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AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE BARCELONETA

AUDITORIA 2000-01

30 DE JUNIO DE 2001

**MUNICIPALITY OF BARCELONETA, PUERTO RICO
SINGLE AUDIT REPORT
JUNE 30, 2001
(INDEPENDENT AUDITOR'S REPORT)**

**MUNICIPALITY OF BARCELONETA, PUERTO RICO
SINGLE AUDIT REPORT
JUNE 30, 2001**

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**INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE
FINANCIAL STATEMENTS**

Mayor of the Municipality of Barceloneta
Barceloneta, Puerto Rico

I have audited the general purpose financial statements of the Municipality of Barceloneta, Puerto Rico, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Municipality of Barceloneta, Puerto Rico Management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

Except as discussed in the following paragraph, I have conducted my audit in accordance with 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Municipality of Barceloneta, Puerto Rico, did not provide me sufficient competent evidence with respect to the ownership of assets, for some property building the beginning balance of fixed assets presented were not audited by me therefore, I do not express an opinion on such amounts presented in the general fixed assets account group.

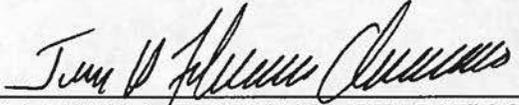
In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of Barceloneta, Puerto Rico, as of June 30, 2001, and the results of its operations and the changes in fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 15, 2001 on my consideration of Municipality of Barceloneta, Puerto Rico internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of Municipality of Barceloneta, Puerto Rico taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in my opinion, is fairly stated in all material respects, in relation the by general purpose financial statement a taken as whole.

San Juan, Puerto Rico
December 15, 2001

The stamp number 17688472
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CPA JUAN A. FELICIANO CHARNECO
License No. 1263
Expires December 1, 2004



MUNICIPALITY OF BARCELONETA, PUERTO RICO
COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNTS GROUPS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				ACCOUNTS GROUPS		TOTALS
	General	Debt Service	Capital Projects	Special Revenues Funds	General Fixed Assets	General Long-Term Debt	(Memorandum Only Year Ended) 2001
ASSETS							
Cash and investments (Note 2)	\$ 10,510,982	\$ -	\$ 65,003	\$ 1,049,080	\$ -	\$ -	\$ 11,625,065
Cash with fiscal agent and other (Note 7 & 8)	-	2,960,981	-	-	-	-	2,960,981
Receivable volume business (Note 4)	41,557	-	50,858	-	-	-	92,415
Accounts receivable other (Note 7)	65,373	-	50,364	387,399	-	-	503,136
Due to general fund and other funds	208,787	-	-	27,187	-	-	235,974
Property, plant and equipment (Note 6)	-	-	-	-	28,216,119	-	28,216,119
Amount to be provided for taxes advances (Note 3)	-	-	-	-	-	2,690,271	2,690,271
Amount available in debt Service Fund	-	-	-	-	-	2,960,981	2,960,981
Amount to be provided for retirement of general long-term debt (Note 7)	-	-	-	-	-	15,244,607	15,244,607
Amount to be provided for payment of accrued compensated absences (Note 1 F)	-	-	-	-	-	1,569,718	1,569,718
Amount to be provided for health insurance (Note 12)	-	-	-	-	-	1,453,607	1,453,607
Amount to be provided for estimated landfill closing cost (Note 15)	-	-	-	-	-	5,000,000	5,000,000
Total assets and other debits	\$ 10,826,699	\$ 2,960,981	\$ 166,225	\$ 1,463,666	\$ 28,216,119	\$ 28,919,184	\$ 72,552,874
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable and accrued liabilities	\$ 233,506	\$ -	\$ 47,786	419,554	\$ -	\$ -	\$ 700,846
Due to special revenue funds and other	-	-	5,522	-	-	-	5,522
General obligations bonds payable (Note 7)	-	-	-	-	-	18,205,588	18,205,588
Due to government entity	159,873	-	-	-	-	-	159,873
Vested compensated absences (Note 1 F)	-	-	-	-	-	1,569,718	1,569,718
Deferred revenue (Note 4)	8,708,104	-	-	-	-	-	8,708,104
Estimated health insurance obligation (Note 12)	-	-	-	-	-	1,453,607	1,453,607
Estimated landfill cost (Note 15)	-	-	-	-	-	5,000,000	5,000,000
Estimated property tax advances (Note 3)	-	-	-	-	-	2,690,271	2,690,271
Total liabilities	9,101,483	-	53,308	419,554	-	28,919,184	38,493,529
Fund Equity:							
Investment in general fixed assets (Note 6)	-	-	-	-	28,216,119	-	28,216,119
Reserve for encumbrances	(194,141)	-	-	-	-	-	(194,141)
Fund balances:							
Unreserved							
Designated for debt service (7 & 8)	-	2,960,981	-	-	-	-	2,960,981
Designated for future years	-	-	112,917	1,044,112	-	-	1,157,029
Undesignated	1,919,357	-	-	-	-	-	1,919,357
Total Fund Equity	1,725,216	2,960,981	112,917	1,044,112	28,216,119	-	34,059,345
Total Liabilities, Fund Equity & Other Credits	\$ 10,826,699	\$ 2,960,981	\$ 166,225	\$ 1,463,666	\$ 28,216,119	\$ 28,919,184	\$ 72,552,874

MUNICIPALITY OF BARCELONETA, PUERTO RICO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				TOTALS
	General	Debt Service	Capital Projects	Special Revenues Funds	(Memorandum Only Year Ended 2001)
REVENUES					
Property taxes (Note 3)	\$ 401,613	\$ 1,310,155	\$ -	\$ -	\$ 1,711,768
Local taxes (Note 4)	8,105,017	-	-	-	8,105,017
Intergovernmental revenues (Note 5)	1,348,963	-	16,838	517,281	1,883,082
Rent of properties (Note 6)	56,534	-	-	-	56,534
Other revenues (Note 5a)	929,545	125,163	-	-	1,054,708
Federal financial award	-	-	860,973	3,020,831	3,881,804
Total revenues	10,841,672	1,435,318	877,811	3,538,112	16,692,913
EXPENDITURES:					
Current:					
Municipal council	143,018	-	-	-	143,018
Administration	5,259,759	-	743,876	4,765,290	10,768,925
Public safety	5,462,097	-	-	-	5,462,097
Health	756,498	-	-	-	756,498
Capital projects	-	-	790,003	-	790,003
Other expenditures	1,805,493	-	-	-	1,805,493
Debt service:					
Principal retirement	-	1,851,044	-	-	1,851,044
Interest and fiscal charges	-	1,321,103	-	-	1,321,103
Total expenditures	13,426,865	3,172,147	1,533,879	4,765,290	22,898,181
Excess of revenues over (under) expenditures	(2,585,193)	(1,736,829)	(656,068)	(1,227,178)	(6,205,268)
Other financing source (uses):					
Net advance of property taxes (Note 3)	3,390,408	-	-	-	3,390,408
Transfer in (out) to debt service fund	(605,617)	605,617	-	-	-
Transfer to special revenue fund (Note 1 E)	(175,435)	-	-	175,435	-
Transfer from special revenue fund (Note 1E)	-	1,082,965	-	(1,082,965)	-
Total other financing source (uses)	2,609,356	1,688,582	-	(907,530)	3,390,408
Excess of revenues and other sources over (under) expenditures and other uses	24,163	(48,247)	(656,068)	(2,134,708)	(2,814,860)
Fund balance June 30, 2000	1,946,794	3,009,228	669,720	3,178,820	8,804,562
Prior period adjustment (See note 9)	(245,741)	-	99,265	-	(146,476)
Fund balance June 30, 2001	\$ 1,725,216	\$ 2,960,981	\$ 112,917	\$ 1,044,112	\$ 5,843,226

MUNICIPALITY OF BARCELONETA, PUERTO RICO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND DEBT SERVICE FUND
 FOR THE FISCAL YEAR THEN ENDED JUNE 30, 2001

