

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES
ÁREA DE ASESORAMIENTO, REGLAMENTACIÓN E INTERVENCIÓN FISCAL
ÁREA DE ARCHIVO DIGITAL

MUNICIPIO DE GURABO
AUDITORÍA 2008-2009
30 DE JUNIO DE 2009

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

ORTIZ, RIVERA, 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

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MUNICIPALITY OF GURABO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

	<u>Pages</u>
PART I - FINANCIAL SECTION	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements-Governmental Funds	
Balance Sheet	12-13
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Revenues, and Expenditures - Budget and Actual - General and Debt Service Funds	17
Notes to Basic Financial Statements	18-45

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BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS (CONTINUED)

	<u>Pages</u>
PART II - SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	47
Notes to Schedule of Expenditures of Federal Awards	48
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	49-50
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	51-53
Schedule of Findings and Questioned Costs	54-60
Schedule of Status of Prior Year Audit Findings and Questioned Costs	61-62
Exhibit	
I. Corrective Action Plan	

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PART I - FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Municipal Legislature
Municipality of Gurabo
Gurabo, 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 Gurabo, as of and for the year ended June 30, 2009, 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 of America. 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 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 of each major fund and the aggregate remaining fund information of the Municipality of Gurabo as of June 30, 2009, 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 October 30, 2009, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 9 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
October 30, 2009

Ortiz, Rivera, Rivera & Co.

The stamp 2479456 was affixed
to the original of this report.



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

Management of the *Municipality of Gurabo* 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, 2009**. 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 in the Governmental Activities has reported assets and net assets amounting to **\$58,351,544** and **\$15,460,325** respectively, in the accompanying statement of net assets, of which the most significant assets are capital assets amounting to **\$34,241,009 (59 percent of total Municipality's assets)**.
- The Municipality in the same activities has reported total liabilities amounting to **\$42,891,219** in the accompanying statement of net assets, of which the most significant liabilities are bonds, notes and other long-term debt amounting to **\$28,024,738 (65 percent of total liabilities)**.
- The Municipality has reported total revenues amounting to **\$27,639,558** in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds, for the Fiscal Year Ended **June 30, 2009**. The most significant revenues amounting in this statement are property taxes and municipal licenses taxes, sales tax and, licenses and permits were to **\$9,640,805 (35 percent of total revenues)** and **\$8,577,542 (31 percent of total revenues)**, respectively.
- The Municipality has reported a net change in net assets of revenues over expenditures amounting to **\$1,112,377** in the accompanying statement of activities.
- The Municipality's governmental funds reported combined ending fund balances of **\$10,050,364** which represent the fund balances of the general fund, Joint Resolutions and Debt Service fund combined (all known as the Municipality's major funds).
- The Municipality has reported an excess for the general fund amounting to **\$301,932**.

- The Municipality has reported a deficiency of revenues and other financing sources under expenditures and other financing uses amounting to **(\$10,411,377)** in the governmental funds. Such amount correspond to General Fund and Debt Service fund. As a significant fact, the Municipality's outlays for Loan and Bonds and Joint Resolution during the year amounted **\$10,652,721** while to the available funds provine of the fund balance available at beginning of the fiscal year. Such outlays over financing sources and reducing the expected income for the incongruence on the State economy were the principal reasons of the deficiency in the governmental funds.

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**).

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, 2009** 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, 2009**. 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, 2009**). 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 four major funds: (1) the general fund (2) the debt service fund (3) the Housing and Urban Development Programs and (4) Other Governmental Funds.

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.

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 **\$15,460,325** at **June 30, 2009**.

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, 2009</u>
Current assets	\$24,110,535
Capital assets	<u>\$34,241,009</u>
Total assets	<u>\$58,351,544</u>
Current liabilities	\$14,866,481
Non-current liabilities	<u>\$28,024,738</u>
Total liabilities	<u>\$42,891,219</u>
Net assets/(liabilities):	
Invested in capital assets, net of related debt	\$18,803,698
Restricted	\$14,202,167
Unrestricted	<u>(\$17,545,540)</u>
 Total net assets	 <u>\$15,460,325</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, 2009</u>
Revenues:	
Program revenues:	
Charges for services	\$ 793,026
Operating grants and contributions	\$ 1,839,977
Capital grants and contributions	\$ 2,089,856
General revenues:	
Property taxes	\$ 9,640,805
Municipal license taxes	\$ 6,322,658
Sales and use tax	\$ 1,461,858
Grants and contributions	\$ 4,779,391
Interest, fines and penalties	\$ 627,739
Miscellaneous	<u>\$ 84,248</u>
Total revenues	<u>\$27,639,558</u>
Expenses:	
General government	\$12,244,683
Public safety	\$ 1,882,254
Public works	\$ 6,437,276
Recreation	\$ 1,008,259

Health and welfare	\$ 2,875,574
Economic Development	\$ 320,034
Interest on long-term debt	\$ 1,759,101
Total expenses	<u>\$26,527,181</u>
Change in net assets	\$ 1,112,377
Net assets – at beginning of year	<u>\$14,347,948</u>
Net assets – at end of year	<u>\$15,460,325</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, 2009</u>
Total Assets – Major Funds	\$26,199,110
Total Assets – Nonmajor Funds	\$ 263,031
Total assets	<u>\$26,462,141</u>
Total Liabilities – Major Funds	\$15,722,928
Total Liabilities – Nonmajor Funds	\$ 688,849
Total liabilities	<u>\$16,411,777</u>
Fund Balances – Major Funds	\$10,050,364
Fund Balances – Nonmajor Funds	\$ -----0-----
Total Fund Balance	<u>\$10,050,364</u>

Condensed Statement of Operations – Governmental funds:

Total Revenues – Major Funds	\$26,465,580
Total Revenues – Nonmajor Funds	\$ 1,173,978
Total revenues	<u>\$27,639,558</u>
Total expenditures – Major Funds	\$36,881,389
Total expenditures – Nonmajor Funds	\$ 1,169,546
Total expenditures	<u>\$38,050,935</u>

