NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

Financial Report

June 30, 2018

CONTENTS

WIPFLi | MACPAGE

30 Long Creek Drive | South Portland, Maine 04106-2437
Phone 207.774.5701 | Fax 207.774.7835

Independent Auditors' Report

Board of Directors
Northern New England Passenger Rail Authority
Portland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the Northern New England Passenger Rail Authority (the Authority), a component unit of the State of Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1, 7 and 11 to the financial statements, Northern New England Passenger Rail Authority the adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, the Schedule of Infrastructure of page 25, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions, both on page 26, the Schedule of Change in Total OPEB Liability and Related Ratios – State Employee Health Insurance Plan on page 27, and the Schedule of Proportionate Share of Total OPEB Liability and Schedule of Contributions – Group Life Insurance Plan, both on page 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, <REPORT DATE>, on our consideration of Northern New England Passenger Rail Authority'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 Northern New England Passenger Rail Authority'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 Northern New England Passenger Rail Authority's internal control over financial reporting and compliance.

Wipfli LLP

South Portland, Maine
November 8, 2018

Management's Discussion and Analysis

June 30, 2018

The management of Northern New England Passenger Rail Authority (NNEPRA) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2018.

BASIC FINANCIAL STATEMENTS

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting private-sector business enterprises use. The method of accounting has an economic resource measurement focus using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These are followed by the notes to the financial statements.

The statement of net position presents information on the assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources reported as net position. In comparisons over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NNEPRA is improving or deteriorating.

The statement of revenues, expenses and changes in net position reports the operating revenue and the non-operating revenue and the expenses of NNEPRA for the fiscal year with the difference (net income or loss before capital grants) being combined with the activity in capital grants to determine the change in net position for the fiscal year. The change in net position when added to the net position total from the previous fiscal years reconciles to the net position total at the end of the current fiscal year.

The statement of cash flows reports the changes in cash and cash equivalents for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning cash and cash equivalent balance for the fiscal year results in the cash and cash equivalent balance at the end of the current fiscal year.

Management's Discussion and Analysis

June 30, 2018

FINANCIAL HIGHLIGHTS

The following is a condensed comparative analysis of the Statement of Net Position as of June 30:

	2018	2017	Increase (Decrease)
Assets			
Cash and cash equivalents	**$ 2,506,174**	$ 2,452,365	$ 53,809
Grants receivable - federal government	**5,182,283**	4,429,873	752,410
Grants receivable - State of Maine	**89,698**	343	89,355
Trade receivable	**37,856**	156,490	(118,634)
Construction inventory	**65,225**	65,225	-
Prepaid expenses and deposits	**963,043**	950,407	12,636
Capital assets, net of accumulated depreciation	**15,132,113**	15,321,188	(189,075)
Restricted cash	**1,217,229**	1,249,390	(32,161)
Due from State of Maine	**297,000**	246,000	51,000
Total Assets	**25,490,621**	24,871,281	619,340
Deferred Outflows of Resources	**355,995**	369,166	(13,171)
Total Assets and Deferred Outflows of Resources	**$ 25,846,616**	$ 25,240,447	$ 606,169
Liabilities			
Accounts payable	**$ 5,085,087**	$ 4,990,327	$ 94,760
Accrued vacation	**44,594**	40,588	4,006
Other liabilities	**86,803**	1,800	85,003
Net pension liability	**813,584**	924,385	(110,801)
Net other post - employment benefits liability	**440,703**	486,240	(45,537)
Total Liabilities	**6,470,771**	6,443,340	27,431
Deferred Inflows of Resources	**231,891**	110,832	121,059
Net Position			
Investment in capital assets	**15,132,113**	15,321,188	(189,075)
Restricted for future rail construction	**1,333,886**	1,401,778	(67,892)
Unrestricted	**2,677,955**	1,963,309	714,646
Total Net Position	**19,143,954**	18,686,275	457,679
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 25,846,616**	$ 25,240,447	$ 606,169

The change in net position restricted for future rail construction for the year ended June 30, 2018 is, as follows:

Interest income earned	$ 5,495
Capacity improvement project expenses	(5,930)
Restricted transfers	(67,457)
Change in net position restricted for future rail construction	$ (67,892)

Note: Net Position for 2018 has been restated.

Management's Discussion and Analysis

June 30, 2018

Assets and deferred outflows of resources of $25,846,616 exceeded liabilities and deferred inflows of resources of $6,470,771 by $19,143,954 (net position) at the close of fiscal year 2018. Of these assets, $1,333,886 is restricted cash for future rail improvements and $15,132,113 relates to capital assets, which are primarily land in Brunswick and Portland and the train layover facilities in Brunswick and Portland, and related equipment at Thompson's Point in Portland.