	GENERAL FUNDS			DEBT SERVICE FUND			TOTALS
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	(Memorandum Only Year Ended) 2001
Revenues:							
Property taxes	\$ 401,613	\$ 401,613	\$ -	\$ 1,200,000	\$ 1,310,155	\$ 110,155	\$ 1,711,768
Local taxes	7,953,178	8,063,460	110,282	-	-	-	8,063,460
Intergovernmental Revenues	1,439,809	1,282,967	(156,842)	-	-	-	1,282,967
Rent of properties	50,000	56,534	6,534	-	-	-	56,534
Other revenues	1,046,000	817,689	(228,311)	-	125,163	125,163	942,852
Total Revenues	10,890,600	10,622,263	(268,337)	1,200,000	1,435,318	235,318	12,057,581
Expenditures:							
Current:							
Municipal Council	187,219	143,018	44,201	-	-	-	143,018
Administration	5,439,099	5,124,673	314,426	-	-	-	5,124,673
Public Safety	5,611,957	5,462,097	149,860	-	-	-	5,462,097
Health	756,499	756,498	-	-	-	-	756,498
Other Expenditures	1,679,766	1,805,493	(125,727)	-	-	-	1,805,493
Debt Service:							
Principal Retirement	-	-	-	1,742,000	1,851,044	(109,044)	1,851,044
Interest and Fiscal Charges	-	-	-	1,265,000	1,321,103	(56,103)	1,321,103
Total Expenditures	13,674,540	13,291,779	382,760	3,007,000	3,172,147	(165,147)	16,463,926
Excess of Revenues over (under) Expenditures	(2,783,940)	(2,669,516)	114,423	(1,807,000)	(1,736,829)	70,171	(4,406,345)
Other Financing Source (Uses):							
Net Advance of Property Taxes	3,390,408	3,390,408	-	-	-	-	3,390,408
Transfer to special revenue fund	-	(175,435)	(175,435)	-	-	-	(175,435)
Transfer from special revenue fund	-	-	-	1,200,532	1,082,965	117,567	1,082,965
Operating transfer (out) in to debt service	(606,468)	(605,617)	851	606,468	605,617	851	-
Total Other Financing Sources (Uses):	2,783,940	2,609,356	(174,584)	1,807,000	1,688,582	118,418	4,297,938
Excess (deficiency) of revenues and other sources over expenditures	-	(60,160)	(60,160)	-	(48,247)	(48,247)	(108,407)
Adjustments required under generally accepted accounting principles:							
Other GAAP adjustment to revenues	-	169,409	169,409	-	-	-	169,409
Other GAAP adjustment to expenditures	-	(85,080)	(85,080)	-	-	-	(85,080)
Fund balance at beginning of year	-	1,946,794	1,946,794	-	3,009,228	3,009,228	4,956,022
Prior period adjustment (See Note 9)	-	(245,747)	(245,747)	-	-	-	(245,747)
Fund balance June 30, 2001	\$	\$ 1,725,216	\$ 1,725,216	\$ -	\$ 2,960,981	\$ 2,960,981	\$ 4,686,197

See notes to general purpose financial statements.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

1) Organization, Operations and Summary of Significant Accounting

The accounting policies of the Municipality of Barceloneta, Puerto Rico (Municipality) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

Financial Reporting Entity

The Municipality of Barceloneta (Municipality) was established in the year 1881, as a governmental unit operates under the Law No. 81 of August 30, 1991 known as "Municipal Autonomy Law" of the Commonwealth of Puerto Rico. The governmental system of the Municipality is composed of the executive and legislative bodies. The mayor is the Chief Executive Officer and is elected every four years in the general elections of Puerto Rico. The legislative body consists of fourteen councilmen also elected in the general elections of Puerto Rico for a four years period.

The Municipality provides services such as: health, public works, human services, sanitation, welfare, education, public safety, housing and urban development, culture and recreation, and other general and administrative services. The general purposes financial statements of the Municipality have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental Units. The Governmental Accounting Standards Board (GASB), is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its a codification of the existing Governmental Accounting and financial Reporting Standards which, along with subsequent GASB Pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The general purpose financial statements presents the financial position of the various fund types and accounts groups and the results of operations of the various fund types of the Municipality. This includes the organizational units governed by the Executive Officers and Members of the Municipal Assembly of the Municipality. In evaluating the Municipality as a reporting entity, management has addressed all the potential component units, which may or may not fall within the Municipality's financial statements. The basic criterion for including a component unit within the Municipality's reporting applying the provisions made entity of statement No. 14 of the Governmental Accounting Standard Board (GASB), the oversight responsibility is by Barceloneta Municipality Assembly.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)

The basic criteria under GASB, but not the only one, is the level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government or a jointly appointed board that is fiscally dependent on the primary government. Other criteria used to evaluate a potential component unit is the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The relative importance of each criteria must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. My specific evaluations of the criteria applicable to the Municipality indicates that the reporting entity consists of all funds and accounts groups included in the combined balance sheet, therefore no organizations, activities or functions were excluded from the reporting entity.

(A) Basis of Presentation - Fund Accounting

The accounts of the Municipality are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditure expenses. The various funds are summarized by type in the financial statements. The following fund types and

The Municipality uses account groups:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Municipality re-financed. The acquisition, use and balances of the Municipality's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The following are the Municipality's governmental fund types:

General Fund- The general fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived from local taxes, property taxes, intergovernmental.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs.

Capital Projects Funds - The capital project funds are used to account for the financial resources for the acquisition or construction of major improvements or equipment acquisition, except projects to be financed through the special revenue funds. Revenues and financing resources intergovernmental are derived primarily from the issuance of bonds and receipts of grants.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds include all major federal and state grants.

Account Groups - Account groups are not funds and are used to establish accounting control and accountability for the Municipality's general fixed assets and general long-term debt. The following are the Municipality's account groups.

General fixed assets and general long-term liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized. Such assets are normally immovable and of value only to the City.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations. Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

(B) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, which is recorded, when due, are recorded when the liability is incurred, is measurable.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however especial two types of these revenues. In one, money must be expended on the specific purpose or project before any amounts will be paid to the Municipality; therefore, revenues are recognized based upon the expenditures recorded. In the other, money is virtually unrestricted as to purpose of expenditure and is usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

Licenses and permits, charges for services, fines and fogies, sale of property and miscellaneous revenues (except investment earnings) are recorded as revenues when received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and sick leave pay and (2) principal and interest on general long-term debt, which is recognized when due. Investment earnings (interest) are recorded as earned since they are measurable and available.

All fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

(C) Budgetary Data

The Municipality follows these procedures, which are in accordance with the Municipal Autonomy Law of August 30, 1991 in establishing the budgetary data reflected in the general purpose financial statements.

- (1) Prior to May 31, the Mayor submits to the Municipal Council a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and the means of financing them.
- (2) The budget document is available for public inspection prior to its approval by the Municipal Council.
- (3) Prior to June 1, the annual budget is legally enacted through passage of the annual appropriation ordinance.
- (4) The Major is required by the Municipal Autonomous Law to present before October 15 the results of operations of the preceding year.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (6) Subsequent to the enactment of the annual appropriation ordinance, the Municipal Council has the authority to make necessary adjustments to the budget. Adjustments made during the year are reflected in the budget information included in the general purpose financial statements.

The actual results of operations, presented in the Statement of Revenues and Expenditures Budget and Actual-General Fund, are in conformity with the budgetary accounting of the Municipality for a better comparison with the budget information.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

The most significant difference between the budgetary and accounting bases is that encumbrances are recorded as expenditures under the accounting basis.

The budget prepared for each of the special revenue funds is based in a program period, which is not necessarily a year. Accordingly, it is not practical to present an annual comparison of budget and actual for the special revenue funds.

Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary basis.

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

The special funds of the special revenue fund have not been included in the budget and actual comparison because balances are not budgeted. Also the budget prepared for the Federal Financial Assistance Programs included in the capital projects and special revenue funds in based on a program period which is not necessarily a year. Accordingly, it's not practical to present an annual comparison of budget and actual for such programs.

(D) Inventories

The general fund purchases office and printing supplies, gasoline, and oil and other items. The cost of purchases is recorded as expenditure and the inventory is not recorded in the general purpose financial statements.

