City of Santa Fe

Agenda

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
Wednesday, May 1, 2013
2:00 P.M.

1. CALL TO ORDER

2. ROLL CALL

3. APPROVAL OF AGENDA

4. APPROVAL OF MINUTES:
   April 3, 2013

5. Report from External Auditor: Update on Timeline and Benchmarks

6. Introduction to Marcos Tapia, Director of Finance

7. STATUS REPORT FROM CITY OF SANTA FE, AUDIT & FINANCE DEPARTMENTS:
   A. Status of Audits
   B. Internal Auditor: Update on Charter Review Commission Presentation
   C. Gross Receipts Tax Report
   D. Lodger's Tax Report
   E. Quarterly Investment Report, March 31, 2013 (pending)
   F. Update on Existing Debt Issues

8. SUB-COMMITTEE REPORTS:
   - Internal Audit
   - External Auditor

9. OLD BUSINESS

10. NEW BUSINESS

11. OTHER MATTERS FROM THE COMMITTEE

12. NEXT MEETING DATE:
    - Next meeting scheduled on June 5, 2013

13. ADJOURNMENT

Persons with disabilities in need of accommodations, contact the City Clerk's office at 955-6520 five (5) working days prior to the meeting date.

SS002.pmd-11/02

SUMMARY INDEX
CITY OF SANTA FÉ
AUDIT COMMITTEE
May 1, 2013

MINUTES OF THE

CITY OF SANTA FÉ

AUDIT COMMITTEE

May 1, 2013
2:00 p.m. – 4:00 p.m.

1. CALL TO ORDER

A regular meeting of the City of Santa Fé Audit Committee was called to order by Chair Maurice A. Lierz on this date at approximately 2:00 p.m. in the City Councilors' Conference Room at City Hall, 200 Lincoln Avenue, Santa Fé, New Mexico.

2. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:
Maurice A. Lierz, Chair
Randy Randall
Hazeldine Romero-Gonzales
Marc A. Tupler

Members Absent:
Clark de Schweinitz

Others Attending:
Marcos Tapia, Finance Director
Teresita Garcia, Deputy Director, Department of Finance
Liza Kerr, Internal Auditor
Martin Mathisen, Atkinson certified public accountants
Carl Boaz, Stenographer

NOTE: All items in the Committee packet for all agenda items are incorporated herewith to these minutes by reference. The original Audit Committee packet is on file in the Finance Department.

3. APPROVAL OF AGENDA

Mr. Randall moved to approve the agenda as presented. Mr. Tupler seconded the motion and it passed by unanimous voice vote.

4. APPROVAL OF MINUTES – April 3, 2013

Ms. Romero-Gonzales asked that the minutes be corrected on the bond rating. She said the City was rated AA+.

Chair Lierz requested an addition at the end of page 2 or top of page 3 that Robert Romero left after his presentation.

On page 3, fourth paragraph from the bottom, Mr. Mathisen said by ordinance, the enterprise fund balances could not be reverted to the General Fund. He said that was a revelation to him and he wanted to discuss it under Old Business.

On page 4, fifth paragraph, "imp" should be "important."

On the same page, the paragraph beginning, "On 222 and 224..." he had made a note that there was not yet a contract.

Mr. Randall said that should be considered under Old Business too.

Chair Lierz referred to page 3 where it said Mr. Mathisen agreed to send out an email on what needed to be done.

Mr. Mathisen said he didn't send that list but sent a milestone schedule that is on the agenda.

Ms. Garcia arrived.

Mr. Randall moved to approve the minutes of April 3 2013 as amended. Ms. Romero-Gonzales seconded the motion and it passed by unanimous voice vote.

5. REPORT FROM EXTERNAL AUDITOR: Update on Timeline and Benchmarks

Mr. Mathisen reported to the Committee. He said the #1 priority was to get going now on the 2013 audit. Last time, he reported that they met at Ms. Garcia's request and laid out broad things to be done in May and what could be done in June and in July they could do the single audit.

Mr. Randall asked if that schedule was documented somewhere.

Mr. Mathisen handout out Draft No 1 [attached as Exhibit A].

Mr. Mathisen said his firm tried to begin prior to the end of the fiscal year as much as possible. The Finance Committee approved them and Ms. Garcia said he could sign it. Council approved it already but the contract signature from the State Auditor might not happen until July 1. So that contract was underway.

He said he had no way to bill the City until the State Auditor signed it. He thought there was very small risk in getting started. It was a little cash flow issue but it was okay with him.

Mr. Mathisen said this schedule was from his perspective. They would get the programs in place. He have already downloaded the minutes and could send an engagement letter soon. They should do an entrance conference soon - maybe in June if not in May.

Mr. Randall suggested doing it on June 3rd at the Audit meeting.

Mr. Tapia said the Audit Committee only needed one or two members at that meeting but it had to be the Governing Body of the City. It would be fabulous to have all Audit Committee members there. He agreed to work it out with the City Manager.

Ms. Garcia recommended not having it until they had the contract signed by the State Auditor.

Chair Lierz didn't understand why they had to wait.

Ms. Romero-Gonzales said the State Auditor could move the work around if one of them had too much work.

Ms. Kerr thought the sooner it gets in, the sooner it would get signed off by the State Auditor.

Ms. Garcia said it would be delivered this afternoon now that she had Mr. Mathisen's signature. Last year it wasn't turned in until June.

Mr. Mathisen said in June they would be doing some more work.

Mr. Mathisen said this was a good document. Ms. Garcia might have some adjustments. She had a different perspective on it. We ought to agree on the document we would reference for milestones so maybe approval of a format should be done.

Mr. Tapia said he would assign a staff member to each of the deliverables. He and Ms. Garcia would do that by next week and talk with Mr. Mathisen about HR, Payroll and I-9 that could also be done earlier. They were the things separate from E-1 that could be done independently. They would adjust the template. He came from an audit background and Ms. Garcia knows this work so we could do things together. But this would be the template for all of us to work from.

Chair Lierz -said the Committee would like to see Mr. Tapia's perspective of this so that we have a merged document. Last fall, Ms. Garcia talked about the benchmarks so the Committee had a template and thought they were gravitating towards that. She called them PBCs (Prepared By Client). Mr. Mathisen was the receiver but this was how we get all the prepared stuff to furnish to him.

Ms. Garcia said this was all part of the milestones.

