

# Northern New England Passenger Rail Authority

Financial Statements

Year Ended June 30, 2022



**WIPFLI**

## **Independent Auditor's Report**

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

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the accompanying 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, 2022, and respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern New England Passenger Rail Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern New England Passenger Rail Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northern New England Passenger Rail Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4 through 8, the Schedule of Infrastructure on page 32, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions, both on page 33, the Schedule of Change in Total OPEB Liability and Related Ratios - State Employee Group Health Insurance Plan on page 34, and the Schedule of Proportionate Share of Total OPEB Liability and Schedule of Contributions - Group Life Insurance Plan, both on page 35, 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 13, 2022 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 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 the Authority's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

South Portland, Maine  
October 13, 2022

# Northern New England Passenger Rail Authority

## Management Discussion and Analysis

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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, 2022.

### **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>	2022	2021	Increase (Decrease)
<b>Assets</b>			
Cash and Cash equivalents	\$ 3,873,211	\$ 3,445,987	\$ 427,224
Grants Receivable - Federal Government	3,502,485	1,239,906	2,262,579
Trade Receivable	23,967	27,592	(3,625)
Construction Inventory	-	3,453	(3,453)
Prepaid Expenses and Deposits	110,998	86,396	24,602
Capital Assets, net of Accumulated Depreciation	13,521,151	13,925,687	(404,536)
Restricted Cash	948,405	948,405	-
Right to Use Lease Assets (net)	1,579,508	-	1,579,508
Due from State of Maine	626,955	635,449	(8,494)
<b>Total Assets</b>	<b>24,186,680</b>	<b>20,312,875</b>	<b>3,873,805</b>
<b>Deferred Outflows of Resources</b>	<b>742,679</b>	<b>689,532</b>	<b>53,147</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 24,929,359</b>	<b>\$ 21,002,407</b>	<b>\$ 3,926,952</b>
<b>Liabilities</b>			
Accounts Payable	\$ 2,413,363	\$ 2,391,054	\$ 22,309
Accrued Vacation	72,769	64,493	8,276
Net Pension Liability	751,806	1,356,185	(604,379)
Lease liability	1,583,548	-	1,583,548
Net Other Post-Employment Benefits Liability	627,996	760,358	(132,362)
<b>Total Liabilities</b>	<b>5,449,482</b>	<b>4,572,090</b>	<b>877,392</b>
<b>Deferred inflows of resources</b>	<b>896,518</b>	<b>58,519</b>	<b>837,999</b>
<b>Net Position</b>			
Investment in Capital Assets	13,521,151	13,925,687	(404,536)
Restricted for Future Rail Construction	1,302,048	1,302,048	-
Unrestricted	3,760,160	1,144,063	2,616,097
<b>Total Net Position</b>	<b>18,583,359</b>	<b>16,371,798</b>	<b>2,211,561</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 24,929,359</b>	<b>\$ 21,002,407</b>	<b>\$ 3,926,952</b>

# Northern New England Passenger Rail Authority

## Management Discussion and Analysis

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Assets and deferred outflows of resources of \$24,929,359 exceeded liabilities and deferred inflows of resources of \$6,346,000 by \$18,583,359 (net position) at the close of fiscal year 2022. Of these assets, \$1,302,048 is restricted cash for future rail improvements and \$13,521,151 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 increased \$427,224 from \$3,445,987 to \$3,873,211, at June 30, 2022, while restricted cash was not changed. 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 \$2,262,579 from \$1,239,906 at June 30, 2021 to \$3,502,485 at June 30, 2022. The increase is attributed to the timing of rail construction improvement projects and the timing of billing and collection of grants receivable.
- Construction Inventory decreased \$3,453 from \$3,453 to \$- at June 30 2022, due to engaging in construction related activities and replacement projects.
- Total Liabilities increased \$877,392 from \$4,572,090 at the close of fiscal year 2021 to \$5,449,482 at the close of 2022 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:

	2022	2021	Increase (Decrease)
Operating Revenue	\$ 9,170,962	\$ 1,814,971	\$ 7,355,991
Operating Expenses			
Commuter Railroad	20,245,306	11,603,358	8,641,948
Wages and Fringe Benefits	818,992	887,955	(68,963)
Marketing	518,183	270,575	247,608
Station Operations	612,606	492,530	120,076
Food Service	924,143	552,130	372,013
All Other Expenses	752,378	1,064,566	(312,188)
<b>Total Operating Expenses</b>	<b>23,871,608</b>	<b>14,871,114</b>	<b>9,000,494</b>
Operating Loss	(14,700,646)	(13,056,143)	(1,644,503)
Non-Operating Income	19,885,135	15,060,134	4,825,001
Income Before Capital Grants	5,184,489	2,003,991	3,180,498
Capital Grant Revenue (Expense)			
U.S. Department of Transportation, Federal Transit Railroad			
Administration Capital Grant	2,404,741	1,573,460	831,281
Contributed Construction Services, in Kind	-	88,634	(88,634)
Rail Construction Expenditures	(3,388,552)	(1,922,790)	(1,465,762)
Layover Facility	(31,032)	(30,462)	(570)
SAIPRC Grant	(1,958,085)	(1,312,283)	(645,802)
Other Grant Expenses	-	123,483	(123,483)
	(2,972,928)	(1,479,958)	(1,492,970)
Change in Net Position	2,211,561	524,033	1,687,528
Net Position, Beginning of Year	16,371,798	15,847,765	524,033
<b>Net Position, End of Year</b>	<b>\$ 18,583,359</b>	<b>\$ 16,371,798</b>	<b>\$ 2,211,561</b>



# Northern New England Passenger Rail Authority

## Management Discussion and Analysis

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June 30, 2022

- Revenue increased \$7,355,991, or 405.3%, over FY 2021. The bulk of the increase was \$6,712,071 in ticket revenue. Café revenue increased \$419,636 from the prior year. Parking lot revenue increased \$224,659 as compared to prior year. All revenue sources increased as a result of normal train service schedule for the full year after the prior shutdown due to COVID-19.
- Commuter railroad expenses increased \$8,641,948 from \$11,603,358 in 2021 to \$20,245,308 in 2022 due to an increase in demand for passenger train service from the return of operations after shutdowns due to COVID-19.
- Net capital grant revenue (expenses) increased from the prior year at \$(1,479,958) in 2021 to \$(2,972,924) in 2022 as a result of the timing of capital projects from 2022 compared to 2021.
- 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 2022 was the twentieth 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 FY2017. Amtrak reported ridership increased from 117,863 passengers in fiscal year 2021 to 403,775 passengers in fiscal year 2022. The increase was due to the relaxation of COVID-related restrictions and service limitations in the previous year, and the subsequent rebound in travel demands for business, school, and leisure activities in FY 2022. The Downeaster operated a full five-daily round trip schedule throughout the fiscal year.

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, 2022

### ASSETS

#### Current Assets

Cash and Cash Equivalents	\$ 3,873,211
Grants Receivable - Federal Government	3,502,485
Trade Receivable	23,967
Prepaid Expenses and Deposits	110,998
	7,510,661

#### Capital Assets

Buildings and Improvements	10,812,978
Heavy Equipment	1,812,446
Office Equipment	14,650
	12,640,074
Less Accumulated Depreciation	(2,298,344)

	10,341,730
Infrastructure Assets	2,285,672
Land	893,749
	13,521,151

#### Other Assets

Restricted Cash	948,405
Right to Use Lease Assets	1,579,508
Due from State of Maine	626,955
	3,154,868

<b>Total Assets</b>	<b>24,186,680</b>
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<b>Deferred Outflows of Resources</b>	<b>742,679</b>
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<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 24,929,359</b>
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See accompanying notes to financial statements.

# Northern New England Passenger Rail Authority

## Statement of Net Position (Continued)

*As of June 30, 2022*

### LIABILITIES AND NET POSITION

#### Current Liabilities

Accounts Payable	\$ 2,413,363
Current portion of lease liability	241,881
Accrued Vacation	72,769
	2,728,013

#### Non-Current Liabilities

Net Pension Liability	751,806
Noncurrent portion of lease liability	1,341,667
Net Other Post-Employment Benefits Liability	627,996
	2,721,469

<b>Total Liabilities</b>	5,449,482
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<b>Deferred Inflows of Resources</b>	896,518
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#### Net Position

Investment in Capital Assets	13,521,151
Restricted for Future Rail Construction	1,302,048
Unrestricted	3,760,160

<b>Total Net Position</b>	18,583,359
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<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	\$ 24,929,359
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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, 2022

**Operating Revenue, Not Including State and Federal Assistance**

Ticket Revenues	\$	8,231,781
Food Service		606,912
Parking Lot Revenues		331,744
Advertising Revenues		525
		9,170,962

