

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A component unit of the commonwealth of Puerto Rico)

**AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT OF FEDERAL FINANCIAL
ASSISTANCE PROGRAM FOR THE YEAR ENDED JUNE 30, 2013
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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INDEPENDENT AUDITOR REPORT

Hon. Miguel Torres Díaz, P.E.
Secretary Department of Transportation and public Work

Report on the Financial Statements

We have audited the accompanying statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, of the Puerto Rico Metropolitan Bus Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Puerto Rico Metropolitan Bus Authority basic financial statements. We did not audit the financial statements of the Authority as of and for the year ended June 30, 2012. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion is based solely on the reports of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

The Authority did not provide an actuarial valuation report to record the liability and current year cost of the certain post-employment benefits described in Note 13 to the financial statements as required by accounting principles generally accepted in the United States of America ("GAAP"). The cost of these benefits are recorded in the financial statements when paid which is a method not accepted by GAAP.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the Puerto Rico Metropolitan Bus Authority as of June 30, 2013, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Puerto Rico Metropolitan Bus Authority basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and is derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2013 on our consideration of the Puerto Rico Metropolitan Bus Authority internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Puerto Rico Metropolitan Bus Authority internal control over financial reporting and compliance.


Ramon L. Marrero
Certified Public Accountants
December 26, 2013

Stamp # 02695099 was affixed to the original of this report.



PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

The following discussion and analysis of the financial performance and activity of the Puerto Rico Metropolitan Bus Authority ("the Authority") provides an introduction and understanding of the basic financial statements of the Authority for the fiscal years ended June 30, 2013 and 2012. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2013

- Net position deficiency totaled \$42.0 million at June 30, 2013.
- Net position deficiency increased by \$15.4 million in 2013, as compared to an increase of approximately \$3.5 million in 2012.
- Net capital assets totaled \$44.7 million at June 30, 2013.
- Net capital assets decreased by 14.4% at June 30, 2013, when compared with balance at June 30, 2012 of \$52.3 million.

Financial Highlights for 2012

- Net position deficiency totaled \$25.3 million at June 30, 2012.
- Net position deficiency increased by \$11 million in 2012, as compared to a decrease of approximately \$1.3 million in 2011.
- Net capital assets totaled \$52.3 million at June 30, 2012.
- Net capital assets decreased by 18.2% at June 30, 2012, when compared with the balance at June 30, 2011 of \$63.9 million.

The Financial Statements

The basic financial statements provide information about the Authority's business-type activities. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements for Business-Type Activities

The financial statements consist of the (1) statement of net position, (2) statement of revenues, expenses, and changes in net position, (3) statement of cash flows, and (4) notes to the financial statements. The financial statements are prepared on the accrual basis of accounting, meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with accounting principles generally accepted in the United States of America.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

Statement of Net Position

The statement of net position reports all financial and capital resources of the Authority. The statement is presented in the format where assets equal liabilities plus net position. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and non-current. The focus of the statement of net position is to show a picture of the liquidity and health of the Authority's net position as of the end of the year.

The Authority's net assets are reported in the following categories:

- *Net Assets Invested in Capital Assets, Net of Related Debt* – this component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and from the operating grant allocated annually by the Commonwealth of Puerto Rico, since the capital assets themselves can not be used to liquidate liabilities.
- *Unrestricted Net Assets* – this component includes all net assets that do not meet the definition of net assets invested in capital assets.

Statement of Revenues, Expenses, and Changes in Net Positions

The statement of revenues, expenses, and changes in net position includes operating revenues, which consist of passenger and cargo revenues and equipment and property rentals and operating expenses, such as salaries and employees benefits, depreciation on capital assets, repairs and maintenance and other general administrative expenses; and non-operating revenue and expenses, such as the operating grants from the Commonwealth of Puerto Rico, interest and investment income, and interest expense. The focus of the statement of revenues, expenses, and changes in net position is the change in net position. This is similar to net income or loss and portrays the results of operations of the Authority for the entire operating period.

Statement of Cash Flows

The statement of cash flows discloses net cash provided by or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities. This statement also portrays the health of the Authority in that current cash flows are sufficient to pay current liabilities.

Notes to Financial Statements

The notes to financial statements are an integral part of the basic financial statements and describe the significant accounting policies, related-party transactions, deposits and investments, capital assets, long-term liabilities, defined-benefit pension plans, and the commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management's discussion and analysis and the financial statements.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

Financial Analysis of the Authority's Business-Type Activities

Statements of Net Position

The following table reflects a condensed summary of assets, liabilities, and net position of the Authority as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 2,195,998	\$ 4,103,874
Accounts receivable	6,341,708	7,982,562
Inventory	3,516,799	3,148,861
Prepaid expenses	1,667,917	2,051,558
Capital Assets:		
Other capital assets, net of accumulated depreciation	44,749,193	52,263,013
Other assets	542,071	542,071
Total Capital Assets	<u>45,291,264</u>	<u>52,805,084</u>
Total Assets	<u>\$ 59,013,686</u>	<u>\$ 70,091,939</u>
Liabilities:		
Accounts and accrued expenses payable	\$ 50,561,544	\$ 43,701,832
Long term liabilities:		
Due within 1 year	2,502,888	2,711,462
Due in more than 1 year	45,685,517	46,776,737
Total liabilities	<u>98,749,949</u>	<u>93,190,031</u>
Deferred inflows of resources:		
Deferred revenues	2,238,354	2,238,354
Total deferred inflow of resources	<u>2,238,354</u>	<u>2,238,354</u>
Net Position		
Net invested in capital assets	44,749,193	52,263,013
Unrestricted (deficit)	<u>(86,723,810)</u>	<u>(77,599,459)</u>
Total net position (Deficit)	<u>\$ (41,974,617)</u>	<u>\$ (25,336,446)</u>

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

June 30, 2013

Current assets decreased by 21% to \$13.7 million. The change in current assets is primarily due to a decrease in account receivable from Puerto Rico Highway and Transportation Authority. Management decided to write-off \$3.6 million from the accounts receivables of PRHTA, based on a report issued by an external consultant, which reflected that the amount billed for services rendered during the years 2013 and prior, were overstated by a 37%.

Capital assets decreased by 14.4% to \$44.7 million. This decrease is the net result of the depreciation for the year amounting to \$8.2 million net of capital assets additions of \$1.4 million. Capital assets are funded with the proceeds from operations and operating and capital grants from the Commonwealth of Puerto Rico. In addition, the Authority is a recipient of certain funds under Federal program 20.507 "Urban Mass Transportation Capital and Operating Assistance Formula Grant" granted by the U.S. Federal Transit Administration, which is used to finance the acquisition and maintenance of capital assets.

Current liabilities increased by 14.1% to \$55.5 million. This increase consists principally of an increase in accounts and accrued expenses payable of \$6.9 million.

Net position deficiency increased by 66% to a net deficiency of \$42 million. This increase was the result of an excess of expenses (operating and non-operating) over revenues (operating and non-operating) and capital grants of \$13.5 million. The largest portion of the Authority's net position represents its investment in capital assets net of related debt outstanding used to acquire those capital assets.

June 30, 2012

Current assets decreased by 4.5% to \$17.3 million. All categories of current assets remained comparable to prior year.

Capital assets decreased by 18.2% to \$52.2 million. This decrease is the net result of the depreciation for the year amounting to \$9 million net of capital assets additions of \$1.2 million. In addition the Authority charged to expense about \$5 million previously recorded as construction in progress for cost incurred in the overhaul of certain transportation equipment because new evidence obtained during the year indicated that such overhaul does not increase the useful life of the related asset. Capital assets are funded with the proceeds from operations and operating and capital grants from the Commonwealth of Puerto Rico. In addition, the Authority is a recipient of certain funds under Federal program 20.507 "Urban Mass Transportation Capital and Operating Assistance Formula Grant" granted by the U.S. Federal Transit Administration, which is used to finance the acquisition and maintenance of capital assets.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

During the year ended June 30, 2012, the Authority completed an evaluation of its capital assets as part of the implementation of a capital ledger system. To perform this analysis the Authority obtained all capital assets acquisitions and records from year 2000 to fiscal year 2012 and based on that information and analysis determined that the net book value of capital assets as of July 1, 2009 was overstated by approximately \$2.6 million. Therefore, prior years financial statements were restated to reflect the effect of this adjustments.

