ALASKA RAILROAD

ANNUAL REPORT 2025

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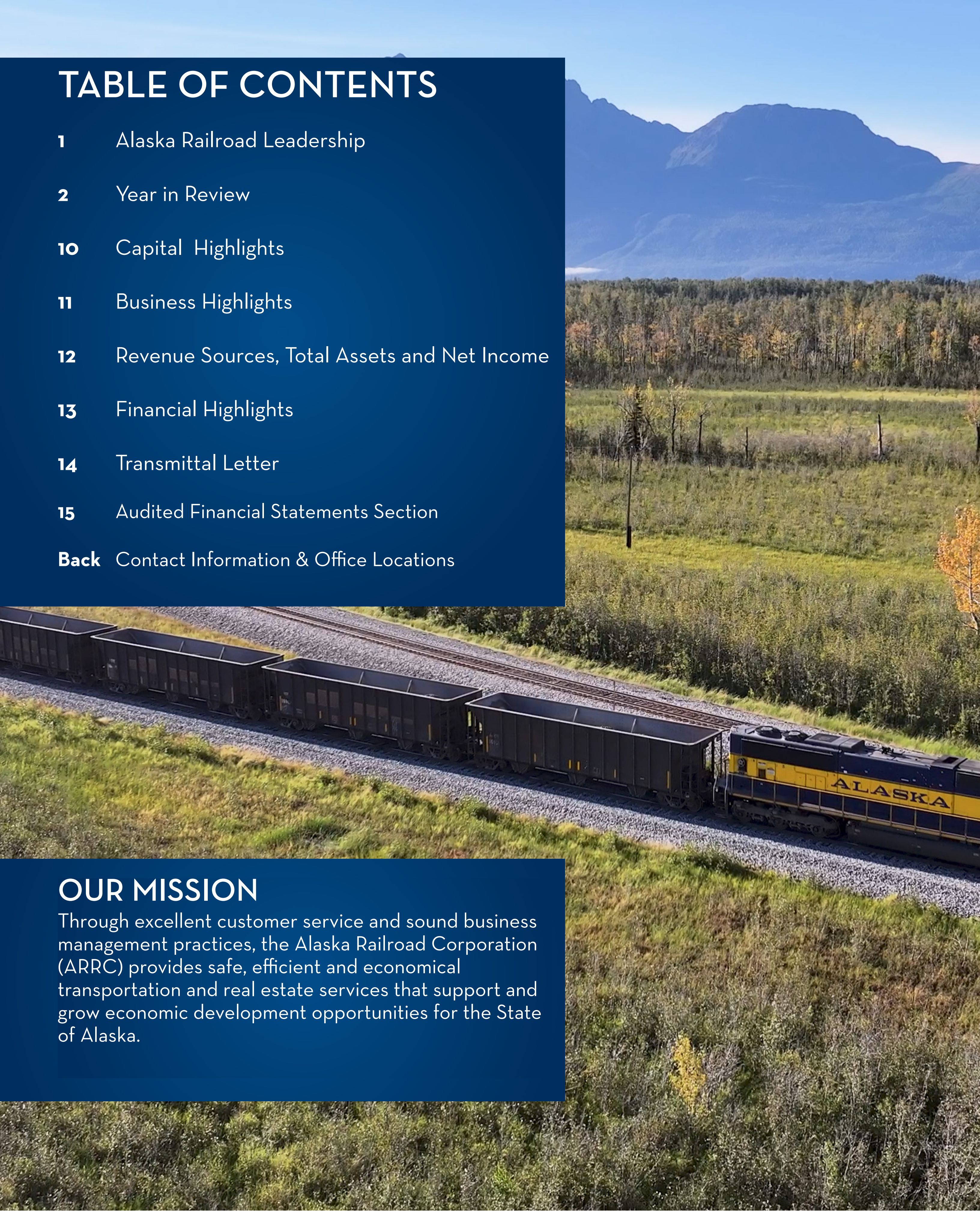


OUR MISSION

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.

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

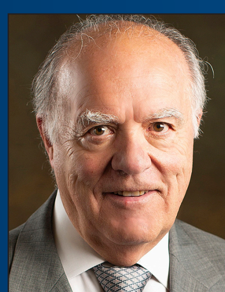
Chief Human Resources Officer
Jennifer Mergens

Chief Engineer
Brian Lindamood

Vice President Real Estate
Christy Terry

Vice President Marketing & Customer Service
David Greenhalgh

BOARD OF DIRECTORS

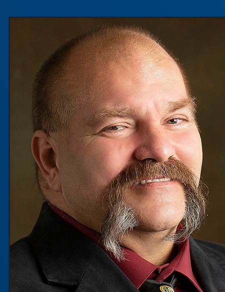


Board Chair
John Shively

Vice Chair
John Binkley

Director
Judy Petry

Commissioner
Ryan Anderson



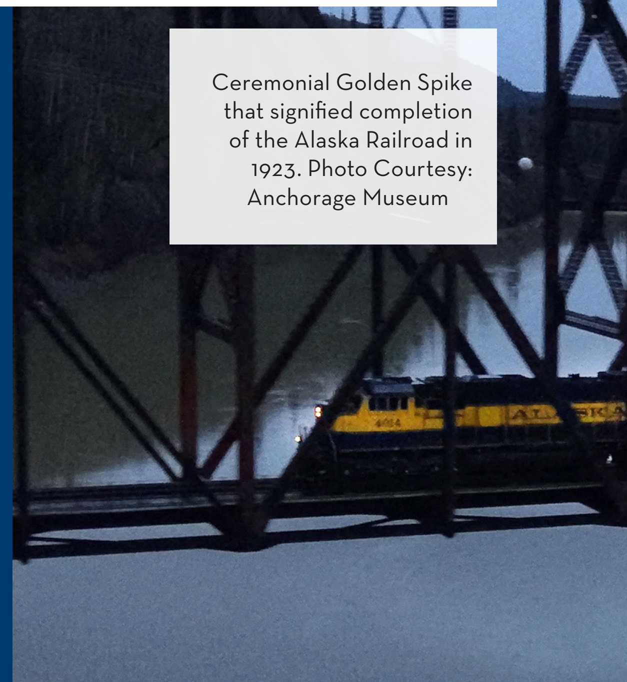
Director
T.J. Dinsmore

Director
John Reeves

Commissioner
Julie Sande

YEAR IN REVIEW

In late 2024, the Alaska Railroad (ARRC) was on notice that the 1923 Golden Spike was set to go up for auction in early 2025. The Golden Spike was originally presented as a gift to Colonel Frederick Mears, recognizing his role in driving the construction and eventual completion of the Alaska Railroad. Colonel Mears lent the spike for use by President Warren G. Harding during the famous ceremonial spike driving to complete the Alaska Railroad's main line in Nenana on July 13, 1923; since then, the Golden Spike had mostly vanished from public view as it moved into private ownership. With news that it would be available for purchase, there was a sense amongst Alaskans that the Golden Spike should return to its home state.



Ceremonial Golden Spike that signified completion of the Alaska Railroad in 1923. Photo Courtesy: Anchorage Museum

On January 24, 2025, the Golden Spike went up for auction, eventually selling for $201,600. In truly Alaskan fashion, the winning bid was a show of coordination and cooperation by several interested, like-minded parties determined to bring the spike home. The Anchorage Museum and the City of Nenana coordinated bidding on the spike, and with contributions from the Alaska Railroad and other individual contributors, the winning bid was placed and secured. Rather than placing the spike back into private ownership, it will be displayed and held for the enjoyment and education of future generations. The Anchorage Museum and the City of Nenana will both have opportunities to display the spike, reaching rail fans, historians, and the interested public alike. The ceremonial spike is part of our history, underscoring the importance of generational investment. It remains symbolic of what is possible with thoughtful planning and relentless drive.

This year we leaned into those fundamentals, sharpening our focus, streamlining operations and embracing efficiency. In 2025, the Alaska Railroad's business lines delivered steady performance, generating a net income of $41.5 million. While this exceeds the $25.3 million recorded in 2024, the year-over-year increase is primarily due to the timing of a federal grant executed in early 2025. This grant contributed an additional $15.4 million to 2025 net income. Grants represented 26% of total revenue for the year at $73.7 million. Freight services remained the Railroad's largest revenue source, accounting for 42% or $118.8 million, followed by passenger services at 19% or $54.4 million. Real estate revenues decreased slightly at $32.7 million, representing 12% of total revenue.

Generational Investment

March 6, 2025, marked a significant milestone for the Alaska Railroad's Seward Dock Project. House Bill 65 was signed by Governor Mike Dunleavy, authorizing ARRC to issue up to $135 million in revenue bonds to finance construction of the Seward Passenger Dock and Terminal Facility. A long-standing community fixture in the city of Seward, the intermodal facility and dock continued to need significant funds to remain reliably operational. Replacing the dock and structures involved considerable planning and outreach, extending across the United States to find suitable business partners to develop and pay for a capital investment of this size. Protective of the state of Alaska and its finances, the statutes which allow for the Alaska Railroad to issue bonds also ensure they do not become a liability to the state and state funds are not used for repayment. Developing a business plan in funding the new dock that centered on sustainability


The Mears Memorial Bridge at Nenana stands as a living monument to Colonel Fredrick Mears - still supporting Alaska Railroad trains more than a century after its construction.

and economic expansion was essential in creating an attractive investment opportunity. ARRC secured a thirty-year commitment by an anchor tenant with a minimum passenger guarantee, ensuring at least 140,000 annual passengers and securing the bond debt funding development of the dock and facility. Just as importantly, the agreement provides for use by other customers, ensuring access to this maritime capital investment.

Demolition and construction of the new facility began in earnest at the conclusion of the 2025 summer passenger season. The 60+ year old fixed dock is being replaced by a 748-foot floating dock that will be responsive to changing tidal conditions. The cruise terminal will be 68,000 square feet and provide much needed indoor shelter for the traveling public and event space for the city of Seward. By the end of 2025, the new terminal framing and building was nearly complete and the plans for demolition and installation of the dock were ongoing, an incredibly tight construction schedule to meet upcoming demand. The dock components were pre-constructed on land, using Seward upland property to stage structural elements close to their ultimate point of installation. The arrival of the first cruise ship at the replacement dock in 2026 will mark the next 50 years of community investment, ensuring access to Alaskan ports and connecting thousands of travelers with businesses for decades to come.

Risk Management

The Alaska Railroad continues to strengthen its efforts to reduce train/trespasser injuries and fatalities.

A training exercise outside of Fairbanks in February 2025 saw a HH-60M helicopter land on one of ARRC's flatbed cars, deliver supplies and picked up a simulated patient.
Photo Courtesy: Alaska Army National Guard Alejandro Pena

Protecting our railroad, yards, and terminals is essential not only to ensure the reliable movement of passengers and freight, but more importantly, to prevent tragic consequences when individuals encounter active train operations. The Railroad consistently relies on the proven approach of education, engineering, and enforcement to reduce trespassing along the right-of-way. Year-round public messaging and community outreach discourage walking, driving, or riding on or near railroad tracks. At the same time, we prioritize engineering solutions that enhance property security and improve the detection of potential threats. In 2025, our Police and Security Department advanced these efforts by hardening the Wasilla Section, reducing theft from the yard while deterring trespassers from entering our property or accessing adjacent rail. Detecting trespassing in real time improves our ability to intervene early, conduct thorough threat assessments, and implement added deterrents such as bollards, gates, and other protective measures.

While the Alaska Railroad leads efforts to reduce trespassing incidents and grade-crossing collisions, minimizing risks to pedestrians and motor vehicles remains a shared responsibility across the entire community. Collaboration with cities and state agencies is essential, and by jointly examining locations with higher rates of pedestrian and vehicle traffic, all partners can work toward effective solutions that enhance public safety. In 2025, in coordination with the Department of Transportation and Public Facilities, we completed the installation of two new crossings as part of the Glenn Highway project. Located in a high-traffic corridor, these crossings provide critical protection for the public on the Palmer Branch, significantly improving safety for both rail and roadway users.

Working alongside community partners, the Alaska Railroad took part in two high-intensity safety drills this year. In February, the Railroad assisted the Alaska Army National Guard (AANG) in staging a readiness drill on the Tanana River Bridge. ARRC positioned a flatbed railcar on the bridge, where AANG successfully landed an HH-60 helicopter. The training presented a challenging scenario given the significantly narrower and subtly moving platform compared to a traditional helipad. The exercise offered an opportunity not only to practice precision landing, but also to conduct hoist operations for personnel and patient extraction.

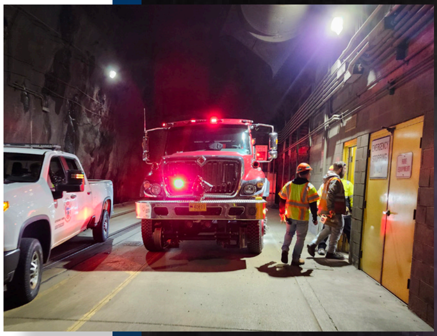
Later in October, the Alaska Railroad and the Whittier Fire Department conducted a joint emergency preparedness exercise inside the Whittier tunnel. The drill offered critical hands-on experience for both railroad employees and emergency responders in managing a major incident within or near the tunnel. Participants accessed the tunnel's "safe houses," gained familiarity with their capabilities, and practiced using the tunnel's communication systems while learning how to coordinate an emergency extraction.

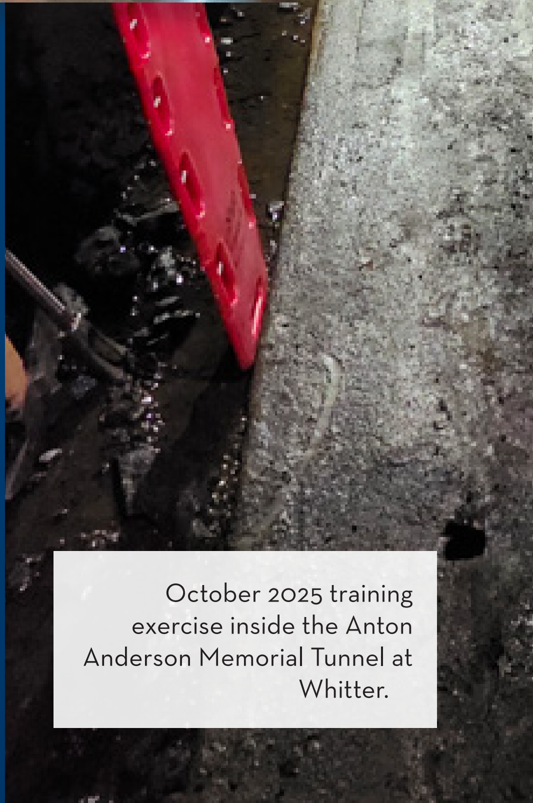
Teams from Passenger Services, Transportation, and Safety & Environmental worked in advance to develop effective training methods and ensure the safety of all participants. Coordinating with community partners, the Railroad also communicated the planned tunnel closure, maximizing the productive use of the limited training window. Conducting the drill inside the Whittier Tunnel allowed responders to test communication systems under realistic conditions and better understand the constraints and challenges of responding to a mass-casualty incident involving a train.

Quietly working in the background, but essential to daily operations, is the Alaska Railroad's Information Technology Department. Protecting the Railroad and its assets is not solely the responsibility of our police officers; it also relies on a dedicated team of IT professionals who safeguard our databases, secure our systems, and equip employees with up-to-date tools to help protect critical rail infrastructure. In 2025, regular network testing, comprehensive risk assessments, and ongoing cybersecurity awareness training for staff remained key priorities.

