

NEVADA COMMISSION for the RECONSTRUCTION of the V&T RAILWAY

THURSDAY, 26 July 2018 @ 1:00pm

Carson City Community Center – SIERRA ROOM

851 East William Street (Highway 50 and South Roop Street) Carson City, Nevada 89701

AGENDA

1:00 PM CALL TO ORDER – PLEDGE OF ALLEGIANCE

A. ROLL CALL

B. FOR POSSIBLE ACTION: APPROVAL OF THE AGENDA

This is the tentative schedule for the meeting. The Commission reserves the right to take items in a different order to accomplish business in the most efficient manner. The Commission may combine two or more items for consideration and may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

C. PUBLIC COMMENT ON NON-AGENDIZED ITEMS

Discussion may be limited to three minutes per person at the discretion of the Chairman. No action may be taken on a matter raised under this portion of the agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken.

D. FOR POSSIBLE ACTION: APPROVAL OF MEETING MINUTES FOR

A. 28 JUNE 2018

E. FOR DISCUSSION ONLY: UPDATED 2018-19 FISCAL YEAR MARKETING PLAN POWERPOINT PRESENTATION BY ARGENTUM PARTNERS PLUS MARKETING REPORT

F. FOR DISCUSSION AND POSSIBLE ACTION: JULY 2018 FINANCIAL REPORT INCLUDING REVENUE RECEIVED AND VOUCHERS PAID

G. FOR CONSIDERATION AND POSSIBLE ACTION: REVIEW AND APPROVAL OF SIX-MONTH AUDIT (JUNE 30 – DECEMBER 31, 2017) PERFORMED BY STEELE AND ASSOCIATES

H. FOR DISCUSSION ONLY: GENERAL MANAGER REPORT

I. FOR DISCUSSION ONLY: TICKET SALES REPORT

J. FOR DISCUSSION ONLY: ATTORNEY'S REPORT

K. FOR DISCUSSION ONLY: ENGINEERING REPORT

NEVADA COMMISSION for the RECONSTRUCTION of the V&T RAILWAY

Thursday June 28, 2018 1:00 p.m.

Carson City Community Center – SIERRA ROOM

851 East William Street (Highway 50 and South Roop Street) Carson City, Nevada 89701

MEETING MINUTES

Notice: Items on the agenda may be taken out of order; two or more agenda items may be combined for consideration; and items may be removed from the agenda or discussion relating thereto delayed at any time. This is the tentative schedule for the meeting. The Commission reserves the right to take items in a different order to accomplish business in the most efficient manner.

The following minutes are a summarized explanation of the topics discussed. A taped recording of these proceedings will be kept for review.

CALL TO ORDER

Chairman Dotson called the meeting of the Nevada Commission for the Reconstruction of the V&T Railway to order at 1:00 p.m. and called for the roll.

Pledge of Allegiance

A. ROLL CALL

Tiffany Dubois called roll.

Chairperson: Deny Dotson - Present
Vice Chair: Nick Marano - Present
Treasurer: Joel Dunn - Absent
Board Members: Jack McGuffey - Present
Stan Jones - Present

Tiffany noted there was a quorum present.

Others: Elaine Burkduall-Spencer, General Manager
Candy Duncan, Project Coordinator
Michael Smiley Rowe, Legal Counsel
Tiffany Dubois, Administrative Assistant, Virginia City Tourism Commission
Molly Ellery, Argentum Partners, Marketing Team

Public Attendance:

B. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: APPROVAL OF THE AGENDA

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Nick Marano made the motion to approve the agenda.

Second – Jack McGuffey

Approved - Unanimously

C. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: PUBLIC COMMENT ON NON-AGENDIZED ITEMS

Discussion may be limited to three minutes per person at the discretion of the Chairman. No action may be taken on a

N. Marano asks how much additional time is C. Duncan spending now compared to when the other contract was agreed upon.

C. Duncan states she is at the East Gate Depot every weekend from 8:00 a.m. until a little while after the train leaves and then she returns in the afternoon before the train returns. She states the phones are on seven days per week and she answers the phone at the depot as well. She states she is available to the Commission seven days per week.

D. Dotson states about one year ago, C. Duncan's contract was in the \$4,800.00 per month range and this proposed contract is still a reduction from where the original contract was since E. Spencer has taken up some of those other duties. He states from the legal standpoint of an RFP, the relationship with R Line of Work was not severed and therefore, there is no requirement to go out to bid.

M. Rowe states he agrees with D. Dotson. Under Chapter 332 of the NRS, which is the local government purchasing act, there are many exceptions that are stated in the statute regarding contracts obtained from a sole source and he believes this contract falls within the exceptions to the requirements to go out for bid or RFP.

N. Marano made the motion to approved a revised contract with R Line of Work, LLC for special event coordination and ticketing sales service as contained in the agenda package.

Second – J. McGuffey

Approved – Unanimously

F. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: CONSIDERATION AND POSSIBLE ACTION REGARDING AN APPEAL SUBMITTED BY DOUBLEKNOT RELATING TO THE TICKETING SERVICE CONTRACT APPROVED ON THURSDAY, MAY 10, 2018 AND A REQUEST FOR A COPY OF THE TICKETING SERVICE SELECTION COMMITTEE'S EVALUATION SUMMARY AND THE MINUTES OF THE MAY 10, 2018 MEETING.

E. Spencer explained that Double Knot is requesting an explanation as to why they were not selected for the ticketing service contract. She explained the process that had been used for the RFP selection process and how Double Knot compared to the other proposals. She states the summary they are requesting is the summary provided at the May 10, 2018 Commission meeting showing where each participant ranked. She went through the criteria and spoke about the ranking of each proposal.

N. Marano clarifies that a new contract has been signed with Activity Tickets.

E. Spencer states yes, the time frame was explained in the RFP and discussed the time line that was followed.

N. marano states he is happy to go back and look at our work and make sure we did things correctly. He states at the point when the contract with Activity Tickets expires, hopefully Double Knot has additional relevant railway experience and maybe that will change the dynamic. He states at this point, he is confident that the selection committee went through a transparent and effective evaluation method and believes the right vendor was chosen.

D. Dotson states the process was very sound and states all of the records are public record so he sees no issue with sending them the documentation they are requesting.

S. Jones asks for M. Rowe's input.

M. Rowe states he did write to Double Knot on May 29, 2018 explaining that they did not hold a binding contract and that they would not be receiving any money. He states he believes the RFP process was done correctly and that they are relying on an agreement that was inadvertently signed by D. Dotson before the Commission had any opportunity to review and consider the whole issue. According to Open Meeting Law and the AG's opinions, it was not a binding agreement until this issue was brought before the entire Commission. He states when the process was completed for the RFP, it was all done correctly and he does not see any reason to reverse course at this point. He also states there would be some exposure to the current contract holder if you decided to go backwards or in a different direction.

J. McGuffey made a motion to disregard an appeal submitted by Double Knot relating to the ticketing service contract approved on Thursday, May 10, 2018 and fulfill the request for a copy of the necessary documentation.

Second – N. Marano

Approved – Unanimously

G. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: CONSIDERATION AND POSSIBLE APPROVAL OF A SET-ASIDE FUND TO BE APPROVED FOR THE SPECIFIC USE OF THE EASTGATE DEPOT IMPROVEMENTS.

E. Spencer states this item was put on the agenda by S. Jones and he will be discussing it.

S. Jones states he spoke to Hugh Gallagher regarding setting aside funds for maintenance issues at the East Gate Depot. He states examples of what currently needs to be addressed are replacing the septic tank, garage doors for the passenger holding area, signage, and some structural repairs around the gift shop. He suggested that the revenue from the Drako fund be set aside for that type of maintenance. He states deferred maintenance will kill us and he would like to see something set aside now for that.

J. McGuffey states money also needs to be set aside for the #18 when it has to be rebuilt again.
D. Dotson states money was budgeted to be set aside for maintenance of the track the engine and the depot. There is \$50,000.00 budgeted for the #18; \$38,000.00 for track maintenance; and \$50,000.00 in capital outlay which would include projects at the East Gate Depot. He states he likes the idea of putting away the Drako funds for maintenance as well.
J. McGuffey asks if the \$50,000.00 is only set aside for this year or will that continue going forward.
D. Dotson states he believes it was intended that \$50,000.00 be put aside each year so that it accumulates for when the time comes that it needs to be redone there are funds available.
J. McGuffey asks if anyone knows how much is left to come in from the Drako fund.
N. Marano states that number can be found.
E. Spencer asks M. Rowe if he has a copy of that contract.
M. Rowe states he does but he does not remember what the remaining balance is.
D. Dotson states he likes the idea of using the Drako funds for repairs.
S. Jones states this will give E. Spencer the chance to start identifying the critical needs are and the costs and then when we get the money, we have a plan.
N. Marano states it would be good to attach a revenue source and set up a separate fund and then identifying the maintenance upgrades that need to be done, but also the enhancements like the roll up garage door. He states that the Depot already looks much better. He states he thinks having the dedicated funding and then having a plan would be really important.
D. Dotson states working on a plan with the funding we already have in the budget would be a good idea. He states we can work with the existing funds and object codes and then figure out on the backside what we want to accomplish.
E. Spencer states she has spoken to S. Jones about it regularly and she would like this to include the bridge. She states there are things that come up relating to the bridge and the parking lot, so she would like to just call it the East Gate fund.
Steven Lincoln, states he just wanted to make sure that when you make a motion, acknowledge that this fund can be paid off at any time so that the motion is not just for the monthly fee, but the entire amount.
D. Dotson asks E. Spencer to come back to the Commission with a maintenance plan for next year and work with S. Jones to create it.
S. Jones states they will do that and identify the priorities.

H. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: CONSIDERATION AND POSSIBLE APPROVAL OF CARIOUS LETTERS FROM THE COMMISSION:

- A. *Letter to the Nevada License Plate Commission authorizing V&T license plate funds to be transferred to the Storey County Comptroller's office*
- B. *Letter to Department of Emergency Management authorizing the General Manager, Elaine Barkdull Spencer, full authority to represent the V&T Railway Commission on matters relating to the V&T Railway's FEMA reimbursement for 2017.*
- C. *Letter to Bank of America authorizing a debit card for the V&T Railway Enterprise Account.*

E. Spencer explained that the permission had to be passed by this Commission and will then go on the Specialty Plates Commission and then they will approve us to relocate those funds to Storey County where our accounting is taking place now.

N. Marano made a motion to approve the letter to the Nevada License Plate Commission authorizing V&T license plate funds to be transferred to the Storey County Comptroller's Office.

Second – S. Jones

Approved – Unanimously

E. Spencer explained the need for a letter from the Commission giving her permission to represent them in regards to FEMA. She explained that because she is a contract employee, she is not able to speak to them about a grant that could potentially benefit her personally. She explained she is a flat-rate contractor, not an hourly and she requested. She stated there are revisions that need to be done and this letter will give her access to the correct people who can help her make those revisions and receive the reimbursement.

N. Marano states that the engineering contractor was signing some of the contracts with FEMA, however, they stated he could personally benefit from this so they would not allow him to sign them. He states he stepped in and was signing some of the paperwork. He states as a flat-rate contract employee; he believes E. Spencer is the one who should be handling these.

J. McGuffey states Ken Dorr was going through hoops to get things done and things got submitted too late. He asks if doing this going to make us too late to be able to file for those reimbursements?

E. Spencer explained that is a different project and she believes that what they needed for that was a definition of what the Commission for the Reconstruction of the V&T Railway actually is. She states the Commission is a Nevada Commission, not a county organization. She states M. Rowe has sent the documentation that was needed.

M. Rowe explained what documents he sent and what they said.

D. Dotson asked what the dollar amount for that reimbursement is supposed to be.

E. Spencer states she doesn't know because she has not been able to get to the paperwork with FEMA yet.

J. McGuffey stated at the NACO conference FEMA was discussed and how over regulated they are. He suggests everything be documented for FEMA.

E. Spencer states the criteria for a county organization is different than a state so there will not be as many hoops.

S. Jones made a motion to approve a letter to the Department of Emergency Management authorizing E. Spencer full authority to represent the Commission on matters to the V&T Railway's FEMA reimbursement for 2017.

Second – N. Marano

Approved – Unanimously

E. Spencer states her and Hugh Gallagher will be going into the bank to become signers and also getting the debit card. She states she is currently getting statements through K. Demuth at the VCTC because she does not have full access to the account. She states she is using her personal money to pay for things for the V&T since there is no cash access. She states she does get reimbursements but all automatic credit cards, she is using her personal credit cards for V&T business. She states the record keeping would be much cleaner if she was using a card that was just designated to the V&T. She states it will be balanced and overseen by Hugh Gallagher in the Comptroller's office.

N. Marano states a purchase card has much greater visibility than a personal card.

N. Barde, asks if E. Spencer is an independent contractor, shouldn't she be charging things on her own card and then getting reimbursed by the commission. She states she is an independent contract and if she is treated like an employee, she will be required to receive benefits.

M. Rowe states that is more of an accounting question and he is not confident he has a satisfactory answer, but he believes having the debit card will separate between E. Spencer personally and the Commission.

N. Barde states she is doing this as an independent contractor not personally. She states if you start treating contractors like employees, labor can make you come back and pay benefits to them.

J. McGuffey states he sees it as a debit card that we are allowing our General Manager to use on behalf of the V&T Railway.

N. Marano states he believes it is actually a Storey County purchase card, or a credit card from Storey County.

N. Barde asks if other contractors in Storey County have credit cards.

D. Dotson states yes, they do. He states Liquid Blue Events has a Storey County card.

N. Barde states that is different because they offer their services to multiple sets of clients. She states E. Spencer is offering this service only to the V&T.

E. Spencer states that is not true, she provides services for other clients on an ongoing basis. She states the majority of the need for the card are special event expenses and online subscription services that have to charge to a card.

J. McGuffey made a motion to submit a letter to the Bank of America authorizing a debit card for the V&T Railway Enterprise Account.

D. Dotson asks M. Rowe if there is any issue with the action item on the agenda and the letter that is presented to the Commission as they appear to be for different things.

E. Spencer states the letter was already approved at the last meeting; the action item is for an additional letter. The current letter just needs a signature from the Commission.

N. Marano asks if the debit card will be in the name of the V&T Commission. He states although N. Barde makes a valid point, he is very comfortable with the debit card being issued.

Second – N. Marano

Approved – Unanimously

I. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: 2018-2019 FISCAL YEAR MARKETING PLAN PRESENTATION BY ARGENTUM PARTNERS AND MARKETING UPDATE.

Molly with Argentum partners provided an update on the current marketing and the plan for the marketing going forward. She states ticket sales for the Mother's Day train was almost double what it was last year. She states she believes both the Memorial Day and Father's Day trains were close to being sold out, if not actually sold out. She reported statistics on several of the recent social campaigns. She discussed the VIP train event and some of the outcomes of the train. She stated the upcoming weekend will be the first canyon train. She states the eblast integration is complete and the website updates are either underway or almost complete. She discussed other media and marketing outlets they have either put into place or are working on getting into place. She states the marketing is very much based on budgeting and therefore the marketing plan is a fluid and living document that will change over time and with the availability of funding.

S. Jones states he has had a lot of visitors from Tahoe this summer who are staying in time shares. He asks if there are any resources up there in time shares because they come into Carson and then wonder what is there to do.

Molly states she has been in touch with both the Carson and Tahoe visitor authorities and they are working with them. She states they will contact Tahoe again and see if they can help us tap into the time share markets.

C. Duncan states the concierge at the Ridge calls often regarding tickets.

D. Dotson states he wants to make sure a representative from Carson Visitor Authority and from the VCTC are able to be a part of the planning for Polar Express. He states there is so much collaboration that we can do and if we don't know what you guys are doing, it goes back to the issues we had previously and he does not want to go there. He states that was a big push on the SB 57 was to have a visitor bureau from Carson City and from Virginia City involved so that we can unify because we are stronger with numbers. He states Tuesdays are a killer for him because of Commission meetings and other stuff going on. He states if there is an opportunity to look at that and talk with E. Spencer and find something that works, we can talk about it. He states he can't be there every week but if there is an opportunity there to be available he thinks he can help and needs to.

Molly states she agrees and that she has been making sure all of the Commission members are on all mass communications being sent out as well. She states Argentum Partners believes no one person is the smartest in the room and to be successful, you have to collaborate.

J. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: STOREY COUNTY COMPTROLLER'S V&T RAILWAY COMMISSION REPORT

E. Spencer provided an update on the current finances. She states the audit is almost complete. She states until the audit is complete, there are not bottom line numbers available. She provided an update on the payables for the V&T over the last two months. She states there has been some cleanup from the previous fiscal year. She states audit is coming to a close and Hugh Gallagher should have the numbers at the next meeting.

D. Dotson states it will be a challenge through the transition from private accounting to public accounting systems but states they can be transparent throughout the process. He encourages E. Spencer to provide a balance sheet at least quarterly to be transparent to the public as to where we are. He states the monthly expenses can be provided with a voucher recap. He encourages the public to reach out with questions.

K. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: GENERAL MANAGER'S REPORT

E. Spencer thanks the VCTC for some photos that were provided. She states they have added some trains to the schedule. She states the canyon rides have been added and themes have been assigned to them. She states the West Wine train in the theme of West World has been added as well as Friday and Saturday short ride trains. She states it is not necessarily a historic ride but it is available for entertainment. She states that it is \$575 to keep the train for an additional few hours. She states her and D. Dotson met with T. Gray and the #18 and it is not ready yet. She states when they are able to run three cars, that is where the commission makes money. She states it cost \$7,000.00 to run the train. She states 140 tickets sold, is right about \$7,000.00 so we are breaking even. She states they look forward to the #18 being back on the tracks so they can pull three cars but until that point, she has come up with solutions to create additional revenue. She states it has been three months since she started running and they are currently up and running trains. She states she went to Colorado to learn about Polar Express in May. She stated that we are known for being one of the most heavily ridden Polar Express trains. She states there is going to be some investment to bring things up to where the franchise needs us to be this year. She states she plans to spend more time out in the public meeting with the visitor bureaus and museums to start working on cross-promoting.

D. Dotson asks when they are planning to launch the Polar Express ticket sales?

E. Spencer states they are planning a Christmas in July event to launch Polar Express sales. Tickets will be released on July 16, 2018. She states she is going to be selling some of the Polar Express merchandise that has not sold in years past as well.

