

NEVADA COMMISSION FOR THE
RECONSTRUCTION OF THE V&T RAILWAY
FINANCIAL STATEMENTS
JUNE 30, 2020



NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY
 FINANCIAL STATEMENTS
 AND SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2020

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Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA
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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 year ended June 30, 2020, 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, 2020, 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.

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Nevada Society of Certified Public Accountants
American Institute of Certified Public Accountants
Affordable Housing Association of Certified Public Accountants

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 November 5, 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.

Steele & Associates, LLC

Carson City, Nevada
November 5, 2020

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis (Unaudited)
June 30, 2020

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, 2020.

FINANCIAL HIGHLIGHTS

- The assets of the Commission exceeded its liabilities at the close of the fiscal year ended June 30, 2020, by \$29,958,820 (*net position*). Of this amount, \$29,814,154 is related to capital assets.
- The Commission's total net position decreased \$634,543 in the fiscal year ended June 30, 2020.

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, 2020

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 \$29,958,820 at June 30, 2020, compared with \$30,593,363 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	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ -	\$ -	\$ 349,865	\$ 612,318	\$ 349,865	\$ 612,318
Capital assets	-	-	30,250,032	30,949,772	30,250,032	30,949,772
Total assets	-	-	30,599,897	31,562,090	30,599,897	31,562,090
Current liabilities	-	-	391,077	718,727	391,077	718,727
Non current liabilities	-	-	250,000	250,000	250,000	250,000
Total liabilities	-	-	641,077	968,727	641,077	968,727
Net assets:						
related debt	-	-	29,814,154	30,501,990	29,814,154	30,501,990
Unrestricted	-	-	144,666	91,373	144,666	91,373
Total net position	\$ -	\$ -	\$ 29,958,820	\$ 30,593,363	\$ 29,958,820	\$ 30,593,363

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis (Unaudited)
June 30, 2020

The condensed Statement of Activities is as follows:

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues:						
Charges for services	\$ -	\$ -	\$ 1,080,394	\$ 1,103,376	\$ 1,080,394	\$ 1,103,376
General revenue	-	-	388,289	451,150	388,289	451,150
Interfund transfers	-	-	-	-	-	-
Total revenues	-	-	1,468,683	1,554,526	1,468,683	1,554,526
Expenditures						
Culture and recreation	-	-	-	-	-	-
V&T Railway	-	-	2,103,226	2,201,808	2,103,226	2,201,808
Total expenditures	-	-	2,103,226	2,201,808	2,103,226	2,201,808
Change in Net Position	-	-	(634,543)	(647,282)	(634,543)	(647,282)
Beginning Net Position	-	(860)	30,593,363	31,234,500	30,593,363	31,233,640
Transfer	-	860	-	(860)	-	-
Prior period adjustment	-	-	-	7,005	-	7,005
Beginning Net Position, Restated	-	-	30,593,363	31,240,645	30,593,363	31,240,645
Ending Net Position	\$ -	\$ -	\$ 29,958,820	\$ 30,593,363	\$ 29,958,820	\$ 30,593,363

The net position decreased by \$634,543 during the current fiscal year. Depreciation expense was \$777,113, which is the largest cause of the decrease in net position.

Financial Analysis of the Commission's Funds

Enterprise Fund operating revenue decreased \$85,843 from the prior year. This was due to the COVID-19 Pandemic and the cancellation of the May and June 2020 steam train rides, including the popular Mother's Day Rides. These rides were projected to result in an additional \$125,000 in revenue. Contributions from governments in the amount of \$388,630 were less than the prior year due to deferred requests for funding. Enterprise fund expenses decreased by \$98,582 from the prior year. The main reason was extensive cutback in all expenses during the COVID-19 shutdown and after the train rides were cancelled.

Capital Assets

The Commission's capital assets amounted to \$37,819,203, with accumulated depreciation of \$8,005,049, leaving net book value of \$29,814,154. An additional \$81,388 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, 2020. It relates to a FY2010 request made by Storey County for a \$250,000 grant for their Virginia City Freight Depot. 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, 2020

Economic Condition and Outlook

Forecasting revenue for FY2021 is difficult at this time due to the prolonged Corona Virus Pandemic. The Commission expects an unpredictable 2021 train season as well and will submit an augmented FY2021 budget if necessary. In addition, the Commission will seek additional funding from its current resources and through the addition of new revenue opportunities as they arise.

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.

