

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES
AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL
AREA DE ARCHIVO DIGITAL

MUNICIPIO DE BAYAMON
AUDITORIA 2000-01
30 DE JUNIO DE 2001

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DE ASISTENTE MUNICIPAL
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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN**

**COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001**

Lucas

ORTIZ, RODRIGUEZ, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

Suite 152, PO Box 70250, San Juan, P.R. 00936-7250 • Phone (787) 756-8524, Fax (787) 274-0562

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

TABLE OF CONTENTS

	<u>Pages</u>
PART I - FINANCIAL	
Independent Auditors' Report on Financial Statements	1-2
Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	5-6
Combined Statement of Revenues and Expenditures - Budget and Actual - General Fund and Debt Service Fund	7-8
Notes to Combined Financial Statements	9-32

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NACVA

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Honorable Mayor and
Municipal Council
Municipality of Bayamón
Bayamón, Puerto Rico

We have audited the accompanying general purpose financial statements of the Municipality of Bayamón, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Municipality of Bayamón' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 10, the Municipality of Bayamón has not maintained complete and adequate records relating to the fixed assets of the General Fixed Assets Account Group. Accordingly, we were unable to satisfy ourself as to the fixed asset balance or such all group amounting to \$142,986,961.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to general fixed assets balances, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of Bayamón as of June 30, 2001, and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

San Juan, Puerto Rico
November 2, 2001

The stamp 1762069 was affixed
to the original of this report



Ortiz, Rodriguez, Rivera & Co.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMON
COMBINED BALANCE SHEET-ALL FUNDS TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

Assets	Governmental Fund Types				Fiduciary	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency Fund	General Fixed Asset	General Long Term Debt	Memorandum
Cash in bank (Note 3)	\$10,258,398	\$ 4,480,256	\$ -	\$13,213,629	\$ 1,442,712	\$ -	\$ -	\$ 29,394,995
Cash with fiscal agent (Note 3)		82,315	16,730,852	31,440,376				48,253,543
Investments (Note 4)	37,500,000	300,000		2,240,368				40,040,368
Accounts receivables:								
Property taxes	4,985,002							4,985,002
Notes and interest receivable (Note 7)		367,797						367,797
Municipal license taxes (Note 5)	209,190							209,190
Rents	16,622							16,622
Interests	492,418							492,418
Due from other agencies (Note 8)	8,627,756	5,732,380						14,360,136
Due from other funds (Note 9)	606,209	4,800						611,009
Others		746,850	20,000					766,850
Inventories (Note 2)	374,119							374,119
Property and equipment (Note 10)						142,986,961		142,986,961
Amount available in debt service fund (Note 3)							16,730,852	16,730,852
Amount to be provided for retirement of general long-term debt (Note 14)							122,068,200	122,068,200
Amount to be provided for payment of accrued vacations (Note 12)							10,390,905	10,390,905
Total assets	\$63,069,714	\$11,714,398	\$16,750,852	\$46,894,373	\$ 1,442,712	\$ 142,986,961	\$149,189,957	\$ 432,048,967

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMON
COMBINED BALANCE SHEET-ALL FUNDS TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2001

Liabilities and Fund Equity	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency Fund	General Fixed Asset	General Long Term Debt	Memorandum
Liabilities								
Account payable and accrued liabilities	\$ 9,395,439	\$ 9,080,965	\$ -	\$ 2,070,554	\$ 840,912			\$ 21,387,870
Due to other funds (Note 9)	4,800	606,209						611,009
Due to other agencies (Note 11)	9,288,140							9,288,140
Deferred revenues (Note 5)	17,735,123	1,408,653						19,143,776
Deposits and bonds					601,800			601,800
Accrued vacations (Note 12)							10,390,905	10,390,905
General long-term debts (Note 14)							138,799,052	138,799,052
Total liabilities	36,423,502	11,095,827	-	2,070,554	1,442,712	-	149,189,957	200,222,552
Commitments and Contingencies (Notes 17 to 18)								
Fund Equity (Note 19)								
Investment in general fixed assets						142,986,961		142,986,961
Fund balance								
Reserved for encumbrances	3,478,694							3,478,694
Reserved for inventories	374,119							374,119
Reserved for long-term receivable (Note 7)		341,910						341,910
Reserved for general long-term debt service			16,750,852					16,750,852
Undesignated surplus	22,793,399	276,661		44,823,819				67,893,879
Total fund equity	26,646,212	618,571	16,750,852	44,823,819		142,986,961	-	231,826,415
Total liabilities and fund equity	\$63,069,714	\$11,714,398	\$16,750,852	\$46,894,373	\$1,442,712	\$142,986,961	\$149,189,957	\$432,048,967

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND EQUITY-ALL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Total	
	General	Special Revenue	Debt Service	Capital Projects	Memorandum
REVENUES					
Property taxes (Note 15)	\$ 44,148,212	\$ -	\$ 13,044,457	\$ -	\$ 57,192,669
Municipal license taxes (Note 5)	24,023,031				24,023,031
Licenses and permits	3,358,962				3,358,962
Charges for service and rents	2,606,491				2,606,491
Inter-governmental revenues (Note 6):					
Federal grants and contributions		37,288,582			37,288,582
State contributions	8,637,876	75,508		9,770,804	18,484,188
Interest, fines, and penalties	3,436,842	21,495	612,231		4,070,568
Other revenues	20,231,905			16,849	20,248,754
Total revenues	<u>106,443,319</u>	<u>37,385,585</u>	<u>13,656,688</u>	<u>9,787,653</u>	<u>167,273,245</u>
EXPENDITURES					
Municipal council	285,901				285,901
Offices:					
Mayor	2,796,848				2,796,848
Personnel	4,833,901				4,833,901
Planning & budget	219,831				219,831
Departments:					
Civil Defense	3,599,292				3,599,292
Culture	767,277				767,277
Education	2,362,694	6,487,357			8,850,051
Finance	32,246,387				32,246,387
Health	-	10,814			10,814
Public Works	20,173,763	31,301,682			51,475,445
Recreation	2,970,124				2,970,124
Capital project	-			41,051,794	41,051,794
Collection of property taxes applied to advances (Note 15)	30,523,186				30,523,186
General Government	30,450,579				30,450,579