J. McGuffey asks if the VCTC sells V&T Railway tickets.

D. Dotson states they do not. He states it is a logistical thing and something we can certainly talk about doing if we get it set up. He states there is a computer in the visitor center we can assist people with buying tickets, but we can talk with K. Demuth about putting them on the POS in the visitor center.

C. Duncan states you would just need a login and password.

T. Dubois states we have an extra computer downstairs where we will actually help people purchase tickets through the V&T website, but our POS system is not set up to have any other programs running on it. We do have a fair amount of people that come in and ask about them, but not very many that we actually walk them through the ticket buying process. We typically just send people to the V&T website to purchase tickets.

J. McGuffey states he is looking at the report and sees that the train had three cars on June 16 and 17. He asks if that is T. Gray's steam car and states last year they were told he could only pull two cars because his train was tired.

E. Spencer states once tickets sale out, he has added additional cars for us.

D. Dotson states they spoke with T. Gray and it boils down to getting the parts and the professional help to get in there and get it done. He is stuck on timing because of all of the other things that also need to be done during the season. He states T. Gray knows we are looking forward to getting this back on the tracks as soon as possible.

Jack Green, states he spoke to T. Gray about the #18 regarding trying to find parts needed for the repairs. He states some of these parts are difficult to get ahold of.

L. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: TICKET SALES REPORT

C. Duncan provided updated numbers for recent ticket sales. She states 1,755 tickets for a total of \$82,614.30. Year to date 6,514 tickets have been sold totaling \$114,181.67. These numbers do not include Polar Express. She spoke about the upcoming weekend and recapped current ticket sales. She states that the ticket sales for the Wine Train was a bit low but she believes it will improve with the marketing being in place.

C. Duncan provided an update on current grants she has requested reimbursements for and the grants that have been approved by Travel Nevada.

S. Jones asked about the total reported revenue and whether there was profit in that or if that is all breakeven.

E. Spencer states it depends on the train and whether we were able to pull three cars or just two and explained each train over the last few weeks and compared the revenue to the expenses.

J. McGuffey asks about full moon runs.

C. Duncan states that is T. Gray's event on the shortline.

C. Duncan provided her budget for the upcoming wine trains.

D. Dotson asks what paid marketing has been done on these trains. He states paid Facebook posting has been very successful for Virginia City Events. He states it is a less expensive way to reach a bigger market.

Jack Green states with talking about the wine train, the Commission should really try to get that track all the way down to the river. He states that is a very boring ride and he doesn't see how you get any customers.

D. Dotson states that is noted and on out radar.

M. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: ATTORNEY'S REPORT

M. Rowe spoke about the work he has done for the Commission over the last month. He spent time doing correspondence with Double Know, working with E. Spencer on agenda items and other miscellaneous things. He states he also states he has reviewed C. Duncan's contract. He states the Nevada Commission for Specialized License Plates requires us to do an audit annually. It requires us to report all of the money received for the license plates and looks to be a fairly simple form to complete. E. Spencer and C. Duncan should have all of that information.

E. Spencer states her and Hugh Gallagher will be completing those forms for the license plates.

N. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: NEXT MEETING DATE(S) & AGENDA ITEMS

a. July 26, 2018 at 1:00 p.m. in the Sierra Room of the Carson City Community Center.

D. Dotson and E. Spencer confirm the time and date for the next meeting.

O. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: COMMISSIONER COMMENTS

D. Dotson states he has received calls from people requesting to be notified of the meeting. He states he would like to see the eblast for the meetings start being sent out.

J. McGuffey states he is happy to see that E. Spencer is watching those numbers and trying to get those numbers up.

S. Jones states he thinks there have been a lot of great things done and the assistance has been valuable to E. Spencer. He states he would like to get the #18 running because it really drives the profit and loss.

P. CHAIRMAN DOTSON BROUGHT THE NEXT ITEM TO THE COMMISSION'S ATTENTION: ADJOURNMENT OF COMMISSION BOARD MEETING

D. Dotson adjourned the meeting at 2:56 pm.

Vendor Name	Date	Account Number	Invoice Number	Amount
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53065-000	0518-3	40.00
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-51021-000	0518-3	300.00
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53057-000	564560	164.32
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53010-000	DOLLAR GENERAL	12.91
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-56504-000	370302 CAFE DEL RIO	31.15
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53057-000	LOWES	106.36
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53011-000	OFFICE DEPOT	15.59
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53065-000	CHRIS BAYER	150.00
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53014-000	INV05613471 BOX	45.00
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53012-000	0306022263001 AT&T	140.28
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53011-000	FOODMAXX	69.22
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53060-000	DOLLAR TREE	30.00
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53060-000	COSTCO	103.92
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-51021-000	JAMES BEAN	100.00
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-51021-000	NORM LUKE	50.00
BARKDULL-SPENCER, ELAINE	6/30/18	221-221-53070-000	207	8,333.00
TOTAL				9,691.75
BEAN, JAMES	6/30/18	221-221-53057-000	0618-14	76.53
BEAN, JAMES	6/30/18	221-221-51021-000	0618-15	90.00
BEAN, JAMES	6/30/18	221-221-53057-000	0618-15	17.51
BEAN, JAMES	6/30/18	221-221-53065-000	0618-16	40.00
BEAN, JAMES	6/30/18	221-221-51021-000	0618-17	150.00
TOTAL				374.04
KENNETH L DORR JR SOLE M	6/30/18	221-221-53070-000	253	500.00
KENNETH L DORR JR SOLE M	6/30/18	221-221-53070-000	254	300.00
TOTAL				800.00
WILLAMAN, GABRIEL	6/30/18	221-221-53026-000	191	8,520.00
WILLAMAN, GABRIEL	6/30/18	221-221-53026-000	192	2,200.00
TOTAL				10,720.00
VIRGINIA CITY TOURS INC	6/30/18	221-221-53070-000	MAY 12 - JUNE 30	1,800.00
TOTAL				1,800.00
VIRGINIA & TRUCKEE RR CO	6/30/18	221-221-53070-000	VTRR INVOICE 7118	12,230.00
TOTAL				12,230.00
CITY OF CARSON CITY	6/30/18	221-221-53022-000	305365284210	123.20
TOTAL				123.20
SIERRA PACIFIC POWER CO	6/30/18	221-221-53022-000	10000093003906514303	101.61
TOTAL				101.61

Vendor Name	Date	Account Number	Invoice Number	Amount
CITY OF CARSON CITY	6/30/18	221-221-53026-000	WO #327384	21.57
CITY OF CARSON CITY	6/30/18	221-221-53026-000	WO #328698	355.99
			TOTAL	<u>377.56</u>
QUESTO, INC	6/30/18	221-221-53602-000	RC753911	1,000.00
			TOTAL	<u>1,000.00</u>
ROWE & HALES, LLP	6/30/18	221-221-53070-000	28151	1,060.00
			TOTAL	<u>1,060.00</u>
CELLCO PARTNERSHIP	6/30/18	221-221-53012-000	9809266489	140.33
			TOTAL	<u>140.33</u>
SIERRA PACIFIC POWER CO	6/30/18	221-221-53022-000	1000093003905243201	67.88
			TOTAL	<u>67.88</u>
STEELE & ASSOCIATES, LLC	6/30/18	221-221-53090-000	20785	9,810.00
			TOTAL	<u>9,810.00</u>
VIRGINIA & TRUCKEE RR CO	6/30/18	221-221-51021-000	782018	1,368.90
VIRGINIA & TRUCKEE RR CO	6/30/18	221-221-53057-000	782018	351.00
VIRGINIA & TRUCKEE RR CO	6/30/18	221-221-53057-000	782018	293.73
			TOTAL	<u>2,013.63</u>
ALPINE SIGNS INC	7/20/18	221-221-53602-000	17425	250.00
ALPINE SIGNS INC	7/20/18	221-221-53602-000	17446	125.00
ALPINE SIGNS INC	7/20/18	221-221-53602-000	17454	250.00
			TOTAL	<u>625.00</u>
ARGENTUM PARTNERS, LTD	7/20/18	221-221-53070-000	2116	4,167.00
			TOTAL	<u>4,167.00</u>
CERTIFIED FOLDER DISPLAY	7/20/18	221-221-53070-000	5511537	852.40
CERTIFIED FOLDER DISPLAY	7/20/18	221-221-53070-000	551588	852.40
			TOTAL	<u>1,704.80</u>
RAIL EVENTS INC.	7/20/18	221-221-53061-232	V&T RAILWAY	1,760.41
			TOTAL	<u>1,760.41</u>
BOBULA, JAMES CLARK	7/20/18	221-221-53057-000	8306	700.00
			TOTAL	<u>700.00</u>

