

**COMMONWEALTH OF PUERTO RICO
CRIMINAL JUSTICE COLLEGE OF PUERTO RICO**

**STATEMENT OF REVENUES, EXPENDITURES
AND NET CHANGES**

**FOR THE YEAR ENDED
JUNE 30, 2008**

**COMMONWEALTH OF PUERTO RICO
CRIMINAL JUSTICE COLLEGE OF PUERTO RICO
STATEMENT OF REVENUES, EXPENDITURES
AND NET CHANGES
FOR THE YEAR ENDED
JUNE 30, 2008**

TABLE OF CONTENTS

	Pages
Independent Auditors' Report	1
 FINANCIAL STATEMENT:	
Statement of Revenues, Expenditures and Net Changes – For the Year Ended June 30, 2008	2
Notes to the Financial Statement	3 - 6



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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
CRIMINAL JUSTICE COLLEGE OF PUERTO RICO
Gurabo, Puerto Rico

We have audited the accompanying statement of revenues, expenditures and net changes of the **Criminal Justice College of Puerto Rico (Institution)** for the year ended June 30, 2008. This financial statement is the responsibility of **Institution's** management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues, expenditures and net changes is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall statement of revenues, expenditures and net changes presentation. We believe that our audit of the statement of revenues, expenditures and net changes provides a reasonable basis for our opinion.

In our opinion, the statement of revenues, expenditures and net changes present fairly, in all material respects, the net changes of the **Institution** for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

CPA Diaz-Martinez, PSC

CPA DIAZ-MARTINEZ, PSC
Certified Public Accountants & Consultants
License Number 12, expires on December 1, 2010

Caguas, Puerto Rico
October 29, 2008



**COMMONWEALTH OF PUERTO RICO
CRIMINAL JUSTICE COLLEGE OF PUERTO RICO
STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>GENERAL FUND</u>	<u>SPECIAL FUND</u>	<u>TOTAL</u>
REVENUES:			
Appropriations from the Commonwealth of Puerto Rico.....	\$ 7,323,000	\$ -	\$ 7,323,000
Tuition and Fees.....	-	4,110,325	4,110,325
Interest Earned.....	-	355,600	355,600
Other Income.....	-	<u>20,558</u>	<u>20,558</u>
Total Revenues	<u>7,323,000</u>	<u>4,486,483</u>	<u>11,809,483</u>
EXPENDITURES:			
Instructional and Instruction – Related Services	2,412,377	14,964	2,427,341
Support Services – Students.....	690,485	-	690,485
Management and General Activities.....	364,035	476,712	840,747
Operation and Maintenance of Plant.....	40,136	-	40,136
Transportation and Subsistence.....	10,767	44,843	55,610
Professional Services.....	275,147	1,153,123	1,428,270
Materials and Supplies	736,559	84,661	821,220
Purchases of Equipment	196,929	116,338	313,267
Others.....	<u>14,060</u>	<u>9,703</u>	<u>23,763</u>
Total Expenditures	<u>4,740,495</u>	<u>1,900,344</u>	<u>6,640,839</u>
NET CHANGES	<u>\$ 2,582,505</u>	<u>\$ 2,586,139</u>	<u>\$ 5,168,644</u>

See accompanying Notes to the Financial Statement.

COMMONWEALTH OF PUERTO RICO
CRIMINAL JUSTICE COLLEGE OF PUERTO RICO

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On July 17, 1999, Act Number 155 was approved to establishing the **Criminal Justice College of Puerto Rico (Institution)**. This Act creates the **Institution** as a higher education institution empowered to confer university degrees with academic and operating autonomy. On September 2, 2000, Act Number 321, amend the Act Number 155, to provide academic, fiscal and operational independence to the **Institution**. This Act authorized the transfer to the Chancellor of the **Institution** the responsibility for all personnel, real and personal properties, documents and available funds.

The Puerto Rico Council of Higher Education has granted a license authorizing the **Institution** to offer an Associate Degree in Criminal Justice. The **Institution** has started the procedures required for obtaining accreditation from the Middle States Association of Colleges and Schools in order to comply with the requirements for receiving federal funds.

For fiscal purposes, the **Institution** operates as a program attached to the operating budget of the Commonwealth of Puerto Rico approved by the Office of Management and Budget. The operating budget of the **Institution** is specifically assigned to the **Institution**. The Treasury Department of the Commonwealth of Puerto Rico transfer the funds appropriated by the state to the **Institution** which proceeds with the corresponding disbursement in accordance with law and was monitored by the Office of Management and Budget. At June 30, 2008, the responsibilities authorized by Act Number 321 were transferred to the **Institution** and the others (transfer of properties) are pending of final coordination with the corresponding state agencies.

