

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

**MUNICIPIO DE JAYUYA**  
**AUDITORIA 2003-2004**  
**30 DE JUNIO DE 2004**

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
UNIDAD DE CORREO

0163-5011/100

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2004**

**(WITH THE ADDITIONAL REPORTS AND  
INFORMATION REQUIRED BY  
THE GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133)**

3-18-05  
AW

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO  
BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(WITH THE ADDITIONAL REPORTS AND INFORMATION  
REQUIRED BY THE GOVERNMENT AUDITING STANDARDS  
AND OMB CIRCULAR A-133)**

**TABLE OF CONTENTS**

	<b>Pages</b>
<b>PART I – Financial:</b>	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-11
<b>Basic Financial Statements:</b>	
<b>Governmental-Wide Statements:</b>	
Statement of Net Assets.....	12
Statement of Activities .....	13
<b>Governmental Funds Statements:</b>	
Balance Sheet .....	14
Reconciliation of the Governmental Funds Balance Sheet to The Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance .....	16
Reconciliation of the Statement of Revenues, Expenditure, and Changes in Fund Balance of Governmental Funds to the Statements of Activities .....	17
Notes to the Basic Financial Statements.....	18-35
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund .....	36
Notes to Required Supplementary Information.....	37
<b>PART II – Schedule of Expenditures of Federal Awards and Reports on Compliance and Internal Control in accordance with Government Auditing Standards and the requirements of OMB Circular A-133</b>	
Schedule of Expenditures of Federal Awards.....	38
Notes to Schedule of Expenditures of Federal Awards.....	40
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based upon the Audit Performed in Accordance with Government Auditing Standards .....	41

## TABLE OF CONTENTS

	Pages
Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Award Program and on the Schedule of Expenditures of Federal Awards .....	43
<b>PART III – Findings and Questioned Costs:</b>	
Schedule of Findings and Questioned Costs .....	47
Summary Schedule of Prior Audit Findings .....	49

**PART I**  
**FINANCIAL**



**MENDOZA & RAMOS**  
Contadores Públicos Autorizados, C.S.P.

P.O. Box 35 • Guayama, Puerto Rico 00785 • Telefax 787-864-9271

**INDEPENDENT AUDITORS' REPORT**

**To the Honorable Mayor and  
Members of the Municipal Legislature  
Municipality of Jayuya  
Jayuya, 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 Jayuya, Puerto Rico (Municipality), as of and for the year ended June 30, 2004, 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 an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and budgetary comparison information on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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.

**INDEPENDENT AUDITORS' REPORT**

Page 2

As described in Notes 1 and 14, during the fiscal year 2002-2003, the Municipality has implemented a new financial reporting model, as required by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2004 on our consideration of the Municipality's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Mendoza & Ramos*  
MENDOZA & RAMOS  
CERTIFIED PUBLIC ACCOUNTANTS, C.S.P.

Guayama, Puerto Rico  
November 24, 2004

Stamp number 2026983 was  
affixed to the original of this  
report.



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Management of the Municipality of Jayuya, Puerto Rico (Municipality) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Municipality's financial activity, (c) identify changes in the Municipality's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget, and (e) identify individual fund issues or concerns. This narrative overview and analysis of the financial activities of the Municipality is for the fiscal year ended June 30, 2004. We encourage readers to consider this information with the Municipality's basic financial statements that follow.

Because the Municipality is implementing new reporting standards for this fiscal year with significant changes in content and structure, the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, and much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Municipality's financial position and results of operations.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

The Municipality's net assets increased by \$6.5 million (or 69%).

The governmental activities revenue for the General Fund increased by \$518 thousand (or 7%).

**Fund Level:**

The total cost of all Municipality programs increased by \$2.1 million (or 14%).

The General Fund (the primary operating fund) reflected on a current financial resource basis, reports a decrease in the accumulated deficit in fund balance by \$296 thousand (or 67%).

**USING THIS ANNUAL REPORT**

This annual report consists of three components: 1) Management's Discussion and Analysis (this section), 2) Basic Financial Statements, and 3) Required Supplementary Information. In light of the fact that this is a very different presentation from the pre-GASB Statement Number 34 model, the following graphic is provided for your review (Figure A-1 on next page). The Basic Financial Statements include two kinds of statements that present different views of the Municipality as follow:

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**Government-wide Statements (Reporting the Municipality as Whole)**

The Statement of Net Assets and Statement of Activities are two financial statements that report information about the Municipality, as a whole, and about its activities similar to a private-sector business. These statements provide both short-term and long-term information about the Municipality's economic condition at the end of the fiscal year. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include two statements:

The Statement of Net Assets (page 12) presents all the Municipality's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets is an indicator of whether the Municipality's financial position is improving or deteriorating.

The Statement of Activities (page 13) presents information showing how the Municipality's net assets change during the most recent fiscal year. All the changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements (Reporting the Municipality's Major Funds)**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous financial reporting model's) fund types. The Major Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The fund financial statements begin on page 14 and provide detailed information about the Major Individual Funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts the Municipality uses to keep track of specific sources of funding and spending for a particular purpose. The Municipality's funds are all included in Governmental Funds.

The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allows the demonstration of sources and uses and/or budgeting compliance associated therewith (beginning on page 36).

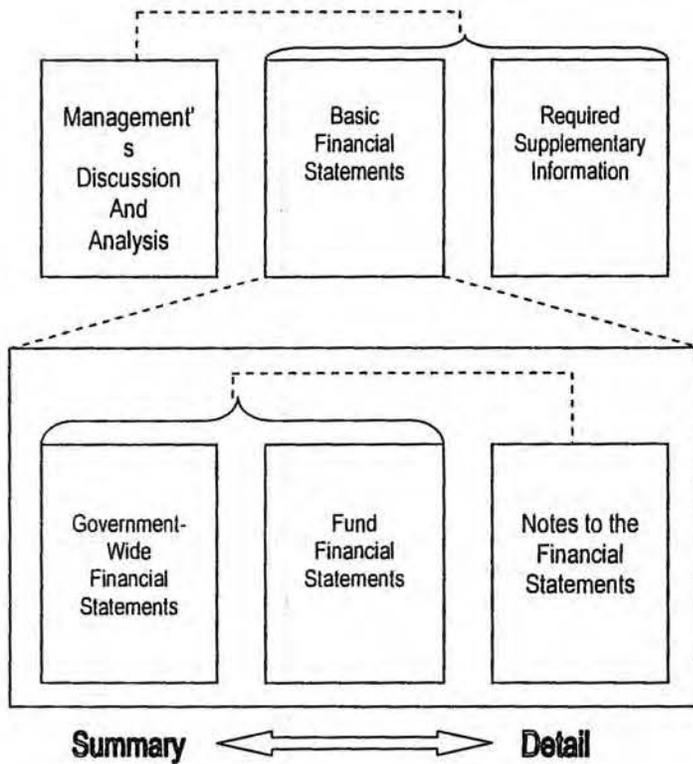
**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**Figure A-1  
Required Component of  
Municipality of Jayuya Annual Financial Report**



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**Governmental Funds** – the entire Municipality's basic services are reported in the governmental funds, which focus in how money flows into out of those funds and the balances left at year-end that are available for future spending. Consequently, the governmental fund financial statements provide a detailed short-term view of the Municipality general information, general operation and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs.

These funds are reported using modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Under this method, revenues are recognized when measurable and available. Expenditures are generally recognized when the related fund liability is incurred. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements (current financial resources) are presented on a different measurement focus and basis of accounting than governmental-wide statements (total economic resources), a reconciliation of the differences are reflected on the page following each statement (see pages 15 and 17). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the Governmental Activities column (in the Government-Wide Statements).

**Infrastructure Assets**

Historically, a government's largest group of assets [infrastructure – roads, bridges, traffic signals, underground pipes (unless associated with a utility), etc.] have not been reported nor depreciated in governmental financial statements. GASB Statement Number 34 requires that these assets be valued and reported within the Governmental column of the Government-Wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the alternative method), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established condition levels, the government may record all expenditures incurred (except for additions and improvements which extend the asset life) in lieu of depreciation. While the Municipality has acquired an asset management system which a) would allow the election to use the alternative methods, and b) will provide valuable management information, the Municipality has elected to initially implement the depreciation method, and will monitor and consider, over time, a possible conversion to the alternative method.

**Capital Assets Investments**

Municipality realized capital assets additions of \$3.4 million and recognized depreciation expenses in the amount of \$0.4 million. Principal investments consist of urban development, streets improvement, new buildings, motor vehicles and machinery and equipment acquisitions. Total Investment in Capital Assets, Net of related debt, is \$7.8 million or 58% of total investment (net of depreciation). Municipality is in process to capitalize all infrastructures in order to be included on or before the fiscal year 2006-2007.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Summary of Net Assets**

The Municipality's net assets increase by \$6.5 million over the course of this year's operations. The Municipality's net assets include investment in Capital Assets for \$7.8 million and over \$10.8 million restricted for future expenses. The Municipality's net assets at the end of the fiscal year ended on June 30, 2004 were \$16.0 million, as detailed on Table 1. For more detailed information see the Statement of Net Assets on page 12.

Current and non-current assets .....	\$12,968,099
Capital assets .....	<u>13,345,003</u>
<b>Total Assets .....</b>	<b><u>26,313,102</u></b>
Current liabilities .....	1,672,571
Long-term liabilities .....	<u>8,622,407</u>
<b>Total Liabilities .....</b>	<b><u>10,294,978</u></b>
Nets Assets:	
Investment in capital assets .....	7,797,003
Restricted .....	10,842,174
Unrestricted (Deficit) .....	<u>(2,621,053)</u>
<b>Total Net Assets .....</b>	<b><u>\$16,018,124</u></b>

**Normal Impacts**

There are six basic (normal) transactions that will affect the comparability of the Net Assets summary presentation.

- **Net Results of Activities** – This will impact (increase/decrease) current assets and unrestricted net assets.
- **Borrowing for Capital** – This will increase current assets and long-term debts.
- **Spending Borrowed Proceeds on New Capital** – This will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.
- **Spending of Non-borrowed Current Assets on New Capital** – This will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

- **Principal Payment on Debt** – This will (a) reduce current assets and reduce long-term and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.
- **Reduction of Capital Assets through Depreciation** – This will reduce capital assets and invested in capital assets, net of debt.

**Current Year Impacts**

The following schedule (as detailed on Table 2) presents the revenues and expenses for the current fiscal year.

<b>Table 2</b>	
<b>Changes in Net Assets</b>	
<b>For Fiscal Year Ending June 30, 2004</b>	
<b>Revenues:</b>	
Program Revenues:	
Charges for Services .....	\$ 1,000,585
Federal Grants and Contributions .....	2,352,130
State Grants and Contributions .....	9,097,822
General Revenues:	
Property Taxes .....	1,202,610
Volume of Business Taxes .....	954,044
Construction Taxes .....	523,249
Intergovernmental .....	4,227,442
Other General Revenues .....	<u>708,242</u>
<b>Total revenues</b> .....	<u>20,156,213</u>
<b>Expenses:</b>	
General Administration .....	2,916,953
Public Safety .....	504,274
Public Works .....	1,540,997
Health and Sanitation .....	642,016
Culture and Recreation .....	413,592
Solid Waste Disposal .....	25,452
Human Services and Welfare .....	5,679,047
Urban Development .....	1,485,554
Education .....	271,734
Interest Costs .....	<u>148,021</u>
<b>Total expenses</b> .....	<u>13,627,640</u>
<b>Changes in net assets</b> .....	<b>6,528,573</b>
Net assets – beginning .....	<u>9,489,551</u>
<b>Net assets – ending</b> .....	<b><u>\$16,018,124</u></b>

**Normal Impacts**

There are five impacts on revenues and expenses as reflected below.