Our continued network-segregation efforts also ensured clear separation between Information Technology (IT) and Operational Technology (OT), meeting a major TSA compliance milestone. Working alongside those efforts, our Signal and Communications teams upgraded firewalls and installed new switches to strengthen desktop security and enhance system resiliency.

Far removed from the technological and mechanical environment of 1985, modern rail operations demand vigilant oversight of both physical and digital systems. Protecting our infrastructure today means keeping the same level of diligence across our IT and OT environments as we do across the rest of the railroad.





October 2025 training exercise inside the Anton Anderson Memorial Tunnel at Whitter.

In October, we celebrated the retirement of three transportation employees who helped shape our organization for decades. Their mentorship to others has ensured their knowledge will continue with our next generation of Railroaders.

ARRC said farewell to long-time Conductor Warren Redfearn in January 2025, after 5 decades of service. The Railroad dedicated car 521 in honor of his many years of service excellence.

Modernization

Outside of cybersecurity, our IT team deployed several significant upgrades across the Railroad in 2025, including the transition of our desktop environment to Windows 11. Across our depots, teams also implemented three key passenger services improvements designed to reduce check-in times, speed up payments, and expand access to train information. On peak days, the introduction of mobile check-in stations has given passengers an efficient alternative to waiting for a reservation agent at a desk. In 2025, the Railroad also rolled out tap-to-pay devices, enabling faster and more secure transactions for customers. Finally, the public Train Finder tool now offers real time train location data for passengers, tour partners, and staff—providing peace of mind for those coordinating connecting tours or arrival and departure plans.

In 2025, our Land Services team reinstated the Railroad's internal track imagery program, Track 360°. Collecting more than 10,000 new images, the effort focused on documenting ARRC real estate holdings, while our Right-of-Way team collaborated to capture imagery for planning and operational needs. With the expertise of our Geographic Information System (GIS) employee, all images were uploaded into a platform accessible to employees across the organization. Having readily available data helps the Railroad make faster, better decisions.

Clean, safe, and comfortable housing has a direct and positive effect on employee morale and reinvesting in our properties contributes to a stronger safety culture. Well-rested employees experience fewer workplace incidents, produce stronger output, and take pride in where they work. Housing is still a foundational priority, and this year we completed Phase 1 of our employee housing upgrades in Healy. Our Facilities crews delivered new "home-away-from-home" units, and we look forward to continuing this work into 2026.

Fundamentals

As an engine of community development, the Alaska Railroad and our Railroaders continued our tradition of supporting community-focused endeavors across our state in 2025. In May, we hosted a community

Top: Heavy Equipment Operator Duke Creighton answers questions about the CHX35G4 at the 2025 Open House.
Below: Mechanical Coordinator, Keri Meszaros helping guests board locomotive 4320.

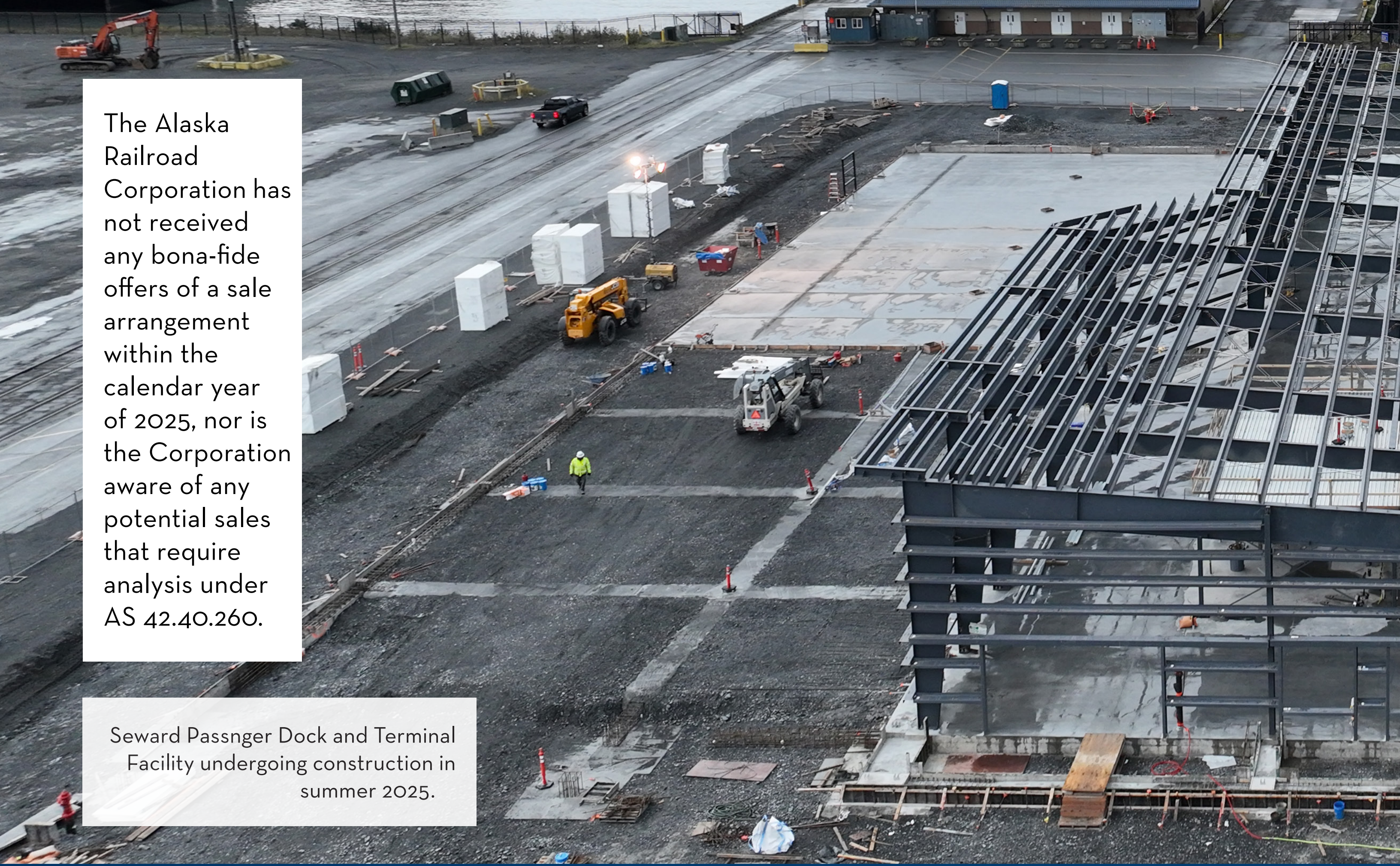
Open House that welcomed thousands of Alaskans to our Anchorage Depot for free train rides and other activities. Railroaders from across all parts of our business lines assisted with the event, answering questions from railfans and helping passengers board our trains. We again participated in community clean-up efforts, demonstrating the pride we have in our towns and cities. We continued our partnership with our friends at the Alaska State Fair to offer passenger service to the Palmer Fair Grounds, doing our part to provide accessible, alternative transportation for the event. In October, Railroaders donated over $15,000 through our annual United Way Campaign, helping support local non-profit organizations throughout the state. Finally, as part of our corporate giving program, ARRC contributed over $170,000 in in-kind donations to more than 250 Alaskan non-profit organizations. Community involvement means a great deal to the people who work here and supporting the health and growth of our state is still at the core of what we do.

On the corporate front, 2025 was marked by quiet, steady progress across our business lines. Outside of gravel operations, freight volumes remained largely flat. Our gravel business posted strong tonnage this year, buoyed by an unusually early start to the season driven by both increased demand and an early spring. Passenger ridership decreased by approximately 2%, totaling 519,363 riders. A bright spot, however, was our gift shop, which achieved sales of $818,000, a 5% increase over our previous record year in 2024, reflecting continued efforts in marketing, inventory management, and maintaining a current, customer-focused website.

This year, we also took a deeper look at our operational practices and identified ways to improve our on-time performance. Railroading in Alaska brings unique challenges, including extreme weather and environmental conditions, but we recognize that certain performance fundamentals remain within our control. In most cases, we can control when we depart a station and whether that departure is on time. By focusing on preparation, work scheduling, and consistent execution, we saw marked improvement across the Railroad. A significant area of focus was dwell time, the period between a crew coming on duty and the train departing the yard. Our goal was to achieve a 45-minute dwell time in both terminals. Behind the scenes, better scheduling and reduced unnecessary switching contributed to further gains. These small, sustained efforts compounded throughout the year, normalizing routes and strengthening timeliness. As a result, we achieved a 60% improvement on most trains in 2025 compared to 2024.

In 2025, our Maintenance of Way crews replaced 42,000 hardwood ties, changed out 12 mainline culverts, installed three mainline crossings, relaid more than 24,000 feet of rail, produced over 25,000 feet of continuously welded rail from jointed rail, completed 276 thermite welds, and surfaced more than 962,000 feet of track. Working day and night, through every season, they carried out these tasks without significant injuries or incidents. We also doubled down on right-of-way cleanup, running a locomotive crane throughout the summer between Anchorage and Hurricane. Crews removed multiple gondola loads of scrap material. This proactive work protects critical infrastructure and helps prevent accidents and service disruptions.

Our Advanced Train Control Systems (ATCS) team achieved strong results this year in its continued support of the Positive Train Control (PTC) system. Installed on all ARRC locomotives, PTC reduces the risk of



The Alaska Railroad Corporation has not received any bona-fide offers of a sale arrangement within the calendar year of 2025, nor is the Corporation aware of any potential sales that require analysis under AS 42.40.260.

Seward Passnger Dock and Terminal Facility undergoing construction in summer 2025.

collisions, derailments, and incursions into work zones by applying train brakes when an unsafe condition is imminent. We measure PTC performance using three metrics: the percentage of train miles run with PTC active, braking enforcements per train, and delay caused by PTC. In 2025, results exceeded expectations. PTC was active for 99.8% of total train miles—above our 99.5% goal. Delays caused by PTC failures were only 0.2 minutes per train, showing exceptional system reliability. Braking events were also well below goal, at 0.03 events per train, reflecting both a stable system and the skill and professionalism of our transportation personnel and training programs. Work to implement the system's vital functions continues into 2026.

A railroad performs at its best when it has the right people in the right roles, equipped with the right training and mindset. While 2025 marked the retirement of several long-tenured employees who shaped our operations for decades, their mentorship ensured that their knowledge was passed on to the next generation of railroaders, furthering our resolve to improved hiring, training, and onboarding. A dedicated team of four road foremen, two conductors, and a talent acquisition specialist supported an unprecedented level of new conductor training, ensuring trainees gained a realistic understanding of the career, the lifestyle, and the benefits of railroad work. The 2025 cohort showed strong job performance and exceptionally high retention. A similar commitment unfolded in our Anchorage Car Shop, where an experienced carman provided hands-on guidance and mentorship to new employees, helping them develop the skills and confidence needed to safely inspect and repair equipment. This combination of purpose, support, and practical training contributed to improved retention and demonstrated the strength of a workforce built on teamwork and integrity. Reinforcement of these core practices and fundamentals positions us to meet future growth with the same sustained drive.

Momentum

In December 2025, we convened a special board session to consider funding arrangements and plans for future rail extensions. Through careful evaluation of emerging business needs across the state and

Seward Passnger Dock and Terminal Facility undergoing construction in winter 2026.

expected future opportunities, ARRC will be positioned to respond when demand for new infrastructure arises. Beginning in 2026, the Railroad will establish a Rail Expansion Reserve with an initial $1.4 million contribution, followed by an annual commitment of 6% of future net income to support future rail extension projects. At the same meeting, the board also approved a tiered capital budget for 2026, preparing the Railroad to react quickly with targeted capital investments in support of efficient rail logistics for the Alaska LNG Project.

Our continued emphasis on maintaining tracks and equipment and consistently investing in the health of our infrastructure has strengthened the Railroad's readiness for the challenges and opportunities ahead. Interest in Alaska's resource opportunities continues to grow, and while the state's rugged terrain and limited infrastructure present formidable challenges, our role is to work alongside industry and government to support responsible development. Our business lines are structured to advance statewide economic growth, and in many ways, we are in the development business as much as we are in the transportation business. The impact of new Seward Dock and Passenger Facility, like the Mears Memorial Bridge before it, will reach far beyond the complexity of its engineering and construction, serving as a catalyst for broad economic opportunity. And, while we welcome those transformative projects, our daily focus remains on the steady, often unheralded reinvestment in track, equipment, and operations. By balancing risks and staying grounded in our fundamentals we are sustaining the momentum that will help drive Alaska's future growth.

Bill O'Leary
President and CEO

John Shively
Board Chair

CAPITAL HIGHLIGHTS

BRIDGE CONSTRUCTION

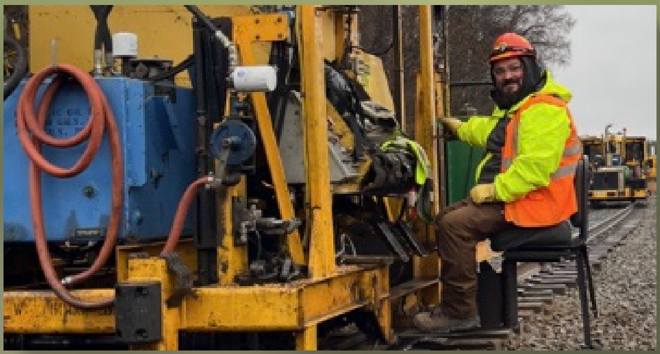
Construction began in late 2025 on Bridge 114.3, located in lower downtown Anchorage crossing Ship Creek. The project replaces the aging Pratt-style pony truss bridge with a new ballast deck bridge.

The project is funded through a Federal Transit Administration grant with a 20% match by ARRC. The bridge's construction is scheduled to be complete in summer 2026.

Site-work began in 2025 on Bridge 127.5, which crosses the Eagle River. The aging bridge will be replaced with a new 360-foot triple-span deck plate girder bridge.

The project is funded through a Federal Transit Administration grant with a 20% match by ARRC. The bridge's construction is scheduled to be complete in 2027.