**Operating Expenses**

Commuter Railroad		20,245,306
Wages and Fringe Benefits		818,992
Administration		327,907
Marketing		518,183
Station Operations		612,606
Food Service		924,143
Depreciation		404,536
Board Expenses		19,935
		23,871,608

**Operating Loss** (14,700,646)

**Non-Operating Income**

U.S. Department of Transportation, Federal Transit Administration Grant		12,889,147
Coronavirus Response and Relief Supplemental Appropriations Act		3,916,034
State of Maine Grants		2,230,817
Other Income		846,120
Interest Income		3,017
		19,885,135

**Income Before Capital Grants** 5,184,489

**Capital Grant Revenue (Expense)**

U.S. Department of Transportation, Federal Transit Railroad Administration Capital Grant		2,404,741
Rail Construction Expenditures		(3,388,552)
Layover Facility		(31,032)
SAIPRC Grant		(1,958,085)
		(2,972,928)

**Change in Net Position** 2,211,561

**Net Position, Beginning of Year** 16,371,798

**Net Position, End of Year** \$ 18,583,359

See accompanying notes to financial statements.

# Northern New England Passenger Rail Authority

## Statement of Cash Flows

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Year Ended June 30, 2022

### Cash Flows from Operations

Receipts from Operating Revenues	\$ 9,174,587
Payments to Suppliers and Vendors	(22,637,839)
Payments to Employees	(762,605)

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<b>Net Cash Used in Operations</b>	<b>(14,225,857)</b>
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### Cash Flows from Non-Capital Financing Activities

U.S. Department of Transportation, Federal Transit Administration Grant	14,825,056
U.S. Department of Federal Transit Railroad Administration Grants	2,122,295
State of Maine Grants	2,230,817

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<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>19,178,168</b>
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### Cash Flows from Investing Activities

Payments for Rail Construction	(5,374,224)
Interest Income	3,017
Other Income	846,120

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<b>Net Cash Used in Investing Activities</b>	<b>(4,525,087)</b>
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<b>Net Change in Cash and Cash Equivalents</b>	<b>427,224</b>
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<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>3,445,987</b>
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<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,873,211</b>
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See accompanying notes to the financial statements.

# Northern New England Passenger Rail Authority

## Statement of Cash Flows

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Year Ended June 30, 2022

### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss	\$ (14,700,646)
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Adjustments not Affecting Cash	
Depreciation	404,536
Non-cash rent expense	4,040
Change in Operating Assets and Liabilities	
Decrease in Accounts Receivable - Operating Revenues	3,625
Increase in Prepaid Expenses	(24,602)
Decrease in Due from State of Maine	8,494
Increase in Deferred Outflows of Resources	(53,147)
Increase in Accounts Payable	22,309
Increase in Accrued Vacation	8,276
Decrease in Net Pension Liability	(604,379)
Decrease in Net Other Post-Employment Benefits Liability	(132,362)
Increase in Deferred Inflows of Resources	837,999
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Total Adjustments	474,789
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<b>Net Cash Used in Operating Activities</b>	<b>\$ (14,225,857)</b>
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Noncash activity:

Operating leases right of use assets and operating lease liability	\$1,629,755
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See accompanying notes to financial statements.

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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### **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

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### **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 8).

#### **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, 2022 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 acquisition 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

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### 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.

#### Concentration

Approximately 83% of the Authority's funding is provided by federal and state capital and operating grants for fiscal year 2022.

#### 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.

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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

#### **GASB 87 Lease Accounting**

The Authority is a lessee in multiple noncancelable operating leases. If the contract provides the Authority the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The implicit rates of our leases are not readily determinable and accordingly, the Authority uses the incremental borrowing rate based on the information available at the commencement date for all leases. The Authority's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Authority has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Authority is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Authority recognizes short-term lease cost on a straight-line basis over the lease term. For all underlying classes of assets, the Authority separates lease and non-lease components to determine the lease payment.

#### **Recently Adopted 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 was effective for reporting periods beginning after June 15, 2021. Management has implemented the standard and it is reflected in the current year statements. There was no impact on beginning fund balance. See disclosure information in footnote 8.

# Northern New England Passenger Rail Authority

## Notes to 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, 2022, the Authority reported deposits of \$4,821,616 with bank balances of \$5,305,543. 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 TD Bank for up to \$5,500,000 of deposits.