Mr. Tapia said he would make sure to get it reviewed.

Mr. Randall said the Committee never got them merged last year and needed that to happen this year.

He thought maybe they could get it merged and signed off by the auditor and city so they could work with it.

Ms. Kerr would like to see a "delivered by" column in the milestones schedule.

Mr. Randall suggested having a due date column and a completed date column.

Chair Lierz said at the last meeting BDD still didn't have a Manager. It was out of the Committee's control but it impacts the city. Those vacant positions needed to be filled now.

Mr. Tapia said the City has moved on it. He talked with HR and found out where it was. They have applicants outside the City to look at and they would interview soon. The City Manager told him to hire an outside contractor if they didn't do it soon.

Ms. Garcia said they had an outside accountant set up the BDD books and it increased her chart of accounts by 400,000 accounts. They were cleaning it up now. They had to advertise through AFSCME and got no one and the public announcement was two weeks old. They also advertised for a Director.

They were also going to purchase IBM Disclosure and Management Software to sit on top of the General Ledger on our system so it updates the report as we extract information (capital report). We would get it up and running so we don't have to update the CAFR manually.

Mr. Tapia said that with the new rules from the State on CAFR these reports could be done with this software. It was for everything, and not just BDD. He said they shouldn't have more than 120 accounts for BDD.

Chair Lierz recalled that last fall there was no E.D. and no accountant and that impacted the staff here. This had not been a short term thing. It was now over six months. So he was beginning to see people problems. BDD was just a key item. He hoped they were getting it refined so things could go on through.

Mr. Tapia said Mr. Romero had given him marching orders on it.

Chair Lierz said the Finance Director was also fiscal manager for SWMA and some of these things interfered with the financial oversight. How the City gets things happening with allied organizations sometimes creates problems for business as normal.

Mr. Tapia said both SWMA and BDD had independent audits and it didn't prevent the City from completing the audit.

Mr. Randall felt the Audit Committee was still a great resource for City Finance to inform when a decision was contrary to what staff needed. The Committee could at least make the City Manager know it harmed Finance Department's ability to perform as fiscal agent. The Audit Committee needed to be one of the first ones to tell.

Ms. Garcia said she couldn't issue a report if something was still pending and that was what was happening at BDD. It was a decision that the County had or had not made. In 2015 that fiscal agent agreement would start over. We have to be sure we could prepare and be fiscally responsible for our own budget. Determining the fiscal management fee was also difficult to do.

Chair Lierz recalled hearing this last year. The BDD Board had two councilors and two commissioners and didn't have the management from getting the Board through the City Manager to do head knocking with City and County. That lack of interaction on a timely basis was what he started to feel on this Committee. They needed to get the attention of the councilors to deal with these residual unresolved issues.

Mr. Tapia said the Audit Committee members were the hammer he could use with City Council on things the City was doing as fiscal agent and things that don't comply with what we were required to do. We could report on the things we have to deal with.

Mr. Randall added that some of the issues were in Ms. Garcia's head and she needed to get them down in black and white so they were not forgotten. He was shocked when Mr. Romero told the Council the things he had not known before.

Mr. Mathisen thought perhaps the schedule was good to go but they would keep refining it and marking things completed as they were finished. These meetings were the other tool for communication. And together, they could deal with the obstacles. Audit status meetings were a wonderful tool.

Ms. Kerr asked how often he wanted those.

Mr. Mathisen said twice a month and this meeting once a month was what he wanted. A lot could be done by email if they got that going. But a written plan and meetings to monitor the plan were needed. This incorporated what Ms. Garcia said we should do in May and June.

Ms. Romero-Gonzales noted that Mr. Tapia wanted to assign staff so we would need that additional column on the form.

Mr. Tapia agreed to do that.

Mr. Mathisen said they had to go through an exit conference with at least one councilor present.

Ms. Kerr said she was beginning the analysis of the IT report. They could talk about that date but it was something she needed to add to the schedule. She was doing part of the test work now.

Mr. Mathisen agreed that was an important area.

Mr. Randall thought it needed to be a living document and when the Committee met here in June and something that said May 15 and wasn't done, needed to have a new date put in and still keep the old date there too. Mr. Tapia agreed.

Mr. Mathisen had nothing further to report.

6. Introduction of Marcos Tapia, Director Finance

Chair Lierz welcomed Mr. Tapia to the committee and looked forward to working with him on a monthly basis.

Mr. Tapia said auditing and accounting were his background. He wanted to retire from the State after 29 years. He thought he had the right background so staff could talk with him and as an auditor prior to coming here, he could help get it done. He had a lot more confidence reviewing contracts and procurements, etc. because of the dissection City Manager did for this budget so they could have a balanced and sustainable budget. He said the City had extremely competent staff but they were one deep. This Saturday was his first day off in 20 days. He thought they could make this happen (audit schedule) and get it done on time.

Chair Lierz appreciate that budget was #1 on his time.

7. STATUS REPORT FROM CITY OF SANTA FÉ AUDIT AND FINANCE DEPARTMENTS:

A. Status of Audits

Ms. Kerr provided a handout on the status of audits [attached as Exhibit B]. The first section was on external audits that have a status. The CAFR was the most important. SWMA was corrected. They were reformatting her computer now. She would make sure she had an updated copy.

Chair Lierz asked if there was a contract on SWMA.

Ms. Garcia said they had no contract yet.

Chair Lierz concluded that they had no idea where they were on SWMA then.

Ms. Kerr asked if BDD was close to coming out the door.

Ms. Garcia said it was not. It was on hold until the budget was over. They had been working on getting the budget out.

Mr. Randall said it would be nice if this document indicated that. The Committee should ask Ms. Kerr to talk to the appropriate people to make sure we have current information on this.

Ms. Kerr agreed to do that. She briefly reviewed the others on the report.

Chair Lierz told Mr. Tapia the Committee would like to monitor the Housing Authority to make sure it was moving.

Chair Lierz said regarding the Railyard that part of the agreement was that Mr. Tapia would receive an annual audit on the Railyard. They have a huge deficit and the City had a renegotiation over the lease of the second floor. They have deficits of $1.5 million. The financial statement showed them as bankrupt. So Mr. Tapia might be asked to work on that.