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND EQUITY-ALL FUND TYPES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	Memorandum
Secretary	\$ 441,248	\$ -	\$ -	\$ -	441,248
Welfare		1,381,701			1,381,701
Debt services:					
Principal retirement (Note 14)			7,349,536		7,349,536
Interest payments (Note 14)			6,720,515		6,720,515
Total expenditures	131,671,031	39,181,554	14,070,051	41,051,794	225,974,430
Excess of expenditures over revenues	(25,227,712)	(1,795,969)	(413,363)	(31,264,141)	(58,701,185)
OTHER FINANCING SOURCES (USES)					
Advances of property taxes (Note 15)	30,523,186				30,523,186
Loan proceeds				37,530,000	37,530,000
Operating transfer-in	4,479,356	1,097,712	1,950,324	123,769	7,651,161
Operating transfer-out	(2,950,022)	(218,326)	(627,287)	(3,855,526)	(7,651,161)
Total other financing sources (uses)	32,052,520	879,386	1,323,037	33,798,243	68,053,186
Excess (deficiency) of revenues and other sources over expenditures and other uses	6,824,808	(916,583)	909,674	2,534,102	9,352,001
FUND BALANCE AT BEGINNING OF YEAR	19,821,404	1,535,154	15,841,178	42,289,717	79,487,453
FUND BALANCE AT END OF YEAR	\$ 26,646,212	\$ 618,571	\$ 16,750,852	\$ 44,823,819	\$ 88,839,454

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund			Debt Service Fund		
	Budget Amended	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable Memorandum
REVENUES (Notes 2 and 20)						
Property taxes	\$ 39,114,320	\$ 40,666,307	\$ 1,551,987	\$ 13,796,075	\$ 13,044,457	\$ (751,618)
Municipal license taxes	23,766,833	24,023,031	256,198			
Licenses and permits	2,992,591	3,358,962	366,371			
Charges for service and rents	2,405,613	2,606,491	200,878			
Inter-governmental revenues:						
State contributions	6,477,238	8,637,876	2,160,638			
Interest, fines, and penalties	3,969,347	4,064,129	94,782		612,231	612,231
Other revenues	4,062,272	6,093,777	2,031,505			
Total revenues	<u>82,788,214</u>	<u>89,450,573</u>	<u>6,662,359</u>	<u>13,796,075</u>	<u>13,656,688</u>	<u>(139,387)</u>
EXPENDITURES (Notes 2 and 20)						
Municipal council	318,685	296,037	22,648			
Offices:						
Mayor	3,077,260	2,857,386	219,874			
Personnel	5,447,198	5,033,666	413,532			
Planning & budget	325,407	219,831	105,576			

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund			Debt Service Fund		
	Budget Amended	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable Memorandum
Departments:						
Civil Defense	\$ 3,841,887	\$ 3,692,542	\$ 149,345	\$ -	\$ -	\$ -
Culture	898,050	799,465	98,585			
Education	2,486,807	2,370,398	116,409			
Finance	34,025,455	34,476,912	(451,457)			
Health	-	-	-			
Public Works	21,896,603	21,612,388	284,215			
Recreation	3,328,200	3,139,499	188,701			
Welfare	-	-	-			
Secretary	503,271	461,221	42,050			
General Government	16,939,391	15,858,490	1,080,901			
Debt service; principal and interest payment				13,796,075	12,747,014	1,049,061
Total expenditures	<u>93,088,214</u>	<u>90,817,835</u>	<u>2,270,379</u>	<u>13,796,075</u>	<u>12,747,014</u>	<u>1,049,061</u>
Excess of revenues over expenditures	<u>(10,300,000)</u>	<u>(1,367,262)</u>	<u>8,932,738</u>	<u>-</u>	<u>909,674</u>	<u>909,674</u>
OTHER FINANCING SOURCES						
Reprogramming funds	<u>10,300,000</u>	<u>10,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ 8,932,738</u>	<u>\$ 8,932,738</u>	<u>\$ -</u>	<u>\$ 909,674</u>	<u>\$ 909,674</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. ORGANIZATION

The Municipality of Bayamón, Puerto Rico (Municipality) was incorporated in 1509. The Municipality is a political legal entity with full legislative and administrative faculties in every affair of the municipal character, with perpetual succession existence and legal personality, separate and independent from the central government of the Commonwealth of Puerto Rico. The Municipality provides a full range of services including health, public works, environmental control, education, public safety, public housing and community development, culture and recreation as well as many other general and administrative services.

The Municipal Government comprises the executive and legislative branches. The executive power is exercised by the Mayor and the legislative by the Municipal Assembly, which has 16 members. The members of these branches are elected every four years in the Puerto Rico general elections.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality are in accordance with the generally accepted accounting principles applicable to government entities. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The following is a summary of the more significant policies:

a. Fund Accounting

The accounts of the Municipality are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The various funds are grouped in the financial statements into four fund types and other fund category, as follows:

1) **Governmental Funds**

a) General Funds

The General funds are the general operating funds of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

b) Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

c) Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

d) Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessments Funds and Agency Funds).

2) **Fiduciary Funds:**

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

3) Account Groups:

Account groups are used to establish accounting control and accountability for the Municipality's general fixed assets and general long-term debt. The following are the Municipality's account groups:

a) General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the Municipality.

b) General Long-term Debt Account Group

This group of accounts is established to account for all long-term debts of the Municipality.

