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AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL
AREA DE ARCHIVO DIGITAL

MUNICIPIO DE GUAYNABO
AUDITORIA 2004-2005
30 DE JUNIO DE 2005

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO**

**BASIC FINANCIAL STATEMENTS
with Independent Auditor's Report Thereon
June 30, 2005**

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 GUAYNABO
FOR THE YEAR ENDED JUNE 30, 2005**

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COMMONWEALTH OF PUERTO RICO

MUNICIPALITY OF GUAYNABO

PART I

FINANCIAL SECTION

ORTIZ, RODRIGUEZ, RIVERA & CO.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Municipal Legislature
Municipality of Guaynabo
Guaynabo, Puerto Rico

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Municipality of Guaynabo, as of and for the year ended June 30, 2005, which collectively comprise the Municipality's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Municipality of Guaynabo as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparison for the general and debt service funds, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

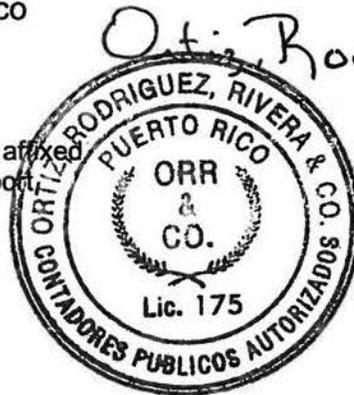
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Municipality. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Juan, Puerto Rico
December 21, 2005

The stamp 2115858 was affixed
to the original of this report.



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Municipality of Guaynabo of the Commonwealth of Puerto Rico (the "Municipality") provides this *Management's Discussion and Analysis* of the Municipality's basic financial statements as an overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Municipality's has reported assets and net assets amounting to \$1,132,021,262 and \$760,695,276 respectively, in the accompanying statement of net assets, of which the most significant assets are capital assets, net from accumulated depreciation, amounting to \$972,232,530 (86 percent of total Municipality's assets).
- The Municipality has reported total liabilities amounting to \$371,325,986 in the accompanying statement of net assets, of which the most significant liabilities are bonds, notes and other long-term debt amounting to \$294,247,075 (79 percent of total liabilities). Such amount includes capital leases amounting \$43,456,331 and the landfill obligation for closing costs and postclosing care cost amounting \$18,294,638. Actually, the Municipality evaluates proposals for expansion of the landfill in order to extent the useful life for a 10 to 15 years approximately.
- The Municipality has reported total revenues amounting to \$152,216,527 in the accompanying statement of activities, of which property taxes and municipal licenses were the most significant revenues amounting to \$56,614,133 (37 percent of total revenues) and \$39,113,064 (26 percent of total revenues), respectively.
- The Municipality has reported a net change in net assets (deficiency) amounting to (\$16,726,894) in the accompanying statement of activities. Notwithstanding, the Municipality has reported an excess of revenues and other sources over expeditures and other uses, in the accompanying statement of revenues, expenditures, and changes in fun balances-governmental funds, amounting to \$10,314,595. Of whith amount \$446,431 correspond to the General Fund, \$13,779,572 correspond to Other Governmental Funds and a deficiency of revenues over expenditures amounting to \$3,911,408 corresponding to Debt Service Fund.

- The Municipality's governmental funds reported combined ending fund balances of \$95,841,057 of which \$64,636,337 (67 percent) represent the fund balance of the Capital Project Fund.
- The Municipality has reported unreserved fund balance for the general fund amounting to \$8,067,830.
- **As a significant fact, the Municipality's outlays for capital projects during the year amounted \$3,200,000 from general funds while the loan proceeds for such purposes amounted only \$20,636,517. Such outlays over financing sources were the principal reason of the deficiency in the governmental funds.**
- During the fiscal year 2004-2005, the Municipality of Guaynabo obtained loans from Governmental Development Bank amounting to \$39,806,000 5,960,000 of which \$33,846,000 (85 percent) were obtained invest in capital projects, while \$5,960,000 (15 percent) were obtained to payment of debt.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Municipality's financial statements include three components: (1) the government-wide financial statements, (2) the fund financial statements, and (3) the notes to the financial statements (collectively known as the basic financial statements). This report also contains additional required supplementary information (budgetary schedules) and other supplementary information (combining financial statements) in addition to the basic financial statements themselves. These components are described below:

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Municipality's operations and finance as a whole in a manner similar to private-sector business. These statements provide short-term and long-term information about the Municipality's financial position, which assist the Municipality's management to determine the economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means that these financial statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year ended June 30, 2005 even if cash involved have not been received or paid. The government-wide financial statements include: (1) the statements of net assets and (2) the statement of activities.

Statement of Net Assets

The statement of net *assets* presents all of the Municipality's assets and liabilities, with the difference between these two items reported as "net assets" (equity). Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Municipality is either improving or deteriorating.

Statement of Activities

The statement of activities presents information showing how the Municipality's net assets changed during the fiscal year ended June 30, 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Municipality.

Both of the abovementioned financial statements present all the governmental activities of the Municipality, which consist mostly by taxes and intergovernmental revenues (such as federal grants). Most services provided by the Municipality fall into this category, including culture and education, general government, health and sanitation, public safety, public housing and welfare, etc.

Fund Financial Statements

The Municipality's fund financial statements, which consist of: (1) the balance sheet – governmental funds and (2) the statement of revenues, expenditures and changes in fund balances – governmental funds. These financial statements report the financial position and results of operations of the Municipality's governmental funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Municipality, like most other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each fund is considered an independent fiscal entity accounted for within a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial and contractual provisions.

The fund financial statements focus on: (1) individual parts of the Municipality's government and (2) reporting the Municipality's operations in more detail than the government-wide financial statements. For financial reporting purposes, the Municipality classifies its funds within the following fund categories: (1) general fund, (2)

debt service fund, (3) special revenue funds and (4) capital projects funds (collectively known as the "governmental funds").

Governmental funds are used to account for all of the services provided by the Municipality. Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year (June 30, 2005). This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Municipality's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Municipality, that is, evaluating the Municipality's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the fund information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Municipality's near-term financial decisions.

For financial reporting purposes the Municipality has two major funds: (1) the general fund and (2) the debt service fund.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information consisting of: (1) a combining financial statements referred in connection to nonmajor governmental funds is presented, and (2) a budgetary comparison between actual operating results with the original budget and the final amended budget for the general fund.

Government-wide Financial Statements Summary

As noted earlier, net assets may serve over time as a useful indicator of the Municipality's financial position. In the case of the Municipality, assets exceeded liabilities by \$760,695,276 at June 30, 2005.

As previously discussed, by far the largest portion of the Municipality's net assets reflect its investment in capital assets (e.g., land, buildings, machinery, equipment and all other property), less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following is a condensed presentation of the Municipality's financial position and results of operations, as reported in the government-wide financial statements:

Condensed Statement of Net Assets:

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Current assets	\$ 154,975,830	\$ 159,788,732
Capital assets	<u>962,038,468</u>	<u>972,232,530</u>
Total assets	<u>\$1,117,014,298</u>	<u>\$1,132,021,262</u>
Current liabilities	85,710,329	87,861,951
Non-current liabilities	<u>253,881,799</u>	<u>283,464,035</u>
Total liabilities	<u>339,592,128</u>	<u>371,325,986</u>
Net assets/(liabilities):		
Invested in capital assets, net of related debt	786,533,468	770,676,030
Restricted	60,512,848	69,649,801
Unrestricted	<u>(69,624,146)</u>	<u>(79,630,555)</u>
Total net assets	<u>\$ 777,422,170</u>	<u>\$ 760,695,276</u>

An additional portion of the Municipality's net assets (3 percent) represents resources that are subject to restrictions on how they may be used. At the end of the current fiscal year, the Municipality has reported positive balances in two categories of net assets.

**Condensed Statement of
Activities:**

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9,958,444	\$ 9,079,249
Operating grants and contributions	16,858,096	18,967,118
General revenues:		
Property taxes	58,751,335	56,614,133
Municipal license taxes	39,257,658	38,660,371
Others	<u>24,942,278</u>	<u>27,970,736</u>
Total revenues	<u>149,767,811</u>	<u>151,291,607</u>
 Expenses:		
General government	57,554,873	64,486,840
Public safety	7,506,760	10,537,382
Health and sanitation	22,613,788	27,528,521
Economic development	21,917,587	32,905,819
Culture and education	9,778,938	14,817,369
Public housing and welfare	7,292,387	3,769,822
Interest	<u>11,745,201</u>	<u>13,972,748</u>
Total expenses	<u>138,409,534</u>	<u>168,018,501</u>
 Net increase in net assets	 11,358,277	 (16,726,894)
 Net assets - at beginning of year	 <u>766,063,893</u>	 <u>777,422,170</u>
Net assets - at end of year	<u>\$ 777,422,170</u>	<u>\$ 760,695,276</u>

Fund Financial Statements Summary

As discussed earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Municipality's *governmental funds* is to provide information on near-term inflows, outflows, and balance of *spendable resources*. Such information is useful in assessing the Municipality's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of fiscal year. The following is a condensed presentation of the Municipality's balance sheet and results of operations of governmental funds:

Condensed Balance Sheet - Governmental Funds:

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Total Assets - Major Funds	\$ 92,078,056	\$ 86,958,064
Total Assets - Nonmajor Funds	<u>71,327,931</u>	<u>82,708,191</u>
Total assets	<u>163,405,987</u>	<u>169,666,255</u>
Total Liabilities - Major Funds	58,139,570	56,484,555
Total Liabilities - Nonmajor Funds	<u>19,739,955</u>	<u>17,340,643</u>
Total liabilities	<u>77,879,525</u>	<u>73,825,198</u>
Fund Balances - Major Funds	33,938,486	30,473,509
Fund Balances - Nonmajor Funds	<u>51,587,976</u>	<u>65,367,548</u>
Total net assets	<u>\$ 85,526,462</u>	<u>\$ 95,841,057</u>

Condensed Statement of Operations - Governmental Funds:

Total Revenues - Major Funds	\$ 128,870,167	\$ 126,570,916
Total Revenues - Nonmajor Funds	<u>21,245,391</u>	<u>25,645,611</u>
Total revenues	<u>150,115,558</u>	<u>152,216,527</u>
Total expenditures - Major Funds	119,788,695	139,738,179
Total expenditures - Nonmajor Funds	<u>40,394,170</u>	<u>41,969,753</u>
Total expenditures	<u>160,182,865</u>	<u>181,707,932</u>
Other financing sources (uses) Mayor	602,816	9,702,286
Other financing sources (uses) Non-Mayor	6,802,184	30,103,714
Revenues Over Expenses - Major	9,684,288	(3,464,977)
Revenues Over Expenses - Nonmajor	<u>(12,346,595)</u>	<u>13,779,572</u>
Total net assets	<u>\$ (2,662,307)</u>	<u>\$ 10,314,595</u>

Financial Contact

The Municipality's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability. If you have questions about the report or need additional financial information, contact the Municipality's Chief Financial Officer on the 2nd floor of the Guaynabo City Hall, Guaynabo, Puerto Rico.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
STATEMENT OF NET ASSETS
JUNE 30, 2005**

<u>Assets</u>	<u>Governmental Activities</u>
Cash and cash equivalent (Note 2)	\$ 55,633,124
Cash with fiscal agent (Note 2)	90,808,329
Accounts receivable:	
Property taxes	1,016,182
Municipal license taxes (Note 7)	1,713,555
Interests	429,654
Construction excise taxes	782,084
Licenses and permits	1,394,545
Landfill	360,240
Due from other agencies (Note 8)	7,651,019
Capital assets, net (Note 10)	<u>972,232,530</u>
 Total assets	 <u>\$ 1,132,021,262</u>
 <u>Liabilities and Net Assets</u>	
Liabilities	
Accounts payable and accrued liabilities	\$ 7,161,658
Due to other agencies (Note 11)	9,311,691
General obligations:	
Bonds	6,060,000
Interest	3,574,750
Deferred revenues (Note 12):	
Municipal license tax	34,979,717
Federal government	2,886,029
Accrued interest	11,870,860
Claims and judgements	1,234,206
Noncurrent liabilities (Note 14):	
Due within one year	10,783,040
Due in more than one year	283,464,035
Total liabilities	<u>371,325,986</u>
Net Assets	
Investment in capital assets, net of related debt	770,676,030
Restricted for:	
Debt service	5,013,464
Capital projects	64,636,337
Unrestricted	<u>(79,630,555)</u>
 Total net assets	 <u>\$ 760,695,276</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General government	\$ 64,486,840	\$ 9,079,249	\$ -	\$ (55,407,591)
Public safety	10,537,382			(10,537,382)
Public housing and welfare	3,769,822		2,540,955	(1,228,867)
Culture and education	14,817,369		10,901,338	(3,916,031)
Health and sanitation	27,528,521			(27,528,521)
Economic development	32,905,819		5,524,825	(27,380,994)
Interest on long-term debt	13,972,748			(13,972,748)
Total	<u>\$ 168,018,501</u>	<u>\$ 9,079,249</u>	<u>\$ 18,967,118</u>	<u>(139,972,134)</u>
 General revenues:				
Property taxes				56,614,133
Municipal license tax				38,660,371
Grants and contributions not restricted to specific programs				14,716,669
Interest, fines and penalties				5,834,066
Miscellaneous				7,420,001
Total general revenues				<u>123,245,240</u>
Change in net assets				(16,726,894)
Net assets at beginning of year				<u>777,422,170</u>
Net assets at end of year				<u>\$ 760,695,276</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2005**

<u>Assets</u>	<u>General</u>	<u>Workforce Investment Act Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents (Note 2)	\$45,286,362	\$ 4,590	\$ -	\$ 10,342,172	\$ 55,633,124
Cash with fiscal agent (Note 2)	5,904,503		13,632,032	71,271,794	90,808,329
Accounts receivable:					
Property taxes			1,016,182		1,016,182
Municipal license taxes (Note 7)	118,617				118,617
Interest	429,654				429,654
Due from other agencies (Note 8)	5,088,057	1,817,233		745,729	7,651,019
Due from other funds (Note 9)	13,660,834			348,496	14,009,330
Total assets	<u>\$70,488,027</u>	<u>\$ 1,821,823</u>	<u>\$ 14,648,214</u>	<u>\$ 82,708,191</u>	<u>\$ 169,666,255</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2005**

<u>Liabilities and Fund Balance</u>	<u>General</u>	<u>Workforce Investment Act Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities					
Account payable and accrued liabilities	\$ 2,898,107	\$ 950,354	\$ -	\$ 1,344,479	\$ 5,192,940
Due to other funds (Note 9)	348,496	88,378		13,572,456	14,009,330
Due to other agencies (Note 11)	5,877,456	273,944		46,826	6,198,226
General obligations:					
Bonds			6,060,000		6,060,000
Interest			3,574,750		3,574,750
Deferred revenues: (Note 12)					
Municipal license tax	34,979,717				34,979,717
Federal government		509,147		2,376,882	2,886,029
Claims and judgements	924,206				924,206
Total liabilities	<u>45,027,982</u>	<u>1,821,823</u>	<u>9,634,750</u>	<u>17,340,643</u>	<u>73,825,198</u>
Fund Balances					
Reserved for:					
Encumbrances	17,392,215				17,392,215
Debt service			5,013,464		5,013,464
Capital projects				64,636,337	64,636,337
Unreserved fund balance	8,067,830			731,211	8,799,041
Total fund balance	<u>25,460,045</u>	<u>-</u>	<u>5,013,464</u>	<u>65,367,548</u>	<u>95,841,057</u>
Total liabilities and fund balance	<u>\$ 70,488,027</u>	<u>\$ 1,821,823</u>	<u>\$ 14,648,214</u>	<u>\$ 82,708,191</u>	<u>\$ 169,666,255</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total fund balances - governmental funds	\$ 95,841,057
Amounts reported for governmental activities in the statement of net assets are different because:	
• Capital assets, net used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	972,232,530
• Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 4)	(311,510,118)
• Some of the Municipality's tax and other revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures.	<u>4,131,807</u>
Net assets of governmental activities	<u>\$ 760,695,276</u>

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

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ORTIZ, RODRIGUEZ, RIVERA & CO.

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General	Workforce Investment Act Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes (Note 6)	\$ 43,411,116	\$ -	\$ 13,203,017	\$ -	\$ 56,614,133
Municipal license taxes (Note 7)	39,113,064				39,113,064
Licenses and permits	7,736,344				7,736,344
Charges for service and rents	1,815,132				1,815,132
Intergovernmental revenues (Note 13):					
Federal grants and contributions		3,955,252		15,011,866	18,967,118
State contributions	7,848,328			6,868,341	14,716,669
Interest, fines, and penalties	1,840,732		227,930	3,765,404	5,834,066
Other revenues	7,420,001				7,420,001
Total revenues	<u>109,184,717</u>	<u>3,955,252</u>	<u>13,430,947</u>	<u>25,645,611</u>	<u>152,216,527</u>
EXPENDITURES					
Current:					
General government	60,704,701				60,704,701
Public safety	10,418,513				10,418,513
Public housing and welfare	702,032			3,023,128	3,725,160
Economic development	13,444,649			11,368,245	24,812,894
Health and sanitation	27,379,259				27,379,259
Culture and education	3,871,499	3,955,252		6,941,863	14,768,614
Capital outlays				20,636,517	20,636,517
Debt service:					
Principal retirement			8,055,915		8,055,915
Interest and other			11,206,359		11,206,359
Total expenditures	<u>116,520,653</u>	<u>3,955,252</u>	<u>19,262,274</u>	<u>41,969,753</u>	<u>181,707,932</u>
Deficiency of revenues over expenditures	<u>(7,335,936)</u>	<u>-</u>	<u>(5,831,327)</u>	<u>(16,324,142)</u>	<u>(29,491,405)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	5,960,000			33,846,000	39,806,000
Transfers in	8,072,734		6,228,181	541,267	14,842,182
Transfers out	<u>(6,250,367)</u>		<u>(4,308,262)</u>	<u>(4,283,553)</u>	<u>(14,842,182)</u>
Total other financing sources (uses)	<u>7,782,367</u>	<u>-</u>	<u>1,919,919</u>	<u>30,103,714</u>	<u>39,806,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	446,431	-	(3,911,408)	13,779,572	10,314,595
FUND BALANCE AT BEGINNING OF YEAR	<u>25,013,614</u>		<u>8,924,872</u>	<u>51,587,976</u>	<u>85,526,462</u>
FUND BALANCE AT END OF YEAR	<u>\$ 25,460,045</u>	<u>\$ -</u>	<u>\$ 5,013,464</u>	<u>\$ 65,367,548</u>	<u>\$ 95,841,057</u>

*Ortiz Rodriguez
Rivera & Co.*

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ 10,314,595

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

- Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 20,636,517
- Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (10,442,455)
- Governmental funds report issuance of long-term debt as other financial sources because provides current financial resources. (39,806,000)
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. (924,920)
- Governmental funds report principal payments on long-term obligations as expenditures, whereas the principal payments reduces the long-term obligations in the statement of activities. 8,055,915
- Change in accrued interest expense which does not require the use of current financial resources. (2,766,389)
- Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds:
 - CRIM (3,113,465)
 - Landfill obligation (26,053)
 - Accrued vacations and bonus (8,832)
 - Claims and judgments (310,000)
 - Compensated absences (932,876)
 - Capital leases 2,597,069

Changes in net assets of governmental activities \$ (16,726,894)

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
STATEMENT OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES-BUDGET AND ACTUAL-GENERAL AND DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General Fund				Debt Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Property taxes	\$ 42,457,213	\$ 43,411,116	\$ 43,411,116	\$ -	\$ 12,554,812	\$ 12,554,812	\$ 13,430,947	\$ 876,135
Municipal license taxes	40,257,500	39,075,445	39,200,788	125,343				
Licenses and permits	4,405,100	7,573,337	7,736,344	163,007				
Charges for services and rent	3,324,702	3,136,969	3,315,131	178,162				
Intergovernmental revenues:								
State contributions	7,820,460	7,862,712	7,862,712	-				
Interest, fines and penalties	1,671,925	3,001,754	3,129,133	127,379				
Other revenues	63,000	13,681,833	17,465,063	3,783,230				
Total revenues	99,999,900	117,743,166	122,120,287	4,377,121	12,554,812	12,554,812	13,430,947	876,135
EXPENDITURES								
Current:								
General government	55,073,569	64,723,382	61,593,407	3,129,975				
Public safety	7,644,395	10,767,759	10,451,641	316,118				
Public housing and welfare	718,181	747,014	718,727	28,287				
Economic development	8,853,191	14,953,645	14,282,939	670,706				
Health and sanitation	25,711,141	29,088,043	28,238,219	829,824				
Culture and education	1,999,423	4,721,417	3,957,030	764,387				
Debt service:								
Principal					5,460,000	5,460,000	8,055,915	2,595,915
Interest					7,094,812	7,094,812	11,206,359	4,111,547
Total expenditures	99,999,900	124,981,260	119,241,963	5,739,297	12,554,812	12,554,812	19,262,274	6,707,462
OTHER FINANCING SOURCES								
Reprogramming funds		7,238,094	7,238,094	-				
Excess of revenues over expenditures	\$ -	\$ -	\$ 10,116,418	\$ 10,116,418	\$ -	\$ -	\$ (5,831,327)	\$ (5,831,327)

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. ORGANIZATION

The Municipality of Guaynabo, Puerto Rico (the "Municipality"), is a local government constituted with full legislative and administrative faculties in every affair of municipal character, with perpetual succession existence and legal identity, separate and independent from the central government of the Commonwealth of Puerto Rico. The Municipality provides a full range of services including: public safety, public works, culture, recreation, health and welfare, education and other miscellaneous services.

