



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



Cumbres & Toltec Scenic Railroad Commission

Financial Statements,
Supplementary Information,
and
Independent Auditor's Reports,

June 30, 2024

Cumbres & Toltec Scenic Railroad Commission

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Cumbres & Toltec Scenic Railroad Commission

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Cumbres & Toltec Scenic Railroad Commission

Official Roster

Commissioners

Name	Title
Billy Elbrock	Chairman - New Mexico
Scott Gibbs	Vice Chairman - Colorado
Kim Smith Casford	Secretary - New Mexico
Mark Graybill	Treasurer - Colorado

Administrative Officials

Name	Title
Scott Gibbs	President
Ed Beaudette	General Manager
Alysia Martinez	Chief Financial Officer



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Cumbres & Toltec Scenic Railroad Commission

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Cumbres & Toltec Scenic Railroad Commission (the "Commission"), as of and for the year ended June 30, 2024, 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 governmental activities, business-type activities and each major fund of the Commission as of June 30, 2024, 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.

Basis for Opinions

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 opinions.

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.

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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 Responsibility 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 opinions. 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 budgetary comparison schedule of the general fund on page 33 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.

Management has omitted management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 budgetary comparison schedule for Cumbres & Toltec Operating, LLC is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for Cumbres & Toltec Operating, LLC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2025, 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.

SJT Group LLC

Albuquerque, New Mexico
June 20, 2025

Basic Financial Statements

Government-Wide Financial Statements

Cumbres & Toltec Scenic Railroad Commission

Statement of Net Position

June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,859,807	\$ 887,826	\$ 2,747,633
Grants receivable	1,661,876	-	1,661,876
Other receivables	-	3,447	3,447
Prepaid expenses	44,386	80,089	124,475
Inventories	-	147,733	147,733
Internal balances	(28,507)	28,507	-
Total current assets	3,537,562	1,147,602	4,685,164
Right-of-use lease assets, net	-	8,550	8,550
Capital assets, net	23,222,223	-	23,222,223
Total assets	26,759,785	1,156,152	27,915,937
Liabilities			
Current liabilities			
Accounts payable	344,266	296,080	640,346
Accrued payroll liabilities	37,647	87,219	124,866
Unearned revenues	-	1,313,705	1,313,705
Compensated absences	35,330	118,523	153,853
Leases payable, current portion	-	3,493	3,493
Total current liabilities	417,243	1,819,020	2,236,263
Leases payable, net of current portion	-	3,948	3,948
Total liabilities	417,243	1,822,968	2,240,211
Deferred Inflows of Resources			
Unearned grant revenue	1,948,625	-	1,948,625
Net Position			
Net investment in capital assets	23,222,223	1,109	23,223,332
Unrestricted	1,171,694	(667,925)	503,769
Total net position	\$ 24,393,917	\$ (666,816)	\$ 23,727,101

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

Cumbres & Toltec Scenic Railroad Commission

Statement of Activities For the Year Ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ (2,476,296)	\$ 62,546	\$ 603,029	\$ 3,736,079	\$ 1,925,358	\$ -	\$ 1,925,358
Total governmental activities	<u>(2,476,296)</u>	<u>62,546</u>	<u>603,029</u>	<u>3,736,079</u>	<u>1,925,358</u>	<u>-</u>	<u>1,925,358</u>
Business-type activities:							
Train operations	(6,056,225)	4,945,857	5,675	-	-	(1,104,693)	(1,104,693)
Historic preservation	<u>(61,577)</u>	<u>353,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,927</u>	<u>291,927</u>
Total business-type activities	<u>(6,117,802)</u>	<u>5,299,361</u>	<u>5,675</u>	<u>-</u>	<u>-</u>	<u>(812,766)</u>	<u>(812,766)</u>
Total primary government	<u>\$ (8,594,098)</u>	<u>\$ 5,361,907</u>	<u>\$ 608,704</u>	<u>\$ 3,736,079</u>	<u>1,925,358</u>	<u>(812,766)</u>	<u>1,112,592</u>
General revenues and transfers:							
Interest income					3,118	1,963	5,081
Other income					37,976	-	37,976
Transfers in (out)					<u>551,610</u>	<u>(551,610)</u>	<u>-</u>
Total general revenues and transfers					<u>592,704</u>	<u>(549,647)</u>	<u>43,057</u>
Change in net position					2,518,062	(1,362,413)	1,155,649
Net position, beginning of year					<u>21,875,855</u>	<u>695,597</u>	<u>22,571,452</u>
Net position (deficit), end of year					<u>\$ 24,393,917</u>	<u>\$ (666,816)</u>	<u>\$ 23,727,101</u>