- Cash and investments increased $53,809 from $2,452,365 at June 30, 2017, to $2,506,174 at June 30, 2018, while restricted cash decreased $32,161 from $1,249,390 to $1,217,229 for the same period. The balance of restricted cash can fluctuate from year to year as the account has been approved to be borrowed from and subsequently reimbursed by the drawdown of federal grant funds.

- Grants receivable - federal government increased $752,410 from $4,429,873 at June 30, 2017 to $5,182,283 at June 30, 2018. The increase is attributed to the timing of rail construction improvements.

- Grants receivable - State of Maine increased $89,355 from $343 at June 30, 2017 to $89,698 at June 30, 2018. The increase is attributed to a pending reimbursement from the State of Maine.

- Construction inventory had no change from the previous year as no rail was allocated to any tie replacement projects.

- Total liabilities increased $27,431 from $6,443,340 at the close of fiscal year 2017 to $6,470,771 at the close of 2018 primarily due to increases in accounts payable and other liabilities and offset by decreases in net pension liability and net other post-employment benefits liability.

Management's Discussion and Analysis

June 30, 2018

The following is a condensed comparative analysis of the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30:

	2018	2017	Increase (Decrease)
Operating Revenue	**$ 11,623,816**	$ 9,834,618	$ 1,789,198
Operating Expenses			
Commuter railroad	**19,150,858**	18,033,707	1,117,153
Wages and fringe benefits	**559,737**	585,876	(26,139)
Marketing	**492,383**	520,023	(27,640)
Station operations	**555,139**	566,849	(11,710)
Food service	**964,761**	914,998	49,763
All other expenses	**611,494**	534,781	76,713
Total Operating Expenses	**22,334,374**	21,156,234	1,178,140
Operating Loss	**(10,710,558)**	(11,321,616)	(611,058)
Non-Operating Income	**10,999,303**	13,252,938	(2,253,635)
Income Before Capital Grants	**288,745**	1,931,322	(1,642,577)
Capital Grant Revenue (Expense)			
U.S. Department of Transportation, Federal Transit Railroad Administration capital grant	**4,922,375**	15,972,344	(11,049,969)
Contributed construction services, in kind	**378,278**	3,786,404	(3,408,126)
State of Maine Grants	**1,020,137**	390,565	629,572
Rail construction	**(3,738,159)**	(3,774,312)	36,153
Downeaster expansion	**-**	(598,302)	598,302
Layover facility	**(404,237)**	167	(404,404)
Planning grant	**-**	(35,278)	35,278
MBTA project	**(1,408,396)**	(16,963,318)	15,554,922
SAIPRC grant	**(380,675)**	(208,745)	(171,930)
Other grant expenses	**(220,389)**	(9,088)	(211,301)
	168,934	(1,439,563)	1,608,497
Change in Net Position	**457,679**	491,759	(34,080)
Net Position, Beginning of Year, As Restated	**18,686,275**	18,194,516	491,759
Net Position, End of Year	**$ 19,143,954**	$ 18,686,275	$ 457,679

Management’s Discussion and Analysis

June 30, 2018

- Revenue increased $1,789,198, or 18.2%, over FY 2017. The bulk of the increase was $1,558,707 in ticket revenue. Café revenue increased $137,606 from the prior year. Parking lot revenue increased $93,887 as compared to prior year. Advertising and other revenues decreased by $1,002.

- Commuter railroad expenses increased $1,117,153 from $18,033,707 in 2017 to $19,150,860 in 2018, due to a new Amtrak Cost Agreement.

- The State of Maine contributed approximately 18% of non-operating funds received for fiscal year 2018 in the form of federal grant matching requirements for operations and capital projects, as well as bond funds for construction of the Brunswick layover facility. Federal funding received was related to both capital improvements and operations.

- Net capital grant revenue (expenses) increased from the prior year at $(1,439,563) in 2017 to $168,934 in 2018 as a result of the NNEPRA MBTA Doubletrack Project expenditures decreased over 2017. The project was substantially completed in FY 2017.

- NNEPRA is not required to adopt a legal budget. Therefore, no budgetary comparison is presented.

- NNEPRA does not have any long-term debt.

Additional Information:

The Amtrak Downeaster makes five round-trips daily along the 116 mile route between Portland, Maine and Boston, Massachusetts, traveling at speeds of up to 79 mph, with three of those daily round trips extending an additional 28 miles east to provide service to the communities of Freeport and Brunswick. Fiscal year 2018 was the sixteenth full fiscal year of passenger rail operations on the Portland to Boston route since commuter service began December 15, 2001. Amtrak-reported ridership increased from 511,422 passengers in fiscal year 2017 to 551,038 passengers in fiscal year 2018.

Requests for Information

This financial report is intended to provide an overview of the finances of the Northern New England Passenger Rail Authority for those who have an interest in the Authority. Questions concerning any information contained in the report may be directed to me.

