

Northern New England Passenger Rail Authority

Financial Statements

Year Ended June 30, 2020



WIPFLI

Independent Auditor's 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 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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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; 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.

Auditor's 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 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 auditor's judgment, including the assessment 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 respective financial position of Northern New England Passenger Rail Authority, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 7, the Schedule of Infrastructure on page 31, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions, both on page 32, the Schedule of Change in Total OPEB Liability and Related Ratios - State Employee Group Health Insurance Plan on page 33, and the Schedule of Proportionate Share of Total OPEB Liability and Schedule of Contributions - Group Life Insurance Plan, both on page 34, 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, 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, October 28, 2020, on our consideration of the 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 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 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 Authority's internal control over financial reporting and compliance.



Wipfli LLP
South Portland, Maine
October 28, 2020

Northern New England Passenger Rail Authority

Management Discussion and Analysis

The management of Northern New England Passenger Authority (NNEPRA) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2020.

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.

Northern New England Passenger Rail Authority

Management Discussion and Analysis

Financial Highlights

<i>The following is a condensed comparative analysis of the Statement of Net Position as of June 30:</i>		2020	Restated 2019	Increase (Decrease)
Assets				
Cash and Cash equivalents	\$	1,144,366	\$ 1,225,458	\$ (81,092)
Grants Receivable - Federal Government		2,709,112	1,940,488	768,624
Grants Receivable - State of Maine		-	65,909	(65,909)
Trade Receivable		89,970	11,143	78,827
Construction Inventory		65,225	65,225	-
Prepaid Expenses and Deposits		98,670	52,617	46,053
Capital Assets, net of Accumulated Depreciation		14,346,412	14,738,241	(391,829)
Restricted Cash		948,405	955,143	(6,738)
Due from State of Maine		455,658	377,761	77,897
Total Assets		19,857,818	19,431,985	425,833
Deferred Outflows of Resources		514,480	298,620	215,860
Total Assets and Deferred Outflows of Resources	\$	20,372,298	\$ 19,730,605	\$ 641,693
Liabilities				
Accounts Payable	\$	2,694,419	\$ 1,726,877	\$ 967,542
Accrued Vacation		44,594	44,594	-
Net Pension Liability		1,061,575	826,953	234,622
Net Other Post-Employment Benefits Liability		547,100	450,492	96,608
Total Liabilities		4,347,688	3,048,916	1,298,772
Deferred inflows of resources		176,845	154,259	22,586
Net Position				
Investment in Capital Assets		14,346,412	14,738,241	(391,829)
Restricted for Future Rail Construction		1,302,048	1,302,048	-
Unrestricted		199,305	487,141	(287,836)
Total Net Position		15,847,765	16,527,430	(679,665)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	20,372,298	\$ 19,730,605	\$ 641,693

Northern New England Passenger Rail Authority

Management Discussion and Analysis

Assets and deferred outflows of resources of \$20,372,298 exceeded liabilities and deferred inflows of resources of \$4,524,533 by \$15,847,765 (net position) at the close of fiscal year 2020. Of these assets, \$1,302,048 is restricted cash for future rail improvements and \$14,346,412 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 cash equivalents decreased \$(81,092) from \$1,225,458 to \$1,144,366, at June 30, 2020, while restricted cash decreased \$(6,738) from \$955,143 to \$948,405 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 \$768,624 from \$1,940,488 at June 30, 2019 to \$2,709,112 at June 30, 2020. The increase is attributed to the timing of rail construction improvement projects and the timing of billing and collection of grants receivable.
- Construction Inventory had no change from the previous year as no rail was allocated to any tie replacement projects.
- Total Liabilities increased \$1,298,772 from \$3,048,916 at the close of fiscal year 2019 to \$4,347,688 at the close of 2020 primarily due to increases related to the timing of payments of accounts payable.

