

NEVADA COMMISSION FOR THE  
RECONSTRUCTION OF THE V&T RAILWAY  
FINANCIAL STATEMENTS  
JUNE 30, 2019

DRAFT

NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
Government-Wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 16
SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual	18
REPORTS ON INTERNAL CONTROL & COMPLIANCE	
Independent Auditor's Report on Internal Control of Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21
Schedule of Findings and Questioned Costs	22
AUDITOR'S COMMENTS	24 - 26

## 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 year ended June 30, 2019, 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 June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 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.

### *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 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 February 15, 2020, 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.

Carson City, Nevada  
February 15, 2020



Nevada Commission for the Reconstruction of the V&T Railway  
Management's Discussion & Analysis (Unaudited)  
June 30, 2019

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 fiscal year ended June 30, 2019.

### FINANCIAL HIGHLIGHTS

- The assets of the Commission exceeded its liabilities at the close of the fiscal year ended June 30, 2019, by \$30,593,363 (*net position*). Of this amount, \$30,501,990 is related to capital assets.
- The Commission's total net position decreased \$647,282 in the fiscal year ended June 30, 2019.
- At the close of the fiscal year, the Commission's business-type fund reported an ending fund net position of \$30,593,363, a decrease of \$641,137.

### 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

The Commission maintains an enterprise fund, which account for the basic programs of the Commission. This fund focuses 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. This fund is reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

#### General Fund

As of FY19, the V& T Railway no longer used a General Fund

Nevada Commission for the Reconstruction of the V&T Railway  
Management's Discussion & Analysis (Unaudited)  
June 30, 2019

Enterprise Fund

The Enterprise Fund is now 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 \$30,593,363 at June 30, 2019, compared with \$31,234,500 at the end of the previous year.

*The condensed Statement of Net Position is as follows:*

	Summary of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ -	\$ 11,121	\$ 612,318	\$ 158,123	\$ 612,318	\$ 169,244
Capital assets	-	-	30,949,772	31,392,314	30,949,772	31,392,314
Total assets	-	11,121	31,562,090	31,550,437	31,562,090	31,561,558
Current liabilities	-	11,981	718,727	65,937	718,727	77,918
Non current liabilities	-	-	250,000	250,000	250,000	250,000
Total liabilities	-	11,981	968,727	315,937	968,727	327,918
Net assets:						
related debt	-	-	30,501,990	30,933,207	30,501,990	30,933,207
Unrestricted	-	(860)	91,373	301,293	91,373	300,433
Total net position	\$ -	\$ (860)	\$ 30,593,363	\$ 31,234,500	\$ 30,593,363	\$ 31,233,640



Nevada Commission for the Reconstruction of the V&T Railway  
Management's Discussion & Analysis (Unaudited)  
June 30, 2019

The condense Statement of Activities is as follows:

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
<b>Revenues:</b>						
Charges for services	\$ -	\$ -	\$ 1,103,376	\$ 1,161,963	\$ 1,103,376	\$ 1,161,963
General revenue	-	130,438	451,150	41,059	451,150	171,497
Interfund transfers	-	(32,082,986)	-	32,082,986	-	-
Total revenues	-	(31,952,548)	1,554,526	33,286,008	1,554,526	1,333,460
<b>Expenditures</b>						
Culture and recreation	-	119,921	-	-	-	119,921
V&T Railway	-	-	2,201,808	2,004,925	2,201,808	2,004,925
Total expenditures	-	119,921	2,201,808	2,004,925	2,201,808	2,124,846
Change in Net Position	-	(32,072,469)	(647,282)	31,281,083	(647,282)	(791,386)
Beginning Net Position	(860)	32,071,609	31,234,500	(46,583)	31,233,640	32,025,026
Transfer	860	-	(860)	-	-	-
Prior period adjustment	-	-	7,005	-	7,005	-
Beginning Net Position, Restated	-	32,071,609	31,240,645	(46,583)	31,240,645	32,025,026
Ending Net Position	\$ -	\$ (860)	\$ 30,593,363	\$ 31,234,500	\$ 30,593,363	\$ 31,233,640

The net position decreased by \$647,282 during the current fiscal year. Depreciation expense was \$781,814, which is the largest cause of the decrease in net position.

**Financial Analysis of the Commission's Funds**

Enterprise Fund operating revenue increased \$351,504 from the prior year. This was due in large part to contributions from affiliated governments in the amount of \$370,000. Enterprise Fund expenses increased \$196,883, from the prior year. The reasons include additional promotional items, catching up on deferred building and track maintenance and additional months operating with a full staff.

**Capital Assets**

The Commission's capital assets amounted to \$37,729,925, with accumulated depreciation of \$7,227,935, leaving net book value of \$30,501,990. An additional \$107,628 in work in process for ongoing repairs to the #18 train engine was incurred during the year. 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 June 30, 2019. See Note 7 to the financial statements for further information.



