OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

GOVERNANCE:

Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2022

OIG-A-2023-004 | December 20, 2022

AMTRAK OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

Memorandum

To: Jeffrey R. Moreland
Chairman, Audit and Finance Committee, Amtrak Board of Directors

Tracie A. Winbigler
Executive Vice President and Chief Financial Officer

From: Kevin H. Winters
Inspector General

K. H. Winters

Date: December 20, 2022

Subject: *Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2022*
(OIG-A-2023-004)

Amtrak (the company) contracted with the independent certified public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2022, and for the year then ended, and to provide a report on internal control over financial reporting and on compliance and other matters. Because the company receives federal assistance, it must obtain an audit performed in accordance with generally accepted government auditing standards.

As required by the Inspector General Act of 1978, as amended, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with auditing standards. Our monitoring focused on two Ernst & Young reports and disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards. We reached this conclusion by monitoring Ernst & Young's audit activities, which included reviewing its reports, auditor independence and qualifications, audit plans, detailed testing results, summary work papers, and quality controls. We also attended key meetings.

Ernst & Young's first report was its audit of the company's consolidated financial statements for fiscal year (FY) 2022. In a report dated December 14, 2022,[1] Ernst & Young concluded that the company's consolidated financial statements were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting

[1] Ernst & Young LLP, Fiscal Year 2022 *Consolidated Financial Statements (with Report of Independent Auditors*), December 14, 2022.

principles. Further, the report emphasized that, without receipt of federal government funding, the company will not be able to continue in its current form, and significant operating changes, restructurings, or bankruptcy might occur.

In its second report on the company's internal controls and compliance,[2] Ernst & Young did not identify any deficiencies that it considered to be significant deficiencies or material weaknesses.

Ernst & Young identified other deficiencies in internal controls over financial reporting that did not rise to the level of a significant deficiency, which it provided in a separate management letter issued to the company on December 14, 2022.

While our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards, we note that our monitoring activities were not intended to enable us to express an audit opinion in accordance with generally accepted government auditing standards. Accordingly, we do not express an opinion on the company's consolidated financial statements or conclusions about the effectiveness of internal controls and compliance with laws and regulations. As such, Ernst & Young is responsible for its reports and the conclusions expressed in those reports.

If you have any questions, please contact me at Kevin.Winters@amtrakoig.gov or at 202-906-4600.

[2] Ernst & Young LLP, FY 2022 *Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, December 14, 2022.

OIG MISSION AND CONTACT INFORMATION

Mission

The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management, and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.

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CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Years Ended September 30, 2022 and 2021

With Report of Independent Auditors

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Financial Statements

Years Ended September 30, 2022 and 2021

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Report of Independent Auditors

The Board of Directors and Stockholders
National Railroad Passenger Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of National Railroad Passenger Corporation and subsidiaries (the Company), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations, comprehensive loss, changes in capitalization and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 opinion.

Federal Government Funding

As explained in Notes 1 and 2 to the financial statements, the Company has a history of operating losses and is dependent upon substantial Federal Government subsidies to sustain its operations and maintain its underlying infrastructure. As further explained in Note 2 to the financial statements, the Company is receiving Federal Government funding under the Continuing Appropriations and Ukraine Supplemental Appropriations Act and the Infrastructure Investment and Jobs Act. There are currently no Federal Government operating funds appropriated by law for any period subsequent to December 16, 2022. Without the receipt of Federal Government funding, the Company will not be able to continue in its current form and significant operating changes, restructurings or bankruptcy might occur. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Company'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 Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Ernst + Young LLP

December 14, 2022

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Balance Sheets

(In Thousands of Dollars, Except Share Data)

	September 30, 2022	September 30, 2021
Assets:		
Current Assets:		
Cash and cash equivalents, including restricted cash	**$ 299,058**	$ 491,945
Short-term investments, including restricted investments	**123,917**	390,176
Available-for-sale securities, including restricted securities	**2,900,521**	3,265,920
Accounts receivable, net	**189,789**	159,293
Materials and supplies, net	**291,881**	254,381
Prepaid expenses	**102,767**	86,659
Other current assets	**196,058**	179,308
Total current assets	**4,103,991**	4,827,682
Property and equipment:		
Locomotives	**1,981,391**	1,894,171
Passenger cars and other rolling stock	**3,693,016**	3,643,138
Right-of-way and other properties	**17,920,253**	17,288,470
Construction-in-progress	**3,600,298**	2,702,960
Leasehold improvements	**1,228,883**	1,114,087
Property and equipment, gross	**28,423,841**	26,642,826
Less: Accumulated depreciation and amortization	**(11,026,711)**	(10,325,233)
Total property and equipment, net	**17,397,130**	16,317,593
Other assets:		
Restricted investments	**107,053**	218,463
Deferred charges, deposits, and other	**565,692**	111,894
Total other assets	**672,745**	330,357
Total assets	**$ 22,173,866**	$ 21,475,632

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Balance Sheets (continued)

(In Thousands of Dollars, Except Share Data)

	September 30, 2022	September 30, 2021
Liabilities and capitalization:		
Current liabilities:		
Accounts payable	**$ 816,060**	$ 548,079
Accrued expenses and other current liabilities	**1,020,478**	1,309,403
Deferred ticket revenue	**201,243**	131,663
Current maturities of long-term debt and capital lease obligations	**128,853**	36,729
Total current liabilities	**2,166,634**	2,025,874
Other liabilities:		
Long-term debt and capital lease obligations	**841,263**	958,572
Deferred state government capital assistance	**2,741,867**	2,653,845
Amtrak guest rewards program liability	**84,884**	100,717
Casualty reserves	**214,375**	185,093
Postretirement employee benefits obligation	**421,370**	565,597
Environmental reserve	**142,954**	141,955
Other liabilities	**250,327**	147,690
Total other liabilities	**4,697,040**	4,753,469
Total liabilities	**6,863,674**	6,779,343
Commitments and contingencies *(Note 11)*		
Capitalization:		
Preferred stock - $100 par, 109,396,994 shares authorized, issued and outstanding	**10,939,699**	10,939,699
Common stock - $10 par, 10,000,000 shares authorized, 9,385,694 issued and outstanding	**93,857**	93,857
Other paid-in capital	**46,371,911**	44,015,913
Accumulated deficit	**(41,966,670)**	(40,138,982)
Accumulated other comprehensive loss	**(128,605)**	(214,198)
Total capitalization	**15,310,192**	14,696,289
Total liabilities and capitalization	**$ 22,173,866**	$ 21,475,632

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Operations

(In Thousands of Dollars)

	Year Ended September 30, 2022	Year Ended September 30, 2021
Revenues:		
Revenue from contracts with customers	**$ 2,448,357**	$ 1,498,234
Other	**549,137**	566,322
Total revenues	**2,997,494**	2,064,556
Expenses:		
Salaries, wages, and benefits	**2,356,015**	1,930,523
Train operations	**287,043**	217,140
Fuel, power, and utilities	**302,312**	188,395
Materials	**193,896**	162,222
Facility, communication, and office related	**212,822**	176,543
Advertising and sales	**87,307**	56,178
Casualty and other claims	**82,072**	124,345
Depreciation and amortization	**895,326**	902,268
Other	**582,449**	439,957
Indirect cost capitalized to property and equipment	**(171,697)**	(149,018)
Total operating expenses	**4,827,545**	4,048,553
Loss from operations	**(1,830,051)**	(1,983,997)
Non-operating income (expense):		
Interest income	**21,766**	16,054
Interest expense	**(17,038)**	(23,574)
Other expense, net	**(2,365)**	(15,556)
Total non-operating income (expense), net	**2,363**	(23,076)
Net loss	**$ (1,827,688)**	$ (2,007,073)

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Comprehensive Loss

(In Thousands of Dollars)

	Year Ended September 30,	
	2022	**2021**
Net loss	**$ (1,827,688)**	$ (2,007,073)
Other comprehensive income (loss):		
Pension and other postretirement benefit plans:		
Actuarial gain arising during the period, net	**115,495**	26,726
Amortization of net actuarial loss reclassified into earnings	**14,807**	18,794
Amortization of prior service credit reclassified into earnings	**—**	(9,939)
Total change from pension and other postretirement benefit plans	**130,302**	35,581
Changes in unrealized losses on available-for-sale securities, net of reclassifications into earnings due to sales and maturities	**(44,709)**	(7,256)
Total other comprehensive income	**85,593**	28,325
Total comprehensive loss	**$ (1,742,095)**	$ (1,978,748)

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Changes in Capitalization

(In Thousands of Dollars)

	Preferred Stock	Common Stock	Other Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of September 30, 2020	$ 10,939,699	$ 93,857	$ 39,869,509	$ (38,131,909)	$ (242,523)	$ 12,528,633
Federal paid-in capital	—	—	4,146,404	—	—	4,146,404
Net loss	—	—	—	(2,007,073)	—	(2,007,073)
Other comprehensive income	—	—	—	—	28,325	28,325
Balance as of September 30, 2021	10,939,699	93,857	44,015,913	(40,138,982)	(214,198)	14,696,289
Federal paid-in capital	—	—	**2,355,998**	—	—	**2,355,998**
Net loss	—	—	—	**(1,827,688)**	—	**(1,827,688)**
Other comprehensive income	—	—	—	—	**85,593**	**85,593**
Balance as of September 30, 2022	**$ 10,939,699**	**$ 93,857**	**$ 46,371,911**	**$ (41,966,670)**	**$ (128,605)**	**$ 15,310,192**

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Cash Flows

(In Thousands of Dollars)

	Year Ended September 30, 2022	2021
Cash flows from operating activities:		
Net loss	**$ (1,827,688)**	$ (2,007,073)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred state government capital assistance	**(141,548)**	(139,656)
Depreciation and amortization	**895,326**	902,268
Loss on sale of property and equipment	**30,757**	5,208
Non-cash investment loss (income)	**54,055**	(17,505)
Other	**20,377**	26,146
Changes in assets and liabilities:		
Accounts receivable	**(36,876)**	(36,067)
Materials and supplies, prepaid expenses, and other current assets	**2,696**	(139,478)
Other assets	**(191,370)**	66,033
Accounts payable, deferred ticket revenue, and accrued expenses and other current liabilities	**58,609**	442,155
Other liabilities	**56,940**	(73,086)
Net cash used in operating activities	**(1,078,722)**	(971,055)
Cash flows from investing activities:		
Purchases of short-term investments	**(7,467,732)**	(10,735,010)
Proceeds from sales and maturities of short-term investments	**7,773,380**	10,477,538
Purchases of available-for-sale securities	**(5,340,023)**	(9,660,932)
Proceeds from sales and maturities of available-for-sale securities	**5,678,646**	8,764,087
Purchases and refurbishments of property and equipment	**(2,221,546)**	(1,996,304)
Proceeds from disposals of property and equipment and other	**3,290**	9,613
Net cash used in investing activities	**(1,573,985)**	(3,141,008)
Cash flows from financing activities:		
Proceeds from federal paid-in capital	**2,355,998**	4,146,404
Proceeds from state government capital assistance	**229,570**	242,070
Repayments of debt and capital lease obligations	**(125,748)**	(193,650)
Net cash provided by financing activities	**2,459,820**	4,194,824
Net change in cash and cash equivalents, including restricted cash	**(192,887)**	82,761
Beginning balance of cash and cash equivalents, including restricted cash	**491,945**	409,184
Ending balance of cash and cash equivalents, including restricted cash	**$ 299,058**	$ 491,945
Supplemental disclosure of cash payments:		
Interest paid, net of amount capitalized	**$ 20,564**	$ 32,300
Supplemental disclosure of non-cash investing and financing activities:		
Other non-cash changes in property, including accruals of amounts due for purchases	**$ 78,063**	$ 52,255

See accompanying notes.

1. Nature of Operations

The National Railroad Passenger Corporation (Amtrak or the Company) was incorporated in 1971 pursuant to the Rail Passenger Service Act of 1970 and is authorized to operate a nationwide system of passenger rail transportation. The United States government (the Federal Government) through the Secretary of the United States Department of Transportation (the DOT) owns all issued and outstanding preferred stock. Amtrak's principal business is to provide rail passenger transportation service in the major intercity travel markets of the United States. The Company also operates commuter rail operations on behalf of certain states and transit agencies, provides equipment and right-of-way maintenance services, and has leasing operations.