The Municipal Government comprises the executive and legislative branches. The executive power is exercised by the Mayor and the legislative by the Municipal Legislature, 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 accompanying financial statements of the Municipality have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial information of the Municipality is presented in this report as follows:

- **Management's Discussion and Analysis** - Introduces the basic financial statements and provides an analytical overview of the Municipality's financial activities.
- **Government - Wide Financial Statements** - This reporting model includes financial statements prepared using full accrual of accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).
- **Statement of Net Assets** - The statement of net assets is designed to display the financial position of the Municipality, including capital assets and infrastructure. The net assets of the Municipality will be broken down into three categories; invested in capital assets, net of related debt; restricted; and unrestricted.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

- **Statement of Program Activities** - The new government - wide statement of activities report expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function.
- **Budgetary comparison schedules** - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Under the new reporting model, the Municipality will continue to provide budgetary comparison information in their financial statements. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

The following is a summary of the more significant policies.

a. Reporting Entity

In evaluating how to define the Municipality for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of Statement No. 14, "The Financial Reporting Entity", of the GASB. The basic, but not the only criterion for including a potential component unit within the reporting entity is if elected officials of a primary government appoints a voting majority of the entity's governing body, and if either one of the following conditions exist: the primary government can impose its will on the other entity or the potential exist for the other entity to (1) provide specific financial benefits to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is if the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. GAAP details two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Municipality's balances and transactions or discrete presentation of the component units' financial data in columns separate from the Municipality's balances and transactions. Based on the aforementioned criteria, the Municipality has no component units.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the activities of the Municipality. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements segregate transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

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

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the current period or soon enough thereafter. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Municipality reports the following major governmental funds:

1) General Fund

This is the operating fund of the Municipality and accounts for all financial resources, except those required to be accounted for in another fund.

2) Debt Service Fund

This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

3) Workforce Investment Act Fund

This fund accounts for revenue sources to help people access the tools they need to manage their careers through information and high quality services and to help companies find skilled workers.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Private-section standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, licenses, permits, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

d. Cash, Cash Equivalents, and Cash with Fiscal Agent

The Municipality's Finance Director is responsible for investing available resources. The Municipality is restricted by law to invest only in savings accounts and certificates of deposit with banks qualified as a depository of public funds by the Puerto Rico Treasury Department (PRTD) or in instruments of the Government Development Bank for Puerto Rico (GDB). The Municipality's policy is to invest any excess cash in certificates of deposits with institutions qualified by the PRTD. Earnings from these funds are recorded in the corresponding fund.

Cash with fiscal agent in the other governmental funds consist of unused proceeds from appropriations from the Legislature of Puerto Rico, for the payment of current liabilities, and bonds and notes issued for the acquisition and construction of major capital improvements. Cash with fiscal agent in the debt service fund represents special additional property tax collections retained by the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service, as established by law.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The Municipality considers all certificates of deposit with an original maturity of three months or less to be cash equivalents.

e. Landfill Closure and Postclosure Care Costs

Landfill Closure and Postclosure Care Costs are accounted for under the provisions of Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, issued by the Governmental Accounting Standards Board (GASB 18).

According to GASB 18, the estimated liability for solid waste landfill closure and postclosure care costs (including monitoring and maintenance) include an estimate of all costs to be incurred near or after the close of the Municipality's solid waste landfill under the accrual basis of accounting. In the accompanying government-wide statement of net assets, this liability is recognized over the useful life of the landfill, even though such costs will only be incurred, by definition, near or after the close of the landfill. The estimates of closing and postclosing costs are made using current costs (costs that would be incurred if the closing date of the landfill would have been June 30, 2005). The liability is adjusted annually to reflect the effects of inflation, advances in technology, changes in regulations or similar changes.

At the fund level, landfill closure and postclosure care costs are recorded in the accompanying statement of revenues, expenditures and changes in fund balances – governmental funds as expenditures in the accounting period in which the liability is incurred.

f. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

g. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In the accompanying government-wide statement of net assets, all individual capital assets over the threshold amount of \$1,000 have been capitalized and depreciated. Depreciation in capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Buildings, structure, and improvements	50 years
Public domain infrastructure	50 to 60 years
System infrastructure	50 years
Motor vehicles	8 to 10 years
Office furniture, equipment, and fixtures	5 to 20 years
Computer equipment and software	5 years

h. Reservation of Fund Balance

Reservations of fund balance represent portions of fund balances that are legally segregated for a specific future use or are not appropriated for expenditure. The Municipality has the following reservations of fund balance:

1) Encumbrances

Represent future expenditures under purchase orders, contracts and other commitments. These committed amounts generally will become liabilities in future periods as the goods or services are received.

2) Debt Service

Represents net assets available to finance future debt service payments.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

3) Capital Project Fund

Represents the reservation of amounts to be used for future expenditures for capital projects under contracts and other commitments. The committed amounts generally will become liabilities in future periods as the projects are completed.

i. Risk Financing

The Municipality carries insurance to cover casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the municipalities of Puerto Rico. Cost of insurance allocated to the Municipality and deducted from the gross property tax collections by the Municipal Revenue Collection Center (the "CRIM") for the year ended June 30, 2005 amounted to approximately \$1.0 million. The current insurance policies have not been cancelled or terminated. The CRIM also deducted approximately \$1.7 million for workers compensation insurance covering all municipal employees.

j. Compensated Absences

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.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

k. Future Adoption of Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following statements that the Municipality has not yet adopted:

<u>Statement Number</u>	<u>Statement Name</u>	<u>Adoption Required in Fiscal Year</u>
43	Financial Reporting for Post-employment Benefit Other than Pension Plans	2005-06
44	Economic Condition Reporting: The Statistical Section - an amendment on NCGA Statement I	2005-06
45	Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions	2009-10
46	Net Assets Restricted by Enabling Legislation - an amendment of GASB Statement No. 34.	2005-06
47	Accounting for Termination Benefits	2005-06

The impact of these statements on the Municipality's financial statement has not yet been determined.

l. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. The most significant estimates consist of the contribution received from the Puerto Rico Electric Power Authority and the Municipal Revenue Collection Center caused by the delay of the

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

notification of the actual revenues and expenditures to the presented in the financial statements of the agencies mentioned above.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Control

The Municipality's annual budget is prepared on the budgetary basis of accounting, which is not in accordance with GAAP, and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Municipal Legislature. Transfers of appropriations within the budget, known as Mayor's Resolutions, do not require the approval of the Municipal Legislature.

The Municipality prepares its annual budget including the operations of the general and the debt service funds.

Revenues and Expenditures - Budget and Actual (Budgetary Basis), accordingly, includes only the operations of the general and the debt service funds. The amounts budgeted under the Special Revenue Fund were excluded since they are received and expended over a period of time which generally exceeds the current year.

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at 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.

The unencumbered balance of any appropriation at the end of the fiscal year will lapse at the end of such fiscal year. Other appropriations, mainly capital project appropriations, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

b. Budget/GAAP Reconciliation

The following schedule presents comparisons of the legally adopted budget with actual data on a budget basis. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of entity and timing differences in the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2005 is presented below for the general fund and debt service funds:

	General Fund	Debt Service Fund
Excess (deficiency) of revenues over (under) expenditures - budgetary basis	\$ 10,116,418	\$ (5,831,327)
Entity differences:		
Non-budgeted expenditures	(6,317,702)	
Non-budgeted transfers in	8,072,734	6,228,181
Non-budgeted transfers-out	(6,250,367)	(4,308,262)
Non-budgeted revenues	1,151,252	
Reprogramming funds	(7,238,194)	
Timing differences:		
Prior year encumbrances recorded as current year expenditures for GAAP basis	(16,480,225)	
Current year encumbrances recorded as expenditures for budgetary basis	17,392,215	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	\$ 446,131	\$ (3,911,408)

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

c. Legal Compliance

The legal level of budgetary control is at the individual department level for general fund expenditures, and principal and interest due for the debt service fund.

4. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between fund balance-governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the approximately \$311 million difference are as follows:

Bonds payable	\$207,516,500
Capital leases	43,456,331
Note payable	15,382,883
Landfill obligation	18,294,638
Compensated absences	9,596,723
Accrued interest payable	11,870,860
Claims and judgements	310,000
Christmas bonus	1,968,718
Property tax advance	<u>3,113,465</u>
Net adjustment to reduce fund balance governmental funds to arrive at net assets of governmental activities	<u>\$311,510,118</u>

5. DEPOSITS - CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of Puerto Rico. In addition, the Municipality maintains deposits with the Government Development Bank for Puerto Rico (GDB).

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The deposits at GDB of approximately \$77.1 million that are restricted principally for capital projects activities. These funds are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

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.

6. PROPERTY TAXES

The Municipal Revenues Collection Center (CRIM) 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 CRIM by May 15 of each year. The tax on real property is assessed by the CRIM. 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 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 9.08% for real property and 7.08% 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	2.25%	2.25%
Discounts made by state to tax payer	< .20% >	< .20% >
	<u>9.08%</u>	<u>7.08%</u>

The Municipality's basic property tax rate represents the portion which is appropriated for general purposes and accounted for in the general fund.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The "Additional special property tax - municipal" is restricted for debt service and retained by GDB for such purposes and it is recorded as revenue in the Debt Service Fund when collected by the CRIM and reported to the Municipality.