**Revenues:**

**Economic Condition** – which can reflect a declining, stable or growing economic environment and has substantial impact on property and volume of business tax revenues as well as public spending habits for building permits, elective user fees and volumes of consumption.

**Operating Grants** (both recurring and non-recurring) were stable in comparison with prior year.

**Intergovernmental Revenues** increase primarily for the liquidation of the State Legislature Assignments that produces a positive balance to the Municipality.

**Expenses:**

**Introduction of New Programs** – within the functional expense categories individual programs may be added or deleted to meet changing community needs.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

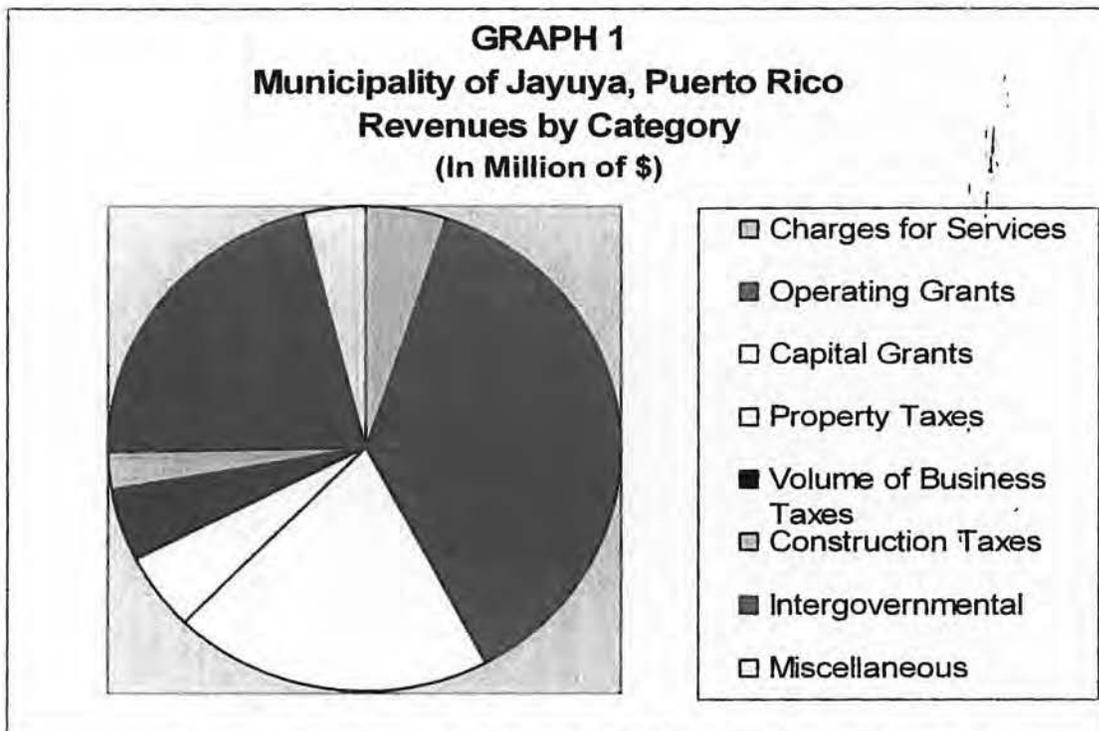
**Increase/Decrease in Authorized Personnel** – changes in service demand may cause the Municipality to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 64% of the Municipality's operating cost.

**Salary Increases (cost of living, merit and market adjustment)** – the ability to attract and retain human and intellectual resources requires the Municipality to strive to approach a competitive salary range position in the marketplace. Also, Christmas Bonus for all employees was increase during December 2003.

**Inflation** – while overall inflation appears to be reasonably modest, the Municipality is a major consumer of certain commodities such as chemicals and supplies, fuels and parts. Some functions may experience unusual commodity specific increases.

**Net Assets:**

Net Assets reflect an increase of \$6,528,573 corresponding to an increase in revenues over expenses. See Graph 1 and 2 that present revenues by category and expenditures by function.

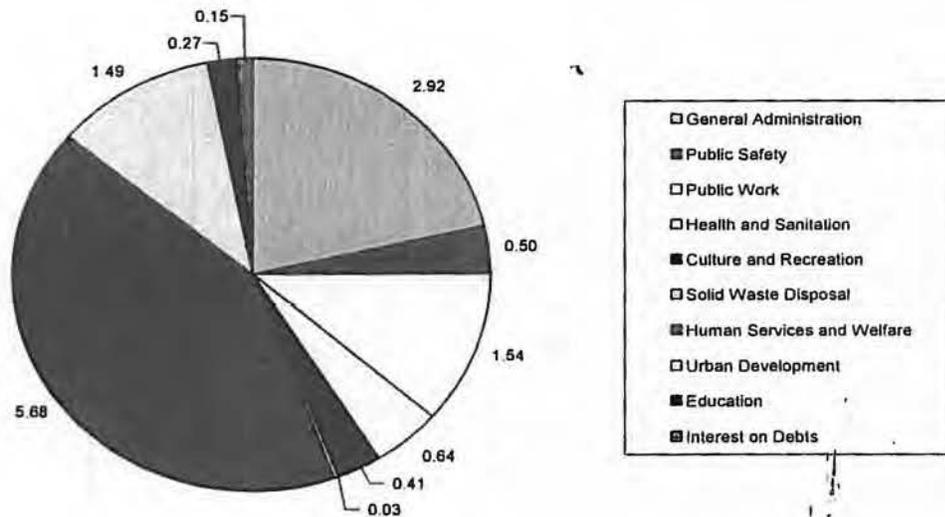


**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**GRAPH 2  
Municipality of Jayuya, Puerto Rico  
2004 Expenses By Functions  
(In Million of \$)**



**FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS**

As the Municipality's completed the year, its governmental funds reported fund balances of \$9.5 million. Of this total amount, (\$531) thousand constitute unreserved (deficit) fund balance, which reduced the available fund for appropriation for the general purposes of the programs administer by the Municipality.

**General Fund Budgetary Highlights:**

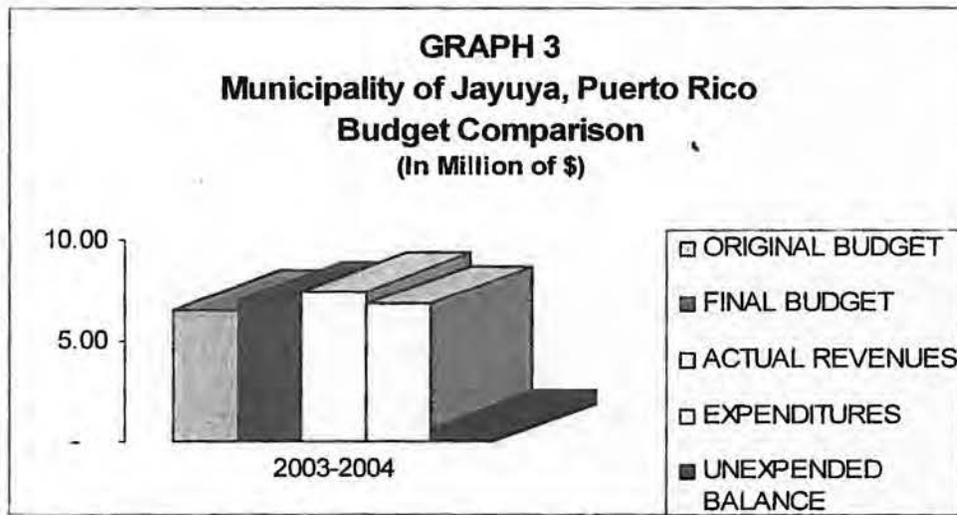
The total budget for the Municipality was \$7.0 million and actual spending was \$6.8 million. Total expenditures represented 99% of total budget availability for the period. Current year budgetary fund balance was positive in the amount of \$621 thousand corresponding to excess of revenues and economies in appropriations.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---



**Economic Factors and Next Year's Budgets**

For the fiscal year 2003-04, the Municipality actual revenues are \$7.5 million, exceeding the expenditures for the amount for \$621 thousand. The budget for the year 2004-05 is similar to the current year.

**CONTACTING THE MUNICIPALITY'S OFFICE OF FINANCIAL MANAGEMENT**

This report is designed to provide a general overview of the Municipality's finances and to demonstrate the accountability for the money it receives. If you have any questions about this report or need additional information, contact the Municipality's Finance Department at (787) 867-1483.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**STATEMENT OF NET ASSETS**

JUNE 30, 2004

**GOVERNMENTAL  
ACTIVITIES**

**ASSETS:**

Cash and Investments .....	\$ 9,542,044
Cash with Fiscal Agent.....	991,545
Receivables (net):	
Property Taxes .....	214
Federal Grants.....	2,298,355
Others.....	<u>135,941</u>
Capital Assets (Note 5):	
Land, Improvements, and Construction in Progress.....	3,382,257
Other Capital Assets, [Net of Depreciation] .....	<u>9,962,746</u>
Total Capital Assets .....	<u>13,345,003</u>
<b>TOTAL ASSETS .....</b>	<b><u>26,313,102</u></b>

**LIABILITIES:**

Accounts Payable and Accrued Expenses .....	553,368
Accrued Interest.....	35,733
Deferred Revenue.....	1,083,470
Long-Term Liabilities (Note 6):	
Due within One Year .....	1,173,788
Due in More than One Year .....	<u>7,448,619</u>
<b>Total Liabilities.....</b>	<b><u>10,294,978</u></b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt.....	7,797,003
Restricted for:	
Special Communities .....	2,507,066
HUD Awards.....	4,424,421
Special Revenue .....	1,661,808
State Assignment Funds.....	2,083,860
Debt Service .....	165,019
Unrestricted (Deficit).....	<u>(2,621,053)</u>
<b>TOTAL NET ASSETS.....</b>	<b><u>\$16,018,124</u></b>

See accompanying Notes to Basic Financial Statements.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE (SEE NEXT PAGE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>Governmental Activities:</b>					
Mayor and Municipal Legislature .....	\$ 788,811	\$ -	\$ -	\$ -	(\$ 788,811)
General Government .....	2,128,142	-	-	-	(2,128,142)
Public Safety .....	504,274	-	-	-	(504,274)
Public Works .....	1,540,997	-	-	-	(1,540,997)
Culture and Recreation .....	413,592	-	-	-	(413,592)
Health and Sanitation .....	642,016	-	-	-	(642,016)
Solid Waste Disposal .....	25,452	68,650	-	-	43,198
Human Services and Welfare .....	5,679,047	931,935	5,826,566	-	1,079,454
Urban Development .....	1,485,554	-	1,337,072	4,027,805	3,879,323
Education .....	271,734	-	258,509	-	(13,225)
Interest on Long-Term Debt .....	148,021	-	-	-	(148,021)
<b>Total Governmental Activities .....</b>	<b><u>\$13,627,640</u></b>	<b><u>\$ 1,000,585</u></b>	<b><u>\$ 7,422,147</u></b>	<b><u>\$ 4,027,805</u></b>	<b><u>(1,177,103)</u></b>

General Revenues:

Taxes:

Property Taxes, levied for General Purposes .....	908,049
Property Taxes, levied for Debt Service .....	294,561
Volume of Business Taxes .....	954,044
Construction Taxes .....	523,249
Intergovernmental .....	4,227,442
Rent .....	90,089
Miscellaneous .....	<u>708,242</u>

Total General Revenues and Special Items .....

7,705,676

**CHANGE IN NET ASSETS .....**

**6,528,573**

Net Assets – Beginning of Year .....