4) Budgetary Control:

The Mayor submits and the Municipal Assembly approves, an annual budget for each fiscal year beginning July 1 as well as any amendment thereon. Appropriations in the Municipality budget consist of the following:

a) General Fund appropriations for recurrent and ordinary functions of the Municipality.

b) Appropriations of Special Funds for specific purposes and for capital improvements are, for the most part, authorized by separate laws and do not require annual legislative budget authorization because they are continuing appropriations.

b. Basis of Accounting

Governmental revenues and expenditures are recognized using the modified accrual basis. Revenues are recognized in the accounting period in which they become both measurable and available to be used to pay recorded liabilities.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Expenditures are recognized in the accounting period in which the final liability is incurred, measurable, except for unmatured interest on general long-term debt, which is recognized when due. Agency fund assets and liabilities are accounted for on modified accrual basis.

To accrue the inter-governmental revenues, the legal and contractual requirements of individual programs are used as a guide. Essentially, there are two types of revenues. In one, the resources must be used in the specific projects and purposes before the revenues are recognized by the Municipality. Therefore, revenues are recognized based on recorded expenditures and submitted to the granting agencies for reimbursements. In the other revenues, resources are unrestricted as to purpose of expenditures and are usually revocable only for failure to comply with prescribed compliance requirements.

Licenses, fees, permits, fines and other revenues are recognized when received.

Interest income is recognized and accrued in the accounting period in which they are earned.

c. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at a year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

d. Total Column (Memorandum Only)

The amounts presented under this column represent the aggregate amount of the different types of funds and account groups. The totals under this column were not obtained from eliminations or consolidations, accordingly, they do not present consolidated information.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

e. Insurance

The Municipality has insurance coverage for their public facilities and certain officials are covered by a fidelity bond. The Secretary of Treasury is the person authorized to negotiate the insurance coverage of the Municipality.

f. Investments

Investments amounts are stated at cost or amortized cost. Interest income is recognized in the accounting period in which they are earned.

g. Inventories

The General and Special Revenue Fund purchase office and printing supplies, gasoline, oil and other items. The cost of current purchases are recorded as expenditures and inventory is recorded at cost in the general purpose financial statements based on end year balances and presented as a reserve.

h. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates consist of the contribution received from the Electric Power Authority of Puerto Rico and the Municipal Revenue Collection Center (CRIM) caused by the delay of the notification of the real revenues and expenditures to be presented in the financial statements of the agencies mentioned above. Actual results could differ from those estimates.

i. Reporting Entity

In evaluating the Municipality as a reporting entity, management has addressed all potential component units which may or may not fall within the Municipality's oversight and control and, as such, be included within the Municipality's financial statements. The basic criteria for including a component unit within the

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Municipality's reporting entity is the exercise of oversight responsibility by the Municipality's Council. The specific criteria used by the Municipality for establishing oversight responsibility are:

Manifestations of Oversight Responsibility

- Selection of Governing Authority
- Designation of Management
- Ability to Influence Operations Significantly

Accountability for Fiscal Matters

- Budgetary Authority
- Surplus/Deficit
- Responsibility for Debt
- Fiscal Management
- Revenue Characteristics

Factors other than oversight which may significantly influence the entity relationship are:

- Scope of Public Service**
- Special Financing Relationships**

The relative importance of each criteria is evaluated in light of specific circumstances in order to determine which component units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to the Municipality of Bayamón indicate that the reporting entity consists of all funds and accounts groups included in the combined balance sheet, therefore no organizations, activities or functions were excluded from the reporting entity.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

3. CASH AND SHORT-TERM INVESTMENTS

a. Cash in Bank and Concentration Risk

The amounts reflected as cash in the balance sheet represents the individual funds' equity in pooled cash balance. Short-term investments consist of certificates of deposit.

The Municipality maintains its cash accounts in four (4) banks located in Puerto Rico. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The excess is covered by collateral provided by bonds and held by the Treasury Department of the Commonwealth of Puerto Rico pursuant to applicable laws and regulations.

b. Cash with Fiscal Agents

An additional special tax of 1.48% of the assessed value of all real and personal properties are levied by the Municipality. The proceeds of said tax are required to be credited to the Debt Service Fund for payment of General Obligation Bonds and Notes of the Municipality. The property taxes are collected by the Municipal Revenues Collection Center as agent for the Municipality and are retained by the Government Development Bank for debt service purposes. At June 30, 2001, the balance of cash retained by the Government Development Bank amounted to \$16,730,852.

The bonds issued by the Municipality are administrated by the Government Development Bank with a method of escrow system. At June 30, 2001, the balance of cash retained by the Government Development Bank available for the acquisition of real property and the construction of special revenues and capital projects amounted to \$31,552,691.

4. INVESTMENTS

The amounts reflected as investments in the balance sheet represents certificates of deposit that the maturity date exceeds ninety (90) days.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The Municipality maintains its investments in four (4) banks located at Puerto Rico. All kind of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

The excess is covered by collateral provided by banks and held by the Treasury Department of the Commonwealth of Puerto Rico pursuant to applicable laws and regulations.

5. MUNICIPAL LICENSE TAX

Municipal License Tax receivables are recorded in the fiscal year in which payment is due and, accordingly, represent taxes which are due and uncollected at June 30, 2001. The annual Municipal License Tax is determined based on the gross income of all commerce and industrial organizations who have operations in the Municipality of Bayamón, and are not totally or partially exempt under the Industrial Incentive Law of Puerto Rico.

An annual return of business volume should be filed on or before April 15 of each year and payable in two equal installments due on July 1 and January 1. The rates of municipal license in the Municipality of Bayamón, are as follows:

Financing institution	=	1.0%
Other organizations	=	.5%

The amounts collected in advance are recorded as deferred revenues in the General Fund. The Municipality invoiced and collected in advance during the current year \$17,735,123, corresponding to the next fiscal year municipal license.

6. INTER-GOVERNMENTAL REVENUES

Intergovernmental revenue sources consist of contributions received from certain quasi-public corporations of the Government of Puerto Rico, such as the Water and Sewer Authority, the Electric Power Authority, Puerto Rico Telephone Company and from certain federal agencies, such as U.S. Department of H.U.D., U.S. Department of Health and Human Services and U.S. Department of Labor.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

7. NOTES AND INTEREST RECEIVABLE

Represents loan agreements between the Municipality of Bayamón and various institutions, under the Urban Development Action Grant (UDAG) Program. Under the agreements, the Municipality lent funds to assist in financing the cost of construction of buildings and facilities.