(E) Inter-fund Transactions

The general fund provides services at cost to the special revenue funds. The amounts charged to these funds for these services are treated as a reduction of expenditures in the general fund and as current expenditures in the other federal funds.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(F) Compensated Absences

Municipal employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of 60 days and sick leave up to a maximum of 90 days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all part of the sick leave terminates all rights for compensation, except for employees with ten or more year of service who are entitled to sick leave pay up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The Municipality accrues a liability for compensated absences, which meet the following criteria.

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

In accordance with the above criteria and requirements as established by GASB Number 16, the Municipality has accrued a liability for compensated absences, which has been earned but not taken by municipal employees. The liability for compensated absences, which will not require the use of expendable available financial resources, is included in the general long-term debt account group. The estimated total cost of compensated absences that will require the use of current expendable resources is not included as an accrued liability in the general fund. Employees' maximum allowed accumulated vacations and sick leave are accounted for in the general long-term debt account group.

Beginning Balance	Additions	Payments	Ending Balance
\$1,465,097	\$842,272	\$737,651	\$1,569,718

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(G) Insurance

The Municipality has insurance coverage for its public facilities, primarily to provided protection from catastrophic losses. Also, principal officials of the Municipality are covered under various surety bonds. The Secretary of the Department of the Treasury of the Commonwealth of Puerto Rico is the agent commissioned to place all of the Municipality's insurance coverage.

(H) Total Columns on Combined Statements-overview

Total columns on the Combined Statements-Overview are captioned memorandums only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data on comparable to a consolidation. Underfund elimination have not been made in the aggregation of this data.

(I) Encumbrances

Encumbrances accounting are employed in the governmental fund types. Under the encumbrance system all purchases orders, contracts and other commitments issued for goods and services not received at year-end are recorded in order to reserve that portion of the applicable appropriation. The Municipality will honor where the appropriations lapse at year-end these. under generally accepted accounting principles, encumbrances outstanding at year end are reported as reservations of fund balance and the do not constitute expenditures or liabilities since the commitments will be honored during subsequent year. Encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, are reported with expenditures in all budgetary basis statements.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(2) Cash and Investment

The Municipality is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico (Department of the Treasury), and such deposits should be kept in separate bank accounts in the name of the Municipality. All cash at June 30, 2001 is maintained in institutions approved by the Department of the Treasury.

The Municipality follows the practice of pooling cash of all funds, except from extricted funds held by the Municipal Revenue Collection Center for repayment of principal and interests on general long-term obligations, and federal financial assistance. Deposits were with the contracted depository bank in interest bearing accounts, which were secured at balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage, up to maximum of \$100,000. Deposits in excess of \$100,000 are collateral by bank securities to properly safeguard such funds.

Issued by	Certificate Number	Amount	Interest Rate	Due Date
Banco Bilbao Vizcaya	1	\$ 1,000,000	3.35	07-03-01
Banco Bilbao Vizcaya	2	1,000,000	3.35	07-03-01
Banco Bilbao Vizcaya	3	1,000,000	3.35	07-03-01
Banco Bilbao Vizcaya	4	500,000	3.35	07-03-01
Banco Bilbao Vizcaya	5	500,000	3.35	07-03-01
Banco Bilbao Vizcaya	6	500,000	3.35	07-03-01
Banco Bilbao Vizcaya	7	500,000	3.35	07-03-01
Banco Popular de PR	33	1,068,639	2.50	07-02-01
Banco Popular de PR	30	516,054	2.25	07-14-01
Banco Popular de PR	34	517,058	2.25	07-14-01
Banco Popular de PR	40	1,029,731	3.75	07-12-01
Banco Popular de PR	43	1,003,699	2.60	08-05-01
Banco Popular de PR	42	1,003,698	2.60	08-05-01
		<u>\$10,138,879</u>		

Restricted cash balance included in the special revenue funds for the amounts of \$48,175 for payments of principal and interest in next year for revenue obligation bonds, original issued of \$3,250,000. (See note seven).

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(3) Property Taxes

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

The property tax is levied each year on the assessed value of the property at the beginning of the calendar year. Assessed valued of real property is established at the estimated current value existing in the year 1957 and of personal property at the current value at the date of the assessment.

The tax rate per annum is .0668 for real property and .0468 for personal property of which .0453 and .0215, respectively, belong to the Commonwealth of Puerto Rico and 2.42% of both belongs to the Municipality. From the portion belonging to the Municipality, 2% represents the Municipality's basic tax rate, which is appropriate for general purposes and, therefore, accounted for through the general fund. The purposes and, therefore, accounted for through the general fund. The remaining portion belonging to the Municipality of .85% represents the ad valorem tax withheld by the Municipal Revenue Collection Center (CRIM) and restricted for debt service which is accounted for through the debt service funds. The Municipality has reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad valorem tax rate.

The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 of the assessed valuation of owner occupied residential units. However, the Municipality receives the full amount levied, except for residential units assessed at less than \$3,500 on which a complete exemption is granted. The Municipal Revenue Collection Center (CRIM) instead of the property tax payer becomes the source of payment in these cases. Complete exemption from personal property taxes up an assessment of \$50,000 is granted to retailers with an annual volume of net sales under \$150,000.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

The Municipal Revenue Collection Center (CRIM) reports annually to the Municipality the estimated basic property tax and the tax to be used for the debt service, which will be collected in the fiscal year. The basic tax is advance to the municipality during such fiscal year. It is the practice to amortize these advances through the subsequent collection by the Municipal Revenue Collection Center (CRIM) of the basic tax from the taxpayers.

The basic tax advance by the Municipal Revenue Collection Center (CRIM) is recorded in the general fund as other financing sources. As this tax is collected and reported by the Municipal Revenue Collection Center (CRIM), it is recorded in the general fund as revenue and as expenditure in the general long-term debt account group. The property tax received from the Municipal Revenue Collection Center (CRIM) which is related to the exoneration granted by the Commonwealth of Puerto Rico is reflected as revenue in the general fund.

The following is a summary of the movement in property tax advances for the year ended June 30, 2001:

Net Advanced received	\$ 3,390,408
Amortization trough collection of taxes by	
The Municipal Revenue Collection Center (CRIM)	(3,975,385)
Income from Lottery	(719,243)
Property tax Exempt	(401,613)
Payments to CRIM prior year from general fund	95,938
Other deductions	941,912
Unamortized debt to Municipality during June 30, 2001	\$ 667,983
(Not included in the financial statements)	
Prior year unamortized advanced to June 30, 2001	\$ 2,690,271

The account payable arising from the settlements of the actual property tax collections versus property tax advances was report by CRIM in a preliminary basis. The unamortized advance from June 30, 2000 (prior year), is discount by the Municipal Revenue Collection Center for a monthly amount of \$7,995. The balance was included in the long-term debt group of account.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(4) Volume of Business Tax

The volume of business tax is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the Municipality and which are not totally or partially exempt from this under the industrial Incentives Acts of Puerto Rico. All taxpayers are required to file their declarations by April 15 of each year.

The tax rates are as follow:

- 1% for financial institutions
- for all other organizations 0.5%

Taxes are payable in two equal semiannual installments on July 1 and January 1 following the levy date. If they are paid before their maturity, the taxpayer is granted certain discounts.

The Municipality recognized as account receivable the amount estimated to be collected based on the volume business tax declaration during the next year that pertaining to this year and prior years included interest receivable of \$9,318. (Net of allowance for uncollectable). The deferred revenue of the general fund correspond to the business tax levied received from the next fiscal year.

(5) Intergovernmental Revenues

Sources of intergovernmental revenues consists primarily of governmental payments from the Commonwealth of Puerto Rico and "in lieu of tax" payments from certain quasi public corporations, such as the Puerto Rico Electric Power Authority and the Puerto Rico Aqueduct and Sewer Authority.

Grants and subsidies received from the Commonwealth of Puerto Rico include, among others, a general subsidy for capital improvements.

All of these intergovernmental revenues are accounted for through the general fund except for those directly related to capital improvement, which are accounted for through the special revenue and the capital project funds. Federal Financial assistance is recorded in the special revenue fund.