9,489,551

**NET ASSETS – ENDING OF YEAR .....**

**\$16,018,124**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

JUNE 30, 2004

	<u>GENERAL</u>	<u>SPECIAL COMMUNITIES FUND</u>	<u>STATE ASSIGNMENT FUND</u>	<u>HUD : AWARDS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>						
Cash and Investments (Note 2).....	\$ 1,043,980	\$ 2,729,111	\$ 2,118,580	\$ 2,735,138	\$ 915,235	\$ 9,542,044
Cash with Fiscal Agent.....	13,887	-	-	-	977,658	991,545
Receivables:						
Property Tax .....	-	-	-	-	214	214
Federal Grants .....	-	-	-	1,828,126	470,229	2,298,355
Due from Other Funds.....	972,711	-	35,234	-	898,620	1,906,565
Others .....	-	43,035	-	-	92,906	135,941
<b>Total Assets .....</b>	<b>\$ 2,030,578</b>	<b>\$ 2,772,146</b>	<b>\$ 2,153,814</b>	<b>\$ 4,563,264</b>	<b>\$ 3,354,862</b>	<b>\$14,874,664</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable and Accrued Liabilities .....	217,735	-	48,806	35,084	106,743	408,368
Bonds and Notes Payable .....	-	-	-	-	145,000	145,000
Accrued Interest .....	-	-	-	-	35,733	35,733
Due to Governmental Units.....	-	-	-	-	-	-
Due to Other Funds .....	933,854	265,080	21,148	103,759	582,724	1,906,565
Deferred Revenues:						
Volume of Business Tax.....	1,022,892	-	-	-	-	1,022,892
Federal Grants .....	-	-	-	1,743,853	148,640	1,892,493
<b>Total Liabilities .....</b>	<b>2,174,481</b>	<b>265,080</b>	<b>69,954</b>	<b>1,882,696</b>	<b>1,018,840</b>	<b>5,411,051</b>
Fund Balances:						
Reserve For:						
Encumbrances .....	373,278	-	-	-	-	373,278
Debt Service .....	-	-	-	-	165,019	165,019
Other Purposes.....	13,887	2,507,066	2,083,860	2,680,568	2,171,003	9,456,384
Unreserved .....	(531,068)	-	-	-	-	(531,068)
<b>Total Fund Balances .....</b>	<b>(143,903)</b>	<b>2,507,066</b>	<b>2,083,860</b>	<b>2,680,568</b>	<b>2,336,022</b>	<b>9,463,613</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 2,030,578</b>	<b>\$ 2,772,146</b>	<b>\$ 2,153,814</b>	<b>\$ 4,563,264</b>	<b>\$ 3,354,862</b>	<b>\$14,874,664</b>

See accompanying Notes to Basic Financial Statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2004

**Total Fund Balances – Governmental Funds (Page 14)..... \$ 9,463,613**

Amounts reported for Governmental Activities in the Statement of Net Assets (Page 12) are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. In the current period, these amounts are:

Non Depreciable Capital Assets .....	\$ 3,382,257	
Depreciable Capital Assets .....	11,407,154	
Infrastructure Assets .....	1,296,131	
Accumulated Depreciation.....	<u>(2,740,539)</u>	
Total Capital Assets .....		13,345,003

Some of the Municipality's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:

SBGP .....	1,743,853	
Child Care.....	<u>88,062</u>	
Total Deferred Revenues .....		1,831,915

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Bonds and Notes Payable.....	6,879,300	
Compensated Absences .....	967,310	
Municipal Revenue Collection Center.....	710,723	
Other Debts.....	<u>65,074</u>	
Total Long-Term Liabilities .....		<u>(8,622,407)</u>

**Total Net Assets of Governmental Activities (Page 12)..... \$16,018,124**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>GENERAL</u>	<u>SPECIAL COMMUNITIES FUND</u>	<u>STATE ASSIGNMENT FUND</u>	<u>HUD AWARDS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>						
Property Taxes.....	\$ 908,049	\$ -	\$ -	\$ -	\$ 294,561	\$ 1,202,610
Volume of Business Taxes.....	954,044	-	-	-	-	954,044
Federal Assistances.....	-	-	-	1,013,550	889,218	1,902,768
Intergovernmental.....	4,227,442	3,134,890	4,383,726	-	1,971,257	13,717,315
Licenses and Permits.....	523,249	-	-	-	-	523,249
Rent.....	90,089	-	-	-	-	90,089
Miscellaneous.....	1,708,827	-	-	-	-	1,708,827
Total Revenues.....	<u>8,411,700</u>	<u>3,134,890</u>	<u>4,383,726</u>	<u>1,013,550</u>	<u>3,155,036</u>	<u>20,098,902</u>
<b>EXPENDITURES</b>						
Current:						
Mayor and Municipal Legislature.....	767,420	-	-	-	-	767,420
General Government.....	2,278,069	-	-	-	1,073	2,279,142
Public Safety.....	489,682	-	-	-	-	489,682
Public Works.....	1,452,835	-	-	-	-	1,452,835
Culture and Recreation.....	345,643	-	-	-	-	345,643
Health and Sanitation.....	620,828	-	-	-	-	620,828
Human Services and Welfare.....	1,889,992	627,824	935,586	17,452	2,177,931	5,648,785
Urban Development.....	47,234	-	245,119	1,478,658	622,964	2,393,975
Education.....	-	-	-	-	271,734	271,734
Capital Outlay.....	49,592	-	2,148,878	-	237,419	2,435,889
Debt Service:						
Principal.....	-	-	-	-	343,282	343,282
Interest and Other Charges.....	-	-	-	-	148,021	148,021
Total Expenditures.....	<u>7,939,295</u>	<u>627,824</u>	<u>3,329,583</u>	<u>1,496,110</u>	<u>3,802,424</u>	<u>17,195,236</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds Issued.....	-	-	-	-	571,000	571,000
Transfers – In.....	-	-	-	-	176,163	176,163
Transfers – Out.....	(176,163)	-	-	-	-	(176,163)
Total Other Financing Sources and Uses.....	<u>(176,163)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747,163</u>	<u>571,000</u>
Net Change in Fund Balances.....	296,242	2,507,066	1,054,143	(482,560)	99,775	3,474,666
Fund Balance (Deficit) – Beginning, as Restated (Note 14).....	(440,145)	-	1,029,717	3,163,128	2,236,247	5,988,947
<b>FUND BALANCES (DEFICIT) – ENDING .....</b>	<b><u>(\$ 143,903)</u></b>	<b><u>\$ 2,507,066</u></b>	<b><u>\$ 2,083,860</u></b>	<b><u>\$ 2,680,568</u></b>	<b><u>\$ 2,336,022</u></b>	<b><u>\$ 9,463,613</u></b>

See accompanying Notes to Basic Financial Statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**Net Change in Fund Balances – Total Governmental Funds (Page 16)..... \$ 3,474,666**

Amounts reported for Governmental Activities in the Statement of Activities (Page 13)  
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. In the current period, these amounts are:

Urban Development and Capital Outlay .....	\$ 3,419,664	
Depreciation Expense .....	<u>(405,581)</u>	
Excess of Capital Outlay over Depreciation Expense .....		3,014,083

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.....		804,441
---	--	---------

Revenues in the Statement of Revenues that correspond to Prior Year resources are recorded as Revenue in the Statement of Activities .....		(747,130)
---	--	-----------

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds received was .....		(571,000)
---	--	-----------

Repayment of long-term principal is expenditure in the governmental funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year the repayments were .....		343,282
--	--	---------

Some expenses reported in the Statement of Activities do not require the use of current  
financial resources and therefore are not reported as expenditures in governmental funds.  
These activities consist of:

Decrease in Compensated Absences.....	\$ 95,177	
Decrease in Other Debts .....	30,360	
Decrease in Municipal Collection Revenue Center Debt.....	<u>84,694</u>	
Total Expenditures.....		<u>210,231</u>

**Change in Net Assets of Governmental Activities (Page 13)..... \$ 6,528,573**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Municipality of Jayuya, Puerto Rico (Municipality) was founded in the year 1911, and operates as a governmental unit of the Commonwealth of Puerto Rico, under the Law Number 81 of August 30, 1991, known as "Autonomy Municipalities Law of the Commonwealth of Puerto Rico". The governmental system of the Municipality is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Commonwealth of Puerto Rico. The legislative body consists of 12 Legislators also elected in the general elections of Puerto Rico for a four-year period.

The Municipality provides services such as: health, public works, sanitation, aids and services to low-income and elderly citizens, public safety, housing and urban development, culture and recreation, planning, zoning and other general and administrative services.

The accounting policies of the Municipality conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

The accompanying basic financial statements of the Municipality have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units.

In June 1999, the GASB issued Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement establishes new financial reporting requirements for state and local governments. The Municipality adopted the provisions of GASBS No. 34 as well as other statements referred to below as of July 1, 2003. They require new information and restructure much of the information that governments have presented in the past.

Comparability with reports issued in prior years is affected. With the implementation of GASBS No. 34, the Municipality has prepared required supplementary information titled Management's Discussion and Analysis, which precedes the basic financial statements.

As previously mentioned, other GASB Statements and Interpretations were required to be implemented in conjunction with GASBS No. 34. Therefore, the Municipality has implemented the following GASB Statements in the current fiscal year: GASBS No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, GASBS No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The accompanying basic financial statements present the financial position and the results of operations of the Municipality and its various funds and fund types, and the cash flows of the proprietary funds. The basic financial statements are presented as of June 30, 2004, and for the fiscal year then ended. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**B. Measurement Focus and Basis of Accounting**

The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to the Municipality indicate no organizations meet the criteria to be included as component units. Accordingly, these basic financial statements present only the Municipality as the reporting entity.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

These financial statements present the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended.

**Government-wide Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met.

**Governmental Fund Financial Statements**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual; as soon as it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter, normally within sixty (60) days, to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

The exception to this general rule is the principal and interest on general obligation long-term debt and compensated absences, if any, are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues (federal grants) pursuant to GASBS No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (the Municipality may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

There are essentially two types of revenue. For some grants, funds must be expended by the Municipality on the specific purpose or project before any amounts will be reimbursed. Revenue is, therefore, recognized as expenditures are incurred to the extent available. For the other revenue, moneys are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include the following:

- Employee's vested annual vacation and sick leave is recorded as expenditure when utilized. The amount of accumulated annual vacation and sick leave unpaid at June 30, 2004, has been reported only in the government-wide financial statements.

**C. Financial Statement Presentation**

The basic financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial model the focus is on either the Municipality as a whole, or major individual funds (within the basic financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**C. Financial Statement Presentation**

**Government-wide Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all the activities of the Municipality. For most part, the effect of interfund activity has been removed from these government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the Municipality and its governmental activities. This statement, for the first time, combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The Statement of Net Assets presents the reporting entities' assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- **Invested in Capital Assets, Net of Related Debt** – These consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted Net Assets** – These results when constraints are placed on net assets use, which can be either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – These consists of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

The Statement of Activities is focused on both the gross and net costs per functional category. The statement reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. This is intended to summarize and simplify the user's analysis of cost of various governmental services.

**Governmental Fund Financial Statements**

The fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances) are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in the governmental category. Non-major funds are summarized into a single column.

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than the previous financial model's fund types. The Governmental Major Fund Statements are presented on current financial resources and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. This presentation deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Municipality's actual experience conforms to the budgeted fiscal plan.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**C. Financial Statement Presentation**

Since the governmental fund statements are presented in a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented and a separate explanation for each differences.

The Municipality reports its financial position (Balance Sheet) and results of operations (Statement of Revenues, Expenditures and Changes in Fund Balance) in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. 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 new model as defined in GASBS No. 34 established criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category in the governmental fund) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The Municipality reports the following major fund:

**General Fund** – This is the general operating fund of the Municipality. It is used to account for all financial resources, except those required to be accounted for in another fund.

**Special Communities Fund** – This is the fund used to account for all the transactions of the State Assignment by Legislature Law for Special Communities. The primarily objectives of these assignments is the development of projects for low income families in special communities.

