

NEVADA COMMISSION FOR THE
RECONSTRUCTION OF THE V&T RAILWAY
FINANCIAL STATEMENTS
JUNE 30, 2023

NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY
 FINANCIAL STATEMENTS
 AND SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2023

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Casey Neilson, Inc.
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Nevada Commission for the Reconstruction of the V&T Railway (the Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Commission has been part of two Interlocal Agreements with the County of Storey. The first agreement beginning on May 20, 2010 and the second on May 19, 2020. Based on the interlocal agreements between the Commission and Storey County, certain sales tax amounts approved by the voters of Storey County for the support of the V&T Railway project were retained by Storey County in lieu of Storey County providing the Commission a flat annual dollar amount. The amounts due from Storey County to the Commission under these agreements have been partially reconciled between the two organizations since the inception of the first agreement. It is unknown whether the outcome of the reconciliation will result in a material impact to the Commission and no additional funding has been requested. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 on pages 3-5 and 16, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **Date Pending**, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.

Carson City, Nevada
Date Pending

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis
June 30, 2023

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, 2023.

FINANCIAL HIGHLIGHTS

- The assets of the Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2023, by \$28,066,114 (*net position*). Of this amount, \$27,520,809 related to capital assets.
- The Commission's total net position decreased by \$647,343 in the fiscal year ended June 30, 2023.

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.

Fund Financial Statements

The Commission maintains an enterprise fund, which account for the basic programs of the Commission. This fund focuses on economic measurement of resources. This fund is reported using the accrual basis of accounting.

Enterprise Fund

The Enterprise Fund is now used to account for the business operations of the Commission. The business-type fund reports activity using the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when incurred.

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 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 \$28,066,114 at June 30, 2023, compared with \$28,713,457 at the end of the previous year.

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis
June 30, 2023

The Condensed Statement of Net Position is as follows:

Summary of Net Position

	Business-Type Activities	
	6/30/2023	6/30/2022
Current assets	\$ 872,031	\$ 1,034,625
Capital assets	27,520,809	28,316,285
Noncurrent assets	-	52,400
Total assets	28,392,840	29,403,310
Current liabilities	70,655	432,372
Non current liabilities	250,000	250,000
Total liabilities	320,655	682,372
Deferred inflows from resources	6,071	7,481
Net position:		
Invested in capital assets and right-of-use assets, net of related debt	27,520,809	28,317,395
Unrestricted	545,305	396,062
Total net position	\$ 28,066,114	\$ 28,713,457

The Condensed Statement of Revenues, Expenses, and Changes in Net Position is as follows:

Summary of Revenues, Expenses, and Changes in Net Position

	Business-Type Activities	
	6/30/2023	6/30/2022
Revenues:		
Charges for services	\$ 1,075,257	\$ 829,369
General revenue	363,385	366,047
Total revenues	1,438,642	1,195,416
Expenditures		
V&T Railway	2,085,985	1,880,769
Total expenditures	2,085,985	1,880,769
Change in Net Position	(647,343)	(685,353)
Beginning Net Position	28,713,457	29,398,810
Ending Net Position	\$ 28,066,114	\$ 28,713,457

The net position decreased by \$647,343 during the current fiscal year. Depreciation expense was \$795,476, which is the largest cause of the decrease in net position.

Nevada Commission for the Reconstruction of the V&T Railway
Management's Discussion & Analysis
June 30, 2023

Financial Analysis of the Commission's Funds

Enterprise Fund operating revenue increased \$243,226 from the prior year. This was due to the increased operating activities as a result of ease of COVID-19 restrictions. Contributions from governments in the amount of \$315,000 were same as the prior year. Enterprise fund expenses increased by \$205,216 from the prior year. This was directly related to the increase in operating activities.

Capital Assets

The Commission's capital assets amounted to \$37,858,492, with accumulated depreciation of \$10,337,683, leaving net book value of \$27,520,809. See Note 5 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, 2023. This liability relates to a request made by Storey County during the year ended June 30, 2010 for a \$250,000 grant for their Virginia City Freight Depot. See Note 8 to the financial statements for further information.