Northern New England Passenger Rail Authority

Management Discussion and Analysis

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

	2020	Restated 2019	Increase (Decrease)
Operating Revenue	\$ 8,619,758	\$ 11,712,285	\$ (3,092,527)
Operating Expenses			
Commuter Railroad	16,683,287	19,602,667	(2,919,380)
Wages and Fringe Benefits	847,179	585,586	261,593
Marketing	436,418	517,123	(80,705)
Station Operations	297,262	556,272	(259,010)
Food Service	813,587	1,005,121	(191,534)
All Other Expenses	829,139	619,152	209,987
Total Operating Expenses	19,906,872	22,885,921	(2,979,049)
Operating Loss	(11,287,114)	(11,173,636)	(113,478)
Non-Operating Income	13,981,423	7,396,257	6,585,166
Income (Loss) Before Capital Grants	2,694,309	(3,777,379)	6,471,688
Capital Grant Revenue (Expense)			
U.S. Department of Transportation, Federal Transit Railroad			
Administration Capital Grant	3,049,136	7,446,154	(4,397,018)
Contributed Construction Services, in Kind	118,601	483,820	(365,219)
State of Maine Grants	-	259,148	(259,148)
Rail Construction Expenditures	(5,234,069)	(5,614,935)	380,866
Layover Facility	(40,631)	(108,983)	68,352
SAIPRC Grant	(1,263,550)	(1,274,686)	11,136
Other Grant Expenses	(3,461)	(313,911)	310,450
	(3,373,974)	876,607	(4,250,581)
Change in Net Position	(679,665)	(2,900,772)	2,221,107
Net Position, Beginning of Year, Restated	16,527,430	19,428,202	(2,900,772)
Net Position, End of Year	\$ 15,847,765	\$ 16,527,430	\$ (679,665)

See accompanying notes to financial statements.

Northern New England Passenger Rail Authority

Management Discussion and Analysis

June 30, 2020

- Revenue decreased \$(3,092,527), or (26.4)%, over FY 2019. The bulk of the decrease was \$(2,750,292) in ticket revenue. Café revenue decreased \$(227,799) from the prior year. Parking lot revenue decreased \$(118,313) as compared to prior year. All revenue sources decreased due to a decline in demand for passenger train service in March 2020 because of COVID-19.
- Commuter railroad expenses decreased \$(2,919,380) from \$19,602,667 in 2019 to \$16,683,285 in 2020 due to a decline in demand for passenger train service in March 2020 because of COVID-19.
- Net capital grant revenue (expenses) decreased from the prior year at \$876,607 in 2019 to \$(3,373,974) in 2020 as a result of the timing of capital projects from 2020 compared to 2019.
- 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 a 143 mile corridor between Brunswick, ME and Boston, MA, traveling at speeds up to 79 mph, and serving 12 communities in between. Fiscal year 2020 was the eighteenth full fiscal year with passenger service between Portland and Boston. Partial service to Freeport and Brunswick was introduced in FY2013 and was fully implemented during FY2019. Amtrak reported ridership decreased from 547,293 passengers in fiscal year 2019 to 412,718 passengers in fiscal year 2020. The decrease was due to a halt in passenger train service in March 2020 because of COVID-19.

Impact of COVID-19

After a sharp decline in Downeaster ridership beginning in mid-March and restrictions on travel, the difficult decision to temporarily suspend Downeaster operations was made by the NNEPRA Board on April 10 and implemented on April 13.

Gradual return of service is anticipated and dependent upon state and federal requirements. The NNEPRA Board met on June 8 and approved Phase I of the Downeaster Service Restoration and Recovery Plan; reinstating one daily round trip between Brunswick and Boston daily.

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

Northern New England Passenger Rail Authority

Statement of Net Position

As of June 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,144,366
Grants Receivable - Federal Government	2,709,112
Trade Receivable	89,970
Construction Inventory	65,225
Prepaid Expenses and Deposits	98,670
	<u>4,107,343</u>

Capital Assets

Buildings and Improvements	10,855,216
Heavy Equipment	1,812,446
Office Equipment	14,650
	<u>12,682,312</u>
Less Accumulated Depreciation	<u>(1,515,322)</u>
	11,166,990
Infrastructure Assets	2,285,672
Land	893,750
	<u>14,346,412</u>

Other Assets

Restricted Cash	948,405
Due from State of Maine	455,658
	<u>1,404,063</u>

Total Assets	<u>19,857,818</u>
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Deferred Outflows of Resources	<u>514,480</u>
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Total Assets and Deferred Outflows of Resources	<u>\$ 20,372,298</u>
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See accompanying notes to financial statements.