**State Assignment Fund** – This is the fund used to account for all the transactions of the State Assignment by Legislature Resolutions. The primarily objectives of these assignments is the development of projects on communities, not-for-profit organizations, purchase of equipment and indirect assignment to persons of low and moderate income.

**HUD Fund** – This is the fund used to account for all the transactions of the HUD Awards. The primarily objectives of this program is the development of viable communities by providing decent housing, rent assistance, a suitable living environment and expanded economic opportunities, principally for persons of low and moderate income.

GASBS No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

**D. Budgetary Data**

The Municipality annually adopts the Budget Resolution for all operating funds of the Municipality except for certain restricted accounts of Proprietary Funds and Special Revenue Funds. Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrance included as budgetary basis expenditures. The Municipality's Budget Resolution provides transfer authority (1) to the Mayor and the Management and Budget Director, within and between departments and funds, as long as the total budget of the Municipality (net of interfund transfers) is not increased; (2) to the Management and Budget Director to implement grant budgets as the grant applications are accepted by the Municipality; and (3) to the Management and Budget Director to amend (re-appropriate) each new year's budget, to the extent of outstanding encumbrances, and/or unexpended project/grant appropriations at year end. Municipality's Legislature action is required for (1) use of the budgeted Legislature contingency, and (2) the approval of a supplemental appropriation(s). During the year, several supplemental appropriations were necessary.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**D. Budgetary Data**

The budget columns (original and final budgets) of the Budgetary Comparison – General Fund reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

Amendments to the budget, including transfers, require the approval of the Municipal Legislature. Unencumbered appropriations lapse at the end of the next fiscal year. The Municipality follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the basic financial statements:

1. Prior of May 15 of each fiscal year, the Mayor submits to the Municipal Legislature a proposed budget for the fiscal year commencing the following July 1 in addition of a budget message.
2. The budget document is available for public inspection prior to its approval by the Municipal Legislature.
3. The Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law.
4. Prior to June 13, the annual budget is legally enacted through passage of the annual appropriation ordinance.
5. If a budget is not adopted prior to the end of the end of the fiscal year, the annual budget for the preceding fiscal year, as approved by the Municipal Legislature and the Mayor, is automatically renewed for the ensuing fiscal year until a new budget is approved. This permits the Municipality to continue making payments for its operating and other expenses until the new budget is approved.
6. Subsequent to the enactment of the annual appropriation ordinance, the Municipal Legislature has the authority to make necessary amendments made during the fiscal year and are reflected in the budget information included in the Budgetary Comparison Schedule – General Fund.

Since the budgetary basis differs from accounting principles generally accepted in the United States of America (GAAP), actual amounts for the General Fund in the accompanying Budgetary Comparison Schedule, is presented on the budgetary basis to enhance comparability.

The principal differences between the budgetary and GAAP bases are the following:

1. Encumbrances are recorded as expenditures under the budgetary basis and as a reserve of fund balances under GAAP.
2. The non-exonerated portion of the property tax advances are presented as revenue in the budgetary basis and as other financing sources under GAAP (See Note 9).
3. Interfund transactions of the General and Special Revenue Funds are not included in the budgetary basis.
4. Certain accrued liabilities and other debts are not included in the budgetary basis.
5. Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary data.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**D. Budgetary Data**

All encumbrance appropriations in the operating budget lapse at the end of the fiscal year. Property taxes collected during the current year by the Municipal Revenue Collection Center (Fiscal Agent) are presented as revenues in the accounting basis but are not considered in the budgetary schedule.

The special funds of the Special Revenue Fund have not been included in the budgetary comparison because balances are not budgeted. Also the budget prepared for the Federal Finance Awards Programs included in the Capital Projects and Special Revenue Funds is based on a program period which is not necessarily a year. Accordingly, it's not practical to present an annual comparison of budget for such programs.

**E. Cash, Cash Equivalent and Investment**

The Director of Finance of the Municipality is responsible for investing the available resources in certificates of deposit and other short-term investments. Investments are made from the available combined funds of the Municipality and, accordingly, it is not practical to disclose certificates of deposit and other short-term investments individually by fund in the combined financial statements. Interest earned on certificates of deposit and other short-term investments are recognized as revenue in the General Fund. Cash in the Special Revenue, Debt Service and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments.

Cash with fiscal agent represents property tax collections retained by the Municipal Revenues Collection Center and undisbursed proceeds of certain bonds, loans or grants which are maintained in a cash custodian account by the Government Development Bank of the Commonwealth of Puerto Rico.

This sinking fund is maintained by the Governmental Development Bank of Puerto Rico, agency which acts as the insurer and payer of the Municipality's bonds and notes issued in accordance with law.

**F. Receivable**

Receivable are stated nets of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Receivable from Federal Government represents amounts owed to the Municipality for reimbursement of expenditures incurred pursuant to federally funded programs.

**G. Inventories**

The General, Special Revenue and Capital Project Funds, purchases office and printing supplies, gasoline, oil and other expendable supplies held for consumption. The cost of purchases is recorded as expenditure in the appropriate fund and the inventory is not recorded in the basic financial statements.

**H. Capital Assets**

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Municipality's capitalization levels are \$500 on personal property. For improvements other than buildings, the capital outlay must be greater than \$10,000, extend the estimated useful life for ten years, and be greater than 10% of the original cost of the asset. Other costs incurred for repairs and maintenance is expensed as incurred.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

**H. Capital Assets (continuation)**

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives: (See Table 1)

<b>CAPITAL ASSETS</b>	<b>YEARS</b>
Buildings and site Improvements	40
Infrastructure	40
Works of art	10
Motor Vehicles, furniture and fixtures	5
Machinery and Equipments	3-5

**I. Compensated Absences**

The Municipality accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The Municipality's employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The Municipality accrued a liability for compensated absences, which meet the following criteria:

1. The Municipality's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by GASBS No. 16; the Municipality has accrued a liability for compensated absences, which has been earned but not taken by Municipality's employees. For the government-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations (see Note 7).

The following is a summary of changes in the balance of Compensated Absences for the fiscal year ended June 30, 2004 (Table 2).

<b>BALANCE</b>	<b>RETIREMENTS BALANCE</b>				
<b>JULY 1,</b>	<b>NEW</b>	<b>AND CURRENT</b>	<b>JUNE 30,</b>	<b>CURRENT</b>	<b>LONG-TERM</b>
<b>2003</b>	<b>ISSUES</b>	<b>MATURATES</b>	<b>2004</b>	<b>PORTION</b>	<b>PORTION</b>
<u>\$1,062,487</u>	<u>\$ -</u>	<u>(\$ 95,177)</u>	<u>\$ 967,310</u>	<u>\$ 700,488</u>	<u>\$ 266,822</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**J. Insurance**

The Municipality has insurance coverage for its public facilities, primarily to provide protection from catastrophic losses. Also, principal officials of the Municipality are covered under various surety bonds. The Secretary of the Treasury Department of the Commonwealth of Puerto Rico is the agent commissioned to place all of the Municipality's insurance coverage. Corresponding premiums payable are withheld by the Municipal Revenue Collection Center from quarterly advances of annual property tax and subsidy sent to the Municipality.

**K. Interfund Transactions**

Interfund transactions are reflected as loans, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. The Municipality has the following types of transactions among funds:

*Interfund Transfers* – Legally required transfers that are reported when incurred as transfers-in by the recipient fund and as transfers-out by the disbursing fund, with receivables and payables presented as amounts due to and due from other funds. Advances between funds are also presented as amounts due to and due from other funds. However, these transfers and related amounts receivables and payables are considered internal balances and activities that have been eliminated in the government-wide financial statements.

*Residual Equity Transfers* – Nonrecurring or no routine transfers of equity between funds. During the Fiscal Year 2003-2004 no transfers of this kind was made.

**L. Reservations of Fund Balance – Governmental Funds**

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditures or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for debt service and other specific purposes are examples of the latter.

**M. Claims and Judgments**

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the General Fund. The Long-Term Liabilities includes an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

**N. Use of Estimates**

The preparation of the basic 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 disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported revenue and expenses during the reporting period. Actual result could differ from those estimates.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 CASH AND CASH EQUIVALENTS**

The Municipality's cash and cash equivalents at year-end were entirely covered by the Federal Deposit Insurance Corporation (FDIC) coverage, up to a maximum of \$100,000 in each bank, and the excess by collateral provided by the banks and held by the Department of the Treasury pursuant the applicable laws and regulations. Cash with fiscal agent is maintained in interest bearing accounts in the Government Development Bank of Puerto Rico and is not collateralized.

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Commonwealth of Puerto Rico. The Municipality is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws.

During the year, the Municipality invested its funds in interest bearing bank accounts and short-term certificates of deposit. As June 30, 2004, the market value of investments recorded in Special Revenue Fund approximated its carrying value as follow: (See Table 3)

CERTIFICATE OF DEPOSIT ISSUED BY	PRINCIPAL NUMBER	AMOUNT	TABLE 3	
			INTEREST RATE	EXPIRATION DATE
Popular Bank of Puerto Rico	111000053	\$ 400,000	1.45%	01-17-05
Popular Bank of Puerto Rico	111000054	2,000,000	1.45%	01-20-05
Popular Bank of Puerto Rico	111000055	500,000	1.45%	10-22-04
Popular Bank of Puerto Rico	111000056	300,000	1.45%	01-20-05
Popular Bank of Puerto Rico	111000057	500,000	1.45%	01-06-05
Popular Bank of Puerto Rico	111000058	600,000	1.45%	01-18-05
Popular Bank of Puerto Rico	111000059	1,000,000	1.45%	02-15-05
Popular Bank of Puerto Rico	111000060	500,000	1.45%	02-15-05
Popular Bank of Puerto Rico	111000061	500,000	1.45%	01-12-05
Popular Bank of Puerto Rico	111000062	200,000	1.45%	01-12-05
TOTAL.....		<u>\$ 6,500,000</u>		

**NOTE 3 INTERFUND TRANSFER AND BALANCES**

**A. INTERFUND TRANSFERS**

Transfers are indicative of funding for operational debts funding. (See Table 4)

TABLE 4			
INTERFUND TRANSFERS WITHIN THE GOVERNMENTAL FUNDS			
SOURCES	TRANSFER TO	AMOUNT	PURPOSE
General Fund	Debt Service Fund	<u>\$176,163</u>	Debt Payment

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

NOTES TO THE FINANCIAL STATEMENTS

**B. INTERFUND RECEIVABLE AND PAYABLE BALANCES**

Interfund receivables and payables at June 30, 2004 are summarized as follows: (See Table 5)

<b>INTERFUND RECEIVABLE</b>	<b>INTERFUND PAYABLE</b>	<b>AMOUNT</b>
General Fund	Special Communities Fund	\$ 265,080
General Fund	State Assignment Fund	21,148
General Fund	HUD	103,759
General Fund	Other Fund	582,724
Other Funds	General Fund	898,620
State Assignment Fund	General Fund	<u>35,234</u>
<b>TOTAL</b>		<b><u>\$1,906,565</u></b>

**NOTE 5 CAPITAL ASSETS**

Capital Assets activities for the fiscal year ended June 30, 2004 was as follows (See Table 6)