Current liabilities decreased by 11% to \$48.7. This decreased consists principally in a decrease in accounts and accrued expenses payable of \$4 million and a decrease in amounts outstanding under a line of credit, which was refinanced, on a long-term basis.

Effective March 2013, the Authority refinanced amounts outstanding with a private bank under a line of credit in the amount of \$3 million and a long-term loan in the amount of \$34.5 million into a long-term loan with the same bank. The new loan matures on March 2015 and is payable in monthly principal installments of \$209,000 plus interest. Interest on outstanding balance is based on a margin over LIBOR based on the debt rating given to the Commonwealth of Puerto Rico's general obligations by Moody's Corporation and Standard & Poors Financial Services LLC as defined in the agreement (2.62% at June 30, 2012). The note is secured by the assignment of the diesel tax revenues allocated by the Commonwealth of Puerto Rico.

Net position deficiency increased by 77% to a net deficiency of \$25.3 million. This increase was the result of an excess of expenses (operating and non-operating) over revenues (operating and non-operating) and capital grants of \$11 million. The largest portion of the Authority's net position represents its investment in capital assets net of related debt outstanding used to acquire those capital assets.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

The following table reflects a condensed summary of the revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012:

	Years Ended June 30	
	2013	2012
Operating revenues	\$ 5,760,778	\$ 5,395,378
Operating expenses	85,638,614	100,517,106
Operating loss	<u>(79,877,836)</u>	<u>(95,121,728)</u>
Non-operating revenues:		
Operating grants	66,416,615	86,134,166
Interest income (expense), net	<u>(1,936,105)</u>	<u>(4,193,476)</u>
Total non-operating revenues	<u>64,480,510</u>	<u>81,940,690</u>
Loss before capital contributions	(15,397,326)	(13,181,038)
Capital contributions	<u>-</u>	<u>2,178,246</u>
Change in net assets	<u>(15,397,326)</u>	<u>(11,002,792)</u>
Net assets deficit at beginning of year	<u>(26,577,291)</u>	<u>(14,333,654)</u>
Net assets deficit at end of year	<u>\$ (41,974,617)</u>	<u>\$ (25,336,446)</u>

Year Ended June 30, 2013

Operating revenues which consisted principally of fares for transportation and other services, increased by 7% to \$5.8 million.

Operating expenses consisting mainly of salaries and employees benefits, depreciation and amortization, repairs and maintenance, diesel, insurance, professional services and general and administrative decreased by 15% to \$85.6 million. Additionally, a write-off adjustment in the amount of \$3,574,216 was charged to the account receivable balance due from Puerto Rico Highway and Transportation Authority as of June 30, 2013. The adjustment arose from an analysis performed by an external consulting firm in relation to the riding fees for transportation services under the Magnetic Card Program, as requested by the said Agency. In fiscal year 2012, the Authority had a charge of \$11 million, related to the overhaul, as established by the guidelines from U.S. Federal Transit Authority, which was not required for the current year. Also, a total of \$5 million was recorded as part of salaries and employee benefits in 2012, as the financial impact for benefits granted to participants under the program established by Act #70, while in fiscal year 2013, the financial impact was only \$1 million.

PUERTO RICO METROPOLITAN BUS AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

During the current year ended the Authority continued with the implementation of the voluntary retirement plan that commenced during fiscal year 2011.

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined; including employees of the Authority. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee salary, as defined. In this early retirement benefit program, the Authority will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Commonwealth of Puerto Rico.

The financial impact resulting for the benefits granted to participants on this program was the recognition within the Authority's financial statements of a liability of approximately \$9.1 million in the statement of net position as of June 30, 2013 and a charge of \$1.0 million in the statement of revenues, expenses and changes in net position for the year ended June 30, 2013. At June 30, 2013, unpaid long-term benefits granted on this program were discounted at 2.55%. The impact of \$1.0 million is recorded as salaries and employee benefits in the accompanying financial statements.

Non-operating revenues consisted principally of operating grants from the Commonwealth of Puerto Rico and Federal Government. These operating grants from the Commonwealth of Puerto Rico are annual appropriations from the general fund. The amount appropriated annually depends on the approved budget of the Commonwealth of Puerto Rico.

In addition, the Authority receives operating and capital contributions from the U.S. Federal Transit Administration, which are restricted to the acquisition and repairs of certain capital assets.

During the year ended June 30, 2013 non-operating revenues decreased by 21% or \$17.5 million mainly due to a reduction of grants received from the Commonwealth of Puerto Rico. These funds are used to finance the Authority's operating deficit.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

Year Ended June 30, 2012

Operating revenues which consisted principally of fares for transportation and other services, increased by 42% to \$5.4 million. During the year ended June 30, 2012, the Authority recognized revenue from a contract with the Puerto Rico Highways and Transportation Authority (PRHTA) in the amount of \$1.1 million. This revenue consists of the amount billed for services performed during the year ended June 30, 2012. Operating revenues decreased because during 2011 the Authority recognized revenue under the contract with (PRHTA) related to fiscal years 2010 and before in the amount of approximately \$3 million as explained above.

Operating expenses, which consisted principally of salaries and employees benefits, depreciation and amortization, repairs and maintenance, diesel, insurance, professional services and general and administrative increased by 13.2% to \$100.5 million. This increase was due to the following:

During the year ended June 30, 2012, the Authority, following guidelines from U.S. Federal Transit Authority, performed a mid-life overhaul to certain of its transportation equipment. This overhaul is performed when the units reach its mid-life, generally 6 years, in order for the unit to last its estimated useful life of 12 years. Since the overhaul did not result in an increase in the useful life of the unit it was recorded as an operating expense. Total cost of this overhaul amounted to approximately \$11 million and was recorded as repairs and maintenance in the accompanying financial statements.

During the year ended June 30, 2012, the Authority continued with the implementation of the voluntary retirement plan that commenced during fiscal year 2011.

The financial impact resulting for the benefits granted to participants on this program was the recognition within the Authority's financial statements of a liability of approximately \$8.1 million in the statement of net position as of June 30, 2012 and a charge of \$5 million in the statement of revenues, expenses and changes in net position for the year ended June 30, 2012. At June 30, 2012, unpaid long-term benefits granted on this program were discounted at 1.46%. The impact of \$5 million was recorded as salaries and employee benefits in the accompanying financial statements.

Non-operating revenues consisted principally of operating grants from the Commonwealth of Puerto Rico and Federal Government. These operating grants from the Commonwealth of Puerto Rico are annual appropriations from the general fund. The amount appropriated annually depends on the approved budget of the Commonwealth of Puerto Rico.

In addition, the Authority received operating and capital contributions from the U.S. Federal Transit Administration, which are restricted to the acquisition and repairs of certain capital assets.

During the year ended June 30, 2012, non-operating revenues increased by 13.7% due to an increase in grants received from U.S. Federal Transportation Authority used to finance part of mid-life overhaul described above and a decrease in operating grants received from the Commonwealth of Puerto Rico used to finance the Authority's operating deficit.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Authority had invested approximately \$44.7 million in capital assets (net of related depreciation) including transportation equipment, land, buildings and structures and machinery and equipment used in the operations. At June 30, 2012, the Authority had invested approximately \$52.2 in capital assets.