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

Governmental Funds Financial Statements

Cumbres & Toltec Scenic Railroad Commission

Balance Sheet – Governmental Funds

June 30, 2024

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 63,635	\$ 1,796,172	\$ 1,859,807
Grants receivable	-	1,661,876	1,661,876
Prepaid expenses	44,386	-	44,386
Due from other funds	1,320,312	683,681	2,003,993
Total assets	\$ 1,428,333	\$ 4,141,729	\$ 5,570,062
 Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 4,378	\$ 339,888	\$ 344,266
Accrued payroll liabilities	6,671	30,976	37,647
Due to other funds	207,852	1,824,648	2,032,500
Total liabilities	218,901	2,195,512	2,414,413
 Deferred inflows of resources			
Unearned grant revenue	-	1,948,625	1,948,625
 Fund balances			
Nonspendable	44,386	-	44,386
Unassigned (deficit)	1,165,046	(2,408)	1,162,638
Total fund balances	1,209,432	(2,408)	1,207,024
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,428,333	\$ 4,141,729	\$ 5,570,062

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

Cumbres & Toltec Scenic Railroad Commission

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2024

Total fund balance - governmental funds		\$ 1,207,024
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital assets	54,313,396	
Less accumulated depreciation	<u>(31,091,173)</u>	
		23,222,223
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	<u>(35,330)</u>	
		<u>(35,330)</u>
Net position - governmental activities		<u>\$ 24,393,917</u>

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

Cumbres & Toltec Scenic Railroad Commission

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds For the Year Ended June 30, 2024

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Appropriations - State of Colorado	\$ 240,000	\$ 1,142,899	\$ 1,382,899
Appropriations - State of New Mexico	362,929	2,593,180	2,956,109
Grants and contributions	-	100	100
Charges for services	-	62,546	62,546
Investment income	147	2,971	3,118
Other	21,176	16,800	37,976
Total revenues	624,252	3,818,496	4,442,748
Expenditures			
Current			
General government	602,755	-	602,755
Capital outlay	-	4,197,408	4,197,408
Total expenditures	602,755	4,197,408	4,800,163
Excess (deficiency) of revenues over expenditures	21,497	(378,912)	(357,415)
Other Financing Sources (Uses)			
Transfers in	180,979	376,504	557,483
Transfers out	(5,873)	-	(5,873)
Total other financing sources, net	175,106	376,504	551,610
Net change in fund balances	196,603	(2,408)	194,195
Net position, beginning of year	1,012,829	-	1,012,829
Fund balances, end of year	\$ 1,209,432	\$ (2,408)	\$ 1,207,024

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

Cumbres & Toltec Scenic Railroad Commission

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities For the Year Ended June 30, 2024

Net change in fund balances - governmental funds		\$ 194,195
Amounts reported for governmental activities in the statement of activities are different because:		
Capital asset additions are reported in the governmental funds as part of capital outlay expenditures, however, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	4,050,616	
Depreciation expense	<u>(1,720,641)</u>	
		2,329,975
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences		<u>(6,108)</u>
Change in net position - governmental activities		<u><u>\$ 2,518,062</u></u>

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

Proprietary Funds Financial Statements

Cumbres & Toltec Scenic Railroad Commission
Statement of Net Position – Proprietary Funds
June 30, 2024

	Cumbres & Toltec Operating LLC	Cumbres & Toltec Historic Preservation Association LLC	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 819,583	\$ 68,243	\$ 887,826
Other receivables	3,447	-	3,447
Prepaid expenses	79,333	756	80,089
Due from other funds	975,145	1,373,305	2,348,450
Inventories	147,733	-	147,733
Total current assets	<u>2,025,241</u>	<u>1,442,304</u>	<u>3,467,545</u>
Right-of-use lease assets, net	8,550	-	8,550
Total assets	<u>2,033,791</u>	<u>1,442,304</u>	<u>3,476,095</u>
Liabilities			
Current liabilities			
Accounts payable	296,080	-	296,080
Accrued payroll liabilities	87,219	-	87,219
Unearned revenue	1,313,705	-	1,313,705
Due to other funds	2,318,501	1,442	2,319,943
Compensated absences	118,523	-	118,523
Leases payable, current portion	3,493	-	3,493
Total current liabilities	<u>4,137,521</u>	<u>1,442</u>	<u>4,138,963</u>
Leases payable, net of current portion	3,948	-	3,948
Total liabilities	<u>4,141,469</u>	<u>1,442</u>	<u>4,142,911</u>
Net Position (Deficit)			
Net investment in capital assets	1,109	-	1,109
Unrestricted (deficit)	<u>(2,108,787)</u>	<u>1,440,862</u>	<u>(667,925)</u>
Total net position (deficit)	<u>\$ (2,107,678)</u>	<u>\$ 1,440,862</u>	<u>\$ (666,816)</u>

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

Cumbres & Toltec Scenic Railroad Commission
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2024