<b>DESCRIPTION</b>	<b>BALANCE JULY 1, 2003</b>	<b>ADJUSTMENTS</b>	<b>ADDITIONS</b>	<b>RETIREMENTS</b>	<b>BALANCE JUNE 30, 2004</b>
<b>Non-Depreciable Capital Assets:</b>					
Land .....	\$ 1,331,391	\$ -	\$ 723,513	\$ -	\$ 2,054,904
Construction in Progress .....	<u>1,948,966</u>	<u>(621,613)</u>	<u>-</u>	<u>-</u>	<u>1,327,353</u>
Total Non-Depreciable Capital Assets .....	<u>3,280,357</u>	<u>(621,613)</u>	<u>723,513</u>	<u>-</u>	<u>3,382,257</u>
<b>Depreciable Capital Assets:</b>					
Buildings .....	5,664,224	621,613	2,246,379	-	8,532,216
Infrastructure .....	1,163,131	-	133,000	-	1,296,131
Machinery and Equipment .....	1,094,845	-	128,865	-	1,223,710
Motor Vehicles .....	<u>1,463,320</u>	<u>-</u>	<u>187,908</u>	<u>-</u>	<u>1,651,228</u>
Total Depreciable Capital Assets .....	<u>9,385,520</u>	<u>621,613</u>	<u>2,696,152</u>	<u>-</u>	<u>12,703,285</u>
<b>Less Accumulated Depreciation:</b>					
Buildings .....	(808,155)	-	(125,354)	-	(933,509)
Infrastructure .....	(65,480)	-	(18,947)	-	(84,427)
Machinery and Equipment .....	(603,448)	-	(112,124)	-	(715,572)
Motor Vehicles .....	<u>(857,875)</u>	<u>-</u>	<u>(149,156)</u>	<u>-</u>	<u>(1,007,031)</u>
Total Accumulated Depreciation .....	<u>(2,334,958)</u>	<u>-</u>	<u>(405,581)</u>	<u>-</u>	<u>(2,740,539)</u>
Total Depreciable Capital Assets (Net) .....	<u>7,050,562</u>	<u>-</u>	<u>2,290,571</u>	<u>-</u>	<u>9,962,746</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

Depreciation expenses were charged to governmental functions/programs as follows: (See Table 7)

TABLE 7	AMOUNT
General Government .....	\$ 63,628
Mayor and Municipal .....	21,391
Public Safety .....	14,591
Public Works .....	88,162
Urban Development.....	70,958
Sanitation.....	46,640
Human Services and Welfare .....	30,262
Culture and Recreation.....	69,949
 Total Depreciation Expenses.....	 <u>\$ 405,581</u>

**NOTE 7 GENERAL LONG-TERM DEBTS**

**A. GENERAL OBLIGATIONS BONDS**

The principal long-term obligations of the Municipality are general obligations bonds and special notes issued to finance the construction and improvements of public facilities and purchase of equipment. The Municipality's obligations long-term debt retirements are appropriated and paid from resources accumulated in the Debt Service Fund (See Note 8).

General obligations bonds as of June 30, 2004, are comprised of the following individual issues:

DESCRIPTION	AMOUNT
<b>General Obligations Bonds:</b>	
\$300,000 Series 1985, for operational purposes, payable in annual installments ranging from \$6,000 to \$21,000, excluding interests at 5.00%, through January 1, 2010 .....	\$ 109,000
\$650,000, Series 1987, for operational purposes, payable in annual installments ranging from \$30,000 to \$35,000, excluding interests at 8.50%, through July 1, 2007.....	105,000
\$905,000, Series 1987, for construction purposes, payable in annual installments ranging from \$45,000 to \$50,000, excluding interests at 9.00%, through July 1, 2007.....	140,000
\$70,000, Series 1988, for operational purposes, payable in quarterly installments of \$875, excluding interests at 8.00%, through July 1, 2007.....	10,500
\$325,000 Series 1991, for operational purposes, payable in annual installments ranging from \$6,000 to \$25,000, excluding interests at 6.00%, through January 1, 2015 .....	211,000
\$400,000, Series 1996, for operational purposes, payable in semiannual installments ranging from \$10,000 to \$40,000, excluding interests at 8.00%, through July 1, 2016.....	300,000

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. GENERAL OBLIGATIONS BONDS**

DESCRIPTION	AMOUNT
\$505,000, Series 1999, for construction purposes, payable in semiannual installments ranging from \$10,000 to \$40,000, excluding variable interests from 6.31% to 7.50%, through July 1, 2022 .....	440,000
\$117,200, Series 1997, for operational purposes, payable in annual installments ranging from \$3,000 to \$7,900, excluding interests at 4.50%, through January 1, 2022 .....	100,800
\$1,000,000, Series 2001, for construction purposes, payable in annual installments ranging from \$50,000 to \$100,000, excluding interests at 4.08%, through August 1, 2003 (Paid through SBGP Fund) .....	1,000,000
\$3,000,000, Series 2002, for construction purposes, payable in annual installments ranging from \$165,000 to \$195,000, excluding interests at 5.00, through August 1, 2022 (Paid through SBGP Fund) .....	3,000,000
\$155,000, Series 2003, for purchase of equipment, payable in annual installments ranging from \$20,000 to \$25,000, excluding interests at 5.50%, through July 1, 2009 .....	115,000
\$420,000, Series 2003, for operational purposes, payable in annual installments ranging from \$10,000 to \$30,000, excluding interests at 5.50%, through July 1, 2027 .....	410,000
\$410,000, Series 2004, for construction purposes, payable in annual installments ranging from \$5,000 to \$40,000, excluding interests at 7.00%, through July 1, 2028 .....	400,000
Total General Obligations – Bonds .....	<u>6,341,300</u>

**Notes Payable:**

DESCRIPTION	AMOUNT
\$145,000, Series 1998, for purchase of equipment, payable in semiannual installments ranging from \$15,000 to \$25,000, excluding interests at 7.00%, through July 1, 2005 .....	25,000
\$250,000, Series 1998, for purchase of equipment, payable in annual installments ranging from \$31,000 to \$41,000, excluding interests at 4.75%, through July 1, 2005 .....	41,000
\$240,000, Series 2000, for operational purposes, payable in annual installments ranging from \$25,000 to \$45,000, excluding interests at 7.50%, through July 1, 2006 .....	85,000
\$385,000, Series 2002, for purchase of equipment, payable in semiannual installments ranging from \$45,000 to \$65,000, excluding interests at 7.25%, through July 1, 2008 .....	245,000
\$161,000, Series 2004, for construction purposes, payable in semiannual installments ranging from \$19,000 to \$28,000, excluding interests at 5.50%, through July 1, 2010 .....	245,000
Total Notes Payable .....	<u>538,000</u>
Total General Obligations Bonds and Notes .....	<u>\$6,879,300</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

The annual requirements to amortize the general obligations outstanding as of June 30, 2004 are as follows (See Table 8):

YEAR ENDING JUNE 30,	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT
2005	\$ 473,300	\$ 359,998	\$ 833,298
2006	540,400	347,784	888,184
2007	514,600	322,166	836,766
2008	428,300	295,865	724,165
2009	367,500	276,005	643,505
2010-2014	1,640,600	1,114,917	2,755,517
2015-2019	1,536,800	657,538	2,194,338
2020-2024	1,172,800	219,460	1,392,260
2025-2029	<u>205,000</u>	<u>26,663</u>	<u>231,663</u>
<b>TOTAL</b>	<b><u>\$6,879,300</u></b>	<b><u>\$3,620,396</u></b>	<b><u>\$10,499,696</u></b>

**B. OTHER LONG-TERM DEBTS**

Following are the Other Long-Term Debts (See Table 9):

DESCRIPTION	BALANCE JULY 1, 2003	NEW ISSUES	RETIREMENTS AND ADJUSTMENT	BALANCE JUNE 30, 2004
Property Taxes – MRCC	\$ 820,138	\$ -	\$ 109,415	\$ 710,723
Social Security Debt.....	7,207	-	960	6,247
Water Company.....	88,227	-	29,400	58,827
Compensated Absences.	<u>1,062,487</u>	-	<u>95,177</u>	<u>967,310</u>
<b>TOTAL.....</b>	<b><u>\$1,978,059</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 234,952</u></b>	<b><u>\$1,743,107</u></b>

**C. CHANGES IN GENERAL LONG-TERM DEBTS**

The following is a summary of changes in long-term debts for the year ended June 30, 2004 (See Table 10):

DESCRIPTION	BALANCE JULY 1, 2003	NEW ISSUES	RETIREMENTS AND ADJUSTMENT	BALANCE JUNE 30, 2004	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER NEXT YEAR
General.....	\$6,106,582	\$ 410,000	\$ 175,282	\$6,341,300	\$ 292,300	\$6,049,000
Special.....	545,000	161,000	168,000	538,000	181,000	357,000
Others Debts....	<u>1,978,059</u>	-	<u>234,952</u>	<u>1,743,107</u>	<u>700,488</u>	<u>1,042,619</u>
<b>TOTAL.....</b>	<b><u>\$8,629,641</u></b>	<b><u>\$ 571,000</u></b>	<b><u>\$ 578,234</u></b>	<b><u>\$8,622,407</u></b>	<b><u>\$1,173,788</u></b>	<b><u>\$7,448,619</u></b>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 8 DEBT RETIREMENT**

Revenues of the debt service fund consists of the ad-valorem property taxes which are recognized as revenue when collected from taxpayers and reported by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico to the Municipality (See Note 9).

These property taxes are accumulated by the Municipal Revenue Collection Center in costs of the general obligations bonds issued by the Municipality (See Note 7). Payments are made to the Government Development Bank of the Commonwealth of Puerto Rico from such accumulated funds by the Municipal Revenue Collection Center of Puerto Rico.

**NOTE 9 PROPERTY TAXES**

The Municipal Revenue Collection Center of the Commonwealth of Puerto Rico is responsible for the assessment of all real and personal property located within the Municipality and for the levy, administration and collection of the corresponding tax contribution.

The property tax contribution is levied each year over the appraised value of the property at the beginning of the calendar year. The real property assessment is based on the current value existing in the year 1957 and the personal property at the current value at the date of the assessment.

The tax rate per annum is 8.28% for real property and 6.28% for personal property of which 1.03% of both belong to the Commonwealth of Puerto Rico and 7.25% and 5.25%, respectively, belongs to the Municipality. From the portion belonging to the Municipality, 6.00% and 4.00%, respectively, represents the Municipality's basic tax rate that is appropriated for general purposes and therefore accounted for through the General Fund.

The remaining portion belonging to the Municipality of 1.25% represents the ad-valorem property taxes withheld by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico and restricted for debt service, which is accounted for through the Debt Service Fund (See Note 8). The Municipality has not reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad-valorem tax rate.

The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 assessed valuation on residential units occupied by their owners. However, the Municipality receives the full amount levied, except for residential units assessed at less than \$3,500 on which a complete exemption is granted. The Municipal Revenue Collection Center, instead of the property taxpayer, becomes the source of payment in these cases.

The Municipality grants a complete exemption from personal property taxes up to an assessment value of \$50,000 to retailers with an annual net sales volume of less than \$150,000. The Municipal Revenue Collection Center advances to the Municipality, on monthly payments, 100% of the contribution assessed over property for each fiscal year. In accordance to Law, these advances will be contributions by the Municipal Revenue Collection Center from taxpayers. The Municipal Revenue Collection Center periodically informs to the Municipality the amounts collected from taxpayers and applied to outstanding advances.

The Municipality records as revenue in the general fund the property tax contribution when received from monthly advances from Municipal Revenue Collection Center.

Due to the fact that collections of property tax are applied to the advances of property tax paid by the Municipal Revenue Collection Center, the amortization of the advance at end of year was not available due to that is in process of verification by external auditors.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 10 VOLUME OF BUSINESS TAX**

The volume of business tax is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the Municipality and which are not totally or partially exempt from this tax under the Industrial Incentives Laws of the Commonwealth of Puerto Rico. All taxpayers are required to file their declarations by April 23 of each year. The tax rates are as follows:

- a. 1.50% for financial institutions and savings and loan associations.
- b. 0.30% for all other organizations.

Taxes are payable in two equal semi-annual installments on July 1 and January 1 following the date of levy. If they are paid with declaration, the taxpayer is granted a 5% of discount. Collections of taxes during current fiscal year, applicable to the next fiscal year, are recorded as deferred revenues in the General Fund.