MAINTENANCE OF WAY



In 2025, our Maintenance of Way crews

- replaced 42,000 hardwood ties,
- changed out 12 mainline culverts,
- installed three mainline crossings,
- relaid more than 24,000 feet of rail,
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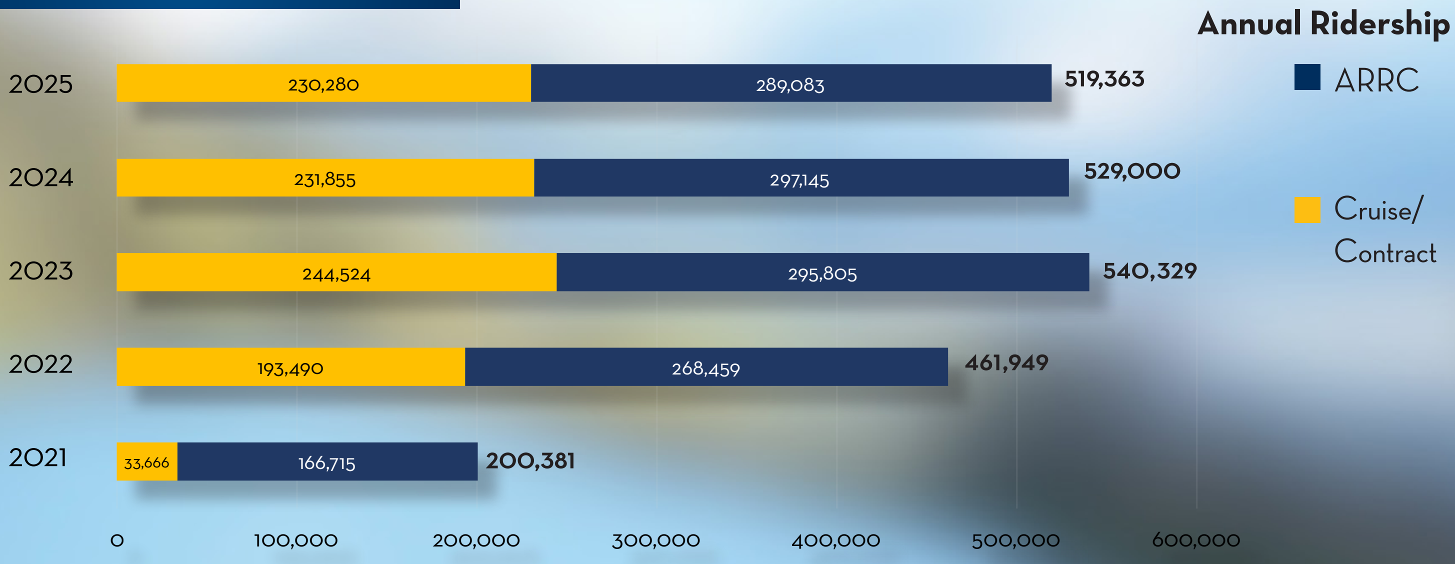
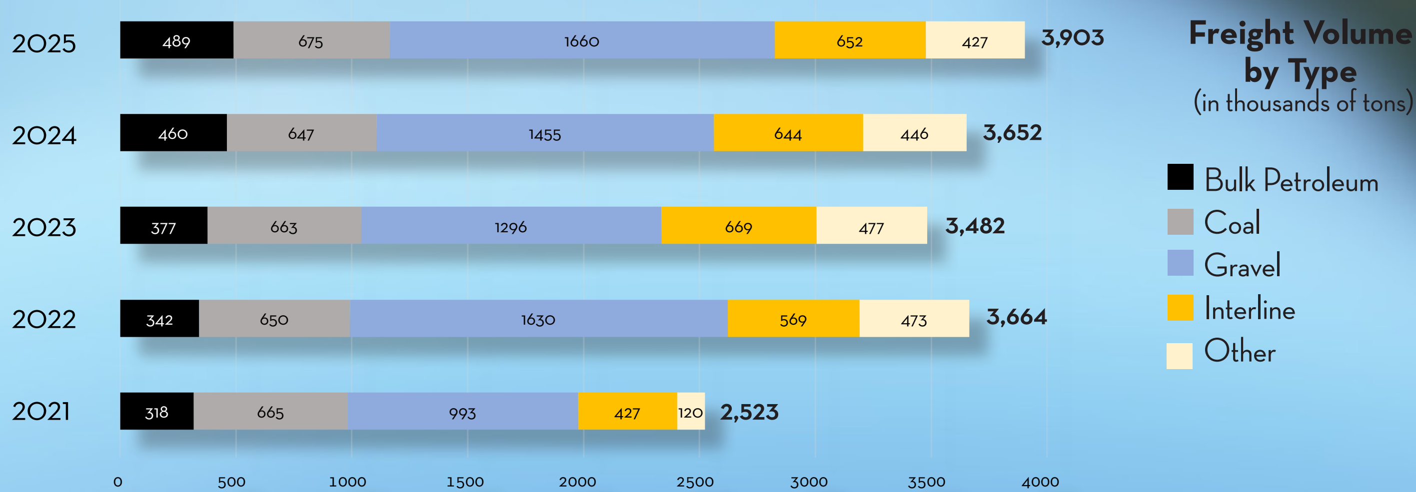
- completed 276 thermite welds, and
- surfaced more than 962,000 feet of track.

BUSINESS HIGHLIGHTS

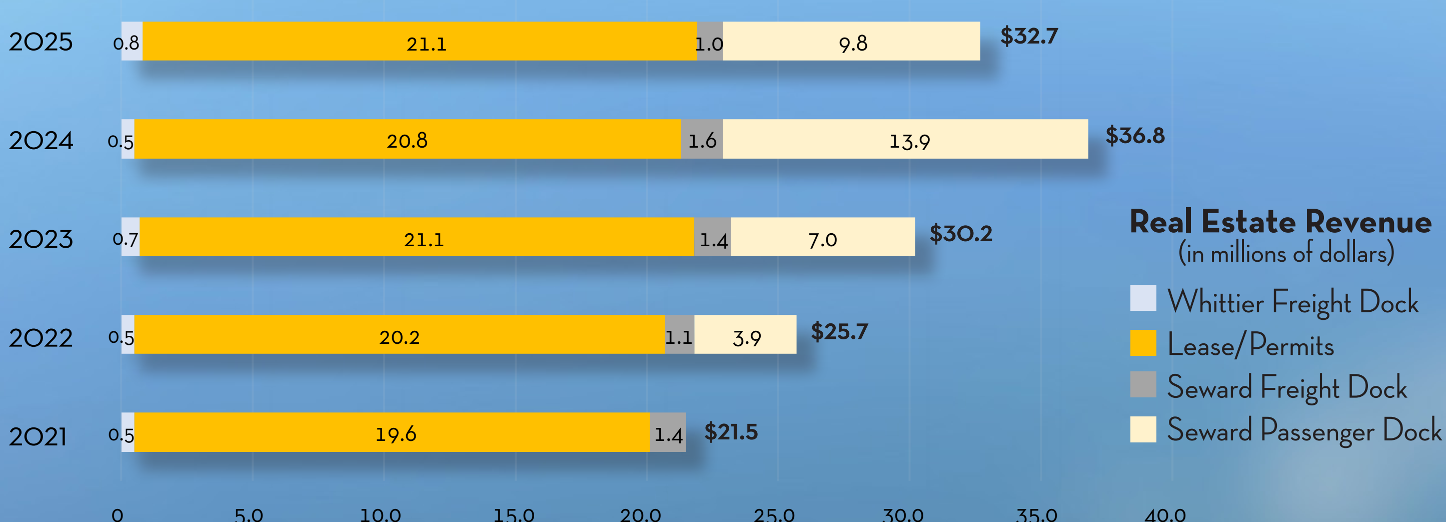
PASSENGER SERVICES



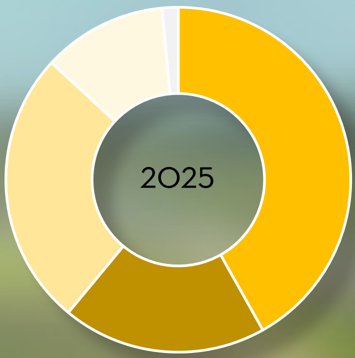
FREIGHT



REAL ESTATE

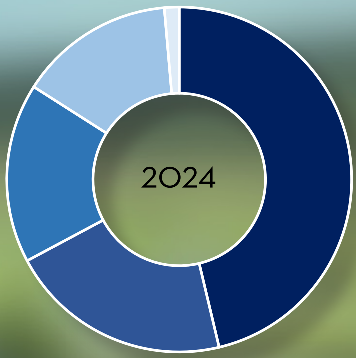


REVENUE SOURCES



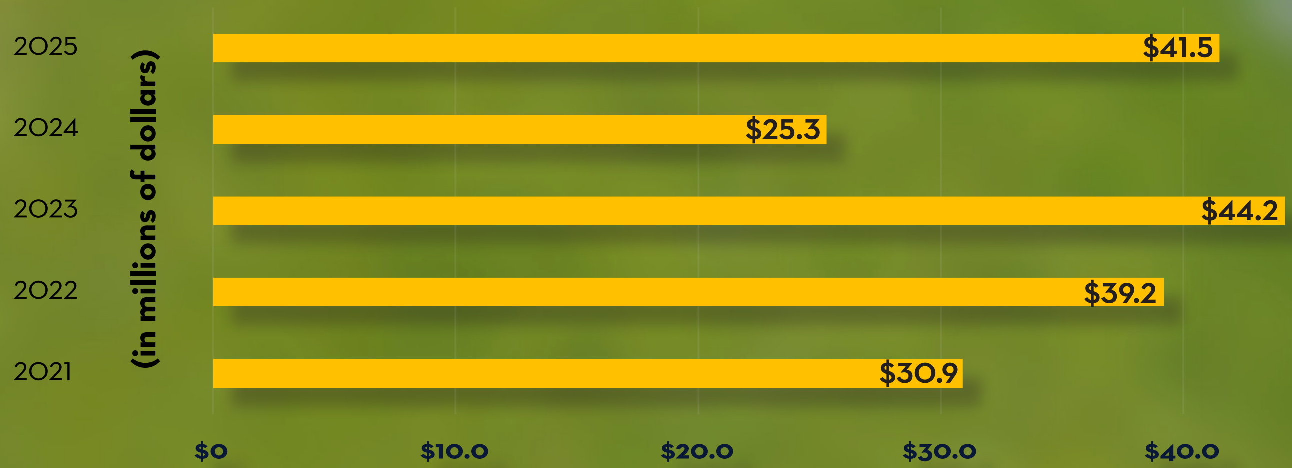
in millions of dollars

		2025	2024		
42%	Freight	$118.8	$117.1	Freight	**46%**
19%	Passenger	$54.4	$52.9	Passenger	**21%**
26%	Grant	$73.7	$42.6	Grant	**17%**
12%	Real Estate	$32.7	$36.9	Real Estate	**14%**
1%	Other	$4.3	$3.5	Other	**2%**



TOTAL ASSETS & DEFERRED OUTFLOWS

NET INCOME



EARNINGS (in thousands)	2025	2024
Operating Revenues		
Freight	$118,787	$117,129
Passenger	54,392	52,891
Real Estate	27,783	31,832
Other	356	485
Total Operating Revenue	201,318	202,337
Operating Expenses	239,621	227,012
Operating Income (loss)	**(38,303)**	**(24,675)**
Noncapital Subsidies	31,847	-
Operating Income (loss) and Noncapital Subsidies	**(6,456)**	**(24,675)**
Other Nonoperating Revenues (expenses)		
Interest and Investment Earnings	8,558	7,816
Interest Expense	(2,691)	(719)
Capital Contributions	41,826	42,833
Gain/Loss on Disposal of Property	297	34
Total Other Nonoperating Revenues (expenses)	47,990	49,964
Net Income (loss)	41,534	25,289
Net Position, Beginning of Year	510,045	484,756
Net Position, End of Year	**$551,577**	**$510,045**

STATEMENT OF NET POSITION (in thousands)	2025	2024
Assets:		
Current Assets	$247,540	$128,175
Capital Assets	968,704	927,886
Restricted Assets	14,380	14,679
Other Assets	294,167	310,453
Deferred Outflows:		
Pension and Postretirement Actuarial	9,600	12,582
Total Assets and Deferred Outflows	$1,534,391	$1,393,775
Liabilities:		
Current Liabilities	42,925	37,467
Other Liabilities	152,061	45,914
Deferred Inflows of Resources:		
Pension and Postretirement Actuarial	19,529	11,827
Leases (GASB 87)	253,416	259,132
Unearned Grant Revenue	514,883	529,390
Total Liabilities and Deferred Inflows	982,814	883,730
Net Position	551,577	510,045
Total Liabilities, Deferred Inflows and Net Position	$1,534,391	$1,393,775

*The amounts presented in the financial statements are rounded to the nearest thousands. As a result of this presentation, minor rounding differences may occur and are not indicitive of underlying accounting discrepancies.

March 31, 2026

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, 2025.

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 auditors' report on the basic financial statements
- The basic financial statements and accompanying notes
- Required supplementary information relating to the ARRC's defined benefit pension and other post-employment benefit plans

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

Sincerely,

Michelle Maddox

Michelle Maddox
Chief Financial Officer

Amy Kinnaman

Amy Kinnaman
Controller

ALASKA RAILROAD CORPORATION

Financial Statements

Years Ended December 31, 2025 and 2024

Table of Contents

The purpose of management's discussion and analysis (MD&A) is to help Alaska residents and other readers understand what the financial statements and notes in this financial report say about the Alaska Railroad Corporation's (ARRC) financial health and provide explanations about changes from last year. It contains information drawn from other parts of the report, accompanied by explanations.

If you have questions about this report or require additional information, contact public_comment@akrr.com or 907-265-2300.

OVERVIEW OF THE FINANCIAL STATEMENTS

The ARRC's financial report contains business-type activities financial statements. These financial statements present the ARRC's finances at both an overall and detailed level. Business-type activities are the ARRC services primarily financed in whole or in part with charges to customers.

Management's Discussion and Analysis → Financial Statements → Notes to the Financial Statements → Required Supplementary Information (RSI)

Proprietary fund financial statements report all of the business-type activities. 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). Rates for services are established by ARRC's board of directors and are designed to recover the cost of providing the service. The proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary fund financial statements report resources for which ARRC acts as the trustee or custodian, including the ARRC Pension Plan and the Postretirement Health Care Plan also referred to as other post-employment benefits (OPEB). The resources in those plans do not belong to the ARRC and cannot be used to provide services, which is why they are not included in the government-wide financial statements. The fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the financial statements provide further insight into the ARRC's finances as reported in the financial statements. The information in the notes is as important to understanding the ARRC's finances as the information in the financial statements. The ARRC uses notes to (1) present information in greater detail than is possible with financial statements, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies or commitments).

Required Supplementary Information (RSI) is an additional presentation requirement to illustrate ARRC's progress in funding its obligations to provide pension and other post-employment benefits (OPEB) to its employees. RSI can be found immediately after the notes to the financial statements on pages 66-77.

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

ARRC's financial statements use the *economic resources measurement focus* and *accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

- *Assets*—resources the ARRC controls, from short-term assets like cash to long-term assets like track infrastructure and bridges
- *Liabilities*—amounts the ARRC owes, from short-term liabilities such as payroll liabilities to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions *Deferred outflows of resources and deferred inflows of resources*—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related
- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

Table A-1 Information Reported by a Proprietary Fund

Information Category	**Proprietary Fund Financial Statements**
Types of Assets and Liabilities	**Full Accrual:** All assets (cash, receivables, buildings, equipment) and all liabilities (accounts payable, long-term debt/bonds). Includes both short-term and long-term items.
Types of Revenues	**Earned Basis:** All revenues/additions that flow into the entity that relate to that year, regardless of when cash is received.
Types of Expenses	**Incurred Basis:** All types of expenses/deductions (including depreciation) that relate to that year, regardless of when cash is paid.
Types of Deferred Outflows and Inflows of Resources	**Future Periods:** All types of resources that flow into or out of the entity during the current year but relate to a future reporting period (e.g., pension-related adjustments).

Fiduciary fund financial statements are also included in this report. The ARRC's fiduciary activities are supported in the *Statements of Fiduciary Net Position* and Statement of *Changes in Fiduciary Net Position*. Fiduciary funds are not used to support ARRC's programs and accordingly are excluded from the ARRC's proprietary fund financial statements. These funds, which include pension and OPEB are reported using full accrual accounting but present activity as additions and deductions to net position held in trust or custodial capacity.

More details about the measurement focus and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies beginning on page 23.

ANALYSIS OF ARRC'S FINANCES

Net Position

Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows. Table A-2 shows the ARRC's total net position as of December 31, 2025, totaling $551.6 million and an increase of $41.5 million or 8.1% compared to 2024. This increase was primarily driven by capital investment and timing of federal grant revenue recognition.