The "Additional special property tax - state" is collected by the CRIM 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 CRIM.

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.

Prior to the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collected for the ensuing fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after year end. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a payable to the CRIM is recorded at June 30. During July 2002, the Municipality entered into a repayment agreement with GDB and CRIM to repay the excess of property taxes advances from fiscal years up to 2001 for \$6,774,297. This amount will be repaid through advances from property taxes (refer to Note 14).

Currently, the Municipality has received the preliminary settlement from CRIM related to fiscal year 2004-05, but not the final settlement as the six months period after fiscal year end, provided by law to CRIM to issue this, has not yet expired. Management believes, based in part on the experience from prior years, that when received, the

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final settlement from CRIM will not show a significant difference from the preliminary settlement and that such difference, if any, will not have a material effect on the financial condition of the Municipality.

Based on the preliminary settlement already received, during the year ended June 30, 2005, the amount collected from taxpayers and charges by CRIM of approximately \$45 million, less than the advances received by the Municipality for the same period by \$3,143,465. Such amount is presented as intergovernmental payable in the government wide financial statements. (Refer to Note 11).

7. 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, 2005. 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 Guaynabo, 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. A discount of 5% is allowed when full payment is made on or before April 15. The rates of municipal license in the Municipality of Guaynabo, are as follows:

Financial institutions	=	1.5%
Other organizations	=	.5%

The amounts collected in advance are recorded as deferred revenues in the General Fund. Any municipal license taxes collected in advance are recorded as deferred revenues. As of June 30, 2005, the total municipal license tax receivable (net of the allowance for estimated uncollectible amounts) and the respective deferred revenues amounted to \$1,713,555 and \$34,979,717, respectively, in the accompanying government-wide financial statements. In addition, as of June 30, 2005 the municipal license tax receivable (net) and the respective deferred revenues amounted to \$118,617 and \$34,979,717, respectively, in the accompanying fund financial statements.

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8. DUE FROM OTHER AGENCIES

Represents grants and contributions due from local and federal agencies:

Puerto Rico Electric Power Authority (Contribution in lieu of taxes)	\$5,088,057
Council of Occupational Development and Human Resources	1,817,233
Other governmental funds	<u>745,729</u>
Total	<u>\$7,651,019</u>

9. INTERFUND TRANSACTIONS

a. Due from/to Other Funds:

The due from and due to other fund balances as of June 30, 2005, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$13,572,456
Other governmental funds	General Fund	348,496
General Fund	WIA funds	<u>88,378</u>
		<u>\$14,009,330</u>

The balance of approximately \$13.6 million due to the general fund from other governmental funds resulted from loans made to construction projects that will be paid during the subsequent year.

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b. Interfund Transfers:

Interfund transfers for the year ended June 30, 2005 consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Debt Service	\$ 4,308,262
Debt Service	General	5,773,010
Other Governmental Funds	General	477,357
Debt Service	Other Governmental Funds	455,171
General	Other Governmental Funds	3,764,473
Other Governmental Funds	Other Governmental Funds	<u>63,909</u>
		<u>\$14,842,182</u>

The transfer from the debt service fund to the general fund of \$4,308,262 represents the withdrawal of the excess of ad valorem taxes over the actual debt service requirement as established by Law No. 28 of May 4, 2001. The Municipality withdrew this amount and transferred the amount to the general fund for working capital purposes.

Remaining transfers are used to (1) move revenues from the fund that statute or budget revenues to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collection the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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10. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Capital assets, not being depreciated:				
Land	\$ 613,250,920	\$ 7,722,487	\$ -	\$ 620,973,407
Construction in progress	45,859,340	9,976,221	25,733,653	30,101,908
Total capital assets, not being depreciated	<u>659,110,260</u>	<u>17,698,708</u>	<u>25,733,653</u>	<u>651,075,315</u>
Capital assets, being depreciated:				
Buildings and building improvements	164,660,214	25,733,653		190,393,867
Vehicles, equipment, furniture, and fixtures (including equipment under capital leases)	28,300,198	2,937,809		31,238,007
Infrastructure	154,677,143			154,677,143
Total capital assets, being depreciated	<u>347,637,555</u>	<u>28,671,462</u>	<u>-</u>	<u>376,309,017</u>
Less accumulated depreciation for:				
Buildings and building improvements	15,905,439	4,773,554		20,678,993
Vehicles, equipment, furniture, and fixtures (including equipment under capital leases)	16,979,546	2,815,681		19,795,227
Infrastructure	11,824,362	2,853,220		14,677,582
Total accumulated depreciation	<u>44,709,347</u>	<u>10,442,455</u>	<u>-</u>	<u>55,151,802</u>
Total capital assets, being depreciated, net	<u>302,928,208</u>	<u>18,229,007</u>	<u>-</u>	<u>321,157,215</u>
Governmental activities capital assets, net	<u>\$ 962,038,468</u>	<u>\$ 35,927,715</u>	<u>\$ 25,733,653</u>	<u>\$ 972,232,530</u>

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Depreciation and amortization expense was charged to functions/programs of the Municipality as follows:

General government	\$1,987,982
Economic development	8,092,925
Health and sanitation	149,262
Culture and education	48,755
Public housing and welfare	44,662
Public safety	<u>118,869</u>
 Total depreciation and amortization expense	 <u>\$10,442,455</u>

11. DUE TO OTHER AGENCIES

Due to other agencies at June 30, 2005 are as follows:

Puerto Rico Electric Power Authority	\$4,881,076
Municipal Revenue Collection Center	3,113,466
Employee's Retirement System Administration	464,610
Puerto Rico Regulation and Permits Administration	497,494
General Services Administration	16,217
Puerto Rico Water and Sewer Authority	16,240
Puerto Rico Labor Department	1,818
Council of Occupational Development and Human Resources	273,944
Housing and Urban Development	<u>46,826</u>
 Total	 <u>\$9,311,691</u>

12. DEFERRED REVENUES

a. Municipal License Tax

The deferred revenues of \$34,979,717 in the general fund related to municipal license tax collected in fiscal year 2004-05 that will be earned in fiscal year 2005-06 (Refer Note 7).

**COMMONWEALTH OF PUERTO RICO
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b. Federal Government

The deferred revenues presented as federal government represents the portion of federal grants received for which qualifying expenditures have not been incurred. The amounts were determined taking into consideration the specific years of the grant. These were related to the following federal programs/grants:

Program/Grant Description

Workforce Investment Act	\$ 509,146
Community Development Block Grant (HUD)	38,693
Child Care and Development Block Grant (HHS)	895,054
Section 8 Housing Voucher (HUD)	546,384
Special Program for Aging Title III	365,430
Housing Opportunity for Persons with AIDS	3,305
Other governmental funds	437,693
UDAG Program	40,417
HOME Program	19,906
Federal Transportation	<u>30,001</u>
	<u>\$2,886,029</u>

13. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues in the general and other governmental funds consist mainly of collections from the Commonwealth of Puerto Rico and the CRIM, and payments in lieu of taxes from the Puerto Rico Electric Power Authority.

14. LONG-TERM DEBTS

The Municipality's Legislature is legally authorized to determine the contracting of debts of the Municipality. Nevertheless, the laws and regulations of the Commonwealth also provide that:

- a. Direct obligations of the Municipality (evidenced principally by bonds and notes) are backed by the full faith, credit and taxing power of the Municipality; and

**COMMONWEALTH OF PUERTO RICO
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- b. Direct obligations are not to be issued if the amount of the principal of, and interest on, such bonds and notes (and on all such bonds and notes issued thereafter) which are payable in any fiscal year, together with any amount paid by the Municipality in the preceding fiscal year on account of bonds or notes guaranteed by the Municipality, exceed 10 percent of the total assessed value of the Municipality's property.

There is not legal limitation on the amount of debt that the Municipality may guarantee so long as the 10 percent limitation is not exceeded. At June 30, 2005, the Municipality is in compliance with the debt limitation requirements.

Bonds and notes payable and other debt outstanding at June 30, 2005 are as follows:

General Obligation Bonds

\$10,500,000 series of 2000, payable in annual installments of \$755,000 to \$2,380,000 until July 1, 2024, interest ranging from 7.29% to 7.50%.	\$ 9,385,000
\$2,040,000 series of 1992, payable in annual installments of \$70,000 to \$225,000 until July 1, 2007, interests from 4.16% to 6.41%	435,000
\$11,845,000 series of 1995, payable in annual installments of \$260,000 to \$1,120,000 until July 1, 2013, interests from 5.00% to 7.71%	6,935,000
\$15,965,000 series of 1995, payable in annual installments of \$385,000 to \$1,540,000 until July 1, 2013, interests from 6.11% to 7.71%	9,555,000
\$1,500,000 series of 1995, payable in annual installments of \$35,000 to \$150,000 until July 1, 2013, interests from 6.11% to 7.71%	905,000
\$26,235,000 series of 1997, payable in annual installments of \$355,000 to \$2,275,000 until July 1, 2021, interests from 4.70% to 6.63%	21,755,000

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\$21,100,000 series of 1997, payable in annual installments from \$305,000 to \$66,000 until July 1, 2022, interests from 6.69% to 7.50%	\$ 17,860,000
\$16,355,000 series of 1998, payable in annual installments from \$240,000 to \$1,365,000 until July 1, 2023, interests from 6.00% to 7.50%	14,240,000
\$10,455,000 series of 2001, payable in annual installments from \$145,000 to \$910,000 until July 1, 2025, interests from 5.00% to 8.00%	9,615,000
\$2,760,000 series of 2002, payable in annual installments from \$45,000 to \$220,000 until July 1, 2026, interests from 5.00% to 7.00%	2,565,000
\$4,625,000 series of 2002, payable in annual installments from \$65,000 to \$385,000 until July 1, 2026, interests from 5.00% to 7.50%	4,320,000
\$2,920,000 series of 2003, payable in annual installments from \$50,000 to \$225,000 until July 1, 2027, interests from 2.70% to 5.60%.	2,760,000
\$2,715,000 series of 2003, payable in annual installments from \$45,000 to \$215,000 until July 1, 2027, interests from 5.00% to 6.50%.	2,570,000
\$2,065,000 series of 2004, payable in annual installments from \$240,000 to \$355,000 until July 1, 2010, interests from 1.65% to 6.50%.	1,565,000
\$485,000 series of 2004, payable in annual installments from \$5,000 to \$35,000 until July 1, 2028, interests from 1.65% to 6.50%.	470,000