Mr. Tapia said he felt by 2015 they would be able to start paying on the debt and for other things the City had done for them. Monday was the first time they had a board meeting on that subject. The City was a tenant of their tenant. The Legal Department was struggling with some of the issues including the transparency issue.

Mr. Tupler had to leave at 3:00. Mr. Mathisen left at 3:00 also.

Mr. Randall asked Ms. Kerr if she could you send out the updated report that was supposed to be in the packet. Ms. Kerr agreed.

Chair Lierz said the 2012 BDD audit had not been started. That's why they had this discussion. Their management had not done anything.

Mr. Tapia understood.

Ms. Kerr said on page 3, the FTA had finished their audit but had not reported yet.

On the Area Agency on Aging audit, she wasn't able to attend the exit conference last Friday.

Mr. Randall explained that it was a self-assessment rather than audit. He suggested if she felt there was a reason for the Audit Committee to see it then she could bring it to meeting.

Ms. Kerr reported that the Forensic Audit (Parking) was released to the press today. She thought she could give highlights on it. They checked about 25,000 transactions all together. And of those found 259 that were voided. 25 without supporting documentation. None of those had to do with Robert Romero. Of the 25, 7 were voids done by Parking employee Jacqueline Lucero and were on her own tickets so there were questions on internal control. And some were voided by accounting staff and the rest were unknown (non employees).

The accusation was against Robert that he voided some but the audit revealed he had voided none of them. The total voided tickets were around 2,000 from 2005 to now. The finding was that this was the opportunity for internal controls to be tightened.

Chair Lierz asked if the tickets were prenumbered. Ms. Kerr agreed.

Chair Lierz asked if the City had a procedure for checking on number sequences.

Ms. Garcia agreed.

Chair Lierz asked Ms. Garcia if they were doing any audits that were not disclosed in this analysis.

Ms. Garcia said they were not.

B. Internal Auditor: Update on Charter Review Commission Presentation

Ms. Kerr said the Charter Review Commission had a concern (Steve Farber) to make the internal auditor a publicly elected position. What happened was they wanted to know about the role of the Audit Committee and get a copy of the ordinance that established it. The documents were supplied to Mr. Farber and at the second meeting he seemed to be satisfied with it. She tried to answer only the direct questions and was grateful for his discussion.

Chair Lierz said they got a call suggesting that the Audit Committee not have a quorum at the Charter Review Commission meeting. He reported to the Commission. Mr. Farber had noted that the Audit was established only by City Resolution and the Charter Review Commission thought it should be by ordinance.

Mayor Coss had explained their report would be approved only sometime next year. They also discussed but took no action that the Audit Committee should be put in the Charter. So he wanted Mr. Tapia to be aware of that.

Chair Lierz said he had asked what duties this had and if they were advisory under the resolution whether they should beef it up. He said they just listened at that point. The Commission could recommend that the Audit be a permanent Committee in the Charter.

The Commission also had on the agenda an item to create an Auditor/Inspector General position but Mr. Farber backed off on that.

Chair Lierz reported that Mr. Farber was impressed that the Audit Committee had 10 meetings last year (a functional audit committee) and was impressed with the diversity of membership.

C. Gross Receipts Tax report

Mr. Tapia said he went over these numbers but Ms. Garcia was here to deal with questions. GRT was just for informational purposes. On the budgeting process they estimated conservatively - totally flat.

Chair Lierz noted at the bottom line for the first ten months that the actual number was almost identical to budgeted numbers. Audit was only interested to be cognizant of the major revenue stream.

Ms. Garcia asked Mr. Tapia to report on the Hold Harmless agreement also.

Mr. Tapia said it was from HB 461 where they would get exemptions for GRT on medical and food. They would spread the reduction over the next ten years. Starting in 2015 they would get 6% less so he did a spreadsheet. That would result in a $650,000 change. And then it would allow governing bodies to impose more GRT at 3/8% up front. Santa Fé was toying with 1/8% every 5 years. The additional revenue would give the City an extra $3.5 million not that they could use but could use it for debt service. That was what they were coming up with as a debt service policy. The City Manager had a really good handle on it and he gave options to the Governing Body. Keep in mind that the County could also impose 3/8% so they would have to think about that as well.

Chair Lierz noted the news report about annexation. Theoretically they would be involved with annexation in 2014 and he asked if that was part of the budget year.

Mr. Tapia said those costs were referenced in the budget but there were future costs to be addressed. There was additional revenue to come from the annexation. They were working through that. It would have some impact.

Chair Lierz suggested maybe by the next meeting it would be informational. The impact was on one page how to deal with the gap.

Mr. Tapia said he would go through it. There was some misunderstanding on how to handle those percentages since only a portion was for General Fund operations. He agreed to share some of that and how the Committee would be able to assess it.

Ms. Romero-Gonzales asked if the contract for Lodger's Tax got done.

Ms. Garcia said it had not gone out yet.

Mr. Randall thought that should be put on the updated schedule.

Ms. Garcia explained that it was less than $30,000 so she decided it should be a five year plan.

Chair Lierz asked if a five year plan would mean rotating the entities being audited. Ms. Kerr agreed.

Chair Lierz said the Committee was jealously guarding the internal auditor's time that seemed to be getting consumed by peripheral things. So now they were trying to figure out how to bring on another person.

Mr. Randall suggested if there was more funding, it would be a critical need.

Mr. Tapia said the City Manager was open to that.

Chair Lierz hoped another staff member could be realized.

Mr. Tapia agreed it was needed- with the size of the City, the enterprise funds and the allied organizations. They needed to look at that. The City spent a lot of money to find only 25 tickets voided. He would be looking at how the City might be able to fund the additional position. He was thinking about a possible charge on the outside entities using the City for fiscal management to help fund the position.

Chair Lierz commented that prior duties were as a trouble shooter for the City Manager so Audit backed up on it and looked at how other local governments were doing it including Las Cruces. So they got

Ms. Kerr aboard and what now was important was the performance. The results of the IT audit should open some eyes so that the basis of the need would become clear.

Mr. Randall asked Ms. Romero-Gonzales to keep a list of things that needed to be included in the annual report. This should be one of them in the next annual report.

Mr. Tapia said if the demands on her went up, they could put a bug in the Council's ear.

Mr. Randall pointed out that if the system worked, they could present the annual Audit Committee report to Council in February and that would give them time to consider budget impacts that were included in the annual report. He was impressed with the Finance Committee's response to the annual report this year and their questions. We just need to be timelier with it.

