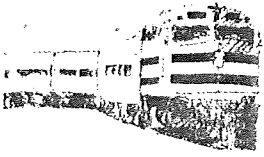


MAINE STATE LEGISLATURE

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NNEPRA

Northern New England Passenger Rail Authority

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**NORTHERN NEW ENGLAND
PASSENGER RAIL AUTHORITY**

**REPORT
TO**

MAINE STATE LEGISLATIVE COUNCIL
AND
JOINT STANDING COMMITTEE ON TRANSPORTATION

**REPORTING PERIOD
FISCAL YEAR 1997**

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NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

DIRECTORY

AUTHORITY MEMBERS

JONATHAN L. CARTER, CHAIRMAN

WILLIAM SHEA, VICE CHAIRMAN

SHARON S. WHITE, TREASURER

F. BRUCE SLEEPER

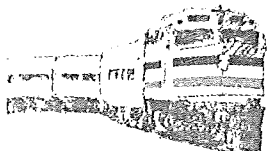
BABARA M. WHITTEN

EXECUTIVE DIRECTOR

MICHAEL J. MURRAY, P.E.

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NNEPRA

Northern New England Passenger Rail Authority

EXECUTIVE SUMMARY

February 1998

Dear Member of the Legislative Council

or

Member of the Joint Standing Committee on Transportation

This report has been prepared pursuant to 23 MRSA c 621, subchapters I and II which, in addition to creating the Northern New England Passenger Rail Authority (NNEPRA) in 1995, directed NNEPRA to take all necessary actions to reestablish passenger rail service for Maine citizens and for the millions of business and recreational travelers that visit our state annually.

As communicated in NNEPRA's Annual Report for 1996, Amtrak and Guilford Rail System (GRS), after extensive negotiations, failed to reach agreement concerning the terms and conditions under which Amtrak would access GRS's property to operate the proposed service. Accordingly, Amtrak, on March 19, 1997, filed an application with the Surface Transportation Board (STB) asking for a STB Decision and/or Order that would: (1) require Springfield Terminal Railway Company (STR), Boston and Maine Corporation (B&M), and Portland Terminal Company (PTC), railroads under common control of GRS, to make available rail lines and services necessary for Amtrak to initiate and operate a new route between the Massachusetts/New Hampshire State line and Portland, Maine, and (2) determine reasonable terms and compensation for Amtrak's use of the facilities and services. In its application, Amtrak proposed a 150 day evidentiary schedule ending August 15, 1997 -- this proposed schedule was extended by the STB to end on August 25, 1997.

Over 5 months have passed since the August 25, 1997, evidentiary submission cutoff date and it appears highly unlikely that the STB will be rendering its decision within the immediate future. To date, only evasive responses have been provided by the STB to inquiries concerning the status of its decision. Accordingly, NNEPRA, in concert with Maine's Congressional Delegation, and the Governor's office, will attempt to communicate to the STB the urgency for a timely decision on this matter.

On a more favorable note, passage of the Taxpayers Relief Act of 1997 (the "Act") this past August, provides up to \$23.23 million to non-Amtrak states for "qualified expenses" relating to the providing of intercity passenger service. Because Maine does not currently receive intercity passenger rail service from Amtrak, it is one of six states eligible to receive funds pursuant to the Act. Qualified expenses, as defined within the Act, are those expenses incurred to: purchase intercity passenger rail services from Amtrak; acquire equipment, rolling stock and to make other capital improvements, the upgrading of maintenance facilities, and the maintenance of existing equipment (used) in support of intercity passenger rail and/or intercity bus service; make payment of interest and principal on such obligations incurred for such acquisition, upgrading, maintenance, and purchase. Payment (by Amtrak) to non-Amtrak states would be made in two equal payments of \$11.5 million in 1998 and 1999. The Act requires the repayment of all unobligated funds to the US Treasury by the non-Amtrak state upon commencement of Amtrak service to that state. Subject to approval by the Maine Department of Transportation and the Legislature, the additional funds provided to Maine pursuant to the Act will allow: further improvements to the Guilford rail system (rail, signals and bridges) to permit 79 mph; extending the proposed intercity service to Brunswick; establishment of a reasonable (10%) project contingency fund to cover unanticipated project related expenses; the providing of limited protection to communities to cover cost overruns attributed to station construction; and for the establishment of an escrow account to cover potential 13(c) claims.

