Revenues (Expenses):			
Real estate income, less direct expenses of $8,691 in 2024 and $8,447 in 2023 (notes 6 and 10)		28,172	21,706
Gain on sale of capital assets		34	1,542
Investment income		2,972	3,162
Interest expense		(719)	612
Grant revenue (note 8)		—	(824)
Total nonoperating revenues		30,459	26,198
Net income		25,289	44,194
Net position, end of year, as restated		484,756	440,562
Net position, end of year	**$**	**510,045**	**484,756**

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Cash Flows

Years ended December 31, 2024 and 2023
(In thousands)

		2024	2023
Cash flows from operating activities:			
Receipts from customers	$	168,910	169,411
Operating grants received		—	14,965
Payments to suppliers		(80,663)	(78,601)
Payments to employees		(76,435)	(70,398)
Net cash provided by operating activities		11,812	35,377
Cash flows from capital and related financing activities:			
Principal payments on long-term debt		(3,033)	(20,449)
Proceeds from long-term debt		9,944	—
Interest payments on long-term debt		(693)	247
Grant received for interest expense		—	(824)
Purchases and construction of capital assets		(93,409)	(84,600)
Proceeds from sales of capital assets		37	1,576
Grants and advances received for construction of capital assets		44,388	23,584
Deposits for capital projects		(21,800)	—
Net cash used for capital and related financing activities		(64,566)	(80,466)
Cash flows from investing activities:			
Real estate income and related cash flows		36,525	29,687
Real estate direct expenses paid		(6,402)	(6,211)
Sales (purchases) of restricted investments		(6,325)	18,703
Interest received		2,972	3,162
Net cash provided by investing activities		26,770	45,341
Net increase (decrease) in cash and cash equivalents		(25,984)	252
Cash and cash equivalents at beginning of year		85,093	84,841
Cash and cash equivalents at end of year	$	59,109	85,093
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$	(5,170)	17,996
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization		63,322	67,503
Grant revenue associated with capital assets		(42,646)	(43,026)
Changes in operating assets and liabilities that provided (used) cash:			
Materials and supplies		(1,252)	(1,075)
Accounts receivable		(1,595)	(2,142)
Prepaid expenses and other assets		691	(1,285)
Accounts payable and accrued liabilities		1,222	(477)
Over recovery of vehicle and equipment allocated costs		(290)	769
Payroll liabilities		191	(28)
Environmental remediation reserve		810	(20)
Accrued postretirement and pension benefits		(3,471)	(2,838)
Net cash provided by operating activities	**$**	**11,812**	**35,377**
Supplemental schedule of noncash investing and capital and related financing activities:			
Depreciation included in real estate activity	$	2,289	2,236
Capital assets acquired through accounts payable		3,734	3,152

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Fiduciary Net Position

December 31, 2024 and 2023
(In thousands)

ASSETS		2024	2023
Cash and cash equivalents (note 3)	$	953	693
Investments (note 3), at fair value:			
Mutual funds		268,404	235,704
Investment trust funds		73,319	80,259
Total assets	$	342,676	316,656
LIABILITES			
Accrued expenses	$	150	288
Claims payable		320	904
Total liabilities		470	1,192
NET POSITION			
Restricted for pension benefits and postemployment benefits		342,206	315,464
Total net position		342,206	315,464
Total liabilities and net position	**$**	**342,676**	**316,656**

See accompanying notes to financial statements.

ALASKA RAILROAD CORPORATION

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2024 and 2023
(In thousands)

		2024	2023
ADDITIONS			
Contributions:			
Employer	$	3,212	3,148
Employee		5,774	5,328
Total contributions		8,986	8,476
Investment income:			
Net increase in fair value of investments (note 3)		24,529	26,263
Interest, dividends, and other		7,827	7,691
Total investment income		32,356	33,954
Investment costs		553	761
Net investment income		31,803	33,193
Total additions		40,789	41,669
DEDUCTIONS			
Pension and postemployment benefits		13,503	13,159
Administrative		543	522
Total deductions		14,046	13,681
Net increase		26,743	27,988
NET POSITION			
Restricted for pension benefits and postemployment benefits:			
Beginning of year		315,464	287,476
End of year	**$**	**342,207**	**315,464**

See accompanying notes to financial statements.

(1) NOTE 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, 2024 and 2023 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) NOTE 2 – SUMMARY OF SIGNFICANT 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.

(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, 2024 and 2023, the ARRC's board of directors restricted $145.1 million and $134.1 million, respectively, of net position for reinvestment in infrastructure.