Respectfully submitted,

Patricia Quinn
Executive Director

Statement of Net Position

June 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 2,506,174
Grants receivable - federal government	5,182,283
Grants receivable - State of Maine	89,698
Trade receivable	37,856
Construction inventory	65,225
Prepaid expenses and deposits	963,043
	8,844,279
Capital Assets	
Buildings and improvements	10,892,896
Construction in progress	266,764
Heavy equipment	1,545,682
Office equipment	14,650
	12,719,992
Less accumulated depreciation	767,300
	11,952,692
Infrastructure	2,285,672
Land	893,749
	15,132,113
Other Assets	
Restricted cash	1,217,229
Due from State of Maine	297,000
	1,514,229
Total Assets	25,490,621
Deferred Outflows of Resources	355,995
Total Assets and Deferred Outflows of Resources	$ 25,846,616
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable - trade	$ 5,085,087
Accrued vacation	44,594
Other liabilities	86,803
	5,216,484
Non-Current Liabilities	
Net pension liability	813,584
Net other post employment benefits liability	440,703
	1,254,287
Total Liabilities	6,470,771
Deferred Inflows of Resources	231,891
Net Position	
Investment in capital assets	15,132,113
Restricted for future rail construction	1,333,886
Unrestricted	2,677,955
Total Net Position	19,143,954
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 25,846,616

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

Operating Revenue, Not Including State and Federal Assistance	
Ticket revenues	$ 10,178,828
Food service	847,284
Parking lot revenues	593,696
Advertising revenues	4,008
	11,623,816
Operating Expenses	
Commuter railroad	19,150,860
Wages and fringe benefits	559,737
Administration	207,340
Marketing	492,383
Station operations	555,139
Food service	964,761
Depreciation	386,536
Board expenses	17,618
	22,334,374
Operating Loss	(10,710,558)
Non-Operating Income	
U.S. Department of Transportation, Federal Transit Administration grant	8,640,978
State of Maine grants	2,000,000
Other income	341,049
Interest income	17,276
	10,999,303
Income Before Capital Grants	288,745
Capital Grant Revenue (Expense)	
U.S. Department of Transportation, Federal Transit Railroad Administration capital grant	4,922,375
Contributed construction services, in kind	378,278
State of Maine grants	1,020,137
Rail construction expenditures	(3,738,159)
Layover facility	(404,237)
MBTA grant	(1,408,396)
SAIPRC grant	(380,675)
Other grant expenses	(220,389)
	168,934
Change in Net Position	457,679
Net Position, Beginning of Year, As Restated	18,686,275
Net Position, End of Year	$ 19,143,954

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

Year Ended June 30, 2018

Cash flows from operations	
Receipts from operating revenues	$ 11,742,450
Payments to suppliers and vendors	(21,271,974)
Payments to employees	(577,839)
Net cash used in operations	(10,107,363)
Cash flows from non-capital financing activities	
U.S. Department of Transportation, Federal Transit Administration grants	6,852,409
U.S. Department of Federal Transit Railroad Administration grants	6,336,812
State of Maine grants	2,930,782
Net cash provided by non-capital financing activities	16,120,003
Cash flows from capital and related financing activities	
Purchase of capital assets	(197,464)
Net cash used in capital and related financing activities	(197,464)
Cash flows from investing activities	
Payments for rail construction	(6,151,853)
Interest income	17,276
Other income	341,049
Use of restricted cash	32,161
Net cash used in investing activities	(5,761,367)
Net increase in cash and cash equivalents	53,809
Cash and cash equivalents at beginning of year	2,452,365
Cash and cash equivalents at end of year	$ 2,506,174

Reconciliation of operating loss to net cash used in operating activities

Operating loss	$ (10,710,558)
Adjustments not affecting cash	
Depreciation	386,536
Change in operating assets and liabilities	
Decrease in accounts receivable - operating revenues	118,634
Increase in prepaid expenses	(12,636)
Increase in due from State of Maine	(51,000)
Decrease in deferred outflows of resources	13,171
Increase in accounts payable	94,760
Increase in accrued vacation	4,006
Increase in other liabilities	85,003
Decrease in net pension liability	(110,801)
Decrease in net other post-employment benefits liability	(45,537)
Increase in deferred inflows of resources	121,059
Total adjustments	603,195
Net cash used in operating activities	$ (10,107,363)

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2018

NOTE 1 – NATURE OF THE ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Entity

Northern New England Passenger Rail Authority (the Authority) was enacted on June 29, 1995, by the State of Maine Legislature to initiate, establish and maintain regularly scheduled passenger rail service between Portland, Maine and Boston, Massachusetts. During the year ended June 30, 2010, the Authority was approved to begin construction on expanding the service north to Brunswick, Maine, for which service began in November 2012.

These basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in the publication entitled, State and Local Governments. The more significant of the Authority's accounting policies are described below.

Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed all potential component units for which the Authority may be financially accountable and, as such, should be included within the Authority's financial statements. In accordance with GASB Statement No. 14 as amended by GASB Statement No. 61, the Authority is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Authority. Additionally, the Authority is required to consider other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no other entities that should be included as part of these financial statements.

Under these standards, the Authority is considered to be a component unit of the State of Maine.

Basis of Accounting

The proprietary fund type is used by the Authority.

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All ticket revenues are collected and retained by Amtrak in lieu of the monthly payment for the train service in accordance with the operating agreement (Note 10).

Notes to Financial Statements

June 30, 2018

NOTE 1 – NATURE OF THE ENTITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

Revenues are recognized as the goods or services are provided to the customer.

Grants Receivable and Trade Receivable

Management believes that all grants receivable and trade receivable as of June 30, 2018 are fully collectible; therefore, no allowance for doubtful accounts was recorded.

Construction Inventory

Construction inventory consists of rail purchased for future projects and for emergency use. Inventory is stated at the lower of cost or market. The cost is recorded as expenditure at the time of consumption, which is determined to be the point in time when the railroad owner takes possession of the inventory and installs it on the railroad line owner's property.

Capital Assets

Capital assets consist of buildings and improvements, heavy equipment, office equipment and construction in progress. Purchased capital assets are reported at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair value at the date of donation. The Authority maintains a capitalization threshold of $5,000. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. As the rail line is owned by a third party and is not owned by the Authority, any expenses relative to the capital improvements of the rail line are expensed as incurred.

Land has an indefinite life and is not depreciated. Infrastructure, which consists of the layover facility located in Portland, Maine and the tracks associated with the layover facility in Brunswick, Maine, uses the modified approach and is not depreciated. All other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	10 – 40 years
Heavy equipment	5 – 15 years
Office equipment	5 – 10 years

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority's deferred outflows relate to its pension liability and OPEB Liability are disclosed in Note 6 and Note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority's deferred inflows relate to its pension liability and OPEB liability are disclosed in Note 6 and Note 7.

Notes to Financial Statements

June 30, 2018

NOTE 1 – NATURE OF THE ENTITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Cash and Restricted Net Position

Restricted cash and restricted net position are comprised of funds from the State of Maine. The funds are intended to be utilized for capital improvements to the existing passenger rail service from Brunswick to Boston. Accordingly, these funds are not available for operating purposes of the Authority.

Budget

The Authority is not required to adopt a legal budget; therefore, no budgetary comparison is presented.

Concentration

Approximately 60% of the Authority's funding is provided by federal and state capital and operating grants.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Recently Adopted Accounting Pronouncement

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* This statement improves accounting and financial reporting by state and local governments for OPEB. The new statement is effective for periods beginning after June 15, 2017. The adoption of this statement is disclosed in Note 7.

Recent Accounting Pronouncement

In June 2017, GASB issued GASB Statement No. 87, *Leases*. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of the government entity. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the government. Lessors will see some changes too, largely made to align with the revised lease model. This standard is effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of adoption on its financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Authority's deposits consist of checking accounts at TD Bank N.A.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a written deposit policy for custodial credit risk; however, the Authority's practice has been to obtain collateral from the bank to secure its deposits.

As of June 30, 2018, the Authority reported deposits of $3,723,403 with bank balances of $3,964,584. None of the Authority's bank balances was exposed to custodial credit risk as $250,000 is covered by FDIC insurance and the Authority had a letter of credit with the Federal Home Loan Bank of Pittsburgh for up to $4.8 million of deposits.

Notes to Financial Statements

June 30, 2018

NOTE 3 – CAPITAL ASSETS

Capital asset activity is as follows for the year ended June 30, 2018:

	Beginning Balance	Additions (Reductions)	Ending Balance
Capital assets:			
Buildings and improvements	$ 10,892,896		$ 10,892,896
Construction in progress	81,897	$ 184,867	266,764
Heavy equipment	1,533,085	12,597	1,545,682
Office equipment	14,650		14,650
Total capital assets	12,522,528	197,464	12,719,992
Less accumulated depreciation	380,761	386,539	767,300
Total capital assets, net	12,141,767	(189,075)	11,952,692
Infrastructure	2,285,672		2,285,672
Land	893,749		893,749
Totals	$ 15,321,188	$ (189,075)	$ 15,132,113

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	$ 924,385	$ -	$ 110,801	$ 813,584
Net Other Post-retirement Benefits Liability – Group Life Insurance	$ 40,240	$ 7,463	$ -	$ 47,703
Net Other Post-retirement Benefits Liability – Group Health Insurance	$ 216,000	$ 177,000	$ -	$ 393,000