Other financing sources (uses) Major	\$ 280,000
Other financing sources (uses) Nonmajor	\$ -0-
Revenues Over Expenses – Major	(\$10,131,377)
Revenues Over Expenses – Nonmajor	\$ -0-

Beginning Fund Balance 20,181,741

Ending Fund Balance **\$10,050,364**

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 **Gurabo City Hall, Gurabo, Puerto Rico.**

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
STATEMENT OF NET ASSETS
JUNE 30, 2009**

<u>Assets</u>	<u>Governmental Activities</u>
Cash and cash equivalents (Note 2)	\$ 3,197,266
Cash with fiscal agent (Note 2)	13,959,695
Accounts receivables:	
Municipal license taxes (Note 7)	258,741
Rent, licences and permits	115,565
Due from other agencies (Note 9)	6,579,268
Capital assets, net (Note 11)	34,241,009
	\$ 58,351,544
<u>Liabilities and Net Assets</u>	
Liabilities	
Account payable and accrued liabilities	\$ 4,500,566
Due to other agencies (Note 12)	1,477,159
Deferred revenues:	
Municipal license taxes (Note 13)	4,898,723
Federal government	2,353,423
Matured bonds payable	570,000
Matured interest payable	258,100
Noncurrent liabilities (Note 15):	
Due within one year	1,521,677
Due in more than one year	26,503,061
Accrued interest payable	808,510
Total liabilities	42,891,219
Net Assets	
Investment in capital assets, net of related debt	18,803,698
Restricted for:	
Debt service	5,538,413
Capital projects	8,663,754
Unrestricted	(17,545,540)
	\$ 15,460,325

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<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>	<u>Capital Grants and Contributions</u>	
General government	\$ 12,244,683	\$ 793,026	\$ -	\$ -	\$ (11,451,657)
Public safety	1,882,254				(1,882,254)
Public works	6,437,276		1,205,034	2,089,856	(3,142,386)
Recreation	1,008,259				(1,008,259)
Health and welfare	2,875,574		634,943		(2,240,631)
Economic development	320,034				(320,034)
Interest on long-term debt	1,759,101				(1,759,101)
Total	<u>\$ 26,527,181</u>	<u>\$ 793,026</u>	<u>\$ 1,839,977</u>	<u>\$ 2,089,856</u>	<u>(21,804,322)</u>
General revenues:					
Property taxes (Note 6)					9,640,805
Municipal license tax (Note 7)					6,322,658
Sales and use tax (Note 8)					1,461,858
Grants and contributions not restricted to specific programs					4,779,391
Interest, fines and penalties					627,739
Miscellaneous					84,248
Total general revenues					<u>22,916,699</u>
Change in net assets					1,112,377
Net assets at beginning of year, as restated (Note 20)					<u>14,347,948</u>
Net assets at end of year					<u>\$ 15,460,325</u>

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2009

<u>Assets</u>	<u>General</u>	<u>Housing and Urban Development Programs</u>	<u>Sales and Use Tax Fund</u>	<u>Debt Service</u>	<u>State Legislative Joint Resolutions</u>	<u>Loans and Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents (Note 2)	\$ 571,817	\$ 608,710	\$ 225,564	\$ -	\$ 1,528,144	\$ -	\$ 263,031	\$ 3,197,266
Cash with fiscal agent (Note 2)				6,076,447	106,514	7,776,734		13,959,695
Accounts receivables:								
Municipal license taxes (Note 7)	258,741							258,741
Rent, licences and permits	113,365							113,365
Due from other agencies (Note 9)	3,965,534	2,323,668		290,066				6,579,268
Due from other funds (Note 10)	2,353,806							2,353,806
Total assets	<u>\$ 7,263,263</u>	<u>\$ 2,932,378</u>	<u>\$ 225,564</u>	<u>\$ 6,366,513</u>	<u>\$ 1,634,658</u>	<u>\$ 7,776,734</u>	<u>\$ 263,031</u>	<u>\$ 26,462,141</u>

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2009

<u>Liabilities and Fund Balance (Deficit)</u>	<u>General</u>	<u>Housing and Urban Development Programs</u>	<u>Sales and Use Tax Fund</u>	<u>Debt Service</u>	<u>State Legislative Joint Resolutions</u>	<u>Loans and Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities								
Account payable and accrued liabilities	\$ 585,449	\$ 9,717	\$ 3,905,400	\$ -	\$ -	\$ -	\$ -	\$ 4,500,566
Due to other agencies (Note 12)	1,477,159							1,477,159
General obligations:								
Bonds				570,000				570,000
Interest				258,100				258,100
Due to other funds (Note 10)		311,285	606,034			747,638	688,849	2,353,806
Deferred revenues municipal								
Municipal license tax (Note 13)	4,898,723							4,898,723
Federal government		2,353,423						2,353,423
Total liabilities	<u>6,961,331</u>	<u>2,674,425</u>	<u>4,511,434</u>	<u>828,100</u>	<u>-</u>	<u>747,638</u>	<u>688,849</u>	<u>16,411,777</u>
Commitments and Contingencies (Notes 18 and 19)								
Fund Balances (Deficit)								
Reserved for:								
Encumbrances	141,189							141,189
Debt service				5,538,413				5,538,413
Capital projects					1,634,658	7,029,096		8,663,754
Unreserved fund balance	160,743	257,953	(4,285,870)				(425,818)	(4,292,992)
Total fund balance (deficit)	<u>301,932</u>	<u>257,953</u>	<u>(4,285,870)</u>	<u>5,538,413</u>	<u>1,634,658</u>	<u>7,029,096</u>	<u>(425,818)</u>	<u>10,050,364</u>
Total liabilities and fund balance (deficit)	<u>\$ 7,263,263</u>	<u>\$ 2,932,378</u>	<u>\$ 225,564</u>	<u>\$ 6,366,513</u>	<u>\$ 1,634,658</u>	<u>\$ 7,776,734</u>	<u>\$ 263,031</u>	<u>\$ 26,462,141</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total fund balances - governmental funds \$ 10,050,364

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 34,241,009
- Other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 2,200
- Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. **(Note 4)** (28,833,248)