**NOTE 11 INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues consist primarily of funds received from the Commonwealth of Puerto Rico, "in lieu of tax" payments from the quasi-public corporation, Puerto Rico Electric Power Authority, and federal financial assistance received from federal government.

Grants and subsidies received from the Commonwealth of Puerto Rico and federal agencies include, among others, a general subsidy for urban development and capital improvements. Intergovernmental revenues are accounted for through the General Fund except for those directly related to urban development and capital improvements, which are accounted for through the Special Revenue and the Capital Project Funds. Federal Financial Assistance is recorded in the Special Revenue Fund.

**NOTE 12 EMPLOYEE'S RETIREMENT PLAN**

The Employee's Retirement System of the Government of Puerto Rico and its instrumentality (ERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The ERS 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 instrumentality and of certain municipalities and components units not covered by their own retirement systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Head of Agencies and Public Instrumentality, Assistants of the Governor, the Comptroller of the 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.

The Municipality adopted the requirements of GASBS No. 25 for all the career employees that are covered under the Commonwealth of Puerto Rico Employee's Retirement System, a multiple-employer public employee retirement system, established by State Laws.

Under the plan, the employees and employer portions are contributed, for which, the employee amount is withheld from salaries. Covered employees are required by Commonwealth statute to contribute 5.775% for the first \$550 of monthly salary plus 8.275% for the excess of this amount, or on the alternative, 8.275% of all salary. The Municipality contributes to the system 9.275% of the participating employee's salaries.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

Law Number 305 of September 24, 1999, amends the Act Number 447 that establish a savings program. All employees active in the system as of December 31, 1999 may elect to transfer from define contribution programs to the new savings program (a defined contribution plan). Employees in the savings program may now contribute from a minimum of 8.275% up to a maximum of 10% of their monthly salary, and will invested in an account which will either: (a) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (b) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (c) earn a combination of both alternatives. If at time of retirement accumulated benefits amount to \$10,000 or less may elect to receive a lump sum distribution up to the accumulated benefits. Under the new program the retirement age is reduced from 65 to 60 for those employees who joined the current plan on or after April 1, 1990.

The pension benefit for participants who retire with less than 30 years of service is computed at the rate of 1½% of their average compensation for each year of credit service for the remaining years. The System also provides for death and disability benefits and the assets of the System pertaining to the participant employees.

A variety of significant actuarial assumptions are used to determine the standard measure of the pension benefit obligation and these assumptions are summarized below:

- a. The present value of the future pension payments was computed by using a discount of 9%.
- b. Future pension payments reflect an assumption of a 6% salary increase.

All employees that do not elect to transfer for the new program and who at the time of employment are 55 years old or less are eligible to participate in the System. Pension benefits for participants with 30 years of service are as follows (See Table 11)

YEARS OF SERVICE	PARTICIPANT'S AGE	PENSION BENEFITS	TABLE 11
30 or more	55 or less	65% of the average of the three years of highest salary during the employee's service period.	
30 or more	58 or more	75% of the average of the three years of highest salary during the employee's service period.	
30 or more	65 or more	75% of the average of the three years of highest salary during the employee's service period (employees started working after April 1, 1990).	

The amount of the total pension benefit obligation is based on a standardized measurement established by GASBS No. 27, *Financial Reporting for Defined Benefit Pension Plans and Notes Disclosure for Defined Contributions Plans*. The standardized measurement is the actuarial present value of estimated defined pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee services performed to date. The measure is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The membership of retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving benefits, and active employees and the distribution of active employees between vested and non-vested is not readily available.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

---

Contributions in 2004 and prior years were made based on percentages established by the law. Such percentage has not been based on actuarial studies, as required by accounting principles generally accepted in the United States of America. An actuarial compilation of the annual contribution applicable to the Municipality has not been prepared. Accordingly, the accounts by which the actual contributions differ from the required actuarial contributions are not known.

The total pension expenditures recorded in the category of administration for the Fiscal Year Ended June 30, 2004 was approximately \$179,890. All employees who at the time of employment are 55 years old or less are eligible to participate in the System. No benefit is payable if the participant receives a refund of his accumulated contributions.

The historical trend information regarding the accumulation of assets and pension benefit obligation in the ERS is not available. For the ten-year trend information, refer to the separately issued financial statements of the ERS as of and for the fiscal year ended June 30, 2004. The P.R. Retirement Plan Administration provides additional information of the ERS. They issue a publicly available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Commonwealth of Puerto Rico. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, PR 00940.

**NOTE 13 CONTINGENCIES**

**A. CLAIMS AND JUDGMENTS**

The Municipality is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the Municipality's activities. The legal counsel of the Municipality has advised that at this stage in the proceedings of lawsuits he cannot offer an opinion as to the probable outcome.

In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available can not determine the final outcome of these claims. Accordingly, the financial statements do not include adjustment, if any, that could result from the resolution of this legal proceeding. However, it has been the Municipality's experience that such actions are settled for amounts substantially less than the claimed amounts.

**B. FEDERAL GRANTS**

In the normal course of operations, the Municipality receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE 14 ACCOUNTING CHANGES, CHANGES IN REPORTING ENTITY AND RESTATEMENTS**

During fiscal year 2003-2004, the Municipality implemented several new accounting standards and an interpretation issued by GASB.

GASBS No. 34 as amended by GASBS No. 37, 40 and 41 establishes new financial reporting standards for state and local governments. This statement's requirements represent a significant change in the financial reporting model used by state and local governments, including statement formats and changes in fund types and elimination of account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statement balances were required.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**NOTES TO THE FINANCIAL STATEMENTS**

GASBS No. 38 requires certain note disclosures when GASBS No. 34 is implemented. The provisions of these new standards have been incorporated into the basic financial statements and notes.

GASB Interpretation No. 6 clarifies the application of existing standards for distinguishing the respective portions of certain types of liabilities that should be reported as (1) governmental fund liabilities and (2) general long-term liabilities of the government. The provisions of this interpretation have been incorporated into the basic financial statements and notes.

These new accounting standards caused most of the accounting changes, changes in reporting entity, and restatements described on the ensuing discussions below. Changes and restatements for reasons other than the adoption of the above pronouncements are also explained below.

Also, restatements were presented for prior period adjustment of Special Revenue Funds of the Audited Financial Statements as of June 30, 2003. Table 12 reconciles the June 30, 2003 Fund Balance, as previously reported to Beginning Fund Balances as restated, July 1, 2003.

	FUND BALANCE RESTATED		Table 12
	GENERAL	HUD GOVERNMENTAL FUND	OTHER GOVERNMENTAL FUND
Fund Balance (Deficit)/Net Assets, as Reported, June 30, 2003.....	(\$ 878,892)	\$ 3,000,000	\$2,275,785
Interfund Transaction Restatement.....	(483,747)		(438,747)
Restatement as per GAAP.....	-	163,128	399,209
Beginning Fund Balance (Deficit) as Restated, July 1, 2003.....	<u>(\$ 440,145)</u>	<u>\$3,163,128</u>	<u>\$2,236,247</u>

*10/11/05  
ajio  
ajio  
de fundos*

**NOTE 15 FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENT**

The Governmental Accounting Standards Board (GASB) issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is effective for fiscal year beginning after December 15, 2004. Early application is encouraged. The Municipality has not adopted the requirement of this statement. Other two pronouncements are issued (GASBS Nos. 43 and 44), but do not apply to the Municipality.

**END OF NOTES**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) (SEE NOTE A)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>BUDGETARY FUND BALANCE (DEFICIT), JULY 1, 2003</b> .....	<b>(\$ 440,145)</b>	<b>(\$ 440,145)</b>	<b>(\$ 440,145)</b>	<b>\$ -</b>
Resources (Inflows):				
Property Taxes .....	907,116	1,042,869	908,049	(134,820)
Volume of Business Taxes.....	930,000	930,000	954,044	24,044
Intergovernmental Revenues.....	3,925,976	3,925,976	4,227,442	301,466
License and Permits .....	601,120	601,120	523,249	(77,871)
Rent.....	60,000	130,000	90,089	(39,911)
Miscellaneous .....	<u>155,998</u>	<u>369,052</u>	<u>776,892</u>	<u>407,840</u>
Total Resources (Inflows).....	<u>6,580,210</u>	<u>6,999,017</u>	<u>7,479,765</u>	<u>480,748</u>
Amounts Available for Appropriation .....	<u>6,140,065</u>	<u>6,588,872</u>	<u>7,039,620</u>	<u>480,748</u>
Charges to Appropriations (Outflows):				
Mayor and Municipal Legislature.....	709,702	840,427	835,906	4,521
General Government.....	2,246,061	2,329,647	2,285,188	44,459
Public Safety .....	560,341	490,489	491,331	(842)
Public Works.....	1,064,077	1,554,700	1,525,744	28,956
Culture and Recreation.....	446,228	355,565	355,473	92
Health and Sanitation .....	648,209	648,018	620,828	27,190
Human Services and Welfare.....	628,106	471,225	471,176	49
Urban Development .....	93,764	77,397	47,234	30,163
Capital Outlay .....	30,457	55,386	49,592	5,794
Transfer to Other Funds .....	<u>153,265</u>	<u>176,163</u>	<u>176,163</u>	<u>-</u>
Total Charges to Appropriations.....	<u>6,580,210</u>	<u>6,999,017</u>	<u>6,858,635</u>	<u>140,382</u>
<b>BUDGETARY FUND BALANCE (DEFICIT), JUNE 30, 2004</b> .....	<b>(\$ 440,145)</b>	<b>(\$ 440,145)</b>	<b>\$ 180,985</b>	<b>\$ 621,130</b>

See accompanying Notes to Required Supplementary Information.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA  
JAYUYA, PUERTO RICO**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE A Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

	<u>GENERAL FUND</u>
<b>Sources/Inflows of Resources:</b>	
Actual Amounts (Budgetary Basis) "Available for Appropriation" from the Budgetary Comparison Schedule (See Page 36).....	\$ 7,039,620
Difference – Budget to GAAP:	
The Fund Balance at the Beginning of Year is a budgetary resource but is not a Current-Year Revenue for financial reporting purposes. ....	440,145
Current Adjustments to Revenues .....	<u>931,935</u>
Total Revenues as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 36).....	<u>\$ 8,411,700</u>
<b>Uses/Outflows of Resources:</b>	
Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule (See Page 36).....	\$ 6,858,635
Difference – Budget to GAAP:	
Prior Year expenditures are not outflows of budgetary resources but are expenditures For financial reporting purposes .....	164,582
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary reporting purposes. ....	(373,278)
Adjustment to Expenditures.....	1,465,519
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. ....	<u>(176,163)</u>
Total Expenditures as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 36).....	<u>\$ 7,939,295</u>

**NOTE B Explanation of Differences between Budgetary Fund Balance and GAAP Fund Balance**

Budgetary Fund Balance, June 30, 2004 (See Page 36).....	\$ 180,985
Timing Differences:	
Non-budgetary Items .....	<u>(712,053)</u>
Unreserved Fund Balance (Deficit), June 30, 2004 (See Page 14).....	<u>(\$ 531,068)</u>

**END OF THIS SECTION**

**PART II**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND REPORTS ON COMPLIANCE AND INTERNAL CONTROL  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
AND THE REQUIREMENTS OF OMB CIRCULAR A-133**