D. Lodger's Tax Report

Ms. Garcia said the Lodgers' Tax Report was not completed for this month.

Mr. Tapia suggested they could email the reports to the members when it was completed and put it on discussion on the next agenda.

Ms. Garcia agreed.

E. Quarterly Investment Report, March 31, 2013 (pending)

Chair Lierz noted it was pending and asked if it would be reviewed by the Finance Committee in May. What the Audit Committee was trying to do was trying to get an understanding of the cash balances. He surmised the cash balances were rising and they were refinancing in March.

Mr. Tapia said some of the bond payments with interest and principal would still be made in June and they would begin the next fiscal year with refinancing. It would lessen the burden of the debt service the first five years and a little after that. So the City would save money in the long run and would save more in the first five years. They chose it for a lot of different reasons.

Ms. Garcia clarified the refinancing would not bring revenues into the City. All they were doing was restructuring the debt. So they wouldn't have any more cash by refinancing.

Mr. Tapia said they would save some of the departmental debt service like at the Railyard. The City was reducing the debt the Railyard Corporation owed the City.

Ms. Garcia said it would depend on the gross receipts that came in. If the gross receipts decreased then there would be no savings. So the debt scheduled would alleviate some of the additional stress that the GRT was paying.

Mr. Tapia said there were multiple positions in the enterprise funds that were not filled because the need anticipated was no longer there or they were accomplishing their tasks with fewer people. So they would see cash balances of enterprise funds going up. He suggested they would do a sweep and clean them up now where the balances were lying dormant. For the most part, that money could not be swept into the General fund but they could realign some of the costs the General Fund was paying for.

Mr. Randall understood that would reduce the flow of General fund monies into the enterprise departments and let them eat up their own cash.

Chair Lierz said he and Mr. Randall did have a meeting with the City Manager and provided their ideas regarding the balance sheet. Less than $10 million of it was restricted. The rest was internally designated through various forms. And as a result, the enterprise funds had been building cash balances on most of them, although there were all the ear marks. He thought the City could probably eliminate those internal designated funds.

Mr. Tapia agreed. They could be used for one-time purchases, etc.

Chair Lierz suggested that some of the depreciation in the Water Fund could be used for some annual operating capital lines and not all of it needed to be designated ahead because current operations and what income before depreciation was used for. SWMA was sitting with $4 million in unrestricted cash and no distributions were made back to the City or the County and they were not paying any funded debt.

Mr. Randall added that they had multiple reserves that when added up were more than they would ever need. It was that way because it was broken into so many pieces.

Chair Lierz said they should inform the boards of those entities how much cash reserve money they really had. There was $16 million just in SWMA. They had enough depreciation now to fund their capital improvement program. It would require action and a story that made sense of the use of the reserves.

Ms. Garcia pointed out that the rates were established by their board and not by Council or the County Commission. So to structure it they would need to go to the SWMA Director.

Chair Lierz pointed out that it would help greatly when annexation was being effected to cover some of those costs.

Ms. Garcia said a legal opinion said the City could not deny the budget their board adopted. City staff brought up the issue of cash balances.

Mr. Tapia was confused and asked if the City couldn't comment on their rates.

Mr. Randall explained that the City was a participant in the decision but didn't have the final say on it.

Chair Lierz said, as fiscal agent, the Finance Department should present policy options to their Board.

Mr. Tapia said he would give information and that was the information he needed to give them.

Chair Lierz said it should be put in context of policy making with regard to debt service and cash policies. Ms. Hausman was now working with year four. She was going to give an analysis and he heard that for the first time, the bond advisors were all going to meet here in Santa Fé. Mr. Tapia agreed.

Chair Lierz said they had worked during the previous six months on the debt policy.

F. Update on Existing Debt Issues

This was covered above.

8. SUBCOMMITTEE REPORTS:

A. Internal Audit

The subcommittee had no report to give.

B. External Auditor

The subcommittee had no report to give.

9. OLD BUSINESS

There was no Old Business.

10. NEW BUSINESS

There was no New Business.

11. OTHER MATTERS FROM THE COMMITTEE

There were no other matters from the Committee.

12. NEXT MEETING DATE: June 5, 2013

The meeting was adjourned at 4:05 p.m.

Approved by:

Maurice Lierz, Chair

Submitted by:

Carl Boaz, Stenographer

Exhibit A
Audit. May 1, 2013

THE SANTA FE RAILYARD COMMUNITY CORPORATION AND SUBSIDIARY

Consolidated Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

"27 Years of Excellence"

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Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.

Managers
Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.
Katherine M. Rowe, C.P.A.
Rhonda G. Williams, C.P.A.

Independent Auditors' Report

Board of Directors
The Santa Fe Railyard Community Corporation and
Board of Managers
CSF Management, LLC

We have audited the accompanying consolidated statements of financial position of The Santa Fe Railyard Community Corporation (SFRCC) and Subsidiary as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of SFRCC management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the June 30, 2012 and 2011 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Santa Fe Railyard Community Corporation and Subsidiary as of June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary information contained on pages 14-16 are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Barraclough & Associates, P.C.

November 9, 2012

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidated Statements of Financial Position

June 30, 2012 and 2011

ASSETS	2012	2011
Cash	$ 359,945	$ 468,204
Due from City of Santa Fe	9,405	-
Rents and utilities receivable, net of allowance for uncollectable accounts of $30,000 for 2012 and 2011	104,975	66,553
Prepaid expenses	21,910	19,727
Prepaid lease commissions - net	30,201	30,854
Property and equipment - net	15,172	7,928
Other assets	1,500	1,500
Total assets	$ 543,108	$ 594,766
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 66,303	$ 37,437
Payable to City of Santa Fe	1,281,528	993,157
Rent deposits payable	22,867	22,367
Deferred revenue - rent	408,145	482,165
Total liabilities	1,778,843	1,535,126
Net Assets		
Unrestricted - net assets (deficit)	(1,235,735)	(940,360)
Total liabilities and net assets	$ 543,108	$ 594,766

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

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidated Statements of Activities

Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Rents	$ 1,179,687	$ 1,232,339
Event fees	53,187	50,142
In-kind donations	35,900	40,995
Project income	30,273	87,199
Contribution income	5,162	-
Management fees	1,278	42,000
Miscellaneous	675	551
Reimbursement income	-	56,416
Total operating revenues	1,306,162	1,509,642
Project costs	32,167	86,789
Other operating expenses:		
Lease expense - City of Santa Fe	831,619	817,586
Salaries	296,472	243,484
Repairs and maintenance	158,607	139,476
Legal and professional fees	58,905	53,520
Payroll taxes and benefits	50,742	47,937
In-kind legal and professional services	35,900	40,995
Advertising and promotion	34,190	28,687
Office rent	27,868	27,430
Bad debt	21,646	37,538
Insurance	12,283	23,398
Office expense	10,667	11,682
Utilities	8,670	10,892
Miscellaneous	6,754	20,989
Telephone	6,556	7,983
Depreciation and amortization	4,415	3,625
Travel and meals	2,091	2,204
Office supplies	1,764	3,052
Auto mileage	1,478	844
Total expenses	1,602,794	1,608,111
Net (decrease)	(296,632)	(98,469)
Other revenue:		
Interest income	1,257	1,731
(Decrease) in unrestricted net assets	(295,375)	(96,738)
Unrestricted net assets (deficit), beginning of year	(940,360)	(843,622)
Unrestricted net assets (deficit), end of year	$ (1,235,735)	$ (940,360)

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

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (295,375)	$ (96,738)
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	3,762	3,021
Amortization	653	604
Bad debt	21,646	37,598
Changes in operating assets and liabilities:		
Restricted cash	-	227,526
Due from City of Santa Fe	(9,405)	90,574
Rents and utilities receivable	(60,068)	(82,038)
Prepaid expenses	(2,183)	(1,507)
Prepaid lease commissions	-	(7,363)
Accounts payable and accrued expenses	28,866	(60,508)
Payable to City of Santa Fe	288,371	105,261
Funds held for others	-	(227,526)
Rent deposits payable	500	-
Deferred revenue - rent	(74,020)	(53,560)
Net cash (used) by operating activities	(97,253)	(64,656)
Cash flows from investing activities:		
Purchase of property and equipment	(11,006)	-
Net cash (used) by investing activities	(11,006)	-
(Decrease) in cash	(108,259)	(64,656)
Cash, beginning of year	468,204	532,860
Cash, end of year	$ 359,945	$ 468,204
Noncash operating activities		
Gifts in-kind	$ 35,900	$ 40,995

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

1. **Organization**

The Santa Fe Railyard Community Corporation (SFRCC) was formed August 25, 2000. SFRCC was formed to increase public understanding of the historical, cultural and economic importance of the Santa Fe Railyard Project, a parcel of real property owned by the City of Santa Fe, New Mexico known as the Railyard property. The SFRCC entered into a Railyard Lease and Management Agreement with the City of Santa Fe on July 1, 2002. The SFRCC entered into an Amended and Restated Railyard Lease and Management Agreement with the City of Santa Fe on April 30, 2011, which terminates June 30, 2027 unless renewed by mutual consent. Through this Lease and Management Agreement the SFRCC is to implement the Railyard Master Plan and Design Guidelines, solicit new leases and administer new and existing leases on leasehold areas within the Railyard property.

SFRCC formed a Single-Member LLC, CSF Management, LLC, (CSF) which has a separate board, as of December 2, 2009. There are some overlapping board members between the two organizations. Because SFRCC is the only member of CSF, it is consolidated with SFRCC. CSF was awarded a professional services agreement with the City of Santa Fe to provide property management and lease administrative services for the College of Santa Fe property. The agreement's initial term was for a sum not to exceed $200,000. The contract was amended in December of 2010 and February of 2011 to increase the budget to $231,500 and was terminated on December 31, 2011. The scope of work is now general manager consulting services on an on-call basis. It is the intent of the board to keep CSF as an entity in the event it is needed for future contracts.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The consolidated financial statements of the SFRCC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Construction project revenue and expenses are accounted for on the completed contract method.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) became effective on July 1, 2009. At that date, the ASC became FASB's officially recognized source of authoritative U.S. generally accepted accounting principles (GAAP) applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. All other accounting literature is considered non-authoritative.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements.* Under FASB ASC 958-205, the SFRCC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2012 and 2011, the SFRCC has no temporarily or permanently restricted net assets.

2. Summary of Significant Accounting Policies (Continued)

Consolidation Policy

The consolidated financial statements of SFRCC include the accounts of Santa Fe Railyard Community Corporation and its wholly owned subsidiary, CSF Management, LLC. Significant intercompany accounts and transactions have been eliminated. The SFRCC and subsidiary files a consolidated Form 990.

Reclassification

Certain June 30, 2011 amounts have been reclassified to conform to June 30, 2012 financial statement presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rents Receivable, Utilities Receivable and Allowance for Uncollectible Accounts

Rents and utilities receivable are from tenants. The carrying amount of receivables is reduced by an allowance for uncollectible accounts that reflects management's best estimate of the amounts that will not be collected. Based on management's assessment of the tenants' current creditworthiness, an estimate is made of the portion, if any, of the balance that will not be collected using the reserve method. Receivables are written off as a charge to the allowance for uncollectible accounts when, in management's estimation, it is probable that the receivable is worthless.

Due from City of Santa Fe

As of June 30, 2012 and 2011 the amounts due from the City of Santa Fe represent reimbursements for costs incurred on service contracts. The reimbursements were collected subsequent to year end. No allowance has been recorded since the receivables are considered fully collectible.

Property and Equipment

Property and equipment are stated at cost if purchased and at fair value at the date of contribution for donated assets. The SFRCC capitalizes additions of property and equipment in excess of $500 cost or fair value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Office, furniture and equipment	3-5 years
Leasehold improvements	5 years

2. Summary of Significant Accounting Policies (Continued)

Lease Commissions

SFRCC has leased two lots with the assistance of outside leasing agencies. The commissions paid to the leasing agencies for the two leases are being amortized over the length of the leases. Amortization expense for the years ending June 30, 2012 and 2011 was $653 and $604, respectively.

Completed Contract Method of Accounting

Revenue from construction contracts is recognized on the completed contract method. A contract is considered complete when all costs except insignificant items have been incurred and the installation is operating according to specification or has been accepted by the customer.

