

**STATE OF NEW MEXICO**  
**CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION**

Annual Financial Statements  
For the Year Ended June 30, 2019

## INTRODUCTORY SECTION

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
June 30, 2019

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STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Official Roster  
June 30, 2019

Commissioners (November 2018 - June 2019)

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<u>Name</u>	<u>Title</u>
Dan Love	Colorado - Chairman
Bill Lock	New Mexico - Vice-Chairman
Mark Graybill	Colorado - Secretary
Billy Elbrock	New Mexico - Treasurer

Commissioners (July 2018 - November 2018)

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<u>Name</u>	<u>Title</u>
Billy Elbrock	New Mexico - Chairman
Dan Love	Colorado - Vice-Chairman
Richard Cowles	New Mexico - Secretary
Mark Graybill	Colorado - Treasurer

Management

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<u>Name</u>	<u>Title</u>
John Bush	President
George Canham	Finance Manager (through January 2020)
Ed Beaudette	Chief Financial & Planning Officer

FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
State of New Mexico Cumbres & Toltec Scenic Railroad Commission  
and  
Mr. Brian S. Colón, Esq., New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico Cumbres & Toltec Scenic Railroad Commission (Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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 from 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 budgetary comparisons for the general fund and major special revenue fund as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-8, and the Statement of Revenues and Expenditures, Budget and Actual (Non-GAAP Budgetary Basis) – Train Operations, 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 supplementary information in accordance with the 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*

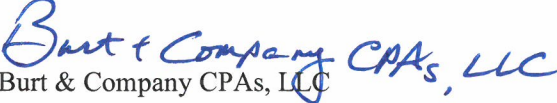
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2. NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2. NMAC, are the responsibility of management and was derived from and relate 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 additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2. NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of the 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.

  
Burt & Company CPAs, LLC

March 20, 2020



STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Management's Discussion and Analysis  
 (Unaudited)  
 June 30, 2019

Cumbres & Toltec Scenic Railroad Commission's (Commission) management is pleased to present this discussion and analysis. It provides an analysis of the Commission's financial activities based on currently known facts, decisions and conditions.

**Financial Highlights**

- The Commission's year over year comparative ticket revenue, ridership and average price per rider was as follows:

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Ticket Revenue	\$ 5,160,120	4,566,476	593,644	13%
Ridership	41,870	44,260	(2,390)	-5%
Average price per rider	\$ 123.24	103.17	20.07	19%

- The assets of the Commission exceeded its liabilities by \$17,080,460 at the close of the fiscal year. Of this amount, \$1,518,850 may be used to meet the Commission's ongoing obligations.
- The total assets of the Commission increased by \$1,608,549 or approximately 9%, liabilities increased by \$1,033,710 or approximately 57% when compared to the previous year resulting in a total increase in the net position of \$574,839.
- Total revenues increased by 9% from last year. Total expenses increased by 17%.
- The Commission received capital funding from the State of New Mexico and the State of Colorado totaling \$1,881,721 and operating funding of \$339,800 during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of three components; 1) government-wide financial statements, 2) government fund financial statements, and 3) notes to the financial statements.

The basic financial statements present two different views of the Commissions through the use of government-wide statements and government fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Commission.

**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. The government-wide statements provide information about the Commission's financial status as a whole.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2019

The *statement of net position* presents information on all the Commission's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator 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 they underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused employee vacation leave).

### **Government Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other governmental entities, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. The Commission uses four funds to account for its financial resources and operation expenses/expenditures. The governments funds focus on how assets can readily be converted into cash and what monies at year-end will be available for spending in the next year. The governmental funds are reported using an accounting method called *modified accrual accounting*. This method also uses the current financial resources measurement focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps determine if there are financial resources available to finance the Commission's programs. The relationship between governmental activities (reported in Statement of Net Position and the Statement of Activities) and the governmental funds is described in the footnotes to the financial statements.

The Commission approved the transfer of the committed fund balance reported in the Commission Fund in the prior year to the Capital Projects Fund. This had a significant impact on the remaining fund balance in the Commission Fund as of June 30, 2019.

The financial statements and notes are presented for the reporting entity of the Commission, which includes the Cumbres & Toltec Scenic Railroad Commission as well as two blended component units, Cumbres & Toltec Operating, LLC and Cumbres & Toltec Historic Preservation Association, LLC. (See Note 1 for additional information on the reporting entity.)

The basic financial statements can be found as listed in the table of contents of this report.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found as listed in the table of contents of this report.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2019

**Government-Wide Statements**

The following tables summarize the net position of the Commission for the fiscal year ended June 30, 2019, with comparative balances for the fiscal year ended June 30, 2018, as well as Statement of Revenue, Expenses and Changes in Net Position.

	Comparative Analysis of Statement of Net Position						
	Governmental	Business-	2019 Total	Governmental	Business-	2018 Total	Change
	Activities	Type Activities		Activities	Type Activities		
<b>Assets</b>							
Current assets	\$ 1,313,029	3,084,105	4,397,134	894,419	2,536,399	3,430,818	966,316
Capital assets, net of accumulated depreciation	<u>15,561,610</u>	<u>-</u>	<u>15,561,610</u>	<u>14,919,377</u>	<u>-</u>	<u>14,919,377</u>	<u>642,233</u>
Total assets	<u>16,874,639</u>	<u>3,084,105</u>	<u>19,958,744</u>	<u>15,813,796</u>	<u>2,536,399</u>	<u>18,350,195</u>	<u>1,608,549</u>
<b>Liabilities</b>							
Current liabilities	1,142,311	1,724,664	2,866,975	231,875	1,602,583	1,834,458	1,032,517
Noncurrent liabilities	<u>1,209</u>	<u>10,100</u>	<u>11,309</u>	<u>1,592</u>	<u>8,524</u>	<u>10,116</u>	<u>1,193</u>
Total liabilities	<u>1,143,520</u>	<u>1,734,764</u>	<u>2,878,284</u>	<u>233,467</u>	<u>1,611,107</u>	<u>1,844,574</u>	<u>1,033,710</u>
<b>Net Position</b>							
Net investment in capital assets	15,561,610	-	15,561,610	14,919,377	-	14,919,377	642,233
Unrestricted	<u>169,509</u>	<u>1,349,341</u>	<u>1,518,850</u>	<u>660,952</u>	<u>925,292</u>	<u>1,586,244</u>	<u>(67,394)</u>
Total net position	<u>\$ 15,731,119</u>	<u>1,349,341</u>	<u>17,080,460</u>	<u>15,580,329</u>	<u>925,292</u>	<u>16,505,621</u>	<u>574,839</u>