	Cumbres & Toltec Operating LLC	Cumbres & Toltec Historic Preservation Association LLC	Total
Operating Revenues			
Ticket sales	\$ 4,721,844	\$ 353,504	\$ 5,075,348
Retail sales	431,777	-	431,777
Other	5,002	-	5,002
Less: Cost of merchandise sold	(212,766)	-	(212,766)
Total operating revenues	<u>4,945,857</u>	<u>353,504</u>	<u>5,299,361</u>
Operating Expenses			
Payroll, benefits, and taxes	2,493,475	-	2,493,475
Operations	1,585,555	-	1,585,555
Advertising and marketing	591,508	-	591,508
Supplies and service	404,985	59,300	464,285
Insurance	415,001	2,267	417,268
General and administrative	320,689	10	320,699
Utilities	137,427	-	137,427
Professional fees	74,308	-	74,308
Travel and meetings	25,673	-	25,673
Amortization of right-to-use assets	3,815	-	3,815
Other	2,459	-	2,459
Other miscellaneous service cost	1,330	-	1,330
Total operating expenses	<u>6,056,225</u>	<u>61,577</u>	<u>6,117,802</u>
Operating income (loss)	<u>(1,110,368)</u>	<u>291,927</u>	<u>(818,441)</u>
Nonoperating Revenues			
Interest income	773	1,190	1,963
Donations	5,675	-	5,675
Total nonoperating revenues	<u>6,448</u>	<u>1,190</u>	<u>7,638</u>
Income (loss) before transfers	<u>(1,103,920)</u>	<u>293,117</u>	<u>(810,803)</u>
Transfers			
Transfers out	(419,610)	(132,000)	(551,610)
Total transfers, net	<u>(419,610)</u>	<u>(132,000)</u>	<u>(551,610)</u>
Change in net position	(1,523,530)	161,117	(1,362,413)
Net position (deficit), beginning of year	(584,148)	1,279,745	695,597
Net position (deficit), end of year	<u>\$ (2,107,678)</u>	<u>\$ 1,440,862</u>	<u>\$ (666,816)</u>

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

Cumbres & Toltec Scenic Railroad Commission

Statement of Cash Flows – Proprietary Funds

For the Year Ended June 30, 2024

	Cumbres & Toltec Operating LLC	Cumbres & Toltec Historic Preservation Association LLC	Total
Cash flows from operating activities			
Cash received from customers	\$ 5,155,763	\$ 353,504	\$ 5,509,267
Other cash received	5,002	-	5,002
Cash paid to employees	(2,438,809)	-	(2,438,809)
Cash paid to suppliers	<u>(3,636,862)</u>	<u>(121,389)</u>	<u>(3,758,251)</u>
Net cash provided (used) by operating activities	<u>(914,906)</u>	<u>232,115</u>	<u>(682,791)</u>
Cash flows from noncapital financing activities			
Cash transfers received (paid) to other funds	1,222,169	(485,493)	736,676
Donations received	<u>5,675</u>	<u>-</u>	<u>5,675</u>
Net cash provided (used) by noncapital financing activities	<u>1,227,844</u>	<u>(485,493)</u>	<u>742,351</u>
Cash flows from capital and related financing activities			
Principal payments on leases payable	<u>(4,392)</u>	<u>-</u>	<u>(4,392)</u>
Net cash used by capital and related financing activities	<u>(4,392)</u>	<u>-</u>	<u>(4,392)</u>
Cash flows from investing activities			
Interest earnings received	<u>773</u>	<u>1,190</u>	<u>1,963</u>
Net cash provided by investing activities	<u>773</u>	<u>1,190</u>	<u>1,963</u>
Net change in cash and cash equivalents	309,319	(252,188)	57,131
Cash and cash equivalents, beginning of year	<u>510,264</u>	<u>320,431</u>	<u>830,695</u>
Cash and cash equivalents, end of year	<u><u>\$ 819,583</u></u>	<u><u>\$ 68,243</u></u>	<u><u>\$ 887,826</u></u>

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

Cumbres & Toltec Scenic Railroad Commission

Statement of Cash Flows – Proprietary Funds

For the Year Ended June 30, 2024

	Cumbres & Toltec Operating LLC	Cumbres & Toltec Historic Preservation Association LLC	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,110,368)	\$ 291,927	\$ (818,441)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Amortization of right-to-use assets	3,815	-	3,815
Changes in operating assets and liabilities:			
Other receivables	(3,447)	-	(3,447)
Prepaid expenses	(45,498)	(756)	(46,254)
Inventories	279,321	-	279,321
Accounts payable	(98,984)	(59,056)	(158,040)
Accrued payroll liabilities	27,032	-	27,032
Unearned revenue	5,589	-	5,589
Compensated absences	27,634	-	27,634
Net cash provided (used) by operating activities	\$ (914,906)	\$ 232,115	\$ (682,791)

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

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

1) History and Organization

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 (the "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:

- ◆ Sue or be sued.
- ◆ Enter into contracts and leases.
- ◆ Acquire and hold property, both real and personal.
- ◆ Have common seal, which may be altered at pleasure.
- ◆ 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.
- ◆ Protect generally the property of the Commission and its inhabitants.
- ◆ Preserve peace and order within the Commission.
- ◆ 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.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

1) History and Organization – continued

In the past, the Commission had 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.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

1) History and Organization – continued

- ◆ *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 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 a proprietary fund.

2) Summary of Significant Accounting Principles

Accounting Standards

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The GASB is the standard-setting body for governmental accounting and financial reporting. GASB standards and interpretations constitute GAAP for governments.

