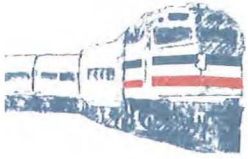


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NNEPRA

Northern New England Passenger Rail Authority

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Tel (207)780-1000 • Fax (207)780-1001

Michael J. Murray, P.E.
Executive Director

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

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REPORT
TO

MAINE STATE LEGISLATIVE COUNCIL
AND
JOINT STANDING COMMITTEE ON TRANSPORTATION

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1999

REPORTING PERIOD
FISCAL YEAR 1999

APR 24 2000

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY
DIRECTORY

AUTHORITY MEMBERS

JONATHAN L. CARTER, CHAIRMAN

WILLIAM SHEA, VICE CHAIRMAN

SHARON S. WHITE, TREASURER

BARBARA M. WHITTEN

F. BRUCE SLEEPER

EXECUTIVE DIRECTOR

MICHAEL J. MURRAY, P.E.

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NNEPRA

Northern New England Passenger Rail Authority

5 Industry Road, South Portland, Maine 04106-6154
Tel (207)780-1000 • Fax (207)780-1001

Michael J. Murray, P.E.
Executive Director

EXECUTIVE SUMMARY

February 2000

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 reasonable actions necessary to initiate, establish or reinstate regularly scheduled intracity and intercity passenger rail service within and outside the State of Maine. This statute further directs NNEPRA to focus its initial efforts to restore service between Portland and Boston. Accordingly, this report is to update Members of both the Legislative Council and the Transportation Committee on the status of restoring intercity passenger rail service between Portland and Boston's North Station.

As reported in NNEPRA's Annual Report for Fiscal 1998, a Conditional Agreement was executed between Guilford Rail System (GRS), Amtrak, and NNEPRA on December 4, 1998. This Agreement reconciled all but one of the changes to the Work Program being requested by GRS as a condition to their permitting the proposed service to operate at speeds up to 79 mph. The one change not agreed to was the weight of rail required for the "safe, consistent, and continuous" operation of Amtrak trains at speeds up to 79 miles per hour. Amtrak and NNEPRA asserted that 115# rail was adequate. GRS claimed that 132# rail was required. It was agreed by the parties to have the Surface Transportation Board (STB) decide what train speeds can be safely accommodated on 115# rail. On October 21, 1999, the STB issued the following decision in response to this request -- "The installation of 115# continuous welded rail on the Plaistow-Portland Line will be adequate for safe operation of train speeds of up to 79 miles per hour, under the condition the line is rehabilitated and maintained to a standard that produces track modulus (k) values of not less than 2750 lb/in/in and that otherwise satisfies the FRA's track safety standards for rail passenger train operation up to such speeds."

Simultaneous to the execution of the above referenced Conditional Agreement, NNEPRA issued GRS a "Notice to Proceed" with a rail system (track, signal, and bridge) project to rehabilitate and/or upgrade approximately 78 miles of their freight mainline between Portland and Plaistow, NH. This project, estimated to be completed at a cost of \$45 million, is required in order to operate the service at speeds up to 79 mph.

After a relatively slow March 1999 start, I am pleased to report that GRS forces completed close to 40 percent of the required upgrade by year's end (December 31, 1999). It is also my pleasure to advise that every indicator suggests that this project is on budget, as well as, on schedule. GRS has notified NNEPRA that, barring unforeseen circumstances, they intend to complete the rehabilitation effort between Portland and Plaistow by December 2000. Should GRS meet this schedule, start-up of service could commence soon thereafter -- in fact, the tentative start-up date for marketing purposes has been set for January 25, 2001.

NNEPRA is continuing to focus its attention on concluding negotiations of the one remaining agreement with the Massachusetts Bay Transportation Authority (MBTA) and with assisting the municipalities of Portland, Old Orchard Beach, Saco, and Wells in the development and construction of intermediate and/or terminal station facilities. In addition, a track system condition survey has been initiated to determine the work program that will be required to extend passenger rail service to Freeport and Brunswick.