The Company has a history of recurring operating losses and is dependent on subsidies from the Federal Government to operate the national passenger rail system and maintain the underlying infrastructure. These subsidies are usually received through annual appropriations. Appropriated funds for Amtrak are generally provided to the DOT, which through its agency the Federal Railroad Administration (the FRA) provides those funds to Amtrak pursuant to annual grant agreements. Amtrak's ability to continue operating in its current form is dependent upon the continued receipt of subsidies from the Federal Government. The DOT, through its National Surface Transportation and Innovative Finance Bureau (also referred to as the Build America Bureau), also provides financing to Amtrak through the Railroad Rehabilitation and Infrastructure Financing (RRIF) Program.

The 2019 coronavirus (COVID) pandemic (the pandemic) continues to impact the Company's fiscal year (FY) 2022 financial results. Although demand for both leisure and business travel increased in FY2022 as compared to FY2021, the effects of the pandemic are ongoing and continue to impact business operations and resource availability.

In FY2021, Amtrak received significant supplemental financial assistance from the Federal Government to respond to and recover from the pandemic. To alleviate the effect of the pandemic, the Company made adjustments to train service, including service frequency reductions. Service has been restored for many routes in FY2022; however, service reductions still occur on some routes, mainly due to COVID-related employee absences.

The Company evaluated if its ongoing operating losses raise substantial doubt about Amtrak's ability to continue as a going concern in the foreseeable future, considered to be through the end of December 2023, and concluded that the Company's forecasted cash flows, including anticipated Federal and state funding and credit arrangements, are sufficient to cover Amtrak's operations for the next year. Without Federal Government funding, Amtrak will not be able to continue to operate in its current form and significant operating changes, restructuring, or bankruptcy may occur. Such changes or restructuring would likely result in asset impairments.

See Notes 2, 4, 5, and 7 for additional information about Amtrak and its relationship with the Federal Government, including funding received to assist the Company in responding to the pandemic under the Coronavirus Aid, Relief, and Economic Security Act, the Emergency Coronavirus Relief Act of 2020, which is part of the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021 (collectively, the COVID Relief Acts).

2. Annual Funding

On December 4, 2015, Public Law 114-94, the Fixing America's Surface Transportation Act (the FAST Act), was enacted. Title XI - Rail of Division A of the FAST Act, cited as the Passenger Rail Reform and Investment Act of 2015, authorized funding to the Secretary of the DOT (the Secretary) for annual grants to Amtrak totaling $8.1 billion for FY2016 through FY2020. Of the five-year total authorized for Amtrak, $2.6 billion was for the Northeast Corridor (NEC) and $5.5 billion was for Amtrak's National Network (NN), as defined in the FAST Act. The FAST Act also authorized an additional $2.2 billion over five years for other competitive rail grant programs in which Amtrak could participate.

FAST Act extensions through December 3, 2021 were enacted as part of the Continuing Appropriations Act, 2021 and Other Extensions Act (Public Law 116-159); the Surface Transportation Extension Act of 2021 (Public Law 117-44); and the Further Surface Transportation Extension Act of 2021 (Public Law 117-52).

Congress provided Amtrak with annual appropriations over the relevant period (although not always at the exact authorized amount); this included $2.0 billion for FY2021 via the Consolidated Appropriations Act, 2021 (Public Law 116-260) and $2.3 billion for FY2022 via the Consolidated Appropriations Act, 2022 (Public Law 117-103).

Between March 2020 and March 2021, the Company was also provided a combined $3.7 billion in supplemental appropriations via the COVID Relief Acts, which sought to help Amtrak prevent, prepare for, and respond to the pandemic. Of this total, $2.7 billion was received in FY2021 and $1.0 billion was received in FY2020.

The COVID Relief Acts funding received by Amtrak and intended for Amtrak's state and agency partners was recorded as an advance payment from the states and agencies. The balance of the COVID Relief Acts funding was recorded as other paid-in capital. As of September 30, 2022, $269.7 million of COVID Relief Acts funding remained to be spent.

On November 15, 2021, the Infrastructure Investment and Jobs Act (the IIJA) was signed into law (Public Law 117-58). The IIJA contains two rail-funding-related components. The first component provides $22.0 billion in advance appropriations for Amtrak for capital investment for FY2022 through FY2026. These funds are largely not available to help cover operating costs. In addition, the first component of the IIJA includes another $44.0 billion in advance appropriations for rail programs. Amtrak will be eligible to apply for or will otherwise benefit from the majority of this funding. Congress does not have to take any additional action through the annual appropriations process in order for Amtrak to receive these advance appropriations.

The second rail-funding-related component of the IIJA is a reauthorization of rail funding for FY2022 through FY2026, which replaces the FAST Act (as extended). The IIJA reauthorization component authorizes a non-binding target funding level for Amtrak of $19.2 billion for FY2022 through FY2026, or $3.8 billion annually on average. It also contains a similar target for FRA competitive grants of $15.3 billion, or $3.1 billion annually. Additionally, the bill's policy provisions largely continue structures and processes established by the FAST Act.

2. Annual Funding (continued)

On September 30, 2022, President Biden signed into law the Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023 (Public Law 117-180), which appropriated funding for Amtrak at FY2022 levels until December 16, 2022. Congress has not specifically appropriated any FY2023 operating funds for the Company for the period subsequent to December 16, 2022.

The table below provides information on funding for the Company's FY2023, FY2022, and FY2021 as provided by various continuing resolutions (CRs), the Consolidated Appropriations Act (Full Year Funding) related to those years, the IIJA appropriations, and the COVID Relief Acts described above (dollars in millions):

2. Annual Funding (continued)

	FY2023	FY2022	FY2021
Enactment dates for CRs and COVID Relief Acts funding	September 30, 2022	**September 30, 2021 December 3, 2021 February 18, 2022 March 11, 2022**	October 1, 2020 December 11, 2020 December 18, 2020 December 20, 2020 December 22, 2020 December 27, 2020 March 11, 2021
Public Law (PL) numbers for CRs and COVID Relief Acts funding	PL 117-180	**PL 117-43 PL 117-70 PL 117-86 PL 117-95**	PL 116-159 PL 116-215 PL 116-225 PL 116-226 PL 116-246 PL 116-260 PL 117-2
Enactment date for Full Year Funding	N/A [1]	**March 15, 2022**	December 27, 2020 [2]
PL number for Full Year Funding	N/A [1]	**PL 117-103**	PL 116-260 [2]
The IIJA		**November 15, 2021**	
PL number for IIJA funding		**PL 117-58**	
Appropriated for NN	$ 307.4	**$ 1,456.9**	$ 2,374.2
Appropriated for NEC	184.5	**874.5**	2,325.8
Total funds appropriated	491.9	**2,331.4**	4,700.0
FRA authorized withholdings	(2.7)	**(12.7)**	(21.0)
Total appropriated funds designated for Amtrak	$ 489.2	**$ 2,318.7**	$ 4,679.0
Funds received by Amtrak:			
In FY2021			$ 4,679.0
In FY2022		**$ 2,318.7**	—
In FY2023, as of December 14, 2022	$ —	**—**	—
Total funds received, as of December 14, 2022	$ —	**$ 2,318.7**	$ 4,679.0

[1] FY2023 full year funding is not yet enacted.

[2] The Consolidated Appropriations Act, 2021, PL 116-260, provided both annual appropriations for FY2021 and additional supplemental funding for the Company's response to the pandemic.

See Note 4 for information on additional grants received by the Company.

3. Basis of Presentation and Summary of Significant Accounting Policies

Method of Accounting

The accompanying Consolidated Financial Statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The Consolidated Financial Statements reflect the consolidated operations of Amtrak and its wholly owned subsidiaries, NERI PCC, Inc. (NERI), Passenger Railroad Insurance, Limited (PRIL), and Washington Terminal Company (WTC). All intercompany balances and transactions have been eliminated.

NERI was incorporated on March 28, 2022 under the laws of District of Columbia. NERI is a protected cell captive insurance company structured to take self-insured construction liability risks for certain Amtrak infrastructure projects.

PRIL was incorporated on December 18, 1996 under the laws of Bermuda to provide excess liability and property insurance coverage to Amtrak. In addition, PRIL provides insurance and reinsurance coverage to third parties performing work on Amtrak property. Beginning in FY2022, the Company also uses PRIL's participation in a treaty reinsurance agreement as part of its risk management program. The treaty includes other third-party participants. The reinsurance agreement is one year in duration, and new agreements are entered into by each participant at their discretion at the commencement of the next calendar year. The participant agreements and practices of the reinsurance program limit a participating member's individual risk. In the event PRIL leaves the reinsurance program, PRIL retains its primary obligation to the policyholders for prior activity. PRIL receives direct premiums from the treaty by providing reinsurance for its share of the treaty risk, and the Company reports the reinsurance premiums and related expenses net within the "Other" expense line in its Consolidated Statements of Operations.

WTC was formed on December 6, 1901 and its assets are comprised of buildings and rail yard adjacent to Washington Union Station. This entity has no operations.

Cash and Cash Equivalents

Short-term highly liquid investments that have a maturity at the date of acquisition of three months or less and are readily convertible to known amounts of cash without incurring penalties are generally considered cash equivalents. Cash and cash equivalents are maintained at various financial institutions and, at times, the balance may exceed federally insured limits.

The Company considers funds that are set aside and restricted for specific purposes as restricted cash and cash equivalents. As of September 30, 2022 and 2021, the Company's cash and cash equivalents include restricted cash of $20.3 million and $20.9 million, respectively. The Company's restricted cash and cash equivalents consist of funds held in trust restricted from withdrawals based upon certain collateral requirements and funds restricted for certain operations of the Amtrak Police Department.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments are investments in money market funds that seek to preserve the investment by maintaining stable market net asset value (NAV) of $1. These investments include $13.0 million and $283.0 million, as of September 30, 2022 and 2021, respectively, of restricted investments acquired using the COVID Relief Acts funding provided for the purpose of supporting Amtrak's state partners in making their State Supported route subsidy payments and capital payments due to Amtrak.

Money market funds are accounted for as equity securities and are carried at market NAV. Because of their stable NAV of $1, there are no realized gains or losses on sale or unrealized gains or losses on market value adjustments on these investments. Return on investment in the form of dividends is recorded within “Interest income” in the Consolidated Statements of Operations.

Available-for-Sale Securities

Available-for-sale securities are comprised of investments in marketable debt securities that when acquired are classified and accounted for as available-for-sale securities. These securities include restricted investments, $61.7 million and $37.5 million as of September 30, 2022 and 2021, respectively, that represent available-for-sale securities acquired using COVID Relief Acts funding provided for the purpose of supporting Amtrak's state and agency partners in making their State Supported route subsidy payments and capital payments due to Amtrak.

Available-for-sale securities are measured at fair value in the Consolidated Balance Sheets and unrealized gains and losses are included in the Consolidated Statements of Comprehensive Loss. Realized gains and losses are recognized when the securities are sold based on the specific identification method and realized gains and losses, interest, and dividends are recorded within “Interest income” in the Consolidated Statements of Operations.

Fuel Purchase Agreements

The Company periodically enters into agreements to purchase fuel in the future to manage a portion of its exposure to fluctuating energy prices. These agreements, which inherently contain market risk, are generally effective in reducing fluctuations in cash flows. The Company does not enter into energy agreements for trading or speculative purposes.

The Company does not designate these agreements as hedging instruments. Realized and unrealized gains and losses on these agreements are recorded in current earnings as a component of “Fuel, power, and utilities” in the Consolidated Statements of Operations.

During FY2022 and FY2021, the Company recorded $13.7 million and $5.7 million, respectively, in realized gains on its fuel purchase agreements. The Company had no outstanding fuel future purchase agreements as of September 30, 2022.

Accounts Receivable

Accounts receivable includes billed and unbilled accounts receivable. Billed accounts receivable represents amounts for which invoices have been sent to customers. These accounts receivable are

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

recorded at the invoiced amount. Unbilled accounts receivable represents amounts recognized as revenue for which invoices have not yet been sent to customers but for which services and work have been performed. The Company recorded $38.9 million and $48.5 million of unbilled accounts receivable as of September 30, 2022 and 2021, respectively. The Company does not extend credit and payment is always due at the point of sale for passenger tickets, food and beverage, and related services sold to customers. With regard to non-passenger-related sales, the Company generally provides payment terms that typically range from 30 to 60 days. The Company does not require collateral from customers. Customer accounts outstanding longer than the payment terms are considered past due.

Materials and Supplies

Materials and supplies, which are stated at weighted-average cost, net of allowance for shrinkage and obsolescence, consist primarily of items for repairs and maintenance of property and equipment. The allowance for shrinkage and obsolescence, $55.3 million and $53.4 million as of September 30, 2022 and 2021, respectively, is recorded based on specific identification and expected usage rates.