Major capital assets events during the years ended June 30, 2013 and 2012 include the acquisition and repairs of transportation equipment, which were funded principally by capital contributions received.

Debt Administration

Effective March 2012, the Authority refinanced amounts outstanding with a private bank under a line of credit in the amount of \$3 million and a long-term loan in the amount of \$34.5 into a long-term loan with the same bank. The new loan matures in March 2015 and is payable in monthly principal installments of \$209,000, plus interest. Interest on outstanding balance is based on a margin over LIBOR based on the debt rating given to the Commonwealth of Puerto Rico's general obligations by Moody's Corporation and Standard & Poors Financial Services LLC as defined in the agreement (2.62% at June, 2013). The note is secured by the assignment of the diesel tax revenues allocated by the Commonwealth of Puerto Rico. The outstanding long-term loan balance is \$34.5 million as of June 30, 2013.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, creditors, and the general public with a general overview of the Puerto Rico Metropolitan Bus Authority's finances and to how it utilizes the economic resources that it receives. If you have questions about this report or need additional financial information, contact the Administration Office at Puerto Rico Metropolitan Bus Authority, 37 De Diego Avenue, San Juan, Puerto Rico.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

JUNE 30, 2013 AND 2012

	2013	2012
Assets:		
Cash and cash equivalents	\$ 2,195,998	\$ 4,103,874
Accounts receivable	6,341,708	7,982,562
Inventory	3,516,799	3,148,861
Prepaid expenses	1,667,917	2,051,558
Capital Assets:		
Other capital assets, net of accumulated depreciation	44,749,193	52,263,013
Other assets	542,071	542,071
Total Capital Assets	45,291,264	52,805,084
Total Assets	\$ 59,013,686	\$ 70,091,939
Liabilities:		
Accounts and accrued expenses payable	\$ 50,561,544	\$ 43,701,832
Long term liabilities:		
Due within 1 year	2,502,888	2,711,462
Due in more than 1 year	45,685,517	46,776,737
Total liabilities	98,749,949	93,190,031
Deferred inflows of resources:		
Deferred revenues	2,238,354	2,238,354
Total deferred inflow of resources	2,238,354	2,238,354
Net Position		
Net invested in capital assets	44,749,193	52,263,013
Unrestricted (deficit)	(86,723,810)	(77,599,459)
Total net position (Deficit)	\$ (41,974,617)	\$ (25,336,446)

The accompanying notes are integral part of the financial statements.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2013 AND 2012

	2013	2012
Operating revenues:		
Passenger fares	\$ 4,889,909	\$ 5,022,797
Advertising and other	870,869	372,581
Total operating revenues	<u>5,760,778</u>	<u>5,395,378</u>
Operating expenses:		
Salaries and employee benefits, including voluntary termination benefits	57,763,725	63,390,100
Diesel, gasoline, oil and lubricants	6,058,494	6,917,722
Depreciation and amortization	8,184,569	9,097,168
Materials, spare parts and repairs and maintenance	3,255,325	15,794,723
Utilities	1,233,845	1,362,534
Professional services	2,644,978	2,545,721
General and administrative	6,497,678	1,409,138
Total operating expenses	<u>85,638,614</u>	<u>100,517,106</u>
Operating loss	<u>(79,877,836)</u>	<u>(95,121,728)</u>
Non-operating revenues (expenses):		
Gasoline, diesel, petroleum and tax oil revenues	9,507,002	10,118,207
Operating grants:		
Commonwealth of Puerto Rico	43,406,453	61,623,228
Federal Transit Administration	13,486,808	14,392,731
Interest and other financing expenses	(1,936,105)	(4,196,228)
Interest income	16,352	2,752
Total non-operating revenues	<u>64,480,510</u>	<u>81,940,690</u>
Loss before capital contributions	<u>(15,397,326)</u>	<u>(13,181,038)</u>
Capital contributions	<u>-</u>	<u>2,178,246</u>
Change in net position	<u>(15,397,326)</u>	<u>(11,002,792)</u>
Net position deficiency		
Beginning of year:		
As previously reported	(25,336,446)	(11,514,366)
Restatement of prior years financial statements	(1,240,845)	(2,819,288)
As restated	<u>(26,577,291)</u>	<u>(14,333,654)</u>
End of year	<u>\$ (41,974,617)</u>	<u>\$ (25,336,446)</u>

The accompanying notes are integral part of the financial statements.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 7,732,138	\$ 4,290,286
Cash payments to suppliers for goods and services	(13,027,499)	(33,065,359)
Cash payments to employees for services	(56,358,593)	(51,398,284)
Net cash used in operating activities	<u>(61,653,954)</u>	<u>(80,173,357)</u>
Cash flows from non-capital financing activities:		
Operating grants received from:		
U.S. Federal Transit Administration	12,269,620	16,534,342
Commonwealth of Puerto Rico	52,559,292	70,939,585
Interest paid	(1,925,549)	(2,900,714)
Payment of notes payable	(2,502,888)	(1,785,248)
Net cash provided by non-capital financing activities	<u>60,400,475</u>	<u>82,787,965</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(670,749)	(4,982,424)
Capital contributions	-	2,178,246
Net cash used in capital and related financing activities	<u>(670,749)</u>	<u>(2,804,178)</u>
Cash flows from investing activities:		
Interest received	<u>16,352</u>	<u>2,752</u>
Net decrease in cash and cash equivalents	(1,907,876)	(186,818)
Cash and cash equivalents:		
Beginning of year	<u>4,103,874</u>	<u>4,290,692</u>
End of year	<u>\$ 2,195,998</u>	<u>\$ 4,103,874</u>

The accompanying notes are integral part of the financial statements.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (79,877,836)	\$ (95,121,728)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	8,184,569	9,097,168
Decrease in capital assets	709,042	5,000,287
Changes in operating assets and liabilities:		
Accounts receivable	1,640,854	(1,105,092)
Inventory	(367,938)	171,495
Prepaid expenses	383,641	229,017
Accounts and accrued expenses payable	6,711,779	(1,635,229)
Voluntary termination benefits long-term	961,935	3,190,725
Net cash used in operating activities	<u>\$ (61,653,954)</u>	<u>\$ (80,173,357)</u>
Schedule of Non-Cash Transactions:		
Refinancing of line of credit and term loan	<u>\$ -</u>	<u>\$ 37,543,294</u>

The accompanying notes are integral part of the financial statements.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

1. Organization and Summary of Significant Accounting Policies

The Puerto Rico Metropolitan Bus Authority (the "Authority") is a public corporation created by Act No.5 of May 11 1959, as amended, to provide, develop, manage and maintain a public low-cost land transportation system for citizens within the Metropolitan Area of San Juan, Bayamon, Carolina, Guaynabo, Cataño, Loiza, Toa Baja and Trujillo Alto of Puerto Rico. This service is principally financed by appropriations from the Commonwealth of Puerto Rico, grants from the Federal Government and by passenger fares. The Authority is a component unit of the Commonwealth of Puerto Rico, and accordingly is included in the general-purpose financial statements of the Commonwealth. The powers normally exercised by a Board of Directors are vested with the Secretary of the Department of Transportation and Public Works (DTPW). The Authority is exempt from the payment of any taxes on its revenues and properties.

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Authority follows the Governmental Accounting Standard Boards ("GASB") under the hierarchy established by Statement No.55, *The Hierarchy of Generally Accepted Accounting Principles for States and Local Governments*, in the preparation of its financial statements.

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No.20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* ("GASB 20"). In adopting GASB 20, the Authority elected to apply all Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB statements issued after November 30, 1989.

Following is a description of the Authority's most significant accounting policies:

Measurement Focus and Basis of Accounting

The operations of the Authority are accounted for as enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for those operations for which the pricing policies of the entity establish fees and charges designed to recover its costs, including capital costs such as depreciation and debt service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Cash and Cash Equivalents

In the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. In particular, they include cash on hand and on deposit and short-term investments with maturities of three months or less.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible based on evaluations of collectability of accounts receivable and prior credit loss experience. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the existing accounts receivable and related allowance may change in the future.