- a. Other revenues: Other revenues represent interest receipt from banks and eventual income.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(6) Property, Plant and Equipment

A- Property, plant and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

A summary of changes in General Fixed Assets follows:

	Beginning Balance	Additions	Retirements (Adjustments)	Balance 2001
Land	\$ 922,240	\$ 101,000	\$ -	\$ 1,023,240
Plant & Improvements	16,035,190	3,357,112	63,000	19,329,302
Machinery & Equipment	6,603,176	267,870	702,389	6,168,657
Construction in Progress	3,171,990	1,322,930	2,800,000	1,694,920
	\$26,732,596	\$ 5,048,912	\$3,565,389	\$28,216,119

(7) Changes in General Long-Term Debt

The following is a summary of bonds of the Municipality of Barceloneta for year ended June 30, 2001.

	Payable at July 1, 2000	Additions	Reductions	Balance June 30, 2001
General Obligations Bonds	\$20,051,632	\$ -	\$ 1,846,044	\$18,205,588

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

General Obligation Bonds:

Description	Original Amount	Interest Rate	Balance 06-30-01	Due Date
Bonds Series 1984	263,000	5%	125,851	01-01-2009
Bonds Series 1992	520,000	5.56 to 6.36%	290,000	07-01-2006
Bonds Series 1992	229,000	5.75%	176,000	01-01-2016
Bonds Series 1992	630,000	5.56 to 6.14%	390,000	07-01-2007
Bonds Series 1992	257,000	5.75%	195,000	01-01-2016
Bonds Series 1992	600,000	5.75%	455,000	01-01-2016
Bonds Series 1993	277,000	5.75%	219,000	01-01-2016
Bonds Series 1997	1,030,000	6.00 to 8.0%	460,000	07-01-1022
Bonds Series 1998	1,380,000	6.00 to 8.0%	1,325,000	07-01-2002
Bonds Series 1998	485,000	8.0%	375,000	07-01-2007
Bonds Series 1999	190,000	6.00 to 7.50%	125,000	07-01-2003
Bonds Series 1999	1,710,000	6.00 to 7.50%	1,575,000	07-01-2013
Bonds Series 1996	400,000	8.0%	345,000	01-01-2016
Bonds Series 1998	105,000	8.0%	98,000	01-01-2023
			\$ 6,153,851	

Operational Loans:

Bonds Series 1998	3,180,000	6.37 to 7.50%	1,460,000	07-01-2007
Bonds Series 1987	1,520,000	9.0%	470,000	07-07-2007
Bonds Series 1994	411,000	5.0%	336,000	01-01-2007
Bonds Series 1988	120,000	8.0%	37,500	07-07-2013

Special Loans from Lottery Funds:

Bonds Series 1988	380,000	8.0%	114,000	07-01-2007
Bonds Series 1988	620,000	8.0%	186,000	07-01-2007
Bonds Series 1989	530,000	8.0%	202,237	10-01-2008

Revenue Obligations Bonds:

Bonds Series 1997	5,875,000	6.00 to 8.0%	5,515,000	07-01-2021
Bonds Series 1995	660,000	6.70 to 7.70%	555,000	07-01-2013
Bonds Series 1993	883,000	5.25%	656,000	01-01-2016
** Bonds Series 1994	3,250,000	9.0%	2,520,000	04-01-2012
			\$18,205,588	

**Rent of properties in the Special Revenue Fund is used for payment of interest and principal.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

The annual requirements to amortize all bonded debt outstanding as June 30, 2001 follows:

Year Ending	Principal	Interest	Total
2002	\$ 1,235,895	\$ 1,243,735	\$ 2,479,630
2003	1,307,895	1,156,195	2,464,090
2004	1,156,195	1,069,380	2,225,575
2005	1,177,895	983,995	2,161,890
2006	1,224,895	873,235	2,098,130
Subsequent years	12,102,813	5,584,853	17,687,666
	\$ 18,205,588	\$ 10,911,393	\$ 29,116,981

(8) Debt Service Funds

Revenues of debt service fund consist primarily of the ad-valorem property taxes, which are recognized as revenues when they are collected by Municipal Revenue collection Center (CRIM). The Municipal Revenue Collection Center (CRIM) withholds these collections for debt service requirements of the public improvements notes issued by the Municipality. The Municipality receives interest from CAE. The special revenue fund have two cash account use for payment of bond series 1995 of \$ 3,250,000 and \$2,400,000 they pay \$359,900 and \$723,065 of principal and interest respectively.

Principal and interest on these obligations are paid to the Governmental Development Bank.

Property taxes (CAE)	\$ 1,310,155
Municipal general funds	605,617
CAE (prior year funds)	173,410
Municipal Special Revenue Funds	1,082,965
Total	\$ 3,172,147

Payments at June 30, 2001 were as follows:

Principal	\$ 1,851,044
Interest	1,321,103
	\$ 3,172,147

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)

(9) Prior Period Adjustments

The general fund balance has been restated in order to report adjustment to prior accounts receivable balance previously reported.

(10) Deferred Income

The deferred income correspond to income receipt these year from the next fiscal year from special revenue fund.

(11) Employees, Retirement Plan

a. Plan description

Regular employees of the Municipality contribute to a cost sharing multiple employer defined benefit retirement plan, administered by the Employees' Retirement System, of the Government of Puerto Rico and its Instrumentality's (ERS). ERS covers all regular full time public employees working for the central government, public corporations and the municipalities of Puerto Rico. The system provides retirement pensions, death and disability benefits. Retirement benefits depend upon age at retirement and number of years of credited service. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Benefits vest after ten years of plan participation. The system was created under Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. ERS issues a publicly financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the ERS.

b. Funding policy

The Act 447, as amended, is the authority under which obligations to contribute to the plan by the plan members, employers and other contributing entities are established or may be amended. Plan members are required to contribute 5.775% of gross salary up to \$6,600 plus 8.275% of gross salary in excess of \$6,600 and the Municipality is required to contribute 9.275% of gross salary. The Municipality's actual contribution for the year ended June 30, 2001 was \$394,381, which is equal to the required contribution.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

All employees 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 or more years of service are as follows:

Years Participant's of Service 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 55 or more	75% of the average of the three Years of highest salary during The employee's service period.

(12) Health Insurance

According to Law 29 as of July 1, 1998 The Municipality contributes to the Administration of Insurance of Health (ASES), the amount of \$756,498 during the year. A monthly contribution of \$63,041 was deducted from the amount received from the Municipal Collection Center. This contribution represented 6% of the prior year budget.

Beginning Balance	Increase	Payments	Balance
<u>\$1,711,449</u>	<u>\$756,498</u>	<u>\$1,014,340</u>	<u>\$1,453,607</u>

*These balances correspond to prior year debt from April 1, 1995 to June 30, 1997. The amount \$ 257,842 , was paid from the Electronic Lottery fund according to Law 29 of July 1, 1997.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(13) Use of Estimates

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

(14) Contingencies

A. Litigation

In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in the discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available cannot determine the final outcome of these claims. As a result, the accompanying general purpose financial statements do not include adjustments, if any, that could result from the resolution of these legal proceedings.

B. Federal Financial Assistance

The Municipality receives financial assistance from the Federal Government in the form of grants or entitlements. All grants are subject to financial and compliance audits by the grantor agencies which could result in requests for reimbursement by the grantor agencies for expenditures which are disallowed under the terms of the grants. These amounts, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The Municipality's administration believes that such disallowance's, if any, will not have a material adverse effect on the financial position of the Municipality.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(15) Municipal Solid Waste Landfill Closure and Post-closure cost:

The Municipality of Barceloneta discontinued the landfill operation on December 31, 1998 according to United States Environmental Protection Agency (EPA) by the Consent Decree (CERLA -00304). The order demands a remedial feasibility study at the site to determine the estimated cost to closure and post-closure cost the landfill. State and Federal laws and regulations require the Municipality to perform certain closure procedures and establish monitoring and maintenance function at the landfill for 30 years after closure. The Environmental Protection Agency (EPA) determines that the Municipality of Barceloneta with ten pharmaceuticals companies was responsible for the existence of contamination on the landfill. The Municipality and the other responsible parties signed to under take the obligations established in the consent decree with an estimated total cost of \$16,000,000.