Property, Equipment, and Depreciation

Except as described below, property and equipment owned by the Company are carried at cost and depreciated using the group method of depreciation (group method) in which a single composite depreciation rate is applied to the gross investment in a particular class of property or equipment, despite differences in the service life or salvage value of individual property units within the same class. This excludes computer equipment and software, which are stated at cost and are individually depreciated on a straight-line basis over their estimated useful lives, which are generally four to ten years. Properties held under capital leases and leasehold improvements are depreciated over the shorter of their estimated useful lives or their respective lease terms, and the related depreciation expense is reported within "Depreciation and amortization" in the Consolidated Statements of Operations. Land is carried at cost.

For assets depreciated under the group method, upon normal sale or retirement, the cost less the net salvage value is applied to "Accumulated depreciation and amortization" in the Consolidated Balance Sheets and no gain or loss is recognized. Gains or losses on the disposal of land and accelerated depreciation related to significant premature retirements of assets under the group method are recorded in the Consolidated Statements of Operations at the time of occurrence. There were no significant premature retirements of depreciable property or disposals of land for which gains or losses were recorded in FY2022 or FY2021.

Amtrak periodically engages an outside civil engineering firm with expertise in railroad property usage to conduct a study to evaluate depreciation rates for assets subject to the group method. In addition to the adjustment to group depreciation rates because of periodic depreciation studies, certain other events might occur that could affect Amtrak's estimates and assumptions related to depreciation. Unforeseen changes in operations or technology could substantially alter assumptions regarding Amtrak's ability to realize the return on its investment in operating assets and, therefore, affect the amounts of current and future depreciation expense. Because group method depreciation expense is a function of analytical studies made of property and equipment, subsequent studies could result in different estimates of useful lives and net salvage values. If future group method depreciation studies yield results indicating that assets have shorter

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

lives because of obsolescence, physical condition, changes in technology, or changes in net salvage values, the depreciation expense for assets under the group method could increase. Likewise, if future studies indicate that assets have longer lives, the depreciation expense for assets under the group method could decrease.

Construction-in-progress is stated at cost and includes direct costs of construction and interest capitalized during the period of construction of major facilities, locomotives, and passenger cars. Construction-in-progress is transferred to property and equipment when substantially all the activities necessary to prepare such assets for their intended use are completed, at which time depreciation commences. When constructed assets are funded through long-term debt, capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's useful life. Constructed assets funded through government grants are not qualifying expenditures subject to interest capitalization. Total interest incurred by the Company was $31.1 million and $38.1 million for FY2022 and FY2021, respectively, of which $14.1 million and $14.5 million was capitalized for FY2022 and FY2021, respectively.

The useful lives of locomotives, passenger cars, and other rolling stock assets for depreciation purposes range up to 40 years. Depreciable right-of-way and other properties are depreciated using useful lives ranging up to 90 years. Within other properties is computers, office equipment, and maintenance equipment which are depreciated using useful lives ranging from four to 53 years. Expenditures that significantly increase asset values or extend useful lives are capitalized, including major overhauls. Repair and maintenance expenditures, including preventive maintenance, are charged to operating expense when the work is performed. The cost of internally developed software is capitalized and amortized over its estimated useful life, which is generally five to ten years.

Indirect Cost Capitalized to Property and Equipment

Capitalized overhead cost represents the indirect support expenses related to specific geographic regions and departments that are involved in particular capital projects. These indirect costs, which include fringe benefits allocable to direct labor, are capitalized along with the direct costs of labor, material, and other direct costs. Amtrak's overhead rates are updated at the end of each fiscal year based upon the actual activity and costs incurred during the fiscal year.

Impairment of Long-Lived Assets

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate that their carrying amounts may not be recoverable. Initial assessments of recoverability are based on an estimate of undiscounted future net cash flows. If impairment indicators are present, the assets are evaluated for sale or other disposition, and their carrying amounts are reduced to fair value based on discounted cash flows or other estimates of fair value.

In performing its impairment analysis, the Company assumes future Federal Government subsidies at levels that are at least consistent with the historical funding levels, excluding the COVID Relief Acts funding, discussed in Note 2. With the passage of the IIJA, the Company's future funding levels will be significantly higher than historical funding levels. At its anticipated level of funding, the Company determined that no indicators of impairment existed as of both September 30, 2022 and 2021.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Restricted Investments

Restricted investments consist of (1) investments acquired using the funds received under a settlement agreement with one of the Company's state partners that requires the Company to utilize the funds only for certain agreed-upon capital projects and (2) deposits into a debt service reserve account to meet requirements established by the 2016 RRIF Loan (see Note 7). These investments have been classified as restricted and non-current. Once the 2016 RRIF Loan debt service reserve account is fully funded, any excess funds in that account can be withdrawn by the Company for general use, provided that Amtrak is not in default under the 2016 RRIF Loan and that withdrawal requests can only be made once per year. These investments are accounted for as available-for-sale securities, except for $3.4 million and $42.8 million in money market funds that are accounted for as equity securities as of September 30, 2022 and 2021, respectively.

Casualty Losses and Claims

Provision is made for Amtrak's estimated liability for unsettled casualty claims. Unsettled casualty claims of $0.3 million or less are covered under PRIL's participation in a reinsurance treaty entered into in October 2021, for which premiums are recorded in "Other" expenses in the Consolidated Statement of Operations. An insurance recovery receivable is recorded per incident for the estimated liability for passenger and/or employee claims in excess of the Company's self-insured retention amount. The insurance recovery expected to be collected within one year is recorded in "Other current assets" and amounts expected to be collected beyond one year are recorded in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets. These receivables represent the Company's best estimate of insurance proceeds it believes are probable of recovery.

Personal injury liability and ultimate loss projections are undiscounted and estimated using standard actuarial methodologies. The actuarial estimates include an estimate for unasserted claims. As of September 30, 2022 and 2021, the reserve for casualty losses and claims was $367.3 million and $387.6 million, respectively. Of the total amount reserved as of September 30, 2022 and 2021, the estimated current claims liability included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets was $152.9 million and $202.5 million, respectively. The remaining reserve as of both September 30, 2022 and 2021 is included in "Casualty reserves" in the Consolidated Balance Sheets.

Revenue Recognition

"Revenue from contracts with customers" in the Consolidated Statements of Operations includes (i) all passenger related revenue (i.e. ticket and food and beverage sales); (ii) commuter and freight access fee and other revenue from the use of Amtrak-owned tracks by commuter agencies and freight railroad companies, and other revenue related to the use of Amtrak's infrastructure; (iii) revenue from reimbursable contracts, which represents amounts earned under contracts with customers pursuant to which the Company provides repair, maintenance, design, engineering, or construction services; (iv) revenue earned under contractual arrangements to operate various commuter rail services for a cost-based fee; (v) commercial development revenue from communication, parking, advertising, and pipe and wire contracts; and (vi) miscellaneous revenue from co-branding commissions and other sources.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

The components of Revenue from contracts with customers are as follows (in millions):

	Year Ended September 30,	
	2022	**2021**
Ticket	**$ 1,768.9**	$ 872.7
Food and beverage	**44.0**	23.0
Total passenger related revenue	**1,812.9**	895.7
Commuter and freight access	**244.5**	244.5
Reimbursable operating	**168.8**	174.6
Commuter operations	**136.9**	122.4
Commercial development (non-lease)	**47.2**	40.2
Miscellaneous	**38.1**	20.8
Total revenue from contracts with customers	**$ 2,448.4**	$ 1,498.2

Revenue from contracts with customers is recognized as operating revenues when the related performance obligations are performed. For passenger related revenue, amounts received for tickets that have been sold but not used are reflected initially as “Deferred ticket revenue” in the Consolidated Balance Sheets then recognized in revenue when travel occurs. Commuter and freight access revenues are recognized when the access service has been provided for the period. Reimbursable revenues are recognized when related costs are incurred. Commuter operations revenues are recognized as commuter operating services are provided to the customers. Commercial development (non-lease) revenues are recognized when the related services are provided to customers.

Non-refundable tickets expire and are recognized in revenue on the date of the scheduled travel. Refundable tickets expire and are recognized in revenue on the scheduled travel dates if the customers do not request a refund or exchange prior to travel in accordance with the Company’s refund and exchange policy. The Company issues vouchers good for future travel within one year upon request for exchange and records revenue on issued vouchers that are estimated to expire unused (breakage). The Company uses its historical experience to estimate voucher breakage.

“Other” revenue in the Consolidated Statements of Operations includes income from sources other than contracts with customers and includes (i) revenue from state partners for their State Supported route subsidy; (ii) revenue from state government capital assistance; and (iii) rental income from lease contracts and miscellaneous other revenue.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

The components of Other revenue are as follows (in millions):

	Year Ended September 30,		
	2022	**2021**	
State Supported route subsidy	**$ 329.1**	$ 352.8	
Amortization of deferred state government capital assistance	**141.5**	139.7	
Reimbursable capital revenue	**49.7**	50.1	
Lease and other revenue	**28.8**	23.7	[1]
Total other revenue	**$ 549.1**	$ 566.3	[1]

[1] $17.2 million included in Lease and other revenue for the year ended September 30, 2021 was reclassified to conform with the current year presentation to record both premiums earned and premiums paid within "Other" expenses.

State Supported route subsidy and reimbursable capital revenue are recognized in revenue in the periods when the related expenses are incurred. State government capital assistance is recorded as "Deferred state government capital assistance" in the Company's Consolidated Balance Sheets when received and is then amortized into revenue to offset the related asset's depreciation expense over the estimated life of the related asset.

For revenue transactions that involve more than one performance obligation, the Company defers the revenue associated with any unsatisfied performance obligation until the obligation is satisfied, which is considered to occur when control of a product is transferred to the customer or a service is completed.

Amtrak Guest Rewards Program

The Amtrak Guest Rewards (AGR) program generates customer loyalty by rewarding customers with incentives to travel on Amtrak. This program allows AGR members to earn AGR points by traveling on Amtrak or from transactions with other participating AGR partner companies such as credit card companies, hotels, and car rental agencies. Points can be redeemed for Amtrak travel or for non-travel such as partner gift cards or hotel stays and car rentals. Amtrak also sells AGR points to members and partners.

To reflect the AGR points earned, the loyalty program includes two types of transactions that are considered revenue arrangements with multiple performance obligations: (1) AGR points earned with travel and (2) AGR points sold to members/partners.

AGR points earned with travel

When customers enrolled in the AGR program purchase tickets, these customers (1) earn AGR points and (2) receive transportation provided by Amtrak. Amtrak values AGR points earned first and the remaining sales proceeds are allocated to Amtrak transportation. To value the AGR points earned, the Company uses the market approach to estimate the value per point and also factors in an estimated breakage for AGR points that are not likely to be redeemed. The Company uses statistical models to estimate breakage based on both historical and forecasted future redemption patterns. A change in assumptions as to the actual

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

redemption activity for AGR points or the estimated price per point expected to be redeemed could have a material impact on the Company's revenue in the year in which the change occurs and in future years.

For each passenger ticket sold to a customer who is an AGR member, the Company records the portion of the ticket price allocable to AGR points earned but not yet redeemed, net of estimated breakage, as "Amtrak guest rewards program liability" on the Consolidated Balance Sheets and the remaining portion of the passenger ticket sale for currently booked travel as "Deferred ticket revenue" on the Consolidated Balance Sheets. The "Deferred ticket revenue" is then recorded to "Revenue from contracts with customers" on the Consolidated Statements of Operations when Amtrak provides transportation or if the ticket goes unused and is forfeited.

The AGR liability is recognized in revenue based on the redemption types: (1) Amtrak travel redemption and (2) partner gift cards/certificates/points redemption. Upon redemption by a customer of AGR points for future Amtrak travel, Amtrak reclassifies the AGR liability to "Deferred ticket revenue" and then recognizes it within "Revenue from contracts with customers" when Amtrak provides transportation or if the ticket goes unused and is forfeited. When customers redeem AGR points for partner gift cards/ certificates/points, Amtrak considers itself to be an agent of the transaction and recognizes revenue on a net basis at points redemption.

AGR points sold to members/partners

Customers may earn AGR points based on their spending with participating companies such as credit card companies, hotels, and car rental agencies with which the Company has marketing agreements to sell AGR points. Amtrak sells AGR points to those partner companies at agreed-upon rates. Payments are typically due monthly based on the volume of points sold during the period. AGR members may also purchase AGR points from the Company. Amtrak recognizes in "Amtrak guest rewards program liability" in the Consolidated Balance Sheets the payments collected from partners and members. The AGR liability is recognized in revenue based on the redemption types as described above.