Northern New England Passenger Rail Authority

Statement of Net Position

As of June 30, 2020

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 2,694,419
Accrued Vacation	44,594
	<u>2,739,013</u>

Non-Current Liabilities

Net Pension Liability	1,061,575
Net Other Post-Employment Benefits Liability	547,100
	<u>1,608,675</u>

Total Liabilities	<u>4,347,688</u>
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Deferred Inflows of Resources	<u>176,845</u>
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Net Position

Investment in Capital Assets	14,346,412
Restricted for Future Rail Construction	1,302,048
Unrestricted	199,305

Total Net Position	<u>15,847,765</u>
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Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 20,372,298</u>
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See accompanying notes to financial statements.

Northern New England Passenger Rail Authority

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2020

Operating Revenue, Not Including State and Federal Assistance

Ticket Revenues	\$ 7,530,408
Food Service	648,664
Parking Lot Revenues	435,286
Advertising Revenues	5,400
	8,619,758

Operating Expenses

Commuter Railroad	16,683,287
Wages and Fringe Benefits	847,179
Administration	409,430
Marketing	436,418
Station Operations	297,262
Food Service	813,587
Depreciation	391,832
Other	9,150
Board Expenses	18,727
	19,906,872

Operating Loss (11,287,114)

Non-Operating Income

U.S. Department of Transportation, Federal Transit Administration Grant	13,600,431
Other Income	368,064
Interest Income	12,928
	13,981,423

Income Before Capital Grants 2,694,309

Capital Grant Revenue (Expense)

U.S. Department of Transportation, Federal Transit Railroad Administration Capital Grant	3,049,136
Contributed Construction services, in kind	118,601
Rail Construction Expenditures	(5,234,069)
Layover Facility	(40,631)
SAIPRC Grant	(1,263,550)
Other Grant Expenses	(3,461)
	(3,373,974)

Change in Net Position (679,665)

Net Position, Beginning of Year, Restated 16,527,430

Net Position, End of Year \$ 15,847,765

See accompanying notes to financial statements.

Northern New England Passenger Rail Authority

Statement of Cash Flows

Year Ended June 30, 2020

Cash Flows from Operations

Receipts from Operating Revenues	\$ 8,540,931
Payments to Suppliers and Vendors	(17,824,267)
Payments to Employees	(709,223)

Net Cash Used in Operations	(9,992,559)
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Cash Flows from Non-Capital Financing Activities

U.S. Department of Transportation, Federal Transit Administration Grant	13,450,554
U.S. Department of Federal Transit Railroad Administration Grants	2,430,383
State of Maine Grants	65,909

Net Cash Provided by Non-Capital Financing Activities	15,946,846
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Cash Flows from Capital and Related Financing Activities

Purchase of Capital Assets	-
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Net Cash Used in Capital and Related Financing Activities	-
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Cash Flows from Investing Activities

Payments for Rail Construction	(6,423,110)
Interest Income	12,928
Other Income	368,065
Use of Restricted Cash	6,738

Net Cash Used in Investing Activities	(6,035,379)
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Net Decrease in Cash and Cash Equivalents	(81,092)
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Cash and Cash Equivalents at Beginning of Year	1,225,458
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Cash and Cash Equivalents at End of Year	\$ 1,144,366
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See reconciliation of operating loss to net cash used in operating activities on next page.

Northern New England Passenger Rail Authority

Statement of Cash Flows

Year Ended June 30, 2020

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss	\$ (11,287,114)
Adjustments not Affecting Cash	
Depreciation	391,832
Change in Operating Assets and Liabilities	
Increase in Accounts Receivable - Operating Revenues	(78,825)
Increase in Prepaid Expenses	(46,053)
Increase in Due from State of Maine	(77,897)
Increase in Deferred Outflows of Resources	(215,860)
Increase in Accounts Payable	967,542
Increase in Net Pension Liability	234,622
Increase in Net Other Post-Employment Benefits Liability	96,608
Increase in Deferred Inflows of Resources	22,586
Total Adjustments	1,294,555
Net Cash Used in Operating Activities	\$ (9,992,559)

See accompanying notes to financial statements.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 1: Nature of the Entity and Summary of 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.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 1: Nature of the Entity and Summary of Significant Accounting Policies (Continued)

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).

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, 2020 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 an 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.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 1: Nature of the Entity and Summary of Significant Accounting Policies (Continued)

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.

Restricted Cash and Restricted Net Position

Restricted cash and restricted net position are comprised of funds from the State of the 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.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 1: Nature of the Entity and Summary of Significant Accounting Policies (Continued)

Concentration

Approximately 60%-70% 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.

