



## Las Vegas Monorail Company

### Financial Statements

For The Years Ended December 31, 2016 and 2015  
and Independent Auditor's Report

# Las Vegas Monorail Company

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Financial Statements  
For The Years Ended December 31, 2016 and 2015  
and Independent Auditor's Report

# Las Vegas Monorail Company

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## Independent Auditor's Report

Board of Directors  
Las Vegas Monorail Company  
Las Vegas, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of Las Vegas Monorail Company (the "Company"), which comprise the balance sheet as of December 31, 2016 and 2015, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Company'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 Company'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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Las Vegas Monorail Company as of December 31, 2016 and 2015, and the respective changes in their financial position and their cash flows for the years 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 3 through 12 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2017, on our consideration of Las Vegas Monorail Company'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 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 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 Company's internal control over financial reporting and compliance.

BDO USA, LLP

April 17, 2017

## Management's Discussion and Analysis

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# Las Vegas Monorail Company

## Management's Discussion and Analysis

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The Las Vegas Monorail Company ("LVMC" or the "Company") was incorporated in May 2000 as a Nevada not-for-profit corporation. LVMC was established to finance, acquire, develop, operate and maintain the Las Vegas Monorail System. In September 2000, the State of Nevada Department of Business and Industry issued tax-exempt Monorail Revenue Bonds on behalf of the Company and through an agreement, assigned the repayment obligation to the Company. Having secured the financing, the Company set out to accomplish its objective.

In 2004, the Company commenced operations of Las Vegas Monorail System. The first revenue riders were carried in July 2004. However, there were difficulties sustaining the operations of the Monorail and, accordingly, the operations were halted for a period of time to make modifications and adjustments of the Monorail vehicles. Revenue operations resumed December 29, 2004. Since that time, the Monorail System has operated in a reliable manner.

This discussion and analysis should be read in conjunction with the Company's audited financial statements for the years ended December 31, 2016 and 2015.

### *General Financial Issues*

- The Monorail System carried 4,940,323, 5,082,158, and 4,548,311 riders during 2016, 2015, and 2014, respectively.
- Fare revenues were \$21,475,856, \$22,066,456, and \$19,830,119 during 2016, 2015, and 2014, respectively.
- Fares rates were continually monitored in order to maximize fare yield.
- The Las Vegas economy started improving from the national recession in 2013 with ridership showing an increase year over year for the first time in six years. That ridership trend accelerated in 2014 and accelerated further in 2015. With the advent of ride sharing services such as Uber and Lyft in 2015, riders had more transportation options in the resort corridor; taxi and bus ridership decreased by double digits in 2016, the Company saw a decrease of 2.8%.
- A significant portion of riders travel the monorail to/from conventions. Convention attendance increased by 1.2% in 2014, and 13.4% in 2015 contributing to the increase in ridership for the year. The trend continued in 2016 with an increase of 7.1%.
- The Company performed its first integration of its fare collection system with a convention badge, for two of the largest conventions held in Las Vegas. The result was an approximate \$500,000 increase in deferred revenue in 2016. Other conventions have taken note and are interested in integrating their registrations going forward.

# Las Vegas Monorail Company

## Management's Discussion and Analysis

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### *Overview of the Financial Statements*

The discussion and analysis is intended to serve as an introduction to the Company's financial statements.

The balance sheet presents information on the Company's assets and liabilities with the difference between the two reported as net position (deficit). Over time, increases or decreases in the net position (deficit) may serve as a useful indicator of whether the financial position of the Company is improving or deteriorating.

The statement of revenues, expenses and changes in net position provides a summary of the operating activities of the Company. Also included are the non-operating activities. The results of the operating activities, together with the non-operating revenues and expenses, provide the net position change for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items whose cash flow will occur in other fiscal years.

The primary purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of the Company, segregated between operating, capital and related financing and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Company's financial statements.

<b>Condensed Balance Sheet</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 13,527,514	\$ 11,653,260	\$ 10,584,606
Capital assets, net	236,215,744	255,198,703	272,776,949
<b>Total Assets</b>	<b>249,743,258</b>	<b>266,851,963</b>	<b>283,361,555</b>
Current liabilities	3,327,311	2,845,139	3,481,709
Long-term liabilities	13,242,771	13,253,822	13,244,985
<b>Total Liabilities</b>	<b>16,570,082</b>	<b>16,098,961</b>	<b>16,726,694</b>
<b>Net Position</b>			
Net Investment in capital assets	229,205,059	246,739,682	265,702,001
Restricted	957,131	1,901,531	1,911,185
Unrestricted	3,010,986	2,111,789	(978,325)
<b>Total Net Position</b>	<b>\$ 233,173,176</b>	<b>\$ 250,753,002</b>	<b>\$ 266,634,861</b>

# Las Vegas Monorail Company

## Management's Discussion and Analysis

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### *Change In Net Position*

The revenue and expense discussed in this management discussion, along with the related analysis, result in the following net position and related yearly changes:

	2016	2015	2014
Net position, beginning of period	\$ 250,753,002	\$ 266,634,861	\$ 287,499,550
Excess of expenses over revenue	(17,579,826)	(15,881,859)	(20,864,689)
<b>Net Position, End of Period</b>	<b>\$ 233,173,176</b>	<b>\$ 250,753,002</b>	<b>\$ 266,634,861</b>

The net position represents \$14,902,000 in pre-opening expenses incurred from inception of the Company to the commencement of revenue service in July 2004 plus the subsequent operating and non-operating gains/losses incurred by the Company.

### *Capital Assets*

At December 31, 2016, the Company had \$507,495,089 invested in Monorail capital assets. Accumulated depreciation based on the estimated useful lives as disclosed in the notes to financial statements totals \$271,279,345.

At December 31, 2015, the Company had \$505,928,732 invested in Monorail capital assets. Accumulated depreciation based on the estimated useful lives as disclosed in the notes to financial statements totals \$252,189,050.

At December 31, 2014, the Company had \$505,732,923 invested in Monorail capital assets. Accumulated depreciation based on the estimated useful lives as disclosed in the notes to financial statements totals \$233,030,922.

Refer to Note 7 for further information on capital assets.