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

Respectfully,

Michael J. Murray, P.E.
Executive Director

MJM/14

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.



U.S. Department of Transportation

Federal Transit Administration

	<u>Quantity</u>	<u>FTA Amount</u>	<u>Elig Proj Cost</u>
<u>SCOPE</u>			
13100 NEW START-ROLLING STOCK ACTIVITY	3	\$ 636,000	\$ 795,000
131326 PURCH USED RAIL CARS-SVC EXP	3	\$ 636,000	\$ 795,000
<u>SCOPE</u>			
13200 NEW START-TRANSIT WAY/LINES ACTIVITY		\$ 30,398,423	\$ 37,998,028
132103 ENGINEERING & DESIGN		\$ 1,679,330	\$ 2,099,162
132103 ENGINEERING & DESIGN DURING CONSTRUCTION PHASE		\$ 1,753,220	\$ 2,191,525
132403 REHAB LINE EQUIP/STRUCTURES		\$ 23,845,873	\$ 29,807,341
132405 REHABILITATE BRIDGES		\$ 3,120,000	\$ 3,900,000
<u>SCOPE</u>			
13300 NEW START-STATION/TERMINALS ACTIVITY		\$ 1,550,000	\$ 1,937,500
133303 CONST INTERMODAL TERMINAL OLD ORCHARD BEACH		\$ 150,000	\$ 187,500
133303 CONST INTERMODAL TERMINAL PORTLAND		\$ 800,000	\$ 1,000,000
133303 CONST INTERMODAL TERMINAL SACO		\$ 400,000	\$ 500,000
133303 CONST INTERMODAL TERMINAL WELLS		\$ 200,000	\$ 250,000
<u>SCOPE</u>			
13400 NEW START-SUPPORT EQUIP/FACIL ACTIVITY		\$ 700,000	\$ 875,000
134305 CONSTRUCT YARDS & SHOP PORTLAND		\$ 700,000	\$ 875,000
<u>SCOPE</u>			
13600 NEW START-SIGNALS/COMMUNIC ACTIVITY		\$ 1,087,091	\$ 1,358,864
136401 REHAB TRAIN CONTROL-SIGNAL SYS		\$ 1,087,091	\$ 1,358,864
<u>SCOPE</u>			
13700 NEW START-OTHER CAPITAL ITEMS ACTIVITY		\$ 3,938,986	\$ 4,923,733
137208 FORCE ACCOUNT CONSTRUCTION RIGHT OF WAY IMPROVEMENTS		\$ 800,000	\$ 1,000,000
137300 CONTINGENCIES		\$ 2,206,172	\$ 2,757,715
137900 PROJECT/PROGRAM ADMINISTRATION		\$ 932,814	\$ 1,166,018
TOTALS		\$38,310,500	\$47,888,125

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	
97 State Bond Issue	2,500,000	
Taxpayers Relief Act of '97	3,327,625	
Station Development	500,000	
MBTA - Wildcat Crossover	<u>250,000</u>	
Total	\$9,577,625	\$9,577,625

Total (1 & 2)		\$47,888,125
---------------	--	--------------

**RESTORATION OF PASSENGER RAIL SERVICE PORTLAND TO BOSTON
CONSTRUCTION PROJECT SCHEDULE
MAJOR ELEMENTS ONLY
PORTLAND, ME TO PLAISTOW, NH**