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 June 15, 2021. 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, 2020, the Authority reported deposits of \$2,092,771 with bank balances of \$2,450,229. None of the Authority's bank balances were exposed to custodial credit risk as \$250,000 is covered by FDIC insurance for combined time and savings accounts, as well as another \$250,000 for combined demand deposit accounts at each financial institution. The Authority had a letter of credit with the Federal Home Loan Bank of Pittsburgh for up to \$2.25 million of deposits.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 3: CAPITAL ASSETS

Capital asset activity is as follows for the year ended June 30, 2020:

	Beginning Balance	Additions (Reductions)	Ending Balance
Capital assets:			
Buildings and Improvements	\$ 10,892,896	\$ (37,680)	\$ 10,855,216
Heavy Equipment	1,812,446		1,812,446
Office Equipment	14,650		14,650
Total capital assets	12,719,992	(37,680)	12,682,312
Less Accumulated Depreciation	(1,161,170)	(354,152)	(1,515,322)
Total capital assets, net	11,558,822	(391,832)	11,166,990
Infrastructure	2,285,672		2,285,672
Land	893,749		893,750
Totals	\$ 14,738,243	\$ (391,831)	\$ 14,346,412

Note 4: CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 826,953	\$ 234,622	\$ -	\$ 1,061,575
Net Other Post-Retirement Benefits Liability - Group Life Insurance	\$ 49,492	\$ 17,608	\$ -	\$ 67,100
Net Other Post-Retirement Benefits Liability - Group Health Insurance	\$ 401,000	\$ 79,000	\$ -	\$ 480,000

Northern New England Passenger Rail Authority

Notes to Financial Statements

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	\$ 8,619,758	\$ -	\$ 8,619,758
Operating Expenses	19,906,872	-	19,906,872
Operating Loss	(11,287,114)	-	(11,287,114)
Non-Operating Income	13,981,423	-	13,981,423
Income (Loss) Before Capital Grants	2,694,309	-	2,694,309
Capital grant revenue (expense)			
U.S. Department of Transportation, Federal Transit			
Railroad Administration Capital Grant	3,049,136	-	3,049,136
Contributed Construction Services, in Kind	118,601	-	118,601
Rail Construction Expenditures	(5,234,069)	-	(5,234,069)
Layover Facility	(40,631)	-	(40,631)
SAIPRC Grant	(1,263,550)	-	(1,263,550)
Other Grant Expenses	(3,461)	-	(3,461)
	(3,373,974)	-	(3,373,974)
Change in Net Position	(679,665)	-	(679,665)
Add back: Depreciation	391,829	-	(679,665)
Change in Net Position - Unrestricted	\$ (287,836)	\$ -	\$ (287,836)

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 307 participating employers.

Employee membership data related to the Plan, as of June 30, 2019 is, as follows:

Current Participants: Vested and non-vested	39,876
Terminated participants: Vested	8,188
Disabled Members	1,574
Terminated participants: Inactive due refunds	38,640
Retirees and beneficiaries receiving benefits	<u>34,897</u>
	<u>123,175</u>

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 6: RETIREMENT PLAN (Continued)

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 the 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 2.69%.

For the year ended June 30, 2020, the Authority's total payroll for all employees was \$844,932. Total covered payroll was also \$844,932. Covered payroll refers to all compensation paid by the Authority to active employees covered by the Plan.

Contributions

The contribution requirements of the 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 contributions rates are determined through actuarial valuations. The Authority's required contribution rate for the year ended June 30, 2020 was 21.98% 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 an unfunded accrued liability. The Authority's contributions to the Plan for the year ended June 30, 2020 were \$185,716.

At June 30, 2020, the Authority reported a liability of \$1,061,575 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 and June 30, 2018, the Authority's proportion was 0.102% and 0.079%, respectively.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 6: RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the Authority recognized pension expense of \$309,560. At June 30, 2020, the Authority reported deferred outflows 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	\$ 37,057	
Changes of assumptions	21,883	
Net difference between projected and actual earnings on Plan investments	-	\$106,110
Changes in proportion and differences between contributions and proportionate share of contributions	190,668	-
Contributions subsequent to the measurement date	185,716	
Total	\$435,324	\$106,110

The \$185,716 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, 2021. 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,	
2021	\$ 130,654
2022	36,453
2023	(23,795)
2024	186
Total	\$ 143,498

Actuarial Assumptions

The total pension liability in the June 30, 2019 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%-9.00% per year
Investment rate of return	6.75% 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, 2019 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

Northern New England Passenger Rail Authority

Notes to Financial Statements

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	7.50	2.3%
Traditional credit	7.50	3.0%
National resources	5.00	5.0%
Alternative credit	<u>5.00</u>	4.2%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 6: RETIREMENT PLAN (Continued)

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 6.75%, 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 (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	Discount rate	Authority's proportionate share of net pension liability
1% decrease	5.75%	\$ 1,283,777
Current discount rate	6.75%	\$ 1,061,575
1% increase	7.75%	\$ 286,016

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.