STOREY COUNTY
Vouchers List
For the Dates 06/30/18 To 07/20/18

Vendor Name	Date	Account Number	Invoice Number	Amount
BEAN, JAMES	7/20/18	221-221-53065-000	0618-19	40.00
BEAN, JAMES	7/20/18	221-221-51021-000	0618-19	150.00
BEAN, JAMES	7/20/18	221-221-53057-000	0618-20	75.00
BEAN, JAMES	7/20/18	221-221-53057-000	0618-20	46.41
BEAN, JAMES	7/20/18	221-221-51021-000	0618-21	300.00
BEAN, JAMES	7/20/18	221-221-51021-000	0618-22	300.00
BEAN, JAMES	7/20/18	221-221-53065-000	0618-23	60.00
TOTAL				971.41
DUNCAN, CANDY L	7/20/18	221-221-53070-000	18-07	3,350.00
DUNCAN, CANDY L	7/20/18	221-221-53060-000	MICHAELIS	177.06
TOTAL				3,527.06
VIRGINIA & TRUCKEE RR CO	7/20/18	221-221-53070-000	71518	17,325.00
VIRGINIA & TRUCKEE RR CO	7/20/18	221-221-53070-000	71518	6,850.00
TOTAL				24,175.00
GRAND TOTAL				87,940.68

NEVADA COMMISSION FOR THE
RECONSTRUCTION OF THE V&T RAILWAY
FINANCIAL STATEMENTS
DECEMBER 31, 2017

DRAFT

NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY
 FINANCIAL STATEMENTS
 AND SUPPLEMENTARY INFORMATION
 SIX MONTHS ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Nevada Commission for the Reconstruction of the V&T Railway

We have audited the accompanying financial statements of the government activities, business-type activities, each major fund, and the aggregate remaining fund information of the Nevada Commission for the Reconstruction of the V&T Railway (the Commission), as of and for the six months ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nevada Commission for the Reconstruction of the V&T Railway, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general fund on pages 3 through 6 and 24 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information for the General Fund is the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nevada Commission for the Reconstruction of the V&T Railway's basic financial statements. The budgetary information for the Enterprise Fund is presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary information for the Enterprise Fund 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. Such 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 budgetary information for the Enterprise Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Nevada Commission for the Reconstruction of the V&T Railway's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nevada Commission for the Reconstruction of the V&T Railway's internal control over financial reporting and compliance.

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis (Unaudited)
December 31, 2017

The Nevada Commission for the Reconstruction of the V&T Railway (the Commission) provides this discussion and analysis of the Commission's Financial Report for readers of the Commission's financial statements. This narrative overview and analysis of the financial activities of the Commission is for the six months ended December 31, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the Commission exceeded its liabilities at the close of the six months ended December 31, 2017, by \$31,698,392 (*net position*). Of this amount, \$31,275,888 is related to capital assets
- The Commission's total net position decreased \$326,634 in the six months ended December 31, 2017.
- At the close of the six months ended December 31, 2017, the Commission's governmental funds reported an ending fund balance of \$185,598, a decrease of \$224 in comparison with the prior year ended June 30, 2017.
- At the close of the six months, the Commission's business-type fund reported an ending fund net position of \$21,449, an increase of \$68,032.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction and overview of the Commission's annual financial report. The Commission's basic financial statements consist of two parts: Management's Discussion and Analysis, and the Financial Statements including Notes to the Financial Statements. This report also contains Supplemental Information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business. They take into account all revenues and expenses connected with the fiscal year regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission maintains a general fund and an enterprise fund, which account for the basic programs of the Commission. These funds focus on short-term inflows and outflows of expendable resources as well as balances left at the end of the fiscal year available to finance future activities. These funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Nevada Commission for the Reconstruction of the V&T Railway
 Management's Discussion & Analysis (Unaudited)
 December 31, 2017

General Fund

The General Fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds focus on the current inflows and outflows of resources. This information is useful in determining current financial requirements.

Enterprise Fund

The Enterprise Fund used to account for the business operations of the V&T Railway. The business-type funds report activity using the modified accrual basis of accounting, wherein revenues are recorded when earned and expenditures are recorded when due and payable.

Notes to Financial Statements

Notes to financial statements are included to provide information that is crucial to the full and complete understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Commission's net position totaled \$31,698,392 at December 31, 2017, compared with \$32,025,026 at the end of the previous year ended June 30, 2017.

The condensed Statement of Net Position is as follows:

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	12/31/2017	6/30/2017	12/31/2017	6/30/2017	12/31/2017	6/30/2017
Current and other assets	\$ 231,015	\$ 196,625	\$ 286,128	\$ 110,955	\$ 517,143	\$ 307,580
Non current assets	31,741,345	32,135,787	-	-	31,741,345	32,135,787
Total assets	31,972,360	32,332,412	286,128	110,955	32,258,488	32,443,367
Current liabilities	45,417	10,803	264,679	157,538	310,096	168,341
Non current liabilities	250,000	250,000	-	-	250,000	250,000
Total liabilities	295,417	260,803	264,679	157,538	560,096	418,341
Net assets:						
net of related debt	31,275,888	31,665,906	-	-	31,275,888	31,665,906
Unrestricted	401,055	405,703	21,449	(46,583)	422,504	359,120
Total net position	\$ 31,676,943	\$ 32,071,609	\$ 21,449	\$ (46,583)	\$ 31,698,392	\$ 32,025,026

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis (Unaudited)
December 31, 2017

The condense Statement of Activities is as follows:

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	12/31/2017	6/30/2017	12/31/2017	6/30/2017	12/31/2017	6/30/2017
Revenues:						
Charges for services	\$ -	\$ -	\$ 1,073,049	\$ 1,094,438	\$ 1,073,049	\$ 1,094,438
General revenue	87,808	78,010	10,493	64,258	98,301	142,268
Total revenues	87,808	78,010	1,083,542	1,158,696	1,171,350	1,236,706
Expenditures						
Culture and recreation	482,474	924,318	-	-	482,474	924,318
Interest expense	-	-	-	-	-	-
V&T Railroad	-	-	1,015,510	1,251,903	1,015,510	1,251,903
Total expenditures	482,474	924,318	1,015,510	1,251,903	1,497,984	2,176,221
Change in Net Position	(394,666)	(846,308)	68,032	(93,207)	(326,634)	(939,515)
Beginning Net Position	32,071,609	32,917,917	(46,583)	46,624	32,025,026	32,964,541
Ending Net Position	\$ 31,676,943	\$ 32,071,609	\$ 21,449	\$ (46,583)	\$ 31,698,392	\$ 32,025,026

The net position decreased by \$326,634 during the current six months ended December 31, 2017. Depreciation expense was \$390,018, which is the largest cause of the decrease in net position.

Financial Analysis of the Commission's Funds

At the end of the six months ended December 31, 2017, the Commission's General Fund reported an ending fund balance of \$185,598, a decrease of \$224 from the prior year ended June 30, 2017. The fund balance will be used for the operation of the Virginia and Truckee Railroad project. The Enterprise Fund reported an ending net position of \$21,449, an increase of \$68,032 from the prior year ended June 30, 2017.

General Fund revenue decreased \$57,561 from the prior year ended June 30, 2017. The main change from the prior fiscal year is due to the receipt of sales tax revenues received in the current year for \$15,000 and only collecting half of the years Historic Preservation Fees. Enterprise Fund operating revenue decreased \$75,154 from the prior year. The main reason for the decrease is due to the fact that this is only six months of revenue being compared to twelve months in the prior year.

General Fund expenditures decreased \$141,587 from the prior year. Enterprise Fund expenses decreased \$236,393 from the prior year. The main reason for these decreases is due to the fact that this is only six months of expenses being compared to twelve months in the prior year.

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis (Unaudited)
December 31, 2017

General Fund Budgetary Highlights

General Fund actual revenues were \$117,194 less than budgeted and actual expenditures were \$49,543 less than budgeted. The main variance in revenue relates to the fact that the current fiscal year includes only six months of revenues and the budget included 12 months of revenues.

Capital Assets

The Commission's capital assets amounted to \$37,331,990 with accumulated depreciation of \$6,056,102, leaving net book value of \$31,275,888. See Note 4 to the financial statements for further information.

Long-Term Debt

The Commission's long-term debt is a payable due to Storey County with an outstanding balance of \$250,000 at December 31, 2017. See Note 7 to the financial statements for further information.

Economic Condition and Outlook

The Commission will seek additional funding from the five Counties that participate on the Commission on an annual basis. The focus of the Commission is to make sure they fund the operations and to fund the completion of the track around the river.

Requests for Information

This financial report is designed to provide a general overview of the Nevada Commission for the Reconstruction of the V&T Railway's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Hugh Gallagher, Storey County Controller, PO Box 432, Virginia City, Nevada 89440.