(m) Compensated Absences

The ARRC recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. Employee vacation time is accrued as a current liability on a first in first out (FIFO) basis at year-end for financial statement purposes. A significant portion of employee sick leave is not eligible for cash payout directly from ARRC upon retirement or termination. This portion of sick leave is excluded because it will more likely than not be settled through conversion to ARRC's defined benefit postemployment benefits. For the remaining portion of eligible sick leave, a three-year average is used to calculate the long-term liability portion of sick leave. Compensated absence costs are included in payroll liabilities in the statement of net position.

(n) Pensions and Defined-Benefit Postretirement Medical Plan

For purposes of measuring the net pension liability, net other post-employment benefit (OPEB) asset, 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.

(o) 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.

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 is 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. 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.

(p) Recently Issued Accounting Pronouncements Not Yet Adopted

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 and 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.

GASB Statement No. 103 (GASB 103), Financial Reporting Model Improvements was issued in May 28, 2024. The statement addresses improvements to key components of the financial reporting model, the purposes of which are to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing research conducted by the GASB. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025. ARRC is currently analyzing the impact of the new standard on its financial statements and related disclosures.

GASB Statement No. 104 (GASB 104), Disclosure of Certain Capital Assets was issued in September 2024. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. ARRC is currently analyzing the impact of the new standard on its financial statements and related disclosures.

(q) Recently Adopted Accounting Pronouncements

GASB Statement No. 101, Compensated Absences was issued in June 2022. The Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. 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 adopted GASB 101 effective January 1, 2024 retroactively to January 1, 2023. The effects of the change in accounting principle are summarized in the table below.

Change in Net Position
Due to Change in Accounting Principle

Net position December 31, 2023 as previously reported	$	484,837
Restatement - GASB 101 implementation		(81)
Net position December 31, 2023 as restated	$	484,756

There was no impact on the net position as of January 1, 2023.

GASB Statement No. 100 (GASB 100), Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62 was issued in June 2022. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. ARRC adopted GASB 100 effective January 1, 2024.

(3) NOTE 3 – DEPOSITS AND INVESTMENTS

ARRC's restricted assets are reported on the statements of net position as follows at December 31, 2024 and 2023:

		2024	2023
		(In thousands)	
Restricted assets – current:			
Money market mutual funds	$	1,237	1,179
		1,237	1,179
Restricted assets – non-current:			
Interest bearing savings		86	98
Money market mutual funds		14,593	8,314
		14,679	8,412
	$	**15,916**	**9,591**

The assets are restricted by the terms of grant, trust, bond, debt service, or other agreements and are summarized as follows at December 31, 2024 and 2023:

Description of Restriction		2024	2023
		(In thousands)	
Capital assets as authorized by the Department of Natural Resources	$	86	98
Advance grant funding		411	411
Equipment purchase		4,238	7,901
Flat cars and locomotives purchase		9,944	—
State of Alaska advance funding for Northern Rail Extension		1,237	1,175
Debt service reserve 2015A and 2015B		—	4
Debt service reserve 2012A and 2012B for notes payable		—	2
	$	**15,916**	**9,591**

(a) ARRC Investments and Deposits

ARRC's cash and cash equivalents consist of the following at December 31, 2024 and 2023:

		2024	2023
		(In thousands)	
Cash	$	10,709	9,302
Money market deposit accounts		25,907	19,348
Money market mutual funds		22,493	56,444
	$	**59,109**	**85,094**

(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, 2024, the ARRC's carrying amount of cash and cash equivalents was $59.1 million and the bank balance was $60.1 million. Of the bank balance, $250,000 per institution was covered by federal depository insurance, $48.4 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, 2024, the ARRC's carrying amount and bank balance of restricted assets was $15.9 million, all of which was held by a custodian bank in ARRC's name.

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.

(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, 2024 or 2023.

(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, 2024 and 2023:

			Fair Value Measurements Using		
		December 31, 2024	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	$	22,493	22,493	—	—
Restricted assets:					
Money market mutual funds		15,830	15,830	—	—
Total Investments By Fair Value Level	**$**	**38,323**	**38,323**	**—**	**—**

			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**	**—**	**—**

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 Investments

Cash and cash equivalents consist of $953 thousand and $693 thousand at December 31, 2024 and 2023, respectively.