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 - 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.maineopers.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 totaled \$8,708 for the year ended June 30, 2020.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

At June 30, 2020, the Authority reported a liability of \$67,100 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, 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, 2019, the Authority proportion was 0.1029 percent, which was an increase of 0.0252% from its proportion measured as of June 30, 2018 was 0.0777 percent.

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$5,884. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 979	
Changes of assumptions	1,133	
Net difference between projected and actual earnings on OPEB plan investments		\$1,167
Changes in proportion and differences between premiums and proportionate share of premiums	17,336	568
Contributions subsequent to the measurement date	<u>8,708</u>	
Total	<u>\$ 28,156</u>	<u>\$1,735</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$8,708 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, 2021. 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,	
2021	3,190
2022	3,190-
2022	3,543
2023	3,691
2024	<u>4,099</u>
Total	<u>\$17,713</u>

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%-8.75% including inflation
Investment rate of return	6.75% 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 Disabled 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, 2018 valuation were based on the results of a 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 returns (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	15%	3.0%
U.S. Government securities	10%	2.3%
Real Estate	5%	5.2%
Total	100%	

The discount rate used to measure the collective total OPEB liability was 6.75% for 2019 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 require 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.

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the Authority's proportionate share of the collective OPEB liability to changes in the discount rate. The following represents 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 (5.75%) or 1 percentage-point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the collective net OPEB liability	\$81,574	\$67,164	\$55,365

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 retire 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 as 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 year 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.

Plan Membership. At June 30,19, 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	38	1
Active employees	<u>81</u>	<u>11</u>
	<u>119</u>	<u>12</u>

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Total OPEB Liability

The Authority's total OPEB liability of \$480,000 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 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 experience study. Mortality rates were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table for Males and 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 3.50% as of the measurement date, June 30, 2019.

The actuarial assumptions used in the June 30, 2019 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 State of Maine general fund.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$401,000
Changes for the year	
Service cost	20,000
Interest	16,000
Changes in assumptions- Discount Rate	34,000
Differences between expected and actual experience	15,000
Changes in assumptions or other inputs	1,000
Employer contributions	(7,000)
Net Changes	79,000
Balance at June 30, 2020	\$480,000

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in assumptions or other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.50% in 2019.

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 3.50%.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$588,000	\$480,000	\$395,000

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 6.2% decreasing to 4.3%.

	1% Decrease (7.20% decreasing to 5.29%)	Healthcare Cost Trend Rates (6.20% decreasing to 4.29%)	1% Increase (5.20% decreasing to 3.29%)
Authority's proportionate share of the collective net OPEB liability	\$377,000	\$480,000	\$618,000

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

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$24,000. 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, 2021. At June 30, 2020, 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	\$ 13,000	\$ 14,000
Changes of assumptions	31,000	55,000
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	7,000	
Total	\$ 51,000	\$ 69,000

Northern New England Passenger Rail Authority

Notes to Financial Statements

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Amounts to be 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	
2021	\$(5,000)
2022	(5,000)
2023	(5,000)
2024	(5,000)
2025	(5,000)
Total	<u>\$(25,000)</u>

Note 8: OPERATING LEASES

The Authority entered into an agreement to lease office space through June 30, 2022. 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. 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, 2020 was \$457,663.

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

2021	\$ 53,934
2022	<u>40,200</u>
Total	<u>\$ 94,134</u>

Note 9: Prior Period Adjustment to Net Position

Beginning net position has been restated by increasing unrestricted net position by \$284,249. This restatement results from the correction of old outstanding amounts with a vendor, in the amount of \$1,575,528, offset by the expected eligible reimbursement from grant programs, in the amount of \$1,291,279, for which management has since reached a settlement with the vendor regarding the outstanding amount.

Northern New England Passenger Rail Authority

Notes to Financial Statements

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.