### *Debt Administration*

The Monorail project was originally financed with the proceeds and related investment earnings from tax-exempt Monorail Revenue Bonds issued through the State of Nevada Department of Business and Industry, which were issued in September 2000. As of November 7, 2012, the effective date of the Company's emergence from bankruptcy, the notes that related to those bonds were cancelled, and two new series of current interest bonds were issued by the Company. The aggregate balances of these bonds are as follows:

	Principal Outstanding
Series A Current Interest Bonds	\$ 10,000,000
Series B Current Interest Bonds	3,000,000
<b>Total</b>	<b>\$ 13,000,000</b>

# Las Vegas Monorail Company

## Management's Discussion and Analysis

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See Note 9 to the financial statements for specific details regarding these bonds.

Pursuant to the bond covenants, there are no debt service reserve fund requirements for the two new series of bonds.

The Company continues to closely manage its yield (revenue divided by riders) and market share to maximize revenue and ridership.

### *Revenue, Expenses and Changes In Net Position*

The following discussion relates to the operations for 2016, 2015, and 2014. The following is a summary of the past three years:

	2016	2015	2014
<b>Operating Revenues</b>			
Farebox revenue	\$ 21,475,856	\$ 22,066,456	\$ 19,830,119
Advertising & other revenue	358,121	723,081	678,248
<b>Total Operating Revenues</b>	<b>21,833,977</b>	<b>22,789,537</b>	<b>20,508,367</b>
<b>Operating Expenses</b>			
Operating & maintenance	10,969,232	8,199,580	16,137,027
General & administrative	8,601,935	10,547,979	5,034,653
Depreciation & amortization	19,130,296	19,198,128	19,753,662
<b>Total Operating Expenses</b>	<b>38,701,463</b>	<b>37,945,687</b>	<b>40,925,342</b>
<b>Non-Operating Revenues</b>			
Investment income (loss)	69,504	(9,632)	945
Non-operating revenue	-	-	249,661
<b>Total Non-Operating Income (Loss)</b>	<b>69,504</b>	<b>(9,632)</b>	<b>250,606</b>
<b>Non-Operating Expenses</b>			
Interest and financing costs	781,844	716,077	698,320
<b>Change in Net Position</b>	<b>\$ (17,579,826)</b>	<b>\$ (15,881,859)</b>	<b>\$ (20,864,689)</b>

# Las Vegas Monorail Company

## Management's Discussion and Analysis

### *Farebox Revenue and Ridership*

During 2016, 2015, and 2014, farebox revenue were \$21,475,856, \$22,066,456, and \$19,830,119, respectively. Local residents may purchase a single ride ticket for \$1. In 2015, a local twenty ride pass priced at \$20 was added to the fare structure.

*Fare prices at the end of each year were:*

	Budget 2016	2016	2015	2014
Local one ride	\$ 1	\$ 1	\$ 1	\$ 1
Local twenty ride pass	20	20	20	-
Single ride	5	5	5	5
One day pass - unlimited	12	12	12	12
Two day pass - unlimited	22	22	22	22
Three day pass - unlimited	28	28	28	28
Four day pass - unlimited	36	36	36	36
Five day pass - unlimited	43	43	43	43
Seven day pass - unlimited	56	56	56	56

Revenue and ridership for 2016, 2015, 2014 and 2016 budget are presented below:

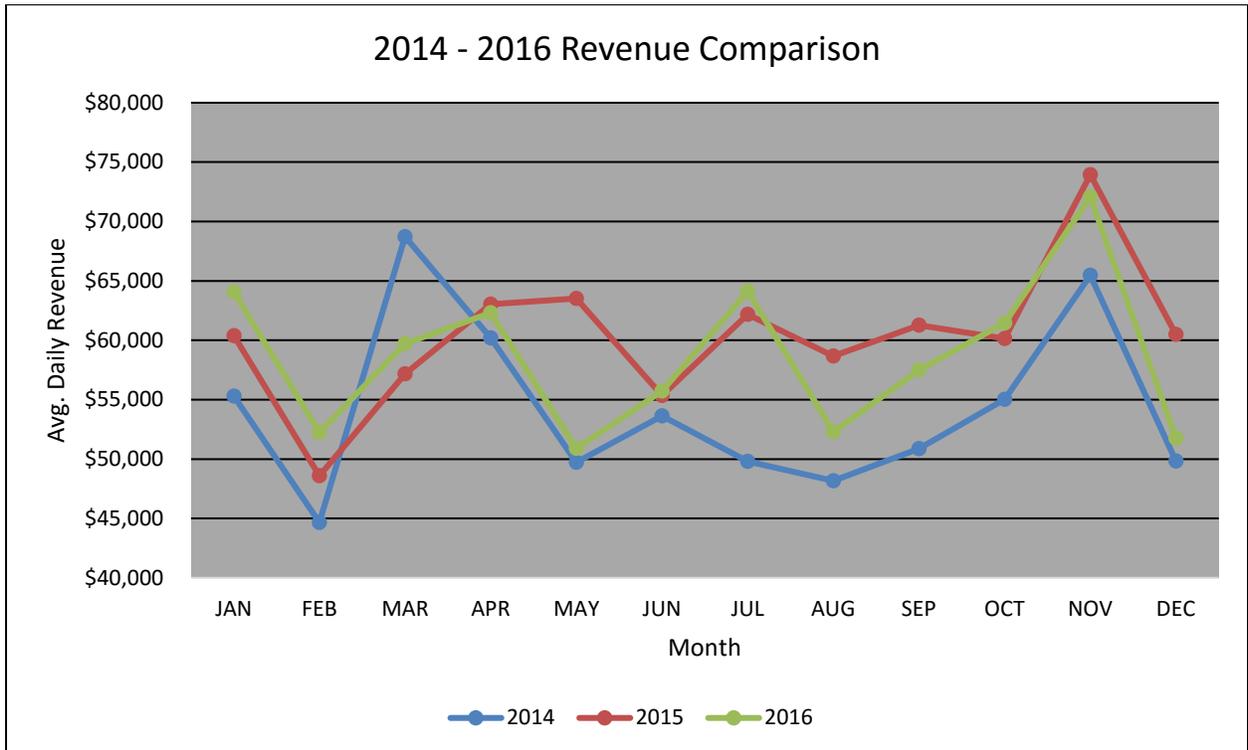
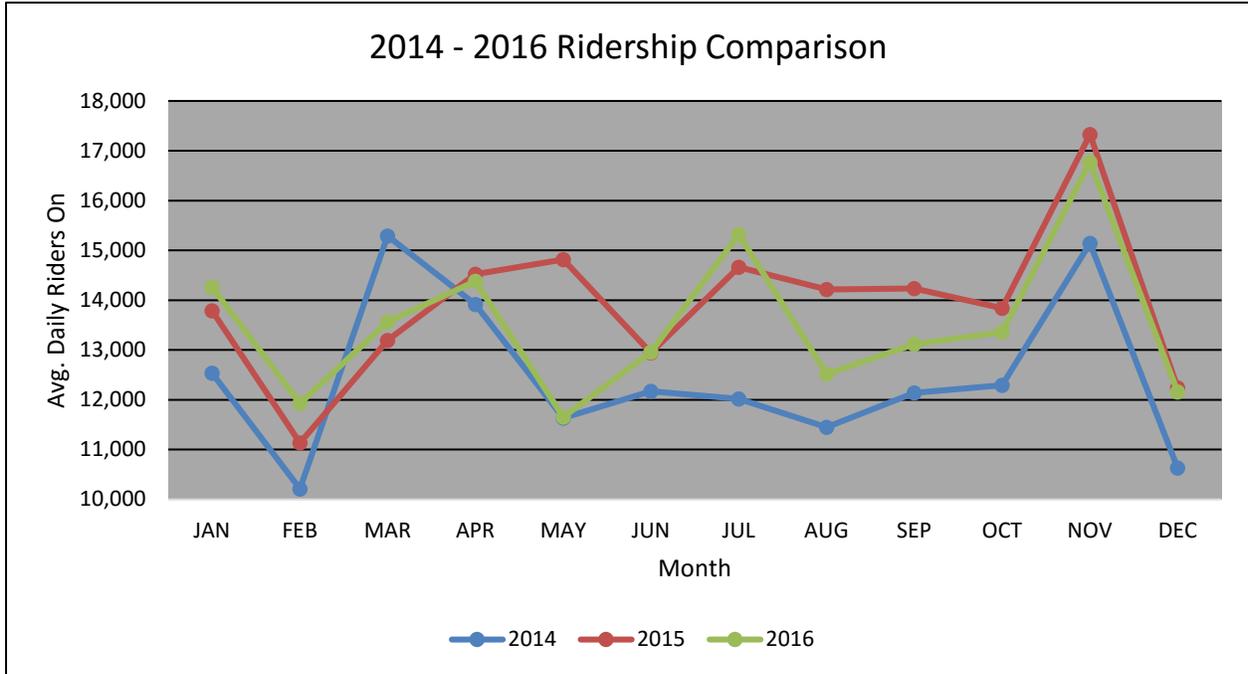
	Budget 2016	Actual 2016	Actual 2015	Actual 2014
Total rides	5,147,816	4,940,323	5,082,158	4,548,311
Average rides per day	14,065	13,498	13,924	12,461
Total farebox revenue	\$ 22,139,842	\$ 21,475,856	\$ 22,066,456	\$ 19,830,119
Average revenue per day	60,491	58,677	60,456	54,329
Average Yield	\$ 4.30	\$ 4.35	\$ 4.34	\$ 4.36