As of September 30, 2022 and 2021, the Company's AGR program liability was $125.9 million and $149.3 million, respectively. The current portion of the liability was $41.0 million and $48.6 million as of September 30, 2022 and 2021, respectively, and is reported in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets.

Advertising Expenses

The Company records advertising expenses as incurred and reports these amounts in "Advertising and sales" in the Consolidated Statements of Operations. Advertising expenses were $40.6 million and $32.6 million for FY2022 and FY2021, respectively.

Income Taxes

The Company accounts for its income taxes in accordance with FASB ASC Topic 740, *Income Taxes*, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Management evaluates its potential exposures from tax positions taken that have been or could be challenged by taxing authorities. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statutes, regulations, and rules. Management considers the possibility of alternative outcomes based upon historical experience, previous actions by taxing authorities (e.g., actions taken in other jurisdictions), and advice from tax experts. The Company has evaluated income tax positions taken in prior years and believes that all positions are more likely than not to be sustained in an audit.

Pursuant to the provisions of Title 49 of the United States Code, Section 24301, Amtrak is exempt from all state and local taxes, including income and franchise taxes that are directly levied against the Company. Accordingly, there is no provision for state and local income or franchise taxes recorded in the Consolidated Financial Statements for FY2022 and FY2021. The provisions of the COVID Relief Acts and IIJA described in Note 2 did not materially impact the Company's accounting for income taxes.

See Note 10 for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclose contingent assets and liabilities at the date of the financial statements, and report amounts of revenues and expenses during the reporting period. The Company bases these estimates on historical experience, the current economic environment, and various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ from these estimates. The Company's significant estimates include: estimated useful lives of property and equipment, estimates of casualty reserves, estimates of insurance liabilities, estimate of AGR program liability, pension and other postretirement employee benefits cost and obligations (including expected return on plan assets, discount rates, and health care cost trend rates), and environmental reserves.

Comprehensive Loss

Amtrak reports a comprehensive loss in the Consolidated Statements of Comprehensive Loss. Comprehensive loss is defined as changes in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. As of September 30, 2022 and 2021, “Accumulated other comprehensive loss” consists of adjustments for pension and other postretirement liabilities and unrealized gains and losses on available-for-sale securities.

Recently Adopted Accounting Pronouncements

On October 1, 2021, the Company adopted Accounting Standards Update (ASU) No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (ASU

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

2018-15) on a prospective basis. ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standard Codification 350-40 to determine which implementation costs to defer and recognize as an asset. Upon adoption, the Company classified the capitalized implementation costs in the same manner as the prepaid fees for the associated hosting arrangement, in its Consolidated Financial Statements. Prior to the adoption of the ASU, such costs were recorded within "Property and equipment" on the Consolidated Balance Sheets and classified as investing activities in the Consolidated Statements of Cash Flow. In addition, prior to adoption, the amortization of such implementation costs was recorded in "Depreciation and amortization" expense in the Consolidated Statements of Operations. The adoption of the new ASU did not have a material impact on the Company's Consolidated Financial Statements.

Issued but Not Yet Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU was issued to increase transparency and comparability among companies by requiring most leases to be included in the balance sheet and by expanding disclosures on leasing arrangements. This ASU, along with subsequently issued ASUs providing guidance and practical expedients for implementation, are effective for the Company on October 1, 2022. The Company has evaluated the impact of the guidance and is in the process of completing its identification of the population of lease arrangements that are within the scope of the guidance. The Company has selected and is implementing a system to prepare the required calculations and disclosures. Upon adoption, the Company expects to recognize a lease liability of approximately $129 million, a right of use asset of approximately $124 million, and deferred rent of approximately $5 million. The Company does not expect the guidance to have a material impact on its Consolidated Statements of Operations or Consolidated Statements of Cash Flows.

Prior Year Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. Prior to FY2022, PRIL's transactions with third parties were immaterial, and PRIL reported premiums earned within "Other" revenue and premiums paid within "Other" expenses in the Company's Consolidated Statements of Operations. Starting in FY2022, Amtrak reports both PRIL's third-party premiums earned and third-party premiums paid within "Other" expenses in the Consolidated Statements of Operations. As a result, the Company's FY2021 "Other" revenue and "Other" expense were both reduced by $17.2 million.

4. Accounting and Reporting for Federal Payments

Certain funds are provided to Amtrak during the year through federal payments. These federal payments, which are recorded when received in "Other paid-in capital" in the Consolidated Balance Sheets and Consolidated Statements of Changes in Capitalization, totaled $2.4 billion and $4.1 billion for FY2022 and FY2021, respectively.

Note 2 provides information on the Company's annual funding. Additional federal funding received by the Company, all of which was recorded within "Other paid-in capital" when received, is described below.

4. Accounting and Reporting for Federal Payments (continued)

Since FY2005, the Department of Homeland Security has awarded Amtrak a total of $235.5 million in grants from the Intercity Passenger Rail Grants Program, American Recovery and Reinvestment Act Rail and Transit Security Grant Program, and other security grants. Funding is provided on a reimbursable basis. Amtrak has cumulatively received $195.7 million and $186.0 million as of September 30, 2022 and 2021, respectively.

Appropriations are made to directly fund operations of Amtrak's Office of Inspector General (OIG). Amtrak and the OIG entered into a service agreement on January 8, 2010, whereby Amtrak would continue to provide accounting and financial management services for the OIG. Amtrak is reimbursed for expenses incurred upon the submission of invoices to the OIG. Amtrak was appropriated $26.2 million and $25.3 million for FY2022 and FY2021, respectively, and Amtrak received $25.2 million and $23.6 million in FY2022 and FY2021, respectively.

"Other paid-in capital", included in the Consolidated Balance Sheets and Consolidated Statements of Changes in Capitalization, also includes the effects of certain funding received from the Federal Government for the acquisition of and improvements to property and equipment. In exchange for this funding, Amtrak issued two promissory notes to the United States of America. The first note has a balance of $4.0 billion as of September 30, 2022 and 2021, was issued in 1976 and matures on December 31, 2975, and is secured by the real and personal property of Amtrak, WTC, and PRIL. The second note has a balance of $1.1 billion as of September 30, 2022 and 2021, was issued in 1983 and matures on November 1, 2082, with successive 99-year automatic renewal terms, if the note has not been paid at maturity or accelerated in accordance with its terms, and is secured by all rolling stock owned by Amtrak. Neither of the notes bears interest, unless prepaid, which Amtrak does not intend to do, or unless the note is accelerated in accordance with its terms. The amount due to the Federal Government on the first note may be accelerated by enactment of federal law or upon the occurrence of various actions concerning an Amtrak bankruptcy, reorganization, or assignment for the benefit of creditors. The Federal Government is entitled to repayment and interest under the second note in the event Amtrak ceases operations, is acquired by another entity, or seeks relief under bankruptcy or insolvency laws.

5. Capitalization

Preferred and Common Stock

For funds received from the Federal Government prior to December 2, 1997, the Rail Passenger Service Act (49 U.S.C. 24304) required Amtrak to issue to the Secretary preferred stock equal in par value to all federal operating payments and most federal capital payments received subsequent to October 1, 1981, as well as capital and certain operating payments received prior to that date. As of September 30, 2022 and 2021, 109,396,994 shares of $100 par value preferred stock were authorized, all of which were issued and outstanding. All issued and outstanding preferred shares are held by the Secretary for the benefit of the Federal Government. The Amtrak Reform and Accountability Act of 1997 (the Act) resulted in significant modifications to Amtrak's capital structure. The Act abolished the voting rights and the liquidation preference of the preferred stockholder and abolished the requirement that additional preferred stock be issued by Amtrak in exchange for federal grants received. At the time of enactment of the Act, the minimum undeclared cumulative preferred dividend in arrears for all series issued and currently

5. Capitalization (continued)

outstanding approximated $5.8 billion and ranged between $0.02 and $97.08 per share. Each share of preferred stock is convertible into ten shares of common stock at the option of the preferred stockholder.

As of September 30, 2022 and 2021, 10,000,000 shares of $10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding. The common stockholders, who acquired their stock from four railroads whose intercity rail passenger operations Amtrak assumed in 1971, have voting rights for amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events.

Accumulated Other Comprehensive Loss

The Company's accumulated other comprehensive loss consists of balances related to pension and other postretirement benefit plans and net unrealized gains or losses associated with available-for-sale securities. The balance related to pension and other postretirement benefit plans primarily consists of a net actuarial loss. The reclassifications from accumulated other comprehensive loss include amortization of prior service credits (net) based on average remaining service period of eligible employees, amortization of actuarial loss (net) based on life expectancy, and unrealized gains and losses on available-for-sale securities reclassified into earnings based on the specific identification method upon sales, maturities, and redemptions.

The table below presents the changes in the accumulated other comprehensive loss balances, by components, and the amounts reclassified into earnings (in thousands):

	Pension and Other Postretirement Benefit Plans	Available-for-Sale Securities	Total
Balance as of September 30, 2020	$ (249,621)	$ 7,098	$ (242,523)
Other comprehensive income (loss) before reclassifications	26,726	(7,922)	18,804
Amounts reclassified from accumulated other comprehensive loss into earnings	8,855	666	9,521
Net change	35,581	(7,256)	28,325
Balance as of September 30, 2021	(214,040)	(158)	(214,198)
Other comprehensive income (loss) before reclassifications	**115,495**	**(43,615)**	**71,880**
Amounts reclassified from accumulated other comprehensive loss into earnings	**14,807**	**(1,094)**	**13,713**
Net change	**130,302**	**(44,709)**	**85,593**
Balance as of September 30, 2022	**$ (83,738)**	**$ (44,867)**	**$ (128,605)**

6. Available-for-Sale Securities

The Company's investments in debt securities are accounted for as available-for-sale securities and are recorded as "Available-for-sale securities" and "Restricted investments" in the Consolidated Balance Sheets. These investments are recorded at fair value with unrealized gains and losses recorded as a component of comprehensive loss in the Consolidated Statements of Comprehensive Loss.

The amortized cost, gross unrealized gains and losses, and fair value by major security type of available-for-sale securities are as follows (in thousands):

	September 30, 2022			
	Total Amortized Cost	Gross Unrealized Losses	Gross Unrealized Gains	Total Fair Value
Corporate bonds	**$ 1,100,498**	**$ (25,222)**	**$ 2**	**$ 1,075,278**
U.S. Treasury securities	**740,589**	**(5,201)**	**113**	**735,501**
Commercial paper	**616,069**	**(500)**	**—**	**615,569**
Certificates of deposit	**183,794**	**(152)**	**3**	**183,645**
Other	**408,069**	**(13,940)**	**30**	**394,159**
Total available-for-sale securities	**$ 3,049,019**	**$ (45,015)**	**$ 148**	**$ 3,004,152**

	September 30, 2021			
	Total Amortized Cost	Gross Unrealized Losses	Gross Unrealized Gains	Total Fair Value
Corporate bonds	$ 1,600,607	$ (827)	$ 807	$ 1,600,587
Commercial paper	961,726	(4)	21	961,743
U.S. Treasury securities	273,793	(57)	313	274,049
Certificates of deposit	167,362	—	8	167,370
Other	438,244	(471)	51	437,824
Total available-for-sale securities	$ 3,441,732	$ (1,359)	$ 1,200	$ 3,441,573

The gross realized gains, gross realized losses, and sales proceeds, excluding proceeds received on maturities, of available-for-sale securities are as follows (in thousands):

	Year Ended September 30,	
	2022	2021
Gross realized gains	**$ 523**	$ 2,150
Gross realized losses	**(1,664)**	(66)
Total proceeds	**845,962**	2,103,478

6. Available-for-Sale Securities (continued)

The amortized cost and fair value of the available-for-sale securities by remaining contractual maturity are as follows (in thousands):

	September 30, 2022	
	Amortized Cost	Fair Value
Within one year	$ 2,196,632	$ 2,186,574
After one year through five years	852,256	817,447
After five years through ten years	—	—
After ten years	131	131
Total available-for-sale securities	$ 3,049,019	$ 3,004,152

The fair value and gross unrealized losses for available-for-sale securities aggregated by major security type and the length of time the individual securities have been in a continuous unrealized loss position are as follows (in thousands):

	September 30, 2022					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Corporate bonds	$ (12,053)	$ 760,630	$ (13,169)	$ 312,490	$ (25,222)	$ 1,073,120
U.S. Treasury securities	(4,542)	447,788	(659)	46,174	(5,201)	493,962
Commercial paper	(500)	460,128	—	—	(500)	460,128
Other	(4,999)	288,587	(9,093)	179,987	(14,092)	468,574
Total	$ (22,094)	$ 1,957,133	$ (22,921)	$ 538,651	$ (45,015)	$ 2,495,784

	September 30, 2021					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Corporate bonds	$ (827)	$ 975,905	$ —	$ —	$ (827)	$ 975,905
Commercial paper	(4)	142,844	—	—	(4)	142,844
U.S. Treasury securities	(57)	80,201	(1)	2,336	(58)	82,537
Other	(470)	304,464	—	91	(470)	304,555
Total	$ (1,358)	$ 1,503,414	$ (1)	$ 2,427	$ (1,359)	$ 1,505,841

The Company does not believe that any individual unrealized loss in available-for-sale securities as of September 30, 2022 represents a credit loss. The Company does not intend to sell the debt securities in an unrealized loss position as of the balance sheet date. Additionally, it is not more likely than not that the Company will be required to sell the debt securities before the anticipated recovery of its remaining amortized cost of the debt securities in an unrealized loss position at September 30, 2022. There were no impairment losses recognized in earnings on available-for-sale securities in FY2022 or FY2021.