Basis of Presentation

Government-Wide Financial Statements. The government-wide financial statements (statement of net position and the statement of activities) report on the Commission's entire primary government, excluding fiduciary activities.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on charges for service and user fees. Both governmental and business-type activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term liabilities and other obligations. The government-wide financial statements focus more on sustainability of the Commission as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The government-wide financial statement of net position reports all financial and capital resources of the Commission, excluding fiduciary funds. It is displayed in a format of assets less liabilities equal net position, with assets and liabilities shown in order of their relative liquidity.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

The government-wide statement of activities demonstrates the degree to which direct expenses of the various functions of the Commission are offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular program or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or activity. Taxes, investment income and other revenues not identifiable with a particular program or activity are included as general revenues. The general revenues support the net cost of the programs and activities not covered by program revenues.

Fund Financial Statements. Part of the basic financial statements are the fund financial statements for governmental and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this model sets forth the minimum criteria for determination of major funds, it also gives governments the option of displaying other funds as major funds.

The governmental fund financial statements are prepared on the current financial resources measurement focus and the *modified accrual basis of accounting*. This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to demonstrate legal and covenant compliance, demonstrate the sources and uses of liquid resources, and demonstrate how the Commission's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following the fund statements. These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the economic resources measurement focus and the *accrual basis of accounting*, which is the same as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements but is included in the fund columns in the proprietary fund financial statements.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

The Commission uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses.

Governmental funds are those through which most of the governmental functions of the Commission are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination. Accordingly, 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. The major revenue source of the General fund is intergovernmental revenues. Expenditures of the General fund 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).

Proprietary funds are used to account for the Commission's ongoing business-type activities, which are similar to those often found in the private sector and where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net position, financial position and cash flows. Accordingly, the Commission reports the following major proprietary (enterprise) funds:

- ◆ *Cumbres & Toltec Operating, LLC* accounts for the day-to-day operations of the Railroad.
- ◆ *Cumbres & Toltec Historic Preservation, LLC* 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.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using the current financial resources measurement focus whereby only current assets and current liabilities are generally included on the balance sheet. Statements of revenues, expenditures and changes in fund balance present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balance.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

Proprietary funds are accounted for on the flow of economic resources measurement focus whereby all assets and liabilities associated with the operation of these funds are included on the statement of net position. Statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position for proprietary funds.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission considers revenues to be available if they are collected within 90 days after year-end. Grant revenue (for expenditure driven grants) of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months at year-end.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Commission; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Indirect expenditures are allocated to the programs or funds that they benefit.

The accrual basis of accounting is followed for proprietary funds, whereby revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for proprietary funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating items.

Cash and Cash Equivalents

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.

Grants Receivable

All amounts due from other governmental agencies are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2024, all receivables are considered to be 100% collectible.

Inventory

Retail inventory consists of food and beverage and souvenirs, which are stated at the lower of cost or market, with cost determined on the first-in, first out (FIFO) basis.

Leases

The Commission is a lessee for non-cancellable leases of equipment and recognizes a lease liability and an intangible right-to-use asset in the financial statements. At the commencement of a lease, the Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term of the assets' useful life, whichever is shorter.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

Key estimates and judgments related to leases include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- ◆ The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission's current borrowing rate is issued as the discount rate for leases.
- ◆ The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months.
- ◆ Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Commission is reasonably certain to exercise.

The Commission monitors changes in circumstances that would require a remeasurement of its leases and will re-measure the right-to-use asset and lease liability if certain changes occur that are expected to significantly affect these amounts.

Capital Assets

According to Section 12-6-10 NMSA 1978, capital assets are defined 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. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on all capital assets is provided using the straight-line basis over the following estimated useful lives of the assets:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and railyards	15-30 years
Track line and track line improvements	15-30 years
Steam engines, rolling stock and equipment	5-20 years
Vehicles, furniture and equipment	5-20 years

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.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

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.

Deferred Inflows of Resources

The government-wide statement of net position and the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an *acquisition* of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by deferred inflows of resources. The Commission reports one type of deferred inflow, titled “unearned grant revenue”, in the government-wide statement of net position and the governmental funds balance sheet.

Net Position and Fund Balance

In the government-wide financial statements, net position is classified into the following categories:

- ◆ *Net investment in capital assets*—Consists of capital assets, net of accumulated depreciation and outstanding principal balances attributable to the acquisition, construction, or improvement of those assets.
- ◆ *Restricted*—When constraints placed on an assets use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The basic concept is that restrictions are not unilaterally established by a reporting government itself and cannot be removed without the consent of those imposing the restrictions. This category of net position is intended to identify resources that were received or earned by the Commission with an explicit understanding between the Commission and the resource providers that the funds would be used for a specific purpose.
- ◆ *Unrestricted*—Consists of net position that does not meet the definition of the two preceding categories.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Commission classifies fund balance primarily on the extent to which the Commission is bound to observe constraints imposed on the use of the resources reported in governmental funds. This statement provides the following classifications:

- ◆ *Nonspendable*—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ◆ *Restricted*—Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- ◆ *Committed*—Amounts that can only be used for specific purposes due to constraints imposed by formal action of the highest level of authority, the Commission Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts.
- ◆ *Assigned*—Amounts that are constrained by the Commission’s intent to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The Board has not delegated the authority to assign amounts to any individuals or committees within the Commission.
- ◆ *Unassigned*—Residual classification for the General fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund. The General fund should be the only fund that reports a positive unassigned fund balance amount.