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and investments	\$ 210,624	\$ 223,440	\$ 434,064
Accounts receivable	-	7,445	7,445
Due from other governments	15,220	10,250	25,470
Prepaid expenses	5,171	-	5,171
Inventory	-	44,993	44,993
Total Current Assets	<u>231,015</u>	<u>286,128</u>	<u>517,143</u>
Property, plant & equipment, net	31,275,888	-	31,275,888
Note receivable	465,457	-	465,457
Total Non-Current Assets	<u>31,741,345</u>	<u>-</u>	<u>31,741,345</u>
Total Assets	<u>31,972,360</u>	<u>286,128</u>	<u>32,258,488</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 45,417	\$ 264,679	\$ 310,096
Ticket sales received in advance	-	-	-
Total Current Liabilities	<u>45,417</u>	<u>264,679</u>	<u>310,096</u>
Non current liabilities			
Storey County payable	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total Liabilities	<u>295,417</u>	<u>264,679</u>	<u>560,096</u>
NET POSITION			
Invested in capital assets, net of debt	31,275,888	-	31,275,888
Unrestricted	<u>401,055</u>	<u>21,449</u>	<u>422,504</u>
Total Net Position	<u>\$ 31,676,943</u>	<u>\$ 21,449</u>	<u>\$ 31,698,392</u>

See Accompanying Accountant's Audit Report & Notes to Financial Statements

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Activities
For the Six Months Ended December 31, 2017

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Sales	Operating Grants and Contributions	
Primary Governmental activities	\$ 482,474	\$ -	\$ 20,460	\$ (462,014)
Governmental activities				
Culture and recreations				
Business-type activities				
V&T Railroad	1,015,510	1,073,049	10,250	67,789
Total governmental activities	<u>\$ 1,497,984</u>	<u>\$ 1,073,049</u>	<u>\$ 30,710</u>	<u>(394,225)</u>
GENERAL REVENUES				
Optional sales tax			15,000	15,000
Taxes				
License plates			11,267	11,267
Lease income			-	-
Miscellaneous income			-	-
Historic preservation fee			30,383	30,383
Unrestricted investment income			10,698	10,698
Loss on fixed asset disposal			-	-
Transfers			-	-
TOTAL GENERAL REVENUES			<u>67,348</u>	<u>67,591</u>
CHANGE IN NET POSITION				
			68,032	(326,634)
Net Position, June 30, 2017			<u>32,071,609</u>	<u>32,025,026</u>
Net Position, December 31, 2017			<u>\$ 31,676,943</u>	<u>\$ 31,698,392</u>

Nevada Commission for the Reconstruction of the V&T Railway
 General Fund
 Balance Sheet and Reconciliation of the
 Balance Sheet to the Statement of Net Position
 December 31, 2017

ASSETS		
Cash and investments	\$ 210,624	
Accounts receivable	-	
Due from other governments	15,220	
Prepaid expenses	5,171	
Total Assets	<u>\$ 231,015</u>	
LIABILITIES		
Accounts payable	\$ 45,417	
Total Liabilities	<u>45,417</u>	
FUND BALANCE		
Nonspendable	5,171	
Assigned	-	
Unassigned	180,427	
Total Fund Balance	<u>185,598</u>	
Total Liabilities and Fund Balance	<u>\$ 231,015</u>	

TOTAL FUND BALANCE, GOVERNMENTAL FUNDS \$ 185,598

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	37,331,991
Accumulated depreciation	(6,056,103)

Notes receivable	465,457
------------------	---------

Long-term liabilities, including notes payable are not due and payable in the current period, and therefore, are not reported in the governmental funds.

Storey County payable	<u>(250,000)</u>
-----------------------	------------------

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES \$ 31,676,943

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund
For the six months ended December 31, 2017

REVENUES

Intergovernmental revenues		
License plates	\$	11,267
Sales tax		15,000
Miscellaneous		
Historic preservation fee		30,383
Investment interest income		947
Lease		-
Contributions and donations		20,460
Payment from Storey County		-
Miscellaneous		14,176
		<hr/>
Total Revenues		92,233
		<hr/>

EXPENDITURES

Current		
Culture and recreation		
Services and supplies - general		92,457
Capital outlay		-
		<hr/>
Total culture and recreation		92,457
		<hr/>
Intergovernmental expenditures		
Transfer to Enterprise fund		-
		<hr/>
Total intergovernmental expenditures		-
		<hr/>
Excess (Deficiency) of Revenues over Expenditures		(224)

FUND BALANCE, June 30, 2017		<hr/>	185,822
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FUND BALANCE, December 31, 2017	\$	<hr/> <hr/>	185,598
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Nevada Commission for the Reconstruction of the V&T Railway
 Reconciliation of the General Fund Statement of Revenues, Expenditures
 And Changes in Fund Balance – General Fund to the Statement of Activities
 For the six months ended December 31, 2017

NET CHANGES IN FUND BALANCES,
 GOVERNMENTAL FUNDS

Amounts reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital outlay as expenditures while in the
 statement of activities depreciation expense is recorded to allocate those
 expenditures over the life of the assets:

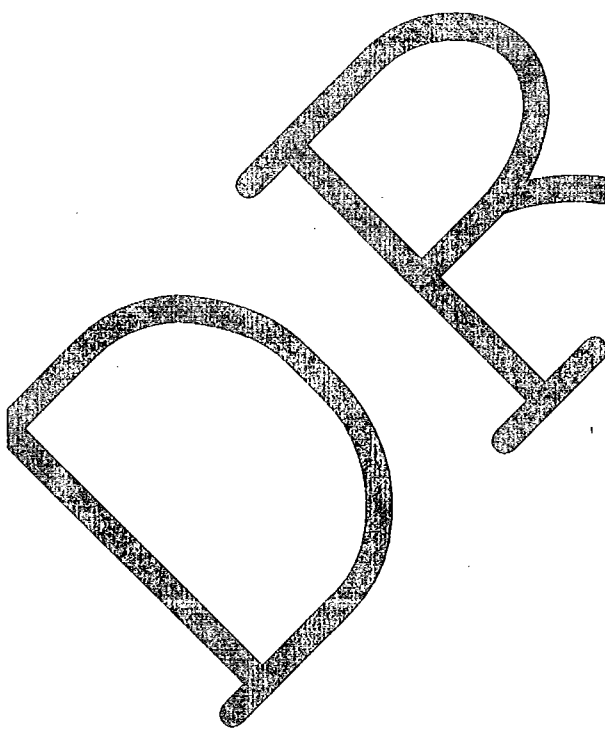
Capital outlay	-
Accumulated depreciation	(390,018)
Disposition of fixed assets	-

Issuance of a note receivable increased long-term assets in the statement of
 net assets. Repayment of note principal provides current financial resources to
 governmental funds, but the repayment reduces long-term assets in the
 statement of net position. This is the net effect of these differences in the
 treatment of notes receivable.

Principal payments	(4,424)
--------------------	---------

TOTAL CHANGE IN NET POSITION
 GOVERNMENTAL ACTIVITIES

\$ (394,666)



Nevada Commission for the Reconstruction of the V&T Railway
Statement of Net Position – Enterprise Fund
December 31, 2017

ASSETS

Cash and investments
Accounts receivable
Due from other governments
Inventory

\$ 223,440
77,445
10,250
44,993

Total Assets

\$ 286,128

LIABILITIES

Accounts payable:
Ticket sales received in advance

\$ 264,679
-

Total Liabilities

264,679

Net Position

Unrestricted

21,449

Total Net Position

\$ 21,449

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Nevada Commission for the Reconstruction of the V&T Railway
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund
For the Six Months Ended December 31, 2017

OPERATING REVENUES		
Train tickets		\$ 1,038,325
Photo Sales		9,624
Merchandise, net		20,165
Grant revenues		10,250
Donations		4,935
		<hr/>
Total Operating Revenues		1,083,299
OPERATING EXPENSES		
Marketing		87,654
Operating agreements		606,180
Other		321,676
		<hr/>
Total Operating Expenses		1,015,510
		<hr/>
Net Operating Income		67,789
Non-Operating Revenues		
Investment income		243
Miscellaneous		-
		<hr/>
Total Non-Operating Revenue		243
		<hr/>
Change in Net Position Before Transfer		68,032
Transfers		-
		<hr/>
Change In Net Position		68,032
FUND BALANCE, June 30, 2017		<hr/> (46,583)
FUND BALANCE, December 31, 2017		<hr/> <u>\$ 21,449</u>

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Cash Flows – Enterprise Fund
For the Six Months Ended December 31, 2017

CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers		\$ 977,150
Cash paid to suppliers		(806,736)
		170,414
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from the Nevada Commission for the Reconstruction of the V&T Railway		-
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income		243
 NET INCREASE IN CASH AND CASH EQUIVALENTS		170,657
CASH AND CASH EQUIVALENTS, June 30, 2017		52,783
CASH AND CASH EQUIVALENTS, December 31, 2017		\$ 223,440
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income		\$ 67,789
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Increase (decrease) in cash from changes in:		
Accounts receivable		(6,945)
Due from other governments		2,097
Inventory		332
Accounts payable		238,691
Ticket sales received in advance		(131,550)
		170,414
 Net cash gained from operating activities		\$ 170,414

See Accompanying Accountant's Audit Report & Notes to Financial Statements

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). A summary of the more significant accounting policies applied in the preparation of the accompanying basic financial statements follows:

Reporting Entity

Nevada Commission for the Reconstruction of the V&T Railway (the Commission) is a body corporate and politic, the geographical jurisdiction of which is Carson City, Douglas, Lyon, Storey and Washoe counties. The Commission was created June 1, 1993, received its initial funding July 1995, and is composed of nine commissioners appointed as follows:

1. One member who is a member of the Board of Supervisors of Carson City appointed from among its members;
2. One member appointed by the Board of County Commissioners of Douglas County from among its members;
3. One member appointed by the Board of County Commissioners of Lyon County from among its members;
4. One member appointed by the Board of County Commissioners of Storey County from among its members;
5. One member appointed by the Board of County Commissioners of Washoe County from among its members;
6. One member appointed by the Virginia and Truckee Historical Railroad Society from among its members;
7. One member appointed by the Speaker of the Assembly;
8. One member appointed by the Senate Majority Leader; and
9. One member appointed by the Governor.