(i) Custodial Credit Risk

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

At December 31, 2024 and 2023, the fiduciary fund's carrying amount of cash and cash equivalents and the bank balance was $953 thousand and $693 thousand, 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 authorize 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		2024	2023
MFS International Equity	$	39,676	38,649
Vanguard		33,395	30,093
Dodge & Cox		30,861	N/A
T Rowe Price		29,853	27,035
HOTCHKIS & Wiley		26,155	24,358
RREEF		23,409	18,315
MFS Mid Cap		20,842	18,424
Sterling Capital		20,569	N/A
All Spring Special Mid Cap		20,378	N/A
Prime Property		19,266	N/A
T.Rowe Price		17,630	16,881
Metropolitan West		N/A	22,932
Morgan Stanley Prime Property		N/A	19,416
JP Morgan		N/A	18,346
DFA		N/A	15,986

(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, 2024 and 2023:

		Fair Value Measurements Using		
	December 31, 2024	Quoted Prices in Active Markets for Identical Assts (Level 1)	Significant Other Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
INVESTMENTS BY FAIR LEVEL VALUE				
Pension trust fund:				
Mutual funds	$ 213,632	213,632	—	—
OPEB trust fund:				
Mutual funds	54,772	54,772	—	—
Total investments by fair value level	268,404	268,404	—	—
Investments measured at net asset value (NAV): investment trust funds				
Total investments measured	73,319			
at the NAV	73,319			
Total investments	**$ 341,723**			

	December 31, 2023	Fair Value Measurements Using: 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 LEVEL VALUE				
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**			

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, 2024 and 2023:

	December 31, 2024 Fair value	Unfunded Commitment	Redemption Frequency (if Currently Eligible	Redemption Notice Period
	(in thousands)			
INVESTMENT TRUST FUNDS:				
Equities/Equity funds (a)	$ 30,644	—	Monthly	None
Real estate trust funds (b)	42,675	—	Quarterly	45-90 days
Total trust funds	**$ 73,319**	**—**		

		December 31, 2023 Fair value	Unfunded Commitment	Redemption Frequency (if Currently Eligible	Redemption Notice Period
		(in thousands)			
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**	**—**		

(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) NOTE 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 $2.1 million and $1.9 million during the years ended December 31, 2024 and 2023, respectively.

The following tables summarize activity in the capital assets accounts during the years ended December 31, 2024 and 2023:

		Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024
		(In thousands)			
Capital assets not depreciated					
Land and improvements	$	41,828	633	—	42,461
Road materials and supplies		34,398	42,054	(41,901)	34,551
Construction in progress		116,309	95,388	(97,547)	114,150
Total capital assets not depreciated		192,535	138,075	(139,448)	191,162
Capital assets depreciated:					
Road and roadway structures		1,253,980	84,474	—	1,338,454
Equipment		563,316	12,440	(565)	575,191
Leasehold improvements		2,172	—	—	2,172
Total capital assets depreciated		1,819,468	96,914	(565)	1,915,817
Capital assets being depleted:					
Quarry improvements		4,114	—	—	4,114
Less accumulated depreciation for:					
Road and roadway structures		712,514	40,904	—	753,418
Equipment		411,805	26,453	(562)	437,696
Leasehold improvements		2,171	—	—	2,171
Total accumulated depreciation		1,126,490	67,357	(562)	1,193,285
Less accumulated depletion for:					
Quarry improvements		1,213	—	—	1,213
Capital assets being depreciated and depleted, net, exluding lease assets		695,879	29,557	(3)	725,433
Net capital assets, excluding lease assets		888,414	167,632	(139,451)	916,595
Lease and SBITA assets, net (note 10)					11,291
Total capital assets, net as reported in statement of net position				**$**	**927,886**

	Balance at January 1, 2023	Increases	Decreases	Balance at December 31, 2023
		(In thousands)		
Capital assets not 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 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 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**

Depreciation was charged to the following departments during the years ended December 31, 2024 and 2023:

		2024		2023	
		Grant-Funded Depreciation	Nongrant-Funded Depreciation	Grant-Funded Depreciation	Nongrant-Funded Depreciation
		(In thousands)		(In thousands)	
Transportation	$	9,762	2,798	9,836	2,487
Passenger		—	54	—	33
Marketing and customer service		—	537	—	482
Mechanical		3,433	7,739	3,434	7,523
Engineering		26,202	8,706	26,266	8,285
Facilities		3,019	1,805	3,345	1,647
General and administrative		230	783	145	819
Real estate		187	2,102	169	2,067
	$	**42,833**	**24,524**	**43,195**	**23,343**

Net investment in capital assets is as follows at December 31, 2024 and 2023:

		2024	2023
		(In thousands)	
Net capital assets	$	927,886	899,395
Capital assets acquired through accounts payable		(3,733)	(3,152)
Notes payable (note 6)		(19,103)	(12,192)
Lease liabilities (note 10)		(10,755)	(10,643)
Unearned grant revenue		(529,390)	(522,799)
	$	**364,905**	**350,609**

(5) NOTE 5 – LONG-TERM LIABILITES

Long-term liability activity is summarized as follows during the years ended December 31, 2024 and 2023: The compensated absences liability identified below refers to the current balance identified as long term of what has been earned as a termination benefit that will be paid over time as people leave or retire.