The General fund reports nonspendable fund balance for prepaid expenses totaling \$44,386 at June 30, 2024. The General fund also reports unassigned fund balance of \$1,165,046 and the Capital Projects fund reported an unassigned fund deficit of \$2,408 at June 30, 2024.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

Use of Estimates

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

Tax Abatements

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. For financial statement reporting purposes, this statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forego tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. The Commission has evaluated the requirements of GASB Statement No. 77 and has concluded that this disclosure requirement does not apply to the Commission.

Budgetary Data

The Commission generally follows these procedures in establishing budgetary data:

- ◆ Prior to each September, the Commission decides what level of appropriation will be requested from each state's legislature for the next fiscal year.
- ◆ 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.
- ◆ 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.
- ◆ Formal budgetary integration is employed as a management control device during the year for the train operations (CTO, LLC) and General fund (Commission) funds.
- ◆ Budgets for CTO, LLC and the General fund are adopted on a basis that is not consistent with generally accepted accounting principles. Formal budgets are not adopted for the Capital Projects fund or HPA, LLC.

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

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

2) Summary of Significant Accounting Principles – continued

Accounting Standards

GASB has issued several new accounting standards that are not yet effective or implemented by the Commission. The Commission will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Management believes that none of the new accounting standards will have a significant impact on the Commission.

3) Cash and Cash Equivalents

New Mexico state statutes authorize the investment of Commission funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. Deposits of funds may be made in interest or noninterest-bearing checking accounts in one or more banks or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for at least 50% of the deposit amount in excess of the deposit insurance.

At June 30, 2024, the carrying amount of the Commission's cash and cash equivalents was comprised of the following:

Carrying amount of deposits	\$ 2,730,209
Cash on hand	<u>17,424</u>
Total cash and cash equivalents	<u>\$ 2,747,633</u>
Statement of net position - cash and cash equivalents	<u>\$ 2,747,633</u>

Custodial Credit Risk – Deposits. 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.

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 Colorado state statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

3) Cash and Cash Equivalents – continued

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, 2024, the bank balances of the Commission were exposed to custodial credit risk as follows:

	Alamosa State Bank	Community Banks of Colorado	First Southwest Bank	New Mexico Bank and Trust	Washington Federal
Bank balance of deposits	\$ 68,243	\$ 1,861,114	\$ 76,093	\$ 721,481	\$ 120,014
Less: FDIC insurance coverage	<u>(68,243)</u>	<u>(250,000)</u>	<u>(76,093)</u>	<u>(250,000)</u>	<u>(120,014)</u>
Total uninsured deposits	-	1,611,114	-	471,481	-
Less: Pledged collateral at fair value	<u>-</u>	<u>(1,611,114)</u>	<u>-</u>	<u>(372,674)</u>	<u>(1,578)</u>
Total under (over) insured/ collateralized deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,807</u>	<u>\$ (1,578)</u>
Collateral requirement (50%)	\$ 34,122	\$ 930,557	\$ 38,047	\$ 360,741	\$ 60,007
FDIC insurance coverage and pledged collateral	<u>68,243</u>	<u>1,861,114</u>	<u>76,093</u>	<u>622,674</u>	<u>121,592</u>
Under (over) collateralized	<u>\$ (34,121)</u>	<u>\$ (930,557)</u>	<u>\$ (38,046)</u>	<u>\$ (261,933)</u>	<u>\$ (61,585)</u>

4) Grants Receivable

Grants receivable of the Commission are as follows as of June 30, 2024:

	Capital Projects Fund
<i>Governmental activities</i>	
State of Colorado - capital grants and appropriations	\$ 401,578
State of New Mexico - capital grants and appropriations	1,110,298
Candelaria Fund	<u>150,000</u>
Total grants receivable	<u>\$ 1,661,876</u>

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

5) Right-of-Use Lease Assets and Capital Assets

Right-of-use lease asset activity for the year ended June 30, 2024, was as follows:

<i>Business-type activities</i>	Beginning Balance	Additions	Transfers	Ending Balance
<i>Right-of-use lease assets being amortized</i>				
Leased equipment	\$ 19,074	\$ -	\$ -	\$ 19,074
Total right-of-use lease assets being amortized	<u>19,074</u>	<u>-</u>	<u>-</u>	<u>19,074</u>
<i>Less accumulated amortization for</i>				
Leased equipment	(6,709)	(3,815)	-	(10,524)
Total accumulated amortization	<u>(6,709)</u>	<u>(3,815)</u>	<u>-</u>	<u>(10,524)</u>
Right-of-use lease assets being amortized, net	<u>\$ 12,365</u>	<u>\$ (3,815)</u>	<u>\$ -</u>	<u>\$ 8,550</u>

Capital assets activity for the year ended June 30, 2024 was as follows:

<i>Governmental activities</i>	Beginning Balance	Additions	Transfers	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 118,048	\$ -	\$ -	\$ 118,048
Water rights	30,000	-	-	30,000
Construction in progress	1,091,411	3,558,066	(2,625,079)	2,024,398
Copyright	5,000	-	-	5,000
Total capital assets not being depreciated	<u>1,244,459</u>	<u>3,558,066</u>	<u>(2,625,079)</u>	<u>2,177,446</u>
<i>Capital assets being depreciated</i>				
Buildings and railyards	8,971,070	292,310	-	9,263,380
Track line and track line improvements	20,080,836	-	1,520,943	21,601,779
Steam engines, rolling stock and equipment	17,651,139	200,240	1,104,136	18,955,515
Vehicles, furniture and equipment	2,315,276	-	-	2,315,276
Total capital assets being depreciated	<u>49,018,321</u>	<u>492,550</u>	<u>2,625,079</u>	<u>52,135,950</u>
<i>Less accumulated depreciation</i>				
Buildings and railyards	(4,870,564)	(126,714)	-	(4,997,278)
Track line and track line improvements	(12,661,626)	(667,284)	-	(13,328,910)
Steam engines, rolling stock and equipment	(10,426,660)	(872,353)	-	(11,299,013)
Vehicles, furniture and equipment	(1,411,682)	(54,290)	-	(1,465,972)
Total accumulated depreciation	<u>(29,370,532)</u>	<u>(1,720,641)</u>	<u>-</u>	<u>(31,091,173)</u>
Capital assets being depreciated, net	<u>19,647,789</u>	<u>(1,228,091)</u>	<u>2,625,079</u>	<u>21,044,777</u>
Total capital assets, net	<u>\$ 20,892,248</u>	<u>\$ 2,329,975</u>	<u>\$ -</u>	<u>\$ 23,222,223</u>

Amortization of right-of-use lease assets for the year ended June 30, 2024 was charged to CTO, LLC. Depreciation of capital assets for the year ended June 30, 2024 was charged to the general government function of the Commission's governmental activities.

Cumbres & Toltec Scenic Railroad Commission
Notes to the Financial Statements
June 30, 2024

6) Unearned Revenue

The Commission defers recognition of revenue for funds that are received in advance for the following activities:

<i>Business-type activities</i>	CTO, LLC
Ticket sales	\$ 1,312,705
Group rides	1,000
Total unearned revenues	\$ 1,313,705

7) Compensated Absences

Changes in the Commission’s compensated absences balances for the year ended June 30, 2024 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities	\$ 29,222	\$ 53,336	\$ (47,228)	\$ 35,330	\$ 35,330
Business-type activities	90,889	138,269	(110,635)	118,523	118,523
	\$ 120,111	\$ 191,605	\$ (157,863)	\$ 153,853	\$ 153,853

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.

8) Deferred Inflows of Resources

Deferred inflows of resources of the Commission are as follows as of June 30, 2024:

<i>Governmental activities</i>	Capital Projects Fund
State of New Mexico - capital grants and appropriations	\$ 1,548,625
Private donation - Locomotive 492	400,000
Total deferred inflows of resources	\$ 1,948,625

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

9) Leases Payable

The Commission has entered into two separate lease contracts to lease copier machines. The lease liability is measured using a discount rate of 6%, which is an estimation made by the Commission of its incremental borrowing rate.

Changes in the Commission's lease liabilities for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<i>Business-type activities</i>					
Leased equipment	\$ 11,833	\$ -	\$ (4,392)	\$ 7,441	\$ 3,493
	<u>\$ 11,833</u>	<u>\$ -</u>	<u>\$ (4,392)</u>	<u>\$ 7,441</u>	<u>\$ 3,493</u>

The future maturities of the leases as of June 30, 2024, were as follows:

<i>For the year ended June 30,</i>	Principal	Interest	Total
2025	3,493	28	3,521
2026	2,587	15	2,602
2027	1,361	3	1,364
	<u>\$ 7,441</u>	<u>\$ 46</u>	<u>\$ 7,487</u>

10) Transfers and Interfund Receivables/Payables

The following interfund transfers were made for the year ended June 30, 2024:

	Transfers in	Transfers out	Net transfers
<i>Governmental activities</i>			
General fund	\$ 180,979	\$ (5,873)	\$ 175,106
Capital projects fund	376,504	-	376,504
Total governmental activities	<u>\$ 557,483</u>	<u>\$ (5,873)</u>	<u>\$ 551,610</u>
<i>Business-type activities</i>			
CTO, LLC	\$ -	\$ (419,610)	\$ (419,610)
HPA, LLC	-	(132,000)	(132,000)
Total business-type activities	<u>\$ -</u>	<u>\$ (551,610)</u>	<u>\$ (551,610)</u>

The following transfers were made during fiscal year 2024:

- ◆ Transfer from CTO, LLC to the General fund to reimburse the General fund for salaries and benefits paid on behalf of CTO, LLC personnel.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

10) Transfers and Interfund Receivables/Payables – continued

- ◆ Transfers from the General fund, CTO, LLC and HPA, LLC to the Capital Projects fund to help fund capital outlay expenditures.
- ◆ Transfer from HPA, LLC to the Capital Projects fund as reimbursement for the cost of a building.