The total estimated cost for maintenance and monitoring functions for the Municipality was estimated in \$5,000,000. In addition, the Municipality has to pay \$2,486 in six payments for EPA past cost. During this year paid \$70,423 plus accrued interest. The estimated total cost is accounted for in the general long-term debt account group.

Beginning Balance	Interest Accrued	Payment	Ending Balance
-----	-----	-----	-----
\$5,070,423	\$2,486	\$72,909	\$5,000,000
=====	=====	=====	=====

Actually the Municipality use the landfill of Arcibo.

(16) Stewardship, Compliance and Accountability:

As of June 30, 2001 the actual income were less to the income budget, the excess occurred primary due to income from interest of banks, eventual income were less than budget. The excess of expenditures of interest paid disclose in the debt service fund disclosed excess of expenditures over revenues due to transfer from special revenue fund excess is compensated by used of prior debt service balance.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(continued)

(17) GASB - 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34 (Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments). GASB-34 will significantly change the way in which the Municipality reports its finances.

GASB-34 established two bases for reporting financial information: government-wide financial statements and fund presentation. The government-wide financial statement method adopts the flow of economic resources measurement focus and accrual basis of accounting for both governmental activities and business-type activities. The basis for preparing fund financial statements are similar to conventional governmental financial statements except the focus for presentation is on majors funds rather than fund types. Capital assets and depreciation charges are reported on the entity-wide perspective financial statements. The management’s discussion and analysis information precedes the basic financial statements but is considered required supplementary information. Budgetary information is no longer presented in the financial statements but rather is presented as required supplementary information.

GASB-34 will begin to take effect for the Municipality in fiscal year beginning after June 15, 2003.

**MUNICIPALITY OF BARCELONETA, PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Federal Grantor / Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantors Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Community Planning and Development			
Passed-through the office of the Commissioner of Municipal Affairs			
Community Development Block Grant (State Program)			
SBGP - 2000	14-228	2000-FD	\$ 557,070
SBGP - 1999	14-228	1999-FD	209,550
SBGP - 1997	14-228	1997-FD	87,323
SBGP - 1991	14-228	1991-FD	<u>2,090</u>
			856,033
Direct Program:			
Public and Indian Housing			
Section 8- Existing	14-857	RQ-46-CE-054-002/010	86,366
Section 8- Voucher	14-855	RQ-46-V-054-002/004	<u>271,232</u>
			357,598
<u>U.S. Department of Health and Human Services:</u>			
Administration for children and families			
Passed-through Governors Office for Human Development:			
Head Start	93-600	02-CH-0483	2,228,043
Child Care	93-575	CHC-0421	108,519
Early Head Start	93-600	02-CH-9892-01	217,647
Administration on Aging			
Special Program for the Aging (SENDEC)	93-045	Title III	<u>72,047</u>
			2,626,256
<u>U.S. Department of Agriculture:</u>			
Rural Housing Services:			
Rural Development Grant	10-760	PR-M-93-07-1212-213F	<u>5,242</u>
			5,242
Food and Nutrition Services:			
Nutrician Program for Elderly	10-570	USDA	<u>14,692</u>
			<u>14,692</u>
Total Federal Assistance			<u><u>\$ 3,859,821</u></u>

See notes to the schedule of expenditures of federal awards.

MUNICIPALITY OF BARCELONETA, PUERTO RICO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE FISCAL YEAR THEN ENDED JUNE 30, 2001

(1) GENERAL

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Municipality of Barceloneta, Puerto Rico and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

(2) MAJOR FEDERAL AWARDS

The Community Development Block grants, Housing Assistance Payments Programs, Health and Human Services Programs and Federal Emergency Management Agency represents the major federal financial awards of the Municipality. Major federal awards represent 89% of total expenditures.

(3) FEDERAL CFDA NUMBER

The CFDA numbers included in this schedule were determined based on the program name by the catalog of Federal Domestic Assistance Agency Program Index.

(4) RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Federal financial assistance expenditures are reported in the Municipality of Barceloneta, Puerto Rico Combined Statement of Revenues, Expenditures and Change in Fund Balances - All Governmental and Types as follow:

<u>Description</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total</u>
Federal Programs Expenditures	\$ 2,998,546	\$ 861,275	\$ 3,859,821
State & Municipal Expenditures	1,757,744	672,604	2,430,348
Total Expenditures	\$ 4,756,290	\$ 1,533,879	\$ 6,290,169

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

To the Mayor and Municipal Council
Municipality of Barceloneta, Puerto Rico

I have audited the general purpose financial statements of the Municipality of Barceloneta; Puerto Rico, as of and for the year ended June 30, 2001, and has issued a qualified (for its general fixed assets) report thereon dated December 15, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtain reasonable assurance about whether the Municipality of Barceloneta financial statements are free of material misstatement, I performed tests of its compliance which certain provision of law, regulations, contracts and grants, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Municipality of Barceloneta, Puerto Rico, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purposes financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

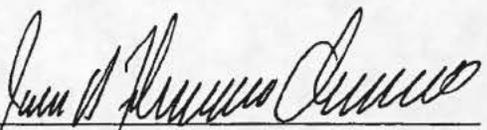
I noted no matters involving the internal control over financial reporting and its operation that I consider being material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Municipality of Barceloneta, in a separate dated December 15, 2001.

This report is intended for the information of the board of directors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

San Juan, Puerto Rico
December 15, 2001

The stamp number 1768473
Was affixed to the
original of this report.




CPA JUAN A. FELICIANO CHARNECO
License No. 1263
Expires December 1, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAORPROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor of the Municipality of Barceloneta
Barceloneta, Puerto Rico

Compliance

I have audited the compliance of the Municipality of Barceloneta, Puerto Rico, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. The Municipality of Barceloneta major federal programs is identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Municipality of Barceloneta Management. My responsibility is to express an opinion on Municipality of Barceloneta compliance based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, 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 and Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality of Barceloneta, compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Municipality of Barceloneta compliance with those requirements.

In my opinion, Municipality of Barceloneta, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2001-01, 2001-02, 2001-03.

Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider being material weaknesses.

This report is intended for the information of the board of directors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

San Juan, Puerto Rico
December 15, 2001

The stamp number 1768474
was affixed to the
original of this report.



Juan A. Feliciano Charneco
CFA JUAN A. FELICIANO CHARNECO
License No. 1263
Expires December 1, 2004

**MUNICIPALITY OF BARCELONETA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001**

A. Summary of Audit results

Financial Statements

Type of auditor's issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes __ X ___ No

Reportable condition(s) identified not considered
to be material weaknesses?

___ Yes __ X ___ No None reported

Noncompliance material to financial statements noted?

___ Yes __ X ___ No

Federal Awards

Internal control over mayor programs:

Material weakness(es) identified?

___ Yes __ X ___ No

Reportable condition(s) identified not

Considered being material weaknesses?

___ Yes __ X ___ No

Type of auditor's report issued on compliance considered
For mayor programs

Unqualified

Any audit findings disclosed that are required to be
Reported in accordance with Circular A-133,
Section .510(a) are reported on part C, of this schedule

__ X ___ Yes ___ No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.855, 14,857	Section 8 – Existing & Voucher
93.600, 93-575	Head Start & Child Care
14-228	SBGP

Dollar threshold used to distinguish
Between type A and type B Programs

300,000

Auditee qualified as low-risk auditee

Yes No

B - Financial Statements Findings

No matters were reported regarding reportable conditions, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with paragraph 5.18 through 5.20 of Governmental Auditing Standards.

C - Federal Award Findings and Questioned Cost

Federal Program Information

**U.S. Department of Health and Human Services
Head Start (PA 22)
Pass-through Office of Children and Families Administration
CFDA No. 93-600
Grant No. 02-CH-483
Year ended June 30, 2001**

Ref. No.	Finding / Noncompliance	Questioned Cost
-----		-----
2001-01	<u>Statement of Condition and Criteria</u> It was noted in my test of compliance that is the Municipality is not Complying with the criteria established by Treasury Circular letter 1075. The Municipality 's financial management system.	-0-

To established procedures to minimize the time elapsing between the Transfer of funds from the Office of Administration for Children and Families and the disbursements by the Municipality, book cash balance Was over-run, during the month of November 2000.