7. Long-term Debt

Total long-term debt is recorded at amortized cost in the Consolidated Balance Sheets and consists of the following (in thousands):

	September 30, 2022		September 30, 2021	
	Current	Long-Term	Current	Long-Term
Mortgage obligations:				
Frequency converter facility	**$ 77,840**	**$ —**	$ 6,765	$ 77,840
Other	—	—	986	—
Subtotal	**77,840**	—	7,751	77,840
Senior notes:				
Secured senior notes	**12,000**	**254,680**	5,000	266,680
Unsecured senior notes	**10,000**	**69,948**	6,000	79,948
Subtotal	**22,000**	**324,628**	11,000	346,628
Secured promissory note	**7,553**	**104**	8,293	7,656
2016 RRIF loan	**21,141**	**540,138**	5,186	551,921
Principal amount of long-term debt	**128,534**	**864,870**	32,230	984,045
Less: unamortized discount/premium/ issuance cost	**(2,421)**	**(24,786)**	(2,721)	(27,205)
Total long-term debt	**$ 126,113**	**$ 840,084**	$ 29,509	$ 956,840

Letters of Credit

The Company has unsecured commercial letters of credit of $23.4 million that support its obligations related to a station and $4.5 million that support the issuance of auto fleet insurance. As of September 30, 2022 and 2021, there were no draws against these letters of credit.

Revolving Credit Facility

On October 7, 2020, the Company entered into a $250 million unsecured revolving credit facility with four lenders for working capital and to enhance Amtrak's liquidity. The facility expires on October 7, 2023. Borrowings under the facility will have an interest rate based on the interest rate option selected by Amtrak from the following options: (a) the Base Rate Option, which is a variable rate equal to the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.5%, and (iii) the LIBOR Index Rate, plus 1.0%; or (b) the LIBOR Rate Option, equal to the LIBOR rate for the applicable period set on the date of determination plus an applicable margin based on the Company’s Standard & Poor’s and Moody’s ratings (Credit Ratings). Both the Base Rate Option and the LIBOR Rate Option have a minimum rate of 0.25%. Amtrak must pay a commitment fee on any undrawn portion of the revolving credit facility of 15 basis points and subject to increase based on Amtrak’s Credit Ratings. The facility provides for use of an agreed-upon replacement rate in case LIBOR is no longer available and the use of the Base Rate Option until such agreement is reached. Under the facility, Amtrak is subject to restrictive covenants and financial covenants that require the Company and its subsidiaries to maintain certain financial ratios on a consolidated basis. The Company has not made any draws under the facility.

7. Long-Term Debt (continued)

Mortgage Obligations

Frequency Converter Facility

During FY2001, the Pennsylvania Economic Development Financing Authority (PEDFA) completed two issues, Series A and Series B, of exempt facilities revenue bonds, the net proceeds of which were used to finance part of the costs associated with Amtrak's construction of a frequency converter facility (the Facility). Amtrak procured the bond proceeds of each issue through a structured financing arrangement with PEDFA. Under this arrangement, Amtrak leased the Facility to PEDFA until November 2041, under a long-term ground lease, in exchange for the total net proceeds. Simultaneously, Amtrak leased the Facility back from PEDFA through June 2033, with an option to extend this term through November 2041. PEDFA also has the right to extend Amtrak's leaseback term through November 2041.

On March 31, 2012, PEDFA issued $95.1 million of PEDFA exempt facilities revenue refunding bonds (Series A 2012 bonds), with varying maturities between November 1, 2013 and 2041, to refund the Series A of 2001. The interest rates on the Series A 2012 bonds ranged from 3.0% to 5.0% (yields ranging from 1.1% to 4.7%). During November 2022, the Company repaid the bonds and the debt was extinguished.

On February 15, 2012, the Series B bonds were reissued to a commercial bank for a period of five years (Series B 2012 bonds). The Series B 2012 Bonds continued to have a November 2041 maturity date, but the bond documents provided for a mandatory redemption on February 15, 2017. The interest rate was converted to a tax-effected fraction of the sum of one-month LIBOR plus the applicable spread (based on Amtrak's credit rating) per annum.

On February 15, 2017, at the Company's direction, PEDFA issued $45 million of PEDFA exempt facilities revenue refunding bonds (Series B 2017 bonds) to redeem the Series B 2012 bonds. The Series B 2017 bonds were issued to the same commercial bank for another period of five years with an interest rate of a tax-effected fraction of the sum of three-month LIBOR plus the applicable spread based on the Company's credit rating, which was an effective rate of 0.85% as of September 30, 2021. The Series B 2017 bonds were being repaid in equal quarterly payments of $2.25 million over a five-year period, with the first payment made on May 15, 2017. The final payment was made in FY2022.

Amtrak's obligations in connection with the Series A Bonds and the Series B Bonds were cross-collateralized by a pledge of Amtrak's interest in the Facility. In addition, Amtrak guaranteed all principal and interest payments by PEDFA on the Series A and Series B bonds.

7. Long-Term Debt (continued)

Senior Notes

On December 6, 2016, the Company issued 3.60% senior secured notes for $365 million due November 15, 2033 and 3.81% senior unsecured notes for $135 million due November 15, 2031 (the Notes). The proceeds from the Notes were used to pay off an outstanding capital lease obligation and other related project costs. The secured notes are secured by locomotives acquired by the original capital lease obligation. The Company is repaying the Notes in semi-annual installments beginning in May 2017 and continuing each May 15 and November 15 thereafter to and including November 15, 2033 for the senior secured notes and November 15, 2031 for the senior unsecured notes.

Secured Promissory Note

On December 23, 2020, the Company issued a promissory note for $23.7 million. The proceeds from the note were used to pay off certain outstanding capital lease obligations. The note is secured by a cash collateral deposit of the same amount. The Company is repaying the note from February 22, 2021 through March 24, 2024 according to a payment schedule. The promissory note bears no explicit interest. The imputed incremental borrowing rate for the promissory note is 1.75%.

2016 RRIF Loan

On August 16, 2016, the Company entered into a $2.45 billion financing agreement with the Federal Government under the RRIF Loan program to finance the acquisition of 28 Next Generation High-Speed Trainsets (the Trainsets), related spare parts, and improvements to existing facilities and properties (the 2016 RRIF Loan). Amtrak's obligations under the 2016 RRIF Loan are collateralized by a pledge of the Trainsets, spare parts, and the debt service reserve account required under the financing agreement. See Note 11 for a description of the contracts issued to a vendor for the construction and delivery of the Trainsets and related services.

Starting June 15, 2021, the Company is required to fund and maintain a restricted debt service reserve account equal, over time, to increasing percentages of the projected first year debt service payments to support future debt service. The Company deposited $7.5 million and $36.1 million, to the debt service reserve account in FY2022 and FY2021, respectively.

All borrowings under the 2016 RRIF Loan bear interest at a rate of 2.23% per annum. The Company also pays a credit risk premium (CRP) of 5.80% for all amounts borrowed under the 2016 RRIF Loan. The amortization of the CRP is recognized as interest expense. The Company is capitalizing all interest expense recognized during the construction period allocated to the Trainsets as part of "Construction-in-progress" in the Consolidated Balance Sheets.

During FY2022 and FY2021, no amounts were borrowed and $5.2 million and $39.0 million was repaid, respectively. Total interest incurred in FY2022 was $14.5 million, of which $14.1 million was capitalized within "Construction-in-progress" in the Consolidated Balance Sheets. In FY2021, total interest incurred was $14.8 million, of which $14.5 million was capitalized within "Construction-in progress".

7. Long-Term Debt (continued)

Interest Rates

The annual weighted-average interest rates for all interest-bearing borrowings are shown below:

	September 30,	
	2022	**2021**
Mortgage obligations	**5.00 %**	4.78 %
Senior notes	**3.65**	3.65
Secured promissory note	**1.75**	1.75
2016 RRIF Loan	**2.23**	2.23

The overall weighted-average interest rate on all interest-bearing borrowings is 2.94% per annum at each of September 30, 2022 and 2021.

Scheduled Long-Term Debt Maturities

On September 30, 2022, scheduled maturities of long-term debt are as follows (in thousands):

Year Ending September 30,	
2023	$ 128,534
2024	48,213
2025	50,111
2026	50,600
2027	50,660
Thereafter	665,286
Principal amount of long-term debt	993,404
Less: unamortized discount/premium/issuance cost	(27,207)
Total long-term debt	$ 966,197

Amtrak is subject to various covenants and restrictions under its borrowing arrangements. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default with other debt and may have a material adverse effect on the Company. As of September 30, 2022, the Company had satisfied all of its debt covenant obligations.

8. Leasing Arrangements

Amtrak leases equipment, primarily passenger cars and locomotives, and related maintenance infrastructure under capital leasing arrangements. Amtrak has entered into various lease transactions in which the lease structure contains variable interest entities (VIEs). These VIEs were created solely for the purpose of doing lease transactions and have no other activities, assets, or liabilities outside of the lease transactions. In some of the arrangements, Amtrak has the option to purchase some or all of the assets at a fixed price, thereby creating variable interests for Amtrak in the VIEs.

Amtrak maintains and operates the assets based on contractual obligations within the lease arrangements, which set specific guidelines consistent with industry standards. As such, Amtrak has no control over

8. Leasing Arrangements (continued)

activities that could materially impact the fair value of the leased assets. Amtrak does not hold the power to direct the activities of the VIEs and, therefore, does not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, Amtrak does not have the obligation to absorb losses or the right to receive benefits of the VIEs.

As of September 30, 2022 and 2021, the gross amount of assets recorded under capital leases was $243.0 million and $479.3 million, respectively, with accumulated amortization of $125.1 million and $304.0 million, respectively. During FY2022 and FY2021, Amtrak terminated several capital leases with total outstanding principal of $0.9 million and $41.3 million, respectively. Amtrak paid the lease terminations and related claims through either a cash settlement or cash collateralization of the remaining rent. In connection with the lease terminations, Amtrak acquired legal or beneficial ownership of the equipment under these terminated capital leases.

Amtrak is subject to various covenants and restrictions under its leasing arrangements. Amtrak has given guarantees or entered into reimbursement agreements in connection with certain of these lease transactions. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default to other Amtrak indebtedness, and may have a material adverse effect on the Company (see Note 7).

Future Minimum Lease Payments

As of September 30, 2022, future minimum lease payments under capital leases are as follows (in thousands):

Year ending September 30,		
2023	$	2,878
2024		84
2025		86
2026		87
2027		88
Thereafter		2,822
Total minimum lease payments		6,045
Less: discounted to current period amount at interest rates ranging from 6.6% to 8.2%		(2,126)
Present value of minimum lease payments at September 30, 2022	$	3,919

The current portion of capital lease obligations as of September 30, 2022 and 2021 was $2.7 million and $7.2 million, respectively, and is presented in "Current maturities of long-term debt and capital lease obligations" in the Consolidated Balance Sheets.

8. Leasing Arrangements (continued)

Operating Leases

As of September 30, 2022, Amtrak is obligated for the following minimum rental payments under operating lease agreements (in thousands):

Year ending September 30,	
2023	$ 37,219
2024	27,521
2025	21,145
2026	16,419
2027	14,824
Thereafter	26,436
Total	$ 143,564

Rent expense for FY2022 and FY2021 was $76.7 million and $63.7 million, respectively.