The following interfund receivables/payables are included in the fund financial statements at June 30, 2024:

	Due from other funds	Due to other funds	Internal balances
<i>Governmental activities</i>			
General fund	\$ 1,320,312	\$ (207,852)	\$ 1,112,460
Capital projects fund	683,681	(1,824,648)	(1,140,967)
Total governmental activities	\$ 2,003,993	\$ (2,032,500)	\$ (28,507)
<i>Business-type activities</i>			
CTO, LLC	\$ 975,145	\$ (2,318,501)	\$ (1,343,356)
HPA, LLC	1,373,305	(1,442)	1,371,863
Total business-type activities	\$ 2,348,450	\$ (2,319,943)	\$ 28,507

The amounts reported as due to/from 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 are expected to be collected in the subsequent year.

11) 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.

12) Deficit Fund Balance/Net Position

At June 30, 2024, the Capital Projects fund reported deficit fund balance of \$2,408 and CTO, LLC reports deficit net position of \$2,107,678. The deficit in the Capital Projects fund will be recovered through future appropriations from States of New Mexico and Colorado and transfers from other funds. The deficit in CTO, LLC will be recovered in future periods through ticket sales.

Cumbres & Toltec Scenic Railroad Commission

Notes to the Financial Statements

June 30, 2024

13) Related Party Transactions

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, 2024 were \$512. No amounts were owed to Fina's Diner at June 30, 2024.

The Commission reimburses certain expenditures and pays certain fees to the Friends of the Cumbres & Toltec Scenic Railroad, Inc., a non-profit organization that manages the preservation, interpretation, museum and restoration efforts of the railroad. Total costs incurred and paid during fiscal year 2024 were \$59,056.

14) 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 contributions equal to the employee's elective deferral up to 3% of their compensation. For the year ended June 30, 2024, employer matching contributions to this plan totaled \$37,745. Employees are 100% vested in employer matching contributions.

15) Commitments and Contingencies

Debt Limit

The amount of debt that can be incurred by the Commission is limited by resolution. At June 30, 2024, the Commission had not entered into any debt agreements.

Tabor Amendment

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.

Required Supplementary Information

Cumbres & Toltec Scenic Railroad Commission

Statement of Revenues and Expenditures – Budget and Actual

(Budgetary Basis) – General Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Appropriations - State of Colorado	\$ 240,000	\$ 240,000	\$ 240,000	\$ -
Appropriations - State of New Mexico	362,800	362,800	362,929	129
Investment income	-	-	147	147
Other	-	-	21,176	21,176
Total revenues	<u>602,800</u>	<u>602,800</u>	<u>624,252</u>	<u>21,452</u>
Expenses				
Current				
General government	<u>602,800</u>	<u>602,800</u>	<u>602,755</u>	<u>45</u>
Total expenses	<u>602,800</u>	<u>602,800</u>	<u>602,755</u>	<u>45</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>21,497</u>	<u>21,497</u>
Other Financing Sources (Uses)				
Transfers in	-	-	180,979	180,979
Transfers out	<u>-</u>	<u>-</u>	<u>(5,873)</u>	<u>(5,873)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>175,106</u>	<u>175,106</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,603</u>	<u>\$ 196,603</u>

Supplementary Information

Cumbres & Toltec Scenic Railroad Commission

Statement of Revenues and Expenditures – Budget and Actual

(Budgetary Basis) – Cumbres & Toltec Operating, LLC

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Operating Revenues				
Ticket sales	\$ 5,755,750	\$ 5,755,750	\$ 4,721,844	\$ (1,033,906)
Retail sales	425,000	425,000	431,777	6,777
Other	-	-	5,002	5,002
Less: Cost of merchandise sold	(225,000)	(225,000)	(212,766)	12,234
Interest income	1,250	1,250	773	(477)
Donations	10,000	10,000	5,675	(4,325)
Total operating revenues	5,967,000	5,967,000	4,952,305	(1,014,695)
Operating Expenses				
Payroll, benefits, and taxes	2,597,445	2,597,445	2,493,475	103,970
Operations	1,391,650	1,391,650	1,306,752	84,898
Advertising and marketing	595,000	595,000	591,508	3,492
Supplies and service	417,690	417,690	404,985	12,705
Insurance	425,000	425,000	415,001	9,999
General and administrative	310,215	310,215	320,689	(10,474)
Utilities	150,000	150,000	137,427	12,573
Professional fees	75,000	75,000	74,308	692
Travel and meetings	-	-	25,673	(25,673)
Amortization of right-to-use assets	-	-	3,815	(3,815)
Other	5,000	5,000	2,459	2,541
Other miscellaneous service cost	-	-	1,330	(1,330)
Total operating expenses	5,967,000	5,967,000	5,777,422	189,578
Operating income (loss)	-	-	(825,117)	(825,117)
Nonoperating Revenues and Transfers				
Transfers out	-	-	(419,610)	(419,610)
Total nonoperating revenues and transfers, net	-	-	(419,610)	(419,610)
Change in net position	\$ -	\$ -	\$ (1,244,727)	\$ (1,244,727)
Reconciliation to GAAP basis:				
Net change in fund balance (Budgetary basis)			\$ (1,244,727)	
To account for write-off of amenities inventory			(278,803)	
Net change in fund balance (GAAP basis)			\$ (1,523,530)	

Compliance Section



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*

Board of Commissioners
Cumbres & Toltec Scenic Railroad Commission

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, business-type activities, and each major fund of the Cumbres & Toltec Scenic Railroad Commission (the “Commission”) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated June 20, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2024-003.