Economic Condition and Outlook

During FY 23, operations have mostly returned to normal and revenues forecasted for the upcoming fiscal year are based on a regular schedule determined by the Commission. In addition, the Commission continues to pursue new revenue opportunities for the use of its assets.

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: Cherrie Bailey, Executive Assistant, PO Box 1711, Carson City, Nevada 89702.

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash	\$ 684,928
Accounts receivable	10,000
Interest receivable	9,398
Lease receivable	3,861
Inventory	59,450
Note receivable - current portion	104,394
Total Current Assets	<u>872,031</u>

Non Current Assets

Property, plant & equipment, net	<u>27,520,809</u>
Total Non-Current Assets	<u>27,520,809</u>

Total Assets	<u>28,392,840</u>
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LIABILITIES

Current Liabilities

Accounts payable	47,324
Ticket sales received in advance	23,331
Total Current Liabilities	<u>70,655</u>

Non Current Liabilities

Storey County payable	<u>250,000</u>
Total Non Current Liabilities	<u>250,000</u>

Total Liabilities	<u>320,655</u>
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DEFERRED INFLOWS OF RESOURCES

Lease transactions	<u>6,071</u>
Total Deferred Inflows of Resources	<u>6,071</u>

NET POSITION

Invested in capital assets, net of related debt	27,520,809
Unrestricted	<u>545,305</u>

Total Net Position	<u><u>\$ 28,066,114</u></u>
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See Accompanying Notes to Financial Statements

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES	
Train and rail bike tickets	\$ 1,034,686
Photo sales	8,419
Merchandise, net	<u>32,152</u>
Total Operating Revenues	<u>1,075,257</u>
OPERATING EXPENSES	
Marketing	38,460
Professional services	341,893
Train related services	426,030
Repairs and maintenance	112,930
Insurance	10,590
Utilities	33,314
Miscellaneous expense	168,821
Depreciation	795,476
Supplies and services	<u>158,471</u>
Total Operating Expenses	<u>2,085,985</u>
Net Operating Loss	(1,010,728)
Non-Operating Revenues	
Investment income	8,108
Government contributions	315,000
License plate revenues	23,830
Miscellaneous	<u>16,447</u>
Total Non-Operating Revenues	<u>363,385</u>
Change in Net Position	(647,343)
NET POSITION, June 30, 2022	<u>28,713,457</u>
NET POSITION, June 30, 2023	<u><u>\$ 28,066,114</u></u>

See Accompanying Notes to Financial Statements

Nevada Commission for the Reconstruction of the V&T Railway
Statement of Cash Flows
June 30, 2023

CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,045,051
Other cash paid	(751,685)
Cash paid to suppliers	<u>(603,086)</u>
Net cash used by operating activities	<u>(309,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal paid on notes receivable	101,736
Governmental contributions	61,720
Interest and other income	<u>45,169</u>
Net cash provided by investing activities	<u>208,625</u>
NET DECREASE IN CASH	(101,095)
CASH, June 30, 2022	<u>786,023</u>
CASH, June 30, 2023	<u><u>\$ 684,928</u></u>
RECONCILIATION OF OPERATING LOSS TO	
NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,010,728)
Non-cash adjustment	
Depreciation	795,476
Adjustments to reconcile operating loss	
to net cash used by operating activities	
Increase (decrease) in cash from changes in:	
Accounts receivable	(7,871)
Inventory	(44,243)
Accounts payable	(20,019)
Ticket sales received in advance	<u>(22,335)</u>
Net cash used by operating activities	<u><u>\$ (309,720)</u></u>

See Accompanying Notes to Financial Statements

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2023

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.

The Commission operates as a business-like Enterprise Fund.

Enterprise Fund: Effective January 1, 2013, the Commission 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 Commission 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.

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget and Budgetary Accounting

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

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

Due from Other Governments

No allowance for doubtful accounts has been established since management does not anticipate any material collection loss with respect to the balance receivable from other governments. These amounts are deemed fully 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, 2023, 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, include land, buildings, and machinery and equipment. 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.