The Northern New England Passenger Rail Authority looks forward to working with you during the coming session.

Respectfully,

Michael J. Murray, PE
Executive Director

MJM/slf/04

PORTLAND-BOSTON INTERCITY PASSENGER RAIL SERVICE

PROJECT OVERVIEW

The proposed project entails the undertaking of rail related infrastructure (track, signal, and bridge) improvements which will permit the reestablishment of safe and reliable passenger rail service within the existing 114 mile rail corridor between Portland and Boston's North Station. Within Massachusetts the trackage (36 miles) is owned by the Massachusetts Bay Transportation Authority (MBTA); the remaining 78 miles of trackage within New Hampshire (35 miles) and Maine (43 miles) is owned by the Boston and Maine Corporation, a subsidiary of Guilford Rail Systems.

To remain competitive with the current modes of choice (air and private automobile), a Portland-Boston travel time constraint of approximately two and one half hours has been placed upon the proposed service. To satisfy this travel time constraint, scheduled intermediate station stops have been limited to five or less. Communities selected to host intermediate intermodal station facilities are: Saco and Wells in Maine, Dover and Exeter in New Hampshire, and Haverhill (Bradford) in Massachusetts. A summer seasonal stop at Old Orchard Beach and a weekend stop at the University of New Hampshire at Durham is also being proposed. Originating/terminating stations for the initial service will be Portland and Boston's North Station.

Consistent with the intent and purpose of Maine's Sensible Transportation Policy Act, as well as, the Intermodal Surface Transportation Efficiency Act of 1991, every effort is being taken to integrate operations of the proposed passenger rail service with existing intercity and intracity feeder bus services which currently operates within the Portland-Boston transportation corridor. It is hoped that the four daily round trips which will be made by the rail service would be integrated and/or supplemented with at least three additional round trips by intercity bus. Interchangeability of ticketing between the rail-bus alternatives is also under consideration.

PROJECT COST ESTIMATE
FTA SECTION 3

APPROVAL DATE :

GRANTEE: NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY
AUGUSTA, MAINE

GRANT NO.: -----APPROVED BUDGET----- -----ACTIVITY CHANGES----- -----REVISED BUDGET-----
BUDGET NO.: 2

SCOPE	RAIL - REVENUE ROLLING STOCK	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT
131-00	RAIL - REVENUE ROLLING STOCK	\$400,000	\$500,000	\$0	\$0	\$400,000	\$500,000
	<u>ACTIVITY</u>						
	13.13.26 RAIL CARS USED (3- CAB CARS)	\$400,000	\$500,000	\$0	\$0	\$400,000	\$500,000
SUBTOTAL RAIL - REVENUE ROLLING STOCK		\$400,000	\$500,000	\$0	\$0	\$400,000	\$500,000

SCOPE	RAIL - TRANSITWAY LINES	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT
132-00	RAIL - TRANSITWAY LINES	\$28,172,273	\$35,215,341	\$2,365,600	\$2,957,000	\$30,537,873	\$38,172,341
	<u>ACTIVITY</u>						
	13.2103 ENGINEERING AND DESIGN	\$1,640,000	\$2,050,000	\$0	\$0	\$1,640,000	\$2,050,000
	13.21.03 ENGINEERING & DESIGN DURING CONSTRUCTION PHASE	\$1,080,000	\$1,350,000	\$0	\$0	\$1,080,000	\$1,350,000
	13.24.03 LINE EQUIPMENT/ STRUCTURES	\$23,845,873	\$29,807,341	\$2,365,600	\$2,957,000	\$26,211,473	\$32,764,341
	13.24.05 BRIDGE REHABILITATION	\$1,606,400	\$2,008,000	\$0	\$0	\$1,606,400	\$2,008,000
SUBTOTAL RAIL - TRANSITWAY LINES		\$28,172,273	\$35,215,341	\$2,365,600	\$2,957,000	\$30,537,873	\$38,172,341