The Commission's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Commission's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

SJT Group LLC

Albuquerque, New Mexico
June 20, 2025

Cumbres & Toltec Scenic Railroad Commission
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies reported?	Yes
Noncompliance material to financial statements noted?	No

Cumbres & Toltec Scenic Railroad Commission
Schedule of Findings and Responses – continued
For the Year Ended June 30, 2024

Section II—Financial Statement Findings

2024-001 [2023-001] – Account Reconciliations (Significant Deficiency)

Criteria: Maintenance of the trial balances and financial statements in accordance with generally accepted accounting principles (GAAP) ensures that timely, accurate and useful information is available to management and those charged with governance. Accounting records should include a complete, balanced general ledger that records all transactions, supported by appropriate subsidiary records, to permit the preparation of accurate financial statements on a timely basis. Procedures should be in place to ensure that balance sheet accounts are independently reviewed and reconciled to subsidiary records at least monthly.

Condition: Significant adjusting journal entries were required to correct balances after the accounting records were closed at year-end. Adjustments were needed to correct reported balances of compensated absences, expenses, and transfers. Additionally, accounting records were not reconciled until more than seven months after the end of the fiscal year.

Cause: Accounting transactions were not fully analyzed and accurately recorded.

Effect: When financial statements are not accurately reconciled and timely prepared, there is an increased risk that material errors, whether intentional or unintentional, may occur and go undetected and unresolved. Additionally, the Board of Commissioners or other financial statement users may rely on financial information that may be materially incorrect.

Auditor's Recommendation: Each transaction should be fully analyzed to ensure that the transaction is recorded in the general ledger correctly and is properly recognized in accordance with GAAP.

Management's Response: The Commission has contracted with an external CPA firm to assist with year-end account reconciliations, purchase reconciliations, and processes and billings. Additional review of transactions will be performed monthly alongside the accounting team. This finding is expected to be fully resolved in fiscal year 2025.

Responsible Party: Chief Financial Officer

Cumbres & Toltec Scenic Railroad Commission
Schedule of Findings and Responses – continued
For the Year Ended June 30, 2024

Section II—Financial Statement Findings—continued

2024-002 [2023-002] – Purchase Orders (Significant Deficiency)

Criteria: Fundamental to a good system of internal controls is properly documented policies and procedures. These should include updated policies and procedures over procurement. According to the Commission’s Policies and Practices Manual and its Internal Accounting Policies and Procedures, the Commission shall use a purchase order system that requires prior approval for any expenditure of \$1,000 or more.

Condition: Two of twelve vendors tested were paid for services performed of \$83,013 and \$76,387 during fiscal year 2024. However, there were no approved purchase orders or current contracts with these vendors.

Cause: The Commission is not following its established policies regarding the use of purchase orders and issued payments to these vendor without approved purchase orders or current contracts in place.

Effect: The Commission may be remitting payments to vendors without proper approval or authorization.

Auditor’s Recommendation: The Commission should enforce its current policies regarding the use of purchase orders. The Commission should also update its Policies and Practices Manual and its Internal Accounting Policies and Procedures to reflect its current operations and its desired controls over the procurement of services and goods.

Management’s Response: The Commission has contracted with an external CPA firm to assist with year-end account reconciliations, purchase reconciliations, and processes and billings. Additional review of transactions will be performed monthly alongside the CFO and accounting team. This finding is expected to be fully resolved in fiscal year 2025.

Responsible Party: Chief Financial Officer

Cumbres & Toltec Scenic Railroad Commission
Schedule of Findings and Responses – continued
For the Year Ended June 30, 2024

Section III—Other Noncompliance

2024-003 – Late Audit Report (Other Noncompliance)

Criteria: According to State of Colorado Local Government Audit Law (the “Audit Law”), audits for all local governments except school districts are required to be submitted to the Office of the State Auditor no later than seven months after the end of the local government's fiscal year.

Condition: The annual audited financial statements of the Commission for fiscal year 2024 were not submitted to the Office of the State Auditor by the January 31, 2025 deadline.

Cause: Annual account reconciliations were not completed by the Commission timely after year-end, delaying the completion of the annual financial statement audit.

Effect: The Commission is not in compliance with the Audit Law.

Auditor’s Recommendation: The Commission should ensure that annual account reconciliations are completed timely after year-end so that the annual audit can be completed prior to the deadline each year.

Management’s Response: The Commission will ensure that audits are completed and submitted in accordance with State statute. This finding is expected to be fully resolved in fiscal year 2025.

Responsible Party: Chief Financial Officer

Cumbres & Toltec Scenic Railroad Commission
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024

2023-001 – Account Reconciliations

Current Status: Unresolved.

2023-002 – Purchase Orders

Current Status: Unresolved.

2023-003 – Public Money Act

Current Status: Unresolved.