Effective with the City of Santa Fe Council meeting of October 28, 2009, the City accepted the infrastructure of the north and south railyard from SFRCC. Total revenue recognized from the completed contract was $13,103,537 and total expenses recognized were $13,103,537.

Deferred Revenue

Income from rents is deferred and recognized over the periods to which the amounts relate. Deferred revenue-rent for June 30, 2012 and 2011 were $408,145 and $482,165, respectively.

Donated Assets and Services

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, *Not-for-Profit Entities – Revenue Recognition – Contributed Services*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the SFRCC.

Compensated Absences

The SFRCC provides sick leave and vacation benefits to its employees. No more than five days of vacation time may be carried over from year to year and any unused vacation time will be paid upon separation of employment. Sick leave accrues to employees and can be carried over from year to year, however, no amount is paid upon separation of employment.

The SFRCC vacation liability for the years ended June 30, 2012 and 2011 were $34,166 and $28,215, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2012 and 2011 were $19,489 and $9,683, respectively.

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status

The SFRCC is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these consolidated financial statements.

CSF Management, LLC, is a single-member LLC. It is considered a disregarded entity by the Internal Revenue Service, thus its activity is included in the SFRCC's Form 990.

Management of CSF Management, LLC determined that the activities engaged in by CSF fall under the allowable activities approved by the Internal Revenue Service for SFRCC's exemption from federal taxes.

SFRCC adopted FASB ASC 740-10, *Income Taxes*, which require disclosure of taxable unrelated business income. There are no uncertain tax positions. None of the present or anticipated future activities of SFRCC are subject to taxation as unrelated business income; therefore no provision for income taxes has been made in the accompanying consolidated financial statements.

3. Property and Equipment

Property and equipment comprise the following at June 30:

	2012	2011
Furniture and equipment	$ 19,747	$ 19,084
Website	12,653	12,653
Leasehold improvements	4,985	4,985
Tenant improvements	10,343	-
	47,728	36,722
Accumulated depreciation	(32,556)	(28,794)
Property and equipment, net	$ 15,172	$ 7,928

Depreciation expense for the fiscal years ended June 30, 2012 and 2011 is $3,762 and $3,021, respectively.

4. Allowance for Uncollectible Accounts

The following is an analysis of allowance for uncollectible accounts:

	2012	2011
Balance, beginning of year	$ 30,000	$ 30,000
Bad debt expense	21,646	37,538
Charge offs	(21,646)	(37,538)
Balance, end of year	$ 30,000	$ 30,000

5. Lease and Management Agreement - City of Santa Fe

On February 27, 2002, the SFRCC entered into a lease and management agreement with the City of Santa Fe for the leasehold premises. On April 30, 2011 the SFRCC entered into an Amended and Restated Lease and Management Agreement with the City of Santa Fe, which amends, restates, supersedes, and replaces in its entirety the Agreement dated February 27, 2002. The amended agreement terminates June 30, 2027 unless renewed by mutual consent. The purpose of the restated agreement is to create a binding contract for the purpose of establishing an effective implementation mechanism for the Railyard Master Plan and Design Guidelines, to lessen the burden upon the City in implementing the Plan and to restructure debt owed.

The SFRCC also manages and maintains the Railyard property, negotiates leases with subtenants and collects all subtenant rents.

Under the restated agreement, the City of Santa Fe has determined that the SFRCC will compensate the City in the form of lease payments. The payments consist of the following:

a. Payments are due May 1st and November 1st over five fiscal years commencing November 1, 2020 and concluding May 1, 2024 for total amount of $769,175.

b. 100% of the City's debt service payment on the City's infrastructure financing, the payments will be due thirty (30) days before each of the City's debt service payment are due. The set payment schedule shall be subject to adjustment as the result of the City refinancing the infrastructure financing. If the City refinances the aforementioned conduit financing and activities a lower repayment schedule, the City will reduce the amount owed by SFRCC to the City on a dollar-for-dollar basis.

The City of Santa Fe obtained loans with the New Mexico Finance Authority (NMFA) to cover the development costs related to the Railyard project.

The City of Santa Fe issued $10,490,000 of Subordinate Lien Gross Receipts Tax Refunding Revenue bonds, Series 2010B on November 10, 2010. The funds from the issuance of these bonds, in addition to reserve funds held by the City of $429,252 were used to refund the NMFA loans. The bonds mature starting in June 2011 to June 2026 with interest rates from 2% to 5%.

The lease payments SFRCC pays the City will be increased for the total principal and interest payments on both the tax-exempt and taxable loans. The City deferred principal payments from SFRCC until after the land lease is paid in full in 2024. Repayment of principal deferred will be for three years starting during the year ending June 30, 2025.

5. Lease and Management Agreement - City of Santa Fe (Continued)

Based on the lease and management agreement with the City of Santa Fe, future lease payments net of deferrals for the loan are as follows:

Years ending June 30:	
2013	$ 543,670
2014	908,977
2015	908,486
2016	907,897
2017	959,857
	$ 4,228,887

c. After the SFRCC has repaid all of its obligations related to the debt service and infrastructure financing debt, the SFRCC shall pay to the City, 50% of the annual excess revenue collected by the Santa Fe Railyard. Annual excess revenue is defined as the difference between the annual lease revenue (excluding any donated and grant funds and special assessments earmarked for a particular use) and the annual cost of the SFRCC's performance of its obligations under this Agreement, including but not limited to payments of City debt service on both land and infrastructure, annual administrative and operating cost, any annual contribution to park and public space development, management and/or operations, and a reasonable allowance for maintenance and capital improvement reserves. Since SFRCC has a deficit unrestricted net asset balance at June 30, 2012 and June 30, 2011, no liability exists to the City.

Total lease expense, including bond and interest costs paid to the City of Santa Fe for the years ended June 30, 2012 and 2011 is $831,619 and $817,586, respectively.

CSF Management, LLC (CSF) entered into an agreement with the City of Santa Fe effective January 1, 2010 for lease and property management services for the former College of Santa Fe campus, which the City purchased, then leased to a for-profit corporation who is operating a university on campus.

Part of the City's lease agreement with the university operator requires the City to fund various capital upgrades and improvements to the campus. The contract between CSF and the City requires CSF to coordinate and provide construction management services for the upgrades and improvements to the campus.