SCOPE	RAIL - STATION STOPS - TERMINALS	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT
133-00	RAIL - STATION STOPS - TERMINALS	\$1,550,000	\$1,937,500	\$0	\$0	\$1,550,000	\$1,937,500
	<u>ACTIVITY</u>						
	13.33.03 CONSTRUCTION - PORTLAND	\$800,000	\$1,000,000	\$0	\$0	\$800,000	\$1,000,000
	13.33.03 CONSTRUCTION - OLD ORCHARD BEACH	\$150,000	\$187,500	\$0	\$0	\$150,000	\$187,500
	13.33.03 CONSTRUCTION - SACO	\$400,000	\$500,000	\$0	\$0	\$400,000	\$500,000
	13.33.03 CONSTRUCTION - WELLS	\$200,000	\$250,000	\$0	\$0	\$200,000	\$250,000
SUBTOTAL RAIL - STATION STOPS - TERMINALS		\$1,550,000	\$1,937,500	\$0	\$0	\$1,550,000	\$1,937,500

SCOPE	RAIL - SUPPORT & EQUIPMENT FACILITIES	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT
134-00	RAIL - SUPPORT & EQUIPMENT FACILITIES	\$700,000	\$875,000	\$0	\$0	\$700,000	\$875,000
	<u>ACTIVITY</u>						
	13.43.05 YARDS & SHOP CONSTRUCTION (PORTLAND)	\$700,000	\$875,000	\$0	\$0	\$700,000	\$875,000
SUBTOTAL RAIL - SUPPORT & EQUIPMENT FACILITIES		\$700,000	\$875,000	\$0	\$0	\$700,000	\$875,000

APPROVAL DATE :

GRANTEE: NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY
AUGUSTA, MAINE

GRANT NO.: -----APPROVED BUDGET----- -----ACTIVITY CHANGES----- -----REVISED BUDGET-----
BUDGET NO.: 2

SCOPE	RAIL - SIGNAL & COMMUNICATIONS	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT
136-00	RAIL - SIGNAL & COMMUNICATIONS	\$1,320,000	\$1,650,000	(\$360,000)	(\$450,000)	\$960,000	\$1,200,000
	<u>ACTIVITY</u>						
	13.64.01 TRAIN CONTROL/SIGNAL SYSTEMS	\$1,320,000	\$1,650,000	(\$360,000)	(\$450,000)	\$960,000	\$1,200,000
SUBTOTAL RAIL - SIGNAL & COMMUNICATIONS		\$1,320,000	\$1,650,000	(\$360,000)	(\$450,000)	\$960,000	\$1,200,000

SCOPE	RAIL - OTHER CAPITAL PROGRAM ITEMS	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT	FEDERAL AMOUNT	TOTAL AMOUNT
137-00	RAIL - OTHER CAPITAL PROGRAM ITEMS	\$6,168,227	\$7,710,284	(\$2,005,600)	(\$2,507,000)	\$4,162,627	\$5,203,284
	<u>ACTIVITY</u>						
	13.79.00 NEW START STATE ADMINISTRATION	\$400,000	\$500,000	\$0	\$0	\$400,000	\$500,000
	13.72.08 FORCE ACCOUNT - RIGHT OF WAY IMPROVEMENTS (MBTA)	\$800,000	\$1,000,000	\$0	\$0	\$800,000	\$1,000,000
	13.73.00 * CONTINGENCY	\$4,968,227	\$6,210,284	(\$2,005,600)	(\$2,507,000)	\$2,962,627	\$3,703,284
SUBTOTAL RAIL - OTHER CAPITAL PROGRAM ITEMS		\$6,168,227	\$7,710,284	(\$2,005,600)	(\$2,507,000)	\$4,162,627	\$5,203,284