Table A-2 Net Position

	2025	2024	2023
Assets		*(In thousands)*	
Current assets	$ 241,077	$ 128,175	$ 146,948
Capital assets	968,704	927,886	899,395
Other noncurrent assets	315,010	325,132	294,338
Total assets	1,524,791	1,381,193	1,340,681
Deferred Outflows of Resources			
Pension and postretirement	9,600	12,582	24,492
Total Assets and deferred outflows	1,534,391	1,393,775	1,365,173
Liabilities:			
Current liabilities	42,925	37,467	32,470
Notes payable, less current	12,170	15,699	10,710
Bonds payable, less current,			
Net of unamortized premiums	116,043	—	—
Net pension liability	13,368	19,448	26,220
Other liabilities	10,480	10,767	11,168
Deferred Inflows of Resources			
Pension and OPEB	19,529	11,827	14,516
Lease related	253,416	259,132	262,534
Regulatory liabilities: unearned grant revenue	514,883	529,390	522,799
Total liabilities and deferred inflows	982,814	883,730	880,417
Net Position:			
Net investment in capital assets	422,626	364,905	350,609
Restricted for reinvestment in infrastructure	128,951	145,140	134,147
Total Net Position	**$ 551,577**	**$ 510,045**	**$ 484,756**

The increase in net position is due to a $57.7 million or 15.8% expansion of net investment of capital assets. Railroad operations are highly capital-intensive. Capital expenditures for ongoing vehicle and equipment fleet replacements included the purchase of 27 flat cars and various other rolling stock assets. Purchase of real property adjacent to our Fairbanks yard was completed in 2025, which will enable the ARRC to enhance current and future operations as business needs arise. Other large projects completed include our ongoing track maintenance program and our extensive bridge replacement program.

The following section of the MD&A analyzes the financial aspects of the ARRC's overall performance.

During fiscal year 2025, the ARRC implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. GASB 103 changes certain aspects of the governmental financial reporting model and dictates the classification of operating and nonoperating revenues and expenses for proprietary funds.

As a result of implementing GASB 103, the ARRC evaluated its revenue and expense classifications to ensure alignment with the updated definition of *operating* revenues and *expenses*. Consequently, grant revenue was required to be moved out of operating revenues. The Federal Transit Administration (FTA) Preventative Maintenance grant was moved to the new *Noncapital Subsidies* section, and all other capital related grants were moved to *Other Nonoperating Revenues*. Additionally, Real Estate revenue and expenses were moved from *Other Nonoperating Revenues and Expense* to the respective Operating categories. The implementation of GASB 103 primarily affected the presentation and classification of certain revenues and expenses within the *Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)*, but did not affect the ARRC's total change in net position, net income, or cash flows.

Change in Net Income

For comparison of these changes, the SRECNP is presented in a summary pre (Table A-3.1) and post (Table A-3.2) GASB 103 format.

Table A-3.1 Change in Net Position (Pre-GASB 103)

	2025	2024	2023
Operating Revenues		*(In thousands)*	
Freight	$ 118,787	$ 117,129	$ 120,905
Passenger	54,392	52,891	50,240
Other	356	485	408
Total transportation revenues	173,535	170,505	171,553
Grant revenue	73,381	42,646	57,991
Total Operating Revenues	**246,916**	**213,151**	**229,544**
Operating Expenses			
Transportation	46,681	46,894	46,795
Passenger	20,857	19,918	18,354
Advanced Train Control Systems	2,150	1,667	1,718
Marketing and Customer Services	31,470	32,873	35,054
Mechanical	36,128	32,933	29,625
Engineering	66,095	62,125	59,862
Facilities	12,027	12,279	11,632
General and Administrative	15,202	9,632	8,508
Total operating expenses	**230,610**	**218,321**	**211,548**
Operating Income (Loss)	**16,306**	**(5,170)**	**17,996**
Nonoperating Revenues (Expenses)			
Real Estate, net of expense	23,965	28,172	21,706
Gain on sale of capital assets	297	34	1,542
Investment income	3,657	2,972	3,162
Interest expense	(2,691)	(719)	612
Grant revenue	-	-	(824)
Total nonoperating revenues (expenses)	**25,228**	**30,459**	**26,198**
Net Income	**$ 41,534**	**$ 25,289**	**$ 44,194**

Table A-3.2 Change in Net Position (GASB 103 Presentation)

	2025	2024	2023
Operating Revenues		*(In thousands)*	
Freight	$ 118,787	$ 117,129	$ 120,905
Passenger	54,392	52,891	50,240
Real Estate	27,783	31,832	25,333
Other	356	485	408
Total Operating Revenues	**201,318**	**202,337**	**196,886**
Operating Expenses			
Transportation	46,681	46,894	46,795
Passenger	20,857	19,918	18,354
Advanced Train Control Systems	2,150	1,667	1,718
Marketing and Customer Services	31,470	32,873	35,054
Mechanical	36,128	32,933	29,625
Engineering	66,095	62,125	59,862
Facilities	12,027	12,279	11,632
Real Estate	9,011	8,691	8,447
General and Administrative	15,202	9,632	8,508
Total operating expenses	**239,621**	**227,012**	**219,995**
Operating Income (Loss)	**(38,303)**	**(24,675)**	**(23,109)**
Noncapital Subsidies			
Federal subsidies	31,847	-	14,965
Total noncapital subsidies	**31,847**	**-**	**14,965**
Operating Income (Loss) and Noncapital Subsides	**(6,456)**	**(24,675)**	**(8,144)**
Other Nonoperating Revenues (Expenses)			
Interest and Investment earnings	8,558	7,816	7,812
Interest expense	(2,691)	(719)	(212)
Capital contributions	41,826	42,833	43,196
Gain/(loss) on disposal of property	297	34	1,542
Total other nonoperating revenues (expenses)	**47,990**	**49,964**	**52,338**
Net Income	**$ 41,534**	**$ 25,289**	**$ 44,194**

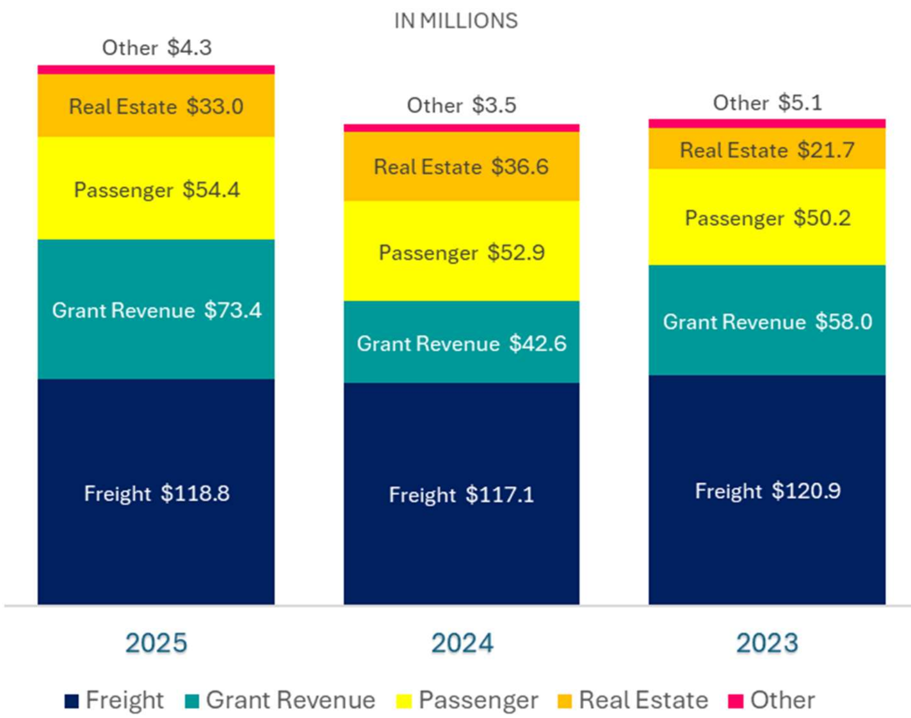
The total net income was $41.5 million, an increase of $16.2 or 64% from 2024 net income of $25.3 million. This increase is primarily attributable to:

1. Federal grant timing (nonrecurring impact). A $15.4 million FTA Preventative Maintenance grant expected in 2024 was recognized in 2025. This resulted in lower than expected 2024 results and elevated 2025 results. This timing difference impacts stakeholders' perception of the ARRC's financial performance, distorting key

financial metrics such as the operating margin, revenue-to expense ratio, liquidity measures, and year-over-year comparison.

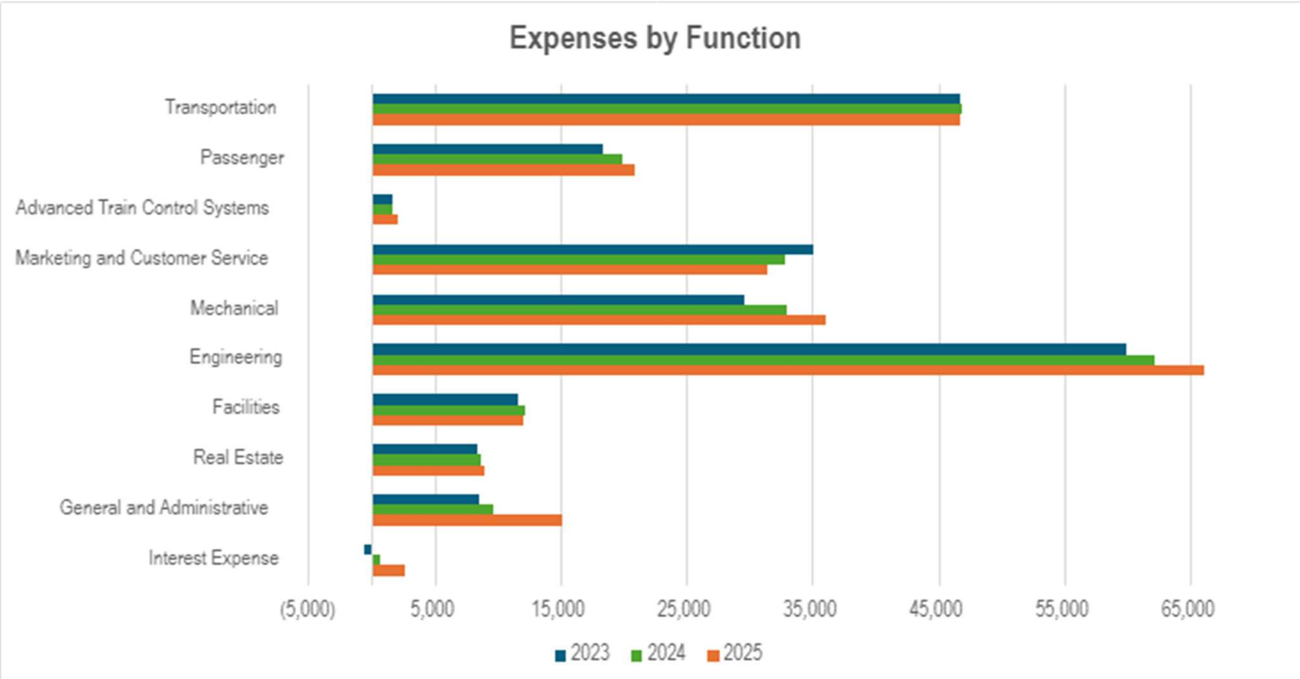
GASB 103 implementation impact. As previously discussed, the ARRC implemented GASB Statement No. 103 in 2025, which redefined operating vs. nonoperating revenues and expenses. These changes affect comparability of operating income between periods but do not affect total change in net position and do not affect cash flows. Users should focus on overall change in net income, rather than operating income trends alone.

Table A-4 Revenues by Source



In August 2025, the ARRC issued $112.0 million of revenue bonds for the purchase of a new cruise passenger dock and terminal located in Seward, Alaska. The bonds are backed by passenger service charges and dockage fees with a revenue guarantee from Royal Caribbean Group (RCG). It is anticipated that these bonds will be paid in full with certain annually-collected passenger service charges and dockage fees. Bond proceeds included a premium of $4.2 million.

Table A-5 Expenses by Function



Operating expenses, following the implementation of GASB 103 totaled $239.6 million in 2025, $227.0 million in 2024, and $220.0 million in 2023. This represents an increase of $12.6 million, or 5.6%, from 2024 to 2025, and an increase of $7.0 million, or 3.2%, from 2023 to 2024. The increase in operating expenses from 2024 to 2025 is primarily attributable to an increase in wages and benefits, higher materials and supplies costs, as well as costs of issuance associated with the issuance of revenue bonds. The increase in operating expenses from 2023 to 2024 is primarily driven by increases in wages and benefits and higher materials and supplies costs.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

Overall, the 2025 carrying value of net capital assets increased 4.4% over the previous reporting period.

The ARRC had a beginning balance of $114.2 million in construction in progress with another $99.8 million in capital projects started during FY 2025. Of those amounts, the ARRC placed $72.4 million of assets into service during the year and reclassified that amount to capital asset categories of land and improvements, road and roadway structures, and equipment. Many of the ongoing projects are part of the ARRC's road and roadway structure systems as previously reported above.

As discussed earlier, the ARRC issued long-term revenue bonds in the amount of $112.0 million for the Seward passenger dock and terminal replacement projects which are anticipated for completion in 2026. As of the year ending 2025, the ARRC Cruise Port Revenue Bonds maturing in 2028 and 2029 are rated BBB- by S&P Global ratings, while the ARRC Cruise Port Revenue Bonds maturing in 2030 through 2054 are insured by Assured Guaranty Inc. and carry a S&P rating of AA (based on bond insurance).

The ARRC maintains a strong liquidity position supported by cash and investment balances along with access to a $10 million general purpose line of credit that was unused at year-end 2025. Debt service for the 2025 revenue bonds will be supported by pledged dock revenues. Liquidity remains adequate for short-term obligations. Financial position remains stable despite increased leverage.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The ARRC implemented GASB Statement No. 103 in 2025, resulting in changes to the classification of certain revenues and expenses. While this does not impact total change in net position, the reclassification of revenues and expenses affects comparability of operating results to prior periods.

The ARRC is not aware of any developments that may have a significant impact on finances in the near future.

Pension and OPEB

The ARRC Pension Plan is a defined benefit plan covering qualified employees, with mandatory contributions of 9.0% of earnings (pre-tax). The plan provides retirement, survivor, and disability benefits and is not subject to the Employee Retirement Income Security Act (ERISA) of 1974.

The ARRC OPEB Plan, otherwise known as Health Care Trust, is a self-insured governmental plan designed for eligible employees, retirees, and dependents and is not subject to ERISA .

Each trust is managed by its own committee, with members appointed by the ARRC Board of Directors. All plan amendments require approval from the ARRC Board.

Next Year's Budget

The 2026 budgets for freight and passenger, freight, and real estate revenues are $123.1 million, $58.6 million, and $31.1 million, respectively. ARRC's net position is expected to increase $28.5 million, or approximately 5.2%.

Glacier Discovery

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, 2025 and 2024, 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, 2025 and 2024, 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.

Emphasis of Matter

As discussed in Note 1(e) to the basic financial statements, in 2025, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 2–12 and the schedules and notes thereon related to the Alaska Railroad Corporation's defined-benefit pension plan and other postemployment benefit plan on pages 66–77 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.