Net assets of governmental activities \$ 15,460,325

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

- 14 -

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General	Housing and Urban Development Programs	Sales and Use Tax Fund	Debt Service	Joint Resolutions	Loan and Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property taxes (Note 6)	\$ 7,833,745	\$ -	\$ -	\$ 1,807,060	\$ -	\$ -	\$ -	\$ 9,640,805
Municipal license taxes (Note 7)	6,322,658							6,322,658
Sales and use tax (Note 8)			1,082,341	379,517				1,461,858
Licenses and permits	788,566							788,566
Charges for service and rents	4,460							4,460
Intergovernmental revenues (Note 14):								
Federal grants and contributions		1,839,977					1,173,916	3,013,893
State contributions	3,605,413				2,089,856		62	5,695,331
Interest, fines, and penalties	578,413			49,326				627,739
Other revenues	84,248							84,248
Total revenues	<u>19,217,503</u>	<u>1,839,977</u>	<u>1,082,341</u>	<u>2,235,903</u>	<u>2,089,856</u>	<u>-</u>	<u>1,173,978</u>	<u>27,639,558</u>
EXPENDITURES								
Current:								
General government	11,479,244							11,479,244
Public safety	1,503,271						216,657	1,719,928
Public works	3,510,444	1,028,557	3,592,486					8,131,487
Recreation	689,333							689,333
Health and welfare	1,314,255	583,257					952,889	2,850,401
Economic development	320,034							320,034
Capital outlays					1,873,173	8,779,548		10,652,721
Debt service:								
Principal retirement				1,164,233				1,164,233
Interest and other				1,043,554				1,043,554
Total expenditures	<u>18,816,581</u>	<u>1,611,814</u>	<u>3,592,486</u>	<u>2,207,787</u>	<u>1,873,173</u>	<u>8,779,548</u>	<u>1,169,546</u>	<u>38,050,935</u>
Excess (deficiency) of revenues over (under) expenditures	400,922	228,163	(2,510,145)	28,116	216,683	(8,779,548)	4,432	(10,411,377)
OTHER FINANCING SOURCES (USES)								
Bond issuance						280,000		280,000
Transfers in	48,412			346,009				394,421
Transfers out	(346,009)			(48,412)				(394,421)
Total other financing sources (uses)	<u>(297,597)</u>	<u>-</u>	<u>-</u>	<u>297,597</u>	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	103,325	228,163	(2,510,145)	325,713	216,683	(8,499,548)	4,432	(10,131,377)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED (Note 20)	<u>198,607</u>	<u>29,790</u>	<u>(1,775,725)</u>	<u>5,212,700</u>	<u>1,417,975</u>	<u>15,528,644</u>	<u>(430,250)</u>	<u>20,181,741</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 301,932</u>	<u>\$ 257,953</u>	<u>\$ (4,285,870)</u>	<u>\$ 5,538,413</u>	<u>\$ 1,634,658</u>	<u>\$ 7,029,096</u>	<u>\$ (425,818)</u>	<u>\$ 10,050,364</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
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, 2009**

Net change in fund balances - total governmental funds \$(10,131,377)

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. 13,073,260
- Depreciation expense on capital assets is reported in the statement of activities, but do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental (1,445,295)
- Governmental funds report issuance of long-term debt as other financial sources because provides current financial resources. (280,000)
- 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. 1,164,233
- Change in accrued interest expense which does not require the use of current financial resources. (715,547)
- Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in (552,897)

Changes in net assets of governmental activities \$ 1,112,377

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL-GENERAL AND DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund				Debt Service Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual	
	Original	Final			Original	Final		
REVENUES								
Property taxes	\$ 5,467,979	\$ 5,467,979	\$ 6,124,271	\$ 656,292	\$ 1,912,123	\$ 1,912,123	\$ 1,384,151	\$ (527,972)
Municipal license taxes	5,950,479	5,950,479	5,679,638	(270,841)				
Licenses and permits	3,165,048	3,165,048	742,793	(2,422,255)				
Charges for services and rent	47,000	47,000	4,460	(42,540)				
Intergovernmental revenues:								
State contributions	3,685,649	3,685,649	2,399,765	(1,285,884)				
Interest, fines, and penalties	693,952	693,952	595,281	(98,671)			49,326	49,326
Other revenues	505,000	505,000	84,248	(420,752)				
Total revenues	<u>19,515,107</u>	<u>19,515,107</u>	<u>15,630,456</u>	<u>(3,884,651)</u>	<u>1,912,123</u>	<u>1,912,123</u>	<u>1,433,477</u>	<u>(478,646)</u>
EXPENDITURES								
Current:								
General government	10,949,987	11,218,667	10,285,875	932,792				
Public safety	2,134,212	2,027,382	1,503,269	524,113				
Public works	3,868,694	3,701,192	3,510,442	190,750				
Recreation	800,870	789,041	689,333	99,708				
Health and welfare	1,398,622	1,420,868	1,314,254	106,614				
Economic development	362,722	357,957	323,708	34,249				
Debt service:								
Principal					1,151,046	1,151,046	1,164,233	13,187
Interest					761,077	761,077	1,043,554	282,477
Total expenditures	<u>19,515,107</u>	<u>19,515,107</u>	<u>17,626,881</u>	<u>1,888,226</u>	<u>1,912,123</u>	<u>1,912,123</u>	<u>2,207,787</u>	<u>295,664</u>
Deficiency of revenues under expenditures	\$ -	\$ -	\$ (1,996,425)	\$ (1,996,425)	\$ -	\$ -	\$ (774,310)	\$ (774,310)

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. ORGANIZATION

The Municipality of Gurabo, Puerto Rico (Municipality) was founded in 1815. The Municipality is a political legal entity 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 Assembly, which has 14 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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.

- **Statement of Program Activities** - The 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, as amended by Statement No. 39, "Determining whether Certain Organizations are Component Units" - an amendment of GASB 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 appoint a voting majority of the entity's governing body, and if either one of the following conditions exists: the primary government can impose its will on the other entity or the potential exists 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.