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# Las Vegas Monorail Company

## Management's Discussion and Analysis

The following graphs show average daily ridership and average daily revenue for 2014, 2015 and 2016:



# Las Vegas Monorail Company

## Management's Discussion and Analysis

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It should be noted that the seasonality of both revenue and ridership from month-to-month tracks fairly consistently from year-to-year. In March, 2014 the Construction Expo convention was held; this is the largest convention held in Las Vegas and meets every three years.

The Company is focused on increasing yield and revenue. Monitoring of visitor volume, convention attendance and related market share occurs weekly with updates to forecasts. It should also be noted that the Sahara Hotel and Casino closed May 16, 2011 and was sold and reopened as the SLS Hotel in late August 2014, with the station renamed the SLS station.

### *Advertising Revenues and Related Commissions*

Advertising and other revenues for 2016, 2015, and 2014 are as follows:

	2016	2015	2014
Advertising & other revenue	\$ 358,122	\$ 723,081	\$ 678,248

Advertisers pay for the privilege of wrapping the trains in vinyl covering, as well as static and video displays in the train interiors that promote their product. Advertisers who contract for a station also have the opportunity to display a theme on an entire train to convey their particular message.

Advertising revenue increased between 2014 and 2015 due to increased staff effort to procure additional advertising contracts and the previously mentioned non-exclusive brokers. Advertising revenues decreased in 2016 due to lower than anticipated sales of advertising for major conventions such as the Consumer Electronics Show. The Company added a commissioned advertising sales position in 2016 and has already seen significant improvement in advertising revenues for 2017.

### *Operating and Maintenance Expense*

Beginning in early 2014 management initiated an aggressive review of all expense line items to determine where additional costs may be saved in order to continue to fund operations, short and long term capital replacement, and debt retirement. At the time, actual direct costs of operating the Monorail system were paid monthly under the terms of an Operations and Maintenance Agreement ("O&M Agreement") with Bombardier Transportation USA ("Bombardier"), the original manufacturer of the Monorail vehicles and systems. The Company paid a fee to Bombardier which covered all costs associated with the actual direct operations and maintenance costs of the Monorail system, including labor, materials and utilities. Those costs were shown as operations and maintenance expenses in the financial statements.

# Las Vegas Monorail Company

## Management's Discussion and Analysis

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After a detailed review of the overall O&M function provided through the Bombardier contract, the Company determined that significant cost savings could be achieved while maintaining the same or higher level of service by canceling the contract with Bombardier, and directly providing the O&M function. At a Special Meeting of the Board of Directors of the Company, in December 2014, management presented a detailed recommendation for the cancellation of the contract. The Board approved the recommendation to cancel the contract effective March 1, 2015. With the change in operations the majority of the Bombardier employees became employees of the Company, resulting in a large portion of operational costs being transferred to salaries and related costs. In 2016 the Company began tracking those salaries and related costs as operating and maintenance expenses.

For 2016, 2015, and 2014 O&M costs totaled \$10,969,232, \$8,199,580, and \$16,137,027 respectively.

Liability and property insurance has historically been included in operating and maintenance expenses and will remain there.