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on leases qualify for reporting in this category.

Net Position

Net position is classified as follows:

Invested in capital assets and leases, net – consists of capital assets, net of accumulated depreciation and outstanding debt obligations related to these capital assets.

Restricted net position – 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 – represents resources that are not generally subject to externally imposed restrictions and may be used to meet current expense for any purpose.

Operating and Non-operating Revenues and Expenses

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing exchange transactions are considered operating revenues.

Revenues and expenses are classified as non-operating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as non-operating revenues. Grants and contracts representing non-exchange transactions are considered non-operating revenues.

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.

New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right to use subscriptions asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for the Commission for fiscal year ending June 30, 2023. The Commission has evaluated GASB Statement No. 96 and has determined that it does not have an impact on the financial statements.

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2023

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

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

NOTE 3 – CASH

A summary of cash for the Commission at June 30, 2023, is as follows:

	Carrying Amount	Bank Balance
Represented by		
Petty Cash	\$ 50	\$ -
Cash in bank, checking (insured by FDIC)	684,878	461,992
 Total cash and investments	 \$ 684,928	 \$ 461,992

Since all cash of the Commission are deposited in financial institutions and are available upon demand, all cash of the Commission are considered to be cash equivalents.

The Commission maintains its checking account in a commercial bank located in Nevada. Custodial credit risk is the risk that in the event of a bank or brokerage failure, the Commission's deposits may not be returned. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in the aggregate per bank for the checking. In addition, the bank balance is collateralized with securities held by the Nevada Pooled Collateral program. Cash and cash equivalents reported in the statement of net position include cash totaling \$684,928.

The Commission participates in the State of Nevada collateralization program to assure that funds deposited are protected.

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 bore interest at 5.0% per annum. Interest and principal payments were due monthly until maturity on December 1, 2020. Subsequently, in January of 2021, the promisor stopped making payments and attempted to enter into a new agreement with the Commission. During the year ended June 30, 2022, the Commission received \$200,000 from the promisor that was being held in escrow. On November 30, 2021, the Commission approved a new note receivable effective January 1, 2022 for the outstanding balance and accrued interest of \$245,218 with an interest rate of 5.0% per annum. Interest and principal payments of \$10,758 are due monthly until maturity on December 1, 2023. The note was executed December 7, 2021. As of June 30, 2023, the note receivable was in arrears sixteen months.

Changes in the note receivable are as follows:

Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023	Due in 2023-2024
\$ 206,130	\$ 8,606	\$ (110,342)	\$ 104,394	\$ 104,394

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2023

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
<u>Business activities</u>				
Capital assets being depreciated				
Buildings	\$ 32,020,874	\$ -	\$ -	\$ 32,020,874
Machinery and equipment	1,247,431	-	-	1,247,431
Total depreciable assets	33,268,305	-	-	33,268,305
Less accumulated depreciation for:				
Capital assets	(9,542,207)	(795,476)	-	(10,337,683)
Total accumulated depreciation	(9,542,207)	(795,476)	-	(10,337,683)
Total capital assets, being depreciated, net	23,726,098	(795,476)	-	22,930,622
Capital assets not being depreciated				
Land and easements	4,590,187	-	-	4,590,187
Total non-depreciable assets	4,590,187	-	-	4,590,187
Business activities capital assets, net	<u>\$ 28,316,285</u>	<u>\$(795,476)</u>	<u>\$ -</u>	<u>\$ 27,520,809</u>

Depreciation expense totaling \$795,476 was charged to the business-type operating expense function.

NOTE 6 – Long-Term Lease Revenue Transactions

The Commission entered a to lease agreement, dated August 26, 2021, with Virginia and Truckee Railroad, Inc. (Railroad) to lease the #18 steam Baldwin-built 2-8-2 steam locomotive. Subsequently, the lease agreement was renewed and effective March, 2023. The Railroad is required to pay annual rent at the rate of \$500 for each day of use.