	Balance at January 1, 2024	Additions	Reductions (In thousands)	Balance at December 31, 2024	Due within one year
Long-Term Liabilites:					
Notes payable	$ 12,192	9,900	(2,989)	19,103	3,404
Subtotal debt	12,192	9,900	(2,989)	19,103	3,404
Other Obligations					
Environmental remediation reserve	2,354	1,800	(990)	3,164	1,017
State of Alaska advances	1,260	50	—	1,310	—
Unearned revenue – long-term	733	—	(359)	374	374
Compensated absences	5,645	449 *	—	6,094	5,527
Subtotal other obligations	9,992	2,299	(1,349)	10,942	6,918
Total debt and other	22,184	12,199	(4,338)	30,045	10,322
Lease liabilities and SBITA (note 10)				10,755	4,012
Total Long-Term Liabilities				**$ 40,800**	**14,334**

*The change in the compensated absences liability is presented as a net change.

	Balance at January 1, 2023	Additions	Reductions (In thousands)	Balance at December 31, 2023	Due within one year
Long-Term Liabilites:					
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)	—	—
Subtotal debt	32,641	—	(20,449)	12,192	1,482
Other Obligations					
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
Compensated absences	5,404	241 *	—	5,645	5,115
Subtotal other obligations	10,232	276	(516)	9,992	5,766
Total debt and other	42,873	276	(20,965)	22,184	7,248
Lease liabilities and SBITA (note 10)				10,643	3,701
Total Long-Term Liabilites				**$ 32,827**	**10,949**

*The change in the compensated absences liability is presented as a net change.

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 100.0% of SOFR average plus 1.45% to 1.85%. None of the lines of credit had an outstanding balance at December 31, 2024 or 2023.

(6) NOTE 6 – LONG-TERM DEBT

Long-term debt at December 31, 2024 and 2023 consists of the following:

		2024	2023
Notes Payable:		(In thousands)	
Note payable, secured by equipment, due in monthly payments of $74,376, including interest at 2.21%, matures on December 17, 2029		4,221	5,011
Note payable, secured by equipment, due in monthly payments of $77,489 including interest at 3.46%, matures on December 23, 2032		6,489	7,181
Note payable, secured by flat cars and locomotives, due in monthly payments of $183,519, including interest at 4.27%, matures on February 5, 2029		8,393	—
		19,103	12,192
Less current portion of principal		3,404	1,482
Total Noncurrent	**$**	**15,699**	**10,710**

Annual payments on debt are scheduled as follows at December 31, 2024:

		Notes Payable		
		Principal	**Interest**	**Total**
Years Ending December 31:		(in thousands)		
2025	$	3,404	620	4,024
2026		3,530	495	4,025
2027		3,659	365	4,024
2028		3,794	230	4,024
2029		2,070	120	2,190
2030-2034		2,646	144	2,790
		19,103	1,974	21,077
Current portion of principal		(3,404)		(3,404)
Total Noncurrent	**$**	**15,699**		**17,673**

State of Alaska Authorizations

Chapter 30, SLA 2022, as amended by chapter 1, SLA 2025, authorizes the ARRC to issue up to $135 million in revenue bonds to finance the replacement of a passenger dock and terminal facility in Seward. To date, no bonds have been issued.

(Continued)

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. The previously issued bonds are fully paid.

(7) NOTE 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, 2024, the Plan assets consist of cash and cash equivalents of less than 1%, fixed-income securities of 34.7%, equities of 49.6%, commodities of 1.9% and real estate investments of 13.5%.

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

	2024	2023
In-pay plan members or beneficiaries currently receiving benefits	421	410
Inactive plan members entitled to but not yet receiving benefits	505	459
Active plan members	731	697
	1,657	1,566

The components of the net pension liability for the Plan at December 31, 2024 and 2023 were as follows:

		2024	2023
		(In thousands)	
Total pension liability	$	302,562	286,115
Fiduciary net position		(283,114)	(259,895)
Net Pension Liability	**$**	**19,448**	**26,220**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		93.6 %	90.8 %

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2024 and 2023, the ARRC reported a liability for the pension plan. The net pension liability was measured as of December 31, 2024 and 2023, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 and 2023, respectively. For the years ended December 31, 2024 and 2023, the ARRC recognized pension expense of $1.8 million and $2.0 million, respectively.