**PART II**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND REPORTS ON COMPLIANCE AND INTERNAL CONTROL  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
AND THE REQUIREMENTS OF OMB CIRCULAR A-133**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	TOTAL EXPENDITURES
U. S. Department of Agriculture:			
Pass Through State – Office of the Governor, Regional Elderly Office:			
Child and Adult Care Food Program.....	10.558	N/AV	\$ <u>22,754</u>
Total U.S. Department of Agriculture.....			<u>22,754</u>
U.S. Department of Commerce:			
Economic Development Administration .....	11.300		<u>268,250</u>
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Section 8 Housing Choices Vouchers .....	14.871		17,452
Indirect Programs:			
Pass Through State – Office of the Commissioner of Municipal Affairs			
State Block Grant Program (SBGP).....	14.228	02-FD 01-FD 00-FD-FC 99-FD-FC 98-FD 97-FD 95-FD	1,013,511
Community Development Block Grants Section 108 Loan Guarantees.....	14.248		<u>465,147</u>
Total U.S. Department of Housing and Urban Development			<u>1,496,110</u>
Subtotal Expenditures of Federal Awards (Balance Carry Forward).....			<u>1,787,114</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	TOTAL EXPENDITURES
Subtotal Expenditures of Federal Awards (Balance Brought Forward).....			<u>\$1,787,114</u>
U.S. Federal Emergency Management Administration (FEMA):			
Pass-Through Office of the Governor:			
Public Assistant Grant.....	83.544	FEMA1136DR-PR FEMA1247DR-PR	21,145
Hazard Mitigation Grant .....	83.548	N/AV	<u>83,682</u>
Total U.S. Federal Emergency Management Administration (FEMA):.....			<u>104,827</u>
U.S. Department of Health and Human Services			
Pass-Through Office of the Governor, Regional Elderly Office:			
Special Program for Aging, Title III, Part B .....	93.045	N/AV	145,483
Pass-Through Instituto de Servicios Comunes, Inc. (INSEC):			
Community Services Block Grant .....	93.569	N/AV	25,700
Pass-Through Administration of Children and Families:			
Child Care and Development Block Grant .....	93.575	N/AV	<u>271,734</u>
Total U.S. Department of Health and Human Services...			<u>442,917</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS....</b>			<b><u>\$2,334,858</u></b>

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral of this Schedule.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality of Jayuya, Puerto Rico (Municipality) and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements. The reporting entity is defined in Note (I) (A) to the general-purpose combined financial statements.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. The accompanying Schedule of Expenditures of Federal Awards is prepared from Municipality's accounting records and is not intended to present financial position or the results of operations.
- B. The Municipality in accordance with the terms records the financial transactions and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America.
- C. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable or when actually paid, whichever occurs first.

**NOTE 3 FEDERAL CFDA NUMBER**

The CFDA numbers included in this Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

**NOTE 4 PASS-THROUGH GRANTOR'S NUMBER**

State or local government redistribution of federal awards to the Municipality, treated as if they were received directly from the federal government. OMB Circular A-133 requires the schedule to include the name of the pass-through entity and identifying number assigned by the pass-through entity for federal awards received as a subrecipient. Numbers identified as N/AV are not available.

**NOTE 6 LOAN OUTSTANDING**

At June 30, 2003, the Municipality had an outstanding loan balance under program Section 108 Loan Guarantee Assistance (CFDA No. 14.228), for which the grantor does not impose continuing compliance requirements. The outstanding balance of the Loan Guarantee Assistance at June 30, 2003 was \$4,000,000.

**NOTE 7 MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Costs.

**END OF NOTES**



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

**To the Honorable Mayor and  
Members of the Municipal Legislature  
Municipality of Jayuya  
Jayuya, Puerto Rico**

We have audited the basic financial statements of Municipality of Jayuya, Puerto Rico (the "Municipality") as of and for the fiscal year ended June 30, 2004, and have issued report thereon dated November 24, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-11-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipality's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Municipality in a separate letter dated November 24, 2004.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**To the Honorable Mayor and  
Members of the Municipal Legislature  
Municipality of Jayuya  
Jayuya, Puerto Rico**

Compliance

We have audited the compliance of the Municipality of Jayuya, Puerto Rico (the "Municipality") 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 fiscal year ended June 30, 2004. The Municipality'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 the Municipality's management. Our responsibility is to express an opinion on the Municipality'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 the Municipality's compliance with those requirements and performing such others 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 the Municipality's compliance with those requirements.

As discussed in the accompanying Schedule of Findings and Questioned Costs listed in the Table of Contents, the Municipality did not comply with the requirements regarding allowed or unallowed and procurement standard that are applicable to its Section 108 Loan Guarantees. Compliance with such requirements is necessary, in our opinion, for the Municipality to comply with requirements applicable to that program.

In our opinion, except for the instances of non-compliance identified above, the Municipality complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance 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.

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

Page 2

---

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

*Mendoza & Ramos*

MENDOZA & RAMOS

CERTIFIED PUBLIC ACCOUNTANTS, C.S.P.

Guayama, Puerto Rico

November 24, 2004

Stamp number 2026984 was  
affixed to the original of this  
report.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Page 2

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Municipality's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 04-III-02.

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

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

*Mendoza & Ramos*  
MENDOZA & RAMOS  
CERTIFIED PUBLIC ACCOUNTANTS, C.S.P.

Guayama, Puerto Rico  
November 24, 2004

Stamp number 2026985 was affixed to the original of this report.



**PART III**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued:  Unqualified Opinion  Qualified Opinion  
 Adverse Opinion  Disclaimer Opinion

**Internal control over financial reporting:**

● Reportable condition(s) identified?  Yes  None Reported

● Material weakness(es) identified?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

**Internal control over major programs:**

● Reportable condition(s) identified?  Yes  None Reported

● Material weakness (es) identified?  Yes  No

**Type of auditors’ report issued on compliance for Major Programs:**

Unqualified Opinion  Qualified Opinion  
 Adverse Opinion  Disclaimer Opinion

Any audit finding disclosed that are required to be reported in accordance with OMB Circular A-133?  Yes  No

**The Municipality’s major programs were:**

CFDA Number	Name of Federal Program
14.218	Community Development Block Grants / Entitlement Grants
14.248	Section 108 Loan Guarantees

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

**SECTION II – FINDINGS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
THE AUDIT OF THE BASIC FINANCIAL STATEMENTS**

---

**NO MATTER IS REPORTED.**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**SECTION III – FINDINGS ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO FEDERAL PROGRAMS**

---

<b>FINDING</b>	<b>04-III-01</b>
<b>FEDERAL PROGRAM</b>	<b>SECTION 108 LOAN GUARANTEES (CFDA NO. 14.248) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS</b>
<b>REQUIREMENT</b>	<b>COMPLIANCE AND INTERNAL CONTROL</b>
<b>NONCOMPLIANCE</b>	<b>ACTIVITIES ALLOWED OR UNALLOWED</b>
<b>CONDITION</b>	During our test we noted that the Municipality used funds in the amount of \$152,776 from the budget of Section 108 assigned for construction purposes to paid the interests of the loan due in fiscal year 2003-04.
<b>CRITERIA</b>	OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, Subpart C Basic Guidelines 1(d) states that a cost to be allowable must conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
<b>EFFECT</b>	Municipality is spending specific project funds in activities not related with the purposes of the grant.
<b>CAUSE</b>	The project can not be completed by the Municipality because the funds are been used in other activities.
<b>RECOMMENDATION</b>	Municipality should use CDBG funds for repayment of the loan. Under Section 106 of the Act any funds available to the State or Borrower are authorized to be used by the State or Borrower for payments due on the note.
<b>QUESTIONED COSTS</b>	\$152,776
<b>MANAGEMENT RESPONSE</b>	Pending the Corrective Action Plan.

# MUNICIPALITY OF JAYUYA, PUERTO RICO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<b>FINDING</b>	<b>04-III-02</b>
<b>FEDERAL PROGRAMS</b>	<b>SECTION 108 LOAN GUARANTEES (CFDA NO. 14.248) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS</b>  <b>STATE BLOCK GRANTS PROGRAM (SBGP) (CFDA NO..228) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS</b>
<b>REQUIREMENT</b>	<b>COMPLIANCE AND INTERNAL CONTROL</b>
<b>NONCOMPLIANCE</b>	<b>PROCUREMENT STANDARDS</b>
<b>CONDITION</b>	The model for construction contracts over \$10,000 used by the Municipality did not contain the clauses detailed for compliance with the provisions for suspension and debarment, granting access to GAO and other federal agencies to books and documents, Davis-Bacon, contract work hours and safety standards; and compliance with Executive Order 11246 EEO, Clear Air and Clear Water Act Energy Policy and Conservation Act for contracts over \$100,000, as required by the program regulation.
<b>CRITERIA</b>	Code of Federal Regulations, Subpart C, 24 CFR Section 85.36 (i) (1-13) stated that subgrantee's contract must contain provision in paragraph (i) of these Sections. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Procurement Policy.
<b>EFFECT</b>	Municipality is not in compliance with Subpart C, 24 CFR, Section 85.36 (i) (1-13) of OMB Common Rules.
<b>CAUSE</b>	Federal Program and Finance Departments did not maintain appropriate procurement standard procedures; in order to assure that contractor complies with some requirements.
<b>RECOMMENDATION</b>	We recommend management to update contract model according with the federal requirement.
<b>QUESTIONED COSTS</b>	None
<b>MANAGEMENT RESPONSE</b>	Pending the Corrective Action Plan.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF PRIOR AUDIT'S FINDINGS AND QUESTIONED COSTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**(1) Audit Findings that have been Fully Corrected:**

FISCAL YEAR 2003

Finding Number 03-III-01 Allowable Cost – Not available receiving report.

CFDA Number 14.228

Questioned Cost None

Auditee Comments System and procedures are corrected.

Finding Number 03-III-02 Davis Bacon – Monitory of payroll.

CFDA Number 14.228  
83.544

Questioned Cost None

Auditee Comments System and procedures are corrected.

Finding Number 03-III-03 Equipment & Real Property Management – Subsidiary Records.

CFDA Number 14.228

Questioned Cost None

Auditee Comments System and procedures are corrected.

FISCAL YEAR 2002

Finding Number 02-III-01 Allowable Cost/Cost Principles – Cancellation of documents.

CFDA Number 14.228  
83.544

Questioned Cost None

Auditee Comments System and procedures are corrected.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF PRIOR AUDIT'S FINDINGS AND QUESTIONED COSTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**(I) Audit Findings that have been Fully Corrected**

FISCAL YEAR 2002

Finding Number 02-III-02 Equipment & Real Property Management – Subsidiary Records.

CFDA Number 14.228

Questioned Cost None

Auditee Comments System and procedures are corrected.

Finding Number 02-III-05 Special Tests and Provisions – Initial Inspections.

CFDA Number 14.228

Questioned Cost None

Auditee Comments System and procedures are corrected.

Finding Number 02-III-06 Special Tests and Provisions – Intermediate Inspections.

CFDA Number 14.228

Questioned Cost None

Auditee Comments System and procedures are corrected.

FISCAL YEAR 2001

Finding Number 2001-1 Equipment & Real Property Management – Subsidiary Records.

CFDA Number 14.228

Questioned Cost None

Auditee Comments System and procedures are corrected.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF PRIOR AUDIT'S FINDINGS AND QUESTIONED COSTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**(1) Audit Findings that have been Fully Corrected: (continuation)**

FISCAL YEAR 2000

Finding Number 00-III-05 Davis-Bacon Act – Monitoring of Payroll.

CFDA Number 83.544

Questioned Cost None

Auditee Comments System and procedures are corrected.

Finding Number 00-III-06 Equipment & Real Property Management – Subsidiary Records.

CFDA Number 14.228

Questioned Cost None

Auditee Comments System and procedures are corrected.

**(2) Audit Findings not Corrected or Partially Corrected:**

FISCAL YEAR 2003

Finding Number 03-III-04 Procurement Standards – Contract Clauses.

CFDA Number 14.248

Questioned Cost None

Auditee Comments The Federal Programs Director will implement internal control procedures to assure compliance with this finding.