Effect

The Municipality does not maintained and adequate procedures for
The administration of cash that determine properly they're needs.

Cause

The Municipality does not comply with the Circular 1075 of the
Department of Treasury of the United States.

Auditor's Recommendation

The Municipality established adequate procedures in order to control
In a more effective manner the need of the federal funds used.

Municipality Response:

We concur with auditor's recommendations. The Municipality evaluates
The actual administrative procedures followed to establish a procedure
To minimize the time between the funds received and the disbursements.

**MUNICIPALITY OF BARCELONETA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2001
 (continued)**



**Community Development Block
 Grant (State Program)
 Passed-through Governor Office
 Department of Housing and Urban Development
 CFDA No. 14-228
 SBGP – 2000, 1999 and 1997
 Year Ended June 30, 2001**

Ref. No.	Finding / Noncompliance	Questioned Cost
----------	-------------------------	--------------------

2001-02 Statement of Condition and Criteria

It was noted in my test of compliance is not complying with the criteria established by Treasury Circular letter 1075. The Municipalities financial management system.

-0-

To established procedures to minimize the time elapsing between the transfer of funds from the Office of Children and Families Administration and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.

Cause

The Municipality does not comply with the Circular 1075 of the Department Of Treasury of the United States.

Effect

The Municipality does not maintained an adequate procedures for the Administration of cash that determine properly their use needed.

Auditors Recommendation

The Municipality establishes adequate procedures in order to control in a more effective manner the need of the federal funds used.

Municipality Response:

We concur with auditor's recommendations. The Municipality evaluate the actual administrative procedures followed to establish procedures to minimize the time between the funds revenue and the expenditure.

MUNICIPALITY OF BARCELONETA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001
(continued)

Department of Health and Human Services
Administration for Children and Families
Passed-through Governors Office for Human Development
Special Programs for the Aging
CFDA No. 93-045 Grant – Title III
Year ended June 30, 2001

Ref. No. Finding / Noncompliance

2001-03 Statement of Condition and Criteria

It was noted in my test of compliance is not complying with the criteria established by Treasury Circular letter 1075. The Municipality's financial management system.

To established procedures to minimize the time elapsing between the transfer of funds from the Office of the Administration on Aging and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.

Cause

The Municipality does not comply with the Circular 1075 of the Department of Treasury of the United States.

Effect

The Municipality does not maintained an adequate procedures for the Administration of cash that determine properly their use needed.

Auditors Recommendation

The Municipality establishes adequate procedures in order to control in a More effective manner the need of the federal funds used.

Municipality Response:

We concur with auditor's recommendations. The Municipality evaluates The Actual administrative procedures followed to establish a procedure to minimize .The time between the funds revenue and the expenditure.

**MUNICIPALITY OF BARCELONETA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2001**

2000 – Finding No. 1: Head Start (PA 22) and Child Care
CFDA No. 93-600
Year ended June 30, 2001

2000 – Finding No. 2: Child Care Program
CFDA No. 93-575
Year ended June 30, 2001

2000 – Finding No. 3: Special Program for the Aging
CFDA No. 93-045
Year ended June 30, 2001

2000 – Finding No. 4: Rural Development Grant
CFDA No. 10-760
Year ended June 30, 2001

Condition

It was noted in my test of compliance that is the Municipality is not complying with the criteria established by Treasury Circular letter 1075. The Municipalities financial management system.

To established procedures to minimize the time elapsing between the transfer of funds from the office of Administration for Children and Families and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.

Recommendation

The Municipality establishes adequate procedures in order to control in a more effective manner the need of the federal funds used.

Current Status

The mayor gave instructions to establish adequate procedures to comply with the requirement.

Findings reported again.

**MUNICIPALITY OF BARCELONETA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2001**

1999 – Finding No. 4: Head Start and Child Care
CFDA No. 93-600 and 93-575
Year ended June 30, 2000

Condition

It was noted in my compliance test that property register was not updated. The deletions of equipment, for the last two years, for \$33,077.00 in the property register, as of June 30, 2000, was still included. Subpart C, federal register 45, CFR 92.32, (b), (2), establishes the procedures to maintain accounting records.

Recommendation

The Municipality must establishes adequate procedures in order to control in a more effective deletions of property.

Current Status

The mayor gave instructions to establish adequate procedures to comply with the proper property requirements.

Finding was corrected.



Gobierno Municipal

BARCELONETA, PUERTO RICO

Departamento de Finanzas

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2001 (CONTINUE)

Ref. No.	<u>Finding /Corrective Action</u> <u>Planned/Person Responsible:</u>	<u>Anticipated</u> <u>Completion Date</u>
2001-01	<p><u>Statement of Condition:</u> The Head Start Program, cash balance over \$5,000 for periods end Longer than 3 days.</p> <p><u>Corrective Action Planned:</u> Adequate procedures were established by the Municipality to control the use federal funds in effective manner.</p> <p><u>Person Responsible:</u> Noel Gutiérrez, Finance Director</p>	On or before end of 2001-02 fiscal year
2001-02	<p><u>Statement of Condition:</u> The Community Development Block Grant (state program) Longer than 3 days.</p> <p><u>Corrective Action Planned:</u> Adequate procedures were established by the Municipality to control the use federal funds in effective manner.</p> <p><u>Person Responsible:</u> Noel Gutiérrez, Finance Director</p>	On or before end of 2001-02 fiscal year



Gobierno Municipal

BARCELONETA, PUERTO RICO

Departamento de Finanzas

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2001 (continue)

Ref. No. Finding /Corrective Action
2001-03 Planned/Person Responsible:

Anticipated
Completion Date

Statement of Condition:

The Special Program for the Aging Cash balance over \$5,000
For periods longer than 3 days.

On or before
end of 2001-02
fiscal year

Corrective Action Planned:

Adequate procedures were established by the Municipality to control
The use federal funds in effective manner.

Person Responsible:

Noel Gutiérrez, Finance Director

RECIBIDO
UNIDAD DE CORREO

02 JAN 29 PM 2:37

OFIC. DEL COMISIONADO
ASUNTOS MUNICIPALES

GOBIERNO MUNICIPAL
OFICINA DE AUDITORIA INTERNA
ARROYO, PUERTO RICO 00714



PARA FAX NUM. : _____

NUM. PAGINAS : 11 con esta
 FECHA : 23 / Mayo / 03
 PARA : Sr. Raymond Vega
 DE : Sra. Zuleta A. Martinez
Directora Auditoria
 ASUNTO : Copia del Plan de
Accion Correctiva Single
Audit 2001

03 MAY 23 PM 2:53

CGAM
DIVISION REGIALENTACION
E INTERVENCION

***SI USTED ESTA TENIENDO DIFICULTADES
EN RECIBIR ESTE MENSAJE Y SI LA TRANSMISION TIENE MENOS
PAGINAS, FAVOR DE LLAMAR AL 839-3500 ext. 32 DURANTE LAS
HORAS
DE 8:00 A.M. A 4:30 P.M.

NUESTRO NUMERO DE FAX : 839-3840



Estado Libre Asociado de Puerto Rico
Gobierno Municipal

Arroyo, Puerto Rico 00714



Basilio Figueroa de Jesús
ALCALDE



23 de Mayo de 2003

Lcda. Bárbara Sanfiozeno Zaragoza
Comisionada
Oficina del Comisionado Asunto Municipal
P.O. Box 70167
San Juan, Puerto Rico 00936-8167

Estimada Lcda. Sanfiozeno:

Sirva la presente comunicación para entregarle el Plan de Acción Correctiva del Single Audit 2001 del Municipio de Arroyo.

De surgir cualquier duda al respecto se pueden comunicar con la Sra. Ivette Martínez – Directora de Auditoría Interna a los tel. 839-3500 ó 839 –2030 ext. 232 ó 235.

Sin nada mas al cual referirme, quedo de usted.