	Comparative Analysis of Statement of Revenue, Expenses and Changes in Net Position						
	Governmental	Business-	2019 Total	Governmental	Business-	2018 Total	Change
Activities	Type Activities	Activities		Type Activities			
<b>Revenues</b>							
Operating revenues:							
Charges for services	\$ 49,705	5,350,884	5,400,589	40,688	4,790,980	4,831,668	568,921
Non-operating revenues:							
Appropriations	2,291,834	-	2,291,834	1,855,133	-	1,855,133	436,701
Grants and contributions	(70,313)	-	(70,313)	297,603	-	297,603	(367,916)
Miscellaneous revenue	20,513	-	20,513	12,185	-	12,185	8,328
Loss on disposal of assets	-	-	-	-	-	-	-
Unrestricted investment earnings	2,249	3,707	5,956	1,620	1,380	3,000	2,956
Transfers, net	<u>239,083</u>	<u>(239,083)</u>	<u>-</u>	<u>634,075</u>	<u>(634,075)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>2,533,071</u>	<u>5,115,508</u>	<u>7,648,579</u>	<u>2,841,304</u>	<u>4,158,285</u>	<u>6,999,589</u>	<u>648,990</u>
<b>Expenses</b>							
General Government/train operations	2,382,281	4,691,459	7,073,740	1,982,345	4,083,431	6,065,776	1,007,964
Change in net position	150,790	424,049	574,839	858,959	74,854	933,813	(358,974)
Net position beginning of year	<u>15,580,329</u>	<u>925,292</u>	<u>16,505,621</u>	<u>14,721,370</u>	<u>850,438</u>	<u>15,571,808</u>	<u>933,813</u>
Net position end of year	<u>\$ 15,731,119</u>	<u>1,349,341</u>	<u>17,080,460</u>	<u>15,580,329</u>	<u>925,292</u>	<u>16,505,621</u>	<u>574,839</u>

STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Management's Discussion and Analysis (continued)  
 (Unaudited)  
 June 30, 2019

**Major Funds Budgetary Highlights**

Commission budgets are prepared for administration (general fund), capital projects, train operations (Cumbres & Toltec Operating, LLC) and historic preservation (Cumbres & Toltec Historic Preservation Association, LLC). To enhance the process of developing a budget at the Commission level, the Commission utilizes goals and objectives defined by the Commission, long-term plans and input from various staff groups to develop the Commission budgets. Commission priorities are well defined during this process. The Commission did not prepare budgets for capital projects or the historic preservation funds in 2017.

The Commission's final budgeted expenditures may differ from the original budget due to budget increases and decreases that were made during the fiscal year. There were no budgets passed for capital projects or historic preservation. A summary of the budget to actual expenditures are as follows:

	Original Budgets	Final Budgets	Actual	Variance
Administration/General Fund	\$ 490,989	490,989	479,029	11,960
Train Operations	<u>4,406,278</u>	<u>4,970,564</u>	<u>4,880,126</u>	<u>90,438</u>
Total	<u>\$ 4,897,267</u>	<u>5,461,553</u>	<u>5,359,155</u>	<u>102,398</u>

**Economic Outlook and Cumbres & Toltec Scenic Railroad Commission Future**

Although the binding compact agreement, entered into by Colorado and New Mexico on July 1, 1970, requires the two states provide equal contributions to the Commission, subject to the laws and appropriations of each state and the availability of funds, there are no requirements as to how much shall be provided, nor in what time period. Consequently, budget constraints faced by either state may be a challenge. However, in order to help finance the Commission the two states have waived the 50-50 matching requirement since fiscal year 2004.

The Commission has experienced incremental increases in ridership thanks to the subsequent economic recovery, the offering of additional services, and sustained marketing efforts. The Commission anticipates that continuing growth in ridership should allow the Commission to not only cover operating expenses but also provide support for the capital needs that have been funded by the states in the past. The Commission has both a strategic plan and a five-year rolling operational plan in place to provide clear guidance and transparency.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2019

**Request for Information**

This financial report is designed to provide the Commission's citizens, supporters, customers, investors, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have any questions concerning any of the information provided in this report or need additional financial information, contact the Commission at the following address:

Cumbres & Toltec Scenic Railroad Commission  
P.O. Box 668  
Antonito, CO 81120  
(719) 376-5488

## BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Statement of Net Position  
June 30, 2019

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,267,217	2,005,606	3,272,823
Receivables	-	24,317	24,317
Due from other governmental agencies	761,856	-	761,856
Prepaid expenses	5,530	26,888	32,418
Internal balances	(721,574)	721,574	-
Inventories	-	305,720	305,720
Capital assets, net of accumulated depreciation			
Construction in progress	1,182,137	-	1,182,137
Copyright	5,000	-	5,000
Land	118,048	-	118,048
Water Rights	30,000	-	30,000
Buildings and railyards	2,082,007	-	2,082,007
Track line, track line improvements and substructures	7,205,386	-	7,205,386
Steam engines, rolling stock and equipment	4,750,985	-	4,750,985
Vehicles, furniture and equipment	188,047	-	188,047
Total capital assets, net	<u>15,561,610</u>	<u>-</u>	<u>15,561,610</u>
<b>Total assets</b>	<u>16,874,639</u>	<u>3,084,105</u>	<u>19,958,744</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	68,317	497,406	565,723
Unearned revenues	-	1,186,856	1,186,856
Accrued compensated absences-current portion	4,837	40,402	45,239
Accrued compensated absences-noncurrent portion	1,209	10,100	11,309
<b>Total liabilities</b>	<u>74,363</u>	<u>1,734,764</u>	<u>1,809,127</u>
<b>Deferred Inflows of Resources</b>			
Unearned revenue	1,069,157	-	1,069,157
<b>Net Position</b>			
Net investment in capital assets	15,561,610	-	15,561,610
Unrestricted	<u>169,509</u>	<u>1,349,341</u>	<u>1,518,850</u>
<b>Total net position</b>	<u>\$ 15,731,119</u>	<u>1,349,341</u>	<u>17,080,460</u>

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





STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Balance Sheet - Governmental Funds  
June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 178,065	1,089,152	1,267,217
Prepaid insurance	5,530		5,530
Due from other governmental agencies	-	761,856	761,856
Due from other funds	9,350	25	9,375
<b>Total assets</b>	\$ 192,945	1,851,033	2,043,978
 <b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities			
Accounts payable	\$ 6,665	33,060	39,725
Accrued salaries and benefits	8,619	19,973	28,592
Due to other funds	4,687	726,262	730,949
<b>Total liabilities</b>	19,971	779,295	799,266
<b>Deferred inflows of resources</b>			
Unearned grant revenue	-	1,069,157	1,069,157
<b>Total deferred inflows of resources</b>	-	1,069,157	1,069,157
<b>Fund balances</b>			
Committed	-	106,202	106,202
Assigned	-	(103,621)	(103,621)
Unassigned	172,974	-	172,974
<b>Total fund balances</b>	172,974	2,581	175,555
 <b>Total liabilities, deferred inflows of resources, and fund balances</b>	\$ 192,945	1,851,033	2,043,978

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

STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2019

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

Total fund balances - governmental funds	\$	175,555
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Cost of capital assets	\$	38,859,449
Accumulated depreciation		<u>(23,297,839)</u>
		15,561,610
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Accrued compensated absences		<u>(6,046)</u>
Net position of governmental activities	\$	<u>15,731,119</u>

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

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>			
Intergovernmental -			
Colorado appropriations	\$ 228,000	1,152,790	1,380,790
New Mexico appropriations	111,800	571,229	683,029
Grants and contributions	-	157,702	157,702
Charges for services	-	49,853	49,853
Investment earnings	727	1,522	2,249
Other	20,365	-	20,365
<b>Total revenues</b>	<u>360,892</u>	<u>1,933,096</u>	<u>2,293,988</u>
<b>Expenditures</b>			
Current:			
General government	479,029	-	479,029
Capital outlay	-	2,547,398	2,547,398
<b>Total expenditures</b>	<u>479,029</u>	<u>2,547,398</u>	<u>3,026,427</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(118,137)</u>	<u>(614,302)</u>	<u>(732,439)</u>
<b>Other financing sources (uses)</b>			
Transfers in	239,083	-	239,083
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>239,083</u>	<u>-</u>	<u>239,083</u>
<i>Net change in fund balance</i>	120,946	(614,302)	(493,356)
<b>Fund balance, beginning of year</b>	<u>52,028</u>	<u>616,883</u>	<u>668,911</u>
<b>Fund balance, end of year</b>	\$ <u>172,974</u>	<u>2,581</u>	<u>175,555</u>

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

STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
 to the Statement of Activities  
 Year Ended June 30, 2019

Amounts reported for governmental activities are different because:

Net change in fund balance - governmental funds	\$	(493,356)
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Capital outlays are reported in the governmental funds as expenditures. However, for governmental activities these costs are reported in the statement of net position and allocated over their estimated useful lives as depreciation expense.