In accordance with GASB 87, Leases, the lease receivable is initially measured at the net present value of the future minimum lease payments expected to be received. As there was no discount rate stated in the lease, the lease was discounted using a 4.75% (prime rate as of the date of implementation). The payments are recognized as a reduction of the lease receivable and interest income is as payments are received. The deferred inflow of resources at the time of implementation is recorded as an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight line basis over the life of the lease. Following is a schedule of the principal and interest on the lease:

Year Ending June 30	Principal	Interest	Total
2024	\$ 3,861	\$ 139	\$ 4,000
	<u>\$ 3,861</u>	<u>\$ 139</u>	<u>\$ 4,000</u>

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2023

NOTE 7 – 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 8 – COMMITMENTS AND CONTINGENCIES

On May 20, 2010, an Interlocal Agreement was entered into by the Commission and the Board of County Commissioners of Storey County (“Storey County”). In this agreement Storey County set forth that they would present a ballot to extend the $\frac{1}{4}$ of 1 percent sales tax for the purpose of reconstruction and maintenance of the railroad. The Commission and Storey County agreed that should the Storey County electorate pass the extension, the Commission would continue to refund Storey County, on a monthly basis, such sales tax collected, that was not needed to cover all or a portion of the costs of train operations and track maintenance where the costs exceeded the ticket sales revenues.

On November 2, 2010, the voters voted to extend the $\frac{1}{4}$ of 1 percent sales tax for the purpose of reconstruction and maintenance of the railroad for the next 30 years.

On May 19, 2020, a new Interlocal Agreement was entered into by the Commission and the County of Storey (“County”). In this agreement, the County will annually attribute \$250,000 to the Commission from the $\frac{1}{4}$ of 1 percent sales tax collected into the V&T Railway Fund for the operation and maintenance of the railroad within Storey County. In any year in which proceeds from ticket sales and the annual amount provided above are insufficient to cover the costs of the train operation and track maintenance of the railroad, or, in an emergency situation, the Commission may request additional tax revenues to be allocated to cover those expenses.

Based on the interlocal agreements between the Commission and Storey County, certain sales tax amounts approved by the voters of Storey County for the support of the V&T Railway project were retained by Storey County in lieu of Storey County providing the Commission a flat annual dollar amount. The amounts due from Storey County to the Commission under these agreements have not been reconciled between the two organizations since the inception of the first agreement. It is unknown whether the outcome of the reconciliation will result in a material impact to 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. This liability will be included in the reconciliation between the two organizations.

On July 27, 2022, the Commission approved the payment of \$321,041 to Storey County for invoices paid on the Commission’s behalf from July 1st, 2019 to August 19th, 2019. The payment was made on August 26th, 2022. The remaining outstanding items that are still subject to the reconciliation between the two organizations relate to the amount of revenues that Storey County owes to the Commission per the Interlocal agreement and the \$250,000 for the purchase of the old freight depot in Virginia City.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and disclosure within the financial statements of the year ended June 30, 2023. Management has evaluated subsequent events through **Date Pending** which is the date the financial statements were available for issue.

Nevada Commission for the Reconstruction of the V&T Railway
Notes to Financial Statements
June 30, 2023

NOTE 9 – SUBSEQUENT EVENTS (CONTINUED)

On September 27, 2023, the Commission approved to deliver a default declaration of the properties provided in Note 4 due to the failure of installment payments made by the promisor. On October 1, 2023, the payments in arrears associated with the Note Receivable in Note 4 were received.