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 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 \$8,422,537 for the year ended June 30, 2020.

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 \$802,000 per year. As of June 30, 2020, the commitment for capital maintenance services to be performed by Pan Am Railways resulting from prior years and 2019 agreements was \$610,896.

COVID-19

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Virus Crisis ("CV19 Crisis"). After a sharp decline in Downeaster ridership beginning in mid-March and restrictions on travel, the difficult decision to temporarily suspend Downeaster operations was made by the NNEPRA Board on April 10 and implemented on April 13. Gradual return of service is anticipated and dependent upon state and federal requirements. The NNEPRA Board met on June 8 and approved Phase I of the Downeaster Service Restoration and Recovery Plan; reinstating one daily round trip between Brunswick and Boston daily. The future impact of the CV19 Crisis on the Authority cannot be reasonably estimated at this time.

Northern New England Passenger Rail Authority

Schedule of Infrastructure

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.

Northern New England Passenger Rail Authority

Schedule of Proportionate Share of the Net Pension Liability

Maine Public Employees Retirement System

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, 2020	0.102%	\$1,061,575	\$844,932	126%	82.73%
June 30, 2019	0.079%	\$826,953	\$684,204	121%	82.90%
June 30, 2018	0.071%	\$813,584	\$512,596	159%	80.70%
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, 2020

Year Ended	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2020	\$185,716	\$185,716	\$ -	\$844,932	21.98%
June 30, 2019	\$181,133	\$181,133	\$ -	\$684,204	26.47%
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 trend is completed, the Authority presents information for those years of which information is available.

Northern New England Passenger Rail Authority

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

	June 30, 2020	June 30, 2019	June 30, 2018
Service Cost	\$ 20,000	\$ 22,000	\$ 22,000
Interest	16,000	15,000	13,000
Changes in Assumptions- Discount Rate	34,000	-	-
Differences between expected and actual experience	15,000	-	(20,000)
Changes of assumptions or other inputs	1,000	(22,000)	(58,000)
Contributions- Employer and Nonemployer Contributing Entities	-	(7,000)	-
Benefit payments	(7,000)	-	(10,000)
Net change in total OPEB liability	79,000	8,000	(53,000)
Total OPEB liability - beginning	401,000	393,000	446,000
Total OPEB liability - ending	\$ 480,000	\$ 401,000	\$ 393,000
Covered - employee payroll	\$ 844,932	\$ 513,000	\$ 465,000
Total OPEB liability as a percentage of covered - employee payroll	56.8 %	78.2 %	84.5 %

Notes to schedule:

Changes of benefit terms: Amount presented no increase in the retirees' 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 discount rate used for June 30, 2019 was 3.50%, which reflects a .08 percentage-point decrease from the discount rate from June 30, 2018.

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

Northern New England Passenger Rail Authority

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

Group Life Insurance - Set Plan

<i>Year Ended</i>	Authority's Proportion of the Collective Net OPEB Liability	Authority's Proportionat e 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, 2020	0%	\$67,100	\$ -	\$67,100	\$844,932	7.94%	49.22%
June 30, 2019	0%	\$49,492	-	\$49,492	\$652,121	7.59%	48.04%
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

<i>Year Ended</i>	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Authority's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2020	\$ 8,708	\$8,708	\$-	\$844,932	1.03%
June 30, 2019	\$ 3,577	\$3,577	\$-	\$652,121	0.55%
June 30, 2018	\$ 4,346	\$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 trend is completed, the Authority presents information for those years of which information is available.

Independent Auditor's Report on Additional Information

Northern New England Passenger Rail Authority
Portland, ME

We have audited the financial statements of Northern New England Passenger Rail Authority as of and for the year ended June 30, 2020, and our report thereon, dated October 28, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule, on page 36, 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
South Portland, Maine
October 28, 2020

Northern New England Passenger Rail Authority

Schedule of Activities

Year Ended June 30, 2020

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net Revenue (Expense) and Change in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Business type activity:					
Operation and maintenance of passenger rail service	\$26,448,583	\$ 8,619,758	\$ 13,600,431	\$ 3,167,737	\$ (1,060,657)
General Revenues					
Interest and investment earnings					12,928
Other revenue					368,064
Total General Revenues					380,992
Change in Net Position					(679,665)
Net Position, Beginning of Year, Restated					16,527,430
Net Position, End of Year					\$ 15,847,765

See independent auditors' report on additional information.