Page 1 of 1

	Work Element	Duration	Start	Finish	Jan '00	Feb '00	Mar '00	Apr '00	May '00	Jun '00	Jul '00	Aug '00	Sep '00	Oct '00	Nov '00	Dec '00
1	work element #1 rail	260 days	01/03/2000	12/29/2000	work element #1 rail											
7																
8	work element #2 ties	239 days	01/03/2000	11/30/2000	work element #2 ties											
14																
15	work element #3 surfacing	194 days	04/03/2000	12/28/2000	work element #3 surfacing											
18																
19	work element #4 turnouts	56 days	06/27/2000	09/12/2000	work element #4 turnouts											
44																
45	work element #5a crossings N.H. (track dept.)	84 days	04/03/2000	07/27/2000	work element #5a crossings N.H. (track dept.)											
58	work element #5b crossings Me. (track dept.)	70 days	07/28/2000	11/02/2000	work element #5b crossings Me. (track dept.)											
69																
70	work element #6a grade crossing signal upgrades N.H.	90 days	01/03/2000	05/05/2000	work element #6a grade crossing signal upgrades N.H.											
85	work element #6b grade crossing signal upgrades Me.	125 days	05/08/2000	10/27/2000	work element #6b grade crossing signal upgrades Me.											
103	work element #6c private crossings	260 days	01/03/2000	12/29/2000	work element #6c private crossings											
132																
133	work element #7 wayside signal improvements	58 days	01/03/2000	03/22/2000	work element #7 wayside signal improvements											
160																
161	work element #8 bridges	174 days	04/03/2000	11/30/2000	work element #8 bridges											
163																
164	work element #9 undercutting / ditching	168 days	04/03/2000	11/22/2000	work element #9 undercutting / ditching											
167																
168	work element #10 siding construction	240 days	01/03/2000	12/01/2000	work element #10 siding construction											
199																
200	work element #11 track alignments	9 days	03/20/2000	03/30/2000	work element #11 track alignments											
204																
205	work element #12 Portland Layover	174 days	04/03/2000	11/30/2000	work element #12 Portland Layover											
207																
208	work element #13 Rigby bypass	195 days	01/03/2000	09/29/2000	work element #13 Rigby bypass											
231																

Vanasse Hangen Brustlin, Inc.

Revision No. 01 Revision Date: 02/10/00
Date Printed: 02/11/2000

VHB Project No. 50940
NH-BED\Projects\50940\schedule\50940NNEPRA2.mpp

FINANCIAL AID FOR INTERMODAL STATION DEVELOPMENT

1. Source: Section 3 Grant - Maine Only

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>	<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

TOTALS (1 & 2)	\$3,903,873	\$976,168	\$4,880,041
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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

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

FINANCIAL REPORT

JUNE 30, 1999

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

JUNE 30, 1999

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EXHIBIT B - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS	3
NOTES TO FINANCIAL STATEMENTS	4

Independent Auditors' Report

November 17, 1999

Board of Directors
Northern New England Passenger Rail Authority
South Portland, 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, 1999, 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, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Macdonald Page + Co.

Certified Public Accountants

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NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

EXHIBIT A

BALANCE SHEET
JUNE 30, 1999

ASSETS

Cash	\$ 16,352
Investments - Key Trust	1,407,234
Investments - Key Bank	4,052,741
Accounts receivable - federal government	839,375
Supplies inventory	<u>195,120</u>

TOTAL ASSETS \$6,510,822

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$1,238,100
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FUND EQUITY

Fund balance - undesignated	<u>5,272,722</u>
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TOTAL LIABILITIES AND FUND EQUITY \$6,510,822

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

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1999

REVENUE

U.S. Department of Transportation, Federal Transit Administration	
Capital improvement grant	\$3,891,519
1992 State bond issue	2,502,130
Taxpayer Relief Act	1,000,000
Contributions	116,385
Interest income	153,650
Miscellaneous income	<u>1,629</u>
	<u>\$7,665,313</u>

EXPENDITURES

Rail project expense	\$4,251,135
Legal	148,366
Administration	116,385
Accounting	14,407
Insurance	17,949
Board - per diem	2,434
Board - travel expense	973
Advertising	107,223
Bank fees	14,586
Miscellaneous	<u>193</u>
	<u>\$4,673,651</u>

NET REVENUE OVER EXPENDITURES	\$2,991,662
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FUND BALANCE, BEGINNING OF YEAR	<u>2,281,060</u>
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FUND BALANCE, END OF YEAR	<u>\$5,272,722</u>
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NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Entity

The Northern New England Passenger Rail Authority (NNEPRA) 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.

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.

Reporting Entity

This report includes all funds and account groups of the Authority. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the Authority's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that should be included as part of these financial statements.

The Authority is considered to be a component unit of the State of Maine.