Amtrak leases offices, operating areas, stations, and other terminal space. These leases often contain renewal options to enable the Company to retain the use of facilities. Some of the leases contain escalation clauses that increase the rents based on a fixed or variable rate, such as an inflation factor index. Under certain leases, the Company is obligated to pay additional amounts based on the facility's operating expenses.

9. Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement,* defines fair value for financial reporting, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. FASB ASC Topic 820 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

- Level 1 - observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.).
- Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The fair value measurement of an asset or liability is assigned a level based on the lowest level of any input that is significant to the fair value measurement.

9. Fair Value Measurements (continued)

Financial Instruments Measured at Fair Value

The Company's financial instruments measured at fair value on a recurring basis on the Consolidated Balance Sheets as of September 30, 2022 and 2021 are as follows (in thousands):

	Fair Value Measurement as of September 30, 2022		
	Level 1	**Level 2**	**Total**
Available-for-sale securities:			
Corporate bonds	**$ —**	**$ 1,075,278**	**$ 1,075,278**
U.S. Treasury securities	**—**	**735,501**	**735,501**
Commercial paper	**—**	**615,569**	**615,569**
Certificates of deposit	**—**	**183,645**	**183,645**
Other	**1,116** [1]	**393,043**	**394,159**
Total available-for-sale securities	**1,116**	**3,003,036**	**3,004,152**
Money market funds	**127,339**	**—**	**127,339**
Total financial instruments, at fair value	**$ 128,455**	**$ 3,003,036**	**$ 3,131,491**

[1] Includes receivables and payables related to unsettled transactions.

	Fair Value Measurement as of September 30, 2021		
	Level 1	**Level 2**	**Total**
Available-for-sale securities:			
Corporate bonds	$ —	$ 1,600,587	$ 1,600,587
Commercial paper	—	961,743	961,743
U.S. Treasury securities	—	274,049	274,049
Certificates of deposit	—	167,370	167,370
Other	23,009 [1]	414,815	437,824
Total available-for-sale securities	23,009	3,418,564	3,441,573
Money market funds	432,986	—	432,986
Total financial instruments, at fair value	$ 455,995	$ 3,418,564	$ 3,874,559

[1] Includes receivables and payables related to unsettled transactions.

Valuation Techniques

The fair values of the Company's available-for-sale debt securities and money market funds are measured using prices received from pricing services, prices received from alternative pricing sources, and mathematically derived calculated prices using market observable inputs. Pricing methodologies used in determining the fair value incorporate terms and conditions of the security, current performance data, proprietary pricing models, real-time quotes from contributing dealers, trade prices, and other market data.

9. Fair Value Measurements (continued)

The following is a description of the valuation techniques and inputs used for the fair value measurement of the Company's financial instruments, including the general fair value hierarchy classification of each category:

Financial Instruments	Valuation Techniques and Inputs Used	Fair Value Hierarchy Level
Corporate bonds	Market approach using prices from pricing services	Level 2
U.S. Treasury securities	Market approach using prices from pricing services	Level 2
Commercial paper	Cost approach using calculated prices based on amortization schedule	Level 2
Certificates of deposit	Cost approach using calculated prices based on amortization schedule	Level 2
Other (cash, receivables, payables and other securities, including agency discount notes, asset-backed securities, and sovereign bonds)	Cash, receivables, and payables - carrying value Securities - market approach using prices from pricing services	Cash, receivables, and payables - Level 1 Other securities - Level 2
Money market funds	Market approach using market observable fixed net asset value of $1	Level 1

See Note 13 for fair value measurements for assets held by the Company's Retirement Income Plan.

10. Income Taxes

The Company recorded no income tax expense in FY2022 and FY2021. A reconciliation of the actual effective income tax rate for FY2022 and FY2021 to the expected amount computed by applying the U.S. federal statutory income tax rate to Amtrak’s pretax loss is as follows:

	Year Ended September 30,	
	2022	**2021**
U.S. federal statutory income tax rate	**21.0 %**	21.0 %
Impact of:		
Valuation allowance	**(11.4)**	(9.0)
Expiration of net operating loss (NOL)	**(9.6)**	(12.6)
Other	**(1.1)**	(0.5)
State government capital assistance	**1.1**	1.1
Effective income tax rate	**— %**	— %

10. Income Taxes (continued)

Deferred income tax assets and liabilities were comprised of the following (in thousands):

	September 30, 2022	September 30, 2021
Deferred tax assets:		
NOL carryforward	**$ 2,069,312**	$ 1,913,332
Deferred state government capital assistance	**244,369**	205,205
Postretirement employee benefits obligation	**96,485**	127,997
Claims reserves	**56,031**	52,462
Accrued vacation and other compensation accruals	**45,741**	36,604
Amtrak guest rewards program liability	**26,440**	31,353
Other accruals	**15,202**	18,883
Materials and supplies reserves	**11,617**	11,224
Other	**8,814**	13,162
Gross deferred tax assets	**2,574,011**	2,410,222
Less: valuation allowance	**(1,151,750)**	(943,863)
Net deferred tax assets	**1,422,261**	1,466,359
Deferred tax liabilities:		
Property and equipment	**(1,422,261)**	(1,466,359)
Gross deferred tax liabilities	**(1,422,261)**	(1,466,359)
Net deferred tax liability	**$ —**	$ —

Amtrak has recorded valuation allowances against net deferred tax assets as it is more likely than not that the results of future operations will not generate sufficient taxable income to realize deferred tax assets, which primarily relate to NOL carryforwards. In FY2022, the valuation allowance increased by $207.9 million.

NOL carryforwards were $9.9 billion and $9.1 billion as of September 30, 2022 and 2021, respectively. An NOL carryforward of $0.8 billion from FY2002 and $1.2 billion from FY2001 expired unused during FY2022 and FY2021, respectively. The remaining NOL carryforwards generated from years through FY2017 of $4.9 billion will expire in various years from FY2023 through FY2037. The NOLs generated beginning in FY2018 of $5.0 billion may be carried forward indefinitely and will not expire; however, they can only be used to offset 80% of taxable income in any given future year.

The Company is subject to examination by the Internal Revenue Service and tax authorities in other jurisdictions in which it operates. Generally, the Company’s tax years still subject to examination are FY2019 and forward.

11. Commitments and Contingencies

Financial Assistance

Amtrak receives significant financial assistance from the Federal Government in the form of grants and entitlements. The right to these resources, including the funding received under the IIJA and the COVID Relief Acts described in Note 2, is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances because of these audits become a liability of the Company. The Company does not believe that the liabilities that may result from such audits for periods through September 30, 2022, would have a material effect on its financial position or the results of operations.

Commitments

Amtrak has various purchase commitments related to capital improvements pertaining to the ordinary conduct of business. In addition, Amtrak has entered into various agreements with states, cities, and other local transportation authorities and private companies pursuant to which Amtrak is required to fund various railroad facility and infrastructure improvements, and to fund the remanufacture and supply of railroad passenger equipment. Such commitments are not in excess of expected requirements and are not reasonably likely to result in performance penalties or payments that would have a material adverse effect on the Company's liquidity.

Penn Station Access Agreement

On December 22, 2021, Amtrak entered into a Design/Build Phase and Cost Share Agreement (the Agreement) for the Penn Station Access Project (the Project) with the Metropolitan Transportation Authority (MTA). Under the Agreement, MTA is committed to fund and lead the design and construction of the Project and Amtrak will contribute up to $500 million towards the Project plus up to $50 million in costs arising solely from any Amtrak-caused delays to the Project. The objective of the Project is to provide MTA commuter rail service access into and out of Penn Station, New York, NY. The Project will also benefit Amtrak as the provider of intercity passenger rail service on the NEC and the owner of the right-of-way on which many of the Project improvements will be built. As of September 30, 2022, the Company has incurred $68.2 million, $55.9 million of which was capitalized under "Construction-in-progress" in the Consolidated Balance Sheets, and $12.3 million of which was expensed as incurred in FY2022 in the Consolidated Statements of Operations. The Project is expected to be completed in 2027.

Philadelphia 30th Street Redevelopment

On January 22, 2021, the Company entered into a Ground Lease and Development Agreement with a master developer (the Developer) to redevelop the William H. Gray III 30th Street Station, Philadelphia, Pennsylvania (the Station Redevelopment). In addition to the Station Redevelopment, the Developer also is providing operating and maintenance service to the station. The base price of the Station Redevelopment is approximately $0.5 billion. Amtrak is financing the Station Redevelopment through the Developer by repaying the Station Redevelopment costs over a 50-year term pursuant to an approved payment schedule. The notice to proceed for the Station Redevelopment was issued on October 1, 2021 after completion of a series of post-due-diligence tasks. As the Station Redevelopment progresses, at each month end starting from September 2021, the Company recognizes "Construction-in-progress" and an

11. Commitments and Contingencies (continued)

associated liability to the Developer. The Company has recognized $60.3 million and $11.7 million at September 30, 2022 and 2021, respectively, in construction and other project-related costs, all of which were capitalized as part of "Construction-in-progress" in the Consolidated Balance Sheets. The Station Redevelopment is expected to be fully completed by May 30, 2026.

Virginia Funding Agreement

On March 26, 2021, Amtrak entered into a funding agreement with the Commonwealth of Virginia under which Virginia is committed to undertake a program of investments and Amtrak will contribute $944 million towards the construction of certain key elements under the first two phases of the program. The objective of the program is to develop and expand passenger rail service in Virginia and beyond. The Company makes quarterly payments to Virginia to help fund design and construction. The Company has incurred $50.8 million and $13.1 million related to the program as of September 30, 2022 and 2021, respectively, substantially all of which was capitalized under "Construction-in-progress" in the Consolidated Balance Sheet as of September 30, 2022 and 2021, respectively. The first two phases of the program are expected to be completed by September 30, 2031.

ICT Equipment Purchase

On June 24, 2021, Amtrak entered into an agreement with a contractor to purchase certain intercity trainsets (ICT) equipment, including 73 base trainsets, 67 locomotives and 18 spare vehicles, with options to purchase additional trainsets. As of September 30, 2022, the base price for the ICT equipment purchase contract is $2.6 billion. The Company makes payments to the contractor pursuant to an approved payment schedule upon the contractor's successful completion of certain tasks (milestones) during the contract. The Company has incurred $278.5 million and $133.5 million in construction and other project-related costs as of September 30, 2022 and 2021, respectively, all of which were capitalized under "Construction-in-progress" in the Consolidated Balance Sheets.

Also on June 24, 2021, the Company entered into a technical support, spares, and supply agreement (TSSSA) with the same contractor to provide technical support, spares, and other related services commencing with the issuance of Notice to Proceed (NTP) and ending twenty years after the expiration of the three year warranty period of the first trainset. The base price for the TSSSA is estimated at $1.0 billion. As of September 30, 2022, the Company has incurred $2.3 million in costs related to the TSSSA. These costs were either recorded within "Deferred charge, deposits, and other" and will be amortized into expense over time or were expensed in FY2022 and reported in the Consolidated Statements of Operations. No costs had been incurred as of September 30, 2021.

Long Distance Diesel-electric Locomotives Purchase

On December 20, 2018, Amtrak entered into an agreement with a contractor to purchase 75 long distance diesel-electric passenger locomotives. On May 17, 2022, the Company executed options to purchase an additional 50 locomotives. As of September 30, 2022, the base price with change orders for the 125 locomotives is $891.5 million. The Company makes payments to the contractor pursuant to an approved payment schedule upon the contractor's successful completion of certain tasks (milestones) during the contract. As of September 30, 2022 and 2021, the Company has incurred $304.2 million and $288.2 million, respectively, in construction and other project-related costs which were capitalized when incurred

11. Commitments and Contingencies (continued)

under “Construction-in-progress” in the Consolidated Balance Sheets. Deliveries of the locomotives started in June 2021. As the locomotives are placed in service, the associated cost is moved from "Construction-in-progress" to "Locomotives" in the Consolidated Balance Sheet.

Also on December 20, 2018, the Company entered into a TSSSA with the same contractor to provide technical support, spares, and other related services for the twenty-three year period commencing upon the acceptance of the first locomotive. Acceptance of the locomotive follows the delivery and testing by Amtrak and the FRA. The combined (base and options) price without escalation for the TSSSA is approximately $426 million plus overhaul material costs within the contract period. As of September 30, 2022, the Company has incurred $1.1 million cost related to the TSSSA. No costs had been incurred as of September 30, 2021.