Cordialmente

Hon. Basilio Figueroa de Jesús
Alcalde

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
01-01	Departamento de Finanzas	During our examination of the Municipality's property records and reports we noted the following deficiencies: (a) balance in the Property Subsidiary Ledger does not reconcile with the ending balances reported in the audited financial statements; (b) there is no adequate internal control procedures to assure the proper valuation and timeliness of recognition of real and personal property in the Property Subsidiary Ledger and (c) Construction in Progress account were not maintained in the General Ledger and Property Subsidiary Ledger.	The Municipality will comply with the Governmental Accounting Standard Board Statement No. 34. This GASB Statement represent significant changes in the financial reporting, therefore, the Municipality will actualize its property subsidiary ledger in order to include in it all necessary information to comply with the GASB 34 requirements; Also, the Municipality will establish internal control procedures to assure that actualized property records are maintained to support amounts to be reported in the financial statements.	Nov-20-2003
01-02	Departamento de Finanzas	The Municipality did not include in its general-purpose financial statements, an estimate of the obligation for landfill closure and post closure.	The Municipality will estimate the landfill closure and post closure costs in order to include that estimate in the general-purposes financial statements.	Nov-20-2003
01-03	Departamento de Finanzas	During our examination of the Municipality's accounting system we noted that it does not summarize the transactions in a formal General Ledger in order to properly record and account for the transactions of all of its Governmental Funds (Local, State and Federal funds) and	The Municipality will implement the Governmental Accounting Standard Board Statement No. 34 for the fiscal year 2002-03. This GASB impose material changes to governmental financial reporting, including, but not limited to significant changes to	Nov-20-2003


 Municipality Mayor

23/5/03
 Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
		Account Groups.	Municipality's accounting records.	
01-04	Departamento de Recursos Humanos	<p>We performed a payroll test and examined a sample of sixty (60) personnel files. The following summarize the deficiencies noted:</p> <p>a. For two (2) employees the sick leave and regular vacations balance at June 30, 2001 as per the accumulative vacation card were not included in the List of Accrued Compensated Absences (Vacations and Sick Leave) as of June 30, 2001 prepared by the Human Resources Department.</p> <p>b. For two (2) employees we noted differences between the sick leave and regular vacations balance at June 30, 2001 as per the accumulative vacation cards and the balance included in the List of Accrued Compensated Absences (Vacations and Sick Leave) as of June 30, 2001 prepared by the Human Resources Department</p> <p>c. For one (1) employee we noted that the regular vacations discounted as per the assistance cards did not agree with the regular vacations as per the accumulative</p>	<p>The Municipality's Human Resources Department personnel reinforce internal control procedures in order to assure that sick leave and regular vacations records of each municipal employee have been maintained with an accurate degree. Also, supervisory review procedures have been applied to assure the correctness of sick leave and regular vacations records.</p>	Nov-20-2003


 Municipality Mayor

23/03/03
 Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
		vacation cards. d. Eight (8) pay stubs related to the payroll electronic payment transfer were not available for our examination.		
01-05	Departamento de Finanzas-Recaudaciones	During our examination of the Municipality's procedures related to the cash receipts process we examined sixty (60) collections and we noted the following situations: a. For some receipts the Municipality did not maintain an effective internal control to assure the proper filing of the receipts supporting documents. b. Five (5) official receipts were prepared after the deposit was made. c. Two (2) Municipal License Taxpayer's files did not contain evidence of an Income Tax Return or an Audited Financial Statements.	The Municipality's Collection Office will establish internal control procedures to assure that all receipts have been supported by documents related to collection. Also, instructions were given to require that official receipts are prepared prior to deposit of funds in bank. Also, instructions were given to assure that each Municipal Licence Taxpayer's file include all documents required by law; Volume Sales Tax Return, Audited Financial Statements, Income Tax Returns, etc.	Nov-20-2003
01-06	Departamento de Finanzas	During our examination of the Municipality's procedures related to the purchasing and	Instructions were given to municipal employees to apply the procedures established in the Local	Nov-20-2003

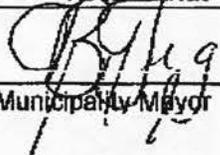

 Municipality Mayor

23/05/03
 Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
		<p>receiving process we examined thirty-five (35) disbursement vouchers for the general and special revenue fund and we noted the following situations.</p> <ul style="list-style-type: none"> a. One (1) disbursement voucher was not available for our examination. b. In five (5) disbursement vouchers there was no evidence that the goods or services were rendered as requested. c. In fourteen (14) disbursement vouchers there was no evidence that the Municipality requested at least three (3) quotations or realized formal bids for these purchases. d. In one (1) disbursement voucher we could not obtain evidence of the authenticity of two quotations. e. In four (4) disbursement vouchers there was no evidence of an invoice or other related document related the purchase of goods or service. f. In five (5) disbursement vouchers we noted that the purchase orders were 	<p>regulation entitled as "Reglamento Revisado sobre Normas Básicas para los Municipios de Puerto Rico", Chapters IV and VII.</p>	



 Municipal Mayor

 23/05/03
 Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
		<p>prepared after they received the goods or services.</p> <p>g. In two (2) disbursement vouchers the expenditure were charged to the erroneous account.</p> <p>h. Five (5) disbursement vouchers were not marked or cancelled as paid along the document.</p>		
01-07	Oficina de Programas Federales	<p>During our Davis-Bacon Act test for the projects (00-FD-07-01, 99-FD-07-02, 98-FD-07-02, 97-FD-07-01) we noted the following situations:</p> <p>a. The Municipality did not obtain all weekly payrolls during activity of construction project to be reviewed by the Municipality's employee responsible of applying monitoring procedures.</p> <p>b. There is no evidence that the Municipality's employee responsible of applying monitoring procedures, review the weekly payrolls to assure that the contractor complied with prevailing wages.</p>	<p>Instructions were given to employee in charge of labor standards compliant to apply monitoring procedures to assure contractors compliance with Davis-Bacon Act. This monitoring procedures will include the following; a pre-construction conference; provide documents related to labor standards to the adjudged contractor; request an examine the contractors weekly payrolls; on-site visits to interview contractors employees; etc.</p>	Nov-20-2003

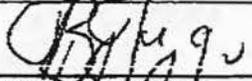

 Municipality Mayor

23/05/03
 Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
		<p>c. The Municipality did not perform periodical interviews to contractors and subcontractor's laborers. There is only evidence of one interview during the activity of the construction project.</p> <p>During our Davis-Bacon Act test for the projects (99-FD-07-06) we noted the following situation:</p> <p>a. The Municipality did not apply the monitoring system developed to ensure contractors compliance with payment of prevailing wages to employees.</p>		
01-09	Oficina de Programas Federales	<p>During our audit of the program income requirements we noted that the Municipality did not maintain internal controls to assure:</p> <p>a. That the program income was properly determined or calculated in accordance with stated criteria and that program income was only collected from allowable sources.</p> <p>b. That all program income was properly recorded in the accounting records.</p>	Instructions will be given to assure that all program income transactions were properly recorded and accounted.	Nov-20-2003


 Municipality Mayor

23/05/03
 Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
		<p>c. That program income was used in accordance with the program requirements and other applicable regulations.</p>		
01-10	Departamento de Finanzas	<p>During our examination of twelve (12) disbursement vouchers of the Public Assistance Grant we noted the following situations:</p> <p>a. Two (2) disbursement vouchers and cancelled checks were not available for our examination. The Comptroller Office of Puerto Rico maintained under their custody those disbursement vouchers and cancelled checks totaling \$110,928.43.</p> <p>b. Eight (8) original disbursement vouchers were not available for our examination. The Municipality's management represented us that they only maintain copy of that disbursement vouchers since the Office of the Governors Authorized Representative (GAR) maintained under their custody the originals totaling \$376,060.</p>	<p>The Municipality of Arroyo will reinforce its record retention procedures in order to assure that all supporting documents are available for audit and other purposes.</p> <p>Also, the Municipality will reinforce its cash disbursements procedures in order to assure that procedures are in compliance with the requirements established in the Local regulation entitled as "Reglamento Revisado sobre Normas Básicas para los Municipios de Puerto Rico".</p>	Nov-20-2003