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\$3,895,000 series of 2004, payable in annual installments from \$65,000 to \$300,000 until July 1, 2028, interests from 1.65% to 6.50%.	\$ 3,760,000
\$60,390 series of 2004, payable in annual installments from \$1,247,000 to \$4,434,000 until July 1, 2028, interests from 5.00% to 5.77%.	59,143,000
\$960,000 series of 2004, payable in annual installments from \$67,500 to \$100,000 until July 1, 2016, interests from 2.25% to 5.25%.	892,500
\$2,515,000 series of 2005, payable in annual installments of \$55,000 to \$170,000 until July 1, 2029, interests ranging from 4.37% to 5.0%.	2,460,000
\$11,755,000 series of 2005, payable in annual installments of \$545,000 to \$1,085,000 until July 1, 2019, interests ranging from 4.37% to 5.0%.	11,210,000
\$7,030,000 series of 2005, payable in annual installments of \$145,000 to \$480,000 until July 1, 2029, interests of 5.0%.	6,885,000
\$5,960,000 series of 2005, payable in annual installments of \$275,000 to \$545,000 until July 1, 2019, interests of 5%.	5,685,000
\$12,546,000 series of 2005, payable in annual installments of \$300,000 to \$886,000 until July 1, 2029, interests of 5%.	<u>12,546,000</u>
Total bonds payable	<u>207,516,500</u>

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Notes Payable

\$5,870,000 note payable to U.S. Federal Financial Bank. The term of the loan is for twenty years and the principal is payable annually each August 30, started in August of 2005. During the first two years the Municipality had a moratorium. The annual installments are from \$560,000 to \$590,000, at the fluctuating interest established by the U.S. Department of Treasury. \$ 5,870,000

\$3,000,000 note payable to Chase Chemical Bank. The term of the loan is for twenty years and the principal is payable annually each August 1, starting in August of 2004. During the first year the Municipality has a moratorium. The annual installments are \$167,000, at an approximate rate of 4.50%. 2,833,000

\$7,028,503 note payable that represents a repayment agreement with GDB and CRIM to repay the excess of property taxes advances from fiscal years up to 2001. The repayment agreement is payable in annual aggregate principal installments of \$81,312 approximately, plus interest rate of 6.25% until July 1, 2032. 6,679,883

Total notes payable 15,382,883

Total bonds, notes, and other long-term debt \$222,899,383

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The annual debt service requirements for the bonds payable and advances from CRIM at June 30, 2005, are as follows:

	<i>Bonds</i>		<i>Note Payable</i>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 7,029,500	\$ 11,081,117	\$ 857,347	\$ 789,743
2007	7,567,000	10,874,257	863,652	762,131
2008	8,117,000	11,074,225	870,354	729,582
2009	8,642,000	10,616,873	877,476	693,334
2010	9,237,000	10,118,967	885,046	654,047
2011-2015	48,125,000	41,572,703	4,526,509	2,601,782
2016-2021	53,140,000	28,077,974	1,881,317	1,735,021
2022-2026	44,255,000	12,829,440	1,747,015	1,161,337
2027-2031	21,404,000	2,544,623	1,924,466	632,216
2032-2036	949,701	74,572	949,701	74,572
	<u>\$ 207,516,500</u>	<u>\$ 138,790,179</u>	<u>\$ 15,382,883</u>	<u>\$ 9,833,765</u>

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As described in Note 6, the Municipality levies an annual special tax of 2.25% 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 CRIM.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 175,505,000	\$ 39,806,000	\$ (7,794,500)	\$ 207,516,500	\$ 7,029,500
Notes payable	15,644,298	-	(261,415)	15,382,883	857,347
Total long-term debt	<u>191,149,298</u>	<u>39,806,000</u>	<u>(8,055,915)</u>	<u>222,899,383</u>	<u>7,886,847</u>
Capital leases	44,808,921		(1,352,590)	43,456,331	1,396,193
Claims and judgements	1,244,479		(1,244,479)	-	
Landfill obligation	18,268,585	26,053		18,294,638	
Compensated absences	8,663,847	1,811,173	(878,297)	9,596,723	1,500,000
Total other liabilities	<u>72,985,832</u>	<u>1,837,226</u>	<u>(3,475,366)</u>	<u>71,347,692</u>	<u>2,896,193</u>
Total noncurrent liabilities	<u>\$ 264,135,130</u>	<u>\$ 41,643,226</u>	<u>\$ (11,531,281)</u>	<u>\$ 294,247,075</u>	<u>\$ 10,783,040</u>

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15. RETIREMENT PLAN

a. Plan Description

The Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) 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.

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.

ERS 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 or 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.

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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.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created ERS, was enacted with the purpose of establishing a new pension program (System 2000). Employees participating in the current system as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the new program. Persons joining the Municipality on or after January , 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by ERS, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth of Puerto Rico. The annuity will be based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary upon to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn rate equal to 75% of the return of the ERS's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants will receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions will not be granted under System 2000. The employer's contribution (9.275% of the employee's salary) will be used to fund the current plan.

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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's 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, 2005 was \$2,393,002. The Municipality's payroll for employees covered by ERS was \$25,800,560. The Municipality total payroll for all employees was \$46,494,939.

Additional information on the ERS is provided in its financial statements for the year ended June 30, 2005, a copy of which can be obtained from the ERS, Minillas Station, PO Box 42003, San Juan, PR 00940.

16. RISK MANAGEMENT

The Risk Management Division of the Municipality's Legal Department is responsible of assuring that the Municipality's property is properly insured. Annually, the Risk Management Division compiles the information of all property owned and its respective market value. After evaluating this information, the Risk Management Division submits the data regarding the Municipality's properties to the Area of Public Insurance at the Department of the Treasury of the Commonwealth of Puerto Rico who is responsible for purchasing all property and casualty insurance policies of all municipalities.

17. LEASES

a. Capital Leases

The Municipality is obligated under several capital lease agreements with third parties that will expire at different years until 2027. These capital lease obligations are related to lease building facilities and office equipment recorded as capital assets in the accompanying government-wide statement of net assets. These lease agreements qualify as capital leases for financial reporting purposes and therefore have been recorded at the present value of their future minimum lease

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payments as of the respective inception dates. The present value of the future minimum capital lease payments as of June 30, 2005 is as follows:

<u>Year ending June, 30</u>	<u>Amount</u>
2006	\$ 3,386,040
2007	3,402,025
2008	3,385,657
2009	3,379,200
2010	3,453,657
2011-2015	17,924,348
2016-2020	18,941,744
2021-2025	<u>10,891,078</u>
Total minimum lease payments schedule under agreements	64,763,749
Less:	
Interests to be paid through expiration dates of lease agreements	<u>21,307,418</u>
Present value of minimum lease payments	43,456,331
Less: Current portion of obligation under capital leases	<u>1,396,193</u>
Long-term portion of obligation under capital leases	<u>\$42,060,138</u>

The activity of obligation under capital leases for the year ended June 30, 2005 was as follows:

	<u>Balance at June 30, 2004</u>	<u>Issuances</u>	<u>Payments</u>	<u>Balance at June 30, 2005</u>
Principal	<u>\$44,808,921</u>	<u>\$ -</u>	<u>(\$1,352,590)</u>	<u>\$43,456,331</u>

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b. Operating Leases

Leasing Arrangement with the Municipality as Lessor:

- 1) The Municipality leases spaces in its Market Place and Transportation center under operating lease agreements with terms ranging from one to five years.
- 2) Total income from leases during the year ended June 30, 2005 was \$697,940.
- 3) 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.

18. 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.

19. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Municipality adopted the provisions of Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* issued by the *Governmental Accounting Standard Board*. This statement established standards for accounting and reporting for solid waste landfill costs owned by governmental entities

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

(including the Municipality) that are required by federal and local laws or regulations to incur closure and postclosure care costs.

According to this statement, closure and postclosure care costs are recorded while the landfill is operating. The Municipality has determined that the present value of total estimated closing costs and post closing care costs amount to \$4,585,000 and \$14,400,000, respectively, as of June 30, 2005.

Of these estimated costs, the Municipality has recorded a liability amounting to \$18,294,638, which is the amount required by GAAP for accrual as of June 30, 2005. The liability was recorded in the accompanying government-wide financial statements with: (1) a charge to health and sanitation expenses for \$26,053, and (2) a liability accumulated for \$18,268,585 corresponding to prior years. The most recent study indicated that the remaining useful life of the landfill is one year. The Municipality had received a proposal for expansion of the landfill. The expansion extent the useful life for a 10 to 15 years approximately.