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

		2024		2023	
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	$	4,196	(1,945)	3,710	(3,251)
Changes of assumptions		146	(1,719)	227	(4,044)
Net difference between actual and projected earnings on investments		2,404	—	11,770	—
Total	**$**	**6,746**	**(3,664)**	**15,707**	**(7,295)**

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:		
2025	$	548
2026		6,995
2027		(2,949)
2028		(1,512)
	$	**3,082**

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

Actuarial Assumption	2024	2023
Inflation	2.50%	2.50%
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	0.71% of payroll, based on current year actual expense	0.75% 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.

(Continued)

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)%	2.20 %
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, 2024	$	60,360	19,448	(14,347)
December 31, 2023		65,570	26,220	(6,254)

The annual money-weighted rate of return, net of investment expense, was 10.91% and 11.60% for the years ended December 31, 2024 and 2023, 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, 2024	$	286,115	259,895	26,220
Changes for the year:				
Service cost		6,507	—	6,507
Interest		20,751	—	20,751
Changes of benefit terms		—	—	—
Difference between expected and actual experience		1,992	—	1,992
Changes of assumptions		—	—	—
Contributions – employer		—	3,212	(3,212)
Contributions – employee		—	5,774	(5,774)
Net investment income		—	27,464	(27,464)
Benefit payments, including refunds of employee contributions		(12,803)	(12,803)	—
Administrative expenses		—	(428)	428
Net changes		16,447	23,219	(6,772)
Balances at December 31, 2024	**$**	**302,562**	**283,114**	**19,448**

		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**

Additional required supplementary information for ARRC's defined-benefit pension plan can be found on pages 53 through 55.

(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, 2024 or 2023. As of December 31, 2024, the Plan assets are held in trust and consist of cash and cash equivalents of less than 1%, fixed-income securities of 62.6%, equities of 26.1%, U.S. healthcare stocks, of 3.8%, and real estate investments of 7.3%.

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

	2024	2023
Inactive plan members or beneficiaries currently receiving benefits	27	34
Inactive plan members entitled to but not yet receiving benefits	—	—
Active plan members	302	326
	329	**360**

The components of the net other postemployment benefit (OPEB) asset for the Plan at December 31, 2024 and 2023 were as follows:

		2024	2023
		(In thousands)	
Total OPEB liability	$	14,331	16,726
Fiduciary net position		(59,093)	(55,568)
Net OPEB (asset)	**$**	**(44,762)**	**(38,842)**
Plan Fiduciary Net Position as a Percentage of the Total OPEB (asset)		(412.3)%	(332.2)%

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2024 and 2023, the ARRC reported an asset for the Health Care Trust plan. The net OPEB asset was measured as of December 31, 2024 and 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of January 1, 2024 and 2023. For the years ended December 31, 2024 and 2023, the ARRC recognized net OPEB income of $2.0 million and $1.7 million, respectively.

(Continued)

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

Deferred Outflows and (Inflows) of Resources	2024 Deferred Outflows of Resources	2024 Deferred Inflows of Resources	2023 Deferred Outflows of Resources	2023 Deferred Inflows of Resources
	(In thousands)		(In thousands)	
Differences between expected and actual experience	$ 2,738	(6,120)	3,215	(4,781)
Changes of assumptions	1,477	(2,043)	2,016	(2,440)
Net difference between actual and projected earnings on investments	1,621	—	3,554	—
Total	**$ 5,836**	**(8,163)**	**8,785**	**(7,221)**

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:	
2025	$ 74
2026	507
2027	(1,352)
2028	(738)
2029	(341)
Thereafter	(477)
	$ (2,327)

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

Actuarial Assumption	2024	2023
Discount rate	6.00% based on crossover test	6.00% based on crossover test
Inflation	2.50%	2.50%
Salary increases	2.50% CPI plus merit based rates	2.50% 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	0.36% of payroll, based on current actual year expenses	0.29% 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 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+

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.

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	Intermediate-Term Expected Real Rate of Return	Long Term Expected Real Rate of Return
U.S. TIPS	6.00 %	(0.15)%	2.44 %
Short-Term Bond	5.00	(0.20)	1.22
Total Bond Return	31.00	0.10	2.68
Global Bond	7.00	0.20	2.44
High Yield Bond	11.00	1.66	3.66
Domestic Large Cap	11.00	3.32	5.37
Domestic Mid Cap	7.00	4.05	5.90
Domestic Small Cap	4.00	4.39	6.10
U.S. Healthcare (Equity)	4.00	3.80	5.85
International Equity	6.00	4.05	6.10
Real Estate	8.00	3.41	4.39
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.