KPMG

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, 2026 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 the 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, 2026

BASIC FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

STATEMENT OF NET POSITION

(In thousands)

Assets	2025	2024
Current assets:		
Cash and cash equivalents	$ 33,897	$ 59,109
Accounts receivable, net of allowance for doubtful accounts of $788 in 2025 and $791 in 2024	26,583	24,669
Lease receivable	13,169	13,265
Grants receivable	5,022	11,564
Materials and supplies	18,368	14,291
Prepaid expenses and other current assets	28,068	3,502
Under recovery of allocated costs	1,134	538
Restricted assets	121,299	1,237
Total current assets	247,540	128,175
Noncurrent assets		
Capital assets, net	968,704	927,886
Restricted assets	14,380	14,679
Lease receivable	238,188	243,873
Net other postemployment benefit (OPEB) asset	52,725	44,762
Other assets	3,254	21,818
Total noncurrent assets	1,277,251	1,253,018
Total assets	1,524,791	1,381,193
Deferred outflows of resources		
OPEB actuarial	3,321	5,836
Pension actuarial	6,279	6,746
Total deferred outflows of resources	9,600	12,582
Total assets and deferred outflows of resources	1,534,391	1,393,775
Liabilities		
Current liabilities:		
Current portion of notes payable	3,529	3,404
Accounts payable and accrued liabilities	16,480	14,317
Payroll liabilities	14,543	12,248
Lease and SBITA liability	4,703	4,012
Environmental remediation reserve	333	1,017
Interest payable	1,608	41
Unearned revenue	1,729	2,428
Total current liabilities	42,925	37,467
Noncurrent liabilities		
Notes payable, less current portion	12,170	15,699
Bonds payable (net of unamortized premiums), less current portion	116,043	-
Lease and SBITA liability	6,555	6,743
Payroll liabilities - compensated absences	651	567
Environmental remediation reserve, less current portion	2,028	2,147
State of Alaska advances	1,246	1,310
Net pension liability	13,368	19,448
Total noncurrent liabilities	152,061	45,914
Total liabilities	194,986	83,381
Deferred inflows of resources		
OPEB Actuarial	10,439	8,163
Pension actuarial	9,090	3,664
Lease related	253,416	259,132
Regulatory liability – unearned grant revenue	514,883	529,390
Total deferred inflows of resources	787,828	800,349
Total liabilities and deferred inflows of resources	982,814	883,730
Net position		
Net investment in capital assets	422,626	364,905
Restricted for reinvestment in infrastructure	128,951	145,140
Total Net Position	551,577	510,045
Commitments and Contingencies		
Total liabilities, deferred inflows, and net position	$ 1,534,391	$ 1,393,775

The accompanying notes are an integral part of this statement

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(In thousands)

	2025	2024
Operating revenues		
Freight	$ 118,787	$ 117,129
Passenger	54,392	52,891
Real Estate	27,783	31,832
Other	356	485
Total operating revenues	201,318	202,337
Operating expenses		
Transportation	46,681	46,894
Passenger	20,857	19,918
Advanced Train Control Systems	2,150	1,667
Marketing and Customer Services	31,470	32,873
Mechanical	36,128	32,933
Engineering	66,095	62,125
Facilities	12,027	12,279
Real Estate	9,011	8,691
General and Administrative, net of indirect cost recovery of $2,270 in 2025 and $2,093 in 2024	15,202	9,632
Total operating expenses	239,621	227,012
Operating income (loss)	(38,303)	(24,675)
Noncapital subsidies		
Federal subsidies	31,847	-
Total noncapital subsidies	31,847	-
Operating income (loss) and noncapital subsidies	(6,456)	(24,675)
Other Nonoperating revenues (expenses)		
Interest and Investment earnings	8,558	7,816
Interest expense	(2,691)	(719)
Capital contributions	41,826	42,833
Gain/(loss) on disposal of property	297	34
Total other nonoperating revenues (expenses)	47,990	49,964
Net income	41,534	25,289
Net position - beginning of year	510,045	484,756
Net position - end of year *	$ 551,577	$ 510,045

** The amounts presented in the financial statements are rounded to the nearest thousands. As a result of this presentation, minor rounding differences may occur and are not indicative of underlying accounting discrepancies.*

The accompanying notes are an integral part of this statement

STATEMENT OF CASH FLOWS

(In thousands)

	2025	2024
Cash Flows From Operating Activities:		
Receipts from customers	$ 188,851	$ 191,136
Payments to suppliers	(89,004)	(79,176)
Payments to employees	(83,368)	(78,215)
Net cash provided by (used in) operating activities	16,479	33,745
Cash Flows From Noncapital Financing Activities:		
Federal Subsidies	31,847	—
Net cash provided by (used in) noncapital financing activities	31,847	—
Cash Flows from Capital and Related Financing Activities:		
Principal payments on long-term debt	(3,405)	(3,033)
Proceeds from long-term debt	116,156	9,944
Cost of issuance on long-term debt	(5,623)	—
Interest payments on long-term debt	(1,124)	(693)
Purchases and construction of capital assets	(103,214)	(94,958)
Proceeds from sales of capital assets	296	38
Payments on lessee leases/SBITA	(4,917)	(4,884)
Grants and advances received for construction of capital assets	33,848	44,517
Receipts from real estate leasing activities	14,821	14,435
Deposit for capital projects	—	(21,800)
Net cash used for capital and related financing activities	46,838	(56,434)
Cash Flows From Investing Activities:		
Restricted accounts held by trustee	(128,272)	(9,957)
Use of restricted accounts held by trustee	4,238	3,690
Interest and investment earnings	3,658	2,973
Net cash provided by investing activities	(120,376)	(3,294)
Net increase (decrease) in cash and cash equivalents	(25,212)	(25,985)
Cash and Cash Equivalents at Beginning of Year	59,109	85,093
Cash and Cash Equivalents at End of Year	$ 33,897	$ 59,109
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (38,303)	$ (24,675)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	72,538	72,043
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Materials and supplies	(4,077)	(1,252)
Accounts receivable	(1,915)	(1,595)
Prepaid expenses and other assets	(6,003)	691
Accounts payable and accrued liabilities	7,172	899
Over recovery of vehicle and equipment allocated costs	(596)	(290)
Payroll liabilities	2,379	191
Environmental remediation reserve	(803)	810
Change in deferred inflows from leases (lessor)	(10,554)	(9,606)
Accrued postretirement and pension benefits	(3,359)	(3,471)
Net cash provided by operating activities	$ 16,479	$ 33,745
Noncash Transactions		
Capital assets acquired through accounts payable	$ 4,237	$ 3,734

STATEMENT OF FIDUCIARY NET POSITION

(In thousands)

Assets	2025	2024
Cash and cash equivalents	$ 915	$ 953
Investments, at fair value:		
Mutual funds	295,222	268,404
Investment trust funds	78,067	73,319
Total assets	374,204	342,676
Liabilites		
Accrued expenses	169	150
Claims payable	271	320
Total liabilities	440	470
Net Position		
Restricted for pension benefits and postemployment benefits	373,764	342,206
Total net position	373,764	342,206
Total liabilities and net position	$ 374,204	$ 342,676

The accompanying notes are an integral part of this statement

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(In thousands)

Additions	2025	2024
Contributions:		
Employer	$ 3,511	$ 3,212
Employee	6,315	5,774
Total contributions	9,826	8,986
Investment income:		
Net increase in fair value of investments	28,520	24,529
Interest, dividends, and other	8,961	7,827
Total investment income	37,481	32,356
Investment costs	610	553
Net investment income	36,871	31,803
Total additions	46,697	40,789
Deductions		
Pension and postemployment benefits	14,588	13,503
Administrative	552	543
Total deductions	15,140	14,046
Net increase	31,557	26,743
Net position		
Restricted for pension benefits and postemployment healthcare benefits		
Beginning of year	342,207	315,464
End of year	$ 373,764	$ 342,207

The accompanying notes are an integral part of this statement

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Alaska Railroad Corporation (ARRC) are presented in accordance with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental entities. The more significant accounting policies established in GAAP and used by the ARRC are discussed below.

A. Reporting Entity

The United States Congress authorized construction of the Alaska Railroad in 1914, and railroad operations began in 1923. The federal government operated the railroad until its sale to the State of Alaska on January 5, 1985, a transaction authorized under the Alaska Railroad Transfer Act (ARTA) of 1982, which was signed into law on January 14, 1983. The State of Alaska legislature established the Alaska Railroad Corporation Act (ARCA), Alaska Statue 42.40, which authorized the ARRC to own and operate the railroad, and to manage the railroad's rail system, industrial ports, and other properties. ARCA mandates that the ARRC is a separate legal entity from the State, and that liabilities and revenues of the ARRC are not liabilities and revenues of the State. Pursuant to those mandates, the ARRC operates and provides services independent of state budget, maintaining separate responsibility for its own financial and legal obligations.

The ARRC is a Class II railroad that operates 683 track miles, providing both freight and passenger services. The railroad's mainline runs between Seward on the southern coast and Fairbanks, near the center of the state. It 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.

Form of Government

The ARCA established the ARRC as a public corporation, which operates as an instrumentality of the State of Alaska and is reported as a component unit of the State under Governmental Accounting Standards Board (GASB) guidance. The powers of the Corporation are vested in the seven-member Board, who are appointed by the Governor and serve as provided under Alaska Statute (AS) 42.40. The Board is responsible for the policies and management of the Corporation but has delegated certain powers and duties to the Chief Executive Officer in accordance with AS 42.40.120.

Financial Accountability and Reporting

As a component unit of the State of Alaska and for the purposes of preparing financial statements in accordance with GASB, the ARRC is an enterprise fund of the State of Alaska. As a corporation owned by the State of Alaska, the ARRC is exempt from federal and state income taxes.

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 are designed to recover the cost of providing the services. Accordingly, the ARRC follows the provisions of GASB Codification Section Re. 10, *Regulated Operations*.

The ARRC Board of Directors has adopted resolutions requiring a measure of net income in the statement of revenues, expenses, and changes in net position and restricting net position for reinvestment in infrastructure.

The ARRC has chosen to report its basic financial statements, fiduciary fund financial statements, and required supplementary information in amounts that round to the nearest one thousand dollars. The natural round of all amounts, including subtotals and totals, has been maintained.

B. Financial Statements

The Statement of Net Position, comparable to a balance sheet, shows the ARRC's financial position at year-end. *The Statement of Revenues, Expenses, and Changes in Fund Net Position* is comparable to an income statement and shows operating results for the year. Proprietary funds must distinguish between operating vs nonoperating. The *Statement of Cash Flows* shows how cash changed during the year.

The ARRC acts as a trustee or fiduciary for its employee pension and health care trust (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 *Statement of Fiduciary Net Position* and *Statement of Changes in Fiduciary Net Position*. These funds, which include pension and OPEB, are reported using accrual accounting and are not reflected in the ARRC's main financial statements because the resources of these funds are not available to support the ARRC's operations and programs.

The accounting year for the ARRC and its Pension and Postretirement Health Care Plans is January 1 through December 31.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as economic resources. The basis of accounting determines the timing of recognition in the financial statements of various kinds of transactions or events.

Proprietary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents are generally considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value *Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables and Payables

Receivables on the financial statements are shown net of allowance for uncollectible accounts. The allowance adjustment is estimated annually based on historical trends and professional judgment.

Payables represent routine operation obligations of the ARRC for goods and services received, and construction activities. Accrued expenses include liabilities for payroll, benefits, and other expenses incurred but not yet paid at year-end.

Inventories and Prepaid Items

Inventories. Inventories of materials and supplies 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.

Prepaids. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The ARRC uses the consumption method to record its changes in prepaid items. The ARRC reports prepaid items as an asset in the period in which they are purchased and defers the recognition of the expenditure until the period in which the prepaid items are consumed.

Restricted Assets

Restricted assets are restricted as to use by the terms of grant, trust bond, debt service, or other third-party agreements.

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 the purpose of establishing rates, the ARRC defers the recognition of grant revenue relating to depreciable capital assets funded with grants and amortizes the unearned amount over the life of the related capital assts. This unearned revenue is reported as deferred inflows because all eligibility criteria have been met.

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 covered by the regulatory asset and liability section above.

Capital Assets

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

Land. Acquisition cost (or fair market value) includes all costs necessary to ready land for use. The costs associated with improvements to land (site preparation and improvements other than buildings) are added to the cost of the land. All acquisitions of land are capitalized. Land is an inexhaustible asset and does not depreciate over time. Fair market value is used when historical cost is not determinable or not representative of the transaction (land contributed by a third party or no purchase price exists).

Buildings. A structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. This class also includes all building improvements.

Infrastructure. Long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. These assets are often linear, continuous, or part of a system (track or bridge). This class also includes all improvements that add value to land, but do not have an indefinite useful life.

Machinery and equipment. Items in this class are vehicles, information technology, and similar moveable assets.

Intangible right-to-use assets. Software and equipment under contract (lease) that conveys control of the right to use for a period of time. Control requires both the right to obtain the present service capacity from use of the product and the right to determine the nature and manner of the use of the product.

Construction in Progress. Costs incurred to construct or develop a tangible or intangible capital asset before it is substantially ready to be placed into service (at which time the asset would be classified into the appropriate major class).

Accumulated Depreciation. Buildings, infrastructure, machinery, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Asset	**Useful Life (Years)**
Road and Roadway Structures	10 - 32
Equipment	5 - 25
Leasehold Improvements	10 - 20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This financial statement element represents a consumption of net assets that applies to future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. Items that qualify for reporting in the statement of net position in this category are the resources related to pension and OPEB.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

For proprietary funds, the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted net position* consists of restricted assets reduced by certain liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties through law, through constitutional provision or enabling legislation.
- *Unrestricted net position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two proceeding categories.

The ARRC's Board of Directors has not established a designation of *unrestricted* net position because the ARRC operates as a legally separate entity from the State of Alaska and is intended to be financially self-sustaining, without operating subsidies from the State. In accordance with the AS 42.40.100, the ARRC's Board of Directors is responsible for the management of the financial and legal obligations of the Alaska Railroad. As of December 31, 2025 and 2024, the ARRC's Board of Directors restricted $129.0 million and $145.1 million, respectively of net position for reinvestment in infrastructure.

Environmental Remediation Costs

The ARRC accrues events associated with environmental remediation obligations in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Under this guidance, a liability is recognized when a pollution remediation obligating event has occurred, and the liability can be reasonably estimated. Costs of future expenditures and environmental remediation liabilities are not discounted to their present value.

Vehicle and Equipment Allocated Costs

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 or under recovery of actual vehicle and equipment cost is applied against fixed charge rates in subsequent years.

Long-term Obligations, Leases, and Software Subscriptions

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the applicable debt.

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

The ARRC is a lessor, leasing a significant portion of its real property. For non-cancellable leases with a term of more than 12 months, including extension options reasonably certain to exercise, the ARRC recognizes a lease receivable and a deferred inflow of resources. The lease receivable is measured at present value of receipts expected to be received during the lease term. Deferred inflow is measured as the lease receivable plus amounts received in advance. Lease basis amounts are reported as current and long-term lease receivables and deferred inflow on the statement of net position. The lease receivable is amortized on an effective interest rate method basis over the lease term.

Pension and Postretirement Health Care Plans

Pension. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension assets, pension expense, information about the fiduciary net position of the ARRC's defined benefit pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan.

Postretirement Health Care (OPEB). For the purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to the OPEB assets, OPEB expense, information about the fiduciary net position of the ARRC's defined benefit health care plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan.

For these purposes, benefit payments (including refunds of employee contributions) for both plans (pension and health care) 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 the 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.

Use of Estimates

Presenting financial statements in conformity with GAAP requires management to make certain estimates concerning assets, liabilities, revenue, and expenses. Actual results may vary from these estimates.

E. Revenues and Expenditures/Expenses

Proprietary funds distinguish between operating revenues and expenses from noncapital subsidies, and other nonoperating revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance-related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A subsidy represents amounts received from another party if it is unrelated to services provided by the proprietary fund and keeps the fees charged at the same amount or lower than if the subsidy was not received. All revenues and expenses that do not meet the definition of nonoperating revenues and expenses are reported as operating revenues and expenses. This clarifying distinction between operating and nonoperating revenues and expenses for proprietary funds was established under GASB Statement No. 103 and adopted by the ARRC effective fiscal year ended December 31, 2025.