20. COMMITMENTS

The Municipality of Guaynabo had several outstanding or planned construction projects as of June 30, 2005. These projects are evidenced by contractual commitments with contractors. The construction projects are commitments of the Capital Projects' funds that amounted to approximately \$18 million.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO

PART II

SINGLE AUDIT SECTION

-51-

ORTIZ, RODRIGUEZ, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grant Number</u>	<u>Federal Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)			
Section 8 Housing Choice Vouchers Community Development Block Grant Program/Entitlement Grants	14.871	RQ46-E016-001-007	\$ 2,249,774
Urban Development Action Grant	14.218	B-92-MC-72-0006	3,344,081
HOME Investment Partnership Program	14.221		16,480
Pass-through Municipality of San Juan: Housing Opportunity for Persons with AIDS	14.239		880,561
	14.241		103,865
Subtotal U.S. Department of HUD			<u>6,594,761</u>
U.S. Department of Health and Human Services (HHS)			
Pass-through Governor's Office of Child Services and Community Development: Head Start	93.600	02-CH-0483	6,941,863
Pass-through the Puerto Rico Elderly Commission: Special Programs for Aging Title III, Part C, Nutrition Services	93.045	69-066-0042	421,267
Subtotal U.S. Department of HHS			<u>7,363,130</u>
U.S. Department of Agriculture			
Pass-through Governor's Office of Child Services and Community Development: Child and Adult Care Food Program	10.558	N/A	231,216
Subtotal U.S. Department of Agriculture			<u>231,216</u>
U.S. Department of Labor			
Pass-through State Office of the Governor's Office of Economic Opportunity: Workforce Investment Act			
Adult	17.258		1,319,647
Youth Activities	17.259		1,540,207
Dislocated Workers	17.260		1,095,398
Subtotal U.S. Department of Labor			<u>3,955,252</u>
TOTAL			<u>\$ 18,144,359</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Municipality of Guaynabo's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The expenditures of the schedule are included in the Municipality's basic financial statements within the other nonmajor governmental funds. The reconciliation of expenditures in the basic financial statements to the Schedule of Expenditures of Federal Awards is as follows:

Total federal expenditures per schedule	\$18,144,359
Federal expenditures per basic financial statements included within:	
Workforce Investment Act Fund	3,955,252
Federal expenditures included in other governmental funds	<u>14,189,107</u>
Total	<u>\$18,144,359</u>



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Services Division

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor
and Municipal Legislature
Municipality of Guaynabo
Guaynabo, Puerto Rico

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Municipality of Guaynabo as of and for the year ended June 30, 2005, which collectively comprise Municipality's basic financial statements and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Municipality of Guaynabo's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipality of Guaynabo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commissioner Office of Municipal Affairs, management and legislative body of the Municipality of Guaynabo, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

San Juan, Puerto Rico
December 21, 2005

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to the original of this report





ORTIZ, RODRIGUEZ, RIVERA & CO.
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor
and Municipal Legislature
Municipality of Guaynabo
Guaynabo, Puerto Rico

Compliance

We have audited the compliance of Municipality of Guaynabo with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Municipality of Guaynabo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs, Part III. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Municipality of Guaynabo's management. Our responsibility is to express an opinion on Municipality of Guaynabo's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality of Guaynabo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Municipality of Guaynabo's compliance with those requirements.

As described in the table below, and in the accompanying Schedule of Findings and Questioned Costs, the Municipality did not comply with the requirements regarding cash management, equipment, and real property management, reporting, and applicable special tests and provisions that are applicable special tests and provisions that are applicable to its Workforce Investment Act Cluster, Community Development Block Grant, Head Start, Section 8 Housing Choice Vouchers and HOME Investment Partnership programs. Compliance with such requirements is necessary, in our opinion, for the Municipality, to comply with requirements applicable to these programs.

<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
All Federal Programs	Reporting	05-01
All Major Programs	Cash Management	05-02
All Major Programs	Equipment and Real Property Management	05-03
Workforce Investment Act Cluster	Reporting	05-04
Section 8	Special Test	05-05
Section 8	Reporting	05-06

In our opinion, except for the noncompliance described in the preceding paragraph and accompanying table, Municipality of Guaynabo complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of Municipality of Guaynabo is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Municipality of Guaynabo's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving in the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Municipality's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 to 05-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error of fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weaknesses.

This report is intended solely for the information and use of the Commissioner Office of Municipal Affairs, management and legislative body of the Municipality of Guaynabo, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

San Juan, Puerto Rico
December 21, 2005

Ortiz, Rodriguez, Rivera & Co.

The stamp 2115860 was affixed
to the original of this report



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF AUDITORS' RESULTS

We have audited the basic financial statements of the Municipality of Guaynabo, Puerto Rico as of and for the year ended June 30, 2005, and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements of the *U.S. Office of Management and Budget (OMB) Circular A-133*. The results of our audit are as follows:

Financial Statements:

- Type of auditor's report issued on the basic financial statements: Unqualified Opinion
- There were no reportable conditions in internal controls over financial reporting that were considered to be material weaknesses.
- There were no instances of noncompliance considered non-material to the financial statements were disclosed by the audit.

Federal Awards:

- Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, none of which are considered to be material weaknesses.
- The independent auditor's report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
- The audit disclosed findings required to be reported by OMB Circular A-133.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

- Major Programs:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA No.</u>
U.S. Department of Housing	HOME Investment Partnerships	14.239
U.S. Department of Housing	Community Development Block Grant Program	14.218
U.S. Department of Housing	Section 8 Housing Choice Vouchers	14.871
U.S. Department of Labor	Workforce Investment Act Adult Program	17.258
U.S. Department of Labor	Workforce Investment Act Youth Activities	17.259
U.S. Department of Labor	Workforce Investment Act Dislocated Workers	17.260
U.S. Department of Health and Human Services	Head Start	93.600
U.S. Department of Health and Human Services	Early Head Start	93.600

- A threshold of \$540,331 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
- The Municipality qualifies as a high-risk auditee as that term is defined in OMB Circular A-133.

2. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

The findings and recommendations as defined in pages 64 to 77, which are summarized in the schedule below, have been reviewed with representatives of the Municipality. In the title of each finding is a parenthetical disclosure indicating the first year that the finding was reported, and the finding number from the previous year audit report. The corrective action plans and responses to the findings and recommendations have been provided by the Municipality's representatives and reflect plans and responses as of March 29, 2006 and are included in Part III. These responses and corrective action plans were delivered to us after completion of our field work and, accordingly, our procedures with respect to such corrective action plans consisted of reading the Municipality's response and including them within the body of the findings. Although the responses may indicate that the supporting

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

documentation is available for examination, the finding is not eliminated because such evidence was found after we concluded the fieldwork.

The findings and recommendations often refer to the provisions of various authoritative documents, laws and regulations. To avoid repetition, following are the authoritative documents with their respective titles and purposes, quoted in the findings and recommendations:

- **“Single Audit Act Amendments of 1996”** - The Single Audit Act Amendments of 1996, Public Law 104-156, enacted on July 5, 1996, by the Senate and House of Representatives of the United States of America in Congress. The Act was established to a) promote sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities; b) establish uniform requirements for audits of Federal awards administered by non-Federal entities; c) promote the efficient and effective use of audit resources; d) reduce burdens on State and local governments, Indian tribes, and nonprofit organizations; and e) ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to chapter 75 of title 31, United States Code (as amended by this Act).
- **“OMB Circular A-133”** - Circular Letter A-133 issued by the Executive Office of the President, Office of Management and Budget, titled “Audits of States, Local Governments, and Non-Profit Organizations” dated June 30, 1997. This Circular Letter establishes the audit requirements for States, Local governments and Non-Profit Organizations that receive Federal aid, and defines Federal responsibilities for implementing and monitoring those requirements. It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.
- **“OMB Circular A-87”** - Circular Letter A-87 issued by the Executive Office of the President, Office of Management and Budget, titled “Cost Principles for State, Local and Tribal Governments,” dated May 4, 1995. This Circular Letter establishes the principles for determining the allowable costs of programs administered by State, Local, and federally recognized Indian tribal governments under grants from and contracts with the Federal government.
- **“OMB Circular A-102”** - Circular Letter A-102, (Revised), issued by the Executive Office of the President, Office of Management and Budget, titled

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
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“Grants and Cooperative Agreements with State and Local Governments,” dated March 3, 1988. This Circular Letter establishes consistency and uniformity among Federal agencies in the management of grants and cooperative agreements with State, Local, and federally recognized Indian tribal governments.

- **“CFR”** - This is the “Code of Federal Regulations” issued by the Federal Government. The CFR is a codification of the general and permanent rules published by the Federal Government. The Code is divided into 50 titles that represent broad areas subject to Federal regulation. Each title is divided into chapters that usually bear the name of the issuing agency, and is further subdivided into parts covering specific regulatory areas.
- **“Common Rule”** - The Common Rule refers to the “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments” which establishes uniform administrative rules for Federal grants and cooperative agreements and subawards to State, local, and Indian Tribal governments.
- **“Basic Standards”** - “Revised Regulation on Basic Standards for the Municipalities of Puerto Rico” approved by the Office of the Commissioner of Municipal Affairs. The Basic Standards were created under Article 19.011 of Law 81, enacted on August 30, 1991, “Autonomous Municipalities Law of the Commonwealth of Puerto Rico”. It establishes the rules and operational standards applicable to the municipalities in relation to the accountability of funds, property and other financial and fiscal matters administered by the municipalities of Puerto Rico. Its main purpose is to allow for the efficient use and administration of the municipal operations.
- **“Autonomous Municipalities Law of the Commonwealth of Puerto Rico”** - The “Autonomous Municipalities Law of the Commonwealth of Puerto Rico”, Law 81 of August 30, 1991, as amended, was enacted to establish standard rules and regulations regarding the creation, organization, administration and functions of the municipal governments in Puerto Rico. It establishes the main guidelines and requirements that govern all the municipal functions and activities.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Reportable Conditions

The findings listed on pages 64 through 77 have been reported in accordance with the requirements of Government Auditing Standards, issued by the Comptroller General of the United States and the Statements on Auditing Standards 60 and 74, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. These standards require the communication of all reportable conditions regarding the entity's internal controls.

Reportable conditions are those matters coming to our attention that, in our judgment, should be communicated because they represent significant deficiencies in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements and in reports applicable to its federal financial assistance programs. Such deficiencies may involve aspects of the internal control structure elements of (a) control environment; (b) the accounting system; or (c) control procedures.

<u>Reportable Condition/Noncompliance</u>		<u>Known Questioned Costs</u>	<u>Likely Questioned Costs</u>	<u>CFDA No.</u>
<u>Finding Related to Federal Programs that Have a Separate Accounting Department and Administrative Unit</u>				
SA 05-01	Lack of reconciliation procedures	N/A	N/A	All Federal Programs
SA 05-02	Inadequate cash management procedures	N/A	N/A	All Major Programs
SA 05-03	Inadequate control of fixed assets	N/A	N/A	All Major Programs
<u>Workforce Investment Act</u>				
SA 05-04	Noncompliance with submission date report	N/A	N/A	17.258, 17.259 17.260
<u>Section 8 Housing Choice Voucher</u>				
SA 05-5	Inadequate waiting list	N/A	N/A	14.871
SA 05-6	Noncompliance with submission date report	N/A	N/A	14.871

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

A. Federal Programs that Have a Separate Accounting Department and Administrative Unit

Finding SA-05-1: Lack of Reconciliation Procedures (First Reported 2003):

Condition

Balances reported by program accountants do not agree with records maintained by the Municipality. Funds received from the U.S. Department of Housing and Urban Development for the Community Development Block Grant, HOME, and Section 8 Housing Choice Voucher; and from the U.S. Department of Labor for the Workforce Investment Act Cluster and the U. S. Department of Health and Human Services, are managed by their own administrative personnel including their own accounting departments. Each maintains a separate set of accounting records kept on a double entry system. However, the Municipality's central accounting department has not established the necessary policies and procedures for the reconciliation of the transactions recorded in the Program's accounting records with those recorded in the Municipality's central accounting department.