TOTAL RAIL PROGRAM		\$38,310,500	\$47,888,125	\$0	\$0	\$38,310,500	\$47,888,125
	ESTIMATED NET PROJECT COST		\$47,888,125		\$0		\$47,888,125
	FEDERAL SHARE		\$38,310,500		\$0		\$38,310,500
	LOCAL SHARE		\$9,577,625		\$0		\$9,577,625

SOURCES OF FEDERAL FINANCIAL ASSISTANCE

FUNDING UZA:		FUNDING UZA NAME:		PREVIOUSLY APPROVED	AMENDED AMOUNT	TOTAL	AMENDED AMOUNT	TOTAL	AMENDED AMOUNT	TOTAL
ACCOUNTING CLASSIFICATION	FPC	DESCRIPTION								
		FY 1993, SECTION 3	\$25,308,750	\$0	\$25,308,750	\$0	\$25,308,750	\$0	\$25,308,750	\$25,308,750
		FY 1994, SECTION 3	\$9,428,750	\$0	\$9,428,750	\$0	\$9,428,750	\$0	\$9,428,750	\$9,428,750
		FY 1995, SECTION 3	\$3,573,000	\$0	\$3,573,000	\$0	\$3,573,000	\$0	\$3,573,000	\$3,573,000
TOTAL (SOURCES OF FEDERAL FUNDS)			\$38,310,500	\$0	\$38,310,500	\$0	\$38,310,500	\$0	\$38,310,500	\$38,310,500

PROJECT FUNDING SOURCES

Total Project Funding Required: (\$47,888,125)

1. Federal Funding (80% Project Costs)

Federal Appropriation FY'93	\$25,308,500	
Federal Appropriation FY'94	9,429,000	
Federal Appropriation FY'95	<u>3,573,000</u>	
Total	\$38,310,500	\$38,310,500

2. Local Funding (20% Project Costs)

92 State Bond Issue	\$ 3,000,000	
MDOT/MTA Transit Fund	500,000	
Cataract Bridge	2,400,000	
Rail Salvage Credit	2,927,625	
Station Development	500,000	
MBTA - Wildcat Crossover	<u>250,000</u>	
Total	\$ 9,577,625	<u>\$ 9,577,625</u>
Total (1 & 2)		\$47,888,125

FINANCIAL AID FOR INTERMODAL STATION DEVELOPMENT

1. Source: (Section 3 Grant - Maine Only)

	FEDERAL	LOCAL	TOTAL
PORTLAND	\$ 800,000	\$200,000	\$1,000,000
OLD ORCHARD BEACH	150,000	37,500 (DECD)	187,500
SACO	400,000	100,000	500,000
WELLS	<u>200,000</u>	<u>50,000</u> (MTA)	<u>250,000</u>
TOTALS	\$1,550,000	\$387,500	\$1,937,500

2. Source: (Congestion Mitigation Air Quality-CMAQ)

PORTLAND	\$ 500,000	125,000	\$ 625,000
SACO	410,673	102,668	513,341
WELLS	1,000,000	250,000 (MTA)	\$1,250,000
DOVER, NH	160,000	40,000	200,000
EXETER, NH	<u>283,200</u>	<u>71,000</u>	<u>354,200</u>
TOTALS	\$2,353,873	\$588,668	\$2,942,541
<hr/>			
TOTALS (1 AND 2)	\$3,903,873	\$976,168	\$4,880,041