NOTE 5 – CHANGE IN UNRESTRICTED AND RESTRICTED NET POSITION

The components of the change in unrestricted and restricted net position are, as follows:

	Unrestricted	Restricted	Total
Operating revenue	$ 11,623,816		$ 11,623,816
Operating expenses	22,334,374		22,334,374
Operating loss	(10,710,558)		(10,710,558)
Non-operating income	10,993,808	$ 5,495	10,999,303
Income before capital grants	283,250	5,495	288,745
Capital grant revenue (expense)			
U.S. Department of Transportation, Federal Transit Administration Grant	4,922,375		4,922,375
Contributed construction services, in kind	378,278		378,278
State of Maine grants	1,020,137		1,020,137
Rail construction expenditures	(3,664,772)	(73,387)	(3,738,159)
Layover facility	(404,237)		(404,237)
MBTA grant	(1,408,396)		(1,408,396)
SAIPRC grant	(380,675)		(380,675)
Other grant expenses	(220,389)		(220,389)
	242,321	(73,387)	168,934
Change in net position	$ 525,571	$ (67,892)	$ 457,679

Notes to Financial Statements

June 30, 2018

NOTE 6 – RETIREMENT PLAN

Plan Description

The Authority contributes to the Maine Public Employees Retirement System, as part of the State Employee and Teacher Plan (the Plan), which is a cost sharing multiple employer defined benefit pension plan. The Plan was established as the administrator of a public employee retirement system under the Laws of the State of Maine. All full-time employees of the Authority are eligible to participate in the Plan. The Plan covers 236 participating employers.

Employee membership data related to the Plan, as of June 30, 2017 was, as follows:

Current participants: Vested and non-vested	39,836
Terminated participants: Vested	8,010
Terminated participants: Inactive due refunds	38,463
Retirees and beneficiaries receiving benefits	34,870
	121,179

Benefit terms are established by Maine statute. The Plan's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The Plan also provides disability and death benefits, which are established by statute for State employee members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the Plan's Board of Trustees and is currently 2.45%.

For the year ended June 30, 2018, the Authority's total payroll for all employees was $512,596. Total covered payroll was also $512,596. Covered payroll refers to all compensation paid by the Authority to active employees covered by the Plan.

Contributions

The contribution requirements of Plan members are defined by law or the Plan's Board. Employees of the Authority contribute up to 5% of covered compensation in relation to their employment status. The contributions are deducted from the employee’s wages or salary and remitted by the Authority to the Plan on a monthly basis. Employer contribution rates are determined through actuarial valuations. The Authority's required contribution rate for the year ended June 30, 2018 was 26% percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contributions to the Plan for the year ended June 30, 2018 were $132,906.

Notes to Financial Statements

June 30, 2018

NOTE 6 – RETIREMENT PLAN – CONTINUED

At June 30, 2018, the Authority reported a liability of $813,584 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017 and June 30, 2016, the Authority's proportion was 0.071% and 0.069%, respectively.

For the year ended June 30, 2018, the Authority recognized pension expense of $91,812. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 21,106	
Changes of assumptions	23,451	
Net difference between projected and actual earnings on Plan investments	143,024	$ 152,195
Changes in proportion and differences between contributions and proportionate share of contributions	20,050	9,620
Contributions subsequent to the measurement date	132,906	
Total	$ 340,537	$ 161,815

The $132,906 of deferred outflows of resources, resulting from the Authority’s contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense, as follows:

Years ending June 30,	
2019	$ 25,433
2020	44,948
2021	3,116
2022	(27,681)
Total	$ 45,816

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% per annum
Salary increases	2.75%-14.50%% per year
Investment rate of return	6.875% per annum, compounded annually

Mortality rates were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

Notes to Financial Statements

June 30, 2018

NOTE 6 – RETIREMENT PLAN – CONTINUED

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0 %
Private equities	15.0	7.6 %
Real estate	10.0	5.2 %
Infrastructure	10.0	5.3 %
Diversifiers	10.0	5.9 %
U.S. government	7.5	2.3 %
Traditional credit	7.5	3.0 %
National resources	5.0	5.0 %
Alternative credit	5.0	4.2 %
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.875% percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875%) or 1-percentage-point higher (7.875%) than the current rate:

	Discount rate	**Authority's proportionate share of net pension liability**
1% decrease	5.875%	$ 1,213,691
Current discount rate	6.875%	$ 813,584
1% increase	7.875%	$ 485,776

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

Notes to Financial Statements

June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The Authority has two OPEB plans which employees participate in for which separate disclosure information is provided below.