GASB Statement No. 39 provided additional guidance to determine whether

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

certain organization for which the primary government is not financially accountable should be reported as component units. A legally separate, tax-exempt organization should be discretely presented as a component unit if all of the following criteria are met: (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (b) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and; (c) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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.

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.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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*. 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.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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) Housing and Urban Development Programs (HUD Programs)

This fund account for revenue sources for the development of viable urban communities, decent housing, suitable living environment, rental assistance to help very low-income families afford decent, safe and sanitary housing by encouraging property owners to rehabilitate substandard housing and lease the units with rental subsidies to low-income family.

3) Sales and Use Tax Fund

This fund account for revenue sources proceeding from the imposition of the sales and use tax corresponding to the one percent to be collected by the Municipality that should be used for solid waste collection and recycling programs, the construction of capital works and improvements, health, and security.

4) 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.

5) State Legislative Joint Resolutions

The State Legislative Joint Resolutions fund is used to account for certain operations grants awarded by the Legislative of the Commonwealth of Puerto Rico to subsidy certain operations and administrative activities of the Municipality.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

6) Loans and Bonds

The Loans and Bonds fund is used to account for the financial resources for the acquisition of personal property and/or construction of major improvements which are not financed by other funds.

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 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 deposits 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).

Cash with fiscal agent in the State Legislative Joint Resolution and Loans and Bonds 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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

collections retained by the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service, as established by law.

e. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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.

f. 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. Depreciation in capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Infrastructure	40 years
Buildings and building improvements	30-40 years
Furniture and fixtures	5 years
Machinery and equipment	3-5 years
Motor vehicles	5 years

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

g. 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.

3) Capital Projects

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.

4) Other Specified Purposes

Represent financial resources set aside for use in federal and state grant programs.

h. 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, 2009 amounted to approximately \$246,000. The current insurance policies have not been cancelled or terminated. The CRIM also

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

deducted approximately \$302,000 for workers compensation insurance covering all municipal employees.

i. 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.

j. 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>
51	Accounting and Financial Reporting for Intangible Assets	2009-10
53	Accounting and Financial Reporting for Derivative Instruments	2009-10
54	Fund Balance Reporting and Governmental Fund Type Definitions	2010-11

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

k. 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 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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

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 over expenditures for the year ended June 30, 2009 is presented below for the general fund and debt service funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Deficiency of revenues over expenditures - budgetary basis	\$(1,996,425)	\$ (774,310)
Entity differences:		
Non-budgeted funds, net	3,517,648	
Non-budgeted revenues		428,843
Basis of accounting differences:		
Net change in receivables	(51,519)	373,583
Net change in payables	(1,113,293)	
Timing differences:		
Prior year encumbrances recorded as current year expenditures for GAAP basis	(96,678)	

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund	Debt Service Fund
Current year encumbrances recorded as expenditures for budgetary basis	\$ 141,189	\$ _____
Excess of revenues over expenditures - GAAP basis	\$ 400,922	\$ 28,116

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 \$28.8 million difference are as follows:

Bonds payable	\$23,494,045
Notes payable	1,730,000
Note payable - CRIM LIMS	191,929
Compensated absences	2,414,708
Interest payable	808,510
Due to CRIM	111,374
Claims and judgements	82,682
Net adjustment to reduce fund balance governmental funds to arrive at net assets of governmental activities	\$28,833,248

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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).

The Municipality's bank balances in commercial banks of approximately \$2.8 million in the governmental activities were fully collateralized at June 30, 2009. The deposits at GDB of approximately \$7.8 million that are restricted principally for capital projects, and the \$6 million in the debt service fund are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

The Municipality maintains its deposits in three banks located at Puerto Rico. All kind of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

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

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.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The rates are 8.83% for real property and 6.83% 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	2.00%	2.00%
Discounts made by state to tax payer	< .20% >	< .20% >
	<u>8.83%</u>	<u>6.83%</u>

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

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 ensuring 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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.

Currently, the Municipality has received the preliminary settlement from CRIM related to fiscal year 2008-09, but not the final settlement as the six months period after fiscal year ends, 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 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, 2009, the amount received in advances from CRIM exceeded the amount collected from taxpayers and charges by CRIM, for the same period by approximately \$111,000. Such amount is presented as due to CRIM in the accompanying financial statements. (See Note 15)

7. MUNICIPAL LICENSE TAX

Municipal License Tax is recorded in the fiscal year in which payment is due and, accordingly, represent taxes which are due and uncollected at June 30, 2009. 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 Gurabo, 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 Gurabo, are as follows:

Financial, savings, and loans associations =	1.50%
Other organizations =	.45%

- 32 -

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The amounts collected in advance are recorded as deferred revenues in the General Fund. The Municipality invoiced and collected in advance during the current year approximately \$4.9 million, corresponding to the next fiscal year municipal license.

8. SALES AND USE TAX

On July 29, 2007 the Commonwealth Legislature approved Act No. 80 ("Act 80") which imposed to all the Municipalities of Puerto Rico a uniform municipal sales and use tax of 1.5%. Effective August 1, 2007 1% of the 1.5% will be collected by the Municipalities and the remaining .5% of the 1.5% will be collected by the Puerto Rico Department of Treasury.

Act 80 also provides for restrictions on the use of the resources (including the .5 of 1.5% collected by the Commonwealth Government) to be invested in solid waste and recycling programs, capital improvements and health and public safety costs. Amount collected by the Commonwealth Government will be deposited in accounts or special funds in the Governmental Development Bank of Puerto Rico ("GDB"), subject to restrictions imposed and distributed as follows:

- a. .2% of the .5% will be deposited in a "Municipal Development Fund" to finance costs as restricted by the Act,
- b. .2% of the .5% will be deposited in a "Municipal Redemption Fund" to finance loans to municipalities subject to restrictions imposed by the Act and,
- c. 1% of the .5% will be deposited in a "Municipal Improvement Fund" to finance capital improvement projects; these funds will be distributed based on legislation from the Commonwealth's Legislature.