Inventories

Inventories, consisting of fuel, spare parts, materials and supplies are valued at the lower of cost (weighted average method) or market.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, net of accumulated depreciation and amortization. Capital asset is defined by the Authority as assets with an initial cost of more than \$500 and an estimated useful life of more than one year. Depreciation and amortization is computed on a straight-line method over estimated useful lives of the related asset. Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When property and equipment are disposed of, the cost and applicable accumulated depreciation and amortization are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The estimated useful lives of the capital assets follow:

Buildings and structures	40 years
Transportation equipment	5-12 years
Terminals	20 years
Machinery and equipment	5-10 years

The Authority periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment of capital asset was identified during the year ended June 30, 2013.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Vacation and Sick Leave

Compensated absences are accrued when earned by the employees. Employees may carry forward their compensated absences as permitted by statute and may settle them in a cash payment from the Authority, if employment has ceased.

Net assets

Net assets are classified in the following two components in the accompanying statements of net assets:

Invested in Capital Assets, Net of Related Debt

This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of this component of net assets. Rather that portion of the debt is included in the same net asset component as the unspent proceeds.

Unrestricted

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Operating Revenues and Expenses

The Authority distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Assets. The principal revenues of the Authority are received from patrons for the transportation services provided. The Authority also recognizes as operating revenue advertising charges to customers and other related transportation services. Operating expenses for the Authority include the costs of operating the transportation facilities, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Contributions

The Authority is a recipient of federal funds received under grants with U.S. Federal Transit Administration (FTA) for the exclusive purpose of acquisition and repairs of certain capital assets with certain matching funds provided by the Commonwealth of Puerto Rico. Capital grants of the Authority are reported as non-operating revenues rather than contributed capital as required by GASB Statement No 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Capital funding provided under these grants is considered earned as the related allowable expenditure is incurred.

In addition, the Authority receives operating and capital grants from the Commonwealth of Puerto Rico. This grant, which is subject to annual appropriations, is used to finance the Authority's operations and acquisition of capital assets. Amounts received under this grant are recorded as revenues in the period stated in the grant.

Risk Financing

The Authority carries commercial insurance to cover casualty, theft, claims and other losses. The current insurance policies have not been cancelled or terminated. The Authority has not settled any claims in excess of its insurance coverage during the three years. The Authority also pays premiums for workers compensation insurance to another component unit of the Commonwealth of Puerto Rico.

Accrual for legal claims

The estimated amount of the liability for legal claims is recorded on the accompanying Statements of Net Assets based on the Authority's evaluation of the probability of an unfavorable outcome in the litigation of such legal claims. The Authority consults with legal counsel upon determining whether an unfavorable outcome is expected. Because of uncertainties inherent in the estimation process, management's estimate of the liability for legal claims may change in the near term.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Recently Adopted GASB Statements

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2013:

In March 2012 the GASB issued Statement No. 65, Items previously as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outlays of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In addition, this Statement amends or supersedes requirements for the determination of major funds and addresses other statement of net position and government funds balance sheet presentation issues. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012.

In March 2012 the GASB issued Statement No. 66, Technical Corrections 2012 an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statements No. 67, Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25. The objective of this Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefits Pension Plans, and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they related to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trust) that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions Plans amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The Statement is effective for fiscal years beginning after June 15, 2014.

In January 2013, the GASB issued Statements No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this

Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statements users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

In April 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

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

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

2. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2013, consist of cash on hand and on bank deposit.

The Authority is restricted by law to deposit funds only in institutions approved by the Puerto Rico Treasury Department, and such deposits are required to be kept in separate accounts in the name of the Authority.

Pursuant to the Investment Guidelines for the Commonwealth adopted by the Government Development Bank for Puerto Rico ("GDB"), the Authority may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, or in pools of obligations of the municipalities of Puerto Rico, among others. There are no investments at June 30, 2013.

For deposits, custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth of Puerto Rico. The bank balance of the Authority's deposit at June 30, 2013, excluding deposits in the Government Development Bank for Puerto Rico described below, amounted to \$3,411,501 of which \$943,045 is insured by Federal Deposit Insurance Corporation at June 30, 2013.

In addition, at June 30, 2013, the Authority maintained cash deposited at the Governmental Development Bank for Puerto Rico (GDB), in the amount \$68,311. These amounts are uncollateralized since by law, the governmental banks of the Commonwealth of Puerto Rico are exempt of the requirement of insuring the deposits of funds of the entities of the Commonwealth of Puerto Rico.

3. Accounts Receivable

Accounts receivable at June 30, 2013 consist of:

Operating and capital grants:	
U.S. Federal Transit Administration	\$ 1,803,886
Commonwealth of Puerto Rico	1,219,831
Puerto Rico Highways and Transportation Authority	3,095,046
Other	1,278,612
Total	<u>7,377,375</u>
Less allowance for doubtful accounts	(1,035,667)
Total	<u>\$ 6,341,708</u>

Account receivable from U.S Federal Transit Administration ("FTA") consists principally of operating grants pending to be received at June 30, 2013.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

The account receivable from the Puerto Rico Highways and Transportation Authority (PRHTA) consists of amounts due under a contract with PRHTA in which the Authority provides transportation services to passenger using the urban train system. Under the term of the contract PRHTA will reimburse the Authority certain amounts specified in the contract for each passenger served. The amount outstanding represents the net amount billed to PRHTA for services performed since July 2005 to June 30, 2013 after the adjustment recorded based on an external consultant agreed-upon procedures report dated on June 24, 2013. Management decided to write-off \$3,574,216 from the accounts receivables of PRHTA, which was considered uncollectible based on the work performed by consultant hired who concluded that amount billed during the years 2013 and prior, was overstated by a 37%.

4. Inventory

Inventory at June 30, 2013 consists of:

Spare parts	\$ 3,161,106
Diesel and gasoline	257,135
Supplies	98,558
Total	<u>\$ 3,516,799</u>

5. Accounts and Accrued Expenses Payable

Accounts payable and accrued expenses payable at June 30, 2013 consist of:

Suppliers	\$ 7,840,474
Agencies and public corporations of the Commonwealth of Puerto Rico	25,122,936
Compensated absences and other related benefits	7,722,404
Payroll taxes and withholdings	8,244,544
Voluntary termination and other related employee benefits	1,205,429
Accrued interest	91,313
Other	334,444
Total	<u>\$ 50,561,544</u>

Amount due to agencies and public corporations of the Commonwealth of Puerto Rico consist principally of liabilities for payroll tax withholdings, utilities, workmen's compensation insurance and other services.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

6. Capital Assets

The following schedule summarizes the capital assets held by the Authority as of June 30, 2013:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Assets not being depreciated:				
Land and improvements	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Construction in process	1,802,727	25,963	(1,802,727)	25,963
Capital assets not being depreciated	<u>4,302,727</u>	<u>25,963</u>	<u>(1,802,727)</u>	<u>2,525,963</u>
Assets being depreciated:				
Buildings and improvements	19,825,789	1,941,254	-	21,767,043
Terminals	5,594,102	15,006	(15,006)	5,594,102
Transportation equipment	71,014,434	-	(8,218,410)	62,796,024
Machinery and equipment	24,146,277	1,200,295	(707,226)	24,639,346
Total	120,580,602	3,156,555	(8,940,642)	114,796,515
Less accumulated depreciation	72,620,316	8,184,569	(8,231,600)	72,573,285
Capital assets being depreciated, net	<u>47,960,286</u>	<u>(5,028,014)</u>	<u>(709,042)</u>	<u>42,223,230</u>
Total capital assets, net	<u>\$ 52,263,013</u>	<u>\$ (5,002,051)</u>	<u>\$(2,511,769)</u>	<u>\$ 44,749,193</u>