Capital outlay	2,057,026		
Depreciation expense	<u>(1,418,849)</u>		638,177

Activities such as compensated absences (vacation and excused leave) are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by amounts actually paid.

Change in compensated absences liability		5,969
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Rounding		<u>-</u>
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Change in net position - governmental activities	\$	<u><u>150,790</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Commission (General Fund)  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Non- GAAP Budgetary Budget Basis)	with Final Budget Positive (Negative)
<b>Revenues:</b>				
Colorado appropriations	\$ 224,000	224,000	228,000	4,000
New Mexico appropriations	111,800	111,800	111,800	-
Other revenue	-	-	20,365	20,365
Interest Income	364	364	727	363
Total revenues	336,164	336,164	360,892	24,728
<b>Expenditures:</b>				
Payroll	239,420	239,420	235,107	4,313
Maintenance and repairs	401	401	19	382
Contract services	71,609	71,609	69,383	2,226
Utilities	9,586	9,586	9,636	(50)
Liability and property insurance	155,556	155,556	150,376	5,180
General	14,417	14,417	14,508	(91)
Total expenditures	490,989	490,989	479,029	11,960
Excess (deficiency) of revenues over expenditures	(154,825)	(154,825)	(118,137)	
<b>RECONCILIATION TO GAAP BASIS:</b>				
Capital outlay			-	
<b>OTHER FINANCING USES</b>				
Transfers in			239,083	
<b>NET CHANGE IN FUND BALANCE -</b>				
GAAP Basis		\$	120,946	

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

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Balance Sheet -  
Proprietary Funds  
June 30, 2019

	Cumbres & Toltec Operating, LLC	Cumbres & Toltec Historic Preservation Association, LLC	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,232,347	773,259	2,005,606
Receivables	24,317	-	24,317
Prepaid expenses	26,365	523	26,888
Due from other funds	721,599	63,811	785,410
Inventory	<u>305,720</u>	<u>-</u>	<u>305,720</u>
Total current assets	<u>2,310,348</u>	<u>837,593</u>	<u>3,147,941</u>
<b>Total assets</b>	<b>\$ <u>2,310,348</u></b>	<b><u>837,593</u></b>	<b><u>3,147,941</u></b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 350,728	61,827	412,555
Payroll related liabilities	84,851	-	84,851
Unearned revenue	1,186,856	-	1,186,856
Due to other funds	63,836	-	63,836
Compensated absences - current portion	<u>40,402</u>	<u>-</u>	<u>40,402</u>
Total current liabilities	<u>1,726,673</u>	<u>61,827</u>	<u>1,788,500</u>
Noncurrent liabilities -			
Compensated absences - noncurrent portion	<u>10,100</u>	<u>-</u>	<u>10,100</u>
Total noncurrent liabilities	<u>10,100</u>	<u>-</u>	<u>10,100</u>
<b>Total liabilities</b>	<b><u>1,736,773</u></b>	<b><u>61,827</u></b>	<b><u>1,798,600</u></b>
<b>Net position</b>			
Unrestricted	<u>573,575</u>	<u>775,766</u>	<u>1,349,341</u>
<b>Total net position</b>	<b>\$ <u>573,575</u></b>	<b><u>775,766</u></b>	<b><u>1,349,341</u></b>

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

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Statement of Revenues, Expenditures and Changes in Net Position -  
Proprietary Funds  
Year Ended June 30, 2019

		Cumbres & Toltec Operating, LLC	Cumbres & Toltec Historic Preservation Association, LLC	Total
<b>Revenues</b>				
Charges for services (ticket sales)	\$	4,851,436	308,684	5,160,120
Retail sales, net of cost of merchandise of \$268,004		<u>190,514</u>	<u>-</u>	<u>190,514</u>
<b>Total revenues</b>		<u>5,041,950</u>	<u>308,684</u>	<u>5,350,634</u>
<b>Operating expenses</b>				
Payroll and payroll related expenses		1,770,365	-	1,770,365
Maintenance		80,350	-	80,350
Train supplies and services		473,091	-	473,091
Vehicle and equipment fleet		419,431	-	419,431
Meal service		519,010	-	519,010
Advertising		642,600	-	642,600
Utilities		148,932	-	148,932
Insurance		130,471	-	130,471
Administrative expenses		325,118	1,046	326,164
Contract services		<u>119,218</u>	<u>61,827</u>	<u>181,045</u>
<b>Total operating expenses</b>		<u>4,628,586</u>	<u>62,873</u>	<u>4,691,459</u>
<i>Operating income (loss)</i>		<u>413,364</u>	<u>245,811</u>	<u>659,175</u>
<b>Non-operating revenues (expenses)</b>				
Interest income		1,111	2,596	3,707
Donations		<u>250</u>	<u>-</u>	<u>250</u>
<b>Total non-operating revenues (expenses)</b>		<u>1,361</u>	<u>2,596</u>	<u>3,957</u>
<i>Income (loss) before contributions and transfers</i>		414,725	248,407	663,132
Transfers out		<u>(239,083)</u>	<u>-</u>	<u>(239,083)</u>
<i>Change in net position</i>		175,642	248,407	424,049
<b>Net position, beginning of year</b>		<u>397,933</u>	<u>527,359</u>	<u>925,292</u>
<b>Net position, end of year</b>	\$	<u>573,575</u>	<u>775,766</u>	<u>1,349,341</u>

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

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Statement of Cash Flows -  
Proprietary Funds  
For the Year Ended June 30, 2019