### *General and Administrative Expenses*

The following table compares the general and administrative expenses for 2016, 2015, 2014 and the budget for 2016:

	Budget 2016	Actual 2016	Actual 2015	Actual 2014
Salaries & related costs	\$ 5,096,770	\$ 5,622,926	\$ 7,726,851	\$ 2,727,885
Other operating costs	899,637	977,100	888,772	748,032
IT Expenses	102,236	204,869	123,783	59,798
Legal & professional fees	337,200	253,167	340,903	463,542
Security services	39,585	41,547	34,174	58,464
Station operations	85,599	100,426	76,014	76,281
Fare collection costs	675,188	741,636	707,712	598,826
Marketing & promotion	703,792	660,264	649,770	301,825
<b>Total</b>	<b>\$ 7,940,007</b>	<b>\$ 8,601,935</b>	<b>\$ 10,547,979</b>	<b>\$ 5,034,653</b>

When the Company cancelled the operating and maintenance contract with Bombardier on March 1, 2015, all then current Bombardier employees were offered positions with the Company. Of the 74 Bombardier FTE's, 67 accepted employment with the Company. The offer included matching the current benefits of the Bombardier staff for all new and existing Company staff. The additional wage and benefit costs were approximately \$4.6 million. These costs, along with other related costs were a significant factor in the general and administrative costs increasing by \$5.5 million from 2014 to 2015. With Bombardier no longer under contract, operations and maintenance costs decreased by \$8 million, resulting in a \$2.5 million decrease in total operating costs. Effective January 1, 2016, operations and maintenance staff was realigned and all salaries and related costs for those positions are included under Operations & Maintenance, resulting in general and administrative costs declining by \$1.9 million.

### *Monorail System Insurance*

The insurance market has significantly improved during the last three years resulting in the annual premium falling each year. The Company has had no significant insurance claims to date.

# Las Vegas Monorail Company

## Management's Discussion and Analysis

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### *Salaries and Related Costs*

On March 1, 2015, as a result of the cancelation of the Bombardier contract, a total of 67 FTE's were added from Bombardier staff. Comparability between 2015 and 2016 is difficult to determine, however overall salaries and related costs (both O & M and G & A) increased by 29.4% from 2015 to 2016; overall salaries and related costs were 3.1% higher than budgeted, with the majority of that accounted for by higher health insurance premium costs.

### *IT Expenses*

These costs increased by 66% in 2016 due mainly to high initial licensing costs for an upgrade to the Maximo software, used to track work orders and other maintenance data.

### *Station Maintenance*

These costs increased by 32% in 2016, due to a renewed emphasis on signage throughout the stations and repainting of the convention center station in order to lease the space out.

### *Security Services*

The Company uses "in house" security. This allows the Company to achieve annual cost savings through unit cost and staffing reductions. Costs decreased in 2015 as a result of moving insurance costs into the General and Administrative category. Costs increased by 22% in 2016 as a result of purchasing new uniforms for security staff.

### *Marketing and Promotion*

Part of the savings generated by canceling the Bombardier contract in 2015 was used to increase marketing expenditures late that year. The result was an increase of 115% in overall marketing and promotional costs in 2015 (also due in part to an invoice from 2013 that was voided in 2014). Marketing costs remained stable in 2016.

### *Investment Income*

Investment income reflects interest earned through the investment of the various pools of money the Company maintains (see Note 4 in the financial statements). In April 2015 the Removal Costs Escrow Account, maintained by Wells Fargo and overseen by Clark County, sold holdings in federated government obligations and purchased other cash equivalents (mainly Certificates of Deposit) and federal bonds and treasury notes, resulting in a decrease in market value for 2015 of \$9,654. At December 31, 2016 the market value of the holdings reflected an increase in market value of \$69,504 for the year.

### *Interest and Financing Costs*

Interest and financing costs represent interest and financing costs paid or accrued on the Series A and B bonds.

## Financial Statements

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# Las Vegas Monorail Company

## Balance Sheets

<i>December 31,</i>	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,052,767	\$ 2,824,392
Miscellaneous accounts receivable	603,063	383,621
Prepaid expenses	495,533	543,716
<b>Total Current Assets</b>	<b>5,151,363</b>	<b>3,751,729</b>
<b>Restricted Assets</b>		
Investments	6,957,131	7,901,531
<b>Total Restricted Assets</b>	<b>6,957,131</b>	<b>7,901,531</b>
<b>Long Term Assets</b>		
Refundable security deposit	70,120	70,120
Capital assets, net of accumulated depreciation of \$271,279,345 and \$252,189,050	236,215,744	253,739,682
Prepaid land lease, net of accumulated amortization of \$651,100 and \$611,099	1,348,900	1,388,901
<b>Total Long-Term Assets</b>	<b>237,634,764</b>	<b>255,198,703</b>
<b>Total Assets</b>	<b>\$ 249,743,258</b>	<b>\$ 266,851,963</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 1,396,669	\$ 1,421,382
Accrued liabilities	520,885	14,000
Accrued interest payable	1,409,757	1,409,757
<b>Total Current Liabilities</b>	<b>3,327,311</b>	<b>2,845,139</b>
<b>Long Term Liabilities</b>		
Rent Payable	242,771	253,822
<b>Total Long Term Liabilities</b>	<b>242,771</b>	<b>253,822</b>
<b>Long Term Debt</b>		
LVMC Senior Current Interest Bonds - Series A	10,000,000	10,000,000
LVMC Senior Current Interest Bonds - Series B	3,000,000	3,000,000
<b>Total Long Term Debt</b>	<b>13,000,000</b>	<b>13,000,000</b>
<b>Total Liabilities</b>	<b>16,570,082</b>	<b>16,098,961</b>
<b>Net Position</b>		
Net investment in capital assets	229,215,744	246,739,682
Restricted	957,131	1,901,531
Unrestricted	3,000,301	2,111,789
<b>Total Net Position</b>	<b>233,173,176</b>	<b>250,753,002</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 249,743,258</b>	<b>\$ 266,851,963</b>

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

# Las Vegas Monorail Company

## Statements of Revenues, Expenses and Changes in Net Position

<i>Year ended December 31,</i>	2016	2015
<b>Operating Revenues</b>		
Farebox revenue	\$ 21,475,856	\$ 22,066,456
Advertising and other revenue	358,121	723,081
<b>Total Revenues</b>	<b>21,833,977</b>	<b>22,789,537</b>
<b>Operating Expenses</b>		
Operation and maintenance expense	10,969,232	8,199,580
General and administrative expense	8,601,935	10,547,979
Depreciation and amortization	19,130,296	19,198,128
<b>Total Operating Expenses</b>	<b>38,701,463</b>	<b>37,945,687</b>
<b>Operating Loss</b>	<b>(16,867,486)</b>	<b>(15,156,150)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Investment income (loss)	69,504	(9,632)
Interest and financing costs	(781,844)	(716,077)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(712,340)</b>	<b>(725,709)</b>
<b>Change In Net Position</b>	<b>(17,579,826)</b>	<b>(15,881,859)</b>
<b>Net Position</b>		
Beginning of period	250,753,002	266,634,861
End of period	\$ 233,173,176	\$ 250,753,002