The agreement was for an initial term to January 31, 2011 for maximum compensation for services rendered of $200,000. The contract was amended in December of 2010 to increase the budget to $225,000. Compensation consisted of a flat monthly management fee and reimbursement for allowable costs, including compensation for SFRCC staff work on the CSF agreement. A second amendment was made in February of 2011 to increase the budget to $231,500 and terminate December 31, 2011. Also amended was the scope of work to general manager consultation services on an on-call basis.

5. **Lease and Management Agreement - City of Santa Fe (Continued)**

The City provided $250,000 of advance funding for CSF to pay various third party contractors for architecture, design, planning, engineering and construction services. CSF accounts for these funds as restricted cash and funds held for another. As bills related to the upgrades and improvements to the campus were processed, the balance in the restricted cash and the funds held for others were reduced. CSF paid the final amount owed to third party contactors and reimbursed the unspent portion of the advance funding totaling $174,174 on June 29, 2011 to the City of Santa Fe.

6. **Operating Leases**

The SFRCC leases office space and equipment under operating leases with varying expiration dates. Total office and equipment rental expense for the years ended June 30, 2012 and 2011 was approximately $29,314 and $28,273, respectively.

The following is a schedule of future minimum lease payments:

Year ending June 30:	
2013	$ 28,471
	$ 28,471

The SFRCC rents month-to-month storage space for total annual rent payments of approximately $1,398 and $1,232 for 2012 and 2011, respectively.

7. **In-Kind Donations**

The SFRCC received in-kind donations for the years ended June 30, as follows:

	2012	2011
Legal and professional services	$ 35,900	$ 40,995

8. Tenant Leases

As discussed in Note 4, the SFRCC leases the Railyard land and existing buildings from the City of Santa Fe and subleases to tenants of the Railyard property. Twenty eight are long term tenant leases with terms from 20 to 50 years, most with renewal options up to a total term of 90 years. Most long-term leases include an adjustment clause based on the consumer price index. Leases also contain common area maintenance contributions which offset the expenses of operations and maintenance needs. During 2012, SFRCC renegotiated leases with three tenants' rent payments owed in the 2012 and 2013 fiscal years and were reallocated to future years per the applicable tenant lease agreements.

Minimum future long-term sublease payments receivable on contracts in place on June 30, 2012 for the next five years are as follows:

Years ending June 30:	
2013	$ 892,501
2014	893,703
2015	900,435
2016	924,198
2017	948,494
	$ 4,559,331

9. Concentrations of Credit Risks

The SFRCC received 2% and 6% of its revenues for the years ended June 30, 2012 and 2011, respectively from the City of Santa Fe through its Lease and Management agreement (Note 4) and through additional professional service contracts as a general contractor to implement the Railyard Master Plan and Design Guidelines. In addition the lease payments are made to the City. If this relationship with the City were to terminate, it would have a significant impact on the consolidated financial statements.

The SFRCC has a concentration in the Santa Fe real estate market, meaning that it is subject to the risks that affect the real estate environment in the City, including the levels of consumer spending, seasonality, the willingness of individuals and businesses to lease space in the Railyard, changes in economic conditions and consumer confidence. The length of the current recession could adversely affect consumer spending and the ability of potential tenants to obtain financing to lease land in the Railyard and construct or improve buildings on the land.

The SFRCC maintains its cash balances in three financial institutions located in Santa Fe, New Mexico. FDIC insurance is $250,000 as of June 30, 2012 and 2011, and the financial institutions were participating in the FDIC insurance coverage for transaction accounts. All funds in a "noninterest-bearing transaction account" are fully insured through December 31, 2012.

10. Legal Proceedings

SFRCC is involved in various legal proceedings that arise in the ordinary course of its business. SFRCC will record a liability when a loss is considered probable and the amount can be reasonably estimated if any lawsuit occurs.

11. Subsequent Events

Management has evaluated subsequent events through November 9, 2012 to determine whether such events should be recorded or disclosed in the consolidated financial statements or notes for the year ended June 30, 2012. This date represents the date the consolidated financial statements were available to be issued. There were no items deemed to be significant that required disclosure or adjustment to the 2012 financial statements.

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidating Statement of Financial Position

June 30, 2012

ASSETS	SFRCC	CSFM, LLC	Eliminations	Consolidated Total
Cash	$ 338,647	$ 21,298	$ -	$ 359,945
Due from City of Santa Fe	9,405	-	-	9,405
Investment in CSFM, LLC	2,000	-	(2,000)	-
Rents and utilities receivable, net of allowance for uncollectable accounts of $30,000	104,975	-	-	104,975
Prepaid expenses	21,910	-	-	21,910
Prepaid lease commissions - net	30,201	-	-	30,201
Property and equipment - net	15,172	-	-	15,172
Other assets	1,500	-	-	1,500
Total assets	$ 523,810	$ 21,298	$ (2,000)	$ 543,108
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 55,015	$ 11,288	$ -	$ 66,303
Payable to City of Santa Fe	1,281,528	-	-	1,281,528
Rent deposits payable	22,867	-	-	22,867
Deferred revenue - rent	408,145	-	-	408,145
Total liabilities	1,767,555	11,288	-	1,778,843
Net Assets				
Unrestricted - net assets (deficit)	(1,243,745)	10,010	(2,000)	(1,235,735)
Total liabilities and net assets	$ 523,810	$ 21,298	$ (2,000)	$ 543,108

See Independent Auditors' Report.

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidating Statement of Activities