Operating Revenues

Amounts reported as *operating revenues* include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by the ARRC's primary operational function, and (2) revenues associated with leasing and permitting the ARRC property.

Compensated Absences

Per the criteria outlined by GASB Statement No. 101, a liability is recognized 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 these criteria, two types of leave qualify for liability recognition for compensated absences. 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 the ARRC upon retirement or termination. This portion of sick leave is excluded because it will more likely than not be settled through conversion to the ARRC's defined pension benefit. 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 the payroll liabilities section of the statement of net position.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Detailed cash, cash equivalent, and investment accounting records are maintained for each individual account.

A. Restricted Assets

The ARRC's restricted assets are reported on the statement of net position as of December 31, 2025 and 2024 as follows:

Restricted Assets	2025	2024
Current	(In thousands)	
Money market mutual funds	$ 121,299	$ 1,237
	121,299	1,237
Noncurrent		
Interest bearing savings	74	86
Money market mutual funds	14,306	14,593
	14,380	14,679
Total	$ 135,679	$ 15,916

These assets are restricted by the terms of grant, trust, bond, debt service, or other agreements and are summarized as of December 31, 2025 and 2024 as follows:

Restricted Assets by Category	2025	2024
Capital assets as authorized by the Department of	(In thousands)	
Natural Resources	$ 74	$ 86
Advance grant funding	406	411
Equipment purchase	-	4,238
Flat cars and locomotives purchase	9,981	9,944
State of Alaska advance funding for Northern Rail Extension	1,184	1,237
Projects authorized by bond agreements:		
Purchase fund	114,232	-
Capitalized interest	9,802	-
Total	$ 135,679	$ 15,916

B. Investment and Deposits

Cash and cash equivalents consist of the following at December 31, 2025 and 2024:

Investment Type	2025	2024
	(In thousands)	
Cash	$ 12,563	$ 10,709
Money market account	9,941	25,907
Money market mutual fund	11,393	22,493
Total	$ 33,897	$ 59,109

Custodial credit risk – deposits. In the case of deposits, this is the risk that, in the event of a bank's failure, the ARRC's deposits may not be returned to it. To mitigate this risk, the ARRC's investment policy requires all investments to be collateralized and/or insured.

Interest rate risk. Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the ARRC manages its exposure to declines in fair values by limiting the maximum maturity length of investments to five years.

Credit risk. Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. The ARRC's investment policy authorizes the ARRC to invest in U.S. Treasury and agency 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.

Custodial credit risk – investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, 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.

Concentration of credit risk. The concentration of credit risk is the risk of loss that may be caused by the ARRC's investment in a single issuer. The ARRC investment policy places no limit on the amount the ARRC may invest with one single issuer.

Foreign currency risk. Foreign currency risk arises when changes in foreign exchange rates will adversely affect the fair value of an investment. The ARRC does not have a policy to limit foreign currency risk associated with investment funds. The ARRC does not have exposure to foreign currency risk in its investment funds at December 31, 2025 or 2024.

Fair Value Investments. The ARRC measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1*: Quoted prices for identical investments in active markets
- *Level 2:* Observable inputs other than those in level 1
- *Level 3:* Unobservable inputs

At December 31, 2025 and 2024, the ARRC had the following recurring fair value measurements:

			Fair Value Measurement				
		2025		Level 1		Level 2		Level 3
Cash and cash equivalents:				*(In thousands)*				
Money market mutual funds	$	11,393	$	11,393	$	-	$	-
Restricted assets:								
Money market mutual funds		135,605		135,605		-		-
Total investments	$	146,998	$	146,998	$	-	$	-

				Fair Value Measurement				
		2024		Level 1		Level 2		Level 3
Cash and cash equivalents:				*(In thousands)*				
Money market mutual funds	$	22,493	$	22,493	$	-	$	-
Restricted assets:						-		-
Money market mutual funds		15,830		15,830		-		-
Total investments	$	38,323	$	38,323	$	-	$	-

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

C. Investment and Deposits – Fiduciary funds

Cash and cash equivalents consist of $916 thousand and $953 thousand at December 31, 2025 and 2024, respectively.

Custodial Credit Risk. The fiduciary funds' Investment Policies require that all investments be collateralized and/or insured. At December 31, 2025 and 2024, the fiduciary fund's carrying amount of cash and cash equivalents and the bank balance was $916 thousand and $953 thousand, respectively. All balances are insured or collateralized as of each year-end.

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.

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.

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	2025	2024
MFS International Equity	$ 46,107	$ 39,676
Vanguard	37,624	33,395
Dodge & Cox	34,576	30,861
T. Rowe Price	33,594	29,853
HOTCHKIS & Wiley	28,568	26,155
RREEF	24,734	23,409
MFS Mid Cap	20,315	20,842
Sterling Capital	23,897	20,569
All Spring Special Mid Cap	21,880	20,378
Prime Property	19,739	19,266
T.Rowe Price	19,575	17,630

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.

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, 2025 and 2024:

	December 31, 2025	Fair Value Measurements Using: 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	$ 235,676	$ 235,676	$ —	$ —
OPEB trust fund:				
Mutual funds	59,546	59,546	—	—
Total investments by fair value level	295,222	295,222	—	—
Investments measured at net asset value (NAV): investment trust funds				
Total investments measured	78,067			
at the NAV	78,067			
Total investments	**$ 373,289**			

	December 31, 2024	Fair Value Measurements Using: 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**			

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, 2025 and 2024:

	December 31, 2025 Fair value	Unfunded Commitment	Redemption Frequency (if Currently Eligible	Redemption Notice Period
	(in thousands)			
INVESTMENT TRUST FUNDS:				
Equities/Equity funds (a)	$ 33,594	$ —	Monthly	None
Real estate trust funds (b)	44,473	—	Quarterly	45-90 days
Total trust funds	**$ 78,067**	**$ —**		

	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**	**$ —**		

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.

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.

NOTE 3 – CAPITAL ASSETS

During 2002, the ARRC received initial approval from its federal cognizant agency of its indirect cost rate agreement. The agreement was updated in 2005. In compliance with Federal Transit Administration Circulars, the ARRC will continue to update its indirect cost rate proposal (ICRP) but will retain it on site and make it available for review during its annual financial audit. This agreement allows the ARRC to allocate certain general and administrative expenses to grant-funded capital assets. Indirect costs allocated to capital assets under this agreement totaled $2.3 million and $2.1 million during the years ended December 31, 2025 and 2024, respectively.

Capital asset activity for year ended December 31, 2025:

	January 1, 2025	Increases	Decreases	December 31, 2025
Capital assets, not depreciated:		*(In thousands)*		
Land and improvements	$ 42,461	$ 1,814	$ (1)	$ 44,274
Road materials and supplies	34,551	42,455	(34,271)	42,735
Construction in progress	114,150	99,751	(72,363)	141,538
Total capital assets not depreciated	191,162	144,020	(106,635)	228,547
Depreciable capital assets:				
Road and roadway structures	1,338,454	48,066	-	1,386,520
Equipment	575,191	22,484	(1,761)	595,914
Leasehold improvements	2,172	-	-	2,172
Total depreciable capital assets	1,915,817	70,550	(1,761)	1,984,606
Capital assets being depleted:				
Quarry improvements	4,114	-	-	4,114
Total depreciable/depletable capital assets	1,919,931	70,550	(1,761)	1,988,720
Less accumulated depreciation:				
Road and roadway structures	753,418	43,531	-	796,949
Equipment	437,696	23,922	(1,761)	459,857
Leasehold improvements	2,171	-	-	2,171
Total accumulated depreciation	1,193,285	67,453	(1,761)	1,258,977
Less accumulated depletion:				
Quarry improvements	1,213	-	-	1,213
Total accumulated depreciation/depletion	1,194,498	67,453	(1,761)	1,260,190
Depreciable/depleted capital assets, net	725,433	3,097	-	728,530
Capital assets, net	$ 916,595	$ 147,117	$ (106,635)	$ 957,077
Lease and SBITA assets, net				11,627
Total capital assets, net as reported in statement of net position				$ 968,704

Capital asset activity for year ended December 31, 2024:

	January 1, 2024	Increases	Decreases	December 31, 2024
Capital assets, not depreciated:		*(In thousands)*		
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
Depreciable capital assets:				
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 depreciable capital assets	1,819,468	96,914	(565)	1,915,817
Capital assets being depleted:				
Quarry improvements	4,114	-	-	4,114
Total depreciable/depletable capital assets	1,823,582	96,914	(565)	1,919,931
Less accumulated depreciation:				
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:				
Quarry improvements	1,213	-	-	1,213
Total accumulated depreciation/depletion	1,127,703	67,357	(562)	1,194,498
Depreciable/depleted capital assets, net	695,879	29,557	(3)	725,433
Capital assets, net	$ 888,414	$ 167,632	$ (139,451)	$ 916,595
Lease and SBITA assets, net				11,291
Total capital assets, net as reported in statement of net position				$ 927,886

Depreciation/amortization of was charged to departments as of December 31, as follows:

Department	2025 Grant - Funded	2025 Nongrant - Funded	2024 Grant - Funded	2024 Nongrant - Funded
	(In thousands)		*(In thousands)*	
Transportation	$ 7,455	$ 2,491	$ 9,762	$ 2,798
Passenger	-	81	-	54
Marketing and Customer Service	-	643	-	537
Mechanical	3,493	7,462	3,433	7,739
Engineering	27,515	9,543	26,202	8,706
Facilities	2,853	2,040	3,019	1,805
General and Administrative	218	867	230	783
Real Estate	292	2,500	187	2,102
Total depreciation by department	$ 41,826	$ 25,627	$ 42,833	$ 24,524

Net investment in capital assets for December 31, 2025 and 2024 is as follows:

Source	2025	2024
	(In thousands)	
Net capital assets	$ 968,704	$ 927,886
Capital acquired through accounts payable	(4,237)	(3,733)
Notes payable	(15,699)	(19,103)
Lease liabilities	(11,259)	(10,755)
Unearned grant revenue	(514,883)	(529,390)
Total net investment in capital assets	$ 422,626	$ 364,905

NOTE 4 – LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows during the years ended December 31, 2025 and 2024. The compensated absences liability detailed below refers to the current balance identified as long term of what has been earned as a termination benefit that will be paid over the time as people leave or retire.

	January 1, 2025	Additions	Reductions	December 31, 2025	Due Within One Year
Notes			*(In thousands)*		
Series 2019	$ 4,221	$ -	$ (807)	$ 3,414	$ 825
Series 2022	6,489	-	(716)	5,773	742
Series 2024	8,393	-	(1,881)	6,512	1,962
Revenue bonds	-				
Series 2025	-	111,985	-	111,985	-
Premium amortization					
Series 2025	-	4,171	(113)	4,058	334
Total debt	19,103	116,156	(3,517)	131,742	3,863
Other Obligations					
Environmental remediation	3,164	-	(804)	2,361	333
State of Alaska advances	1,310	-	(64)	1,246	-
Unearned revenue - long term	374	-	(374)	-	-
Compensated absences *	6,094	601	-	6,695	6,044
Total other obligations	10,942	601	(1,242)	10,302	6,377
Total debt and other	$ 30,045	$ 116,757	$ (4,759)	$ 142,044	$ 10,240
Lease liabilities and SBITA				11,258	4,703
Total long-term liabilities				$ 153,302	$ 14,943

	January 1, 2024	Additions	Reductions	December 31, 2024	Due Within One Year
Notes			*(In thousands)*		
Series 2019	$ 5,011	$ -	$ (790)	$ 4,221	$ 807
Series 2022	7,181	-	(692)	6,489	716
Series 2024	-	9,900	(1,507)	8,393	1,881
Total debt	12,192	9,900	(2,989)	19,103	3,404
Other Obligations					
Environmental remediation	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
Total 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				10,755	4,012
Total long-term liabilities				$ 40,800	$ 14,334

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

The ARRC has arrangements for two short-term unsecured lines of credit (LOC). The first LOC is for general purpose and the second is for self-insurance. Both lines of credit allow up to $10.0 million (each), at rates of 78.5% to 100% of secured overnight financing rate (SOFR) average plus 1.45% to 1.85%. Neither line of credit had an outstanding balance at December 31, 2025.

A. Long-term Debt

Long-term debt activity for the years ended December 31, 2025 and 2024, was as follows:

Notes Payable	2025	2024
	(In thousands)	
Series 2019 - secured by equipment, due in monthly payments of $74,376, including interest of 2.21%, matures on December 17, 2029	$ 3,414	$ 4,221
Series 2022 - secured by equipment, due in monthly payments of $77,489, including interest of 3.46%, matures on December 23, 2032	5,773	6,489
Series 2024 - secured by rolling stock, due in monthly payments of $183,519, including interest of 4.27%, matures on February 5, 2029	6,512	8,393
Total notes payable	$ 15,699	$ 19,103

Revenue Bonds		
Series 2025 - Cruise Port Revenue Bonds, interest at 5.5% - 6.0%, payable semiannually on April 1 and October 1, matures on October 1, 2054	111,985	-
Total revenue bonds payable	$ 111,985	$ -

A balance of $9.8 million was held in trust for capitalized interest as of December 31, 2025. The first principal payment due on the 2025 Bonds is October 2028.

In addition, ARRC maintains a *Debt Service Fund,* with three sub-accounts, interest, principal, and sinking, for the payment of principal and interest on the Series 2025 Bonds. Amounts deposited into the Debt Service Fund are required to be used primarily to achieve proper matching of revenues of debt service within each bond year. Investment earnings on amounts held in the *Debt Service Fund* are retained within the fund and used for debt service purposes. As of December 31, 2025, the balances of these funds are reported as restricted assets on the Statement of Net Position, as their use is limited by the terms of the bond indenture.

Security for the bonds is provided by an ARRC pledge of a specified portion of its revenues, as defined in the bond indenture agreement. These pledged revenues include certain passenger service charges, dockage fees, and investment earnings, which are pledged through the maturity of the bonds in 2054.

Annual payments on debt are scheduled as follows at December 31, 2025:

Year Ending December 31	Notes Payable Principal	Notes Payable Interest	Bonds Principal	Bonds Interest	Total
			(In thousands)		
2026	$ 3,529	$ 495	$ -	$ 6,298	$ 10,322
2027	3,659	365	-	6,298	10,322
2028	3,794	230	1,885	6,272	12,181
2029	2,070	120	1,985	6,167	10,342
2030	852	78	2,095	6,057	9,082
2031-2054	1,795	66	106,020	88,820	196,701
	$ 15,699	$ 1,354	$ 111,985	$ 119,912	$ 248,950
Principal, current	(3,529)		-		(3,529)
Unamortized premium	-		4,058		4,058
	$ 12,170		$ 116,043		$ 249,479

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. On August 26, 2025, $112.0 million in bonds were issued at par, with a premium of $4.2 million.

NOTE 5 – EMPLOYEE BENEFITS

A. Alaska Railroad Corporation Pension Plan

Plan Description

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 term 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 cost 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.

The ARRC Pension Plan is accounted for using economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are made, and benefits and refunds are recognized as an expense and liability when due and payable. Administrative costs are financed through contributions and investment income. The Plan does not issue a separate report containing financial statements; therefore, financial statements are included below.

As of December 31, 2025, the Plan assets consist of cash and cash equivalents of less than 1%, fixed-income securities of 35%, equities of 49.9%, commodities of 2% and real estate investments of 12.9%.