REQUIRED 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, 2023

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Operating revenues				
Train and rail bike tickets	\$ 942,100	\$ 942,100	\$ 1,034,686	\$ 92,586
Photo revenue	6,700	6,700	8,419	1,719
Merchandise, net	<u>42,500</u>	<u>42,500</u>	<u>32,152</u>	<u>(10,348)</u>
Total operating revenues	991,300	991,300	1,075,257	83,957
Nonoperating revenues				
Investment income	-	-	8,108	8,108
Interlocal Support	315,000	315,000	315,000	-
Licence plate revenue	21,600	21,600	23,830	2,230
Miscellaneous	16,000	16,000	16,447	447
Sale of property	<u>129,100</u>	<u>129,100</u>	<u>-</u>	<u>(129,100)</u>
Total nonoperating revenues	<u>481,700</u>	<u>481,700</u>	<u>363,385</u>	<u>(118,315)</u>
Total Revenues	<u>1,473,000</u>	<u>1,473,000</u>	<u>1,438,642</u>	<u>(34,358)</u>
EXPENDITURES				
Current				
Operating expenses				
Marketing	115,000	43,000	38,460	4,540
Professional services	283,325	338,325	341,893	(3,568)
Train related services	380,700	434,700	426,030	8,670
Repairs and maintenance	122,650	114,650	112,930	1,720
Insurance	11,000	11,000	10,590	410
Utilities	35,000	37,000	33,314	3,686
Miscellaneous expenses	185,500	172,500	168,821	3,679
Capital outlay	50,000	1,000	-	1,000
Supplies and services	<u>200,425</u>	<u>231,425</u>	<u>158,471</u>	<u>72,954</u>
Total Expenses	<u>1,383,600</u>	<u>1,383,600</u>	<u>1,290,509</u>	<u>93,091</u>
Change in Net Position - Budget Basis	<u>\$ 89,400</u>	<u>\$ 89,400</u>	148,133	<u>\$ 58,733</u>
Less Depreciation			<u>(795,476)</u>	
Change in Net Position			<u>\$ (647,343)</u>	

REPORTS ON INTERNAL CONTROL & COMPLIANCE

Casey Neilson, Inc.
Accountants and Advisors

**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
Carson City, Nevada

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 Nevada Commission for the Reconstruction of the V&T Railway (the Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated **Date Pending**.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our consideration of internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that not been identified. We did identify certain deficiencies internal control, described in the accompanying schedule of findings and responses as item 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Carson City, Nevada

Date Pending

Nevada Commission for the Reconstruction of the V&T Railway
Schedule of Findings and Responses
June 30, 2023

2023-001: Financial Reporting Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the components of an effective system of internal control over financial reporting is the preparation of full disclosure financial statements that do not require adjustment as part of the audit process.

Condition: As auditors, we assisted in the preparation of the financial statements, and proposed several journal entries.

Cause: Procedures have not been implemented to ensure Commission contractor's possess the experience to prepare the Commission's full disclosure financial statements in according with generally accepted accounting principles.

Effect: Financial information prepared by the Commission may not comply with generally accepted accounting principles.

Recommendation: We recommend that the Commission implement procedures to provide training in the preparation of governmental financial statements in accordance with generally accepted accounting principles and have a Commissioner on the Commission with the skill, knowledge and experience to be able to review and approve all journal entries.

Views of Responsible
Officials:

2023-002: Inventory Count – Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is oversight over account reconciliations and using reliable, correct supporting evidence in calculations of balances.

Condition: As auditors, we had to re-calculate and reconcile inventory using purchases, sales and gross profit percentages as the inventory count at June 30, 2023 was incomplete.

Cause: Procedures have not been put in place to ensure that the count is complete and accurate at the end of the PEX season.

Effect: The balance of inventory on the financial statements may be materially misstated.

Recommendation: We recommend the Commission implement procedures to ensure that the inventory count is complete, accurate, and reviewed by a person with the skill, knowledge and experience.