9. DUE FROM OTHER AGENCIES

Represents grants and contributions due from local and federal agencies:

Puerto Rico Electric Power of Authority	\$1,561,101
Puerto Rico Treasury Department (reimbursement of expenditures)	2,220,190
Office of the Commissioner of Municipal Affairs	2,323,668

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Puerto Rico Treasury Department	184,243
Municipal Revenues Collection Center (Debt Service Fund)	<u>\$ 290,066</u>
 Total	 <u>\$6,579,268</u>

10. INTERFUND TRANSACTIONS

a. Due From/To Other Funds:

The due from and due to other fund balances as of June 30, 2009, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Loans and Bonds Fund	\$ 747,638
General Fund	HUD Programs	311,285
General Fund	Other Governmental Funds	688,849
General Fund	Sales and Use Tax Fund	<u>606,034</u>
		 <u>\$2,353,806</u>

The balance of \$747,638 due from the Loans and Bonds fund represents disbursements made by the General Fund to cover various construction projects that will be reimbursed by the Government Development Bank for Puerto Rico.

The balance of \$311,285 due from HUD Programs and the \$688,849 mainly represents disbursements made by the general fund to cover payroll and related fringe benefits to HUD Programs and Other Governmental Funds, which will be reimbursed to the general fund within approximately 90 day period after year-end.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

b. Interfund Transfers:

Interfund transfers for the year ended June 30, 2009 consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Debt Service	\$ 48,412
Debt Service	General	<u>346,009</u>
Total		<u>\$ 394,421</u>

The transfer from the general fund to the debt service fund of \$346,009 represents monies transferred to cover debt service payments as become due.

11. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 3,624,667	\$ -	\$ -	\$ 3,624,667
Construction in process		10,746,142		\$ 10,746,142
Total capital assets, not being depreciated	<u>3,624,667</u>	<u>\$ 10,746,142</u>	<u>-</u>	<u>14,370,809</u>
Capital assets, being depreciated:				
Buildings and building improvements	12,485,456	1,016,996		13,502,452
Furniture and fixtures	707,144	284,805		991,949
Machinery and equipment	2,064,494	240,292		2,304,786
Vehicles	4,106,701	736,025		4,842,726
Arts work	451,609	49,000		500,609
Infrastructure	9,979,711			9,979,711
Total capital assets, being depreciated	<u>29,795,115</u>	<u>2,327,118</u>	<u>-</u>	<u>32,122,233</u>
Less accumulated depreciation for:				
Buildings and building improvements	3,029,949	337,561		3,367,510
Furniture and fixtures	487,966	141,233		629,199
Machinery and equipment	1,549,110	178,704		1,727,814
Vehicles	3,042,868	517,904		3,560,772
Arts work	73,018	23,866		96,884
Infrastructure	2,623,827	246,027		2,869,854
Total accumulated depreciation	<u>10,806,738</u>	<u>1,445,295</u>	<u>-</u>	<u>12,252,033</u>
Total capital assets, being depreciated, net	<u>18,988,377</u>	<u>881,823</u>	<u>-</u>	<u>19,870,200</u>
Governmental activities capital assets, net	<u>\$ 22,613,044</u>	<u>\$ 11,627,965</u>	<u>\$ -</u>	<u>\$ 34,241,009</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

General government	\$ 212,542
Public safety	162,326
Public works	726,328
Recreation	318,926
Health and welfare	<u>25,173</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,445,295</u>

12. DUE TO OTHER AGENCIES

Due to other agencies at June 30, 2009 are as follows:

Puerto Rico Electric Power Authority	\$ 1,306,500
Retirement System Administration	99,002
Puerto Rico Treasury Department	10,142
Puerto Rico Water and Sewer Authority	54,247
General Services Administration	<u>7,268</u>
 Total	 <u>\$ 1,477,159</u>

13. DEFERRED REVENUES

Municipal License Tax

The deferred revenues of approximately \$4.9 million in the general fund related to municipal license tax collected in fiscal year 2008-09 that will be earned in fiscal year 2009-10.

14. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues in the general and capital projects 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.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

15. LONG-TERM DEBTS

Bonds and notes payable and other debt outstanding at June 30, 2009 are as follows:

Bonds

\$615,000 series of 1992, payable in annual installments of \$27,000 to \$44,000 until 2015 with interest at 5.0%.	\$232,000
\$1,967,000 series of 1994, payable in annual installments of \$88,000 to \$159,000 until 2015 with interest at 6%.	823,000
\$325,000 series of 1997, payable in annual installments of \$11,000 to \$44,000 until 2015 with interest at 5%.	201,000
\$704,000 series of 2000, payable in annual installments of \$20,000 to \$47,045 until 2024 with interest at 4.5%.	522,045
\$665,000 series of 2002, payable in annual installments of \$15,000 to \$55,000 until 2026 with interest ranging from 2.7% to 5.6%.	560,000
\$2,715,000 series of 2002, payable in annual installments of \$50,000 to \$215,000 until 2027 with interest at 6.5%.	2,325,000
\$375,000 series of 2002, payable in annual installments of \$12,000 to \$29,000 until 2027 with interest at 4.50% ranging from 3.93% to 7.0%.	351,000
\$940,000 series of 2007, payable in annual installments of \$100,000 to \$165,000 until 2013 with interest ranging from 6.6% to 7.5%.	600,000

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

\$7,595,000 series of 2007, payable in annual installments of \$110,000 to \$635,000 until 2031 with interest ranging from 6.6% to 7.5%.	\$7,235,000
\$1,010,000 series of 2007, payable in annual installments of \$10,000 to \$85,000 until 2032 with interest ranging from 2.43% to 7.5%.	990,000
\$225,000 series of 2008, payable in annual installments of \$5,000 to \$20,000 until 2032 with interest ranging from 2.43% to 7.5%.	215,000
\$780,000 series of 2008, payable in annual installments of \$10,000 to \$70,000 until 2032 with interest ranging from 2.43% to 7.5%.	760,000
\$7,470,000 series of 2008, payable in annual installments of \$115,000 to \$615,000 until 2032 with interest ranging from 2.43% to 7.25%.	7,235,000
\$1,210,000 series of 2008, payable in annual installments of \$20,000 to \$100,000 until 2032 with interest ranging from 2.43% to 7.25%.	1,170,000
\$280,000 series of 2008, payable in annual installments of \$5,000 to \$30,000 until 2033 with interest ranging from 2.43% to 7.25%	<u>275,000</u>
Total bonds	\$ <u>23,494,045</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Notes Payable