Criteria

The Municipality should be aware of its responsibility for administering the grants even though a separate fiscal unit or department is assigned the responsibility of administering the funds.

Cause

The Finance Department should improve the control procedure to verify that the accounting records maintained by each program have an accurate reconciliation with those maintained by the Municipality.

Effect

This condition results in the possibility of not detecting or preventing errors or irregularities on a timely basis because there is no central oversight of all of the Municipality's financial operations.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Questioned Costs

None

Recommendation

The Municipality should implement monthly reconciliations of the transactions recorded in each of the programs with the transactions processed and recorded in the central accounting department. In addition, it should ensure that all federal financial reports are prepared based on the financial information once reconciled.

B. All Major Federal Programs

Finding SA-05-2: Cash Management

Condition

The Municipality of Guaynabo's internal control regarding with all mayor federal program funds received from the U. S. Department of Housing and Urban Development for the Community Development Block Grant, Section 8 Housing Choice Vouchers and Home Investment Partnership Program; from the U. S. Department of Labor for the Workforce Investment Act Cluster Programs; from U. S. Department of Health and Human Services for the Head Start and Early Head Start Program are not in compliance with the cash management requirement since the Municipality is not minimizing the time elapsed between the receipt of funds and final disbursement for payment.

Criteria

Cash management always applies to federal programs. An exception would be a federal award that operates on a costs reimbursement basis only with no cash being advanced.

When entities are funded on a reimbursement basis, program costs must be paid by entity funds before a reimbursement is requested from the Federal Government. When funds are advanced, means that a Federal Program Agency transfers the actual amount of federal funds to a State that will be paid by the State, in a lump sum, not more than three business days prior to the day that the

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
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State issues checks or initiates AFT payments and therefore recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the recipients.

When advance payments procedures are used, recipients must establish similar procedure for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients as cash balances and cash disbursements in sufficient time to enable the pass-through entity. Pass-through entities must cash drawdown by their subrecipients to assure that subrecipients conform substantially to the same standard of timing and amounts as apply to the pass-through entity.

Interest earned on advances by the municipality is required to be submitted promptly, but at least quarterly, to the federal agency. Up to \$ 100 per year may be kept for administrative expenses. Interest earned by non-State, nonprofit entities on federal fund balances in excess of \$250 is required to be remitted to Department of Health and Human Services, Payment Management System, PO Box 6021, Rockville, MD 20852.

Cause

The Municipality consume a lot of time since the purchase order has been created until the disbursement voucher is authorized and is ready to be paid.

Effect

The delays caused by the design of the cash management system, obstruct the Municipality to comply with federal and local applicable laws and regulations, and the ability to meet the cash management requirement.

Questioned Costs

None

Recommendation

The Municipality should expedite the internal process preparing and sending the actual list of expenditures to be disbursed during the period and establish an

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

effective follow up system for payment to comply with the requirement to disburse the funds within the required time period.

Finding Number SA 05-3: Equipment and Real Property Management

Condition

During our audit over the major programs, Community Development Block Grant, Workforce Investment Act, Home Investment Partnership and Head Start and Early Head Start we noted that important procedures about the safeguards of assets, maintenance, disposition process and the schedule of fixed assets were not followed in accordance with federal local applicable laws and regulations.

Criteria

The A-102 Common Rule requires that equipment be used in the program for which it was acquired. Equipment records should be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system should be used to safeguard equipment, and equipment shall be adequately maintained.

Cause

The Municipality of Guaynabo is not reconciling the fixed assets inventory with a physical inventory to detect possible equipment to be disposed, equipment damage and therefore a good reconciliation up to date regarding with a complete and accurate schedule of fixed assets.

Effect

These deficiencies over equipment and real property management may increase the risk of loss, damage, or theft of the equipment.

Questioned Costs

None

**COMMONWEALTH OF PUERTO RICO
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Recommendation

The Municipality should develop and perform adequate procedures so that the fixed assets inventory will be reconciled with physical equipment and the management should establish a schedule to supervise and review the inventory within a reasonable time. In addition, periodically a sample of the equipment could be taken and reviewed.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

C. Workforce Investment Act ("WIA") (CFDA 17.258,17.259, 17.260)

Program Description

The Workforce Investment Act of 1998 (WIA) reforms Federal job training programs and creates a new, comprehensive workforce investment system. The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. The cornerstone of the new workforce investment system is One-Stop service delivery, which unifies numerous training, education and employment programs into a single, customer-friendly system in each community so that the customer has access to a seamless system of workforce investment services.

There are three program categories under Subtitle B of Title I: Adult; Dislocated Worker; and Youth Activities. Programs for adults and dislocated workers seek to improve employment, retention, and earnings of WIA participants and increase their educational and occupational skill attainment, thereby improving the quality of the workforce, reducing welfare dependency, and enhancing national productivity and competitiveness. Subtitle B Youth activities seek to increase the attainment of basic skills, work readiness or occupational skills, and secondary diplomas or other credentials.

The following findings and recommendations arise from our tests of compliance and internal control over compliance with requirements applicable to the Workforce Investment Act financial assistance program.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Workforce Investment Act ("WIA") (CFDA 17.258, 17.259, 17.260)

Finding Number SA 05-4: Reporting

Condition

The Municipality does not have an effective system of internal control to ensure the accurate preparation and timely submission of federal financial reports.

We requested a sample of financial reports of the WIA program and they did not comply with the reporting date's submission requirements. The result of the sample tested was the following:

<u>Report</u>	<u>Date to be Submitted</u>	<u>Date Submitted</u>	<u>Complied</u>	
			<u>Yes</u>	<u>No</u>
Close Out:				
Youth 2004-2005	July 30, 2005	Sept. 06, 2005		✓
Youth 2003-2004	July 30, 2005	Sept. 06, 2005		✓
Adult 2004-2005	July 30, 2005	Sept. 26, 2005		✓
Adult 2002-2003	July 30, 2005	Sept. 26, 2005		✓
Dislocated Worker 04-05	July 30, 2005	Sept. 15, 2005		✓
Dislocated Worker 03-04	July 30, 2005	Sept. 16, 2005		✓
Adult State Fund 04-05	July 30, 2005	Sept. 20, 2005		✓
State Funds (Incentivo)	July 30, 2005	Sept. 26, 2005		✓
Accounts Payable Close Out Report:				
Youth 2004-2005	October 31, 2005	Not submitted		✓
Youth 2003-2004	October 31, 2005	Not submitted		✓
Adult 2004-2005	October 31, 2005	Not submitted		✓
Adult 2003-2004	October 31, 2005	Not submitted		✓
Dislocated Worker 04-05	October 31, 2005	Not submitted		✓
Dislocated Worker 03-04	October 31, 2005	Not submitted		✓

**COMMONWEALTH OF PUERTO RICO
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FOR THE YEAR ENDED JUNE 30, 2005**

Criteria

As per the Uniform Administrative Requirements For Grants and Cooperative Agreements To State and Local Governments, Section 41 (b), the federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.

When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on annual basis, they will be due 90 days after the grant year. Financial reports will be due 90 days after the expiration or termination of grant support.

Cause

The condition described above results because the Municipality has dual accounting records such as SAP and MIP. They need reconcile both accounting system before the required preparation.

Effect

The delays caused by the design accounting system, obstruct the Consortium to comply with federal and local applicable laws and regulation, and the ability to meet the deadline for the reporting requirement.

Questioned Cost

None

Recommendation

The Consortium should implement a reporting calendar to keep all personnel aware of the reporting deadlines of each federal financial report. This will provides an additional tool to help the Consortium to comply with the required reporting deadlines.

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D. Section 8 - Housing Choice Voucher (CFDA 14.871)

Program Description

The Section 8 Housing Choice Voucher (HCVP) objectives are to provide rental assistance to help very low-income families afford decent, safe and sanitary rental housing. The subsidy provided by the Program is considered tenant-based subsidy because when an assisted family moves out of a unit leased under the Program, the assistance contract with the owner terminates and the family may move to another unit with continued rental assistance.

Under the Housing Choice Voucher Program, apart from the requirement that the rent must be reasonable in relation to rents charged for comparable units in the private unassisted market, there is no limit on the amount of rent that an owner may charge for a unit. However at initial occupancy of any unit where the gross rent exceeds the payment standard, but a family may not pay more than 40 percent of adjusted monthly income toward rent and utilities. A voucher subsidy is set based on the difference between the PHA's applicable payment standard for the family or the gross rent and the total tenant's payment (generally 30 percent of the family's monthly-adjusted income). This is the maximum quantity of the subsidy that a family may receive regardless of the rent the owner charges for the unit.

The following findings and recommendations arise from our tests of compliance and internal control over compliance with requirements applicable to these federal financial assistance programs.

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Section 8 - Housing Choice Voucher (CFDA 14.871)

Finding SA 05-5: Waiting List

Condition

There is no adequate documentation which allows us to trace how the participants are selected from the top of the waiting list.

Criteria

The 24 CFR section 982.204 establishes that except for special admissions, participants must be selected from the Public Housing Agency (PHA) waiting list. The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan.

The PHA must maintain information that permits the PHA to select participants from the waiting such as:

- Applicant name
- Family Unit Size
- Date and time of application
- Qualification for any local preference
- Racial or ethnic designation of the head of house hold

Cause

The Federal Program did not maintain adequate records regarding to the waiting list.

Effect

The Municipality is not in compliance with 24 CFR sections 982.54 (d) and 982.201 through 982.207.

Questioned Costs

None

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Recommendation

The Program should have adequate procedures to maintain a good record of the waiting list. In addition, personnel are required to monitoring and verifying the annual changes of the waiting list.

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Section 8 - Housing Choice Voucher (CFDA 14.871)

Finding SA 05-6: Noncompliance with Submission Date Report

Condition

The Section 8 Program does not have an effective system of internal control to ensure the timely submission of federal financial reports of the Program.