8. DUE FROM OTHER AGENCIES

Represents grants and contributions due from local and federal agencies:

	<u>Special Revenue Fund</u>	<u>General Fund</u>	<u>Total</u>
Department of Labor-School to Work	\$ 203,471	\$ -	\$ 203,471
HUD - Emergency Shelter	99,740	-	99,740
HHS - Head Start	52,352	-	52,352
Authority of Electric Energy	-	8,627,756	8,627,756
HUD - CDBG Program	2,681,539	-	2,681,539
HHS - HOME Program	191,760	-	191,760
HUD - Section 8	34,698	-	34,698
HUD - Ryan White	630,146	-	630,146
HUD - UDAG	1,427,851	-	1,427,851
Iniciativa HUD	117,758	-	117,758
Department of Labor - WIA	<u>293,065</u>	<u>-</u>	<u>293,065</u>
	<u>\$5,732,380</u>	<u>\$8,627,756</u>	<u>\$14,360,136</u>

9. DUE FROM (TO) OTHER FUNDS

Represents the amount due between funds. At the end of the fiscal period, the unpaid or unsettled amounts of these types of inter-fund transactions are reported as inter-fund receivables (due-from) and inter-fund payable (due-to) balances.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The due from and due to other fund balances as of June 30, 2001, are as follows:

	<u>Due from Other Fund</u>	<u>Due to Other Fund</u>
General Fund		
Special Revenue Fund	\$606,209	\$ 4,800
Special Revenue Fund		
General Fund	<u>4,800</u>	<u>606,209</u>
	<u>\$611,009</u>	<u>\$611,009</u>

10. GENERAL FIXED ASSETS

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures of the various governmental funds and capitalized at cost, or, if donated, at their estimated fair market value at time of contribution in general fixed assets accounts group. Maintenance, repairs and minor renewals are expended as incurred. Asset dispositions and retirements are informed monthly to the Department of Treasury and written-off after authorization of that department. Depreciation is not provided on general fixed assets. Public domain or infrastructure, such as roads, streets, gutter, curbs, sidewalks, and drainage, are not recorded in this group of accounts. The Municipality has not maintained adequate records for its Fixed Assets, and management was not able to make an assertion as to the completeness of the General Fixed Assets Account Group. However, the Finance Department at present is in the process of updating these records in order to maintain a proper system in is future.

The Municipality's management has estimated its real property and other fixed assets as follows:

Real property	\$ 99,460,199
Vehicles, equipment, and furniture	25,222,960
Construction in progress	<u>18,303,802</u>
Total general fixed assets	<u>\$142,986,961</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

11. DUE TO OTHER AGENCIES

The balance of this account represents the following:

	<u>General Fund</u>
Electric Power Authority	\$8,290,632
General Services Administration	24,964
Water and Sewer Authority	249,411
Retirement System Administration	134,722
Puerto Rico Telephone Company	<u>588,411</u>
	<u>\$9,288,140</u>

12. ACCRUED VACATIONS

Employees are entitled to 30 days vacations leave and 18 days sick leave per year. Sick leave is recorded as an expenditure in the year paid. Employees are entitled to payment of unused sick leave upon retirement if have been employed for at least 10 years in the municipal government. On July 1997, state Law 152 supra amended the Article 12.016, Section b (2) of the Municipal Law, authorizing the Municipality to pay any excess of vacations and sick leave accumulated over the maximum previously permitted by law. Calculations must be made until December 31 of every year. Excess of sick leave must be paid until March 31 next every natural year. Excess of vacations can be paid after July 1 of every fiscal year.

13. RETIREMENT PLAN

a. Plan Description

The Employee's Retirement System of the General Government of Puerto Rico and its Instrumentalities (ESR) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The System was created under the ACT 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

ERS covers all regular employees of the Commonwealth of Puerto Rico and its instrumentalities and of certain municipalities and components units not covered by their own retirements systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Heads for Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees.

The Systems provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

Members who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service of members who have attained an age of at least fifty-eight (58) years and have completed at least fifty-eight (58) years and have completed at least ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

The amounts of the annuity shall be one and one-half percent of the average compensation multiplied by the number of years of creditable service up to twenty years, plus 2% of the average compensation multiplied by the number of years of creditable service in excess of twenty years. In no case the annuity will be less than \$200 per month.

Participants who have completed at least thirty (30) years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation or if they have attained fifty-five (55) years of age will receive 75% of the average compensation. Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten (10) years of service.

No benefit is payable if the participant receives a refund of his accumulated contributions.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

b. Contribution Requirements

Commonwealth legislation requires employees to contribute 5.775% of gross salary up to \$6,600 plus 8.275% of gross salary in excess of \$6,600. The Municipality contributions are 9.275% of gross salary. Contributions' requirements are established by law. The actuarially determined contribution requirement and contributions actually made for the year ended June 30, 2001 was \$1,559,842. The Municipality's payroll for employees covered by ESR was \$16,817,700. The Municipality total payroll for all employees was \$37,955,607.

c. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Information on funding progress for the three last years is presented below:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net assets available for benefits as a percentage of total pension benefit obligation	N/A	N/A	N/A
Unfunded pension benefit obligation as a percentage of annual covered payroll	N/A	N/A	N/A
Employer contributions (not actuarial determined) as a percentage of annual covered payroll	9%	9%	9%

N/A = Not available

Trend information prior to 1999 is not available

For a ten-year trend information, refer to the separately issued financial statements of the Employee's Retirement System as of and for the year ended June 30, 2001.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

14. GENERAL LONG-TERM DEBTS

The following is a summary of the general long-term debt transactions for the year ended June 30, 2001:

Balance July 1, 2000	\$108,618,588
Current additions	37,530,000
Current repayment	(7,349,536)
Balance June 30, 2001	<u>\$138,799,052</u>

The general long-term debts as of June 30, 2001 are as follows:

Bonds

\$21,425,000 series of 1992, payable in annual installments of \$755,000 to \$2,380,000 until July 1, 2006, interest at 8.50%.	\$11,745,000
\$863,000 series of 1982, payable in annual installments of \$15,000 to \$55,000 until July 1, 2007, interest at 5%.	320,000
\$895,000 series of 1995, payable in annual installments of \$35,000 to \$95,000 until July 1, 2007, interests from 5% to 7.506%.	560,000
\$3,110,000 series of 1986, payable in annual installments of \$205,000 to \$210,000 until July 1, 2001, interest at 8.20%.	210,000
\$980,000 series of 1987, payable in annual installments of \$25,000 to \$110,000, until July 1, 2002; interest at 8.20%.	210,000
\$1,440,000 series of 1987, payable in annual installments of \$45,000 to \$165,000, until July 1, 2002; interest at 8.20%.	315,000
\$7,135,000 series of 1994-95, payable in annual installments of \$165,000 to \$715,000 until July 1, 2014, interest from 6.44% to 8.50%.	6,170,000

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<p>\$13,260,000 series of 1995, payable in annual installments of \$545,000 to \$1,490,000 until July 1, 2007, interest from 5% to 7.506%.</p>	<p>\$ 8,375,000</p>
<p>\$17,850,000 series of 1994, payable in annual installments of \$240,000 to \$1,550,000 until July 1, 2009, interest from 6.5% to 8.0%.</p>	<p>16,060,000</p>
<p>\$2,760,000 series of 1994, payable in annual installments of \$95,000 to \$300,000 until July 1, 2009, interest from 6.5% to 7.706%.</p>	<p>2,015,000</p>
<p>\$15,000,000 Municipal Revenues Bonds 1995 Series A and Series B. During the first two years the Municipality has a moratorium. The annual installment of Series A are \$500,000 to \$1,000,000, until June 30, 2005, interest from 6.90% to 8.50%. Series B an installment of \$7,500,000 on June 30, 2012, interest at 6.25%.</p>	<p>11,500,000</p>
<p>\$605,000 series of 1997-98, payable in annual installments of \$135,000 to \$170,000 until July 1, 2001, interest from 6.69% to 8.00%.</p>	<p>170,000</p>
<p>\$2,595 series of 1998-99, payable in annual installments of \$35,000 to \$225,000 until July 1, 2023, interest at 8%.</p>	<p>2,520,000</p>
<p>\$16,535,000 General Obligation Bonds. (Ordinance number 61, series 97-98).</p>	<p>15,105,000</p>
<p>\$17,275,000 General Obligation Bonds, series of 1998-99, payable in annual installments of \$590,000 to \$1,760,000 until July 1, 2015, interest at 7.5%.</p>	<p>16,685,000</p>
<p>\$1,210,000 series of 1998-99, payable in annual installments of \$205,000 to \$280,000 until 2004, interest fluctuating from 7.08% to 7.5%.</p>	<p>1,005,000</p>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

\$135,000 series of 1999-2000, payable in annual installments of \$25,000 to \$30,000 until 2004, interest at 7.5%.	\$ 110,000
\$1,700,000 series of 1999-2000, payable in annual installments from \$290,000 to \$390,000 until 2004, interest from 7.08% to 7.5%.	1,410,000
\$3,045,000 series of 1999-2000, payable in annual installments of \$525,000 to \$700,000 until July 1, 2004, interest fluctuating from 7.08% to 7.5%.	2,520,000
\$22,820,000 series of 2000-01, payable in annual installments of \$750,000 to \$2,385,000 until July 1, 2016, interest fluctuating from 5.88% to 8%.	22,820,000
\$2,765,000 series of 2000-01, payable in annual installments of \$40,000 to \$240,000 until July 1, 2025, interest fluctuating from 6.13% to 8%.	2,765,000
\$11,945,000 series of 2000-01, payable in annual installments of \$165,000 to \$1,040,000 until July 1, 2025, interest fluctuating from 6.13% to 8%.	<u>11,945,000</u> <u>134,535,000</u>

Notes Payable

\$4,520,000 note payable in annual installments of \$75,000 to \$485,000 until July 1, 2007, interest at 9%.	<u>2,590,000</u>
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Other Debts

\$314,128 final liquidation notified by the Municipal Revenue Collection Center (CRIM), year 1997-98, payable in monthly installments of \$7,999 until 2002, no interests.	163,608
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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

\$1,510,444 final liquidation notified by the Municipal Revenue Collection Center (CRIM), year 1998-99.	\$ <u>1,510,444</u>
	<u>1,674,052</u>
	<u>\$138,799,052</u>

The annual requirement for the amortization of general long-term at June 30, 2001, are as follows:

2002	\$ 8,979,810
2003	9,184,810
2004	9,539,810
2005	10,194,810
2006	8,384,812
2007-2011	31,700,000
2012-2016	42,240,000
2017-2021	12,445,000
2022-2026	<u>6,130,000</u>
	<u>\$138,799,052</u>

As described in Note 3, the Municipality levies an annual special tax of 1.48% of the assessed value of real property. The proceeds of this tax are required to be credited to the Debt Service Fund for payment of general obligation bonds and notes of the Municipality. The property taxes are collected and retained by the Government Development Bank.

15. PROPERTY TAXES

The Municipal Revenues Collection Center of the Commonwealth of Puerto Rico is responsible by law for the assessment, levy and collection of all real and personal property taxes. The tax on personal property is self assessed by the taxpayer. The assessment is made in a return which must be filed with the Municipal Revenues Collection Center by May 15 of each year. The tax on real property is assessed by the Municipal Revenues Collection Center. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of year 1957. The tax on personal property must be paid in full together with the

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

return on or before May 15. The tax on real property is due in two equal installments in July 1 and January 1, following the assessment date.