Nevada Commission for the Reconstruction of the V&T Railway  
Management's Discussion & Analysis (Unaudited)  
June 30, 2019

**Economic Condition and Outlook**

The Commission will seek additional funding from the two 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 create additional revenue sources for sustainability.

**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: Elaine Barkdull-Spencer, General Manager, PO Box 1711, Carson City, Nevada 89702.

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Nevada Commission for the Reconstruction of the V&T Railway  
Statement of Net Position  
June 30, 2019

ASSETS

Current Assets

Cash and investments	\$ 534,434
Accounts receivable	29,500
Due from other governments	2,527
Prepaid Expenses	33,267
Inventory	12,590
Total Current Assets	612,318

Property, plant & equipment, net	30,501,990
Note receivable	447,782
Total Non-Current Assets	30,949,772

Total Assets	31,562,090
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LIABILITIES

Current Liabilities

Due to other governments	535,739
Accounts payable	87,519
Prepaid rent	2,500
Ticket sales received in advance	92,969
Total Current Liabilities	718,727

Non current liabilities

Storey County payable	250,000
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Total Liabilities	968,727
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NET POSITION

Invested in capital assets, net of debt	30,501,990
Unrestricted	91,373

Total Net Position	\$ 30,593,363
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Nevada Commission for the Reconstruction of the V&T Railway  
Statement of Activities  
For the Year Ended June 30, 2019

OPERATING REVENUES	
Train tickets	\$ 1,067,049
Photo sales	8,978
Merchandise, net	27,349
License plate revenues	25,590
Grant revenues	29,500
	<hr/>
Total Operating Revenues	1,158,466
OPERATING EXPENSES	
Marketing	101,840
Operating agreements	230,787
Professional services	331,068
Train related services	469,490
Repairs and maintenance	112,122
Insurance	10,371
Utilities	20,660
Office expense	37,053
Miscellaneous expense - Polar Express	95,788
Miscellaneous expense	10,815
Depreciation	781,814
	<hr/>
Total Operating Expenses	2,201,808
Net Operating Loss	(1,043,342)
Non-Operating Revenues	
Investment income	22,879
Government contributions	370,000
Miscellaneous	3,181
	<hr/>
Total Non-Operating Revenue	396,060
Change in Net Position	(647,282)
FUND BALANCE, June 30, 2018	31,234,500
General Fund Transfers	(860)
Prior Period Adjustment (Note 9)	7,005
	<hr/>
FUND BALANCE, June 30, 2018, as restated	31,240,645
FUND BALANCE, June 30, 2019	<u>\$ 30,593,363</u>



Nevada Commission for the Reconstruction of the V&T Railway  
Statement of Cash Flows  
For the Year Ended June 30, 2019

CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,339,184
Other cash received	33,318
Cash paid to suppliers	<u>(1,047,379)</u>
Net cash used for operating activities	<u>325,123</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(350,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal paid on notes receivable	11,325
Governmental contributions	370,000
Interest and other income	<u>26,060</u>
Net cash provided by investing activities	<u>407,385</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	381,911
CASH AND CASH EQUIVALENTS, June 30, 2017	<u>152,523</u>
CASH AND CASH EQUIVALENTS, June 30, 2018	<u><u>\$ 534,434</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,043,342)
Non-cash adjustment	
Depreciation	781,814
Adjustments to reconcile operating income (loss) to net cash used by operating activities	
Increase (decrease in cash from changes in:	
Accounts receivable	(22,672)
Prepaid expenses	(22,896)
Inventory	(8,590)
Accounts payable	37,209
Due to other governments	534,628
Prepaid rent	2,500
Ticket sales received in advance	<u>66,472</u>
Net cash used for operating activities	<u><u>\$ 325,123</u></u>

Nevada Commission for the Reconstruction of the V&T Railway  
Notes to Financial Statements  
June 30, 2019

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 or who is a designee of the Board of Supervisors of Carson City;
2. One member appointed by the Board of County Commissioners of Storey County from among its members or who is a designee of the board of County commissioners of Storey County;
3. One member appointed by the Board of the Carson City Convention and Visitors Bureau from among its members or who is a designee of the Board;
4. One member appointed by the Virginia City Tourism Commission from among its members or who is a designee of the Commission; and
5. 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 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.

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.

The Commission operates as a Business-like Enterprise Fund.



Nevada Commission for the Reconstruction of the V&T Railway  
Notes to Financial Statements  
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements (Continued)

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 using only the Enterprise Fund.

*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. Effective June 30, 2018, the commission eliminated the General Fund and transferred all assets, liabilities and fund equities to the Enterprise Fund.

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.

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.

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.