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

# Las Vegas Monorail Company

## Statements of Cash Flows

<i>Year ended December 31,</i>	2016	2015
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers	\$ 22,903,844	\$ 22,586,760
Cash payments to employees for services	(8,330,028)	(6,527,960)
Cash payments to suppliers for goods or services	(12,124,212)	(12,682,621)
<b>Net cash provided by operating activities</b>	<b>2,449,604</b>	<b>3,376,179</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Project Cost	(1,459,289)	(182,813)
Interest paid on long-term debt	(769,844)	(555,321)
Financing cost paid	(6,000)	(6,000)
<b>Net cash used in capital and related financing activities</b>	<b>(2,235,133)</b>	<b>(744,134)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	1,009,863	-
Change in value of investments	(65,463)	9,654
Investment Income (loss)	69,504	(9,632)
<b>Net cash provided by investing activities</b>	<b>1,013,904</b>	<b>22</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>1,228,375</b>	<b>2,632,067</b>
<b>Cash and Cash Equivalents</b>		
Beginning of period	2,824,392	192,325
End of period	\$ 4,052,767	\$ 2,824,392
<b>Reconciliation of Operating Loss To Net Cash Provided by Operating Activities</b>		
Operating loss	\$ (16,867,486)	\$ (15,156,150)
Add back depreciation and amortization	19,130,296	19,198,128
(Decrease)/Increase in lease payable	(11,051)	8,837
Decrease/(Increase) in accounts receivable	(219,441)	111,300
Decrease in prepaid expenses	48,183	13,559
Decrease/(Increase) in security deposits	-	4,828
(Decrease)/Increase in accounts payable	(137,782)	(568,223)
Decrease in accrued liabilities	506,885	(236,100)
<b>Net cash provided by operating activities</b>	<b>\$ 2,449,604</b>	<b>\$ 3,376,179</b>
<b>Supplemental Disclosure of non-cash investing and financing activities</b>		
Project costs recorded in accounts payable	\$ 113,069	\$ 12,997

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

# Las Vegas Monorail Company

## Notes to Financial Statements

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### 1. Organization and Basis of Presentation

The Las Vegas Monorail Company (“LVMC” or the “Company”) was incorporated on May 12, 2000 as a Nevada not-for-profit corporation. The purposes of the Company are to acquire, develop, operate and maintain the public improvements and related equipment known as the Las Vegas Monorail, to obtain financing for these purposes, and to take any and all other actions necessary and appropriate to accomplish these purposes. The Las Vegas Monorail extends for four miles along the east side of the Las Vegas strip between the MGM Grand Hotel and Casino and the Sahara Hotel and Casino with stations at several casino-hotels along the route and at the Las Vegas Convention Center.

LVMC’s purpose is to promote public transportation consistent with Nevada and Clark County’s overall transportation objectives. In addition, LVMC’s Board of Directors is approved by the governor of the State of Nevada and LVMC’s net assets, upon dissolution of the Company, revert to the State of Nevada. Therefore, the financial statements of LVMC have been prepared pursuant to statements issued by the Government Accounting Standards Board (“GASB”).

The Company reports equity in three components: 1) net investment in capital assets (total capital assets net of depreciation and related debt), 2) restricted (accumulated interest on removal costs escrow fund); and 3) unrestricted (non-capital assets less non-debt related liabilities and accrued interest).

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Company distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing ridership services on the Las Vegas Monorail as well as advertising revenues. Operating expenses include operation and maintenance expense, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

### 2. Summary of Significant Accounting Policies

#### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash and cash equivalents include unrestricted cash on hand and unrestricted cash held at financial institutions, including time deposits with a maturity of three months or less at the date of purchase. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company never experienced any losses related to these balances. In 2016 and 2015, insurance coverage was \$250,000 per depositor at each financial institution, and non-interest bearing cash balances could again exceed federally insured limits. Amounts on deposit in excess of federally insured limits at December 31, 2016 and 2015 were \$3,667,715 and \$2,439,087, respectively.

# Las Vegas Monorail Company

## Notes to Financial Statements

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### *Investments*

Investments with maturities in excess of one year are recorded at fair value while investments with maturities of less than one year may be recorded at fair value or amortized cost. At December 31, 2016 all of the Monorail's investments are held by Clark County (the "County") for the Removal Cost Escrow Fund.

### *Capital Assets*

Capital assets, which include property, plant and equipment, are stated at cost, and consist of expenditures and capitalized interest related to the acquisition and development of the Las Vegas Monorail. At December 31, 2016 the project costs have been allocated to the various project cost elements, and depreciation was commenced effective July 15, 2004, using the straight-line method and at the following estimated useful lives:

Description	Years
Property rights-of-way	40
Utility relocation	40
Guideway and structures	40
Monorail vehicles	20
Train control systems	15
Traction power systems	15
Communication systems	15
Guideway elements	15
Platform doors	10
Fare collection equipment	7
Workshop equipment	7
E-Ticket Kiosks	5
Spare parts and equipment	3
Special tools and equipment	3

The Company capitalized interest costs in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Interest expense in excess of interest income associated with construction debt was capitalized.

The cost of the existing Monorail guideway and stations acquired from MGM Grand-Bally's Monorail LLC has been included in the costs of guideway and structures. These elements were re-engineered, reconstructed and refurbished to the standards of the new guideway and structures.

### *Prepaid Land Lease*

As part of the acquisition of MGM Grand-Bally's Monorail LLC, the Company assumed a long-term land lease for land near the Sahara Hotel & Casino (now the SLS Hotel.) The land is used for the maintenance facility for the Monorail. The lease term is 50 years, with ten-year renewal options thereafter. Base rent for the 50-year period is being recognized evenly over the 50 years.