The rates are 8.31% for real property and 6.31% for personal property. The composition is as follows:

	<u>Real</u>	<u>Personal</u>
Basic property	6.00%	4.00%
Additional special property - state	1.03%	1.03%
Additional special property - municipal	1.48%	1.48%
Discounts made by state to tax payer	< <u>.20%</u> >	< <u>.20%</u> >
	<u>8.31%</u>	<u>6.31%</u>

The "Additional special property tax - municipal" is restricted for debt service and retained by the Government Development Bank for such purposes and it is recorded as revenue in the Debt Service Fund when collected by the Municipal Revenues Collection Center and reported to the Municipality.

The "Additional special property tax - state" is collected by the Municipal Revenue Collection Center for the payment of principal and interest of general obligation bonds and certain other obligations issued by the state government.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$15,000 of the assessed value. For such exempted amounts, the Department of Treasury assumes payment of the basic tax to the Municipality, except for property assessed at less than \$3,500, for which no payment is made. Revenue related to the basic tax on exempt property is recorded in the General Fund when payments are received from the Municipal Revenues Collection Center.

Complete exemption from personal property taxes up to an assessment of \$50,000 is granted to merchants with an annual volume of net sales less than \$150,000.

The Municipal Revenues Collection Center advances to the Municipality an estimated amount of the basic property tax levied on nonexempt property for each fiscal year. Advances are repaid through actual collections from the taxpayers. The Municipal

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Revenues Collection Center periodically informs the Municipality of the amounts collected and applied to outstanding advances. The basic property tax advanced by the Municipal Revenues Collection Center (nonexempt) is recorded as other financing sources in the Municipality's General Fund and as an obligation in the General Fund. To the extent that such taxes are collected and informed by the Municipal Revenues Collection Center, they are recorded in the General Fund as revenue and as due from the Municipal Revenues Collection Center. During the fiscal year ended June 30, 2001, transactions regarding property tax advances were as follows:

Due to the Municipal Revenues Collection	
Center June 30, 2000	\$ 1,503,097
Adjustment	48,890
Current year advances	(43,670,585)
Collection of property taxes	<u>47,103,600</u>
Due from the Municipal Revenues Collection	
Center, June 30, 2001	<u>\$ 4,985,002</u>

16. LEASES

Leasing Arrangement with the Municipality as Lessor:

- a. The Municipality leases spaces in its Market Place and Transportation center under operating lease agreements with terms ranging from one to five years.
- b. Total income from leases during the year ended June 30, 2001 was approximately \$1,631,210.
- c. The Municipality retains title to its leased property. The lessee pays taxes, licenses, insurance, and maintenance costs of the leased assets.

Leasing arrangements with the Municipality as lessee:

The Municipality is obligated under noncancellable operational leases, with periods not longer than one year.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

17. CONTINGENCIES

- a. The Municipality receives Federal Grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursements would not be material.
- b. The Municipality is a defendant and/or co-defendant in various lawsuits which claims for actual damages. Some of these lawsuits are covered by insurance. The Municipality's management and outside counsels believe that is probable that any potential liability that might exist, if any, in excess of the insurance, will not affect significantly the financial position of the Municipality.

18. COMMITMENTS

The Municipality of Bayamón had several outstanding or planned construction projects as of June 30, 2001. These projects are evidenced by contractual commitments with contractors. The construction projects are commitments of the Capital Projects' funds that amount to \$7,237,593.

19. FUND EQUITY (RESERVES AND DESIGNATIONS)

a. Reserve for Inventories

This amount represents the portion of fund balances that are not available for expenditures as the Municipality anticipated, utilizing the current balance in inventories within the next accounting cycle.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

b. Reserve for Encumbrances

This reserve represents the portion of purchase order and contracts awarded for which goods or services have not yet been received at June 30, 2001.

c. Reserve for Long-Term Portion of Notes Receivable

As mentioned in Note 6, the Municipality loaned various amounts to various institutions under the UDAG Program. A reserve has been established for the amount of the loan principal which is due for more than one year. This long-term portion represents fund balance that is not available to meet current expenditures.

20. BUDGETARY COMPARISONS

As described in Note 2, the statement of revenues and expenditures budget and actual was prepared in accordance with the budgetary basis. This method is not in accordance in some aspects with generally accepted accounting principles.

The principal difference between budgetary basis and generally accepted accounting principles, are as follows:

- a. The encumbrances are recorded as expenditures in the budgetary basis instead of as a reserve of the fund balance.
- b. The advances of property taxes are recorded as revenues in the budgetary basis instead as other financing sources, as required by generally accepted accounting principles.
- c. Under generally accepted accounting principles, the collection of property taxes through Municipal Revenue Collection Center is recorded as revenue and at the same time, such amount is recorded as expenditure and applied to previously advanced taxes when they are notified to the Municipality. In the budgetary basis, said revenues are recorded as revenues when the advances are received.
- d. Under generally accepted accounting principles, the principal and interests' payment of \$1,950,324 is recorded as expenditures in the Debt Service Fund. In the budgetary basis, only the expenditures related to general and special obligation bonds referred in note 14.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The necessary adjustments to reconcile the revenues and expenditures of the General Fund at the end of the year from the generally accepted accounting principles to budgetary basis, are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Generally accepted accounting principle basis	\$106,443,319	\$131,671,031
Plus current year encumbrances recorded as expenditures on the budgetary basis	-	3,478,694
Less prior year encumbrances & results recorded as expenditures on the GAAP basis	-	(1,891,574)
Plus advances of property taxes recorded as revenue on the budgetary basis	30,523,186	-
Less collection of property taxes (not exonerated), recorded previously as revenue by the Municipality when received and deducted from the advances payable to the Treasury Department	(34,005,091)	(30,523,186)
Plus transfer in-out	4,479,356	2,950,022
Less other funds not recorded on budgetary basis	(<u>17,990,197</u>)	(<u>14,867,152</u>)
Budgetary basis	<u>\$89,450,573</u>	<u>\$90,817,835</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The necessary adjustments to reconcile the revenues and expenditures of the Debt Service Fund of the year from the generally accepted accounting principles to budgetary basis are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Generally accepted accounting basis	\$13,656,688	\$14,070,051
Add: Transfer out to General Fund	-	627,287
Less: Transfer in from General Fund	<u>-</u>	(<u>1,950,324</u>)
Budgetary basis	<u>\$13,819,701</u>	<u>\$12,747,014</u>

The Municipality budget is amended by the majority vote of the Municipal Assembly. Said amendments are included in the budgetary basis.