### Note 3: CAPITAL ASSETS

Capital asset activity is as follows for the year ended June 30, 2022:

	Beginning Balance	Additions (Reductions)	Ending Balance
Capital assets:			
Buildings and Improvements	\$ 10,812,978	\$ -	\$ 10,812,978
Heavy Equipment	1,812,446		1,812,446
Office Equipment	14,650		14,650
<b>Total capital assets</b>	<b>12,640,074</b>	<b>-</b>	<b>12,640,074</b>
Less Accumulated Depreciation	(1,893,806)	(404,538)	(2,298,344)
<b>Total capital assets, net</b>	<b>10,746,268</b>	<b>(404,538)</b>	<b>10,341,730</b>
Infrastructure	2,285,672		2,285,672
Land	893,749		893,749
<b>Totals</b>	<b>\$ 13,925,689</b>	<b>\$ (404,538)</b>	<b>\$ 13,521,151</b>

### Note 4: CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Net Pension Liability	\$ 1,356,185	\$ (604,379)	\$ -	\$ 751,806	\$ -
Net Other Post-Retirement Benefits Liability - Group Life Insurance	\$ 81,358	\$ (8,362)	\$ -	\$ 72,996	\$ -
Net Other Post-Retirement Benefits Liability - Group Health Insurance	679,000	(124,000)	-	555,000	-
Lease liability	\$ -	\$ 1,629,755	\$ 46,207	\$ 1,583,548	\$ 241,881

# 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	\$ 9,170,962	\$ -	\$ 9,170,962
Operating Expenses	23,871,608	-	23,871,608
Operating Loss	(14,700,646)	-	(14,700,646)
Non-Operating Income	19,885,135	-	19,885,135
Income (Loss) Before Capital Grants	5,184,489	-	5,184,489
Capital grant revenue (expense)			
U.S. Department of Transportation, Federal Transit			
Railroad Administration Capital Grant	2,404,741	-	2,404,741
Rail Construction Expenditures	(3,388,552)	-	(3,388,552)
Layover Facility	(31,032)	-	(31,032)
SAIPRC Grant	(1,958,085)	-	(1,958,085)
	<u>(2,972,928)</u>	-	<u>(2,972,928)</u>
Change in Net Position	2,211,561	-	2,211,561
Add back: Depreciation	2,211,561	-	2,211,561
Change in Net Position - Unrestricted	\$ 2,211,561	\$ -	\$ 2,211,561

### 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 305 participating employers.

Employee membership data related to the Plan, as of June 30, 2021 is, as follows:

Current Participants: Vested and non-vested	40,099
Terminated participants: Vested	8,387
Terminated participants: Inactive due refunds	38,393
Retirees and beneficiaries receiving benefits	<u>37,690</u>
	<u>124,569</u>

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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### 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 .93%.

For the year ended June 30, 2022, the Authority's total payroll for all employees was \$923,549. Total covered payroll was also \$923,549. 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, 2022 was 22.11% 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, 2022 were \$218,493.

At June 30, 2022, the Authority reported a liability of \$751,806 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 and June 30, 2020, the Authority's proportion was 0.116% and 0.114%, respectively.

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

### Note 6: RETIREMENT PLAN (Continued)

For the year ended June 30, 2022, the Authority recognized pension expense of \$216,098. At June 30, 2022, 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	\$ 25,443	
Net difference between expected and actual investment earnings		680,314
Changes in assumptions	241,250	
Changes in proportion and differences between contributions and proportionate share of contributions	62,630	
Contributions subsequent to the measurement date	218,493	
<b>Total</b>	<b>\$547,816</b>	<b>\$680,314</b>

The \$218,493 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, 2023. 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,		Amount
2023	\$	15,834
2024		(22,801)
2025		(154,609)
2026		189,414
<b>Total</b>	<b>\$</b>	<b>(350,990)</b>

### Actuarial Assumptions

The total pension liability in the June 30, 2021 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% plus merit based component on each employees' years of service
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, 2021 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

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### 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:

<u>Asset Class</u>	Long-term expected Real Rate of Return
Public Equities	6.0%
US Government	2.3%
Private Equity	7.6%
Real Assets	5.2%
Infrastructure	5.3%
National Resources	5.0%
Traditional Credit	3.0%
Alternative Credits	7.2%
Diversifiers	5.9%

#### 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

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### 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%	\$ 1,532,282
Current discount rate	6.75%	\$ 751,806
1% increase	7.75%	\$ 96,406

#### 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](http://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



# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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

the Authority totaled \$10,285 for the year ended June 30, 2022.

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

At June 30, 2022, the Authority reported a liability of \$72,996 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2021, the Authority proportion was 0.115 percent, which was an increase of 0.001% from its proportion measured as of June 30, 2020 was 0.114 percent.