At December 31, pension plan membership consisted of:

Membership Status	**2025**	**2024**
In-pay plan pension plan members or beneficiaries currently receiving benefit	441	421
Inactive pension plan members or beneficiaries entitled to but not yet receiving benefit	520	505
Active plan members	769	731
Total	1,730	1,657

The net pension liability was measured as of December 31, 2025 and 2024 and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2025 and 2024 and rolled forward-using generally accepted actuarial procedures.

	2025	**2024**
	(In thousands)	
Total pension liability	$ 323,352	$ 302,562
Fiduciary net position	(309,984)	(283,114)
Net pension liability	$ 13,368	$ 19,448
Plan Fiduciary Net Position as a Percentage of the Total Pension liability	95.9%	93.6%

At December 31, 2025 and 2024, the ARRC reported a liability for the pension plan. For the years ended December 31, 2025 and 2024, the ARRC recognized pension expense of $3.3 million and $1.8 million, respectively.

Deferred Outflows and (Inflows) of Resources	2025 Deferred Outflows of Resources	2025 Deferred (Inflows) of Resources	2024 Deferred Outflows of Resources	2024 Deferred (Inflows) of Resources
	(In thousands)		(In thousands)	
Differences between expected and actual experience	$ 6,214	$ (859)	$ 4,196	$ (1,945)
Change of assumptions	65	(8,231)	146	(1,719)
Net difference between actual and projected earnings	-	-	2,404	-
Total	$ 6,279	$ (9,090)	$ 6,746	$ (3,664)

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

Year Ending December 31	Amount
	(In thousands)
2026	$ 5,743
2027	(4,201)
2028	(2,764)
2029	(1,589)
2030	-
Thereafter	-
Total	$ (2,811)

Actuarial Assumptions

Total pension liability in the January 1, 2025 and 2024, actuarial valuation was determined by using the following assumptions, applied to all periods included in the measurement.

Actuarial Assumptions	2025	2024
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% for Tier 1 & Tier 2	1.25%
Retirement disablement, and termination	Based on 2015-2019 experience study	Based on 2015-2019 experience study
Administrative expenses	0.64% of payroll based on current year actual expense	0.71% of payroll based on current year actual expense

Changes since the December 31, 2024 measurement date:

- Change of benefit terms since prior period of measurement; added a cost of living allowance for Tier 2 equal to the lesser of 50% of the change in the average U.S. Consumer Price Index for all Urban Consumers (CPI-U) or 6%.
- Change of assumptions since prior period of measurement; added a 1.25% cost of living allowance for Tier 2.

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

The long term expected rate of return on pension plan investments of 7.25% was determined by management using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the intermediate term and long term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

		Expected Real Rate of Return	
Asset Class	**Target Allocation**	**Intermediate Term**	**Long Term**
Cash	0.00%	n/a	n/a
US 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:

Net Pension Liability (Asset) as of:	**1% Decrease (6.25)%**	**Current Discount Rate (7.25)%**	**1% Increase (8.25)%**
		(in thousands)	
December 31, 2025	$ 57,241	$ 13,368	$ (22,808)
December 31, 2024	60,360	19,448	(14,347)

The annual money-weighted rate of return, net of investment expense was 11.28% and 10.91% for the years ended December 31, 2025 and 2024, respectively.

Changes in 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, 2025	$ 302,562	$ 283,114	$ 19,448
Changes for the year:			
Service cost	6,599	-	6,599
Interest	21,912	-	21,912
Change of benefit terms	1,662	-	1,662
Differences between expected and actual experience	4,484	-	4,484
Change of assumptions	-	-	-
Contributions - employer	-	3,511	(3,511)
Contributions - employee	-	6,315	(6,315)
Net investment income	-	31,333	(31,333)
Benefit payments, including refunds of employee contributions	(13,867)	(13,867)	-
Administrative expense	-	(422)	422
Net changes	20,790	26,870	(6,080)
Balances at December 31, 2025	$ 323,352	$ 309,984	$ 13,368

	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
Change of benefit terms	-	-	-
Differences between expected and actual experience	1,992	-	1,992
Change 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 expense	-	(428)	428
Net changes	16,447	23,219	(6,772)
Balances at December 31, 2024	$ 302,562	$ 283,114	$ 19,448

Additional required supplementary information for the ARRC's defined benefit pension plan can be found on pages 66 through 70.

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 Brotherhood Railway Carmen Division of Transportation Communications Union (BRC), March 4, 2016 for International Association of Sheet, Metal, Air, Rail, and Transportation Workers (SMART) TD/LOCAL 1626 (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, 2025 or 2024. As of December 31, 2025, the Plan assets are held in trust and consist of cash and cash equivalents of less than 1%, fixed-income securities of 61.9%, equities of 26.9%, U.S. healthcare stocks, of 4.1%, and real estate investments of 7.1%

Membership Status	2025	2024
Inactive health care plan members or beneficiaries currently receiving benefit	28	27
Inactive health care plan members or beneficiaries entitled to but not yet receiving benefit	-	-
Active plan members	283	302
Total	311	329

The net other postemployment benefit (OPEB) asset was measured as of December 31, 2025 and 2024 and the total OPEB asset used to calculate the net OPEB asset and liability was determined by an actuarial valuation as of January 1, 2025 and 2024 and rolled forward-using generally accepted actuarial procedures.

	2025	2024
	(In thousands)	
Total OPEB liability	$ 11,055	$ 14,331
Fiduciary net position	(63,780)	(59,093)
Net OPEB liability	$ (52,725)	$ (44,762)

Plan Fiduciary Net Position as a Percentage of the Total OPEB (asset)	(576.9)%	(412.3)%

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2025 and 2024, the ARRC reported an asset for the Health Care Trust plan. The net OPEB asset was measured as of December 31, 2025 and 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of January 1, 2025 and 2024. For the years ended

December 31, 2025 and 2024, the ARRC recognized net OPEB income of $3.2 million and $2.0 million, respectively.

At December 31, 2025 and 2024, the ARRC reported deferred outflows and inflows of resources related to the health care plan as follows:

Deferred Outflows and (Inflows) of Resources	2025 Deferred Outflows of Resources	2025 Deferred (Inflows) of Resources	2024 Deferred Outflows of Resources	2024 Deferred (Inflows) of Resources
	(In thousands)		(In thousands)	
Differences between expected and actual experience	$ 2,261	$ (7,817)	$ 2,738	$ (6,120)
Change of assumptions	1,060	(1,625)	1,477	(2,043)
Net difference between actual and projected earnings	-	(997)	1,621	-
Total	$ 3,321	$ (10,439)	$ 5,836	$ (8,163)

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

Year Ending December 31	Amount
	(In thousands)
2026	$ (315)
2027	(2,174)
2028	(1,560)
2029	(1,163)
2030	(544)
Thereafter	(1,362)
Total	$ (7,118)

Actuarial Assumptions

Total OPEB asset in the January 1, 2025 actuarial valuation was determined by using the following assumptions, applied to all periods included in the measurement.

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.

Actuarial Assumptions	2025	2024
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	0.41% of payroll, based on current actual year expenses	0.36% of payroll, based on current actual year expenses
Participation rates	Varies from 30% to 85%	Varies from 30% to 85%
Medical trend	Non Medicare 7.90%, decrease to an ultimate rate of 3.45% in 2076+ Medicare 6.90%, decrease to an ultimate rate of 3.45% in 2076+	Non Medicare 8.50%, decrease to an ultimate rate of 3.45% in 2076+ Medicare 7.50%, decrease to an ultimate rate of 3.45% in 2076+

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:

		Expected Real Rate of Return	
Asset Class	Target Allocation	Intermediate Term	Long Term
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 (Equi	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:

Net OPEB Liability (Asset) as of:	1% Decrease (5.00)%	Current Discount Rate (6.00)%	1% Increase (7.00)%
		(in thousands)	
December 31, 2025	$ (51,222)	$ (52,725)	$ (53,981)
December 31, 2024	(42,881)	(44,762)	(46,333)

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 7.90% (Non-Medicare) and 6.90% (Medicare) beginning in 2026, decreasing to an ultimate rate of 3.45% in 2076+ as of December 31, 2025 and December 31, 2024. 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:

Net OPEB Liability (Asset) as of:	1% Decrease	Medical Trend Rate	1% Increase
		(in thousands)	
December 31, 2025	$ (54,300)	$ (52,725)	$ (50,776)
December 31, 2024	(46,722)	(44,762)	(42,341)

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, 2025	$ 14,331	$ 59,093	$ (44,762)
Changes for the year:			
Service cost	319	-	319
Interest	646	-	646
Change of benefit terms	-	-	-
Difference between expected and actual experience	(3,520)	-	(3,520)
Change of assumptions	-	-	-
Contributions - employer	-	-	-
Net investment income	-	5,538	(5,538)
Benefit payments, net of retiree premiums	(721)	(721)	-
Administrative expense	-	(130)	130
Net changes	(3,276)	4,687	(7,963)
Balances at December 31, 2025	$ 11,055	$ 63,780	$ (52,725)

	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
Change of benefit terms	-	-	-
Difference between expected and actual experience	(2,898)	-	(2,898)
Change of assumptions	(21)	-	(21)
Contributions - employer	-	-	-
Net investment income	-	4,339	(4,339)
Benefit payments, net of retiree premiums	(700)	(700)	-
Administrative expense	-	(114)	114
Net changes	(2,395)	3,525	(5,920)
Balances at December 31, 2024	$ 14,331	$ 59,093	$ (44,762)

Additional required supplementary information for the ARRC's OPEB plan can be found on pages 71 through 77.

C. Civil Service Retirement System (CSRS)

Federal employees who transferred to the ARRC continue to participate in the CSRS, a multiemployer, defined benefit plan. The ARRC is required to contribute 7% of the transferred employees' eligible compensation. Benefit expense related to CSRS was $0 and $4,000 for the years ended December 31, 2025 and 2024, 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 $1.1 million for the years ended December 31, 2025 and 2024, respectively.

E. Alaska Railroad Corporation 457 Deferred Compensation Plan

The 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, 2025 or 2024.

NOTE 6 – 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, 2025 and 2024, including construction in process from pending grants, consists of the following:

Grant Funded Assets Acquired		**2025**	**2024**
		(In thousands)	
Land and improvements		$ 8,819	$ 8,819
Road and roadway structures	15–32 year life	808,708	779,569
Equipment	5–25 year life	224,445	219,877
Construction in process		108,291	82,909
Total		$ 1,150,263	$ 1,091,174

Grant revenue earned during the years ended December 31, 2025 and 2024 consisted of the following:

Use of Grant Revenue Earned	**2025**	**2024**
	(In thousands)	
Depreciation on assets constructed with grant funds	$ 41,826	$ 42,646
Grant funded maintenance expense (noncapital)	31,847	-
Total	$ 73,673	$ 42,646

The noncapital maintenance grant expected in 2024 was recognized in 2025 because it did not meet the eligibility requirements to be recognized as revenue in 2024. Instead, those requirements were met in 2025. The grant amount expected in 2024 and recognized in 2025 was $15.4 million.

NOTE 7 – CONCENTRATIONS

In 2025 and 2024, the ARRC entered into an agreement with a customer under the Internal Revenue Code §45G. Under the agreement, the 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 the ARRC's funding comes from the federal government in the form of grants. Federal grant funding was used for 59.2% and 46.9% of capital expenditures in 2025 and 2024, respectively.

NOTE 8 – LEASE COMMITMENTS

As discussed in note 1(E), the ARRC leases a significant portion of its land to various parties under the long-term agreements. Rental income on these leases is included in real estate revenue which is reported under operating revenue effective with the GASB 103 change in presentation. The rental income on these leases was $16.2 million and $15.8 million in 2025 and 2024, respectively.

As discussed in previously, 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 years ended December 31, 2025 and 2024 are as follows:

	Balance at January 1, 2025	Additions	Deductions	Balance at December 31, 2025	Amounts due within one year
			(In thousands)		
Lease liabilities	$ 10,721	$ 4,788	$ (4,550)	$ 10,959	$ 4,581
SBITA liabilities	34	800	(535)	299	122
Total lease and SBITA liabilities	$ 10,755	$ 5,588	$ (5,085)	$ 11,258	$ 4,703

	Balance at January 1, 2024	Additions	Deductions	Balance at December 31, 2024	Amounts due within one year
			(In thousands)		
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

The future principal and interest lease payments as of December 31, 2025, were as follows:

	Principal	Interest	Total
Fiscal year ending December 31:		*(In thousands)*	
2026	$ 4,388	$ 405	$ 4,793
2027	3,755	234	3,989
2028	1,621	120	1,741
2029	1,198	45	1,243
2030	148	9	157
Thereafter	148	32	180
	$ 11,258	$ 845	$ 12,103

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

	Balance at January 1, 2025	Increases	Decreases	Balance at December 31, 2025
Lease Assets:		*(In thousands)*		
Vehicles	$ 1,615	$ 1,329	$ -	$ 2,944
Equipment	11,835	2,334	(17)	14,152
Rail cars	3,077	24	-	3,101
Computer hardware	667	834	(559)	942
Real property	421	318	(224)	515
Total lease assets	17,615	4,839	(800)	21,654
SBITA Assets:				
Infrastructure as a service	725	160	(283)	602
Software as a service	-	422	-	422
Total SBITA assets	725	582	(283)	1,024
Less Accumulated Amortization:				
Lease assets:				
Vehicles	637	582	-	1,219
Equipment	4,910	3,098	(17)	7,991
Rail cars	494	548	-	1,042
Computer hardware	559	223	(559)	223
Real property	221	99	(224)	96
Total lease accumulated amortization	6,821	4,550	(800)	10,571
SBITA Assets:				
Infrastructure as a service	228	447	(283)	392
Software as a service	-	88	-	88
Total SBITA accumulated amortization	228	535	(283)	480
Total lease assets and SBITA, net	$ 11,291	$ 336	$ -	$ 11,627

	Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024
Lease Assets:		*(In thousands)*		
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

NOTE 9 – RISK MANAGEMENT

The ARRC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ARRC establishes reserves for the estimated losses of such claims, including estimates of losses incurred but not reported, based on historical experiences, 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.

For each of the past three fiscal years, no insurance settlements have exceeded insurance coverage.

Changes in self-insurance claim liabilities during the past two years are as follows:

	Balance at January 1, 2025	Incurred Claims	Claim Payments	Balance at December 31, 2025
	(In thousands)			
Employee health benefits	$ 877	$ 15,718	$ (14,860)	$ 1,735
Workers' compensation	1,694	1,511	(1,110)	2,095
	$ 2,571	$ 17,229	$ (15,970)	$ 3,830

	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

The ARRC purchased commercial insurance for property damage for buildings and equipment with self-insurance retention limits as follows:

	2025	2024
	(in thousands)	
Casualty/liability	$ 323,000	$ 323,000
Property damage	100,000	100,000
Casualty/liability retention	5,000	5,000
Property damage retention	10,000	10,000

NOTE 10– ENVIRONMENTAL REMEDIATION RESERVE

The ARRC has accrued certain environmental pollution remediation liabilities for its properties. An estimated liability for pollution remediation was prepared by calculating 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 fluctuations in costs of goods and services, changes in remediation techniques, or changes in laws and regulations governing the remediation efforts.

NOTE 11– CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

Grants. The ARRC participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the ARRC's compliance with applicable grant requirements will, in some cases, be established at a future date. The dollar amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the ARRC anticipates such amounts, if any, will be immaterial.