21. SUBSEQUENT EVENTS

The New Governmental Financial Reporting Model

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved the issuance of the long-awaited statement on the financial reporting model project. GASB No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," makes dramatic changes to the way state and local governments report their finances to the public. Issuance of the statement is the culmination of an extended due process period, including the issuance of a preliminary view document and exposure draft and conducting public hearings and focus groups.

Under the new reporting model, general purpose governments must present the following basic financial statements and required supplementary information (RSI) to be in accordance with generally accepted accounting principles:

- a. Management's discussion and analysis.
- b. Government-wide financial statements.
- c. Fund financial statements.
- d. Notes to the financial statements.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF BAYAMÓN
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

- e. RSI, including budgetary comparison schedules, infrastructure condition data, and other data required by previous GASB pronouncements, if applicable.

The Statement will first be effective for governments with annual revenues exceeding \$100 million for fiscal years beginning after June 15, 2001; for those with revenues of \$10 million to \$100 million, years beginning after June 15, 2002; and for those with revenues of less than \$10 million, years beginning after June 15, 2003.

Gobierno Municipal de Bayamón

facsimile transmittal

02 OCT -3 PM 4:12

COMISION REGULACION E INTERVENCION

To: Sr. Raymond Vega Fax: (787) 282-0354
Oficina del Comisionado de Asuntos Municipales

From: Edimburgo Meléndez, Auditor Interno Date: 10/3/2002
Municipio de Bayamón

Re: PLAN DE ACCION Pages: 9
CORRECTIVA INFORME
SINGLE AUDIT 2000-01

CC:

- Urgent For Review Please Comment Please Reply Please Recycle

Notes:

Le enviamos copia del Plan de Acción Correctiva sometido al Cognizant or Oversight Agency for Audit. En este plan se detallan las acciones tomadas sobre los hallazgos detallados en el informe. Debemos aclarar que por razón desconocida no se proveyó la acción tomada sobre la situación de los activos fijos. Sin embargo, la acción correctiva de esta situación fue notificada mediante carta del 7 de mayo de 2002 dirigida al Sr. John H. Fisher, copia incluida.

Esperamos que con la información provista pueda cerrar nuestro expediente.

Estamos a sus ordenes para aclarar cualquier duda que tenga al respecto.



CORRECTIVE ACTION PLAN

November 2, 2001

Cognizant or oversight Agency for Audit:

Municipality of Bayamon respectfully submits the following corrective action plan for the year ended June 30, 2001.

Name and address of independent public accounting firm: Ortiz Cabrera & Co., Suite 152, P O Box 70250, San Juan, Puerto Rico 00936-7250.

Audit period: Fiscal year ended June 30, 2001.

The finding from the June 30, 2001 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FEDERAL AWARD PROGRAM AUDITS, DEPARTMENT OF HEALTH AND HUMAN SERVICES**Finding 01-1: Head Start – CFDA No. 93.600**

Reportable Condition: See Condition 01-1

Recommendation

The federal program should improve the process of complete the financial information, in order to realize the reports and it will be sent on time.

Action Taken

The Financial Status Report was sent after thirty days because on June 26, 2001 we requested an extension to our Regional Office in New York and that extension was approved.

Corrective Action Plan
November 2, 2001
Page 2

Finding 01-2: Economic Development Initiative – CFDA No. 14.246

Reportable Condition: See Condition 01-2

Recommendation

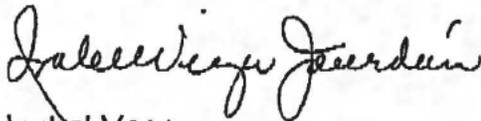
We recommend the program that avoid to maintain high cash balances on bank.

Action Taken

PROGRAM	FINDING/NONCOMPLIANCE	STATUS
Initiative HUD- Disaster Recovery Hurricane Hortencse 1997	One of the divisions that had an assigned budget from this grant cancelled one of their activities after the funds had been drawn. They did not notify the Administration Office about the cancellation of the activity. As it was not Known what the money pertained to it remained in the bank account without being able to take action. This has now been clarified and the balance has been lowered.	An Administrative Memorandum will be issued to all Municipal offices that deal with funds from this program notifying them that before cancelling, transferring or amending the proposed use of said funds they must notify the Administration Office in writing so that the proper procedures be carried out.

If the Cognizant or Oversight Agency for Audit has questions regarding this plan, please call Isabel Vega at (787) 785-6360.

Sincerely yours,



Isabel Vega
Finance Director



May 7, 2002

Mr. John H. Fisher
 Manager
 National External Audit Review Center
 Office of Audit Resolution and Cost Policy
 Department of Health and Human Services
 Room 522E, Humphrey Building
 200 Independence Avenue, S.W.
 Washington, DC 20201

MUNICIPALITY OF BAYAMON
CIN A-02-02-69759

File Auditoria

Dear Mr. Fisher:

Regarding your letter dated February 22, 2002, but received by fax May 6, 2002, related to findings and recommendations on the Audit Report submitted by Ortiz, Cabrera and Company, Certified Public Accountants, for the period ended June 30, 2000, we have the following comments:

<i>Recommendation Code</i>	<i>Page</i>	<i>Amount</i>	<i>Resolution Agency</i>	<i>Recommendation</i>	<i>Comments and Information</i>
009901100	6	N/A	HHS/OARCP	Expenditures Exceed Revenues. We recommend procedures be developed and implemented to ensure expenditures do not exceed available funds.	Expenditures do not exceed revenues. The way our Municipality recognizes income and the difference in accounting periods between our government and the Federal Government may cause this impression. We use a modified accrual basis in which income is recognized in the period that they are received and expenses when they incurred. Our fiscal year started at July 1999 and ended in June 2000, yours started in October and ended in September.