For the year ended June 30, 2022, the Authority recognized OPEB expense of \$10,520. At June 30, 2022, 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	\$ 1,202	
Changes of assumptions	4,571	
Net difference between projected and actual earnings on OPEB plan investments		\$8,267
Changes in proportion and differences between premiums and proportionate share of premiums	16,806	2,936
Contributions subsequent to the measurement date	<u>10,285</u>	
Total	<u>\$32,864</u>	<u>\$11,203</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$10,285 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, 2023. 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,	
2022	\$3,766
2023	3,932
2024	3,252
2025	21
2026	202
Thereafter	<u>202</u>
Total	<u>\$11,375</u>

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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### 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, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%-9.43% including inflation
Investment rate of return	6.50% 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, 2021 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 to June 30, 2020.

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	Long-Term Expected Real Rate of Return
Public equities	6.0%
Traditional credit	3.0%
U.S. Government securities	2.3%
Real Estate	5.2%

The discount rate used to measure the collective total OPEB liability was 6.75% for 2021 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.

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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### 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	\$91,735	\$72,996	\$57,706

#### 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, 2021, 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	37	2
Active employees	<u>77</u>	<u>10</u>
	<u>114</u>	<u>12</u>

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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

#### **Total OPEB Liability**

The Authority's total OPEB liability of \$555,000 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2021 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-2020 was modified to converge to an ultimate rate of 1.00 percent for ages 20 to 05 grading down to 0.05 percent at age 95 grading down to an ultimate rate of 0.00% at age 115, and convergence to the ultimate rate in the year 2027.

The discount rate was based on the Bond Buyer 20 - Bond General Obligation Index. The discount rate was 2.16% as of the measurement date, June 30, 2021.

The actuarial assumptions used in the June 30, 2021 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, 2021	\$679,000
Changes for the year	
Service cost	44,000
Interest	16,000
Changes in assumptions- Discount Rate	5,000
Differences between expected and actual experience	(68,000)
Changes in assumptions or other inputs	(114,000)
Employer contributions	(7,000)
Net Changes	(124,000)
Balance at June 30, 2022	\$555,000

Changes in assumptions or other inputs reflect a change in the discount rate from 2.21% in 2019 to 2.16% in 2021.  
*Sensitivity of the total OPEB liability to changes in the discount rate.*

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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

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 2.16%.

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$466,000	\$555,000	\$666,000

*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 6.0% decreasing to 4.1%.

	1% Decrease (7.00% decreasing to 5.19%)	Healthcare Cost Trend Rates (6.00% decreasing to 4.19%)	1% Increase (5.00% decreasing to 3.19%)
Authority's proportionate share of the collective net OPEB liability	\$710,000	\$555,000	\$440,000

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

For the year ended June 30, 2022, the Authority recognized OPEB expense of \$47,000. 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, 2023. At June 30, 2022, 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	\$ 10,000	\$ 71,000
Changes of assumptions	145,000	134,000
Contributions subsequent to the measurement date	7,000	
Total	\$ 162,000	\$ 205,000

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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### **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	
2023	\$(6,000)
2024	(7,000)
2025	(7,000)
2026	(4,000)
2027	(2,000)
Thereafter	(24,000)
Total	\$(50,000)

### **Note 8: Leases**

#### *The Authority as Lessee*

The terms and expiration dates of the Authority's leases payable at June 30, 2022, follow:

The Authority entered into an agreement to lease office space in Portland, Maine and Brunswick, Maine through June 30, 2025. The terms of the lease require monthly lease payments, including common area maintenance and taxes.

The Authority entered into various agreements to lease platform leases in Portland, Old Orchard Beach, Wells, and Saco, Maine through June 14, 2032.

The Authority entered into a sublease agreement for terminal facility use with MDOT through March 30, 2027.

The Authority entered into a sublease agreement for Ground use with MDOT through March 30, 2027.

The total cost of the Authority's lease assets are recorded as \$1,629,755, less accumulated amortization of \$50,247, for a net carrying amount of \$1,579,508.

The discount rate for all leases was 4%.