\$1,000,000 note payable, series of 1990, payable in annual installments of \$50,000 until 2010, with interest ranging from 4.25% to 8%.	\$ 50,000
\$158,000 note payable, series of 2008, payable in annual installments of \$5,000 to \$15,000 until 2032, with interest ranging from 2.42% to 7.50%.	156,000
\$584,000 note payable, series of 2008, payable in annual installments of \$130,000 to \$165,000 until 2012, with interest ranging from 2.42% to 7.50%.	451,000
\$1,156,000 note payable, series of 2008, payable in annual installments of \$83,000 to \$217,000 until 2017, with interest ranging from 2.42% to 7.50%.	<u>\$1,073,000</u>
Total notes payable	<u>\$1,730,000</u>

Note Payable to CRIM (LIMS)

On June 27, 2001, the Municipality entered into a financing agreement with the CRIM in the amount of \$624,492 for the payment of the Municipality's share of the cost of a management information system (LIMS) acquired by the CRIM or the management of taxpayer's properties located in Puerto Rico. The note is payable in semiannual installments of \$41,879, including interest of 5.95% and is due on November 28, 2011. Amount is financed with unrestricted funds through withholdings from the advances of property taxes and amounts of municipal equalization fund send to the Municipality by the CRIM.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The annual requirements for the amortization of general long-terms at June 30, 2009, are as follows:

	<u>Bonds Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 759,000	\$ 1,654,383	\$ 283,000	\$ 104,718
2011	816,000	1,603,837	249,000	108,524
2012	862,000	1,548,779	264,000	89,852
2013	909,000	1,486,362	112,000	70,050
2014	813,000	1,550,542	120,000	61,650
2015-2019	3,988,000	6,342,949	587,000	137,773
2020-2024	5,222,045	4,829,467	36,000	38,104
2025-2029	6,340,000	2,779,752	46,000	23,104
2030-2034	3,785,000	526,960	33,000	5,176
	<u>\$ 23,494,045</u>	<u>\$22,323,031</u>	<u>\$1,730,000</u>	<u>\$ 638,951</u>
	<u>Note Payable- CRIM (LIMS)</u>			
	<u>Principal</u>	<u>Interest</u>		
2010	\$ 73,414	\$ 10,344		
2011	77,853	5,911		
2012	40,662	1,210		
	<u>\$ 191,929</u>	<u>\$ 17,465</u>		

As described in Note 6, the Municipality levies an annual special tax of 2.0% 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.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds payable	\$ 24,041,045	\$ 280,000	\$ 827,000	\$ 23,494,045	\$ 759,000
Notes payable	1,998,000		268,000	1,730,000	283,000
Note payable - CRIM (LIMS)	261,162		69,233	191,929	73,414
Total long-term debt	<u>26,300,207</u>	<u>280,000</u>	<u>1,164,233</u>	<u>25,415,974</u>	<u>1,115,414</u>
Other Long-Term Liabilities:					
Due to CRIM	-	111,374		111,374	-
Claims and judgements	94,682		12,000	82,682	
Compensated absences	1,961,185	657,676	204,153	2,414,708	406,263
Total other liabilities	<u>2,055,867</u>	<u>769,050</u>	<u>216,153</u>	<u>2,608,764</u>	<u>406,263</u>
Total noncurrent liabilities	<u>\$ 28,356,074</u>	<u>\$ 1,049,050</u>	<u>\$ 1,380,386</u>	<u>\$ 28,024,738</u>	<u>\$ 1,521,677</u>

16. 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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

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

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

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

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.

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, 2009 was approximately \$399,000. The Municipality's payroll for employees covered by ERS was approximately \$4.3 million. The Municipality total payroll for all employees was approximately \$7.8 million.

Additional information on the ERS is provided in its financial statements for the year ended June 30, 2009, a copy of which can be obtained from the ERS, Minillas Station, PO Box 42003, San Juan, PR 00940.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

17. 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.

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. COMMITMENTS

The Municipality of Gurabo had several outstanding or planned construction projects as of June 30, 2009. These projects are evidenced by contractual commitments with contractors. The construction projects are commitments of the Joint Resolution's fund and Loans and Bonds fund that amounted to approximately \$8.7 million.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

20. RESTATEMENT

a. Net Assets

The beginning balance of net assets as of July 1, 2008 has been restated as follows:

Net assets at beginning of year, as previously reported	\$14,378,425
Understatement of accounts payable	<u>(30,477)</u>
Net assets at beginning of year as restated	<u>\$14,347,948</u>

b. Fund Balance

The beginning fund balance of debt service fund and other governmental funds has been restated to correct understatement of accounts payable and overstatement of interest expense.

	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>
Beginning fund balance (deficit), as previously reported	\$4,880,793	\$(399,773)
Overstatement of interest expense	331,907	
Understatement of accounts payable	_____	<u>(30,477)</u>
Beginning fund balance (deficit), as restated	<u>\$5,212,700</u>	<u>\$(430,250)</u>

PART II - SINGLE AUDIT SECTION

- 46 -

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)		
Direct Program:		
Section 8 Housing Choice Vouchers	14.871	\$ 583,257
Pass-through Commissioner Office of Municipal Affairs State Block Grant Program - SBGP	14.228	<u>1,028,557</u>
Subtotal U.S. Department of HUD		<u>1,611,814</u>
U.S. Department of Agriculture		
Pass-through Puerto Rico Department of Education Child and Adult Care Food Program	10.558	<u>21,069</u>
Subtotal U.S. Department of Agriculture		<u>21,069</u>
U.S. Department of Health and Human Services (HHS)		
Pass-through Puerto Rico Department of Family Child Care and Development Block Grant	93.575	632,698
Community Services Block Grant	95.569	184,818
Pass-through Oficina de la Procuradora de las Personas de Edad Avanzada: Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	<u>114,304</u>
Subtotal U.S. Department of HHS		<u>931,820</u>
U.S. Department of Homeland Security		
Pass-through the Puerto Rico Department of Justice Office for the Domestic Preparedness Fiscal Year 2005 Homeland Security Grant Program	96.067	<u>216,657</u>
Subtotal U.S. Department of Homeland Security		<u>216,657</u>
TOTAL		<u>\$ 2,781,360</u>