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, 2024	$	(42,881)	(44,762)	(46,333)
December 31, 2023		(36,640)	(38,842)	(40,681)

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 2025, decreasing to an ultimate rate of 3.45% in 2076+ as of December 31, 2024 and December 31, 2023. It also reports 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 Trend Rate	1% Increase
			(In thousands)	
Net OPEB Liability (Asset) as of:				
December 31, 2024	$	(46,722)	(44,762)	(42,341)
December 31, 2023		(41,122)	(38,842)	(36,029)

(Continued)

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, 2024	$	16,726	55,568	(38,842)
Changes for the year:				
Service cost		393	—	393
Interest		831	—	831
Changes of benefit terms		—	—	—
Difference between expected and actual experience		(2,898)	—	(2,898)
Changes in assumptions		(21)	—	(21)
Contributions – employer		—	—	—
Net investment income		—	4,339	(4,339)
Benefit payments, net of retiree premiums		(700)	(700)	—
Administrative expenses		—	(114)	114
Net changes		(2,395)	3,525	(5,920)
Balances at December 31, 2024	**$**	**14,331**	**59,093**	**(44,762)**

		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)

Additional required supplementary information for ARRC's OPEB plan can be found on pages 56 through 58.

(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 $4,000 and $7,000 for the years ended December 31, 2024 and 2023, respectively.

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

The ARRC sponsors a defined contribution plan (401(k) Plan) under Section 401(k) of the Internal Revenue Code (IRC) for employees. All regular employees are eligible to contribute to the 401(k) 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 $1.1 million and $838,000 for the years ended December 31, 2024 and 2023, respectively.

(e) Alaska Railroad Corporation 457 Deferred Compensation Plan

ARRC sponsors a Section 457 deferred compensation plan (457 Plan) under Section 457(b) of the IRC for non-represented employees. There are no benefit expenses related to the 457 Plan for the years ended December 31, 2024 or 2023.

(8) NOTE 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.

The original cost of assets constructed or acquired with grant funding as of December 31, 2024 and 2023, including construction in process from pending grants, consists of the following:

			2024	2023
			(In thousands)	
Land and improvements		$	8,819	8,819
Road and roadway structures	15–32 year life		779,569	737,384
Equipment	5–25 year life		219,877	218,498
Construction in process			82,909	81,782
		$	**1,091,174**	**1,046,483**

(Continued)

Grant revenue earned during the years ended December 31, 2024 and 2023 consisted of the following:

		2024	2023
		(In thousands)	
Depreciation on assets constructed with grant funds	$	42,833	43,195
Grant funded maintenance expense		—	14,965
Grant funded bond principal, interest, and issuance costs		—	(824)
		42,833	57,336
Grant revenue included in real estate nonoperating revenues		(187)	(169)
Grant funded interest on Series 2015A revenue bonds included in nonoperating revenues		—	824
	$	**42,646**	**57,991**

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

			2024	2023
			(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) NOTE 9 – CONCENTRATIONS

In 2024 and 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. 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 as used for 46.9% and 57.0% of capital expenditures in 2024 and 2023, respectively.

(10) NOTE 10 – LEASE COMMITMENTS

As discussed in note 2(o), 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 $15.8 million and $16.0 million in 2024 and 2023, respectively.

As discussed in note 2(o), 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, 2024 is as follows:

		Balance at January 1, 2024	Additions	Deductions	Balance at December 31, 2024	Amounts due within one year
Lease liabilities	$	9,802	4,863	(3,944)	10,721	3,978
SBITA liabilities		841	(65)	(742)	34	34
Total lease and SBITA liabilities	**$**	**10,643**	**4,798**	**(4,686)**	**10,755**	**4,012**

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

		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**

The future principal and interest lease payments as of December 31, 2024, were as follows:

		Principal	Interest	Total
Fiscal year ending December 31:				
2025	$	3,764	317	4,081
2026		3,441	188	3,629
2027		2,590	84	2,674
2028		663	27	690
2029		297	4	301
	$	**10,755**	**620**	**11,375**

Lease and SBITA Assets

A summary of changes in the related lease assets during the year ended December 31, 2024 is as follows:

		Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024
			(In thousands)		
Lease Assets:					
Vehicles	$	1,522	203	(110)	1,615
Equipment		10,020	1,815	—	11,835
Rail cars		826	2,660	(409)	3,077
Computer hardware		654	13	—	667
Real property		223	198	—	421
Total lease assets		13,245	4,889	(519)	17,615
SBITA Assets:					
Infrastructure as a service		672	371	(318)	725
Software as a service		1,173	(264)	(909)	—
Total SBITA assets		1,845	107	(1,227)	725
Less Accumulated Amortization:					
Lease assets:					
Vehicles		471	276	(110)	637
Equipment		1,960	2,950	—	4,910
Rail cars		426	477	(409)	494
Computer hardware		395	164	—	559
Real property		144	77	—	221
Total lease accumulated amortization		3,396	3,944	(519)	6,821
SBITA Assets:					
Infrastructure as a service		193	353	(318)	228
Software as a service		520	389	(909)	—
Total SBITA accumulated amortization		713	742	(1,227)	228
Total lease assets and SBITA, net	**$**	**10,981**	**310**	**—**	**11,291**

A summary of changes in the related lease and SBITA 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 and SBITA, net	**$ 4,966**	**6,015**	**—**	**10,981**

(Continued)

(11) NOTE 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, 2024 and 2023:

		2024	2023
		(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, 2024 and 2023:

		Balance at January 1, 2024	Incurred Claims	Claim Payments	Balance at December 31, 2024
			(In thousands)		
Employee health benefits	$	912	13,156	(13,191)	877
Workers' compensation		2,015	785	(1,106)	1,694
	$	**2,927**	**13,941**	**(14,297)**	**2,571**

		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**

(12) NOTE 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) NOTE 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:

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

The ATDA labor agreement was effective June 29, 2023 and will expire on June 28, 2026. The IBT labor agreement was ratified effective June 11, 2024 and will expire June 10, 2028. 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 SMART 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) NOTE 14 – RELATED PARTY TRANSACTIONS

The State of Alaska awarded ARRC appropriations for two capital improvement projects totaling $4,009,884. The ARRC incurred $237,172 and $549,188 of costs during 2024 and 2023, respectively, under these appropriations. The State of Alaska awarded grants for a 2021 disaster declaration. Under these disaster grant awards, the ARRC incurred $33,535 and $241,381 of costs in 2024 and 2023, respectively. These amounts are included in accounts receivable, construction in progress, and unearned grant revenue as of December 31, 2024 and December 31, 2023. 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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:										
Service cost	$ 6,507	6,321	6,500	6,176	6,106	5,835	5,676	5,777	5,853	5,834
Interest	20,751	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	1,992	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	(12,803)	(12,064)	(10,226)	(9,966)	(9,116)	(8,086)	(7,062)	(6,197)	(5,541)	(4,920)
Net change in total pension liability	16,447	17,999	10,254	6,614	9,218	29,708	11,514	13,754	19,924	12,746
Total pension liability – beginning	286,115	268,116	257,862	251,248	242,030	212,322	200,808	187,054	167,130	154,384
Total pension liability – ending (a)	302,562	286,115	268,116	257,862	251,248	242,030	212,322	200,808	187,054	167,130
Plan Fiduciary Net Position:										
Contributions – employer	3,212	3,148	2,673	3,813	4,619	5,220	3,555	4,051	4,163	3,571
Contributions – employees	5,774	5,328	4,987	4,650	4,639	4,477	4,341	4,302	4,383	4,290
Total net investment income (loss)	27,464	28,181	(32,967)	40,127	21,600	32,628	(8,075)	22,088	11,774	(199)
Benefit payments, including refunds of member contributions	(12,803)	(12,064)	(10,226)	(9,966)	(9,116)	(8,086)	(7,062)	(6,197)	(5,541)	(4,920)
Administrative expenses	(428)	(427)	(365)	(306)	(273)	(269)	(312)	(409)	(593)	(550)
Net change in plan fiduciary net position	23,219	24,166	(35,898)	38,318	21,469	33,970	(7,553)	23,835	14,186	2,192
Plan fiduciary net position – beginning	259,895	235,729	271,627	233,309	211,840	177,870	185,423	161,588	147,402	145,210
Plan fiduciary net position – ending (b)	283,114	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)	**$ 19,448**	**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	93.57 %	90.84 %	87.92 %	105.34 %	92.86 %	87.53 %	83.77 %	92.33 %	86.39 %	88.20 %
Covered Payroll	$ 64,111	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	30.33 %	44.30 %	58.45 %	(26.64)%	34.79 %	60.70 %	71.44 %	32.18 %	52.29 %	41.39 %

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)

		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$	3,212	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		3,212	3,148	2,673	3,813	4,619	5,220	3,555	4,051	4,163	3,571
Contribution deficiency (excess)	$	—	—	—	—	—	—	—	—	—	—
Covered Payroll	$	64,111	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		5.01 %	5.32 %	4.82 %	7.38 %	8.96 %	10.49 %	7.37 %	8.47 %	8.55 %	7.33 %