**MAINE SERVICE
PROJECT BUDGET
FIRST FULL SERVICE YEAR**

	Appendix II Budget	Negotiated Agreement	
1a	Ticket	3,308,000	3,300,000
1b	Food and beverage		
A	TOTAL REVENUE FROM OPERATIONS	3,308,000	3,300,000
2	STATE SUPPORT	1,950,619	2,000,000
B	TOTAL REVENUE	5,258,619	5,300,000
3	Train & Engine Crew	1,614,238	
4	Fuel	466,032	
5	On board service labor		
6	On board service supplies		
7	Equipment running maintenance	1,621,998	
8	Equipment heavy maintenance		
9	Transportation	77,000	
10a	Railroad, Guilford: other train costs	119,210	
10b	Railroad, Guilford: on time performance incentives	341,640	
10c	Railroad, Guilford: maintenance of way	159,887	
10d	Sub-Total Guilford	620,737	
10e	Railroad, MBTA: other train costs	201,830	
10f	Railroad, MBTA: on time performance incentives		
10g	Railroad, MBTA: maintenance of way		
10h	Sub-Total MBTA:	201,830	
10	Railroad Sub-Total	822,567	
11	Reservations & information		
12	Insurance	475,543	
13	Marketing/Sales support		
14	Commissary support		
15	Associated equipment capital		
B	TOTAL TRAIN RELATED EXPENSES	5,077,378	
16	Route Stations		
17	Shared stations	49,725	
18	Maintenance of way		
19	Dispatching operations		
20	Transportation overhead		
21	Maintenance of equipment overhead		
22	Maintenance of way overhead		
C	TOTAL ROUTE RELATED EXPENSES	49,725	
23	Procurement /purchasing	1,936	
24	Computer Systems	27,408	
25	Police & security	6,928	
26	Interest (other than rolling stock) and taxes	21,804	
27	General support	73,440	
28	Training		
D	TOTAL SYSTEM RELATED EXPENSES	131,516	
E	TOTAL EXPENSES	5,258,619	5,300,000*

* Negotiated Cost Cap

For First Service Year: \$5,300,000 (which included railroad cost estimate and shared stations costs)
(822,567) (less railroad payments)
(49,725) (less shared stations costs which are considered "MBTA other train costs")
\$4,427,708

For Second Service Year: \$4,427,708 (\$5.5 million/\$5.3 million) = \$4,594,791

For Third Service Year: \$4,427,708 (\$5.7 million/\$5.3 million) = \$4,761,875

APPENDIX 1

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

FINANCIAL REPORT

JUNE 30, 1997

NORTHERN NEW ENGLAND
PASSENGER RAIL AUTHORITY

JUNE 30, 1997

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macdonaldpage

Certified Public Accountants • Limited Liability Company
30 Long Creek Drive, South Portland, Maine 04106 • (207) 774-5701
P.O. Box 2389, Augusta, Maine 04338 • (207) 621-0330

Independent Auditors' Report

November 13, 1997

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

We have audited the accompanying general purpose financial statements of the Northern New England Passenger Rail Authority as of and for the year ended June 30, 1997, as listed in the contents page. These general purpose financial statements are the responsibility of the Northern New England Passenger Rail Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Northern New England Passenger Rail Authority as of June 30, 1997 and the results of operations for the year then ended in conformity with generally accepted accounting principles.

Macdonald Page & Company
Certified Public Accountants

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

EXHIBIT A

BALANCE SHEET
JUNE 30, 1997

ASSETS	
Cash	\$ 315,806
Investments - Key Trust	971,046
Investments - Key Bank	891,477
Accounts receivable - Other Governments	<u>552,052</u>
TOTAL ASSETS	<u>\$2,730,381</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 241,087
FUND EQUITY	
Retained earnings	<u>2,489,294</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$2,730,381</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 1997

REVENUE

U.S. Department of Transportation, Federal Transit Administration Capital improvement grant	\$ 227,799
Contributions	114,515
Interest income	93,755
Miscellaneous income	<u>450</u>
	<u>\$ 436,519</u>

EXPENSES

Rail project expense	\$ 246,554
Legal	361,473
Administration	114,515
Accounting	31,400
Insurance	15,689
Board - per diem	1,804
Board - travel expense	1,244
Supplies	443
Advertising	1,841
Bank fees	1,039
Trust fees	4,790
Subscriptions	<u>195</u>
	<u>\$ 780,987</u>

NET REVENUE UNDER EXPENDITURES \$ (344,468)

RETAINED EARNINGS, JUNE 30, 1996, AS PREVIOUSLY STATED \$2,269,408

PRIOR PERIOD ADJUSTMENTS 564,354

RETAINED EARNINGS, JUNE 30, 1996, AS RESTATED \$2,833,762

RETAINED EARNINGS, JUNE 30, 1997 \$2,489,294

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements have been prepared in accordance with generally accepted accounting principles (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. The more significant of the Authority's accounting policies are described below.