	Cumbres & Toltec Operating, LLC	Cumbres & Toltec Historic Preservation Association, LLC	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 4,611,102	313,946	4,925,048
Payments to employees	(1,748,300)	-	(1,748,300)
Payments to suppliers	<u>(2,879,063)</u>	<u>(56,201)</u>	<u>(2,935,264)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(16,261)</u>	<u>257,745</u>	<u>241,484</u>
<b>Cash flows from non-capital financing activities</b>			
Transfers out	<u>(239,083)</u>	<u>-</u>	<u>(239,083)</u>
<b>Net cash used by non-capital financing activities</b>	<u>(239,083)</u>	<u>-</u>	<u>(239,083)</u>
<b>Cash flows from investing activities</b>			
Interest earnings received	1,111	2,596	3,707
Donations received	<u>250</u>	<u>-</u>	<u>250</u>
<b>Net cash provided by investing activities</b>	<u>1,361</u>	<u>2,596</u>	<u>3,957</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(253,983)	260,341	6,358
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,486,330</u>	<u>512,918</u>	<u>1,999,248</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>1,232,347</u>	<u>773,259</u>	<u>2,005,606</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 413,364	245,811	659,175
Adjustments to reconcile operating income to net cash provided by operating activities -			
Change in assets and liabilities -			
Receivables	5,093	-	5,093
Prepaid expenses	(808)	-	(808)
Due from other funds	(471,838)	5,262	(466,576)
Inventory	(73,820)	-	(73,820)
Accounts payable	59,023	6,672	65,695
Payroll related liabilities	14,183	-	14,183
Unearned revenue	35,897	-	35,897
Due to other funds	(5,237)	-	(5,237)
Compensated absences	<u>7,882</u>	<u>-</u>	<u>7,882</u>
Net cash provided (used) by operating activities	\$ <u>(16,261)</u>	<u>257,745</u>	<u>241,484</u>

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



NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies

The financial statements of the State of New Mexico Cumbres & Toltec Scenic Railroad Commission (Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and financial reporting policy. A summary of the Commission's significant accounting principles policies applied in the preparation of these financial statements are described.

A. Description of Entity

In an effort to preserve a part of the history of the area, the states of Colorado and New Mexico created separate Railroad Authorities in 1969. On July 16, 1970, the states as tenants in common, purchased the 64-mile 3-foot gauge railroad and infrastructure. Also included in the purchase was narrow-gauge equipment from the Denver and Rio Grande Western Railroad Company.

On July 1, 1970, the Cumbres & Toltec Scenic Railroad Compact between the states of Colorado and New Mexico was approved, thereby establishing the present day Cumbres & Toltec Scenic Railroad. The compact was later ratified by the United States Congress on December 26, 1974. In 1977, the states of Colorado and New Mexico created a bi-state agency known as the Cumbres & Toltec Scenic Railroad Commission which is responsible for administering the compact and the Cumbres & Toltec Scenic Railroad property. Two members each from Colorado & New Mexico are appointed by their respective state governors to serve indefinite terms representing the four-member commission. Each state generally appropriates matching amounts to be used for part of the annual operating costs of the Commission and each state has also provided amounts for renovation and improvement of the railroad property.

Since fiscal year 1976, the Commission has obtained federal funding in the form of public works and economic facilities assistance grants, state appropriations and contributions. Historical preservation grants for a historical preservation study of the property and renovation of the narrow-gauge steam locomotives have been awarded by historical programs of both sides.

The Commission is a body political and corporate under the name and form of government selected by its qualified electors. The Commission may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico and Colorado;

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

A. Description of Entity (continued)

6. Protect generally the property of the Commission and its inhabitants;
7. Preserve peace and order within the Commission; and
8. Establish rates for services provided by the Commission, and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities

Management History

In the past, the Commission has formed agreements with various outside entities to manage the operation of the railroad. The most recent was Heritage Rail Management, LLC whose contract ended December 31, 2012.

During 2011, the Commission formed Cumbres Toltec Operating, LLC with the Commission being its sole member and took over the management of the Railroad operations effective January 1, 2013.

B. Financial Reporting Entity

The financial reporting entity is comprised of the primary government and component units that are included to ensure that the financial statements are not misleading. The primary government of the Commission consists of all funds, departments, boards and agencies that are not legally separated from the Commission. Blended component units, although legally separate entities, are in substance part of the Commission's operations and, consequently data from these units are combined with the data of the primary government.

Blended Component Units

The financial statements of the following component units have been "blended" with those of the Commission because (1) their governing bodies are substantially the same as the governing body of the Commission and there is a financial benefit or burden relationship between the Commission and the component unit or management of the Commission has operational responsibility for the component unit.

*Cumbres & Toltec Operating, LLC* (CTO LLC) was formed in 2011 under the New Mexico Limited Liability Company Act to manage the operations of the Railroad. CTO LLC is intended to be a disregarded entity for federal income tax purposes. The composition of the Board of Directors for this entity is identical to the Commission and the Commission is the sole member of CTO LLC. Activity for CTO LLC is reported as a proprietary fund.

*Cumbres & Toltec Historic Preservation Association, LLC* (HPA LLC) was formed in 2011 under the Colorado Limited Liability Company Act to collect and administer fees collected

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

B. Financial Reporting Entity (continued)

Blended Component Units (continued)

on ticket charges to fund historic preservation projects which maintain and promote the historical nature of the Railroad. Projects include purchasing, maintaining or restoration of buildings, track structure, locomotive and rolling stock. HPA LLC is intended to be a disregarded entity for federal income tax purposes. The composition of the Board of Directors for this entity is identical to the Commission and the Commission is the sole member of HPA LLC. Activity for HPA LLC is reported as proprietary fund.

C. Government-Wide and Fund Financial Statements

Financial information for the Commission is presented as follows:

- *Basic Financial Statements:* Government-wide financial statements consist of a statement of net position and a statement of activities. For the most part, the effect of interfund activity has been removed from these statements.

These statements report all the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from the business-type activities. Governmental activities are normally supported by intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues are presented as general revenues.

- *Fund Financial Statements* consist of a series of statements focusing on information about the Commission's major governmental and enterprises funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available when they are collectable within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgements are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds while proceeds of long-term debt and acquisitions under capital leases are reported as other financial sources.

Grant and entitlement revenues, interest and charges for services are considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Other receipts are not susceptible to accrual because they are not generally measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure driven grants recognize revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

The Commission reports the following major governmental funds:

- The **General Fund** is the primary operating fund of the Commission and is always classified as a major fund. The General Fund is used to account for all financial resources of the Commission except those required to be accounted for in another fund. Major revenue sources are intergovernmental revenues and investment revenue. Primary expenditures are for general administration of the Commission.
- The **Capital Projects Fund** is used to account and report financial resources that are restricted, committed or assigned to expenditures for capital outlay (other than those financed by business-type/proprietary funds).

STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Notes to Financial Statements  
 June 30, 2019

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Commission reports the following major proprietary funds:

- The *Cumbres & Toltec Operating, LLC Fund* accounts for the day-to-day operations of the Railroad.
- The *Cumbres & Toltec Historic Preservation, LLC Fund* accounts for the collection of and administration of the fees collected on ticket charges to fund preservation projects which maintain and promote the historical nature of the Railroad.

E. Cash and Cash Equivalents

Cash and cash equivalents includes interest and non-interest bearing demand deposits.

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

F. Capital Assets

Capital assets include: buildings, rail yards, track line improvements, substructures, steam engines, rolling stock, and equipment and construction in progress. With the exception of a few rolling stock items, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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. Information technology equipment including software is capitalized and included in furniture, fixtures and equipment. The costs of normal maintenance and repairs that do not add to value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives.

Classification	Primary Government
Buildings and rail yards	15-30 years
Track line, track line improvements and substructures	15-30 years
Steam engines, rolling stock and equipment	5-20 years

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

G. Donated Capital Assets

Donations of capital assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and restricted contributions of cash must be used to acquire property and equipment and are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Commission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Commission reclassifies restricted net position to unrestricted net position at the time.

H. Inventories

Retail Inventory consists of food and beverage, souvenirs and various other amenities which are stated at the lower of cost (first-in, first-out) or fair value.

I. Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused paid time off (PTO). Employees are allowed to accumulate PTO benefits up to predetermined maximums and are compensated for these accumulated PTO benefits either through paid time off, at termination, or retirement. Accumulated PTO benefits for employees who terminate or retire are paid out at 70% of the remaining balance. PTO benefits and related payroll costs are measured based on established Commission policy and generally accepted accounting principles.

Accumulated PTO benefits are accrued when earned in the government-wide and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured and are expected to be liquidated with expendable available financial resources.

J. Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance of the Commission's governmental funds may consist of the following:

- Nonspendable - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventors of consumable supplies, prepaid items and long-term receivables.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

J. Fund Balance (continued)

- Restricted - includes amounts that are restricted for specific purposes determined by external resource providers constitutionally or through enabling legislation.
- Committed - includes amounts that can only be used for specific purposes determined by the passage of a resolution of the Commission's board of directors. Commitments may be modified or changed only by the Commission's board of directors approving a new resolution.
- Assigned - includes amounts intended to be used by the Commission for specific purposes that are neither restricted nor committed. Intent is expressed by a designee of the Commission's board of directors to which the assigned amounts are to be used for specific purposes.
- Unassigned - this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements, net position may be classified in the following categories:

- Net investment in capital assets - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction, or improvement of capital assets.
- Restricted net position - this classification consists of restricted amounts created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- Unrestricted net position - this classification represents the remainder of net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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



STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

K. Estimates

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

L. Grant Revenue

Proceeds from state appropriations and other grants are considered voluntary nonexchange revenues under generally accepted accounting principles. Accordingly, revenues are recorded when all underlying eligibility requirements have been met, which occurs when the Commission has incurred an allowable expenditure under the terms of the appropriation/grant agreement and the receipt of the grant proceeds meet the measurable and available criteria.

M. Unearned Revenue

Unearned revenue consists of advanced ticket deposits for future rides on the train.

N. Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to fund for expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

2. Stewardship, Compliance and Accountability

A. Budgetary Principles

The Commission generally follows these procedures in establishing budgetary data:

1. Prior to each September, the Commission decides what level of appropriation will be requested from each state's legislature for the next fiscal year.
2. The legislatures of the states of Colorado and New Mexico generally appropriate equal amounts as their contributions to the Commission's operations. Appropriations not expended or encumbered at year end do not revert to the states unless otherwise specified.
3. A flexible internal operating budget is approved by the Commission but formal budget revisions are not made for unexpected items. The states do not require formal budget revisions, nor is the Commission legally restricted by expenditure levels.

STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Notes to Financial Statements  
 June 30, 2019

2. Stewardship, Compliance and Accountability (continued)

A. Budgetary Principles (continued)

4. Formal budgetary integration is employed as a management control device during the year for the train operations (CTO, LLC) and general fund (Commission) funds.
5. Budgets for train operations (CTO, LLC) and general fund (Commission) are adopted on a basis that is not consistent with generally accepted accounting principles. Formal budgets are not adopted for the capital projects or historic preservation funds.

The level of budgetary control is at the fund level for Colorado and New Mexico state agencies.

3. Deposits and Investments

State statutes authorize the investment of Commission funds in a wide variety of instruments, including certificates of deposit and other similar obligations, state investment pools, money market accounts, and United States Government obligations. All invested funds of the Commission properly followed both Colorado and New Mexico investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bands or savings and loan association within the geographical boundaries of the Commission. Deposits may be made to the extent that they are insured by the FDIC or by collateral deposited as security or by bond given by the financial institutions.

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

		<u>Demand Deposits</u>
General Fund	\$	178,065
Capital projects		1,089,152
Operating - CTO, LLC		1,232,347
HPA, LLC		<u>773,259</u>
Total	\$	<u><u>3,272,823</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk, other than the following state statutes.

STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Notes to Financial Statements  
 June 30, 2019

3. Deposits and Investments (continued)

Custodial Credit Risk (continued)

New Mexico state statutes govern the Commission's deposits of cash in New Mexico. The New Mexico Public Money Act (Section 6-10-1, to 6-10-63, NMSA 1978) limits deposits of public monies to certain banks or credit unions. The public depository must pledge eligible securities with an aggregate value equal to one half of the balance of uninsured funds on deposit with the institution. The securities must be delivered to an eligible custodial bank, and the public depository must deliver a joint safekeeping receipt issued by the custodial bank to the Commission.

Colorado state statutes govern the Commission's deposits of cash in Colorado. The Statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At June 30, 2019, the bank balances of the Commission were exposed to custodial credit risk as follows:

Insured by depository insurance	\$ 1,189,689
Uninsured, collateral held by pledging bank, but not in the name of the Commission	403,863
Uninsured and uncollateralized	-
	\$ 1,593,552

See supplemental Schedule of Cash & Deposits & Pledged Collateral.

4. Receivables

Receivables at June 30, 2019 consist of the following:

Business-type activities:

CTO, LLC -

Retail sales	\$ 13,067
Toltec caterer - advance	11,250
Total business-type activities	24,317

Total receivables	\$ 24,317
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Accounts receivable are considered 100% collectible at year end.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

5. Due From Other Governmental Agencies

The Commission has the following due from other governmental agencies as of June 30, 2019:

Governmental activities:

**State of Colorado**

Capital projects -		
Capital grants and appropriations	\$	541,080

**State of New Mexico**

Capital projects -		
Capital grants and appropriations		220,776
Total governmental activities		<u>761,856</u>

Total due from other governmental agencies	\$	<u><u>761,856</u></u>
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6. Deferred Inflows of Resources

Deferred inflows of resources at June 30, 2019 consist of appropriations revenues received in advance in the capital projects fund of \$1,000,000 and grant revenues received in advance in the capital projects fund of \$69,517.

7. Interfund Receivables/Payables/Transfers

The following interfund receivables and payables are included in the fund financial statements at June 30, 2019:

	Interfund Receivable	Interfund Payable	Total Internal Balances
Governmental funds -			
General fund (Commission)	\$ 9,350	4,687	4,663
Capital projects fund	<u>25</u>	<u>726,262</u>	<u>(726,237)</u>
Total governmental funds	<u>9,375</u>	<u>730,949</u>	<u>(721,574)</u>
Enterprise funds -			
CTO LLC	721,599	63,836	657,763
HPA LLC	<u>63,811</u>	<u>-</u>	<u>63,811</u>
Total enterprise funds	<u>785,410</u>	<u>63,836</u>	<u>721,574</u>
Total	\$ <u>794,785</u>	<u>794,785</u>	<u>-</u>

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

7. Interfund Receivables/Payables/Transfers (continued)

The amounts reported as due from other funds and due to other funds and due to other funds are reflective of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts reflected as due from other funds are expected to be collected in the subsequent year.