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Net Position
June 30, 2020

ASSETS

Current Assets

Cash and investments	\$	316,734
Accounts receivable		371
Due from other governments		5,288
Prepaid Expenses		10,524
Inventory		16,948
Total Current Assets		349,865

Property, plant & equipment, net		29,814,154
Note receivable		435,878
Total Non-Current Assets		30,250,032

Total Assets		30,599,897
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LIABILITIES

Current Liabilities

Due to other governments		319,363
Accounts payable		56,492
Ticket sales received in advance		15,222
Total Current Liabilities		391,077

Non current liabilities

Storey County payable		250,000
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Total Liabilities		641,077
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NET POSITION

Invested in capital assets, net of debt		29,814,154
Unrestricted		144,666

Total Net Position		\$ 29,958,820
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Nevada Commission for the Reconstruction of the V&T Railway
Statement of Activities
For the Year Ended June 30, 2020

OPERATING REVENUES	
Train tickets	\$ 1,054,614
Photo sales	7,845
Merchandise, net	17,935
License plate revenues	23,649
Grant revenues	-
	<hr/>
Total Operating Revenues	1,104,043
	<hr/>
OPERATING EXPENSES	
Marketing	175,856
Operating agreements	252,975
Professional services	750,316
Repairs and maintenance	66,289
Insurance	11,545
Utilities	17,876
Office expense	18,064
Miscellaneous expense - Polar Express	19,815
Miscellaneous expense	13,377
Depreciation	777,113
	<hr/>
Total Operating Expenses	2,103,226
	<hr/>
Net Operating Loss	(999,183)
Non-Operating Revenues	
Investment income	22,116
Government contributions	338,630
Miscellaneous	3,894
	<hr/>
Total Non-Operating Revenue	364,640
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Change in Net Position	(634,543)
FUND BALANCE, June 30, 2019	30,593,363
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FUND BALANCE, June 30, 2020	\$ 29,958,820
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See Accompanying Accountant's Audit Report & Notes to Financial Statements

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,037,292
Other cash received	50,017
Cash paid to suppliers	<u>(1,589,776)</u>
Net cash used by operating activities	<u>(502,467)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(89,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal paid on notes receivable	11,904
Governmental contributions	338,630
Interest and other income	<u>23,509</u>
Net cash provided by investing activities	<u>374,043</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(217,700)
CASH AND CASH EQUIVALENTS, June 30, 2019	<u>534,434</u>
CASH AND CASH EQUIVALENTS, June 30, 2020	<u><u>\$ 316,734</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (999,183)
Non-cash adjustment	
Depreciation	777,113
Adjustments to reconcile operating income (loss) to net cash used by operating activities	
Increase (decrease in cash from changes in:	
Accounts receivable	26,368
Prepaid expenses	22,743
Inventory	(4,358)
Accounts payable	(31,027)
Due to other governments	(216,376)
Ticket sales received in advance	<u>(77,747)</u>
Net cash used by operating activities	<u><u>\$ (502,467)</u></u>

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

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2020

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 and Storey counties. The Commission was created June 1, 1993, received its initial funding July 1995, and is composed of five 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 Culture and Tourism Authority 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, 2020

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, 2020

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, 2020, 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, 2020

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.

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, 2020

NOTE 3 – CASH AND INVESTMENTS

A summary of cash and investments for the Commission at June 30, 2020, is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Represented by		
Petty Cash	\$ -	N/A
Cash in bank, checking (insured by SIPC)	316,734	<u>\$ 316,734</u>
 Total cash and investments	 <u>\$ 316,734</u>	

Since all cash and investments of the Commission are deposited in financial institutions 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:

<u>Balance June 30, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2020</u>	<u>Due in 2020-2021</u>
<u>\$ 447,782</u>	<u>\$ -</u>	<u>\$ 11,904</u>	<u>\$ 435,878</u>	<u>\$ 435,878</u>

Principal contractual maturities on the note receivable are as follows:

<u>Year Ended June 30,</u>	<u>Note Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 435,878	\$ 12,623
2022	-	-
2023	-	-
2024	-	-
2025 and Later	-	-
	<u>\$ 435,878</u>	<u>\$ 12,623</u>

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2020

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<u>Business activities</u>				
Capital assets being depreciated				
Buildings	32,004,701	\$ -	\$ -	\$ 32,004,701
Machinery and equipment	692,985	9,936		702,921
Total depreciable assets	<u>32,697,686</u>	<u>9,936</u>	<u>-</u>	<u>32,707,622</u>
Less accumulated depreciation for:				
Capital assets	<u>(7,227,936)</u>	<u>(777,113)</u>		<u>(8,005,049)</u>
Total accumulated depreciation	<u>(7,227,936)</u>	<u>(777,113)</u>	<u>-</u>	<u>(8,005,049)</u>
Total capital assets, being depreciated, net	<u>25,469,750</u>	<u>(767,177)</u>	<u>-</u>	<u>24,702,573</u>
Capital assets not being depreciated				
Work in process	442,054	81,388	(2,048)	521,394
Land and easements	4,590,187	-		4,590,187
Total non-depreciable assets	<u>5,032,241</u>	<u>81,388</u>	<u>(2,048)</u>	<u>5,111,581</u>
Business activities capital assets, net	<u>\$ 30,501,991</u>	<u>\$ (685,789)</u>	<u>\$ (2,048)</u>	<u>\$ 29,814,154</u>

Depreciation expense totaling \$777,113 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.