Nature of the Entity

The Northern New England Passenger Rail Authority was enacted on June 29, 1995 by the State of Maine Legislature to initiate, establish and maintain regularly scheduled passenger rail service between points within Maine to points within and outside of Maine.

Change in Method of Accounting

Effective July 1, 1996, the Authority changed its method of accounting from the cash to the accrual method and, as of that date, grant receivables are recognized when available and measurable rather than when cash is received and accounts payable are recognized when expenditures are incurred rather than when cash is disbursed. The effect of the change at July 1, 1996, in the amount of \$194,910 has been recorded in the accompanying financial statements as a prior period adjustment.

Accounts Receivable Other Governments

Management believes that all accounts receivable as of June 30, 1997, were fully collectible. Therefore, no allowance for doubtful accounts was recorded.

NOTE 2 - CASH

The Authority's deposits consist of a checking account and a cash management sweep account at Key Bank of Maine and a money market account consisting of Federated Government obligations FD#5 held at Key Trust Company.

The Authority's deposits are categorized to give an indication of the level of risk assumed at June 30, 1997. The categories are described below:

Deposit Categories of Credit Risk

- (A) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- (C) Uninsured and uncollateralized.

Deposits	Category			Bank Balance	Carrying Amount
	A	B	C		
Checking, cash management, and money market	-	<u>\$315,806</u>	-	<u>\$315,806</u>	<u>\$315,806</u>

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE 3 - INVESTMENTS - KEY TRUST

Investments are stated at the lower of cost or market value and held by Key Trust Company. Investments made by the Authority are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered or securities held by the Authority or its agent in the Authority's name.
- Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the Authority's name.
- Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

	Carrying Amount	Market Value
U.S. Treasury obligations, Category 2	\$ 971,046	\$ 983,468
Repurchase agreement, Category 2	<u>891,477</u>	<u>891,477</u>
	<u>\$1,862,523</u>	<u>\$1,874,945</u>

NOTE 4 - CONTRIBUTIONS

The Authority receives donated services from the State of Maine Department of Transportation for administrative services. The fair value of services received is \$114,515, which has been included in contributions and expenditures in the statement of revenues, expenses and changes in retained earnings.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Authority entered into engineering contracts in connection with the Restoration of Passenger Rail Service between Portland, Maine and Boston, Massachusetts. The total commitments outstanding on the contracts as of June 30, 1997 is approximately \$357,000.

The Authority, along with National Railroad Passenger Corporation ("Amtrak"), has been negotiating with Boston and Maine Corporation, Portland Terminal Company, and Springfield Terminal Railway Company (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. In the absence of an agreement, Amtrak has commenced a proceeding before the United States Surface Transportation Board to resolve those issues that are currently unresolved. In the event these issues are not resolved in a manner satisfactory to Amtrak and the Authority, it may become necessary for the Authority to pursue other options which may delay the effort to restore passenger rail services.

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE 6 - PRIOR PERIOD ADJUSTMENTS

During the year, the Authority changed its basis of accounting from cash to accrual and requested reimbursement from the Federal Transportation Authority for administrative expenses since inception. The effect on retained earnings follows:

Retained earnings, as previously stated	\$2,269,408
Cash to accrual adjustment	194,910
U.S. Dept. of Transportation Federal Transit Administration Capital Improvement Grant - prior year	<u>369,444</u>
Retained earnings, as restated	<u>\$2,833,762</u>