Transfers for the year ended June 30, 2019 were as follows:

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds -		
General fund (Commission)	\$ 239,083	-
Capital projects fund	-	-
Total governmental funds	<u>239,083</u>	<u>-</u>
Enterprise funds -		
CTO LLC	-	239,083
HPA LLC	-	-
Total enterprise funds	<u>-</u>	<u>239,083</u>
Total	<u>\$ 239,083</u>	<u>239,083</u>

8. Capital Assets

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

	Balance July 1, 2018	Additions	Deletions	Reclass Adjustment	Balance June 30, 2019
Governmental activities -					
Capital assets not being depreciated -					
Land	\$ 100,087	-	-	17,961	118,048
Water Rights	-	-	-	30,000	30,000
Construction in progress	1,455,486	390,712	(664,061)	-	1,182,137
Copyright	5,550	-	(550)	-	5,000
Total capital assets not being depreciated	<u>1,561,123</u>	<u>390,712</u>	<u>(664,611)</u>	<u>47,961</u>	<u>1,335,185</u>
Capital assets being depreciated -					
Buildings and railyards	6,539,918	-	-	(41,261)	6,498,657
Track line, track line improvements and substructures	15,848,663	1,014,532	-	-	16,863,195
Steam engines, rolling stock and equipment	11,494,034	1,320,449	(13,133)	(6,700)	12,794,650
Vehicles, furniture and equipment	1,397,889	-	(30,127)	-	1,367,762
Total capital assets being depreciated	<u>35,280,504</u>	<u>2,334,981</u>	<u>(43,260)</u>	<u>(47,961)</u>	<u>37,524,264</u>

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

8. Capital Assets (continued)

	Balance July 1, 2018	Additions	Deletions	Reclass Adjustment	Balance June 30, 2019
Less: accumulated depreciation for -					
Buildings and railyards	(4,247,498)	(163,410)	-	(5,742)	(4,416,650)
Track line, track line improvements and substructures	(8,952,944)	(704,865)	-	-	(9,657,809)
Steam engines, rolling stock and equipment	(7,584,971)	(471,827)	13,133	-	(8,043,665)
Vehicles, furniture and equipment	(1,136,837)	(78,747)	30,127	5,742	(1,179,715)
Total accumulated depreciation	<u>(21,922,250)</u>	<u>(1,418,849)</u>	<u>43,260</u>	<u>-</u>	<u>(23,297,839)</u>
Capital assets being depreciated, net	<u>13,358,254</u>	<u>916,132</u>	<u>-</u>	<u>(47,961)</u>	<u>14,226,425</u>
 Total governmental activities capital assets, net	 \$ <u>14,919,377</u>	 <u>1,306,844</u>	 <u>(664,611)</u>	 <u>-</u>	 <u>15,561,610</u>

Depreciation expense for the year ended June 30, 2019 was \$1,418,849 and was charged to general and administrative activities.

Certain assets were reclassified to the correct asset type in fiscal year 2019.

Construction in progress consist of materials, upgrades and improvements to various Commission assets.

9. Unearned Revenue

The Commission defers recognition of revenue for funds that are received for train trips to be taken subsequent to June 30, 2019. Unearned revenue at June 30, 2019 was \$1,186,856.

10. Long-term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Compensated absences					
Governmental activities	\$ 7,959	19,346	(21,259)	6,046	4,837
Business-type activities	42,620	106,591	(98,709)	50,502	40,402
Total	\$ <u>50,579</u>	<u>125,937</u>	<u>(119,968)</u>	<u>56,548</u>	<u>45,239</u>

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

10. Long-term Liabilities (continued)

Compensated absences in the governmental activities financial statements are liquidated with resources from the general fund. Compensated absences in the business-type activities financial statements are liquidated from the CTO, LLC fund.

11. Other Income/Revenue

Other income/revenue consists primarily of license plate revenue.

12. Fund Balances

		General Fund	Capital Projects	Total
Committed fund balance	\$			
Osier improvements		-	106,202	106,202
Assigned fund balance				
Capital improvements		-	(103,621)	(103,621)
Unassigned fund balance		172,974	-	172,974
Total	\$	172,974	2,581	175,555

13. Risk Management

The Commission is exposed to various risks of loss as the owner of a tourist-oriented railroad. To reduce the risk of loss, the Commission purchases commercial insurance to cover all significant losses to property, general liability, workers compensation and employee fidelity.

There has been no significant reduction in insurance coverage and settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

See Evaluation of Subsequent Events footnote.

14. Related Parties

The Commission President's spouse provides subcontracted marketing services to the Commission and received direct and indirect payments during the period ending June 30, 2019 totaling \$50,696.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Notes to Financial Statements  
June 30, 2019

14. Related Parties (continued)

During the year, the Commission occasionally incurs costs from Fina's Diner, an entity owned by one of the Commissioner's spouses. Total costs incurred during the period ending June 30, 2019 were \$922. There was an outstanding payable of \$0 at year-end.

During the year, the Commission reimburses certain expenditures and pays certain fees to the Friends of the Cumbres & Toltec Scenic Railroad, Inc., a related party. Total costs incurred during the period ending June 30, 2019 were \$148,030. There was an outstanding payable of \$88,633 as of June 30, 2019.

15. Commitments and Contingencies

Debt Limits

The amount of debt that can be incurred by the Commission is limited by resolution and at June 30, 2019, the Commission had not entered into any debt agreements.

State of Colorado

Colorado voters passed an amendment to the state constitution in November 1992 which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor Amendment, is complex and subject to judicial interpretation. The Commission received confirmation from the State of Colorado that it is exempt from the requirements of the amendment.

See Evaluation of Subsequent Events.

16. Simple IRA Plan

In August 2017, the Commission adopted a Simple IRA plan which covers all eligible employees, as defined in the plan document. The Commission's obligation under this plan is to make matching contribution equal to the employee's elective deferral up to 3 percent of their compensation. For the year ended June 30, 2019 employer matching contributions to this plan totaled \$26,916. Employees are 100% vested in employer matching contribution.

17. Evaluation of Subsequent Events

The Commission has evaluated subsequent events through March 20, 2020, which is the date the financial statements are available to be issued.



SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Train Operations (Cumbres & Toltec Operating, LLC)  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts (Non- GAAP Budgetary Budget Basis)	
<b>Revenues</b>				
Charges for services	\$ 4,455,590	4,455,590	4,851,436	395,846
Retail sales	417,795	417,795	458,370	40,575
Other revenue	26,505	26,505	250	(26,255)
Interest income	<u>868</u>	<u>868</u>	<u>1,111</u>	<u>243</u>
Total revenues	4,900,758	4,900,758	5,311,167	410,409
<b>Expenditures</b>				
Train operations -				
Cost of goods sold	209,064	209,064	267,856	(58,792)
Payroll	1,568,521	1,750,000	1,755,847	(5,847)
Maintenance and repairs	82,658	100,000	80,350	19,650
Train supplies	466,645	475,000	473,091	1,909
Contract services	45,123	197,500	119,218	78,282
Bus services	359,003	425,000	419,431	5,569
Meal services	528,805	535,000	519,010	15,990
Advertising and marketing	685,908	750,000	642,600	107,400
Utilities	133,407	155,000	148,932	6,068
Liability and property insurance	108,750	133,500	128,673	4,827
Capital outlay	-	-	-	-
General	<u>218,394</u>	<u>240,500</u>	<u>325,118</u>	<u>(84,618)</u>
Total expenditures	<u>4,406,278</u>	<u>4,970,564</u>	<u>4,880,126</u>	<u>90,438</u>
Excess (deficiency) of revenues over expenditures	494,480	(69,806)	431,041	
<b>RECONCILIATION TO GAAP BASIS:</b>				
Change in payables			(16,316)	
<b>OTHER FINANCING USES</b>				
Transfers out			<u>(239,083)</u>	
NET CHANGE IN FUND BALANCE - GAAP Basis		\$	<u>175,642</u>	