Legal. The ARRC is the defendant in various claims and suits arising from the ordinary course of business. A provision for loss related to litigation was recorded in the accompanying financial statements. Management believes that any liability resulting from these matters is adequately covered by this provision.

Unionized Labor. Approximately 70% of the ARRC's labor force is subject to one of five collective bargaining agreements. Operations are highly dependent on uninterrupted labor.

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)
Brotherhood Railway Carmen Division of Transportation Communications Union (BRC)
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 BRC agreement was ratified effective May 10, 2025 and will expire on May 9, 2029. The ARW labor agreement was effective July 21, 2025 and will expire July 20, 2028. The SMART labor agreement was ratified on August 24, 2023 and will expire on August 23, 2029.

B. Commitments

Acquisition Purchase. Proceeds of the sale of the 2025 Bonds will be used to finance a portion of the purchase price of a new passenger dock and related terminal facility in Seward, Alaska. The ARRC entered into a Purchase and Sale, Lease and Lease Termination Agreement (PSA), dated August 15, 2024, with the Seward Company. The

PSA provides the ARRC the right to purchase the project from the Seward Company upon substantial completion of the project at a fixed purchase price of $137 million. The ARRC has made a purchase price deposit in the amount of $20M with the Seward Company pursuant to the PSA which will be applied to the purchase price in the event the ARRC purchases the project.

NOTE 12– RELATED PARTY TRANSACTIONS

The State of Alaska awarded the ARRC appropriations for two capital improvement projects totaling $4,009,884. Under these appropriations, costs of $26,302 and $237,172 were incurred during 2025 and 2024, respectively. The State of Alaska awarded grants for a disaster declaration. Under these disaster grants, the ARRC incurred $41,578 and $33,535 of costs in 2025 and 2024, respectively. These amounts are included in accounts receivable and construction in progress, and unearned grant revenue as of December 31, 2025 and 2024. Consistent with other grants, revenue from these appropriations will be deferred and recognized over the life of the related capital assets.

NOTE 13– RECENT ACCOUNTING PRONOUNCEMENTS

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 and 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. The ARRC adopted GASB 102 effective January 1, 2025. The ARRC adopted and implemented this standing in the reported fiscal year.

GASB Statement No. 103 (GASB 103), Financial Report Model Improvements was issued in May 2024. The statement addresses improvements to key components of the financial report 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. The ARRC adopted and implemented this statement in the reported fiscal year.

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 ARRC adopted and implemented this statement in the reported fiscal year.

GASB Statement No 105 (GASB 105), Subsequent Events was issued in December 2025. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this Statement are effective for the fiscal years beginning after June 15, 2026, and all reporting periods thereafter. The ARRC is currently analyzing the impact of the new standards on its financial statements and related disclosures.

NOTE 14– PRIOR PERIOD ADJUSTMENTS

No prior period adjustments were recorded for periods ending December 31, 2025 and 2024.

NOTE 15 – SUBSEQUENT EVENTS

No subsequent events were reported for periods ending December 31, 2025 and 2024.

REQUIRED SUPPLEMENTARY INFORMATION

ALASKA RAILROAD

Years Ended December 31, 2025 and 2024

SCHEDULE OF CHANGES IN PLAN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS- DEFINED BENEFIT PENSION PLAN

Last 10 Fisal Years

(In thousands)

Total Pension Liability:	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Service cost	$ 6,599	$ 6,507	$ 6,321	$ 6,500	$ 6,176	$ 6,106	$ 5,835	$ 5,676	$ 5,777	$ 5,853
Interest	21,912	20,751	19,459	18,796	18,302	17,659	16,059	15,221	14,230	13,244
Changes of benefit terms	1,662	—	—	—	—	—	—	—	154	—
Differences between expected and actual experience	4,484	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	(13,867)	(12,803)	(12,064)	(10,226)	(9,966)	(9,116)	(8,086)	(7,062)	(6,197)	(5,541)
Net change in total pension liability	20,790	16,447	17,999	10,254	6,614	9,218	29,708	11,514	13,754	19,924
Total pension liability – beginning	302,562	286,115	268,116	257,862	251,248	242,030	212,322	200,808	187,054	167,130
Total pension liability – ending (a)	323,352	302,562	286,115	268,116	257,862	251,248	242,030	212,322	200,808	187,054
Plan Fiduciary Net Position:										
Contributions – employer	3,511	3,212	3,148	2,673	3,813	4,619	5,220	3,555	4,051	4,163
Contributions – employees	6,315	5,774	5,328	4,987	4,650	4,639	4,477	4,341	4,302	4,383
Total net investment income (loss)	31,333	27,464	28,181	(32,967)	40,127	21,600	32,628	(8,075)	22,088	11,774
Benefit payments, including refunds of member contributions	(13,867)	(12,803)	(12,064)	(10,226)	(9,966)	(9,116)	(8,086)	(7,062)	(6,197)	(5,541)
Administrative expenses	(422)	(428)	(427)	(365)	(306)	(273)	(269)	(312)	(409)	(593)
Net change in plan fiduciary net position	26,870	23,219	24,166	(35,898)	38,318	21,469	33,970	(7,553)	23,835	14,186
Plan fiduciary net position – beginning	283,114	259,895	235,729	271,627	233,309	211,840	177,870	185,423	161,588	147,402
Plan fiduciary net position – ending (b)	309,984	283,114	259,895	235,729	271,627	233,309	211,840	177,870	185,423	161,588
Plan's net pension liability (a) – (b)	**$ 13,368**	**$ 19,448**	**$ 26,220**	**$ 32,387**	**$ (13,765)**	**$ 17,939**	**$ 30,190**	**$ 34,452**	**$ 15,385**	**$ 25,466**
Plan Fiduciary Net Position as a Percentage of the Total										
Pension Liability	95.87 %	93.57 %	90.84 %	87.92 %	105.34 %	92.86 %	87.53 %	83.77 %	92.33 %	86.39 %
Covered Payroll	$ 70,088	$ 64,111	$ 59,194	$ 55,408	$ 51,671	$ 51,559	$ 49,739	$ 48,228	$ 47,804	$ 48,705
Net Pension Liability as a Percentage of Covered Payroll	19.07 %	30.33 %	44.30 %	58.45 %	(26.64)%	34.79 %	60.70 %	71.44 %	32.18 %	52.29 %

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

SCHEDULE OF ARRC CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN

Last 10 Fiscal Years

(In thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 3,511	$ 3,212	$ 3,148	$ 2,673	$ 3,813	$ 4,619	$ 5,220	$ 3,555	$ 4,051	$ 4,163
Contributions in relation to the actuarially determined contribution	3,511	3,212	3,148	2,673	3,813	4,619	5,220	3,555	4,051	4,163
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered Payroll	$ 70,088	$ 64,111	$ 59,194	$ 55,408	$ 51,671	$ 51,559	$ 49,739	$ 48,228	$ 47,804	$ 48,705
Contributions as a Percentage of Covered Payroll	5.01 %	5.01 %	5.32 %	4.82 %	7.38 %	8.96 %	10.49 %	7.37 %	8.47 %	8.55 %

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

SCHEDULE OF INVESTMENT RETURNS – DEFINED BENEFIT PENSION PLAN

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	11.28 %	10.91 %	11.60 %	(10.60)%	16.25 %	10.30 %	18.47 %	(4.45)%	14.05 %	8.10 %

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

Note 1 – Alaska Railroad Corporation Pension Plan

The significant actuarial assumptions used in the defined benefit pension valuation as of December 31, 2025, are as follows:

A. Actuarial Valuation Date: January 1, 2025

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. 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:

Table – 1D

	Rates	
Age	**Tier 1**	**Tier 2**
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

E. Asset Valuation Method: Actuarial value of assets, 5-year smoothed market value: gains/loss recognized over 5 years.

F. Inflation: 2.5%

G. Investment Rate of Return: 7.25%

H. Administrative Expenses: 0.64% of payroll, based on rounded actual current year expenses paid of $420,000.

I. Cost of Living Allowance: 1.25% for Tier 1 & Tier 2 (1/2 assumed inflation).

J. Mortality: Society of Actuaries RP-2014 healthy annuitant table adjusted 91% for males and 96% for females. Sames as the 2013-2017 Alaska PERS Experience Study. Scale MP-2021 generational mortality improvement. This reflects the continuous improvement in longevity expected to occur in the future.

K. Termination: Based on ARRC Pension and Post Retirement Health Care Plans 2015-2019 Experience Study.

L. Disability: Alaska PERS disablement rate for members other than Police and Firefighters as there is little Plan experience.

M. Changes in Actuarial Methods Since Prior Valuation: None

N. Employer Contribution Rate: Future employer contribution 100% of actuarially determined contribution (ADC). Employer rate based on ADC payable at year end: 5.31%.

O. Employee Contribution Rate: 9%

SCHEDULE OF CHANGES IN PLAN NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS – DEFINED BENEFIT POST RETIREMENT HEALTH CARE PLAN

Last 10 Fiscal Years

(In thousands)

Total OPEB Liability:										
Service cost	$ 319	$ 393	$ 455	$ 404	$ 446	$ 522	$ 529	$ 599	$ 700	$ 699
Interest	646	831	978	796	857	972	1,003	981	1,095	985
Changes of benefit terms	—	—	—	—	—	—	—	—	526	—
Differences between expected and actual experience	(3,520)	(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	(721)	(700)	(1,095)	(567)	(740)	(491)	(371)	(350)	(331)	(506)
Net change in total OPEB liability	(3,276)	(2,395)	2,955	(426)	(929)	(555)	349	(1,820)	1,825	788
Total OPEB liability – beginning	14,331	16,726	13,771	14,197	15,126	15,681	15,332	17,152	15,327	14,539
Total OPEB liability – ending (a)	11,055	14,331	16,726	13,771	14,197	15,126	15,681	15,332	17,152	15,327
Plan Fiduciary Net Position:										
Contributions – employer	—	—	—	—	—	—	—	—	—	—
Total net investment income (loss)	5,538	4,339	5,012	(6,547)	5,444	3,914	6,096	(958)	4,295	2,670
Benefit payments, net of retiree premiums	(721)	(700)	(1,095)	(567)	(740)	(491)	(371)	(350)	(331)	(506)
Administrative expenses	(130)	(114)	(95)	(62)	(60)	(59)	(59)	(71)	(77)	(66)
Net change in plan fiduciary net position	4,687	3,525	3,822	(7,176)	4,644	3,364	5,666	(1,379)	3,887	2,098
Plan fiduciary net position – beginning	59,093	55,568	51,746	58,922	54,278	50,914	45,248	46,627	42,740	40,642
Plan fiduciary net position – ending (b)	63,780	59,093	55,568	51,746	58,922	54,278	50,914	45,248	46,627	42,740
Plan's net OPEB liability (asset) (a) – (b)	**$ (52,725)**	**$ (44,762)**	**$ (38,842)**	**$ (37,975)**	**$ (44,725)**	**$ (39,152)**	**$ (35,233)**	**$ (29,916)**	**$ (29,475)**	**$ (27,413)**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(576.93)%	(412.34)%	(332.23)%	(375.76)%	(415.03)%	(358.84)%	(324.69)%	(295.12)%	(271.85)%	(278.85)%
Covered Payroll	$ 31,472	$ 32,031	$ 32,378	$ 33,720	$ 33,280	$ 32,015	$ 32,154	$ 33,444	$ 35,292	$ 46,941
Net OPEB Liability as a Percentage of Covered Payroll	(167.53)%	(139.75)%	(119.96)%	(112.62)%	(134.39)%	(122.29)%	(109.58)%	(89.45)%	(83.52)%	(58.40)%

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

SCHEDULE OF ARRC CONTRIBUTIONS – DEFINED BENEFIT POSTRETIREMENT HEALTH CARE PLAN

Last 10 Fiscal Years

(In thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Contributions in relation to the actuarially determined contribution	—	—	—	—	—	—	—	—	—	—
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered Payroll	$ 31,472	$ 32,031	$ 32,378	$ 33,720	$ 33,280	$ 32,015	$ 32,154	$ 33,444	$ 35,292	$ 46,941
Contributions as a Percentage of Covered Payroll	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %

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

SCHEDULE OF INVESTMENT RETURNS – DEFINED BENEFIT POST RETIREMENT HEALTH CARE PLAN

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	9.54 %	7.96 %	9.65 %	(9.97)%	7.28 %	10.69 %	13.52 %	(2.39)%	10.55 %	3.50 %

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

Note 2 – Alaska Railroad Corporation Postretirement Health Care Plan

The significant actuarial assumptions used in the defined benefit OPEB health care valuation as of December 31, 2025, are as follows:

A. Actuarial Valuation Date: January 1, 2025

B. Amortization Period: The overfunded actuarial accrued liability is amortized as a level dollar payment over a rolling (open) 6-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. Retirement: Rates vary based on age. Sample rates:

Table – 2D

	Rates	
Age	**Tier 1**	**Tier 2**
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

E. Asset Valuation Method: Actuarial value of assets, 5-year smoothed market value: gains/loss recognized over 5 years.

F. Inflation: 2.5%

G. Investment Rate of Return: 6%

H. Administrative Expenses: 0.41% of payroll, based on actual expenses paid of $129,946.

I. Health Care Trend:

Table – 2I

	% of Increase from Prior Year	
Year	Non-Medicare	Medicare
2025	Actual Premiums	
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
20242-2044	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

J. Mortality: Society of Actuaries headcount-weighted Pub-2010 General healthy annuitant table adjusted 101% for males and 110% for females. Based on the 2017-2021 Alaska PERS Experience Study. Mortality projected fully generational with Scale MP-2021.

K. Per Capita Claim Costs:

The following table shows sample age-based 2025 annual claims costs for plans*:

Table – 2K

	Old Plan		Blue Plan		Gold Plan	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
50	N/A	N/A	$ 14,281	$ 17,497	N/A	N/A
55	N/A	N/A	18,385	20,222	N/A	N/A
60	N/A	N/A	23,455	23,626	N/A	N/A
64	N/A	N/A	28,279	27,199	N/A	N/A
65	$ 11,909	$ 11,237	10,951	10,351	N/A	N/A
70	13,025	12,294	11,972	11,313	N/A	N/A
75	13,958	13,216	12,823	12,153	N/A	N/A
80	14,438	13,770	13,267	12,657	N/A	N/A
85	14,261	13,725	13,107	12,611	N/A	N/A

	Blue Essentials Plan		Gold Essentials Plan	
Age	**Male**	**Female**	**Male**	**Female**
50	$ 13,426	$ 16,432	$ 12,125	$ 14,822
55	17,267	18,984	15,570	17,107
60	22,015	22,173	19,823	19,965
64	26,537	25,514	23,873	22,963
65	10,303	9,739	9,338	8,813
70	11,265	10,642	10,194	9,632
75	12,063	11,428	10,904	10,335
80	12,472	11,905	11,270	10,756
85	12,325	11,870	11,135	10,727

* No Gold plan participants or non-Medicare Old plan participants remaining

L. Termination: Based on ARRC Pension and Post Retirement Health Care Plans 2015-2019 Experience Study.

M. Disability: Based on Alaska PERS Experience Study for the 2005-2009 period as there is little Plan experience.

N. Participation Rates:

- After eligibility for ARRC premium subsidy: 30%
- Before eligibility for ARRC premium subsidy: 10%
- Disabled retirees: 85%

- Non-disabled retirees continuing coverage upon reaching Medicare eligibility: 55%

All retirees over age 65 are assumed Medicare eligible.

O. Changes in Actuarial Methods Since Prior Valuation: None

P. Employer Contribution: None

Q. Employee Contribution: None

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

Headquarters Mailing Address | P.O. Box 107500 | Anchorage, AK 99510-7500