Nevada Commission for the Reconstruction of the V&T Railway  
Notes to Financial Statements  
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 June 30, 2019, are not material and accordingly, are not recognized in the financial statements. The Commission contracts out the running of a gift shop, however they maintain inventory held specifically for sale during the Polar Express season. 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 business-type 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	39 years
Machinery and equipment	5 years

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.

Nevada Commission for the Reconstruction of the V&T Railway  
Notes to Financial Statements  
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Net Position (Continued)

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.

At the beginning of the 2018/2019 fiscal year, the determination that the activities of the Commission should be entirely recorded in a business-like Enterprise fund was made. At that time, the Enterprise fund transferred net unrestricted equity of \$860 to the Government Fund, effectively eliminating the fund in its entirety. This resulted in a reduction in beginning net position in the Enterprise Fund of \$860. All activity for the current fiscal year has been recorded in the Enterprise Fund.

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.



Nevada Commission for the Reconstruction of the V&T Railway  
Notes to Financial Statements  
June 30, 2019

NOTE 3 – CASH AND INVESTMENTS

A summary of cash and investments for the Commission at June 30, 2019, is as follows:

	Carrying Amount	Bank Balance
Represented by		
Petty Cash	\$ 200	N/A
Cash in bank, checking (insured by SIPC)	534,234	\$ 534,234
 Total cash and investments	 \$ 534,434	

The Commission is a voluntary participant in the external investment pool maintained by Storey County. As such, cash balances are combined and, to the extent practicable, invested as permitted by law in combination with Storey County funds. The Storey County Comptroller's office has overall responsibility for investment of County funds in accordance with Nevada Revised Statute 355.175.

All investments within the Storey County 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 Storey County Comptroller 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 Storey County 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 June 30, 2018	Increase	Decrease	Balance June 30, 2019	Due in 2019-2020
\$ 459,107	\$ -	\$ 11,325	\$ 447,782	\$ 11,904



Nevada Commission for the Reconstruction of the V&T Railway  
Notes to Financial Statements  
June 30, 2019

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Principal contractual maturities on the note receivable are as follows:

<u>Year Ended June 30,</u>	Note Receivable	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 22,904	\$ 22,118
2021	435,878	12,623
2022	-	-
2023	-	-
2024 and Later	-	-
	<u>\$ 458,782</u>	<u>\$ 34,741</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<u>Business activities</u>				
Capital assets being depreciated				
Buildings	32,000,618	\$ 4,082	\$ -	\$ 32,004,700
Machinery and equipment	456,146	236,838	-	692,984
Total depreciable assets	<u>32,456,764</u>	<u>240,920</u>	<u>-</u>	<u>32,697,684</u>
Less accumulated depreciation for:				
Capital assets	(6,446,121)	(781,814)	-	(7,227,935)
Total accumulated depreciation	<u>(6,446,121)</u>	<u>(781,814)</u>	<u>-</u>	<u>(7,227,935)</u>
Total capital assets, being depreciated, net	<u>26,010,643</u>	<u>(540,894)</u>	<u>-</u>	<u>25,469,749</u>
Capital assets not being depreciated				
Work in process	332,377	109,677	-	442,054
Land and easements	4,590,187	-	-	4,590,187
Total non-depreciable assets	<u>4,922,564</u>	<u>109,677</u>	<u>-</u>	<u>5,032,241</u>
Business activities capital assets, net	<u>\$ 30,933,207</u>	<u>\$ (431,217)</u>	<u>\$ -</u>	<u>\$ 30,501,990</u>

Nevada Commission for the Reconstruction of the V&T Railway  
Notes to Financial Statements  
June 30, 2019

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense totaling \$780,036 was charged to the business-type operating expense function. The capital assets were transferred from the government activities to the business-type activities as the Commission determined the business-type activities could not function without the presence of the capital assets.

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 one time 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. For the year ended June 30, 2019, total expenditures exceeded appropriations for the following funds and/or functions, which are potential violations of the NRS:

Marketing Expenses	\$4,340
Operating agreements	\$2,277
Services and supplies	\$64,062
Capital outlay	\$300,597

In total the deficit changes in the enterprise fund balance was greater than anticipated by \$200,071. This was due to the business-type fund revenues being \$100,526 greater than expected and for the capital outlay for the repair of Engine #18 being greater than the amount budgeted.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2019, the Commission received license plate revenue relating to the prior fiscal year in the amount of \$7,005. This amount was not recorded as revenue during the year ended June 30, 2018. As a result, the 2019 financial statements have been adjusted to reflect a restatement of beginning net position for the recognition of the revenue in the prior year. This restatement resulting in an increase of beginning net position in the amount of \$7,005.