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

### Note 8: Leases (Continued)

Future minimum lease payments as of June 30, 2022, are:

	Leases		
	Principal	Interest	Total
2023	\$ 241,881	\$ 27,908	\$ 269,789
2024	260,213	44,282	304,495
2025	282,548	33,407	315,955
2026	257,079	22,656	279,735
2027	106,348	14,764	121,112
2028 - 2032	435,479	32,727	468,206
<b>Total</b>	<b>\$ 1,583,548</b>	<b>\$ 175,744</b>	<b>\$ 1,759,292</b>

### Note 9: 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 20-year service agreement with Amtrak, scheduled to expire on December 15, 2021, was extended for 6 months. A new 10-year service agreement was executed on June 15, 2022. The contract costs continue to be assessed in accordance with a national methodology applied to all state-sponsored Amtrak routes less than 750-miles and the Authority will continue to fund the operating deficit of the rail service. The total paid to Amtrak for train operations July 1, 2021-June 30, 2022 was \$14,700,860.

#### **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.

# Northern New England Passenger Rail Authority

## Notes to Financial Statements

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### **Note 9: COMMITMENTS AND CONTINGENCIES** (Continued)

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 \$840,000 per year. For the period ended June 30, 2022, capital maintenance services performed by Pan Am Railways was \$393,295. The balance of work in the contracted yearly plan will be completed in the summer of 2022.



# Northern New England Passenger Rail Authority

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## 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, 2022	0.116%	\$751,806	\$923,549	81%	90.90%
June 30, 2021	0.114%	\$1,356,185	\$897,407	151%	81.03%
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**

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, 2022	\$218,493	\$218,493	\$ -	\$923,549	23.66%
June 30, 2021	\$197,250	\$197,250	\$ -	\$897,407	21.98%
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	\$ -	\$512,596	22.69%
June 30, 2016	\$108,570	\$108,570	\$ -	\$469,031	23.15%
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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Service Cost	\$ 44,000	\$ 29,000	\$ 20,000	\$ 22,000	\$ 22,000
Interest	16,000	18,000	16,000	15,000	13,000
Changes in Assumptions-					
Discount Rate	5,000	156,000	34,000	-	-
Differences between expected and actual experience	(68,000)	3,000	15,000	(22,000)	(20,000)
Changes of assumptions or other inputs	(114,000)	-	1,000	-	(58,000)
Contributions- Employer and Nonemployer Contributing Entities	-	-	-	(7,000)	-
Benefit payments	(7,000)	(7,000)	(7,000)	-	(1,000)
<b>Net change in total OPEB liability</b>	<b>(124,000)</b>	<b>199,000</b>	<b>79,000</b>	<b>8,000</b>	<b>(53,000)</b>
<b>Total OPEB liability - beginning</b>	<b>679,000</b>	<b>480,000</b>	<b>401,000</b>	<b>393,000</b>	<b>446,000</b>
<b>Total OPEB liability - ending</b>	<b>\$ 555,000</b>	<b>\$ 679,000</b>	<b>\$ 480,000</b>	<b>401,000</b>	<b>393,000</b>

<b>Covered - employee payroll</b>	\$ 736,411	\$ 626,384	\$ 582,934	513,000	465,000
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<b>Total OPEB liability as a percentage of covered - employee payroll</b>	75.4 %	108.4 %	82.3 %	78.2 %	84.5 %
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### 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, 2022 was 2.16%, which reflects a 1.34 percentage-point decrease from the discount rate from June 30, 2021.

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 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, 2022	0.116%	\$72,996	\$ -	\$72,996	\$923,549	7.90%	62.90%
June 30, 2021	0.114%	\$81,358	-	\$81,358	\$897,407	9.07%	47.29%
June 30, 2020	0.102%	\$67,100	-	\$67,100	\$844,932	7.94%	49.22%
June 30, 2019	0.079%	\$49,492	-	\$49,492	\$652,121	7.59%	48.04%
June 30, 2018	0.071%	\$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, 2022	\$ 10,285	\$10,285	\$-	\$923,549	1.11%
June 30, 2021	\$ 9,343	\$9,343	\$-	\$897,407	1.04%
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, 2022, and our report thereon, dated October 13, 2022, 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 37, 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*

Wipfli LLP  
October 13, 2022

# Northern New England Passenger Rail Authority

## Schedule of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Governmental Activities</b>					
Business type activity:					
Operation and maintenance of passenger rail service	\$ 29,249,277	\$ 9,170,962	\$ 19,035,998	\$ 2,404,741	\$ 1,362,424
<b>General Revenues</b>					
Interest and investment earnings					3,017
Other revenue					846,120
<b>Total General Revenues</b>					849,137
Change in Net Position					2,211,561
<b>Net Position, Beginning of Year</b>					16,371,798
<b>Net Position, End of Year</b>					\$ 18,583,359

See independent auditors' report on additional information.