Government-Wide and Fund Financial Statements

The government-wide financial statements (Statements of Net Position and the Statement of Activities) report information about all non-fiduciary activities of the Commission. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of each function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Unrestricted investment earnings and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the General Fund and the Enterprise Fund

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered measurable when the amount of the transaction can be determined and are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connections with resources that have been received, but not yet earned. Expenditures generally are recorded when the related liabilities are incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Federal and state grants and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when cash is received by the Commission.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Commission reports on the following funds:

General Fund: Operating fund that accounts for all financial resources and expenditures of the Commission

Enterprise Fund: Effective January 1, 2013, the V&T created an Enterprise Fund. This fund is used to account for the operations of the train. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises where the Board has decided that the determination of revenue earned, costs incurred or net income is necessary or useful for management accountability.

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget and Budgetary Accounting

The Commission adheres to the Local Government Budget and Finance Act incorporated within the statutes of the State of Nevada, which includes the following major procedures to establish the budgetary data, which is reflected in the financial statements:

1. On or before April 15, the members of the Commission file a tentative budget with the Nevada Department of Taxation.
2. Public hearings on the tentative budget are held on the third Thursday in May.
3. Prior to June 1, at a public hearing, the Commission indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Commission.
4. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year.
5. The budget for the fund is adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Appropriations lapse at year end.
6. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Commission.
7. In accordance with state statute, actual expenditures may not exceed budgetary appropriations in the culture and recreation function of the General Fund.

Due from Other Governments

No allowance for doubtful accounts have been established since management does not anticipate any material collection loss with respect to the balance receivable from other governments. These amounts are deemed 100% collectible.

Inventory

Management of the Commission has elected to consider expenditures for supplies held for consumption as charges against appropriations at the time of purchase. Any inventories of such supplies at December 31, 2017 are not material and accordingly, are not recognized in the financial statements. The Commission maintains a gift shop, the inventories of which consist of items held for resale. The inventory is stated at the lower of cost or market, with cost determined on a First-In, First-Out (FIFO) basis.

Capital Assets

Capital assets, which include land, buildings, and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with a unit cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation of capital assets is calculated using the straight line method using the following lives:

Building	30-50 years
Machinery and equipment	10 years

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tickets Received in Advance

Tickets received in advance consist of advance sales of tickets for the next fiscal year's train operations.

Deferred Inflows/Deferred Outflows of Resources

In addition to assets and liabilities, the statement of functional position also reports separate sections for deferred inflows and deferred outflows of resources. These titles suggest that the inflow or outflow has been delayed until a future period. However, the events have already occurred but the recognition of the inflows and outflows as revenues and expenses is deferred until the future period in which the inflows and outflows are related.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources, or revenue, until that time. Deferred outflows of resources represent resources that have been expended, or a decrease of net position, that relates to a future period, and so will not be recognized as an inflow or expense until that time.

In a similar vein, the item, *unavailable revenue*, is reported only in the governmental funds balance sheets. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance/Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Investment in capital assets, net – consists of capital assets, net of accumulated depreciation and long-term obligations

Restricted net positions – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Commission has no items that are considered to be restricted net position.

Unrestricted net position – all other net position that do not meet the definition of "invested in capital assets, net" or "restricted."

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes criteria for classifying governmental funds balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Commission to classify and report amounts in the appropriate fund balance classification. The Commission's accounting policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Balance/Net Position (Continued)

Under GASB Statement No. 54 governmental fund balances are required to be reported according to the following classifications:

Nonspendable – represents amounts that are either not in a spendable from or are legally or contractually required to remain intact. The Commission includes fund balances that have been prepaid for expenses and deposits in this category.

Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The Commission has no restricted fund balances.

Committed – represents amounts which can be used only for specific purposes determined by the members of the governing Commission's formal action through a resolution or action. The Commission has no committed fund balances.

Unassigned – represents all amounts not included in spendable classifications.

When an expenditure is incurred, and both restricted and unrestricted resources are available, the portion of the fund balance that was restricted for those purposes shall be reduced first. If no restricted resources exist, then the unrestricted fund balance shall be reduced. Furthermore, when an expenditure is incurred for purposes which amounts of committed, assigned, or unassigned are considered to have been spent, and any of these unrestricted fund balance classifications could be used, they are considered to be spent in the above order.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE

The Commission conformed to all significant statutory constraints on its financial administration during the year.

NOTE 3 – CASH AND INVESTMENTS

A summary of cash and investments for the Commission at December 31, 2017, is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Represented by		
Cash in bank, checking (insured by SIPC)	\$ 223,440	\$ 291,792
Cash and investments held by Carson City	210,624	N/A
Total cash and investments	<u>\$ 434,064</u>	

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The Commission is a voluntary participant in the external investment pool maintained by Carson City. As such, cash balances are combined and, to the extent practicable, invested as permitted by law in combination with Carson City funds. The Carson City Board of Supervisors has overall responsibility for investment of City funds in accordance with Nevada Revised Statute 355.175. The Carson City Chief Investment Official is the Carson City Treasurer, under authority delegated by the Board of Supervisors.

All investments within the Carson City external investment pool are stated at original investment, plus a monthly allocation of investment income, including realized and unrealized gains and losses, which is the same as the value of pool shares.

The Carson City Treasurer may only invest in securities, as prescribed under NRS 355.170 and includes guaranteed investment contracts, obligations of the U.S. Treasury, obligations of other U.S. Government agencies, negotiable and non-negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, bankers acceptances, repurchase agreements, "AAA" rated mutual funds that invest in securities of the Federal Government or agencies of the Federal Government, and the State of Nevada Local Government Investment Pool (LGIP).

Since all cash and investments of the Commission are pooled with Carson City funds and are available upon demand, all cash and investments of the Commission are considered to be cash equivalents.

NOTE 4 – NOTES RECEIVABLE

In November 2015, the Commission sold surplus land and building for a gain of \$154,418. The sales price of \$785,000 consisted of \$248,415 in cash and a term note of \$485,000. The term note bears interest at 5.0% per annum. Interest and principal payments are due monthly until maturity at December 1, 2020, at which time all remaining principal and interest becomes due and payable.

Changes in the note receivable are as follows:

Balance July 1, 2017	Increase	Decrease	Balance December 31, 2017	Due through 6/30/2018
\$ 469,881	\$ -	\$ 4,425	\$ 465,457	\$ 6,350

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Principal contractual maturities on the note receivable are as follows:

Year Ended June 30,	Note Receivable	
	Principal	Interest
2018	\$ 6,350	\$ 13,498
2019	11,325	22,698
2020	11,904	22,119
2021	435,878	12,623
2022 and Later	-	-
	<u>\$ 465,457</u>	<u>\$ 70,938</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance December 31, 2017
<u>Government activities</u>				
Capital assets being depreciated				
Buildings	\$ 32,000,618			\$ 32,000,618
Machinery and equipment	456,146			456,146
Total depreciable assets	32,456,764	-	-	32,456,764
Less accumulated depreciation for:				
Buildings	(5,353,055)	(368,446)		(5,721,501)
Machinery and equipment	(313,029)	(21,572)		(334,601)
Total accumulated depreciation	(5,666,084)	(390,018)	-	(6,056,102)
Total capital assets, being depreciated, net	26,790,680	(390,018)	-	26,400,662
Capital assets not being depreciated				
Work in process	285,039			285,039
Land	4,382,210			4,382,210
Easement	207,977			207,977
Total non-depreciable assets	4,875,226	-	-	4,875,226
Government activities capital assets, net	\$ 31,665,906	\$ (390,018)	\$ -	\$ 31,275,888

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
December 31, 2017

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense totaling \$390,018 was charged to the culture and recreation function.

NOTE 6 – RISK MANAGEMENT

The Commission, like all governmental entities, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Commission is covered by commercial insurance purchased from independent third parties. There have been no settlements in excess of insurance coverage for the past three years.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Based on an interlocal cooperative agreement between the Commission and Storey County, certain sales tax amounts collected for the support of the V&T Railway project, are in question as to amounts which may be payable to the Commission or that may be due to Storey County. Discussions between the two entities are ongoing and the related amounts either receivable or payable cannot be determined at this time. It is also unknown at this time whether the amounts will have a material impact on the Commission.

Also documented in the above referenced interlocal agreement was a onetime grant from the Commission to Storey County in the amount of \$250,000 to assist Storey County with the purchase of the old freight depot in Virginia City. As the purchase has not yet occurred, the amount is still payable and is recorded as a non-current liability on the government-wide statement of net position.

NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The NRS require that governmental fund budgetary controls be exercised at the function level. This financial statement is for the six months ended December 31, 2017. The budget is for the year ended June 30, 2018. No instances where expenditures exceeded appropriations were noted.