# Las Vegas Monorail Company

## Notes to Financial Statements

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### *Federal Income and Excise Taxes*

The Company is qualified as a tax-exempt social welfare organization under Section 501(c)(4) of the IRC and is exempt from federal income and excise taxes. The Company files tax returns with the IRS for informational purposes only. Additionally, the Company was structured in such a manner that all income, including otherwise nonexempt income under Section 501(c)(4), is exempt under Section 115 of the IRC. As of December 31, 2016, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

### *Use of Estimates*

The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Revenue Recognition*

Farebox revenues from the sale of tickets are generally recognized when tickets are sold. Bulk sales of tickets for specific conventions are recognized when the convention is held. Revenues from advertising contracts are recognized over the period of the respective advertising contract.

### *Comparability*

When the Company cancelled the operating and maintenance contract with Bombardier on March 1, 2015, all then current Bombardier employees were offered positions with the Company. Of the 74 Bombardier FTE's, 67 accepted employment with the Company. The offer included matching the current benefits of the Bombardier staff for all new and existing Company staff. The additional wage and benefit costs were approximately \$4.6 million.

### *Impairment of Long-Lived Assets*

The Company evaluates its capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses. No impairments have been identified as of December 31, 2015 and 2016.

# Las Vegas Monorail Company

## Notes to Financial Statements

### 3. Restricted Assets

Certain balances of cash, cash equivalents and investments have been restricted by bond indentures, financing and operating and maintenance agreements. These restrictions relate to the use of the cash for specific purposes.

In May, 2016, the Clark County Commission amended the Company's franchise agreement to allow the Company to use earnings on the original \$6 million security deposit for engineering expenses to extend the system from the MGM Grand hotel to the Mandalay Bay hotel. The funds drawn down from the Removal Cost Escrow Fund, plus interest, must be repaid upon close of financing of the extension or monthly starting on July 1, 2017, whichever date occurs first. The Company drew down a total of \$1,103,902 in 2016.

As of December 31, 2016 and 2015, there was \$6,957,131 and \$7,901,531 respectively in the removal costs escrow fund.

### 4. Deposits and Investments

Deposits and investments are included in the following components of the balance sheets as of:

<i>December 31,</i>	2016	2015
Unrestricted cash and cash equivalents (Deposits)	\$ 4,052,767	\$ 2,824,392
Restricted investments	6,957,131	7,901,531
<b>Total</b>	<b>\$ 11,009,898</b>	<b>\$ 10,725,923</b>

LVMC had the following investments as of December 31:

Investment	Maturities	2016 Fair Value	2015 Fair Value
Federal Home Loan Bank Notes	Various	-	997,485
Federal Nat'l Mtg. Assn. Disc. Note	3/28/18	498,995	999,420
Federal Farm Credit Bank Notes	12/03/2018	500,145	-
Certificates of Deposit	Various	993,049	1,487,445
Federal Agricultural Mortgage Notes	Various	998,445	494,620
Federated Government Obligations	Immediately available	\$ 1,069,251	\$ 44,329
Federal Home Loan Mortgage Corp Bonds	Various	1,398,971	1,392,357
U.S. Treasury Notes	Various	1,498,275	2,485,875
<b>Total</b>		<b>\$ 6,957,131</b>	<b>\$ 7,901,531</b>

#### *Interest Rate Risk*

LVMC does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# Las Vegas Monorail Company

## Notes to Financial Statements

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### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LVMC has no formal investment policy that limits its investment choices, with the exception of the requirements outlined in the indenture agreement dated October 31, 2012. That indenture agreement mandates: 1) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state, or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, must have one of the two highest ratings obtainable from either S&P or Moody's; and, 2) investments in money market funds, must be rated by a nationally recognized rating service as "AAA". As of December 31, 2016, LVMC's investments held by the County for the Removal Cost Escrow Fund were rated as follows: 1) Cash equivalents- Federated Government MMF is rated AAmmf by Moody's Investor's Services and Standard and Poor's, Certificates of Deposit were all held in FDIC insured accounts; 2) U.S. Treasury Notes and Federal Agencies - Aaa by Moody's Investors Services.

### *Concentration of Credit Risk*

LVMC places no limit on the amount the Company may invest in any one issuer. As of December 31, 2016 and December 31, 2015 all of LVMC's investments were in FDIC insured Certificates of Deposit, federated government obligations or US Treasury notes. There are no individual investments not insured by the government that exceed 5% of total investments.

### *Custodial Credit Risk - Investment*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, LVMC will not be able to recover the value of its investments that are in the possession of an outside party. LVMC does not have an investment policy for mitigating custodial credit risk. All of LVMC's investment securities are uninsured, not registered in the name of LVMC, and are held by the investments' counterparty.

Investments are comprised of government obligations with maturities no longer than two years. Investments are held in the Company's name at major financial institutions, and a trustee manages the funds discussed above. Investments are designed to yield fixed rates of return to match interest incurred in order to minimize any Arbitrage.

### *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, LVMC's deposits may not be returned to it. LVMC does not have a deposit policy for custodial credit risk. As of December 31, 2016 and 2015, \$3,667,715 and \$2,439,087 of LVMC's bank balances of \$3,917,715 and \$2,689,087 was uninsured and uncollateralized, and was, therefore, exposed to custodial credit risk.

Investments in the removal costs escrow fund in the amount of \$6,957,131 are restricted for use by Clark County to remove completed structures should the project not continue (except as otherwise authorized by Clark County (See Note 3). The County controls how the fund is invested in accordance with statutes governing investments by the County.

# Las Vegas Monorail Company

## Notes to Financial Statements

### 5. Fair Value Measurement

The Company is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Level 2: Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset. Inputs are observable but do not solely rely on quoted market prices to establish fair value.

Level 3: Unobservable inputs (e.g., a company's own assumptions and data). Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level within the fair value hierarchy the Company's investment assets at fair value, as of December 31, 2016.

Assets by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Nat'l Mtg. Assn. Disc. Note	\$ 498,995	\$ -	\$ 498,995	\$ -
Federal Farm Credit Bank Notes	500,145	-	500,145	-
Certificates of Deposit	993,049	993,049	-	-
Federal Agricultural Mortgage Notes	998,445	-	998,445	-
Federated Government Obligations	1,069,251	-	1,069,251	-
Federal Home Loan Mortgage Corp Bonds	1,398,971	-	1,398,971	-
U.S. Treasury Notes	1,498,275	-	1,498,275	-
<b>Total</b>	<b>\$ 6,957,131</b>	<b>\$ 993,049</b>	<b>\$ 5,964,082</b>	<b>\$ -</b>

### 6. Prepaid Expenses

Prepaid expenses for system insurance totaled \$495,533 in 2016 and \$543,716 in 2015.