Basis of Presentation

The following fund type is used by the Authority:

Governmental Fund Type:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Authority:

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources of the Authority.

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the general purpose financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The "availability" period is assessed by management and can vary. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially three types of these revenues. For one type, monies must be expended on the specific purpose or project before any amounts will be paid to the Authority; therefore, revenues are recognized based upon the expenditures recorded. For the second type, monies are received in advance and recorded as deferred revenues until the appropriate expenditures are made, at which time the revenues are recorded. For the third type, revenues are virtually unrestricted as to purpose of expenditure and nearly irrevocable or revocable only for failure to comply with the prescribed requirements, such as equal employment opportunity provisions. These resources are reflected as revenues at the time of receipt or earlier if they meet the "available" criteria.

Accounts Receivable - Federal Government

Management believes that all accounts receivable as of June 30, 1999, were fully collectible. Therefore, no allowance for doubtful accounts was recorded.

Supplies Inventory

Supplies in inventory consist of rails and ties held for consumption and are stated at 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 rails and ties and installs them on the railroad line owner's property.

Budget

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

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

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 held at Key Trust Company.

The Authority's deposits are categorized to give an indication of the level of risk assumed at June 30, 1999. 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>\$16,352</u>	-	<u>\$16,352</u>	<u>\$16,352</u>

NOTE 3 - INVESTMENTS - KEY TRUST

Investments are carried at market value which approximates cost at June 30, 1999. Investments are 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	\$1,407,234
Repurchase agreement, Category 2	<u>4,052,741</u>
	<u>\$5,459,975</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 approximately \$116,385, which has been included in contributions and expenditures in the statement of revenues, expenses and changes in retained earnings.

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 5 - RAIL PROJECT EXPENSE

Rail project expense consists of the following project expenditures:

Engineering project oversight	\$ 458,928
Railroad tracks and ties	2,478,363
Installation and inspection of railroad tracks and ties	1,189,798
Signal systems	123,155
Project administration	891
	<u>\$4,251,135</u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Authority, along with National Railroad Passenger Corporation ("Amtrak"), negotiated a contract 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.

The Authority entered into a contract for cross ties in connection with the Restoration of Passenger Rail Service between Portland, Maine and Boston, Massachusetts. The total commitments outstanding on the contract dated April 15, 1999 are for the purchase of a minimum of 75,000 cross ties, for a total price of \$2,471,723. As of June 30, 1999, approximately 36,000 ties remain to be purchased at a cost of approximately \$1,200,000. On September 10, 1999, the Board of Directors approved the purchase of up to an additional 23,000 cross ties for approximately \$750,000.

The Authority entered into an agreement to begin Phase III of the engineering and construction administrative services which is expected to be completed by December 31, 2000. The agreement is for a total of \$2,191,525; to date, approximately \$420,000 has been spent under the contract.

The Maine Department of Transportation performed a compliance audit on the contract between NNEPRA and Guilford Rail System. There is currently a dispute between NNEPRA and Guilford Rail System as a result of approximately \$88,000 in potentially unallowable charges to NNEPRA. The Authority is uncertain of the outcome of the dispute and has not accrued an accounts receivable as of June 30, 1999 for these amounts.

NORTHERN NEW ENGLAND PASSENGER RAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 7 - YEAR 2000 ISSUE

The Authority is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment such as environmental systems, elevators and vehicles containing computer chips that have date recognition features.

The Authority has identified its accounting computer system as critical to conducting the Authority's operations and needing to be year 2000 compliant.

The Authority has subjected the accounting system to the following stages of work to address year 2000 issues:

Awareness stage - Establishing a budget and project plan for dealing with the year 2000 issue.

Assessment stage - Identifying the systems and components for which year 2000 compliance work is needed.

Remediation stage - Making changes to systems and equipment.

Validation stage - Validating and testing the changes that were made during the remediation stage.

Please refer to the following table for a complete listing of our system with regard to year 2000 readiness.

Location	Awareness	Assessment	Remediation	Validation
Accounting system	C	C	C	C

C=Complete