 Municipality Mayor

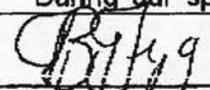
23/05/03

Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
		<p>c. Three (3) disbursement vouchers contained a global invoice for the works performed instead of a certification detailing the work performed by the contractor.</p> <p>d. Six (6) invoices did not contain all the approval signatures.</p> <p>e. Two (2) disbursement vouchers did not contain evidence that the services were rendered as requested.</p> <p>f. For one (1) disbursement voucher the Municipality did not discount for the payment the retention of ten percentage applicable to construction contracts.</p> <p>g. One (1) invoice was not marked or cancelled as paid.</p>		
01-11	Departamento de Finanzas	The Municipality did not provide to us the quarterly progress reports (P-4) required by the Governor's Authorized Representative (GAR) during the fiscal year 2000-2001.	The Municipality of Arroyo will reinforce its record retention procedures in order to assure that all supporting documents are available for audit and other purposes.	Nov-20-2003
		During our special tests audit we could not	The Municipality of Arroyo will follow	


 Municipality Mayor

23/05/03
 Date

**Municipality of Arroyo
Single Audit 2000-2001**

Corrective Action Plan

Finding reference number	Contact person responsible for corrective action	Finding Description	Corrective action planned	Anticipated completion date
01-12	Departamento de Finanzas	obtain evidence of the files for the project worksheets (PW)(Number: 5061, 650, 55858, 57355, 71350, 55915) as required by the Office of Governor Authorized Representative (GAR), to support that costs incurred were in performance of eligible works, that approved works were completed, that the projects were in compliance with the provisions of the FEMA-State Agreement and that payments charged to projects were made in accordance with OMB A-102 Common Rule.	requirements established by the GAR in the future, including the maintenance of a file for each Project Worksheet; budget authorization, authorized scope of work, procurement process, expenditures supporting documents, photos, etc.	Nov-20-2003



 Municipal Mayor

23/05/03

 Date

Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS

RETURN TO: Single Audit Clearinghouse, 1201 E. 10th Street, Jeffersonville, IN 47132

Form SF-SAC(8-97)

OMB #0348-0057

Report ID : 30599

2/22/02

02 FEB 25 AM 8:45
RECIBIDO
UNIDAD DE CONTRO
OFIC. DEL COMISIONADO
MUNICIPALES

Cont'd # 02-5017

Part I: GENERAL INFORMATION

1. Fiscal year ending date for this submission (mm/dd/yyyy) 06/30/2000	2. Type of A-133 audit <input checked="" type="radio"/> Single audit
3. Audit period covered <input checked="" type="radio"/> Annual	CENSUS USE ONLY
	4. Date received by clearinghouse

5. Employer Identification Number (EIN) a. Auditee EIN 660434377	b. Are multiple EINS covered in this report? <input checked="" type="radio"/> No
---	---

6. AUDITEE INFORMATION	7. AUDITOR INFORMATION
a. Auditee name MUNICIPALITY OF BARCELONETA	a. Auditor name JUAN A. FELICIANO CHARNECO
b. Auditee address (Number and street) GEORGETTI ST.	b. Auditor address (Number and street) SAN LUIS #151
City BARCELONETA	City ARECIBO
State Zip Code PR 00617 -	State Zip Code PR 00612 -
c. Auditee contact Name MR. NOEL A. GUTIERREZ CRUZ	c. Auditor contact Name MR. JUAN A. FELICIANO CHARNECO
Title FINANCE DIRECTOR	Title CERTIFIED PUBLIC ACCOUNTANT
d. Auditee contact telephone (787) 846 - 5618	d. Auditor contact telephone (787) 879 - 4433
e. Auditee contact FAX (Optional) (787) 846 - 2009	e. Auditor contact FAX (Optional) (787) 880 - 1402
f. Auditee contact E-mail (Optional) NGUTIERR@COQUI.NET	f. Auditor contact E-mail (Optional)

<p>g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.</p> <p>Signature of certifying official _____ Date _____ / /</p> <p>Name/Title of certifying official _____</p>	<p>g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Item 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The Auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.</p> <p>Signature of auditor _____ Date _____</p>
--	---

CC-FM DIVISION REGLEMENTARIA

Form SF-SAC(8-97) OMB #0348-0057

Report ID : 30599

Part I: GENERAL INFORMATION - Continued		
8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. Only non-Federal entities with total Federal awards expended greater than \$25 million have a Cognizant agency. All others have an Oversight agency. (Mark (x) one box)		
<input checked="" type="radio"/> Oversight agency		
9. Name of Federal cognizant or oversight agency for audit (Mark (x) one box)		
93	<input checked="" type="radio"/>	Department of Health and Human Services
Part II: FINANCIAL STATEMENTS (To be completed by auditor)		
1. Type of audit report (Mark (x) one box)		
<input checked="" type="radio"/> Qualified opinion		
2. Is a "going concern" explanatory paragraph included in the audit report?		
<input checked="" type="radio"/> No		
3. Is a reportable condition disclosed?		
<input checked="" type="radio"/> No - SKIP to Item 5		
4. Is any reportable condition reported as a material weakness?		
<input type="radio"/> Yes <input type="radio"/> No		
5. Is a material noncompliance disclosed?		
<input checked="" type="radio"/> No		
Part III: FEDERAL PROGRAMS (To be completed by auditor)		
1. Type of audit report on major program compliance		
<input checked="" type="checkbox"/> Unqualified opinion		
2. What is the dollar threshold to distinguish Type A and Type B programs § .520(b)? Round to the nearest dollar. \$300000		
3. Did the auditee qualify as a low-risk auditee (§ .530)?		
<input checked="" type="radio"/> Yes		
4. Are there any audit findings required to be reported under § .510(a)?		
<input checked="" type="radio"/> No		
5. Which Federal Agencies are required to receive the reporting package? Only select a Federal Agency if there are findings related to the selected Federal Agency involving direct money or if there were prior year audit findings related to the selected Federal Agency involving direct money. (Mark (x) all that apply.)		
10	<input checked="" type="checkbox"/>	Department of Agriculture
93	<input checked="" type="checkbox"/>	Department of Health and Human Services
14	<input checked="" type="checkbox"/>	Department of Housing and Urban Development

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Part III: FEDERAL PROGRAMS Continued								
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				7. AUDIT FINDINGS AND QUESTIONED COSTS				
Row	6a. CFDA number (1)	6b. Name of Federal program	6c. Amount expended in Whole Numbers	7a. Major program	7b. Type of compliance requirement (2)	7c. Amount of questioned costs	7d. Internal control findings (3)	7e. Audit finding reference # (s) (4)
1	14-228	COMUNUNITY DEVELOPMENT BLOCK GRANT (STATE PROGRAM)	\$ 856033	<input checked="" type="checkbox"/> Y	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
2	14-855	SECTION 8 VOUCHER	\$ 271232	<input checked="" type="checkbox"/> Y	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
3	14-857	SECTION 8 EXISTING	\$ 86366	<input checked="" type="checkbox"/> Y	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
4	93-600	HEAD START	\$ 2228043	<input checked="" type="checkbox"/> Y	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
5	93-575	CHILD CARE	\$ 108519	<input checked="" type="checkbox"/> N	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
6	93-045	SPECIAL PROGRAM FOR THE AGING TITLEE III	\$ 72047	<input checked="" type="checkbox"/> N	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
7	10-570	USDA	\$ 14692	<input checked="" type="checkbox"/> N	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
8	10-760	RURAL DEVELOPMENT	\$ 5242	<input checked="" type="checkbox"/> N	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
9	93-600	EARLY HEAD START	\$ 217647	<input checked="" type="checkbox"/> N	O	\$N/A	<input checked="" type="checkbox"/> C	N/A
Computer Generated Total Federal Awards Expended:			\$ 3859821					
TOTAL FEDERAL AWARDS EXPENDED			\$3859821					

*Footnotes for Part 3 - Item 6 and Item 7

1. Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.
2. Type of compliance requirement (Enter the letter(s) of all that apply to audit findings and questioned costs reported for each Federal program.)

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

3. Type of internal control findings (Mark (x) all that apply)

- | | | |
|------------------------|--------------------------|------------------|
| A. Material weaknesses | B. Reportable conditions | C. None reported |
|------------------------|--------------------------|------------------|

4. If there are no audit findings, questioned costs, or internal control findings, the auditor should mark O, N/A, C and N/A for items 7 (b), (c), (d), and (e) respectively.