See notes to schedule of expenditures of federal awards.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Municipality of Gurabo'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 reconciliation of expenditures in the basic financial statements to the Schedule of Expenditures of Federal Awards is as follows:

Expenditures as per basic financial statements:	
Housing and Urban Development programs fund	\$1,611,814
Federal expenditures included within the other nonmajor governmental funds	<u>1,169,546</u>
Total expenditures per schedule of expenditures of federal awards	<u>\$2,781,360</u>



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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Municipality of Gurabo, as of and for the year ended June 30, 2009, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 30, 2009. 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 Gurabo's internal control over financial reporting a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

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

We noted certain immaterial instances of noncompliance which we have reported to management of the Municipality of Gurabo in a separate letter dated October 30, 2009.

This report is intended solely for the information and use of the audit committee, Commissioner Office of Municipal Affairs, management and the 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.

Ortiz, Rivera, Rivera & Co.

San Juan, Puerto Rico
October 30, 2009

The stamp 2479457 was affixed
to the original of this report.





ORTIZ, RIVERA, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

CPA Orlando Luis Ortiz Cabrera
CPA Marco Antonio Rivera Zúñiga
CPA Luis Rivera Zúñiga
CPA Zoraida Cruz Claudio

Members:
American Institute of Certified
Public Accountants (AICPA)
Puerto Rico Board of Certified
Public Accountants

**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 Gurabo
Gurabo, Puerto Rico

Compliance

We have audited the compliance of Municipality of Gurabo 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, 2009. Municipality of Gurabo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Municipality of Gurabo's management. Our responsibility is to express and opinion on Municipality of Gurabo'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 Gurabo'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 Gurabo's compliance with those requirements.

In our opinion, the Municipality of Gurabo complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-1 thru 09-4.

Internal Control over Compliance

The management of Municipality of Gurabo 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 Gurabo'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Municipality's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Municipality's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the audit committee, Commissioner Office of Municipal Affairs, management and the 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
October 30, 2009

The stamp 2479458 was affixed
to the original of this report.



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. SUMMARY OF AUDIT RESULTS

- a. The auditors' report expresses an unqualified opinion on the basic financial statements of the Municipality of Gurabo.
- b. There were no significant deficiencies on internal controls or financial reporting.
- c. No instances of noncompliance material to the financial statements of Municipality of Gurabo were disclosed during the audit.
- d. There were no significant deficiencies on internal controls over major programs.
- e. The auditor's report on compliance for the major federal award programs for Municipality of Gurabo express an unqualified opinion.
- f. Audit findings related to the major federal award programs for Municipality of Gurabo are reported in number 3 of this schedule.
- g. The programs tested as major program are:
 - State Block Grant Program – CFDA No. 14.228
 - Child Care and Development Block Grant Program – CFDA No. 93.575
- h. The threshold for distinguishing types A and B programs was \$300,000.
- i. Municipality of Gurabo was determined to be a low-risk auditee.

2. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
AUDIT**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
<p>SBGP CFDA No. 14.228</p>	<p>Condition 09-1</p> <p>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.</p> <p><u>Criteria</u></p> <p>The 24CFR 85.20(b)(7) establishes that the federal funds recipient will adopt the necessary policies and procedures to minimize the time between the receipt of funds and the disbursements for expenditures.</p> <p><u>Cause</u></p> <p>The Municipality does not keep adequate cash forecasting procedures because the Municipality has requested and received federal funds in excess of its immediate needs.</p> <p><u>Effect</u></p> <p>The continued occurrence of this condition may expose the Municipality to the assessment of interest cost relating to the excess cash on hand which would be paid from local funds.</p>	<p>\$ <u>- 0 -</u></p>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Program	Finding/Noncompliance	Questioned Cost
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Recommendation

The Municipality 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.

Condition 09-2

**SBGP
CFDA No.
14.228**

The Municipality did not comply with the requirement of preparing and filing its federal financial reports on a timely basis. During our examination of the Federal Financial Reports, we noted that the Municipality did not send on time the quarterly report for the following period ended:

\$ - 0 -

<u>Quarter Ended</u>	<u>Due Date</u>	<u>Date Submitted</u>
September 2008	11/10/08	11/17/08
March 2009	5/10/09	5/14/09
June 2009	8/10/09	8/21/09

Criteria

The Municipality is not in compliance with 43 CFR 13.41-(b)(3) which requires federal fund recipients to periodically monitor the performance of grant supported activities to ensure that time schedules are being accomplished, and other performance goals are being achieved by the preparation of federal financial reports. To achieve these goals, program management should prepare accurate and timely federal financial reports.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
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Cause

The above situation occurred because the Municipality did not ensure to verify and understand its reporting requirements for this program.

Effect

The continued failure to file the required reports may result in sanctions by the Federal grantor, such as grant payment withholdings.

Recommendation

The Municipality should verify and become familiar with all administrative requirements applicable to each federal financing assistance program, especially with new grant and received. This can be achieved by obtaining the information applicable to the program from the pass-thru grantor, federal grantor, or the Catalog of Federal Domestic Assistance ("CFDA"), which is available from the federal government.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
<p>Child Care and Development Block Grant Program - CFDA No. 93.575</p>	<p>Condition 09-3</p> <p>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 disbursements of funds.</p> <p><u>Criteria</u></p> <p>The 45CFR 74.22(a) establishes that the federal funds recipient will adopt the necessary policies and procedures to minimize the time between the receipt of funds and the disbursements for expenditures.</p> <p><u>Cause</u></p> <p>The Municipality does not keep adequate cash forecasting procedures because the Municipality has requested and received federal funds in excess of its immediate needs.</p> <p><u>Effect</u></p> <p>The continued occurrence of this condition may expose the Municipality to the assessment of interest cost relating to the excess cash on hand which would be paid from local funds.</p> <p><u>Recommendation</u></p> <p>The Municipality 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</p>	<p>\$ <u>- 0 -</u></p>

**COMMONWEALTH OF PUERTO RICOMUNICIPALITY OF GURABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
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when they are going to be disbursed immediately after receipt, or within three (3) business days.