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SUPPLEMENTARY INFORMATION



Nevada Commission for the Reconstruction of the V&T Railway  
Statement of Revenues, Expenses and Changes in  
Net Position – Budget to Actual  
For the Year ended June 30, 2019

	<u>BUDGETED AMOUNTS</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Operating revenues				
Train tickets	\$ 1,070,000	\$ 1,070,000	\$ 1,067,049	\$ (2,951)
Photo revenue	20,000	20,000	8,978	(11,022)
Merchandise, net	57,000	57,000	27,349	(29,651)
Licence plate revenue	27,000	27,000	25,590	(1,410)
Grant revenue	8,000	8,000	29,500	21,500
Total operating revenues	<u>1,182,000</u>	<u>1,182,000</u>	<u>1,158,466</u>	<u>(23,534)</u>
Nonoperating revenues				
Investment income	500	500	22,879	22,379
Interlocal Support	205,000	205,000	370,000	165,000
Miscellaneous	66,500	66,500	3,181	(63,319)
Total nonoperating revenues	<u>272,000</u>	<u>272,000</u>	<u>396,060</u>	<u>124,060</u>
Total Revenues	<u>1,454,000</u>	<u>1,454,000</u>	<u>1,554,526</u>	<u>100,526</u>
<b>EXPENDITURES</b>				
Current				
Operating expenses				
Marketing	97,500	97,500	101,840	(4,340)
Operating agreements	698,000	698,000	700,277	(2,277)
Miscellaneous expense	65,500	65,500	10,815	54,685
Services and supplies	543,000	543,000	607,062	(64,062)
Capital outlay	50,000	50,000	350,597	(300,597)
Total Expenses	<u>1,454,000</u>	<u>1,454,000</u>	<u>1,770,591</u>	<u>(300,597)</u>
Change in Net Position - Budget Basis	<u>\$ -</u>	<u>\$ -</u>	(216,065)	<u>\$ (200,071)</u>
Add capital outlay			350,597	
Less depreciation expense			(781,814)	
Change in Net Position			<u>\$ (647,282)</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 year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 15, 2020.

### **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 Authority'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001



## **Nevada Commission for the Reconstruction of the V & T Railway**

Nevada Commission for the Reconstruction of the V & T Railway's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Nevada Commission for the Reconstruction of the V & T Railway's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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  
February 15, 2020

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Nevada Commission for the Reconstruction of the V&T Railway  
Schedule of Findings and Questioned Costs  
June 30, 2019

**FINDINGS – FINANCIAL STATEMENTS AUDIT  
SIGNIFICANT DEFICIENCIES  
INTERNAL CONTROL OVER FINANCIAL REPORTING**

None

**FINDINGS – FINANCIAL STATEMENTS AUDIT  
COMPLIANCE AND OTHER MATTERS  
REPORTABLE INSTANCE OF NONCOMPLIANCE**

FINDING NO. 2019-001

*Statement of Condition:* Audited financial statements were not approved by the Board of Directors or submitted to the State of Nevada Department of Taxation until late February 2020.

*Criteria:* NRS 354.624(1) requires that "each local government shall provide for an annual audit of its financial statements" and that the audit report be "submitted to the governing body not later than 5 months after the close of the fiscal year for which the audit is conducted."

*Effect of Condition:* Failure to submit the audit report to the Board of Directors and subsequently to the State of Nevada Department of Taxation, could result in the Department of Taxation failing to approve their annual budget, levying fines, or pursuing legal remedies.

*Cause of Condition:* The Authority's Administrator did not complete the reconciliation of the accounting records in a timely manner sufficient to allow for a timely completion of the audit.

*Recommendations:* The Administrator should endeavor to reconcile the accounting records in a timelier manner.

*Comments:* The Authority agrees with the finding and will endeavor to complete the year end reconciliation of the accounting records in a timely manner.

AUDITOR'S COMMENTS

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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 year ended June 30, 2019, and have issued our report thereon dated February 15, 2020. 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 year 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 year end. 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. All proposed adjustments resulted in the reduction of net income by \$648,004. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Reconcile the amounts due to Storey County in the amount of \$176,198
2. Record depreciation expense in the amount of \$781,814.
3. Record additional work in process of \$109,677.
4. Reclassify assets purchased in the amount of \$240,921.
5. Record payment of prior year vouchers payable in the current year in the amount of \$50,310.
6. Record current year vouchers payable in the amount of \$87,519
7. Record prepaid ticket sales of \$24,419.

### ***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 February 15, 2020.

### ***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 February 15, 2020, noted no significant deficiencies or material weaknesses.

It should be noted, however that the excess expenditures over appropriations detailed in Note 8 represent potential violations of the Nevada Revised Statutes. Management should take care to monitor budgets closely and request budget changes and/or augmentation from the appropriate authorities at the State to avoid budget overruns in the future.

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

Carson City, Nevada  
February 15, 2020