7. Long-Term Debt:

Long-term debt at June 30, 2013 consists of:

	Balance at 2012	Increases	Decreases	Balance at 2013	Due within One Year
Notes payable	\$37,048,052	\$ -	\$ 2,502,888	\$ 34,545,164	\$ 2,502,888
Total	<u>\$37,048,052</u>	<u>\$ -</u>	<u>\$ 2,502,888</u>	<u>\$ 34,545,164</u>	<u>\$ 2,502,888</u>

Effective March 2012, the Authority refinanced amounts outstanding with a private bank into a long-term loan in the same bank which matures in March 2015. It is payable in monthly principal installments of \$208,574, plus interest. Interest on outstanding balance is based on a margin over LIBOR based on the debt rating given to the Commonwealth of Puerto Rico's general obligations by Moody's Corporation and Standard & Poors Financial Services LLC as defined in the agreement (2.62% at June 30, 2013). The note is secured by the assignment of the diesel tax revenues allocated by the Commonwealth of Puerto Rico. The outstanding long-term loan balance is \$34,545,164 as of June 30, 2013.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

The estimated maturities of the note payable during the next years are as follows:

Year Ending June 30,	
2014	\$ 2,502,888
2015	<u>32,042,276</u>
Total	<u>\$ 34,545,164</u>

8. Non-current Liabilities:

Changes in non-current liabilities, other than the note payable described above, for the year ended June 30, 2013 are summarized as follows:

	Balance at 2012	Increases	Decreases	Balance at 2013	Due within One Year
Compensated absences	\$5,621,160	\$4,705,139	\$(4,825,003)	\$5,501,296	\$4,224,218
Accrued legal claims	4,147,509	-	(62,000)	4,085,509	-
Voluntary termination benefits	8,108,146	1,931,102	(969,168)	9,070,080	1,040,759
Other	<u>416,003</u>	<u>-</u>	<u>-</u>	<u>416,003</u>	<u>161,670</u>
Total	<u>\$18,292,818</u>	<u>\$6,636,241</u>	<u>\$(5,856,171)</u>	<u>\$19,072,888</u>	<u>\$5,429,647</u>

9. Retirement Plan:

Defined Benefit Plan

The Government of Puerto Rico Employees Retirement System (ERS) is a cost-sharing multiple-employer defined benefit pension plan sponsored by, and reported as a component unit of, the Commonwealth of Puerto Rico ("the Commonwealth"). All regular employees of the Authority under the age of 55 at the date of employment become members of the ERS as a consequence of their employment.

The ERS provides retirement, death, and disability benefits pursuant to Act 447, approved on May 15, 1951, as amended, which became effective on January 1, 1952. Disability retirement benefits for occupational and non-occupational disabilities are available to members enrolled in the plan before January 1, 2000. Benefits vest after ten years of plan participation.

The amount of the annuity shall be one and one half percent (1.5%) of the average compensation multiplied by the number of years of creditable service up to twenty (20) years, plus two percent (2%) of the average compensation multiplied by the number of years of creditable service in excess of twenty years. In no case shall the annuity be less than \$200 per month.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Participants who have completed at least thirty years of creditable service are entitled to receive a Merit Annuity. Such participants who have not attained fifty-five years of age will receive 65% of the average compensation or if they have attained fifty-five years of age will receive 75% of the average compensation. Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten years of service. No benefits are payable if participants receive a refund of their accumulated contributions.

Commonwealth legislation requires that employees hired before April 1, 1990 contribute 5.775% of the first \$550 of their monthly gross salary and 8.275% of their gross monthly salary in excess of \$550. Employees hired after April 1, 1990 contribute 8.275% of their gross monthly salary. The Authority's contributions are 10.275% of the gross monthly salary. Total employer contributions during years ended June 30, 2013 amounted to approximately \$1.8 million, which represented 100% of required contributions.

Defined Contribution Plan

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created the ERS, was enacted for the purpose of establishing a new pension program (System 2000). System 2000 became effective on January 1, 2000. Employees participating in the ERS as of December 31, 1999 had the option to stay in the defined benefit plan or transfer to System 2000. Employees joining the Authority on or after January 1, 2000 are only allowed to become members of System 2000.

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

System 2000 reduces the retirement age from 65 years to 60 for those employees who joined the ERS on or after April 1, 1990. Disability pensions are not granted under System 2000.

The Authority's contributions of 10.275% of the employee's salary are used to fund the defined benefit plan. Total Authority's contributions during the fiscal year ended June 30, 2013 amounted to approximately \$1.3 million which represented 100% of required contributions.

Additional information on the ERS is provided in its financial statements for the year ended June 30, 2013 a copy of which can be obtained from the Administrator of the Retirement System: P.O. Box 42003, San Juan, Puerto Rico 00940.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

10. Commitments and Contingent Liabilities

Litigation

The Authority is involved in litigation arising in the normal course of operations. Management believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Authority's financial condition and results of operations. Due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome of these claims will change in the near term. Based on advice of legal counsel, management has recorded an estimated litigation and claim loss of approximately \$4.1 million as of June 30, 2013.

Federal Assistance Programs

The Authority is a sub recipient of a federal financial assistance program. This program is subject to audits in accordance with the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, or to compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, not to be significant.

11. Voluntary Termination Benefits

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Authority. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee salary, as defined. In this early retirement benefit program, the Authority will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System.

Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years.

Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Commonwealth of Puerto Rico.

The financial impact resulting for the benefits granted to participants on this program was the recognition within the Authority's financial statements of a liability of approximately \$9.1 million in the statement of net assets as of June 30, 2013 and a charge of \$1 million in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2013. At June 30, 2013, unpaid long-term benefits granted on this program were discounted at 2.55%.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

12. Operating Financial Assistance from the Commonwealth of Puerto Rico

As shown in the accompanying financial statements, the Authority has incurred in accumulated losses after operating and capital contributions in the amount of \$86.7 million and as of June 30, 2013 the Authority's liabilities exceeded its assets by approximately \$42.0 million. In addition, at June 30, 2013 the Authority has a working capital deficiency of approximately \$41.8 million making it difficult for the Authority to pay its liabilities in the normal course of business. These facts indicate that the Authority needs the continued support from the Commonwealth of Puerto Rico in the form of operating grants to continue to operate at its present level and to continue as a going concern. The Commonwealth of Puerto Rico has experienced budget constraints during the current and prior years which have resulted in reductions in the operating grants provided to the Authority. Management believes that since the transportation service provided by the Authority is an essential service to the people of Puerto Rico, the Commonwealth of Puerto Rico will continue to fund the operational deficits incurred by the Authority. Any significant reduction in these operating grants and financial support will affect the ability of the Authority to provide the transportation services and to continue as a going concern.

13. Other Post-Employment Benefits

The Authority provides certain post-employment benefits to eligible employees in accordance with collective bargain agreements. These benefits consist principally of medical insurance coverage for a period not to exceed 5 years after retirement and bonus at retirement date based on years of services. The cost of these benefits is recorded in the financial statements when the related benefit is paid.

14. Prior Period Adjustment

The Beginning balance of net assets deficiency was increased by the amount of \$1,240,845 because non-operating revenues received from the Commonwealth of Puerto Rico of 2013 was erroneously recorded as non-operating revenue on the audited financial statements as of and for the year ended June 30, 2012.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR: JUNE 30, 2013

Federal Grantor/Pass-Trough Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Federal Transit Administration Direct		
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	<u>\$ 13,486,808</u>
Total expenditures of federal awards		<u>\$13,486,808</u>

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

NOTES SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

General

The accompanying schedule of expenditures of federal awards presents the activity of federal awards programs of the Puerto Rico Metropolitan Bus Authority ("the Authority"), a component unit of the Commonwealth of Puerto Rico. The Authority reporting entity is defined in Note 1 to the Authority's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included in the schedule of expenditures of federal awards.