State Employee and Teacher Plan – Retiree Group Life Insurance

General Information

Plan description. Employees of the Authority are provided with OPEB through the State Employee and Teacher Plan – Retiree Group Life Insurance (SET Plan) which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). State of Maine Statutes grants the authority to establish and amend the benefit terms to the MPERS Board of Trustees. MPERS issues a publicly available financial report that can be obtained at www.mainepers.org.

Benefits provided. The SET Plan provides basic group life insurance benefits, during retirement, to retirees who participated in the SET Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retirees' average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or $2,500.

Contributions. Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance coverage for retired state employees are paid by the State as the total dollar amount of each year's annual required contribution. Contributions to the SET Plan from the Authority was $4,346 for the year ended June 30, 2018.

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

At June 30, 2018, the Authority reported a liability of $47,703 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the collective net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating SET Plan employers, actuarially determined. At June 30, 2017, the Authority proportion was 0.0785 percent, which was an increase of 0.079 from its proportion measured as of June 30, 2016 (0.0706 percent).

For the year ended June 30, 2018, the Authority recognized OPEB expense of $4,264. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings on OPEB plan investments		$ 1,076
Changes in proportion and differences between premiums and proportionate share of premiums	$ 4,112	
Contributions subsequent to the measurement date	4,346	
Total	$ 8,458	$ 1,076

Notes to Financial Statements

June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

Of the total amount reported as deferred outflows of resources related to OPEB, $4,346 resulting from Authority contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Authority's OPEB expense, as follows:

Year ended June 30,	
2019	$ 416
2020	416
2021	416
2022	416
2023	685
Thereafter	687
Total	$ 3,036

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75%-8.75% including inflation
Investment rate of return	6.875% per annum, compounded annually
Healthcare cost trend rates	Not applicable to the group life insurance plan

For the SET Plan, for active members and non-disabled retirees of the Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disable Annuitant Mortality Table, for males and females, is used. These tables are adjusted by percentages ranging from 104% to 120% based on actuarially determined demographic differences.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equities	70%	6.0%
Traditional credit	16%	3.0%
US Government securities	9%	2.3%
Real estate	5%	5.2%
Total	100%	

Notes to Financial Statements

June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

The discount rate used to measure the collective total OPEB liability was 6.875% for 2017 for the SET Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SET Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Authority's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the Authority's proportionate share of the collective net OPEB liability, as well as what the Authority's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875 percent) or 1-percentage-point higher (7.875 percent) than the current discount rate:

	1% Decrease (5.875%)	Discount Rate (6.875%)	1% Increase (7.875%)
Authority's proportionate share of the collective net OPEB liability	$ 57,896	$ 47,703	$ 39,374

State Employee Group Health Insurance Plan

General Information

Plan description. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The plan is authorized by Title 5 MRSA § 285 and the State Employee Health Commission establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan are periodically computed using statistical techniques to establish premium rates.

The OPEB plan, the Ancillary Group Plan (AGP), is an agent-multiple employer plan sponsored and administered by the State. AGP provides OPEB for employees of Maine Educational Center for the Deaf and Hard of Hearing and Northern New England Passenger Rail Authority. APG does not issue a separate financial report for its OPEB as the Authority does not fund an OPEB plan and operates on a pay-as-you-go basis. Employers fund their own benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided. Employers pay 100 percent of postretirement health insurance premiums for retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-sponsored employer funded Companion Plan.

Notes to Financial Statements

June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

Plan Membership. At June 30, 2018, the following were covered by the benefit terms:

	Maine Educational Center for the Deaf and Hard of Hearing	Northern New England Passenger Rail Authority
Inactive employees or beneficiaries currently receiving benefit payments	33	2
Active employees	77	7
	110	9

Total OPEB Liability

The Authority's total OPEB liability of $393,000 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

General inflation of 2.75% was used along with an aggregate payroll increase of 3.00%. Merit payroll increases, mortality, termination, disability and retirement assumptions relied on the System's June 30, 2012 through June 30, 2015's experience study. Mortality rates were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table for Males or Females. The mortality improvement scale MP-2015 was modified to converge to an ultimate rate of 0.85 percent for ages 20 to 85 grading down to 0.00 percent for ages 111 to 120 with convergence to the ultimate rate in 2020.

The discount rate was based on the Bond Buyer 20 – Bond General Obligation Index. The discount rate was 3.58% as of the measurement date, June 30, 2017.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study, conducted by the Maine Public Employees Retirement System, for the period July 1, 2012 through June 30, 2015.

The AGP is allocated to governmental and proprietary funds based on employer contributions. The majority of governmental costs are borne by the general fund.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 446,000
Changes for the year:	
Service cost	22,000
Interest	13,000
Changes in benefit terms	
Differences between expected and actual experience	(20,000)
Changes in assumptions or other inputs	(58,000)
Benefit payments	(10,000)
Net changes	(53,000)
Balance at June, 2018	$ 393,000

Notes to Financial Statements

June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

Changes of assumptions reflect a decrease of $58,000 and differences between expected and actual experience reflect a decrease of $20,000.