New Acela Trainsets Purchase

On August 8, 2016, the Company entered into a Purchase Agreement with a contractor for the acquisition of the Trainsets to replace the Company’s current *Acela Express* equipment which runs on the NEC. The base price of the contract with change orders is $1.5 billion. Financing for the contract was obtained under the 2016 RRIF Loan (see Note 7). The Company makes payments to the contractor pursuant to an approved milestone payment schedule upon the contractor’s successful completion of certain tasks (milestones) during the contract. The Company has incurred $1.14 billion and $1.05 billion in construction and other project-related costs as of September 30, 2022 and 2021, respectively. Of the total cost incurred, $1.12 billion and $1.03 billion were capitalized as part of “Construction-in-progress” in the Consolidated Balance Sheets as of September 30, 2022 and 2021, respectively. The remaining costs were either recorded within "Deferred charge, deposits, and other" and will be amortized into expense over time or were expensed in the year incurred and reported in the Consolidated Statements of Operations for those years.

Also on August 8, 2016, the Company entered into a TSSSA with the same contractor to provide technical support, spares, and other related services for the fifteen-year period commencing upon acceptance of the first trainset. Acceptance of the Trainset follows the delivery and testing by Amtrak and the FRA. The base price for the TSSSA with change orders is $637.0 million. The Company incurred $65.5 million and $63.0 million in cost related to the agreement as of September 30, 2022 and 2021, respectively which is recorded in Deferred charges, deposits and other.

Host Railroad Agreements

Most of the rights-of-way over which Amtrak operates are owned by other railroads. Amtrak operates over such rights-of-way under agreements with these railroads. The terms of the agreements range up to twenty years, although they may remain in effect longer if neither party seeks to renegotiate. Payments to these railroads vary based on levels of usage and performance. The total amount incurred by Amtrak for operations over the right-of-way during FY2022 and FY2021 totaled $155.2 million and $133.2 million, respectively, and are included primarily in “Train operations” in the Consolidated Statements of Operations.

11. Commitments and Contingencies (continued)

Risk of Liability and Insurance

The Amtrak Reform and Accountability Act of 1997 (the Act) limited the amount railroad passengers may recover from a single accident to an aggregate of $200.0 million. The FAST Act required the Secretary to increase the limit on passenger liability claims based on the change in the consumer price index since December 2, 1997. On January 11, 2016, the Secretary issued its calculation setting the new limit at $294.3 million effective February 11, 2016. The FAST Act requires the limit to be adjusted every five years after the date of the FAST Act's enactment. On February 25, 2021, the limit was increased to $322.9 million. Amtrak purchases excess liability insurance for passenger liability claims subject to the statutory cap and for non-passenger liability not limited by the Act.

Amtrak operates a majority of its passenger rail service on tracks owned by freight railroads. Amtrak indemnifies these railroads for certain liabilities that arise as a result of its operations on freight tracks. Its indemnity generally applies to bodily injury and property damage claims made by its employees, passengers, and third parties struck by its trains, and for damage to its equipment. The freight railroads generally indemnify Amtrak for bodily injury and property damage claims made by freight railroad employees and third parties, and for damage to freight railroad equipment, lading, and property.

Amtrak maintains insurance for its liability to employees and other parties for injury or damage to their property and for damage to Amtrak property. Amtrak self-insures a portion of these liabilities.

Derailment

On June 27, 2022, eastbound Amtrak train No. 4 traveling from Los Angeles to Chicago, derailed after striking a truck that was obstructing a public crossing near Mendon, Missouri (the Derailment). There were 270 passengers and 12 crew members onboard. Three passengers and the truck driver were killed and multiple passengers and crew members were injured. 24 lawsuits have been filed on behalf of the employees, passengers and the truck driver. Two locomotives and eight cars were involved in the Derailment and are currently under legal hold.

The National Transportation Safety Board (NTSB) is the lead agency in the investigation of the Derailment. On July 21, 2022, the NTSB issued its preliminary report. The preliminary report indicates that (1) the maximum allowable speed on this section of track was 90 mph for passenger trains, (2) preliminary data from the leading locomotive's event recorder showed that train No. 4 was traveling 89 mph when its emergency brakes were activated, (3) the positive train control system was enabled and operating at the time of the derailment, (4) weather was clear with no precipitation at the time of the accident, and (5) future investigative activity will focus on highway railroad grade crossing design specifications, railcar design, survival factors, and passenger railcar crashworthiness. The NTSB investigation is still ongoing.

As of September 30, 2022, the Company has accrued its best estimate of its liabilities for passenger and employee claims. The expected claim payments to be made during FY2023 were recorded within "Accrued expenses and other current liabilities" on the Company's Consolidated Balance Sheets. The remaining claim reserve liability was recorded within "Casualty reserves".

11. Commitments and Contingencies (continued)

Labor Agreements

Excluding employees within Amtrak's OIG, 81.1% of Amtrak's labor force is covered by labor agreements. Under the Railway Labor Act, labor contracts never expire but are instead opened at agreed-upon times for mandatory bargaining, known as Section 6, as referenced in the Railway Labor Act. Although there are no timeframes for negotiations to be completed, it is almost certain there will be retroactive wage increases in the settlements, consistent with prior agreements. On January 1, 2022, all of Amtrak's labor contracts except for the one with the Fraternal Order of Police (FOP) were opened for mandatory bargaining. The FOP contract was opened on October 1, 2022. As of December 14, 2022, Amtrak was still negotiating labor contracts with all of its unionized workforce.

The Company has accrued $15.7 million within "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet as of September 30, 2022, which represents its best estimate for retroactive wage increases resulting from settlements of such agreements for services through that date. As all of the unions had ratified contracts as of the end of FY2021, no accrual for retroactive wage increases was recorded as of September 30, 2021.

Legal Proceedings

Amtrak is involved in various litigation and arbitration proceedings in the normal course of business, including but not limited to tort, contract, eminent domain, and civil rights claims. When management concludes that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to earnings. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in management's opinion, recorded liabilities, where applicable, are adequate to cover the future payment of such liabilities and claims. However, the outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to Amtrak's results of operations in a particular year. Any adjustments to the recorded liability will be reflected in earnings in the periods in which such adjustments are probable and reasonably estimable.

Americans with Disabilities Act Compliance

Under the Americans with Disabilities Act (ADA), stations in the intercity rail transportation system served by Amtrak were required to be readily accessible to and usable by individuals with disabilities no later than July 26, 2010. This requirement applies to all components of a station used by the general public, including passenger platforms, designated waiting areas, ticketing areas, restrooms, and in some cases, concession areas. In 2010, the Company developed a plan to bring the station components for which it is legally responsible into ADA compliance. This plan has been regularly updated and adjusted based on new information and external factors, such as direction the Company receives from the FRA and other government agencies. On December 2, 2020, the Department of Justice and Amtrak entered into a joint settlement agreement pursuant to which the Company agreed, among other things, to bring into compliance the station components for which it is legally responsible subject to an agreed-upon set of progress milestones. Amtrak is working to obtain sufficient funding to achieve full ADA compliance of all station components for which it is responsible under the ADA. The extent of these estimated costs and effects of non-compliance on operations cannot be determined at this time. Further, the nature of all

11. Commitments and Contingencies (continued)

expenditures that will be incurred, and the effect on operating results, have not yet been fully analyzed. Accordingly, the accompanying Consolidated Financial Statements do not reflect the costs of Amtrak becoming fully compliant with the ADA. As of September 30, 2022 and 2021, Amtrak has spent a total of $848.0 million and $746.4 million, respectively, on ADA-related projects. Approximately $101.6 million and $89.9 million of the expenditures were incurred during FY2022 and FY2021, respectively.

Washington Union Station Leasehold Eminent Domain Acquisition

In April 2022, Amtrak exercised its statutory authority to acquire by eminent domain the leasehold interest at Washington Union Station. The Company deposited $250 million, which it estimated to be just compensation for the leasehold interest, with the United States District Court for the District of Columbia (the Court) when Amtrak filed its eminent domain action. As of December 14, 2022, the case is still pending the Court decision on whether the Company's taking of the property was within the scope of its authority under the applicable statute. If the Court agrees that the taking was authorized, then the Court will determine the appropriate amount of just compensation that Amtrak must pay to the prior leaseholder. As of September 30, 2022, the $250 million deposit was recorded within "Deferred charge, deposits, and other" in the Company's Consolidated Balance Sheets.

12. Environmental Matters

The Company is subject to extensive and complex federal and state environmental laws and regulations regarding environmental issues. As a result of its operations and acquired properties, Amtrak is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters. Amtrak's policy is to accrue estimated liabilities and capitalize such remediation costs if they extend the life, increase the capacity, or improve the safety or efficiency of the property; mitigate or prevent environmental contamination that has not occurred but may result from future operations; are incurred in preparing the property for sale; or are incurred on property acquired with existing environmental conditions; and to expense other remediation costs. The liability is periodically adjusted based on Amtrak's present estimate of the costs it will incur related to these sites and/or actual expenditures made. Some of the Company's real estate properties may have the presence of environmentally regulated wastes or materials. If these properties undergo excavations or major renovations or are demolished, certain environmental regulations that are in place may specify the manner in which the wastes or materials must be assessed, handled, and disposed. The Company has identified a number of locations for which excavations and major renovations are planned and liabilities have been recorded. In the future, the Company may plan other excavations, demolitions, major renovations, or other construction activities that affect similar wastes or materials.

At some locations, although a potential liability exists for the removal or remediation of environmentally regulated materials, sufficient information is not available currently to estimate the liability, as the range of time over which the Company may settle these obligations is unknown or the cost of remediation cannot be reasonably estimated at this time. Although the Company believes it has appropriately recorded current and long-term reserves for known and estimable future environmental costs, it could incur significant costs that exceed reserves or require unanticipated cash expenditures.

12. Environmental Matters (continued)

As of September 30, 2022 and 2021, the environmental reserve was $151.4 million and $154.1 million, respectively. These reserves for estimated future environmental costs are undiscounted and include future costs for remediation and restoration of sites as well as any significant ongoing monitoring costs. The current portion of the reserve was $8.4 million and $12.1 million as of September 30, 2022 and 2021, respectively, and is reported in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. The balance of the reserve as of both September 30, 2022 and 2021 is reported as "Environmental reserve" in the Consolidated Balance Sheets. Costs related to estimated future capital expenditures for environmental remediation were $128.0 million and $133.5 million as of September 30, 2022 and 2021, respectively, and are included in "Right-of-way and other properties" in the Consolidated Balance Sheets.

The amounts included in environmental reserves in the Consolidated Balance Sheets reflect only Amtrak's estimate of its portion of the gross liability. The ultimate liability for environmental remediation is difficult to determine with certainty due to, among other factors, the number of potentially responsible parties, site-specific cost sharing arrangements, the degree and types of contamination, potentially unidentified contamination, developing remediation technology, and evolving statutory and regulatory standards related to environmental matters. In addition, for certain known sites, the ultimate liability cannot be estimated until the results of the remedial investigation phase are known.

Amtrak's management and legal counsel believe that additional future remedial actions for known environmental matters will not have a material adverse effect on the Company's results of operations or financial condition and that its environmental reserves are adequate to fund remedial actions to comply with present laws and regulations.

13. Postretirement Employee Benefits

Amtrak has a qualified non-contributory defined benefit retirement plan (the Retirement Income Plan) whose assets are held in trust covering certain nonunion employees and certain union employees who at one time held nonunion positions. Effective June 30, 2015, the Retirement Income Plan was closed to new entrants and frozen for future benefit accruals. Amtrak provides medical benefits to its qualifying retirees and life insurance to some retirees in limited circumstances under its postretirement benefits program.