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements. Expenditures are determined using the cost accounting principles and procedures set forth in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*.

Reconciliation to Financial Statements

Information reported in the accompanying schedule of expenditures of federal awards has been reconciled and agrees to the information reported in the Authority's basic financial statements.

Ramón L. Marrero Rosado

Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS FOR PUERTO RICO METROPOLITAN BUS AUTHORITY

Hon. Miguel Torres Díaz, P.E.
Secretary Department of Transportation and Public Work

We have audited 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, the financial statements of the Puerto Rico Metropolitan Bus Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Puerto Rico Metropolitan Bus Authority basic financial statements, and have issued our report thereon dated December 26, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Puerto Rico Metropolitan Bus Authority internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Puerto Rico Metropolitan Bus Authority internal control. Accordingly, we do not express an opinion on the effectiveness of Puerto Rico Metropolitan Bus Authority internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 13-FS-01, 13-FS-02, 13-FS-07 and 13-SA-02.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies 13-FS-03, 13-FS-04, 13-FS-05, 13-FS-06 and 13-SA-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Puerto Rico Metropolitan Bus Authority financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 13-FS-03, 13-FS-04, 13-FS-05 and 13-SA-01.

Puerto Rico Metropolitan Bus Authority Response to Findings

Puerto Rico Metropolitan Bus Authority response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Puerto Rico Metropolitan Bus Authority response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Ramon L. Marrero
Certified Public Accountants
December 26, 2013



Stamp #02695100 was affixed to the original of this report.

Ramón L. Marrero Rosado

Certified Public Accountants & Consultants

P.O. Box 50764 Tia Baja, PR 00950-0764 Tel. (787)-269-6911 Fax: (787)-269-6915

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Hon. Miguel Torres Diaz, P.E.
Secretary Department of Transportation and Public Works

Report on Compliance for Each Major federal Program

We have audited the Puerto Rico Metropolitan Bus Authority (the Authority) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Puerto Rico Metropolitan Bus Authority compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Authority's compliance.

Basis for Qualified Opinion on Federal Transit Administration Capital and Operating Assistance Formula Grants

As described in the accompanying schedule of findings and questioned costs, Authority's did not comply with requirements regarding Equipment and Real Property. Compliance with such requirements is necessary, in our opinion, for Authority's to comply with the requirements applicable to that program.

Qualified Opinion on Identified Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Authority's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Federal Transit Administration Capital and Operating Assistance Formula Grants for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are describe in the accompanying schedule of findings and questioned costs as items 13-FS-03, 13-FS-04, 13-FS-05 and 13-SA-01.

Authority's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over*

compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 13-FS-01, 13-FS-02, 13-FS-07 and 13-SA-02.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 13-FS-03, 13-FS-04, 13-FS-05, 13-FS-06 and 13-SA-01.

Authority's response to the internal control over compliance findings identified on our audit are described in the accompanying schedule of findings and questioned costs. Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditure of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Puerto Rico Metropolitan Bus Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated December 24, 2013, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


Ramon L. Marrero
Certified Public Accountants
December 26, 2013

Stamp #02695101 was affixed to original of this report.



PUERTO RICO METROPOLITAN BUS AUTHORITY
 (A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Section 1 - Summary of Auditor's Report

1. The type of opinion issued in the financial statements	Qualified
2. The independent accountant's report on internal control over financial reporting described:	
a. Significant deficiencies noted considered material weaknesses	Yes
b. Significant deficiency noted that is not considered to be a material weakness	Yes
3. Noncompliance considered material to the financial statements was disclosed by the audit	Yes
4. The independent accountant's report on internal control over compliance with requirements applicable to major Federal awards described:	
a. Significant deficiency noted considered to be a material weakness	Yes
b. Significant deficiency noted that is not considered to be a material weaknesses	No
5. The opinion expressed in the independent accountant's report on compliance with requirements applicable to major Federal awards	Qualified
6. The audit disclosed findings to be reported in accordance with Section .510 (a) of OMB Circular A-133	Yes
7. The Authority's major program was:	
<u>Name of Federal Program or Cluster</u>	<u>CFDA No</u>
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507
8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133	\$300,000
9. Auditee qualified as a low risk auditee under section .530 OMB Circular a-133	No

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section 2 – Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

Finding 13-FS-01 (Material Weakness)

Condition:

The Authority maintains a spare parts perpetual inventory system which is not reconciled periodically with physical counts. Differences are almost identified and processed at the end of fiscal year. Test counts realized during our audit showed significant differences with the perpetual records. This condition is similar as in prior year audit.

Criteria:

Perpetual inventory records provide a method for proper safeguarding of inventory against loss and intentional or unintentional errors.

Cause of Condition:

Perpetual inventory records are not updated on a timely basis for purchases and usage and are not reconciled periodically with the general ledger.

Effect of Condition:

Perpetual inventory records do not reflect the actual value and quantities of the spare parts inventory. Errors in spare parts inventory could go undetected resulting in improper safeguard of this asset. Significant variances between the actual physical count and the perpetual records cannot be investigated due to the lack of timely reconciliation procedures. Lack of proper internal control procedures over spare parts inventory could result in improper charges to federal program exposing the Authority to unallowable costs by U.S Federal Transit Administration.

Auditee Response:

Management accepted the condition and is working on a Corrective Action Plan.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

Recommendation:

The Authority should implement procedures that require monthly reconciliations of the spare parts inventory as reflected in the general ledger and the perpetual inventory record. Differences should be investigated and adjusted.

In addition, to assure that perpetual records present an accurate reflection of quantities on hand, a formal program of cycle counting procedures should be instituted. These procedures should include the following:

- Formal scheduling of items to be counted and periodic management review to assure adherence to the schedule.
- Reconciliation of perpetual records and actual counts.
- Adjustment of perpetual records to actual quantities resulting from known differences and documentation of the reasons for such adjustments.
- Follow-up to determine the causes for differences so that procedural weaknesses may be remedied.
- Periodic reporting to appropriate Authority personnel of the results of the cycle counting procedures.

Finding 13-FS-02 (Material Weakness)

Condition:

The closing process is informal and needs a clear definition of responsibilities and communication between different departments involved. In certain instances no timely communication or documentation is provided to the accounting department for the proper recording of non-routine transactions. This condition is similar as in prior year audit.

Criteria:

Financial reporting and closing process should be documented in writing and should be communicated on a timely basis to all departments and individuals involved in the process.

Cause of condition:

The financial reporting closing process is informal and not well documented. In addition, roles and responsibilities in the financial closing and reporting are not communicated on a timely basis to appropriate departments and individuals.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Effect of Condition:

Certain accounting transactions are not recorded on a timely basis resulting in delays in the interim and year end closing process.

Recommendation:

In order to ensure that all accounting procedures are performed on a timely basis, management should establish policies to document the month and year end procedures that should be followed by the accounting department as well as any other department that provide financial information required for the preparation of financial statements. This could be accomplished by the develop of a comprehensive checklist that cover all procedures that the Authority determines necessary to be performed on a periodic basis including, but not limited to, month end procedures such as bank reconciliations, and general ledger account analysis, etc.

Auditee Respose:

Management accepted the condition and is working on a Corrective Action Plan.

Finding 13-FS-03

Condition:

At June 30, 2013 the Authority has amounts outstanding with other public corporations or agencies of the Commonwealth of Puerto Rico amounting to approximately \$33,367,480. This amount represents amounts due for payroll withholdings, utilities and other related services. This condition is similar as in prior year audit.

Criteria:

Laws and regulations require that amounts due to other entities of the Commonwealth of Puerto Rico be settled in the normal course of business. In addition laws and regulations required that taxes withheld be paid as required.