Changes in assumptions or other inputs reflect a change in the discount rate from 2.85% in 2017 to 3.58% in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate.
The following table shows how the total OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for the Ancillary Group Healthcare OPEB Plan is 3.58%.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	$ 475,000	$ 393,000	$ 329,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.
The following table shows how the total OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 6.6% decreasing to 4.3%.

	1% Decrease (5.6% decreasing to 3.3%)	Healthcare Cost Trend Rates (6.6% decreasing to 4.3%)	1% Increase (7.6% decreasing to 5.3%)
Authority's proportionate share of the collective net OPEB liability	$ 316,000	$ 393,000	$ 498,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expense of $9,000. Deferred outflows of resources of $7,000 relate to employer contributions that were made subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 18,000
Changes of assumptions		51,000
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Authority contributions subsequent to the measurement date	$ 7,000	
Total	$ 7,000	$ 69,000

Notes to Financial Statements

June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	$	(9,000)
2020		(9,000)
2021		(9,000)
2022		(9,000)
2023		(9,000)
Thereafter		(24,000
Total	$	(69,000)

NOTE 8 – OPERATING LEASES

The Authority entered into an agreement to lease office space through June 30, 2020. The terms of the lease require monthly lease payments, including common area maintenance and taxes.

The Authority entered into a lease for parking at a park and ride lot owned by the MDOT, at no cost, through January 15, 2022. The Authority is currently renting facilities from Concord Coach Lines on a month by month basis while it negotiates final terms of its terminal facility and grounds leases. The approximate monthly cost is $31,480.

Rent expense for the year ended June 30, 2018 was $467,357.

Future minimum lease commitments as of June 30 are, as follows:

2019	$	51,744
2020		52,344
Total	$	104,088

NOTE 9 – NONMONETARY TRANSACTIONS

During the year ended June 30, 2018 the Authority received the benefit of in-kind construction services in the amount of $378,279 for the NNEPRA MBTA Haverhill Doubletrack Project. Accordingly, these amounts have been recorded as both revenue and an expense during for the fiscal year.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Amtrak

The Authority, along with National Railroad Passenger Corporation ("Amtrak"), negotiated a contract with Boston and Maine Corporation, Portland Terminal Company, Springfield Terminal Railway Company and Pan Am Railways (collectively referred to as the “Railroad”), with respect to (a) the rehabilitation of the Railroad's rail line between Plaistow, New Hampshire and Portland, Maine, and (b) the terms and conditions under which Amtrak will operate passenger rail service over that rail line.

Notes to Financial Statements

June 30, 2018

NOTE 10 – COMMITMENTS AND CONTINGENCIES – CONTINUED

The operating agreement with Amtrak is for a period of 20 years, commencing December 2001. The first three years of the operating agreement contained a provision that capped the cost of the services. Each year thereafter, the contract cost is negotiated between the Authority and Amtrak. The agreement provides that the Authority will fund the operating deficit of the rail service. Total payments to Amtrak under this operating agreement were $7,118,738 for the year ended June 30, 2018.

Railroad Maintenance Agreements (Railroad refers to Boston and Maine Corporation, Portland Terminal Company, Springfield Terminal Railway Company and Pan Am Railways)

Amtrak has an agreement with the Railroad, for general maintenance. General maintenance is based on maintaining the condition of the track at an acceptable level for passenger rail service and is charged at an annually adjusted flat rate per car mile. This portion of the agreement is billed by the Railroad to Amtrak and is reimbursed by the Authority to Amtrak as part of the funding agreement between the Authority and Amtrak.

The Authority has an agreement with the Railroad for capital maintenance. Capital maintenance is based on an annual capital plan agreed upon by the Authority and the Railroad. This portion of the agreement is billed by the Railroad to the Authority. The agreement is adjusted annually for inflation based on an index provided by the American Association of Public Railroads and averages approximately $763,000 per year. As of June 30, 2018, the commitment for capital maintenance services to be performed by Pan Am Railways resulting from prior years and 2018 agreements was $786,979.

NOTE 11 – RESTATEMENT

Beginning net position was reduced by $256,240 as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018.

Net position at July 1, 2017 was restated as follows:

	Governmental Activities
Net position as previously reported	$ 18,942,515
GASB No. 75 - Life Insurance	(40,240)
GASB No. 75 - Healthcare	(216,000)
Net position, as restated	$ 18,686,275

Schedule of Infrastructure

June 30, 2018

Infrastructure consists of land work, paving, concrete and an irrigation system located at the Authority's layover facility in Portland, Maine, and tracks located at the Authority's layover facility in Brunswick, Maine.