Financial Statement – Measurement Focus and Basis of Accounting

This financial statement is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the *modified accrual basis of accounting* the revenues are recorded when susceptible to accrual; as soon as it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter, normally within sixty (60) days, to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. Accordingly, the financial statement is in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standard Board.

The **Institution** reports the following major governmental funds:

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

Special Fund – This is the fund used to account all transactions related with the training of municipal police enforcement and related agencies for public security. Also this fund is used to account for service's fees to students.

**COMMONWEALTH OF PUERTO RICO
CRIMINAL JUSTICE COLLEGE OF PUERTO RICO**

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Budget and Budgetary Accounting

The revenues recognized in the General Fund consist of appropriations from the Office of Management and Budget of the Commonwealth of Puerto Rico for recurrent and ordinary functions of the **Institution**. The procedures followed in approving the annual budget is as follows:

1. Between November and December the **Institution** submits to the Office of Management and Budget of the Commonwealth of Puerto Rico an operating budget petition for the fiscal year commencing the following July 1.
2. At the beginning of the ordinary session of the Legislative Assembly of the Commonwealth of Puerto Rico, the Governor submits a proposed budget for the fiscal year covering the whole operations of the Commonwealth. This proposed budget includes estimated expenditures and the means of financing them.
3. The annual budget is legally enacted through the approval by the Legislative Assembly of the Joint Resolution of the General Budget. Subsequently to enactment, the Office of Management and Budget of the Commonwealth has the authority to make the necessary adjustments to the budget.

Interfund Transactions

The **Institution** has the following type of transactions among funds:

Interfund Transfers – Legally required transfers that are reported when incurred as transfers-in by the recipient fund and as transfers-out by the disbursing fund.

Use of Estimates

The preparation of the 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 the disclosures of contingent assets and liabilities at the date of the basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual result may differ from those estimates.

NOTE B – PENSION PLAN

The Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The ERS was created under the Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. ERS covers all regular employees of the Commonwealth of Puerto Rico and its instrumentalities and of certain municipalities and components units not covered by their own retirement systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Head of Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of the Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees. ERS provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

**COMMONWEALTH OF PUERTO RICO
CRIMINAL JUSTICE COLLEGE OF PUERTO RICO**

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

NOTE B – PENSION PLAN – continuation

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

Members who have attained at least 55 years of age and have completed at least 25 years of creditable service or members who have attained at least 58 years of age and have completed at least 10 years of creditable service are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be 1.5% of the average salary, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average salary, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than \$200 per month.

All employees who at the time of employment are 55 years old or less are eligible to participate in the System. No benefit is payable if the participant receives a refund of his accumulated contributions.

Law Number 305 was enacted on September 24, 1999, amended the Act Number 447 for the purpose of establishing a new program (System 2000). System 2000 became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999, may elect either to stay in the defined-benefit plan or transfer to the new savings program. Persons joining the government on or after January 1, 2000, will only be allowed to become members of System 2000.

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

If at time of retirement accumulated benefits amount to \$10,000 or less may elect to receive a lump sum distribution up to the accumulated benefits. Under the new program the retirement age is reduced from 65 to 60 for those employees who joined the current plan on or after April 1, 1990.

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

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NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

NOTE B – PENSION PLAN – continuation

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

Disability retirement benefits are available to members for occupational and non-occupational disability up to a maximum benefit of 50% of the average salary, as defined. However, for non-occupational disability, a member must have at least 10 years of creditable service.

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

The **Institution** follows the provisions of GASB Statement No. 27, *Accounting for Pensions Pension by State and Local Governmental Employers*, which requires employers that participate in cost-sharing multi-employer defined-benefits plans to recognize pension expenditures/expense equal to the employer's contractually required contributions and a liability for unpaid contributions.

The historical trend information regarding the accumulation of assets and pension benefit obligation in the ERS is not available. For the ten-year trend information, refer to the separately issued financial statements of the ERS as of and for the fiscal year ended June 30, 2008. The P.R. Retirement Plan Administration provides additional information of the ERS. They issue a publicly available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Commonwealth of Puerto Rico. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, PR 00940.

NOTE C – CONTINGENCIES

The **Institution** is, at present, a co-defendant in a legal proceeding, which are in discovery stage. Legal counsel with the information currently available can not determine the final outcome of this claim. The financial statements do not include adjustment, if any, that could result from the resolution of legal proceeding. However, it has been the **Institution's** experience that such actions are settled for amounts substantially less than the claimed amounts.

END OF THE NOTES