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Schedule of Cash and Deposits and Pledged Collateral  
June 30, 2019

Account Name	Account Type	New Mexico		Colorado			Bank Balance	Outstanding Items	Book Balance
		New Mexico Bank & Trust	Washington Federal	First Southwest Bank **	Community Banks of Colorado **	Alamosa State Bank **			
Ticket Revenue	Checking	* \$ 323,118	-	-	-	-	323,118	57,016	380,134
Accounts Payable Checking	Checking	* 190,491	-	-	-	-	190,491	(184,262)	6,229
Debit Card Account	Checking	* 4,702	-	-	-	-	4,702	(156)	4,546
Money Market Account	Money Market	* 200,543	-	-	-	-	200,543	-	200,543
Ticket Revenue Checking	Checking	* -	349,962	-	-	-	349,962	35,737	385,699
CTO, LLC Retail	Checking	* -	238,909	-	-	-	238,909	3,078	241,987
General Fund Checking	Checking	* -	-	19,197	-	-	19,197	(1,975)	17,222
General Fund Savings	Savings	* -	-	160,483	-	-	160,483	160	160,643
CTO, LLC Retail	Money Market	* -	-	10,009	-	-	10,009	-	10,009
Capital Checking	Checking	* -	-	-	197,899	-	197,899	(155,100)	42,799
Capital Money Market	Money Market	* -	-	-	1,046,353	-	1,046,353	-	1,046,353
HPA Checking	Checking	* -	-	-	-	47,560	47,560	-	47,560
HPA Money Market	Money Market	* -	-	-	-	725,699	725,699	-	725,699
Petty Cash	Imprest	-	-	-	-	-	-	-	3,400
Total amount of deposits in banks less FDIC coverage		718,854 (250,000)	588,871 (250,000)	189,689 (189,689)	1,244,252 (250,000)	773,259 (250,000)	3,514,925 (1,189,689)	(245,502)	3,272,823
Total uninsured public funds		\$ 468,854	338,871	-	994,252	523,259	2,325,236		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		234,427	169,436	-	-	-	403,863		

Description	CUSIP#	Pledged Market Value	Pledged Market Value
Freddie Mac, Series 2018-3 HA, 3%, \$985,000, due 8/25/2057	35563PGB9	909,034	-
FNMA, PL#BC2636, 3%, \$800,000, due 11/1/2046	3140EW4W2	-	524,829
Amount over(under) collateralized		\$ 674,607	355,394

\*Denotes interest bearing account

\*\*Denotes bank is properly collateralized as required by the Public Deposit Protection Act per the Colorado Division of Banking

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Schedule of Special, Deficiency, Specific, and Capital Outlay Appropriations  
For the Year Ended June 30, 2019

Description	Grant #	Appropriation Period	Appropriation Amount	2019 Expenses	Expenses from Inception to June 30, 2019	2019 Reversion Amount	Balance as of June 30, 2019
<b>New Mexico</b>							
Chap 3, Laws 2015, Section 9.1 - Track/Locomotive/Boiler Upgrades	15-0221 - 2416 - NM	8/12/2015 - 6/30/2019	\$ 500,000	-	500,000	-	-
Chap 81, Laws 2016, Section 9.1 - Locomotive and Boiler Upgrades & Rehab	A2035 - 2417N	6/23/2016 - 6/30/2018	300,000	-	300,000	-	-
Chap 81, Laws 2016, Section 9.2 - Track Rehabilitation	A2036 - 2317-N	6/23/2016 - 6/30/2020	315,000	-	315,000	-	-
Chap 133, Laws 2017, Section 81 - RR Passenger Cars Rehab 9/2, RET	B4078 - 2516N1	8/12/2015 - 6/30/2019	30,000	-	30,000	-	-
Chap 133, Laws 2017, Section 82 - RR Passenger Cars Rehab 9/3, RET	B4079 - 2516N2	8/12/2015 - 6/30/2019	65,000	20,120	65,000	-	-
Chap 133, Laws 2017, Section 83 - RR Passenger Cars Rehab 9/4 RET	B4080 - 2516N3	8/12/2015 - 6/30/2019	50,000	-	50,000	-	-
Chap 80, Laws 2018, Section 10 - Track & Locomotive/Boiler Rehabilitation	C2052 2404 Loco 487 1472	6/28/2018 - 6/30/2022	750,000	550,876	550,876	-	199,124
Chap 277, Laws 2019, Section 10 - Track & Locomotive/Boiler Rehabilitation	D2126 CTSRRC Track Locomotive & Passenger Car Rehab	7/1/2019 - 6/30/2023	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
		<b>Total New Mexico</b>	<b>\$ <u>3,010,000</u></b>	<b><u>570,996</u></b>	<b><u>1,810,876</u></b>	<b><u>-</u></b>	<b><u>1,199,124</u></b>

COMPLIANCE SECTION



INDEPENDENT AUDITORS' 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*

Board of Commissioners  
State of New Mexico  
Cumbres & Toltec Scenic Railroad Commission  
Antonito, CO  
and  
Honorable State Auditor Brian S. Colón, Esq.

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, the business-type activities, each major fund, the budgetary comparisons of the general fund and major special revenue fund, of the State of New Mexico Cumbres & Toltec Scenic Railroad Commission (Commission) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 20, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered Commission's internal control over financial reporting (internal control) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, as items: 2019-003 and 2019-004.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a significant deficiency.

### **Compliance and Other Matters**

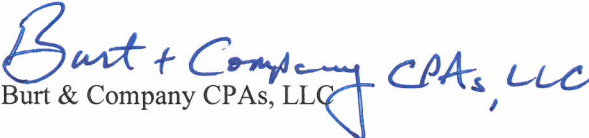
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2019-002 and 2019-005.

### **State of New Mexico, Cumbres & Toltec Scenic Railroad Commission's Responses to Findings**

The Commission's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Commission's responses 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 result 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.

  
Burt & Company CPAs, LLC

March 20, 2020

STATE OF NEW MEXICO  
 CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
 Summary Schedule of Findings and Responses  
 June 30, 2019

**Current Year Findings**

- 2019-001 (2018-004) Controls over Payroll – Significant Deficiency
- 2019-002 Controls over Expenditures – Finding that does not rise to the level of significant deficiency
- 2019-003 (2018-007) Reconciliation of Financial Accounting Records – Material Weakness
- 2019-004 (2018-006) Proprietary Revenue Reconciliation – Material Weakness
- 2019-005 Late Audit Report – Other Noncompliance

**Prior Year Findings**

- 2018-001 Controls Overs Transfers - Material Weakness - Resolved
- 2018-002 Controls Over Fixed Assets - Material Weakness - Resolved
- 2018-003 Posting of Prior Year Audit Entries - Material Weakness - Resolved
- 2018-004 Controls Over Payroll - Significant Deficiency - Repeated & modified
- 2018-005 Controls Over Budget – Material Noncompliance - Resolved
- 2018-006 Proprietary Revenue Reconciliation - Material Weakness - Repeated & modified
- 2018-007 Reconciliation of Financial Accounting Records - Material Weakness - Repeated & modified

**SUMMARY OF AUDIT RESULTS**

Type of auditors' report issued	<u>Unmodified</u>
• Material weakness(es) identified?	<u>Yes</u>
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>Yes</u>
• Noncompliance material to financial statements noted?	<u>No</u>



STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Schedule of Findings and Responses  
June 30, 2019

CURRENT YEAR FINDINGS:

**2019-001 (2018-004) Controls Over Payroll - *Significant deficiency***

Condition: Of the 65 employees tested, the Commission has the following deficiencies over payroll:

- Two of the 65 employees tested had payroll deductions for insurance and retirement contributions that did not match the employee's authorized deductions in the amount of \$845.
- One of the 65 employees tested had an elected deduction for insurance contributions that was not deducted from the employee's gross pay. Authorized deductions not deducted totaled \$31.