Views of Responsible
Officials:

AUDITOR'S COMMENTS



CASEY NEILON

Date Pending

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

We have audited the financial statements of the business-type activities of the Nevada Commission for the Reconstruction of the V&T Railway (the Commission) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 25, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 Note 1 to the financial statements. GASB 96 was adopted during 2023, which is considered a change in accounting principle. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 Commission's financial statements was:

Management's determination that all accounts receivables are collectible at year end. We evaluated the key factors and assumptions used to develop the estimate of collectability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		2602		
To adjust the inventory balance to the correct amount.				
221-11507-000	INVENTORY		44,243.00	
221-221-53061-232	MECHANDISE EXPENSE- PEX			44,243.00
Total			<u>44,243.00</u>	<u>44,243.00</u>
Adjusting Journal Entries JE # 4		3002		
To record depreciation expense for the current year,				
221-221-56550-000	DEPRECIATION		795,476.00	
221-16010-000	ACCUMULATED DEPRECIATION			795,476.00
Total			<u>795,476.00</u>	<u>795,476.00</u>
Adjusting Journal Entries JE # 5		2102		
To reverse FY22 receivables and record FY23 revenue				
221-11500-000	ACCOUNTS RECIEVABLE		10,000.00	
221-34700-000	CAP TICKET SALES		2,129.00	
221-11500-000	ACCOUNTS RECIEVABLE			2,129.00
221-34700-000	CAP TICKET SALES			10,000.00
Total			<u>12,129.00</u>	<u>12,129.00</u>
Adjusting Journal Entries JE # 6		0153		
To record inception of Locomotive#18 lease				
221-11508-000	Lease Receivable		8,067.00	
221-29910-000	Deferred Inflows - Leases			8,067.00
Total			<u>8,067.00</u>	<u>8,067.00</u>
Adjusting Journal Entries JE # 7		0153		
To record current year lease activity				
221-29910-000	Deferred Inflows - Leases		9,477.00	
221-36204-000	GASB 87 - Lease Adjustment		13,500.00	
221-11508-000	Lease Receivable			12,797.00
221-36100-000	INTEREST EARNINGS			703.00
221-36204-000	GASB 87 - Lease Adjustment			9,477.00
Total			<u>22,977.00</u>	<u>22,977.00</u>
Adjusting Journal Entries JE # 8		4301		
To reclassify the difference between payment to Storey County and financial balance to miscellaneous				
221-36500-000	MISC - OTHER		1,678.00	
221-29704-000	DUE TO OTHER GOVERNMENTS			1,678.00
Total			<u>1,678.00</u>	<u>1,678.00</u>
Adjusting Journal Entries JE # 10		2702		
To reclassify loan payments and allocate between loan principal and interest				
221-36540-000	EQUIPMENT SALES		111,211.00	
221-15005-000	NOTES RECEIVABLE			110,342.00
221-36100-000	INTEREST EARNINGS			869.00
Total			<u>111,211.00</u>	<u>111,211.00</u>
Adjusting Journal Entries JE # 11		2702		
To reclassify FY23 accrued interest and late fee revenue				
221-11502-000	Interest Receivable		6,536.00	
221-15005-000	NOTES RECEIVABLE		8,606.00	
221-36100-000	INTEREST EARNINGS			6,536.00
221-36500-000	MISC - OTHER			8,606.00
Total			<u>15,142.00</u>	<u>15,142.00</u>
Adjusting Journal Entries JE # 12		2002		
To adjust claim on cash to actual				
221-10199-000	Claim on Cash-V& T Commission		190.00	
221-29900-000	DEFERRED INCOME		185.00	
221-10311-000	WELLS FARGO V&T			185.00
221-221-53032-000	BANK CREDIT CARD FEES			5.00
221-34700-000	CAP TICKET SALES			185.00
Total			<u>375.00</u>	<u>375.00</u>
Adjusting Journal Entries JE # 13		5602		
To adjust deferred revenue to actual				
221-29900-000	DEFERRED INCOME		22,150.00	
221-34700-232	CAP TICKET SALES-PEX		557.00	
221-29400-000	ACCOUNTS PAYABLE CURRENT			8,805.00
221-29900-232	DEFERRED INCOME-PEX			557.00
221-34700-000	CAP TICKET SALES			13,345.00
Total			<u>22,707.00</u>	<u>22,707.00</u>

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 [Date of Management Representation Letter].

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 Commission'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 or 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 Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and Statement of Revenues, Expenses and Changes in Net Position – budget to actual schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and 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.

Very truly yours,

Casey Neilon, Inc.

[Date Pending]