Child Care and Development Block Grant Program - CFDA No. 93.575

Condition 09-4

The Municipality did not comply with the requirement of preparing and filing its federal financial reports on a timely basis. During our examination of the Accrued Expenditures Report, we noted that the Municipality did not send on time the quarterly report for the following period ended:

\$ - 0 -

<u>Quarter Ended</u>	<u>Due Date</u>	<u>Date Submitted</u>
September 2008	10/10/08	10/21/08
December 2008	1/10/09	1/15/09
March 2009	4/10/09	4/17/09

Criteria

The Municipality is not in compliance with 45 CFR74.52 which requires federal fund recipients to periodically monitor the performance of grant-supported activities to ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved by the preparation of federal financial reports. To achieved these goals, program management should prepare accurate and timely federal financial reports.

Cause

The above situation occurred because the Municipality did not ensure to verify and understand its reporting requirements for this program.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
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Effect

The continued failure to file the required reports may result in sanctions by the Federal grantor, such as grant payment with holdings.

Recommendation

The Municipality should verify and become familiar with all administrative requirements applicable to each federal financial assistance program, especially when new grants are received. This can be achieved by obtaining the information applicable to the program from the pass-thru grantor, federal grantor, or the Catalog of Federal Domestic Assistance ("CFDA"), which is available from the federal government.



TRAMITE DE CORRESPONDENCIA

Dirigido a:

Fecha:

3/10/10

Hora:

Oficina del Comisionado

- | | |
|--|---|
| <input type="checkbox"/> Oficina del Comisionado | <input type="checkbox"/> Asesoramiento Legal |
| <input type="checkbox"/> Auditora Interna | <input type="checkbox"/> Oficial de Comunicaciones |
| <input type="checkbox"/> Asesor Convenio Colectivo | <input type="checkbox"/> Programa de Justicia Juvenil |

Comisionados Auxiliares

- | | |
|--|--|
| <input type="checkbox"/> Programas Federales | <input checked="" type="checkbox"/> Área de Asesoramiento,
Reglamentación e Int. Fiscal |
| <input type="checkbox"/> Sistemas de Información | <input type="checkbox"/> Organizaciones Comunitarias |
| <input type="checkbox"/> Código Orden Público | <input type="checkbox"/> Hogar Propio |
| <input type="checkbox"/> FEM | |

 Administración

(Para uso de la Oficina de Administración)

- | | |
|--|--|
| <input type="checkbox"/> Recursos Humanos | <input type="checkbox"/> Finanzas |
| <input type="checkbox"/> Servicios Generales | <input type="checkbox"/> Presupuesto/Planificación |
| <input type="checkbox"/> Informática | |

TRÁMITE:

- | | | | |
|------------------------------------|-----------------------------------|--|---------------------------------|
| <input type="checkbox"/> Contestar | <input type="checkbox"/> Informar | <input type="checkbox"/> Discutir | <input type="checkbox"/> Firmar |
| <input type="checkbox"/> Revisar | <input type="checkbox"/> Aprobar | <input type="checkbox"/> Acción Pertinente | |

Asunto:

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GURABO
SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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
MUNICIPALITY OF GURABO
SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
State Block Grant Program CFDA No. 14.228	Condition 07-1 The Municipality did not comply with the requirement of preparing and filing its federal financial reports on a timely basis.	Condition still prevails.

CORRECTIVE ACTION PLAN

ORTIZ, RIVERA, 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 DE GURABO

Hon. César M. Ortiz Díaz
Alcalde

October 31, 2009

Cognizant or Oversight Agency Audit:

Municipality of Gurabo respectfully submits the following corrective plan for the year ended June 30, 2009

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

Audit Period: Fiscal year ended June 30, 2009

The findings from the June 30, 2009 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

Finding 09-1: State Block Grant Program-CFDA 14.228

Reportable Condition: See Condition 09-1

Action Taken:

The Municipality will 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 will be requested when they are going to be disbursed immediately after receipt, or within three (3) business days. Currently the official accountant of this program is located in the finance department, all federal disbursements are deposited as soon as they are received, which the transactions are completed the next day and checks are managed after being deposit.

Finding 09-2: State Block Grant Program - CFDA 14.228

Reportable Condition: See Condition 09-2

Action Taken:

The Municipality will verify and become familiar with all administrative requirements applicable to each federal financing assistance program, especially with new grants and received. This will be achieved by obtaining the information applicable to the program from the pass-thru grantor, or the Catalog of Federal Domestic Assistance (CFDA).

Finding 09-3: Child Care and Development Block Grant Program-CFDA 93.573

Reportable Condition: See Condition 09-3

Action Taken:

This Child Program operates thru the ACUDEN Program, where our functions are followed thru their regulations. The request of funds are submitted and is processed by three months advanced, reason why we cannot disbursed immediately within five (5) business days. The Municipality will modify the cash forecasting process by establishing a system to forecast the cash needs for the next five days, as established by federal regulations

Finding 09-4: Child Care and Development Block Grant Program-CFDA 93.573

Reportable Condition: See Condition 09-4

Action Taken:

The Municipality will verify and become familiar with all administrative requirements applicable to each federal financing assistance program, especially with new grants and received. This will be achieved by obtaining the information applicable to the program from the pass-thru grantor, or the Catalog of Federal Domestic Assistance (CFDA).

It is important to clarify that although we receive federal funds, our Municipality has to follow state regulations such as CDBG funds in the Office of the Commissioner of Municipal Affairs "OCAM" and in the Administration Care and Integrated childhood development "ACUDEN". Child Care program.

If the Cognizant or Oversight Agency for the Audit has questions regarding this plan, please call Hector Caraballo at (787) 712-1100 ext. 204.

Cordially,


Mariol Lopez Guzman
Director
Federal Programs