FISCAL YEAR 2002

Finding Number 02-III-04 Procurement Standards – Contract Clauses.

CFDA Number 14.228  
83.544

Questioned Cost None

Auditee Comments The Federal Programs Director will implement internal control procedures to assure compliance with this finding.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF JAYUYA, PUERTO RICO**

**SCHEDULE OF PRIOR AUDIT'S FINDINGS AND QUESTIONED COSTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

(3) Corrective action taken is significantly different from corrective action previously reported:

NONE

(4) Audit findings is no longer valid:

NONE

**END OF SCHEDULE**

**MUNICIPALITY OF JAYUYA  
FINANCIAL DEPARTMENT  
P. O. BOX 488  
JAYUYA, PUERTO RICO 00664**

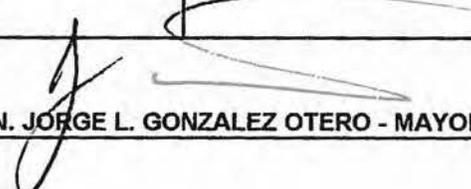
UNIDAD DE PLANIFICACION

**CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE, 2004**

SINGLE AUDIT, 2003-04

FINDING	RESPONSIBLE	MANAGEMENT	CORRECTIVE	ANTICIPATED
NUMBER	INDIVIDUAL	VIEWS	ACTION	COMPLETION
			PLAN	DATE
04-III-01	Federal Programs Director	We agree with the findings and recommendations.	Municipality Mayor instructed Federal Programs Director to make arrangements in order to reinburst amounts used from Section 108 Budget from non Federal Funds.	Jun. 30, 2005
04-III-02	Federal Programs Director.	We agree with the findings and recommendations.	Municipality Mayor gave instructions to the Federal Programs Director to update the contrac model according with the federal requirement.	Jun. 30, 2005

AUDITEE:

  
HON. JORGE L. GONZALEZ OTERO - MAYOR

FORM **SF-SAC**  
(5-2004)

U.S. DEPT. OF COMM. - Econ. and Stat. Admin. - U.S. CENSUS BUREAU  
ACTING AS COLLECTING AGENT FOR  
OFFICE OF MANAGEMENT AND BUDGET

**Data Collection Form for Reporting on  
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS  
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN  
TO**

**Federal Audit Clearinghouse  
1201 E. 10th Street  
Jeffersonville, IN 47132**

**PART I**

**GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)**

<b>1. Fiscal period ending date for this submission</b> Month Day Year 06 / 30 / 2004 Fiscal Period End Dates Must Be In 2004, 2005, or 2006		<b>2. Type of Circular A-133 audit</b> 1 <input checked="" type="checkbox"/> Single audit    2 <input type="checkbox"/> Program-specific audit	
<b>3. Audit period covered</b> 1 <input checked="" type="checkbox"/> Annual    2 <input type="checkbox"/> Biennial    3 <input type="checkbox"/> Other - <input type="text"/> Months		<b>4. FEDERAL GOVERNMENT USE ONLY</b> Date received by Federal clearinghouse	

**5. Auditee Identification Numbers**

**a. Primary Employer Identification Number (EIN)**  
 66 - 0433515

**b. Are multiple EINs covered in this report?**    1  Yes    2  No

**c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.**

**d. Data Universal Numbering System (DUNS) Number**  
 -  -

**e. Are multiple DUNS covered in this report?**    1  Yes    2  No

**f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.**

**6. AUDITEE INFORMATION**

**a. Auditee name**  
**MUNICIPIO DE JAYUYA**

**b. Auditee address (Number and street)**  
**APARTADO 488**  
 City  
**JAYUYA**  
 State                      ZIP + 4 Code  
**PR**                              00664 - 0488

**c. Auditee contact Name**  
**JORGE L. GONZALEZ OTERO**  
 Title  
**MAJOR**

**d. Auditee contact telephone**  
 ( 787 ) 828 - 0900

**e. Auditee contact FAX**  
 ( 787 ) 828 - 7017

**f. Auditee contact E-mail**

**7. AUDITOR INFORMATION (To be completed by auditor)**

**a. Auditor name**  
**CPA MENDOZA & RAMOS**

**b. Auditor address (Number and street)**  
**PO BOX 35**  
 City  
**GUAYAMA**  
 State                      ZIP + 4 Code  
**PR**                              00785 - 0035

**c. Auditor contact Name**  
**CPA ISMAEL RAMOS**  
 Title  
**PARTNER**

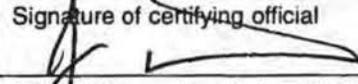
**d. Auditor contact telephone**  
 ( 787 ) 864 - 9271

**e. Auditor contact FAX**  
 ( 787 ) 864 - 9271

**f. Auditor contact E-mail**  
**CPARAMOS@PUERTORICO.ORG**

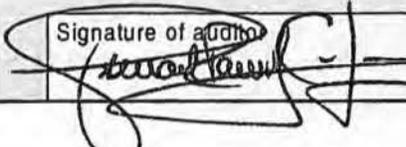
**g. AUDITEE CERTIFICATION STATEMENT** - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

**9. AUDITOR STATEMENT** - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of certifying official  
  
 Date Month Day Year  
 31 3 05

Printed Name of certifying official  
**HON. JORGE L. GONZALEZ OTERO**

Printed Title of certifying official  
**MAYOR**

Signature of auditor  
  
 Date Month Day Year  
 02 12 2005

**PART II FINANCIAL STATEMENTS (To be completed by auditor)**

1. Type of audit report

Mark either: 1  Unqualified opinion **OR**  
any combination of: 2  Qualified opinion 3  Adverse opinion 4  Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1  Yes 2  No

3. Is a reportable condition disclosed? 1  Yes 2  No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness? 1  Yes 2  No

5. Is a material noncompliance disclosed? 1  Yes 2  No

**PART III FEDERAL PROGRAMS (To be completed by auditor)**

1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12) 1  Yes 2  No

2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))

3. Did the auditee qualify as a low-risk auditee? (§ .530) 1  Yes 2  No

4. Is a reportable condition disclosed for any major program? (§ .510(a)(1)) 1  Yes 2  No -SKIP to Item 6

5. Is any reportable condition reported as a material weakness? (§ .510(a)(1)) 1  Yes 2  No

6. Are any known questioned costs reported? (§ .510(a)(3) or (4)) 1  Yes 2  No

7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b)) 1  Yes 2  No

8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)

- |  |  |   |  |
|--|--|---|--|
| 98 <input type="checkbox"/> U.S. Agency for International Development      | 83 <input type="checkbox"/> Federal Emergency Management Agency      | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration   |
| 10 <input type="checkbox"/> Agriculture                                    | 39 <input type="checkbox"/> General Services Administration          | 89 <input type="checkbox"/> National Archives and Records Administration  | 19 <input type="checkbox"/> U.S. Department of State         |
| 23 <input type="checkbox"/> Appalachian Regional Commission                | 93 <input type="checkbox"/> Health and Human Services                | 05 <input type="checkbox"/> National Endowment for the Arts               | 20 <input type="checkbox"/> Transportation                   |
| 11 <input type="checkbox"/> Commerce                                       | 97 <input type="checkbox"/> Homeland Security                        | 06 <input type="checkbox"/> National Endowment for the Humanities         | 21 <input type="checkbox"/> Treasury                         |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 14 <input type="checkbox"/> Housing and Urban Development            | 07 <input type="checkbox"/> National Science Foundation                   | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense  | 03 <input type="checkbox"/> Institute of Museum and Library Services | 47 <input type="checkbox"/> Office of National Drug Control Policy        | 64 <input type="checkbox"/> Veterans Affairs                 |
| 84 <input type="checkbox"/> Education                                      | 15 <input type="checkbox"/> Interior                                 | 09 <input type="checkbox"/> Small Business Administration                 | 00 <input checked="" type="checkbox"/> None                  |
| 81 <input type="checkbox"/> Energy   | 16 <input type="checkbox"/> Justice                                  |   | <input type="checkbox"/> Other - Specify:                    |
| 66 <input type="checkbox"/> Environmental Protection Agency                | 17 <input type="checkbox"/> Labor                                    |   | <input type="text"/>   |
|  | 09 <input type="checkbox"/> Legal Services Corporation               |   | <input type="text"/>   |

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives
- and, if not marked above, the Federal cognizant agency

Count total number of boxes marked above and submit this number of reporting packages

FORM SF-SAC (5-2004)

**PART III FEDERAL PROGRAMS - Continued**

**9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

**10. AUDIT FINDINGS**

CFDA Number		Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program		Type(s) of compliance requirement(s) <sup>4</sup> (a)	Audit finding reference number(s) <sup>5</sup> (b)
Federal Agency Prefix <sup>1</sup> (a)	Extension <sup>2</sup> (b)					Major program (g)	If yes, type of audit report <sup>3</sup> (h)		
1	0	.558	CHILD AND ADULT CARE FOOD	\$ 22,754.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	1	.300	ECONOMIC DEVELOPMENT ADMINISTRATION	\$ 268,250.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	4	.871	SECTION 8 HOUSING CHOICES VOUCHER	\$ 17,452.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	4	.228	STATE BLOCK GRANT	\$ 1,013,511.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	I	04-III-02
1	4	.248	SECTION 108 LOAN GUARANTEES	\$ 465,147.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	A	04-III-01
8	3	.544	PUBLIC ASSISTANT GRANT	\$ 21,145.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	3	.548	HAZARD MITIGATION GRANT	\$ 83,682.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3	.045	SPECIAL PROGRAM FOR AGING	\$ 145,483.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3	.569	COMMUNITY SERVICES BLOCK	\$ 25,700.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3	.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	\$ 271,734.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<b>\$ 2,334,858.00</b>	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

<sup>1</sup> See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

<sup>2</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

<sup>3</sup> If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

<sup>4</sup> Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a) reported for each Federal program.

- |                                    |  |  |                                 |
|------------------------------------|--|--|---------------------------------|
| A. Activities allowed or unallowed | E. Eligibility                             | I. Procurement and suspension and debarment            | L. Reporting                    |
| B. Allowable costs/cost principles | F. Equipment and real property management  | J. Program income                                      | M. Subrecipient monitoring      |
| C. Cash management                 | G. Matching, level of effort, earmarking   | K. Real property acquisition and relocation assistance | N. Special tests and provisions |
| D. Davis - Bacon Act               | H. Period of availability of Federal funds |  | O. None                         |
|                                    |  |  | P. Other                        |

<sup>5</sup> N/A for NONE

**PART I** **Item 5 Continuation Sheet**

**c.** List the multiple Employer Identification Numbers (EINs) covered in this report.

1	N	/	A			21	-			41	-		
2		-				22	-			42	-		
3		-				23	-			43	-		
4		-				24	-			44	-		
5		-				25	-			45	-		
6		-				26	-			46	-		
7		-				27	-			47	-		
8		-				28	-			48	-		
9		-				29	-			49	-		
10		-				30	-			50	-		
11		-				31	-			51	-		
12		-				32	-			52	-		
13		-				33	-			53	-		
14		-				34	-			54	-		
15		-				35	-			55	-		
16		-				36	-			56	-		
17		-				37	-			57	-		
18		-				38	-			58	-		
19		-				39	-			59	-		
20		-				40	-			60	-		

**f.** List the multiple DUNS covered in the report.

1	N	/	A			21	-				
2		-				22	-				
3		-				23	-				
4		-				24	-				
5		-				25	-				
6		-				26	-				
7		-				27	-				
8		-				28	-				
9		-				29	-				
10		-				30	-				
11		-				31	-				
12		-				32	-				
13		-				33	-				
14		-				34	-				
15		-				35	-				
16		-				36	-				
17		-				37	-				
18		-				38	-				
19		-				39	-				
20		-				40	-				

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.