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REQUIRED SUPPLEMENTARY INFORMATION

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual
General Fund
For the six months ended December 31, 2017

	<u>6/30/18 BUDGETED AMOUNTS</u>		<u>12/31/2017</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenues				
License plates	\$ 27,000	\$ 27,000	\$ 11,267	\$ (15,733)
Sales tax		-	15,000	15,000
Miscellaneous				
Historic preservation fee	118,448	118,448	30,383	(88,065)
Investment interest income	700	700	947	247
Lease	23,000	23,000	-	(23,000)
Gifts and donations	6,256	6,256	20,460	14,204
Estimated FEMA Reimbursement	318,520	-	-	-
Miscellaneous	34,023	34,023	14,176	(19,847)
Total Revenues	<u>527,947</u>	<u>209,427</u>	<u>92,233</u>	<u>(117,194)</u>
EXPENDITURES				
Current				
Culture and recreation				
Services and Supplies - general	500,150	142,000	92,457	49,543
Capital outlay	-	-	-	-
Total culture and recreation	<u>500,150</u>	<u>142,000</u>	<u>92,457</u>	<u>49,543</u>
Intergovernmental expenditures				
Transfer to Enterprise fund	-	-	-	-
Total intergovernmental expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	27,797	67,427	(224)	(67,651)
FUND BALANCE, June 30, 2017	<u>15,614</u>	<u>54,407</u>	<u>185,822</u>	<u>131,415</u>
FUND BALANCE, December 31, 2017	<u>\$ 43,411</u>	<u>\$ 121,834</u>	<u>\$ 185,598</u>	<u>\$ 63,764</u>

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SUPPLEMENTARY INFORMATION

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Revenues, Expenses and Changes in
Fund Net Position – Budget to Actual
Enterprise Fund
For the six months ended December 31, 2017

	6/30/18 BUDGETED AMOUNTS		<u>12/31/2017</u> Actual	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Operating revenues				
Train tickets	1,306,000	1,306,000	1,038,325	(267,675)
Photo revenue	11,500	11,500	9,624	(1,876)
Merchandise, net	25,000	25,000	20,165	(4,835)
Hotel/restaurant partnerships	-	-	-	-
Donations	-	-	4,935	4,935
Grant revenue	7,750	7,750	10,250	2,500
Total operating revenues	<u>1,350,250</u>	<u>1,350,250</u>	<u>1,083,299</u>	<u>(266,951)</u>
Nonoperating revenues				
Intergovernmental transfers	-	-	-	-
Investment income	350	350	243	(107)
Miscellaneous	3,200	3,200	-	(3,200)
Total nonoperating revenues	<u>3,550</u>	<u>3,550</u>	<u>243</u>	<u>(3,307)</u>
Total Revenues	<u>1,353,800</u>	<u>1,353,800</u>	<u>1,083,542</u>	<u>(270,258)</u>
EXPENDITURES				
Current				
Operating expenses				
Services and supplies – general	1,344,075	1,344,075	1,015,510	328,565
Total Expenses	<u>1,344,075</u>	<u>1,344,075</u>	<u>1,015,510</u>	<u>328,565</u>
Change in Net Position	9,725	9,725	68,032	58,307
NET POSITION, June 30, 2017	<u>46,624</u>	<u>46,624</u>	<u>(46,583)</u>	<u>(93,207)</u>
NET POSITION, December 31, 2017	<u>\$ 56,349</u>	<u>\$ 56,349</u>	<u>\$ 21,449</u>	<u>\$ (34,900)</u>

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REPORTS ON INTERNAL CONTROL & COMPLIANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commissioners
Nevada Commission for the Reconstruction of the V&T Railway

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nevada Commission for the Reconstruction of the V&T Railway (the Commission) as of and for the six months ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated July 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nevada Commission for the Reconstruction of the V&T Railway's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nevada Commission for the Reconstruction of the V&T Railway's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nevada Commission for the Reconstruction of the V&T Railway's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carson City, Nevada
July 11, 2018

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AUDITOR'S COMMENTS

To the Commissioners
Nevada Commission for the Reconstruction of the V&T Railway

We have audited the basic financial statements of the Nevada Commission for the Reconstruction of the V&T Railway (the Commission) for the six months ended December 31, 2017, and have issued our report thereon dated July 11, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statement

Our responsibility for the other information in the Management's Discussion and Analysis which contains the Commission's financial information and report does not extend beyond the financial information identified in the audit report. We do not have an obligation to perform any procedures to corroborate any of the other information contained in Management's Discussion and Analysis. We did, however, read the information contained therein. As a result, nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation appearing in the financial statements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in the financial statements. We noted no transactions entered into by the organization during the six months for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was Management's determination that all accounts receivable are collectible at December 31, 2017. We evaluated the key factors and assumptions used to develop the estimate of collectability in determining what is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Correct and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Adjust notes receivable for principle payments received in the amount of \$4,424.
2. Record depreciation expense in the amount of \$390,018.
3. Remove government fund payable in the amount of \$47,816.92 that was not due.
4. Reclassify donations received recorded in the interest income account in the amount of \$5,460.
5. Accrual of additional vouchers payable of \$34,917.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 11, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings/Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

As required by generally accepted auditing standards and the terms of our engagement, in planning and performing our audit, we considered the internal control solely to determine the auditing procedures to be employed for the purpose of enabling us to express our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Therefore, we express no opinion or other form of assurance thereon.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's

financial statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated July 11, 2018, noted no significant deficiencies or material weaknesses.

This information is intended solely for the use of management and the District's Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Carson City, Nevada
July 11, 2018

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Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	12/31/17					
		451.44-65	Depreciation Expense	390,018.10			
		172.00-00	Accumulated Depreciation - Machi		21,572.13		
		171.00-00	Accumulated Depreciation - Buildi		368,445.97		
			To record depreciation expense.			(390,018.10)	E-1
2	Adjusting	12/31/17					
		361.20-00	Interest - Drako Note	5,460.00			
		365.71-00	Gifts/Donations/Donations V&T		5,460.00		
			To reclassify Donations recorded in the interest account.			0.00	RR-1
3	Adjusting	12/31/17					
		255.00-00	Invested in Capital Assets Net of E	390,018.10			
		253.00-00	Fund Balance		390,018.10		
			To record reduction of restricted equity.			0.00	EE-1
4	Adjusting	12/31/17					
		200.00-00	Accounts Payable - Enterprise	46,969.67			
		630.00-00	Polar Expenses - Polar Exp Fees/Fi	847.25			
		637.50-00	Polar Expenses - Historic Preserv.		42,881.92		
		330.00-00	Depot Operation Donations - Enter		4,935.00		
			To adjust accounts payable to actual as of 12/31/17.			46,969.67	AA-1
5	Adjusting	12/31/17					
		361.20-00	Interest - Drako Note	4,423.83			
		155.00-00	Note Receivable Drako Building		4,423.83		
			To adjust principal payments to Note Receivable balance as of 12/31/17.			(4,423.83)	C-3
6	Adjusting	12/31/17					
		143.00-00	Prepaid Items	5,170.94			
		413.05-15	Insurance Premiums	5,170.94			
		413.03-09	Professional Services		10,341.88		
			To reclassify insurance expense.			5,170.94	C

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
7	Adjusting	12/31/17					
		126.44-00	Intergovernmental Rcv/NV Comm	15,219.95			
		101.00-00	Cash		15,219.95		
			To adjust City cash account to actual at 12/31/2017			0.00	A-2
8	Adjusting	12/31/17					
		413.03-09	Professional Services	27,952.65			
		413.03-12	Accounting/Auditing	750.00			
		413.03-78	Engineering/Consulting	3,397.50			
		413.05-18	2017 Flood Repair	2,816.50			
		201.00-00	Vouchers Payable		34,916.65		
			To accrue vouchers payable at 12/31/2017			(34,916.65)	AA-2
9	Adjusting	12/31/17					
		413.03-12	Accounting/Auditing	10,500.00			
		201.00-00	Vouchers Payable		10,500.00		
			To accrue auditing fees incurred in 2017			(10,500.00)	AA-3
		TOTAL		908,715.43	908,715.43	(387,717.97)	