Cause of Condition:

Cash flows problem has precluded the Authority from making payments to reduce such liabilities, which in certain cases results in the accumulation of interest, and penalties.

Effect of Condition:

The Authority is not in compliance with applicable laws and regulations. In addition, the Authority could be exposed to a significant amount of accumulated interest, and penalties on the accumulated debt.

Recommendation:

Management should look for financing alternatives to comply and pay these liabilities when due in accordance with laws and regulations in order to avoid the payment of interest and penalties.

Auditee Respose:

Management accepted the condition and is working on a Corrective Action Plan.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Finding 13-FS-04

Condition:

During our audit we observed that personnel files are not being kept current and in some instances were incomplete. In 24 of the 6 files selected for examination form I-9 was not included.

Criteria:

Laws and regulations require that personnel files should be kept current and should include all required documentation.

Cause of Condition:

Controls and procedures that require that employee files be current are not carried out consistently and there is no proper supervision that require compliance with established policy.

Effect of Condition:

By not keeping personnel files current, the Authority is exposed to penalties in case of legal claims. In addition the Authority is not in compliance with applicable laws and regulations.

Recommendation:

Procedures should be implemented to assure that all personnel files are current and complete in accordance with laws and regulations.

Auditee Response:

Management accepted the condition and is working on a Corrective Action Plan.

Finding 13-FS-05

Condition:

In certain instances we noted that social security tax was paid late. This condition is similar as in prior year audit.

Criteria:

Social security tax should be paid as required in laws and regulations.

Cause of Condition:

The payroll department does not inform correctly the amount that should be paid to the accounting department.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Effect of Condition:

The Authority is not in compliance with laws and regulations and is subject to the payment of penalties and interest on the unpaid amount.

Recommendation:

Proper controls should be implemented in order to be sure that the weekly amount due of social security is informed correctly to the accounting department and is paid in accordance with laws and regulations.

Auditee Response:

Management accepted the condition and is working on a Corrective Action Plan.

Finding 13-FS-06

Condition:

The Cubic System reported obtained from each bus at the end of the day, which details the number of passengers that used the service during the day and the related rates is not reconciled with the amount of cash delivered to Ranger American for deposit into the bank. This condition is similar as in prior year audit.

Criteria:

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Cause of Condition:

Bus drivers are not using the Cubic System to keep track of passengers using the service during the day and the applicable rates.

Effect of Condition:

Revenues from passengers are subject to errors and could be misstated.

Recommendation:

Bus drivers should be instructed and trained to use the Cubic System to keep track of the passenger activity during the days. This will assist management in making an independent verification of passenger revenues accounted for during a particular period.

Auditee Response:

Management accepted the condition and is working on a Corrective Action Plan.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Findings 13-FS-07 (Material Weakness)

Condition:

The Authority records the cost of certain post-employment benefits provided to eligible employees in accordance with collective bargaining agreements when paid which is a method not accepted by accounting principles generally accepted in the United States of America ("GAAP"). This condition is similar as in prior year audit.

Criteria:

GAAP requires that the cost and the liability for post-employment benefits be determined using an actuarial valuation perform at least every two years. In addition GAAP requires that the cost of post-employment benefits be recorded using the accrual basis of accounting.

Cause of Condition:

Management was unable to hire an actuary to perform the evaluation required by GAAP.

Effect of Condition:

The Authority's financial statements are not in accordance with GAAP and could be materially misstated.

Recommendation:

Management should hire an actuary to perform the evaluation required by GAAP. Financial statements should be adjusted accordingly.

Auditee Response:

Management accepted the condition and is working on a Corrective Action Plan.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section 3 – Findings and Questioned Costs Relating to Federal Awards

Finding 13-SA-01

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement:

Reporting

Reporting Requirement:

Non-compliance in relation to a compliance requirement

Condition:

During our procedure to test compliance with the federal program reporting requirement, we noted that the Quarterly Financial Status Reports for periods ended September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013 were not submitted on time.

Criteria:

The Authority should submit reliable financial information as required by the Federal award.

Cause of Condition:

The financial status reports are prepared electronically and no submitting evidence is maintained for further examination.

Effect of Condition:

The Authority should review reports submitted to the U.S. Department of Transportation and monitoring procedures should be established to ensure that Federal Awards compliance requirements are always adhered to.

Finding 13-SA-02

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Compliance Requirement:
Activities Allowed and Unallowed

Reporting Requirement:
Non-compliance in relation to a compliance requirement

Finding 13-SA-02 (Material Weakness)

Condition:
The Authority maintains a spare parts perpetual inventory system which is not reconciled periodically with physical counts. Differences are almost identified and processed at the end of fiscal year. Test counts realized during our audit showed significant differences with the perpetual records. This condition is similar as in prior year audit.

Criteria:
Perpetual inventory records provide a method for proper safeguarding of inventory against loss and intentional or unintentional errors.

Cause of Condition:
Perpetual inventory records are not updated on a timely basis for purchases and usage and are not reconciled periodically with the general ledger.

Effect of Condition:
Perpetual inventory records do not reflect the actual value and quantities of the spare parts inventory. Errors in spare parts inventory could go undetected resulting in improper safeguard of this asset. Significant variances between the actual physical count and the perpetual records cannot be investigated due to the lack of timely reconciliation procedures. Lack of proper internal control procedures over spare parts inventory could result in improper charges to federal program exposing the Authority to unallowable costs by U.S Federal Transit Administration.

Recommendation:
The Authority should implement procedures that require monthly reconciliations of the spare parts inventory as reflected in the general ledger and the perpetual inventory record. Differences should be investigated and adjusted.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

In addition, to assure that perpetual records present an accurate reflection of quantities on hand, a formal program of cycle counting procedures should be instituted. These procedures should include the following:

- Formal scheduling of items to be counted and periodic management review to assure adherence to the schedule.
- Reconciliation of perpetual records and actual counts.
- Adjustment of perpetual records to actual quantities resulting from known differences and documentation of the reasons for such adjustments.
- Follow-up to determine the causes for differences so that procedural weaknesses may be remedied.
- Periodic reporting to appropriate Authority personnel of the results of the cycle counting procedures.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS YEAR ENDED JUNE 30, 2013

The following prior years findings have not been corrected since similar instances were noted during the single audit for the year ended June 30, 2013.

Finding 12-FS-01 (Material Weakness)

Condition:

The Authority's year end spare parts inventory listing was initially prepared from the perpetual records of quantities on hand at that date. It was subsequently determined that adjustment of the perpetual records to actual counts had not been made. Therefore, the perpetual records were not reliable and an adjustment to them was made. In addition the spare parts inventory perpetual records were not reconciled with the general ledger and with actual quantities on hand in the warehouse. Therefore differences are not processed on a timely basis but are accumulated and in certain cases are processed at the end of the fiscal year.

Recommendation:

The Authority should implement procedures that require monthly reconciliations of the spare parts inventory as reflected in the general ledger and the perpetual inventory record. Differences should be investigated and adjusted.

In addition, to assure that perpetual records present an accurate reflection of quantities on hand, a formal program of cycle counting procedures should be instituted. These procedures should include the following:

- Formal scheduling of items to be counted and periodic management review to assure adherence to the schedule.
- Reconciliation of perpetual records and actual counts.
- Adjustment of perpetual records to actual quantities resulting from known differences and documentation of the reasons for such adjustments.
- Follow-up to determine the causes for differences so that procedural weaknesses may be remedied.
- Periodic reporting to appropriate Authority personnel of the results of the cycle counting procedures.

Current status:

Condition still prevail. No action taken by Management.

Similar finding in current year.

See finding 13-01.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 12-FS-02 (Material Weakness)

Condition:

The closing process is informal and needs a clear definition of responsibilities and communication between different departments involved. In certain instances no timely communication or documentation is provided to the accounting department for the proper recording of non-routine transactions.