Municipality of Bayamón
CIN A-02-02-69759

<i>Recommendation Code</i>	<i>Page</i>	<i>Amount</i>	<i>Resolution Agency</i>	<i>Recommendation</i>	<i>Comments and Information</i>
220202100	41	N/A	HHS/OARCP	Property and Equipment. We recommend procedures be developed and implemented to ensure 1) a periodic physical inventory is conducted in accordance with Federal Regulations and 2) property and equipment records are complete, accurate, and reconciled to the physical inventory.	On July 2001 our Municipality contracted Mr. Jorge L. Torres a Certified Public Accountant to evaluate the process of inventory control and to create a computerized registry of our property. Once the records are complete and accurate we will perform the reconciliation with the physical inventories taken. This procedure is being conducted in order to comply with Federal Regulations, Local Government Laws and Regulations and GASB Statement No. 34.
220901100	41	N/A	HHS/OARCP		
	45	N/A	Footnote A	00-1. Ryan White Program- Federal Cash Transactions Report Not Timely. Footnote A: This finding and related recommendation has not been identified for formal Federal resolution by HHS. Appropriate corrective action should be taken by Municipality of Bayamón, as recommended by	The Program Director has established a schedule with the dates in which reports are due in order to comply with program requirements. This condition has been corrected as determined by the Single Audit performed for the period ended on June 30, 2001, which did not reflect the previous condition.

Municipality of Bayamón
CIN A-02-02-69759

<i>Recommendation Code</i>	<i>Page</i>	<i>Amount</i>	<i>Resolution Agency</i>	<i>Recommendation</i>	<i>Comments and Information</i>
				the auditors. This action could involve necessary financial adjustments to Federal program accounts and reports.	

If you need additional information, please contact our office at (787) 786-7117 or 269-4840.

Cordially,



Edimburgo Meléndez
Director
Internal Audit Office

C: Hon. Ramón Luis Rivera, Mayor
Mr. Angel R. Marrero, Executive Assistant
Mrs. Isabel Vega Jourdan, Finance Director



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

OPTIONAL FORM NO (7-99)

FAX TRANSMITTAL

5/6/02
of pages = 3

To <i>Israel Vega</i>	From <i>Ann Russo</i>
Dept./Agency <i>Municipality of Bayamon</i>	Phone # <i>202-401-2755</i>
Fax # <i>787-787-3955</i>	Fax # <i>202-401-2814</i>

NSN 7540-01-217-7308 5010-101 GENERAL SERVICES ADMINISTRATION

National External Audit Review Center
Lucas Place, Room 514
323 West 8th Street
Kansas City, Missouri 64108

FEB 22 2002

CIN A-02-02-69759

MUNICIPAL ASSEMBLY
MUNICIPALITY OF BAYAMON
BOX 1588
BAYAMON, PUERTO RICO 00960

*Fax 202-401-2814
office of*

Dear Assembly Members:

We have received the audit report on the Municipality for the period July 1, 1999 through June 30, 2000. The audit was performed by ORTIZ, CABRERA AND COMPANY, Certified Public Accountants. Results of the review by the Federal cognizant agency, the Department of Housing & Urban Development, have not been received. You will receive a separate letter if the cognizant agency indicates the audit did not fully meet Federal requirements.

For your convenience, the findings and recommendations are summarized in Attachment A and identified by Federal department responsible for resolution. Final determinations with respect to actions to be taken on Department of Health and Human Services (HHS) recommendations will be made by the following HHS resolution official. Please respond to the HHS resolution official at the following address within 30 days from the date of this letter:

HHS RESOLUTION OFFICIAL

Office of Audit Resolution and Cost Policy
Department of Health and Human Services
Room 522E, Humphrey Building
200 Independence Avenue, S.W.
Washington, DC 20201

Enviar a esta direccion

Your written response may consist of: (1) any comments or additional information that you believe may have a bearing on the final determination of actions to be taken with respect to the HHS recommendations, (2) an update of comments submitted with the report or (3) confirmation that your previous comments and corrective action plan remain unchanged for the recommendations summarized in Attachment A. The above common identification number (CIN) should be referenced in all correspondence relating to this report. All correspondence, including requests for additional time to prepare your response, should be submitted to the HHS resolution official address. Please do not send your comments or requests to the Lucas Place address.

File Auditoria

MAY 6 2002 2:53PM DW -DAR

NO. 687 P. 2/3

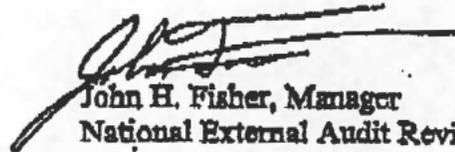
CIN A-02-02-69759 - Page 2

Please include your Entity Identification Number with all future audit reports.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), reports issued on the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5 Section 5.21 of the Department's Public Information Regulations.)

If you have any questions, please contact our office at (816) 374-6714.

Sincerely,



**John H. Fisher, Manager
National External Audit Review Center**

Attachment

ATTACHMENT A

Page 1 of 1

CIN A-02-02-69739

Recommendation Codes	Page	Amount	Resolution Agency	Recommendations
009901100	6	N/A	HHS/OARCP	Expenditures Exceeded Revenues. We recommend procedures be developed and implemented to ensure expenditures do not exceed available funds.
220202100	41	N/A	HHS/OARCP	Property and Equipment. We recommend procedures be developed and implemented to ensure 1) a periodic physical inventory is conducted in accordance with Federal regulations and 2) property and equipment records are complete, accurate, and reconciled to the physical inventory.
220901100	41	N/A	HHS/OARCP	00-1. Ryan White Program - Federal Cash Transactions Report Not Timely.
#	#	#	Footnote A	Footnote A: This finding and related recommendation has not been identified for formal Federal resolution by HHS. Appropriate corrective action should be taken by Municipality of Bayamon, as recommended by the auditors. This action could involve necessary financial adjustments to Federal program accounts and reports.