**V&T Railway Reconstruction Commission
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Jun 30, 2017	Jun 30, 2018 Unadjusted	Adjustments	Jun 30, 2018 Adjusted
100.00-00	A	Bank of America - Enterprise	52,783.06	223,439.50		223,439.50
101.00-00	A	Cash	187,255.50	225,843.97		210,624.02
		7			(15,219.95)	
101.15-00	A	Cash - Irwin Union	0.00	0.00		0.00
115.20-00	A	Accounts Receivable - Departmental Receiv	2,835.00	0.00		0.00
117.00-00	A	Accounts Receivable - Polar Photo - Enterpri	0.00	6,944.50		6,944.50
120.00-00	A	Accounts Receivable - NCOT Grants - Enterpr	12,346.62	10,250.00		10,250.00
120.01-00	A	Insurance Receivable	0.00	0.00		0.00
121.00-00	A	Advertising Partnerships	500.00	500.00		500.00
126.01-00	A	Intergovernmental Rcv/State of Nevada	1,195.02	0.00		0.00
126.19-00	A	Intergovernmental Rcv/Storey County	0.00	0.00		0.00
126.44-00	A	Intergovernmental Rcv/NV Comm for V&T	5,139.33	0.00		15,219.95
		7			15,219.95	
140.00-00	A	Inventory - Enterprise	45,324.95	44,993.31		44,993.31
143.00-00	A	Prepaid Items	200.00	0.00		5,170.94
		6			5,170.94	
155.00-00	A	Note Receivable Drako Building	469,881.01	469,881.01		465,457.18
		5			(4,423.83)	
156.00-00	A	Receivable Delinquent Note Payments	0.00	0.00		0.00
160.00-00	A	Land	4,382,209.80	4,382,209.80		4,382,209.80
160.01-00	A	Land Easements	207,976.80	207,976.80		207,976.80
161.00-00	A	Building	32,000,618.63	32,000,618.63		32,000,618.63
162.00-00	A	Machinery and Equipment	456,146.12	456,146.12		456,146.12
165.00-00	A	Work In Process	285,039.36	285,039.36		285,039.36
171.00-00	A	Accumulated Depreciation - Building	(5,353,055.11)	(5,353,055.11)		(5,721,501.08)
		1			(368,445.97)	
172.00-00	A	Accumulated Depreciation - Machinery & Ec	(313,029.88)	(313,029.88)		(334,602.01)
		1			(21,572.13)	
200.00-00	L	Accounts Payable - Enterprise	(25,987.89)	(311,648.71)		(264,679.04)
		4			46,969.67	
201.00-00	L	Vouchers Payable	(8,944.47)	0.00		(45,416.65)
		8			(34,916.65)	
		9			(10,500.00)	
202.00-00	L	Accounts Payable	(1,858.50)	0.00		0.00
210.00-00	L	Prepaid Tickets - Enterprise	(131,549.54)	0.00		0.00
230.00-00	L	Storey County Payable	(250,000.00)	(250,000.00)		(250,000.00)
253.00-00	L	Fund Balance	(1,252,011.06)	(405,702.89)		(795,720.99)
		3			(390,018.10)	
255.00-00	L	Invested in Capital Assets Net of Debt	(31,665,905.72)	(31,665,905.72)		(31,275,887.62)
		3			390,018.10	
260.00-01	L	Retained Earnings - Enterprise	(46,624.63)	46,582.80		46,582.80
300.00-00	R	Ticket Sales:Standard Season Tickets - Enter	(303,192.62)	(229,180.43)		(229,180.43)
305.00-00	R	Hotel Partnership - Enterprise	(1,500.00)	0.00		0.00
310.00-00	R	NCOT Grant Funding - Enterprise	(12,346.62)	(10,250.00)		(10,250.00)
320.00-00	R	Commission Funding - Enterprise	(50,000.00)	0.00		0.00
330.00-00	R	Depot Operation Donations - Enterprise	0.00	0.00		(4,935.00)
		4			(4,935.00)	
335.00-00	R	Miscellaneous Income - Enterprise	(1,536.00)	0.00		0.00
335.30-00	R	V&T License Plate	(26,728.30)	(11,266.96)		(11,266.96)
337.02-00	R	Storey County	0.00	(15,000.00)		(15,000.00)
337.05-00	R	Convention & Visitors Bureau	0.00	(15,000.00)		(15,000.00)
337.56-00	R	Douglas County	(5,000.00)	0.00		0.00
340.00-00	R	Polar Photo Revenue (Gross) - Enterprise	(11,440.20)	(9,623.70)		(9,623.70)
345.00-00	R	Ticket Sales: Polar Tickets - Enterprise	(747,430.12)	(808,971.43)		(808,971.43)
361.01-00	R	Interest Income	(1,757.70)	(946.84)		(946.84)
361.01-10	R	Historic Preservation Fee	(74,434.36)	(30,383.65)		(30,383.65)
361.10-00	R	Interest Income (Irwin Union)	(36.74)	0.00		0.00
361.20-00	R	Interest - Drako Note	(24,572.45)	(19,635.00)		(9,751.17)
		2			5,460.00	
		5			4,423.83	
362.02-00	R	Net Inc in Fair Value Inv	924.50	0.00		0.00
365.71-00	R	Gifts/Donations/Donations V&T	(3,139.00)	0.00		(5,460.00)
		2			(5,460.00)	
366.01-00	R	Misc. Other Income	6,734.71	0.00		0.00
390.00-00	R	Sales - Merchandise - Enterprise	(59,109.29)	(50,412.58)		(50,412.58)
395.00-00	E	Cost of Goods Sold - Merchandise - Enterpri	28,473.07	30,247.55		30,247.55
413.03-09	E	Professional Services	79,527.69	34,637.06		52,247.83
		6			(10,341.88)	
		8			27,952.65	

**V&T Railway Reconstruction Commission
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Jun 30, 2017	Jun 30, 2018 Unadjusted	Adjustments	Jun 30, 2018 Adjusted
413.03-12	E	Accounting/Auditing 8	29,649.50	3,837.50		15,087.50
		9			750.00	
					10,500.00	
413.03-76	E	Project Coordination	12,000.00	6,000.00		6,000.00
413.03-78	E	Engineering/Consulting 8	26,097.60	5,755.00		9,152.50
					3,397.50	
413.05-15	E	Insurance Premiums 6	10,178.53	0.00		5,170.94
					5,170.94	
413.05-18	E	2017 Flood Repair 8	32,762.31	1,799.00		4,615.50
					2,816.50	
413.05-42	E	Printing/Advertising	389.72	181.80		181.80
413.07-12	E	Power	1,370.23	0.00		0.00
413.77-43	E	Capital Outlay - Furniture and Fixtures	0.00	0.00		0.00
413.78-00	E	Construction Projects	0.00	0.00		0.00
451.44-65	E	Depreciation Expense 1	782,341.93	0.00		390,018.10
					390,018.10	
600.00-00	E	Train Service Agreement - Enterprise	298,657.00	222,525.00		222,525.00
600.01-00	E	Ticketing Site Fee & Updates	13,000.00	10,000.00		10,000.00
601.00-00	E	Advertising and Promotion - Enterprise	91,889.57	52,381.72		52,381.72
601.01-00	E	Public Relations - Enterprise	11,341.58	6,708.85		6,708.85
602.00-00	E	Depot Management/Staffing - Enterprise	72,000.00	41,000.00		41,000.00
603.00-00	E	Marketing/Sales - Enterprise	44,380.00	20,164.00		20,164.00
603.05-00	E	Historic Preserv Fee (to Comm) - Enterprise	22,977.04	17,715.17		17,715.17
604.00-00	E	Track Maintenance - Enterprise	46,098.63	32,279.15		32,279.15
605.00-00	E	Accounting/Fincance - Enterprise	24,000.00	12,000.00		12,000.00
606.00-00	E	Merchant Account Fees - Enterprise	27,448.17	23,087.11		23,087.11
607.00-00	E	Depot Overhead - Enterprise	8,709.86	7,279.98		7,279.98
608.00-00	E	Telephone & WIFI Expense - Enterprise	2,411.54	1,576.58		1,576.58
609.00-00	E	Office Supplies - Enterprise	158.59	0.00		0.00
610.00-00	E	Shipping/Freight/PO Box - Enterprise	343.49	117.24		117.24
611.00-00	E	Bank Service Charges - Enterprise	1,138.01	695.35		695.35
612.00-00	E	Travel and Conference Expense - Enterprise	1,179.67	0.00		0.00
622.00-00	E	Chargeback/Refunds - Enterprise	250.00	908.00		908.00
623.00-00	E	Utilities - Enterprise	5,821.08	4,428.25		4,428.25
626.00-00	E	Virginia City Partnerships/Bus - Enterprise	1,260.00	5,550.00		5,550.00
627.00-00	E	Legal/Professional Services - Enterprise	1,089.00	550.00		550.00
628.00-00	E	Miscellaneous Expense - Enterprise	39,995.81	0.00		0.00
629.00-00	E	V&T Logo Merchandise Royalty	0.00	68.17		68.17
630.00-00	E	Polar Expenses - Polar Exp Fees/Franchise F 4	179,047.87	199,923.90		200,771.15
					847.25	
631.00-00	E	Polar Expenses - Train Service Agreement - I	140,500.00	152,500.00		152,500.00
632.00-00	E	Polar Expenses - Staffing & Costumes - Ente	29,263.44	32,320.17		32,320.17
633.00-00	E	Polar Expenses - Give Aways - Bells,Food, I	39,733.26	45,739.78		45,739.78
634.00-00	E	Polar Expenses - Advertising and P/R - Enter	18,073.45	21,817.00		21,817.00
635.00-00	E	Polar Expenses - Professional Services - Lab	51,027.24	49,663.52		49,663.52
636.00-00	E	Polar Expenses - Equipment/Decor - Materia	6,628.15	26,490.15		26,490.15
637.00-00	E	Polar Expenses - Shipping/Freight	4,210.15	2,993.68		2,993.68
637.50-00	E	Polar Expenses - Historic Preserv. Fee (to Cc 4	51,457.32	55,550.40		12,668.48
					(42,881.92)	
638.00-00	E	Special Event Exp. (Canyon/M.M.) - Enterpr	17,812.85	11,512.49		11,512.49
700.00-00	R	Depot Cofee Donations - Enterprise	(239.00)	(173.08)		(173.08)
701.00-00	R	Interest Income - Enterprise	(374.56)	(243.39)		(243.39)
		Total	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
		Profit/(Loss)	<u>(939,515.60)</u>	<u>61,083.49</u>	<u>(387,717.97)</u>	<u>(326,634.48)</u>

Current Year: Current Profit/(Loss) (326,634.48) Year To Date Profit/(Loss) (326,634.48)

Prior Year: Current Profit/(Loss) (939,515.60) Year To Date Profit/(Loss) (939,515.60)