Recommendation:

In order to ensure that all accounting procedures are performed on a timely basis, management should establish policies to document the month and year end procedures that should be followed by the accounting department as well as any other department that provide financial information required for the preparation of financial statements. This could be accomplished by the develop of a comprehensive checklist that cover all procedures that the Authority determines necessary to be performed on a periodic basis including, but not limited to, month end procedures such as bank reconciliations, and general ledger account analysis, etc.

Current status:

Condition still prevail. No action taken by Management.
Similar finding in current year.
See finding 13-02.

Finding 12-FS-03

Condition:

At June 30, 2013 the Authority has amounts outstanding with other public corporations or agencies of the Commonwealth of Puerto Rico amounting to approximately \$26.8 millions. This amount represents amounts due for payroll withholdings, utilities and other related services.

Recommendation:

Management should look for financing alternatives to comply and pay these liabilities when due in accordance with laws and regulations in order to avoid the payment of interest and penalties.

Current status:

Condition still prevail. No action taken by Management.
Similar finding in current year.
See finding 13-03.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 12-FS-04

Condition:

The Cubic System reported obtained from each bus at the end of the day, which details the number of passengers that used the service during the day and the related rates is not reconciled with the amount of cash delivered to Ranger American for deposit into the bank. Also, the equipment use to safeguard the money deposited in the bus sometimes gets stuck in the middle of the route and although the passenger deposits the money, it is not accounted in the Cubic System.

Recommendation:

Bus drivers should be instructed and trained to use the Cubic System to keep track of the passenger activity during the days. This will assist management in making an independent verification of passenger revenues accounted for during a particular period.

Current status:

Condition still prevail. No action taken by Management.
Similar finding in current year.
See finding 13-06.

Finding 12-FS-05

Condition:

During our cash audit procedures, we noted that the outstanding checklist for the payroll account at June 30, 2013 contained checks dated as early July 2011. Some of these checks are for significant amounts considered that this is a payroll account and employees cash the checks as soon as they get it. For example there are checks for over \$1,000 dated as early as July 2011 and checks over \$5,000 dated December 2011. In addition old checks in the payroll accounts as of June 30, 2011 were reclassified to unclaimed check account but were not investigated.

Recommendation:

We recommend that management establish a formal, written policy concerning uncashed checks based on current applicable laws. Such a policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 60 days old, the payee should be contacted. After 90 days, the checks should be moved to suspense or written off.

In addition as part of the review and approval of the bank reconciliation, the reviewer should trace significant reconciling items to supporting documents and he should also pay special attention to old checks outstanding or other reconciling items.

Current status:

Corrected

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 12-FS-06

Condition:

During our audit we observed that personnel files are not being kept current and in some instances were incomplete. In certain instances, forms such as OP-15, among others, are not included in the files.

Recommendation:

Procedures should be implemented to assure that all personnel files are current and complete in accordance with laws and regulations.

Current status:

Condition still prevail. No action taken by Management.

Finding 12-FS-07 (Material Weakness)

Condition:

During our cash audit procedures, we noted that the bank statements were accumulated for several months before they were reconciled to the appropriate general ledger controls.

Recommendation:

Bank reconciliations should be reconciled every month. The composition of unreconciled differences, if any, should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. In addition the bank reconciliations should be reviewed for accuracy and completeness on a timely basis by a designated officer. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents.

Current status:

Corrected

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 12-FS-08

Condition:

In certain instances we noted that social security tax was paid late.

Recommendation:

Proper controls should be implemented in order to be sure that the weekly amount due of social security is informed correctly to the accounting department and is paid in accordance with laws and regulations.

Current status:

Condition still prevail. No action taken by Management.
Similar finding in current year.
See finding 13-05.

Findings 12-FS-09 (Material Weakness)

Condition:

The Authority records the cost of certain post-employment benefits provided to eligible employees in accordance with collective bargaining agreements when paid which is a method not accepted by accounting principles generally accepted in the United States of America ("GAAP").

Recommendation:

Management should hire an actuary to perform the evaluation required by GAAP. Financial statements should be adjusted accordingly.

Current status:

Condition still prevail. No action taken by Management.
Similar finding in current year.
See finding 13-07.

PUERTO RICO METROPOLITAN BUS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

Section 3 – Findings and Questioned Costs Relating to Federal Awards

Finding 12-SA-01

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants

20.507 ARRA-Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement:

Equipment and real property management

Reporting Requirement:

Non-compliance in relation to a compliance requirement

Condition:

There is no physical inventory of equipment acquired with federal funds

Recommendation:

Proper controls and procedures should be established in order to assure compliance with program laws and regulations at all time.

Current status:

Corrected

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 12-SA-02

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement:

Reporting

Reporting Requirement:

Non-compliance in relation to a compliance requirement

Condition:

During our procedure to test compliance with the federal program reporting requirement, we noted the information in annual Financial Status Report does not agree with related information in the Authority's general ledger.

Current status:

Condition still prevail. No action taken by Management.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 12-SA-03

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement:

Activities Allowed and Unallowed

Reporting Requirement:

Non-compliance in relation to a compliance requirement

Condition:

During our procedure to test compliance with the federal program activities allowed or unallowed, we noted that the pay rate used in the payroll submitted for reimbursement with federal funds does not agree with the pay rate in the Form OP-15 available in the employee's file.

Recommendation:

Procedures should be implemented to assure that all personnel files are current and complete in accordance with laws and regulations. Amounts paid to employees should be based on actual approved rates as documented in personnel files.

Current status:

Condition still prevail. No action taken by Management.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 12-SA-04

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants
20.507 ARRA-Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement:

N/A

Reporting Requirement:

Material weakness in internal control over compliance

Condition:

See Finding 12-FS-01. This finding relates to a material weakness in internal control over a major federal program that is required to be reported under OMB Circular A-133.

Finding 11-SA-01, 10-SA-03, 10-SA-05, 09-SA-03

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement

Reporting

Condition:

During our procedure to test compliance with the federal program reporting requirement, we noted that the information in annual Financial Status Report does not agree with related information in the Authority's general ledger.

Status of Corrective Action:

Condition still prevail. No action taken by Management.
Similar instances were noted during year ended June 30, 2012. See 12-SA-02.

PUERTO RICO METROPOLITAN BUS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SUMMARY OF SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 11-SA-02

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants
20.507 ARRA-Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement:

Equipment and real property management

Condition:

There is no physical inventory of equipment acquired in federal funds.

Status of Corrective Action

Condition still prevail. No action taken by Management.

Similar instances were noted during year ended June 30, 2012. See 12-SA-01.

Finding 11-SA-03, 10-SA-07

Federal Program:

20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants
20.507 ARRA-Federal Transit Administration Capital and Operating Assistance Formula Grants

Federal Grantor:

Federal Transit Administration

Compliance Requirement:

N/A

Condition:

The Authority's year-end spare parts inventory listing was initially prepared from the perpetual records of quantities on hand at that date. It was subsequently determined that adjustment of the perpetual records to actual counts had not been made. Therefore, the perpetual records were not reliable and an adjustment to them was made. In addition the spare parts inventory perpetual records were not reconciled with the general ledger and with actual quantities on hand in the warehouse. Therefore differences are not identified and corrected on a timely basis. Also receipts and uses of spare parts are not processed on a timely basis but are accumulated and in certain cases are processed at the end of the fiscal year.

Status of Corrective Action:

Condition still prevail. No action taken by Management.

Similar instances were noted during year ended June 30, 2012. See 12-SA-04.

The following prior years findings are considered closed either because no similar instances were noted in subsequent years or because no further notices has been received from FTA.
10-01, 10-02, 10-04, 10-06, 10-08, 09-01, 09-02, 09-05, 09-06.