Condition assessment - Portland **Perfect condition**

Portland infrastructure was placed in service in December 2001. Historical information regarding the estimated annual cost to maintain and preserve the infrastructure for the past five years at a condition level of good or better is not available, however, the Authority estimates that the annual cost is less than $6,000 per year.

Condition assessment - Brunswick **Perfect condition**

Brunswick infrastructure was placed in service in November 2016. Historical information regarding the estimated annual cost to maintain and preserve the infrastructure at a condition level of good or better is not available, however, the Authority estimates that the annual cost is less than $32,000 per year.

Note: The condition of infrastructure is based on requirements established by Amtrak and the Federal Railroad Administration to be in compliance with federal transportation standards of safety. The different classifications of the condition of infrastructure are as follows: perfect condition, good or better condition, fair condition and substandard condition. It is the policy of the Authority to maintain the infrastructure at a good or better condition level. Condition assessments are determined every year.

Schedule of Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System

June 30, 2018

Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.071%	$ 813,584	$ 512,596	159%	80.78%
June 30, 2017	0.069%	$ 924,385	$ 469,031	197%	76.21%
June 30, 2016	0.072%	$ 732,631	$ 434,790	169%	81.18%
June 30, 2015	0.072%	$ 652,453	$ 430,393	152%	84.04%

Schedule of Contributions
Maine Public Employees Retirement System

June 30, 2017

Year Ended	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as as a Percentage of Covered Employee Payroll
June 30, 2018	$ 132,906	$ 132,906	$ -	$ 512,596	25.93%
June 30, 2017	$ 116,329	$ 116,329	$ -	$ 469,031	24.80%
June 30, 2016	$ 108,570	$ 108,570	$ -	$ 434,790	24.97%
June 30, 2015	$ 89,704	$ 89,704	$ -	$ 430,393	20.84%

This schedule is presented to illustrate requirements to show information for 10 years. However, until a full 10 year tend is completed, the Authority presents information for those years of which information is available.

Schedule of Changes in Total OPEB Liability and Related Ratios - State Employee Group Health Insurance Plan

	June 30, 2018
Total OPEB liability	
Service cost	22,000
Interest	13,000
Changes in benefit terms	
Differences between expected and actual experience	(20,000)
Changes of assumptions or other inputs	(58,000)
Benefit payments	(10,000)
Net change in total OPEB liability	(53,000)
Total OPEB liability - beginning	446,000
Total OPEB liability - ending	393,000
Covered - employee payroll	465,000
Total OPEB liability as a percentage of Covered - employee payroll	84.5%

Notes to schedule:

Changes of benefit terms: Amount presented no increase in the retires' share of health premiums.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

June 30, 2018
3.58%

In 2018, amounts reflect a 0.2 percentage-point decrease in the healthcare cost trend rates from the prior year.

This schedule is presented to illustrate requirements to show information for 10 years. However, until a full 10 year tend is completed, the Authority presents information for those years of which information is available.

Schedule of Proportionate Share of total OPEB Liability - Group Life Insurance Plan
Maine Public Employees Retirement System

June 30, 2018

Group Life Insurance - SET Plan

Year Ended	Authority's Proportion of the Collective Net OPEB Liability	Authority's Proportionate Share of the Collective Net OPEB Liability	State's Proportionate Share of the Collective Net OPEB Liability	Total Collective Net OPEB Liability	Authority's Covered Payroll	Authority's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2018	0%	$ 47,703	$ -	$ 47,703	$ 629,051	7.58%	47.29%

Schedule of the Authority's Contributions
Maine Public Employees Retirement System

Group Life Insurance - SET Plan

Year Ended	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Authority's Covered Payroll	Contributions as as a Percentage of Covered Payroll
June 30, 2018	$ -	$ 4,346	$ -	$ 629,051	0.69%

This schedule is presented to illustrate requirements to show information for 10 years. However, until a full 10 year tend is completed, the Authority presents information for those years of which information is available.

30 Long Creek Drive | South Portland, Maine 04106-2437
Phone 207.774.5701 | Fax 207.774.7835

Independent Auditors' Report on Additional Information

Board of Directors
Northern New England Passenger Rail Authority
Portland, Maine

We have audited the financial statements of Northern New England Passenger Rail Authority as of and for the year ended June 30, 2018, and our report thereon dated November 8, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 – 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule, on page 30, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

South Portland, Maine
November 8, 2018

Schedule of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position: Total
Governmental Activities:					
Business type activity:					
Operation and maintenance of passenger rail service	$ 28,486,230	$ 11,623,816	$ 10,640,978	$ 6,320,790	$ 99,354
General Revenues:					
Interest and investment earnings					17,276
Other revenue					341,049
Total General Revenues					358,325
Change in Net Position					457,679
Net Position, Beginning of Year, As Restated					18,686,275
Net Position, End of Year					$ 19,143,954