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2020

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.

In addition, amounts included in Due to other governments as a current liability total \$319,363 and represent expenditures of the Commission paid for with Storey County funds.

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, 2020, total expenditures exceeded appropriations for the following funds and/or functions, which are potential violations of the NRS:

Marketing expenses	\$22,356
Repairs and maintenance	\$6,877
Services and supplies	\$63,996

In total the deficit changes in the enterprise fund balance was less than anticipated by \$53,919. This was due to the revenues being \$12,183 greater than expected and for the total expenditures being \$41,736 less than the amount budgeted.

NOTE 9 – SUBSEQUENT EVENTS

Recent event surrounding the COVID-19 Global Pandemic have resulted in the State of Nevada declaring a state of emergency and the Governor closing down all non-essential business in the State. This decision will have a significant impact on the economy and more particularly, on the Commission that relies on tourism for the bulk of its revenues. Management has developed a plan to mitigate the financial impact. While the financial impact on the economy and the Commission in particular cannot be reasonably determined at this time, management feels their plan will enable them to survive the coming economic slowdown.

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, 2020

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Operating revenues				
Train tickets	\$ 1,151,925	\$ 1,000,000	\$ 1,054,614	\$ 54,614
Photo revenue	2,500	7,000	7,845	845
Merchandise, net	50,000	50,000	17,935	(32,065)
Licence plate revenue	20,000	23,000	23,649	649
Grant revenue	4,500	-	-	-
Total operating revenues	<u>1,228,925</u>	<u>1,080,000</u>	<u>1,104,043</u>	<u>24,043</u>
Nonoperating revenues				
Investment income	34,000	34,000	22,116	(11,884)
Interlocal Support	190,000	338,000	338,630	630
Miscellaneous	4,500	4,500	3,894	(606)
Total nonoperating revenues	<u>228,500</u>	<u>376,500</u>	<u>364,640</u>	<u>(11,860)</u>
Total Revenues	<u>1,457,425</u>	<u>1,456,500</u>	<u>1,468,683</u>	<u>12,183</u>
EXPENDITURES				
Current				
Operating expenses				
Marketing	153,500	153,500	175,856	(22,356)
Operating agreements	763,200	693,075	650,220	42,855
Repairs and maintenance	64,500	140,800	147,677	(6,877)
Miscellaneous expense	170,000	152,900	78,759	74,141
Services and supplies	289,075	289,075	353,071	(63,996)
Depreciation	782,000	782,000	777,113	4,887
Capital outlay	5,000	15,000	1,918	13,082
Total Expenses	<u>2,227,275</u>	<u>2,226,350</u>	<u>2,184,614</u>	<u>41,736</u>
Change in Net Position - Budget Basis	<u>\$ (769,850)</u>	<u>\$ (769,850)</u>	(715,931)	<u>\$ 53,919</u>
Add Engine #18 repairs			<u>81,388</u>	
Change in Net Position			<u>\$ (634,543)</u>	

REPORTS ON INTERNAL CONTROL & COMPLIANCE



Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA
Benjamin C. Steele, CPA CGMA Emeritus

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, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 5, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Affordable Housing Association of Certified Public Accountants

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.

Stule Associates, LLC

Carson City, Nevada

November 5, 2020



Nevada Commission for the Reconstruction of the V&T Railway
Prior Schedule of Findings and Questioned Costs
June 30, 2020

**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: Due to the transition in accounting systems the reconciliation of the accounting records was not performed in a timely manner sufficient to allow for a timely completion of the audit.

Recommendations: The Commission 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



Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA
Benjamin C. Steele, CPA CGMA Emeritus

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, 2020, and have issued our report thereon dated November 5, 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.

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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 \$586,679. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Record depreciation expense in the amount of \$777,113.
2. Record additional work in process of \$81,388.
3. Reverse the prior year vouchers payable in the amount of \$87,519
4. Adjust prepaid ticket sales of \$77,747.

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 November 5, 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 November 5, 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.

Stule Associates, LLC

Carson City, Nevada
November 5, 2020