# Las Vegas Monorail Company

## Notes to Financial Statements

### 7. Property and Equipment

Property and equipment consisted of the following:

	Balance 12/31/14	Additions (Deletions)	Balance 12/31/15	Additions (Deletions)	Balance 12/31/16
<b>Capital Assets Not Being Depreciated</b>					
Future projects	\$ 309,414	\$ 195,809	\$ 505,223	\$ 1,466,064	\$ 1,971,287
<b>Capital Assets Being Depreciated</b>					
Guideway and structures	223,634,844	-	223,634,844	-	223,634,844
Property right-of-way	9,609,175	-	9,609,175	-	9,609,175
Utility Relocation	13,758,185	-	13,758,185	-	13,758,185
Monorail vehicles	125,185,653	-	125,185,653	-	125,185,653
Train control systems	39,711,092	-	39,711,092	-	39,711,092
Traction power systems	37,367,484	-	37,367,484	-	37,367,484
Communication systems	13,717,872	-	13,717,872	-	13,717,872
Guideway elements	7,055,573	-	7,055,573	-	7,055,573
E-ticket kiosks	330,507	-	330,507	-	330,507
Platform doors	9,829,923	-	9,829,923	-	9,829,923
Fare collection system	15,990,269	-	15,990,269	-	15,990,269
Fare collection system-PCI Compliance	610,540	-	610,540	-	610,540
Workshop equipment	6,163,768	-	6,163,768	-	6,163,768
Spares	1,609,115	-	1,609,115	-	1,609,115
Special tools and test equipment	519,392	-	519,392	-	519,392
Furniture, fixtures, and other	148,480	-	148,480	66,204	214,684
Leasehold Improvements	181,637	-	181,637	-	181,637
Customer Service Office	-	-	-	34,089	34,089
<b>Total Capital Assets Being Depreciated</b>	<b>505,423,509</b>	<b>-</b>	<b>505,423,509</b>	<b>100,293</b>	<b>505,523,802</b>
<b>Less: Accumulated Depreciation For</b>					
Guideway and structures	58,471,194	5,590,872	64,062,066	5,590,872	69,652,938
Property right-of-way	2,512,396	240,228	2,752,624	240,228	2,992,852
Utility Relocation	3,597,296	343,956	3,941,252	343,956	4,285,208
Monorail vehicles	65,315,908	6,259,284	71,575,192	6,259,284	77,834,476
Train control systems	27,687,453	2,647,404	30,334,857	2,647,404	32,982,261
Traction power systems	26,053,440	2,491,164	28,544,604	2,491,164	31,035,768
Communications systems	9,564,402	914,520	10,478,922	914,520	11,393,442
Guideway elements	4,919,308	470,376	5,389,684	470,376	5,860,060
E-ticket kiosks	295,856	34,651	330,507	-	330,507
Platform doors	9,829,923	-	9,829,923	-	9,829,923
Fare collection system	15,990,269	-	15,990,269	-	15,990,269
Fare collection system-PCI Compliance	390,934	87,216	478,150	87,216	565,366
Workshop equipment	6,163,767	-	6,163,767	-	6,163,767
Spares	1,609,115	-	1,609,115	-	1,609,115
Special tools and test equipment	519,392	-	519,392	-	519,392
Furniture, fixtures, and other	92,610	48,179	140,789	13,437	154,227
Leasehold Improvements	17,659	30,278	47,937	30,276	78,213
Customer Service Office	-	-	-	1,562	1,562
<b>Total Accumulated Depreciation</b>	<b>233,030,922</b>	<b>19,158,128</b>	<b>252,189,050</b>	<b>19,090,295</b>	<b>271,279,345</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>272,392,587</b>	<b>(19,158,128)</b>	<b>253,234,459</b>	<b>(18,990,002)</b>	<b>234,244,457</b>
<b>Total Capital Assets, Net</b>	<b>\$ 272,702,001</b>	<b>\$ (18,962,319)</b>	<b>\$ 253,739,682</b>	<b>\$ (17,523,938)</b>	<b>\$ 236,215,744</b>

# Las Vegas Monorail Company

## Notes to Financial Statements

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### 8. Disposal of Property and Equipment

There were no disposals of property or equipment in 2016. Future projects assets are not being depreciated.

### 9. Bonds Payable

At December 31, current interest bonds consisted of the following:

	2016	2015
Las Vegas Monorail Senior Current Interest Bonds - Series A	\$ 10,000,000	\$ 10,000,000
Las Vegas Monorail Senior Current Interest Bonds - Series B	3,000,000	3,000,000
<b>Total Current Interest Bonds</b>	<b>\$ 13,000,000</b>	<b>\$ 13,000,000</b>

#### *Current Interest Bonds*

The current Indenture, executed between the Company and the Trustee governing the Series A and Series B bonds, became effective October 31, 2012. For the Series A bonds, prior to January 15, 2015 quarterly interest payable (at the rate of five and one-half percent (5.50%) per annum) could, at the election of the LVMC, be paid "in-kind," if payment of the interest in cash would cause the LVMC to have Working Capital of less than \$2.4 million (after paying the interest). "In-kind" interest may be prepaid by the LVMC at any time without any prepayment penalty. Interest paid "in-kind" is added to the value of the Series A bonds until such time as the interest is paid. The maturity date on the Series A bonds in July 15, 2019.

The Series B Bonds bear interest at a rate equal to the sum of three percent (3.0%) per annum up to and including December 31, 2015, and five and one-half percent (5.50%) per annum after December 31, 2015; although the amount of fees (but not the expenses) paid by the LVMC to the Special Directors during the 12 months immediately preceding each Annual Payment Date are deducted from the interest payable. Prior to January 15, 2015 annual interest payable could, at the election of the LVMC, be paid "in-kind," but only to the extent that payment of interest in cash would cause the LVMC to have Working Capital of less than \$2.4 million (after paying the interest). "In-kind" interest may be prepaid by the LVMC at any time without any prepayment penalty. Interest paid "in-kind" is added to the value of the Series B bonds until such time as the interest is paid. The maturity date on the Series B bonds in July 15, 2055.

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# Las Vegas Monorail Company

## Notes to Financial Statements

### *Debt Service Requirements*

The following table indicates the annual requirements for debt service for the Current Interest Series A and B bonds.