Year Ended June 30, 2012

	SFRCC	CSFM, LLC	Eliminations	Consolidated Total
Operating revenues:				
Rents	$ 1,179,687	$ -	$ -	$ 1,179,687
Event fees	53,187	-	-	53,187
In-kind donations	35,900	-	-	35,900
Project income	30,273	-	-	30,273
Contribution income	5,162	-	-	5,162
Management fees	1,278	-	-	1,278
Miscellaneous	675	-	-	675
Total operating revenues	1,306,162	-	-	1,306,162
Project costs	32,167	-	-	32,167
Other operating expenses:				
Lease expense - City of Santa Fe	831,619	-	-	831,619
Salaries	296,472	-	-	296,472
Repairs and maintenance	158,607	-	-	158,607
Legal and professional fees	58,773	132	-	58,905
Payroll taxes and benefits	50,742	-	-	50,742
In-kind legal and professional services	35,900	-	-	35,900
Advertising and promotion	34,166	24	-	34,190
Office rent	27,868	-	-	27,868
Bad debt	21,646	-	-	21,646
Insurance	12,283	-	-	12,283
Office expense	10,667	-	-	10,667
Utilities	8,670	-	-	8,670
Miscellaneous	6,071	683	-	6,754
Telephone	6,556	-	-	6,556
Depreciation and amortization	4,415	-	-	4,415
Travel and meals	2,091	-	-	2,091
Office supplies	1,764	-	-	1,764
Auto mileage	1,478	-	-	1,478
Total expenses	1,601,955	839	-	1,602,794
Net (decrease)	(295,793)	(839)	-	(296,632)
Other revenue:				
Interest income	1,257	-	-	1,257
(Decrease) in unrestricted net assets	(294,536)	(839)	-	(295,375)
Unrestricted net assets (deficit), beginning of year	(989,209)	50,849	(2,000)	(940,360)
Return of capital	40,000	(40,000)	-	-
Unrestricted net assets (deficit), end of year	$ (1,243,745)	$ 10,010	$ (2,000)	$ (1,235,735)

See Independent Auditors' Report.

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidating Statement of Cash Flows

Year Ended June 30, 2012

	SFRCC	CSFM, LLC	Eliminations	Consolidated Total
Cash flows from operating activities:				
Change in net assets	$ (294,536)	$ (839)	$ -	$ (295,375)
Adjustments to reconcile increase in net assets to net cash used by operating activities:				
Depreciation	3,762	-	-	3,762
Amortization	653	-	-	653
Bad debt	21,646	-	-	21,646
Changes in operating assets and liabilities:				
Due from City of Santa Fe	(9,405)	-	-	(9,405)
Rents and utilities receivable	(60,068)	-	-	(60,068)
Prepaid expenses	(2,183)	-	-	(2,183)
Accounts payable and accrued expenses	29,525	(659)	-	28,866
Payable to City of Santa Fe	288,371	-	-	288,371
Rent deposits payable	500	-	-	500
Deferred revenue - rent	(74,020)	-	-	(74,020)
Net cash (used) by operating activities	(95,755)	(1,498)	-	(97,253)
Cash flows from investing activities:				
Purchase of property and equipment	(11,006)	-	-	(11,006)
Net cash (used) by investing activities	(11,006)	-	-	(11,006)
Cash flows from financing activities:				
Return of capital	40,000	(40,000)	-	-
Net cash provided (used) by financing activities	40,000	(40,000)	-	-
(Decrease) in cash	(66,761)	(41,498)	-	(108,259)
Cash, beginning of year	405,408	62,796	-	468,204
Cash, end of year	$ 338,647	$ 21,298	$ -	$ 359,945
Noncash operating activities				
Gifts in-kind	$ 35,900	$ -	$ -	$ 35,900

See Independent Auditors' Report.

[redacted]

[redacted]									
Comprehensive Annual Financial Report (CAFR)	06/30/11	Atkinson and CO. LTD.	Completed	Unqualified, 9 findings	Issued	12/01/11	No	02/21/12	08/20/12
Comprehensive Annual Financial Report (CAFR)	06/30/12	Atkinson and CO. LTD.	Completed	Unqualified, 9 findings	Issued	12/01/12	No	03/05/13	04/15/13
Comprehensive Annual Financial Report (CAFR)	06/30/13	TBD							
[redacted]									
Financial Statements and Report of Independent Auditors	06/30/11	Atkinson and CO. LTD.	Completed	Unqualified, 0 Findings	Issued	12/01/12	Yes	11/22/11	[redacted]
Financial Statements and Report of Independent Auditors	06/30/12	Atkinson and CO. LTD.	Completed	Unqualified, 1 Finding	Issued	12/01/12	No	12/03/12	[redacted]
Financial Statements and Report of Independent Auditors	06/30/13	TBD							[redacted]
[redacted]									
Construction audit	06/30/10	Atkinson and CO. LTD.	Completed B	In review w/COSF and return to auditor with comments - exit 12/04/2012					[redacted]
Construction audit	06/30/11	Atkinson and CO. LTD.	Completed By Atk., in review with COSF	In Review by COSF staff - 12/04/2012 Needs to be finalized					[redacted]
Operations	06/30/11	Atkinson and CO. LTD.	Completed	Unqualified, 1 Finding - late filing	Issued	09/30/11	No	N/A	[redacted]

Operations	06/30/12	Atkinson and CO. LTD.	In Process	Not Started as of 03/29/2013					[redacted]
Operations	06/30/13	TBD							[redacted]
[redacted]									
Financial Statements	06/30/11	Ricci & Company	Complete	Unqualified, 10 Findings	Issued	12/01/12	Yes	12/01/11	[redacted]
Financial Statements	06/30/12	Ricci & Company	Complete	Unqualified, 9 Findings	Issued	12/01/12	No	12/18/12	[redacted]
Financial Statements	06/30/13	TBD							[redacted]
[redacted]									
Financial Statements	06/30/11	Barraclough & Associates, P.C.	Complete	Unqualified, No Findings	Issued	12/31/11		N/A	[redacted]
Financial Statements	06/30/12	Barraclough & Associates, P.C.	Complete	Unqualified, No Findings	Issued	12/31/12		N/A	[redacted]
Financial Statements	06/30/13	TBD							

[redacted]							
Federal Transit Administration's Financial Oversight Follow-Up Review Agreed Upon Procedure			FTA - contracting with Financial Business Solutions, LLC and Holmes +Company, LLC	FTA - contracting with Financial Business Solutions, LLC and Holmes +Company, LLC	3 material weaknesses, 5 significant deficiencies	07/20/12	Yes
Federal Transit Administration's Financial Oversight Review Agreed Upon Procedure	02/19/13	03/21/13	02/19/13		In progress 05/01/2013		

Audit Committee Exhibit B - May 1 2013

Audit Committee Exhibit B - May 1 2013

[redacted]

Area Agency Aging "Assessment" of Senior Program at COSF	04/22/13	04/26/13	02/20/13	Area Agency Aging	In progress 05/01/13			
[redacted]								
Forensic Audit of Parking	02/07/13	04/30/13	02/18/13	Moss Adams	Completed		04/30/13	Yes

[redacted]

[redacted]							
[redacted] IT General Controls Performance Audit	06/30/13	Liza Kerr		In Progress	Estimated completion date 4/30/2013		