We requested a sample of reports of the program and they did not comply with the reporting date's submission requirements. The result of the sample tested was the following:

Voucher Management System Report

Quarter	Date to be Submitted	Date Submitted	According to Law	
			Yes	No
Aug - Oct 04	11/15/04 to 11/30/04	4-Mar-05		x
Nov - Jan 05	02/15/05 to 02/28/05	4-Mar-05		x
Feb - April 05	05/15/05 to 05/31/05	10-Jun-05		x
May - July 05	08/15/05 to 08/31/05	29-Aug-05	x	

Voucher for Payment of Annual Contribution and Operating Statement

Date to be Submitted	Date Submitted	According to Law	
		Yes	No
31-Aug-05	12-Sep-05		x

Criteria

As per the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Section 41 (b), the federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.

When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on annual basis, they will be

**COMMONWEALTH OF PUERTO RICO
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due 90 days after the grant year. Financial reports will be due 90 days after the expiration or termination of grant support.

Cause

The conditions described above result because the Municipality did not have an employee with a required password for the submission of the financial report.

Effect

The delays caused by the design accounting system, obstruct the program to comply with federal and local applicable laws and regulation, and the ability to meet the dead line for the reporting requirement.

The continued failure to file accurate financial reports may result in actions by the federal grantor against the program, such as, grant payment withholding resulting from the misstatement of the financial performance of the program and possible lost of funds.

Questioned Costs

None

Recommendation

The program should implement a reporting calendar to keep all personnel aware of the reporting deadlines of each federal financial report. This will provide an additional tool to help the program to the complying of the required reporting deadlines.

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During the current examination, follow-up was given to the findings informed to the Municipality in prior years. It was noted that corrective action has been taken, except for certain conditions that still exist and require further action. These are included in the accompanying Schedule of Prior Year Audits Findings and Questioned Costs.

**COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
WIA CFDA No. 17.258, 17.259, and 17.260	Condition 01-2 The federal program does not submit the required reports on time.	Condition still prevails.
All Federal Programs	Condition SA-02-01 Balances reported by program accountants do not agree with records maintained by the Municipality.	Condition still prevails.
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-02-02 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-02-03 The federal program does not submit the required reports on time.	Condition still prevails.
All Federal Programs	Condition SA-03-01 Balances reported by program accountants do not agree with records maintained by the Municipality.	Condition still prevails.

**COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-03-02 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-03-03 The federal program does not submit the required reports on time.	Condition still prevails.
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-03-04 The Consortium does not have effective internal controls over compliance with the requirements relating to the period of availability of funds.	Condition was corrected.
CDBG CFDA No. 14.218	Condition SA-03-05 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.
CDBG CFDA No. 14.218	Condition SA-03-06 We noted that the program performed disbursements with federal funds to pay a payroll of municipal employee.	Condition was corrected.

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AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
CDBG CFDA No. 14.218	Condition SA-03-07 The program assigned funds to not for profit corporations and not performed the required procedures to monitoring the funds allocated to each corporation.	Condition still prevails.
CDBG CFDA No. 14.218	Condition SA-03-08 The program obligated funds during the year for public service exceeded the 15% o the grant amount.	Condition was corrected.
CDBG CFDA No. 14.218	Condition SA-03-09 The program does not have effective internal controls over compliance with the requirements relating to the period of availability of funds.	Condition was corrected.
Head Start CFDA No. 93.600	Condition SA-03-10 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.
Head Start CFDA No. 93.600	Condition SA-03-11 The program does not have the necessary health licenses in the facilities.	Condition was corrected.

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SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
All Federal Programs	Condition SA-04-01 Balances reported by program accountants do not agree with records maintained by the Municipality.	Condition still prevails.
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-03-10 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-04-03 The Municipality did not maintain a proper real property and equipment management.	Condition still prevails.
WIA CFDA No. 17.258, 17.259, and 17.260	Condition SA-04-04 The Municipality did not maintain adequate procedures regarding with the submission date reports.	Condition still prevails.
CDBG CFDA No. 14.218	Condition SA-04-05 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.

**COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
Head Start CFDA No. 93.600	Condition SA-04-06 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.
Head Start CFDA No. 93.600	Condition SA-04-07 The Municipality did not maintain a proper reconciliation regarding with the accounting records and the financial report.	Condition was corrected.
Head Start CFDA No. 93.600	Condition SA-04-08 The program does not have the necessary health licenses in the facilities.	Condition was corrected.
Head Start CFDA No. 93.600	Condition SA-04-09 The Municipality did not maintain a proper real property and equipment management.	Condition still prevails.
Section 8, Housing Choice Vouchers CFDA No. 14.871	Condition SA-04-10 The Municipality's internal control over compliance with the cash management requirements of the federal program is not effective since it is not minimizing the time elapsed between the receipt and final disbursement of funds.	Condition still prevails.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
Section 8, Housing Choice Vouchers CFDA No. 14.871	Condition SA-04-11 The Municipality did not have on adequate waiting list where we can test the new participants admitted.	Condition still prevails.
Section 8, Housing Choice Vouchers CFDA No. 14.871	Condition SA-04-12 The Municipality failed to require to owner the purchase of water heater within the 30 days calendar established for cover deficiencies.	Condition was corrected.

EXHIBIT I

CORRECTIVE ACTION PLAN

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



Estado Libre Asociado de Puerto Rico
Municipio Autónomo de Guaynabo
Departamento de Finanzas

Hon. Héctor O'Neill García
Alcalde

Carmen Febo
Directora

CORRECTIVE ACTION PLAN

March 29, 2006

Cognizant or Oversight Agency for Audit:

Municipality of Guaynabo respectfully submits the following corrective action plan for the year ended June 30, 2005

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

Audit period: Fiscal year ended June 30, 2005

The findings from the June 30, 2005 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 05-1: All Federal Programs

Reportable Condition: See Condition 05-1

Recommendation

The Municipality should implement monthly reconciliations of the transactions recorded in each of the programs with the transactions processed and recorded in the central accounting department. In addition, it should ensure that all federal financial reports are prepared based on the financial information once reconciled.

Action Taken

The Municipality establishes control procedures to maintain communication between the accountants of the different programs and the Finance Department accountants, in order to reconcile the financial information necessary to prepare the financial reports.

Finding 05-2: All Major Federal Programs

Reportable Condition: See Condition 05-2

Recommendation

The Municipality should expedite the internal process preparing and sending the actual list of expenditures to be disbursed during the period and establish an effective follow up system for payment to comply with the requirement to disburse the funds within the required time period. Also, they should modify the cash forecasting process by establishing a system to forecast the cash needs for the next five days, as established by Federal regulations. Federal funds should only be requested when they are going to be disbursed immediately after receipt, or within three (3) business days.

Action Taken

The Federal Accountability Office (FAO) in agreement with the Finance Office (FO) will expedite the internal process preparing and sending the actual list of expenditures to be disbursed during the period establishing and effective follow up system for payment. They will set a date (Monday through Wednesday) to comply with the requirement and disburse the funds within the required time period.

The FAO will request a drawdown funds from IDIS, once the Administrator has authorized the payments, allowing the FO to proceed and release payments. Therefore, federal funds should only be requested when they are going to be disbursed immediately after receipt, or within three (3) business days.

Finding 05-3: All Major Federal Programs

Reportable Condition: See Condition 05-3

The Municipality should develop and perform adequate procedures so that the fixed assets inventory will be reconciled with physical equipment and the management

should establish a schedule to supervise and review the inventory within a reasonable time. In addition, periodically a sample of the equipment could be taken and reviewed.

Recommendation

The Consortium should establish better supervising procedures for equipment records.

Action Taken

The Federal Affairs Office has identified a resource to be responsible for the reconciliation of the property records and the physical inventory in compliance with federal and local applicable laws and regulations.

Furthermore, our Municipal Property Management System will be modified to include information required by federal regulation.

Finding 05-4: Work Investment Act (WIA) - CFDA No. 17.258, 17.259, and 17.260

Reportable Condition: See Condition 05-4

Recommendation

The Consortium should review the reports to ensure that the amounts reported agree with the underlying accounting records before submission to federal grantor. Also, the Consortium should implement a reporting calendar to keep all personnel aware of the reporting deadlines of each federal financial report. This will provide an additional tool to help the Consortium to the complying of the required reporting deadlines.

Action Taken

The condition, which applies to the deadlines for reporting submission days, happens during the summer because of the time invested in the reconciliation between the WIA and the Municipality accounting systems. The phenomenon occurs exactly during the summer because the closing date of the federal reports is June 30 and much more time is used to reconcile the whole twelve-month year. The Consortium will tighten the controls over the reporting to shorten the period of time between June 30 and the reporting date of the federal close outs requested by the CDORH.

Finding 05-5: Section 8 – Housing Choice Vouchers - CFDA No. 14.871

Reportable Condition: See Condition 05-5

Recommendation

The Program should have adequate procedures to maintain a good record of the waiting list. In addition, personnel are required to monitoring and verifying the annual changes of the waiting list.

Action Taken

The Municipality has reviewed the operational section of the program implementing the following:

- The Program is incorporating to its casework system an additional column to maintain all data regarding the waiting list even after vouchers approval, as required by federal regulations.

Finding 05-6: Section 8 – Housing Choice Vouchers - CFDA No. 14.871

Reportable Condition: See Condition 05-6

Recommendation

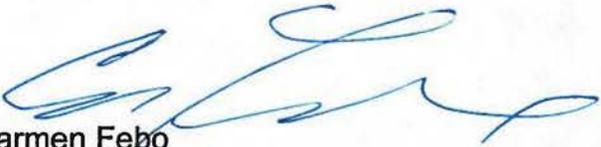
The Section 8 program should review the reports to ensure that the amounts reported agree with the underlying accounting records before submission to federal grantor. Also, the program should implement a reporting calendar to keep all personnel aware of the reporting deadlines of each federal financial report. This will provide an additional tool to help the program to the complying of the required reporting deadlines.

Action Taken

The Federal Affairs Office (FAO) has identified a resource to assure timely submission and internal control of federal financial reports. The resource will have a special code to enter and release information regarding Section 8 reports.

If the Cognizant or Oversight Agency for Audit has questions regarding this plan, please call Sonia Machuca, Director of Federal Accounting; CPA Juan Martínez, Executive Director WIA Programs; Gilberto Claudio, Housing Department Director; and Ibis Figueroa, Head Start Director, and Esteban Pérez, Federal Program Director, at (787) 720-4040.

Cordially,


Carmen Febo
Finance Director