	Principal	Interest	Total
2017	\$ 335,417	\$ 778,810	\$ 1,114,227
2018	350,000	759,761	1,109,761
2019	9,314,583	479,208	9,793,791
2020	-	165,000	165,000
2021	-	165,000	165,000
2022-2026	-	825,000	825,000
2027-2031	-	825,000	825,000
2032-2036	-	825,000	825,000
2037-2041	-	825,000	825,000
2042-2046	-	825,000	825,000
2047-2051	-	825,000	825,000
2052-2055	3,000,000	660,000	3,660,000
<b>Total</b>	<b>\$ 13,000,000</b>	<b>\$ 7,957,779</b>	<b>\$ 20,957,779</b>

### *Change In Long-Term Debt*

Long-term debt activity for the years ended December 31, 2016 and 2015 was as follows:

<b>2016 Activity</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 13,000,000	\$ -	-	\$ 13,000,000	-
<b>Total</b>	<b>\$ 13,000,000</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 13,000,000</b>	<b>-</b>

2015 Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 13,000,000	\$ -	-	\$ 13,000,000	-
<b>Total</b>	<b>\$ 13,000,000</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 13,000,000</b>	<b>-</b>

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# Las Vegas Monorail Company

## Notes to Financial Statements

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### 10. Risk Management

The Company is exposed to risks of loss related to various aspects of its business. The Company has implemented the following insurance program:

	Coverage	Deductible
General Liability	\$ 100,000,000	\$ 2,000,000
Property Damage	\$ 500,000,000	\$ 25,000

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In addition, the Company carries insurance covering risks related to directors and officers, business owner, excess liability, cyber, automobile, security liability, commercial umbrella and the typical employee related insurance.

During the past two years, there have been no significant claims.

### 11. 401k Defined Contribution Plan

The Company provides a 401k defined contribution plan for its employees. This plan is administered by ADP; however, the funds are self-directed by each plan participant. Under the provisions of a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees may contribute any amount up to the Internal Revenue Code mandated maximum of \$18,000 annually with an additional \$6,000 contribution allowed for participants over the age of 50. Benefit terms were established by the Board and may be amended by the Senior Vice President upon Board approval. In 2016 employees contributed \$299,256 to the plan; in 2015 employees contributed \$223,320. The Company matches employee contributions dollar for dollar up to 6% of the employee's gross wages. In 2016 the Company matching contribution was \$263,836; in 2015 the Company matching contribution was \$166,094. In 2016 the Company began to provide a non-elective contribution for each employee based on age and the number of years of employment. In 2016 the non-elective contribution was \$144,238.

### 12. Commitments and Contingencies

#### *Operating Lease*

The Company moved into new office space in December 2014. The lease runs through May 31, 2020. Future minimum lease payments for each of the succeeding years ending December 31 are as follows:

2017	\$	183,206
2018		205,851
2019		212,094
2020		90,877
		<hr/>
	\$	692,028

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Rent expense for operating leases for the years ended December 31, 2016 and 2015 were \$135,071 and \$137,777 respectively.

# Las Vegas Monorail Company

## Notes to Financial Statements

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### *Financing Agreements*

In 2013, the Company began procuring its own system liability and property insurance. Portions of the premiums for both insurances as well as insurance for the Company's Directors and Officers ("D&O") are financed through short term financing agreements. The outstanding balances are included in accounts payable on our balance sheets. The terms of the financing agreements are as follows:

Type	Term	Maturity Date	Interest Rate	Balance December 31, 2016
Property	10 months	4/1/2017	3.39%	\$ 68,214
Liability	9 months	4/1/2017	3.39%	239,269
D & O	10 months	8/31/2017	3.97%	53,664
<b>Total</b>				<b>\$ 361,147</b>

Future finance payments for each of the succeeding years ending December 31 are as follows:

2017	\$ 361,147
<b>Total</b>	<b>\$ 361,147</b>

### *Franchise Agreement*

In 1997, the Nevada State Legislature enacted legislation permitting cities and counties to award franchises to private entities for the development of fixed guideway transit systems. MGM Grand-Bally's Monorail LLC was awarded a franchise by Clark County in 1998 (the "Franchise Agreement") giving it the exclusive right through 2048 to install and operate a monorail within the territory defined by the Franchise Agreement, roughly the east side of the Las Vegas Strip, behind the main resort corridor. In 2000, the Clark County Commissioners conditionally approved assignment of the Franchise Agreement to LVMC upon the acquisition of the existing monorail, subject to County-imposed conditions. Under the terms of the Franchise Agreement, the Company is obligated to undertake the defense of the County if it is named in a legal suit related to the Las Vegas Monorail. Additionally, the Company will pay the County a minimum of \$50,812 per year for the franchise until the Franchise Agreement expires. In 2006, the Franchise Agreement was conditionally amended to include access to McCarran International Airport, as part of the "territory" and the term of the Franchise Agreement was extended to 2081, subject to financial close and construction starting on the airport extension within two years. In 2008, the Franchise Agreement was further amended to extend the agreement to 2107 without condition. In 2016 the Franchise Agreement was further amended as detailed in Note 3.

# Las Vegas Monorail Company

## Notes to Financial Statements

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### *Operating Agreement*

The current term of the operation and maintenance agreement (the "O&M Agreement") with Bombardier Transportation USA ("Bombardier") expired in July 2014 at which time the Company exercised the second and final five-year option period. However, beginning in early 2014 management initiated an aggressive review of all expense line items to determine where additional costs could be saved in order to continue to fund operations, short and long term capital replacement, and debt retirement. After a detailed review of the overall O&M function provided through the Bombardier contract, the Company determined that significant cost savings could be achieved while maintaining the same or higher level of service by canceling the contract with Bombardier, and directly providing the O&M function. At a Special Meeting of the Board of Directors of the Company in December, 2014, management presented a detailed recommendation for the cancellation of the contract. The Board approved the recommendation to cancel the contract effective March 1, 2015.

### *Litigation*

The Company is occasionally subject to legal and other matters arising in the ordinary course of business. In the opinion of management, these matters will not have a material adverse effect on the Company's future financial position or results of operations.

### **13. Subsequent Events**

Management has evaluated subsequent events through April 17, 2017 the date the financial statements were available to be issued and these financial statements have not been updated for subsequent events occurring after that date.



## 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 Directors  
Las Vegas Monorail Company  
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Las Vegas Monorail Company (the "Company"), which comprise the balance sheets as of December 31, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 Company's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

April 17, 2017

# Las Vegas Monorail Company

## Schedule of Findings

Year Ended December 31, 2016

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### Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).