Obligations and Funded Status

The liability of the Company's pension benefits under its Retirement Income Plan as well as other postretirement benefits plans as of September 30, 2022 and 2021 is as follows (in thousands):

13. Postretirement Employee Benefits (continued)

	Pension Benefits		Other Benefits	
	2022	**2021**	**2022**	**2021**
Reconciliation of projected benefit obligation:				
Obligation at October 1	**$ 519,029**	$ 529,553	**$ 560,053**	$ 596,052
Service cost	**—**	—	**11,779**	12,066
Interest cost	**14,465**	13,929	**14,893**	14,764
Actuarial (gain) loss	**(116,332)**	2,677	**(139,106)**	(16,787)
Employee contributions	**—**	—	**1,764**	1,530
Benefit payments	**(27,955)**	(27,130)	**(40,695)**	(47,572)
Obligation at September 30	**$ 389,207**	$ 519,029	**$ 408,688**	$ 560,053
Reconciliation of fair value of plan assets:				
Plan assets at October 1	**$ 469,573**	$ 461,891	**$ —**	$ —
Actual return on plan assets	**(117,459)**	35,672	**—**	—
Employer contributions	**15,000**	—	**38,931**	46,042
Participant contributions	**—**	—	**1,764**	1,530
Medicare Part D subsidy	**—**	—	**29**	57
Benefit payments, net	**(28,674)**	(27,990)	**(40,724)**	(47,629)
Plan assets at September 30	**$ 338,440**	$ 469,573	**$ —**	$ —
Funded status:				
Accumulated benefit obligation at September 30	**$ (389,207)**	$ (519,029)	**$ (408,688)**	$ (560,053)
Projected benefit obligation at September 30	**(389,207)**	(519,029)	**(408,688)**	(560,053)
Fair value of plan assets	**338,440**	469,573	**—**	—
Net unfunded status of the plans	**$ (50,767)**	$ (49,456)	**$ (408,688)**	$ (560,053)
Net liability recognized in Consolidated Balance Sheets	**$ (50,767)**	$ (49,456)	**$ (408,688)**	$ (560,053)

13. Postretirement Employee Benefits (continued)

Pension and other postretirement benefit amounts recorded in the Consolidated Balance Sheets as of September 30, 2022 and 2021 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2022	**2021**	**2022**	**2021**
Accrued expenses and other current liabilities	**$ 29**	$ 30	**$ 38,056**	$ 43,882
Postretirement employee benefits obligation	**50,738**	49,426	**370,632**	516,171
Net amount recognized	**$ 50,767**	$ 49,456	**$ 408,688**	$ 560,053

Pension and other postretirement benefit amounts recognized in accumulated other comprehensive loss in FY2022 and FY2021 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2022	**2021**	**2022**	**2021**
Net actuarial loss (gain)	**$ 165,564**	$ 146,218	**$ (81,826)**	$ 67,821
Net amount recognized	**$ 165,564**	$ 146,218	**$ (81,826)**	$ 67,821

Components of Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the plans for FY2022 and FY2021 (in thousands):

	Pension Benefits		Other Benefits	
	2022	**2021**	**2022**	**2021**
Service cost	**$ —**	$ —	**$ 11,779**	$ 12,066
Interest cost	**14,465**	13,929	**14,893**	14,764
Expected return on plan assets	**(22,684)**	(23,374)	**—**	—
Accumulated Other Comprehensive Loss reclassification adjustment:				
Amortization of prior service credit	**—**	—	**—**	(9,939)
Amortization of actuarial loss	**4,266**	4,780	**10,540**	14,014
Other expenses	**952**	1,204	**—**	—
Net periodic benefit (income) cost	**$ (3,001)**	$ (3,461)	**$ 37,212**	$ 30,905

Service cost is recorded in “Salaries, wages, and benefits” on the Consolidated Statements of Operations. All other components of net periodic benefit costs are recorded in “Other expense, net” on the Consolidated Statements of Operations.

During FY2022, the Retirement Income Plan incurred a net actuarial gain of $116.3 million, consisting primarily of a $115.0 million gain due to an increase in the discount rate because of increases in the corporate bond rates in FY2022, and a $1.3 million experience gain. During FY2021, the Retirement

13. Postretirement Employee Benefits (continued)

Income Plan incurred a net actuarial loss of $2.7 million, consisting primarily of a $10.7 million experience loss and a $1.5 million loss due to changes in the mortality table, partially offset by a $9.5 million gain due to an increase in the discount rate because of increases in the corporate bond rates in FY2021.

During FY2022, the other postretirement benefits plans incurred a combined net actuarial gain of $139.1 million, consisting primarily of a $114.7 million gain from an increase in discount rates, along with favorable changes in claims of $28.4 million and in actual versus expected plan experience of $1.0 million, partially offset by $5.0 million loss from change in trend rates. During FY2021, the other postretirement benefits plans incurred a combined net actuarial gain of $16.8 million, consisting primarily of a $10.4 million gain from an increase in discount rates, along with favorable changes in claims of $8.9 million and in actual versus expected plan experience of $7.8 million, partially offset by $7.9 million change in other demographic assumptions (e.g. retirement rates, withdrawal rates), $1.5 million loss from change in trend rates and elimination of excise tax, and $0.9 million due to changes in the mortality table.

Plan Assets

The Company's pension plan asset allocation at September 30, 2022 and 2021, and initial target allocation for FY2023, are as follows:

	Plan Assets		
	2023	2022	2021
Fixed income debt securities	60.0 %	**58.0 %**	60.2 %
Commingled funds	22.0	**20.2**	21.8
Mutual funds	8.0	**7.2**	7.6
Money market fund	9.0	**6.4**	6.9
Cash	1.0	**6.8**	0.9
Other [1]	—	**1.4**	2.6
Total	100.0 %	**100.0 %**	100.0 %

1 Other consisted of receivables and payables related to unsettled transactions.

13. Postretirement Employee Benefits (continued)

The long-term objective for assets held by the Retirement Income Plan is to generate investment returns that, in combination with funding contributions from the Company, provide adequate assets to meet all current and future benefit obligations of the Retirement Income Plan. The Retirement Income Plan seeks to maintain or reduce investment risk levels unless the funded status decreases significantly, with the ultimate goal to be in a position to defease the pension liability. Over the long term, it is anticipated that asset-liability management strategy will be the key determinant of the returns generated by the pension assets and the associated volatility of returns and funded status. In particular, the allocation and structure of the "growth portfolio" and the structure of the long-term fixed income portfolio (longer duration fixed income securities and similar investments) are the key elements of the asset-liability strategy for the pension investment program. In the growth portfolio, the Plan invests in Commingled funds and Mutual funds, which include equity securities and similar investments. The Retirement Income Plan's asset allocation strategy is primarily based on the Retirement Income Plan's current funded status. The Retirement Income Plan's return requirements and risk tolerance will change over time. As a result of the Retirement Income Plan's asset allocation strategies, there are no significant concentrations of risk within the portfolio of investments.

Following is a description of the valuation techniques and inputs used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Level 1 Investments

Money Market Fund

Money market funds generally transact subscription and redemption activity at a $1.00 stable NAV. Investments in the money market funds can be redeemed on a daily basis. Amtrak's investment in money market funds consists of the JPMorgan 100% U.S. Treasury Securities Money Market Fund. The fund's NAV is published regularly and the fair value is deemed readily determinable.

Level 2 Investments

Fixed Income Debt Securities

This investment category consists of corporate bonds, government bonds, municipal bonds, and U.S. government securities. These investments are valued using prices provided by independent pricing services based on compilation of primarily observable market information or broker quotes in a non-active market.

Commingled Funds

This category consists of global stocks and a diversified portfolio of assets. Investments in commingled funds are valued at the NAV of units held at the end of the period based upon the value of the underlying investments as determined by quoted market prices or by a pricing service.

13. Postretirement Employee Benefits (continued)

Mutual Funds

This category consists of Goldman Sachs Multi-Manager Funds and Tactical Tilts. The Multi-Manager funds include investments in non-core fixed income and real assets. Tactical Tilts are implemented using a combination of different investment vehicles and instruments, including Goldman Sachs Asset Management funds, exchange-traded funds, options, futures, forwards, and swaps. These investments are valued at the NAV of units held at the end of the period based upon the value of the underlying investments as determined by quoted market prices or by a pricing service.

The following tables present the fair values of the Company's pension investments by level within the fair value hierarchy (as described in Note 9) as of September 30, 2022 and 2021 (in thousands):

	Total	Level 1	Level 2
September 30, 2022			
Fixed income debt securities:			
Corporate bonds	$ 171,531	$ —	$ 171,531
Government bonds	9,263	—	9,263
Municipal bonds	7,769	—	7,769
U.S. government securities	7,685	—	7,685
Total fixed income debt securities	196,248	—	196,248
Commingled funds	68,285	—	68,285
Mutual funds	24,437	—	24,437
Money market funds	21,589	21,589	—
Total investments, at fair value	$ 310,559	$ 21,589	$ 288,970
Cash	22,899		
Other[1]	4,982		
Total plan assets	$ 338,440		

[1] Other primarily consisted of receivables and payables related to unsettled transactions.

13. Postretirement Employee Benefits (continued)

		Total		Level 1		Level 2
September 30, 2021						
Fixed income debt securities:						
Corporate bonds	$	229,801	$	—	$	229,801
U.S. government securities		28,137		—		28,137
Government bonds		13,910		—		13,910
Municipal bonds		10,992		—		10,992
Total fixed income debt securities		282,840		—		282,840
Commingled funds		102,281				102,281
Mutual funds		35,614				35,614
Money market funds		32,395		32,395		—
Total investments, at fair value	$	453,130	$	32,395	$	420,735
Cash		4,026				
Other[1]		12,417				
Total plan assets	$	469,573				

[1] Other primarily consisted of receivables and payables related to unsettled transactions.

Rate of Return

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. These include historical rates of return over the past three-, five- and ten-year periods as well as projected long-term rates of return obtained from pension investment consultants.

In the short term, there may be fluctuations of positive and negative yields year over year, but over the long term, the return based on target asset allocation is expected to be approximately 5.5%.

Estimated Future Benefit Payments

Based upon the assumptions used to measure the pension and other postretirement benefit obligations as of September 30, 2022, including other postretirement benefits attributable to estimated future employee service, Amtrak expects that pension benefits and other postretirement benefits to be paid over the next ten years will be as follows (in thousands):

13. Postretirement Employee Benefits (continued)

	Pension Benefits	Other Benefits
Year ending September 30,		
2023	$ 30,401	$ 38,055
2024	29,939	36,699
2025	30,041	36,424
2026	30,148	35,664
2027	30,101	35,530
2028-2032	146,250	169,319

Contributions

In FY2023, Amtrak does not expect to contribute to the Retirement Income Plan and expects to contribute $38.1 million towards other postretirement benefits.

Assumptions

Weighted-average assumptions used to determine benefit obligations as of September 30, 2022 and 2021 are as follows:

	Pension Benefits		Other Benefits	
	2022	**2021**	**2022**	**2021**
Discount rate	**5.45 %**	2.87 %	**5.40-5.45 %**	2.65-2.88 %

Weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2022 and 2021 are as follows:

	Pension Benefits		Other Benefits	
	2022	**2021**	**2022**	**2021**
Discount rate	**2.87 %**	2.71 %	**2.65-2.88 %**	2.49-2.68 %
Expected long-term rate of return	**5.00 %**	5.25 %	**N/A**	N/A

Assumed health care cost trend rates are as follows:

	September 30,	
	2022	**2021**
Health care cost trend rate assumed for next year	**6.85-7.28 %**	6.25-6.84 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.00 %**	5.00 %
Year that the rate reaches the ultimate trend rate	**2028**	2028

401(k) Savings Plans

Amtrak provides a 401(k) savings plan for nonunion employees. Under the plan, Amtrak matches a portion of employee contributions up to seven percent of the participant's salary, subject to applicable limitations. Amtrak's expenses under this plan were $25.1 million and $19.0 million for FY2022 and FY2021, respectively.

13. Postretirement Employee Benefits (continued)

Additionally, Amtrak provides a 401(k) savings plan for union employees. Amtrak does not match any portion of the employee contributions under this plan.

14. Subsequent Events

The Company has evaluated subsequent events through December 14, 2022, which is the date the financial statements are available to be issued, and concluded that there were no additional subsequent events requiring disclosure.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors and Stockholders
National Railroad Passenger Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of National Railroad Passenger Corporation and subsidiaries (the Company), which comprise the consolidated balance sheet as of September 30, 2022, and the related consolidated statements of operations, comprehensive loss, changes in capitalization and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated December 14, 2022.

Federal Government Funding

As explained in Notes 1 and 2 to the financial statements, the Company has a history of operating losses and is dependent upon substantial Federal Government subsidies to sustain its operations and maintain its underlying infrastructure. As further explained in Note 2 to the financial statements, the Company is receiving Federal Government funding under the Continuing Appropriations and Ukraine Supplemental Appropriations Act and the Infrastructure Investment and Jobs Act. There are currently no Federal Government operating funds appropriated by law for any period subsequent to December 16, 2022. Without the receipt of Federal Government funding, the Company will not be able to continue in its current form and significant operating changes, restructurings or bankruptcy might occur. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

December 14, 2022

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