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	10.91 %	11.60 %	(10.60)%	16.25 %	10.30 %	18.47 %	(4.45)%	14.05 %	8.10 %	1.00 %

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)

		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB Liability:											
Service cost	$	393	455	404	446	522	529	599	700	699	633
Interest		831	978	796	857	972	1,003	981	1,095	985	1,021
Changes of benefit terms		—	—	—	—	—	—	—	526	—	—
Differences between expected and actual experience		(2,898)	2,233	(1,560)	1,879	(1,205)	(1,998)	(4,511)	(165)	(1,832)	—
Changes of assumptions		(21)	384	501	(3,371)	(353)	1,186	1,461	—	1,442	—
Benefit payments, net of retiree premiums		(700)	(1,095)	(567)	(740)	(491)	(371)	(350)	(331)	(506)	(193)
Net change in total OPEB liability		(2,395)	2,955	(426)	(929)	(555)	349	(1,820)	1,825	788	1,461
Total OPEB liability – beginning		16,726	13,771	14,197	15,126	15,681	15,332	17,152	15,327	14,539	13,078
Total OPEB liability – ending (a)		14,331	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)		4,339	5,012	(6,547)	5,444	3,914	6,096	(958)	4,295	2,670	(384)
Benefit payments, net of retiree premiums		(700)	(1,095)	(567)	(740)	(491)	(371)	(350)	(331)	(506)	(193)
Administrative expenses		(114)	(95)	(62)	(60)	(59)	(59)	(71)	(77)	(66)	(48)
Net change in plan fiduciary net position		3,525	3,822	(7,176)	4,644	3,364	5,666	(1,379)	3,887	2,098	(625)
Plan fiduciary net position – beginning		55,568	51,746	58,922	54,278	50,914	45,248	46,627	42,740	40,642	41,267
Plan fiduciary net position – ending (b)		59,093	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)	**$**	**(44,762)**	**(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		(412.34)%	(332.23)%	(375.76)%	(415.03)%	(358.84)%	(324.69)%	(295.12)%	(271.85)%	(278.85)%	(279.54)%
Covered Payroll	$	32,031	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		(139.75)%	(119.96)%	(112.62)%	(134.39)%	(122.29)%	(109.58)%	(89.45)%	(83.52)%	(58.40)%	(54.77)%

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)

		2024	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	$	32,031	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		— %	— %	— %	— %	— %	— %	— %	— %	— %	— %

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	7.96 %	9.65 %	(9.97)%	7.28 %	10.69 %	13.52 %	(2.39)%	10.55 %	3.50 %	0.70 %

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, 2024 are as follows:

(a) Actuarial Valuation Date: January 1, 2024

(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: $117,600 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 0.75% to 0.71% of payroll, based on actual expenses paid, which increased by 0.3%.

(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, 2024 are as follows:

(a) Actuarial Valuation Date: January 1, 2024

(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%

(f) Investment rate of return: 6%

(g) Administrative Expenses: $31,500 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 Experience Study for the 2005-2009 period 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

(l) Health Care Trend:

Year	Increase from Prior Year	
	Non-Medicare	Medicare
2024	Actual Premiums	
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	4.15
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
2076+	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	$	16,135	19,809	14,812	18,168	13,300	16,292
55		20,825	22,922	19,096	21,011	17,121	18,828
60		26,617	26,815	24,388	24,568	21,839	22,000
64		32,132	30,897	29,425	28,297	26,331	25,324
65		12,266	11,692	11,277	10,753	10,148	9,680
70		13,427	12,790	12,338	11,756	11,093	10,574
75		14,393	13,752	13,220	12,634	11,880	11,358
80		14,892	14,336	13,676	13,168	12,287	11,833
85		14,713	14,288	13,512	13,124	12,140	11,794

		Blue Essentials Plan		Gold Essentials Plan	
Age		**Male**	**Female**	**Male**	**Female**
50	$	13,918	17,059	12,565	15,381
55		17,928	19,720	16,160	17,767
60		22,881	23,049	20,601	20,751
64		27,595	26,539	24,827	23,880
65		10,609	10,119	9,598	9,158
70		11,602	11,057	10,488	10,000
75		12,428	11,880	11,228	10,737
80		12,855	12,379	11,611	11,185
85		12,701	12,338	11,474	11,148

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

Medical plan election at retirement was updated for actives currently not electing coverage.

(p) Administrative expenses: The administrative expenses increased to 0.36% of payroll, based on actual expenses paid, which increased by 20.5%.

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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