The Commission has made significant progress toward resolving this finding and expects to have it fully resolved in the current fiscal year.

Criteria: Per Section 6-5-2 NMSA 1978, State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for the purpose not authorized by law.

Cause: The Commission does not have adequate controls over payroll.

Effect: The Commission is not in compliance with NMSA 1978 Section 6-5-2 and is lacking significant controls over payroll.

Recommendation: The Commission should establish and implement procedures over payroll to ensure that payroll is accounted for in accordance with applicable laws and policy manuals.

Management's Response: The HR Manager will correctly update and document employee payroll deductions. The CFO will ensure that this is fully implemented in FY 20.

**2019-002 Controls Over Expenditures - *Finding that does not rise to the level of significant deficiency***

Condition: Controls over expenditures had the following deficiencies:

- A New Mexico Commissioner was paid \$26 in excess of the approved mileage rate for elected commissioners due to calculations using the incorrect mileage rate. The expenditure was not made in compliance with the Per Diem and Mileage Act.
- One of the sixty-one expenditures tested in the amount of \$570 was for prior year expenses.

Criteria: NMSA 1978 Section 10-8-4 specifies the amount of Per Diem expenses to be paid pursuant to the Act.

Effect: The Commission is not in compliance with the state statute.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Schedule of Findings and Responses  
June 30, 2019

Cause: The Commission did not ensure all transactions were in compliance with the Act and recorded in the proper year.

Recommendation: Recommend the Commission comply with state statute requirements concerning the Per Diem and Mileage Act as well as ensuring proper cutoff.

Management's Response: In FY 20, the overpayment of \$26 was repaid to the Commission and deposited into the General Fund. Effectively immediately the CFO will ensure all expenditures are in compliance with the Per Diem and Mileage Act and recorded in the proper accounting year.

**2019-003 (2018-007) Reconciliation of Financial Accounting Records - *Material Weakness***

Condition: The Commission has several areas where they are not reconciling the supporting documentation to the related account balances on a regular basis. While conducting the audit of the Commission, there were also material adjustments made to the financial statements which were identified by the auditor:

- Adjustment of \$299,404 to cash for an erroneous entry to back date a deposit received in August 2019 to Cash and Receivable.
- Adjustment of \$24,371 for inventory to actual count.
- Adjustment to deferred revenue for ticket sales in the amount of \$10,145 and deferred revenues for class and charter deposits in the amount of \$49,725 in the CTO fund for a total amount of \$59,870 for sales for future events.
- Adjustment to prepaid expenses in the amount of \$23,580.
- Adjustments of \$128,454 to due from other government agencies for accrual of expenses posted to wrong funding source due to errors in reconciliation of funding balances.

The Commission has made significant progress toward resolving this finding and has modified recording processes and expects this finding to be fully resolved in the current fiscal year.

Criteria: Per Section 6-5-2 NMSA 1978, State agencies shall comply with the model accounting practices established by the division of financial control and the administrative head of each state agency shall ensure that the model accounting practices are followed.

Cause: The Commission does not have adequate controls over recording and reconciling detail activity to accounts balances for certain asset and liability accounts.

Effect: The Commission is not in compliance with state statute.

Recommendation: The Commission should comply with state statute requirements concerning reconciliations of accounting records.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Schedule of Findings and Responses  
June 30, 2019

Management's Response: The CFO has modified recording processes to make certain that no adjustments to deposits and prepaid expenses will be required. The CFO will ensure that all necessary accruals and deferred revenues are posted in the correct fiscal year. This will be fully implemented in FY 20.

**2019-004 (2018-006) Proprietary Revenue Reconciliation - *Material weakness***

Condition: The Commission's annual ticket sales and deferred revenue reports from the point of sale system supported by Dynamic Ticket Solutions (DTS) do not agree with the ticket revenue recorded on the books.

- Unexplained variance of \$74,217 between annual DTS reported revenue and the annual Commission reported revenue.
- Nineteen deposits in the amount of \$38,921 out of the twenty-five tested could not be reconciled to the supporting documentation.

The Commission continues to work with its ticket sales system DTS to develop reports to reconcile activity to Commission general ledger.

Criteria: Per Section 6-5-2 NMSA 1978, State agencies shall comply with the model accounting practices established by the division of financial control and the administrative head of each state agency shall ensure that the model accounting practices are followed.

Cause: The Commission does not have adequate controls over recording and reconciling detail activity to accounts balances for proprietary revenue accounts.

Effect: The Commission is not in compliance with state statute.

Recommendation: The Commission should comply with state statute requirements concerning reconciliations of accounting records.

Management's Response: The CFO has developed and implemented a system to reconcile deposits to bank statements and the DTS reporting system. The CFO will begin work immediately with DTS to develop a revenue report that reconciles to the General Ledger which is expected to be fully implemented in FY 21.

**2019-005 Late Audit Report - *Other noncompliance***

Condition: The audit for the year ended June 30, 2019 was not submitted to the State Auditor's Office by the November 1, 2019 due date.

Criteria: By statute, Section 2.2.29 NMAC (State Auditor Rule), the deadline for submission of this report was November 1, 2019.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Schedule of Findings and Responses  
June 30, 2019

Cause: Completion of the current year audit was delayed due to the Commission not being able to close out accounting records timely, resulting in a late audit.

Effect: The Commission was not in compliance with State statute. The Commission is potentially subject to state funding cuts and delays due to the untimely audit.

Recommendation: The Commission should ensure that audits are completed and submitted in accordance with State statute.

Management's Response: The Commission will ensure that audits are completed and submitted in accordance with State statute. Responsible party - CFO and Accountant. This finding is expected to be fully resolved in FY 20.

STATE OF NEW MEXICO  
CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION  
Exit Conference  
June 30, 2019

The contents of this report were discussed at an exit conference held on March 12, 2020.

The exit conference was attended by the following:

Billy Elbrock, New Mexico Commissioner  
Dan Love, Colorado Commissioner (telephonically)  
Bill Lock, New Mexico Commissioner  
Mark Graybill, Colorado Commissioner (telephonically)  
John Bush, President  
Ed Beaudette, Chief Financial & Planning Officer

Burt & Company CPAs, LLC was represented by:

Ronald E. Schranz, CPA, CVA  
Misty Schuck, CPA, CGMA, CFE, CGFM, CICA

The accompanying financial statements are the responsibility of the Commission and are based upon information from the Commission's records. Burt & Company CPAs, LLC, with the aid of responsible Commission personnel, prepared the financial statements of the Commission as of and for the year ended June 30, 2019.