

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

**MUNICIPIO DE CAMUY**  
**AUDITORIA 2000-01**  
**30 DE JUNIO DE 2001**

OFIC. DEL COMISIONADO  
DE ASUNTOS MUNICIPALES  
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RECIBIDO  
UNIDAD DE CORREO

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY**

**SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2001**

**ORTIZ, RODRIGUEZ, RIVERA & CO.**

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

Suite 152, PO Box 70250, San Juan, P.R. 00936-7250 • Phone (787) 756-8524, Fax (787) 274-0562

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**TABLE OF CONTENTS**

	<u>Pages</u>
<b>PART I - FINANCIAL</b>	
Independent Auditor's Report on Financial Statements .....	1-2
<b>Financial Statements:</b>	
Combined Balance Sheet - All Fund Types and Account Groups .....	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types .....	5-6
Combined Statement of Revenues and Expenditures - Budget and Actual - General Fund and Debt Service Fund .....	7
Notes to Combined Financial Statements .....	8-28
Schedule of Expenditures of Federal Awards .....	29-30
Note to Schedule of Expenditures of Federal Awards .....	31
<b>PART II - INTERNAL CONTROL</b>	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	32-33
Schedule of Reportable Conditions and Recommendations .....	34-38

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SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**TABLE OF CONTENTS (CONTINUED)**

	<u>Pages</u>
<b>PART III - COMPLIANCE</b>	
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 . . . . .	39-40
Schedule of Findings and Questioned Costs . . . . .	41-42
Schedule of Findings and Questioned Costs for the Prior Fiscal Year . . . . .	43-45
<b>PART IV - EXHIBIT</b>	
I. Corrective Action Plan	

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Puerto Rico Board of Certified  
Public Accountants  
Management Consulting  
Services Division  
SACVA

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor  
and Municipal Assembly  
Municipality of Camuy  
Camuy, Puerto Rico

We have audited the accompanying general purpose financial statements of the Municipality of Camuy, 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 Camuy' management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

As described in Note 6, the Municipality of Camuy has not maintained complete and adequate records relating to the fixed assets of the General Fixed Assets Account Group. Accordingly, we were unable to satisfy ourself as to the fixed asset balance or such all group amounting to \$9,954,948.

The Municipality has not maintained adequate accounting records for the year ended June 30, 2001, and we were unable to apply procedures to determine whether the opening balances in the financial statements as of July 1, 2000 were fairly presented in conformity with generally accepted accounting principles or whether accounting principles have been consistently applied between 2001 and 2000. Additional, the working paper of prior year auditor was not available for observation.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to general fixed assets balances, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of Camuy as of June 30, 2001, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

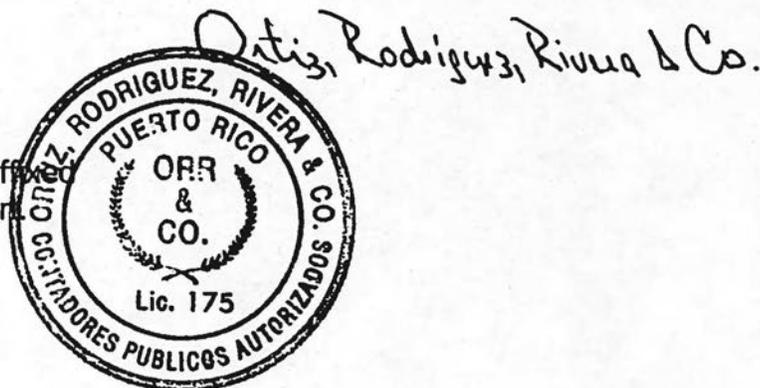
In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2001, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements 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 our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

As discussed in note 17 to the financial statements, certain errors resulting in overstatement of previously reported the accounts payable for the special revenue and general funds presented on the financial statements, were discovered during the current year. Accordingly, and adjustment has been made to fund balance on June 30, 2000 to correct the error.

San Juan, Puerto Rico  
December 13, 2001

The stamp 1776295 was affixed  
to the original of this report.



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
COMBINED BALANCE SHEET-ALL FUNDS TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

<u>Assets</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>General Fixed Asset</u>	<u>General Long Term Debt</u>	<u>Memorandum</u>
Cash in bank (Note 2)	\$ 38,176	\$ 607,071	\$ -	\$ -	\$ -	\$ -	645,247
Cash with fiscal agent (Note 2)	39,072		848,062	18,886			906,020
Accounts receivables:							
Due from other agencies (Note 7)	1,036,756						1,036,756
Due from other funds (Note 8)	39,951	4,300,502					4,340,453
Property and equipment (Note 6)					9,954,948		9,954,948
Amount available in debt service fund (Note 2)						848,062	848,062
Amount to be provided for retirement of general long-term debt						2,097,477	2,097,477
Amount to be provided through property tax collected for payment of related property tax advances (Note 10)						1,067,098	1,067,098
Amount to be provided for payment of accrued vacation and sick leave (Note 1)						365,124	365,124
<b>Total assets</b>	<b>\$ 1,153,955</b>	<b>\$ 4,907,573</b>	<b>\$ 848,062</b>	<b>\$ 18,886</b>	<b>\$ 9,954,948</b>	<b>\$ 4,377,761</b>	<b>\$ 21,261,185</b>

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
COMBINED BALANCE SHEET-ALL FUNDS TYPES AND ACCOUNT GROUPS (CONTINUED)  
JUNE 30, 2001**

<b>Liabilities and Fund Equity</b>	<b>Governmental Fund Types</b>				<b>Account Groups</b>		<b>Memorandum</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>General Fixed Asset</b>	<b>General Long Term Debt</b>	
<b>Liabilities</b>							
Bank overdraft	\$ 287,784	\$ 99,862	\$ -	\$ 5,760	\$ -	\$ -	\$ 393,406
Account payable and accrued liabilities	280,025	405,664		6,500			692,189
Due to other funds (Note 8)	4,300,502	39,951					4,340,453
Due to other agencies (Note 9)	2,519,279	62,252					2,581,531
Deferred revenues (Note 4)	447,488	343,328					790,816
Accrued vacations and sick leave (Note 1)						365,124	365,124
General long-term debts (Note 10)						2,945,539	2,945,539
Property tax advances (Note 10)						1,067,098	1,067,098
Claims and judgements (Note 12)	50,000						50,000
<b>Total liabilities</b>	<b>7,885,078</b>	<b>951,057</b>	<b>-</b>	<b>12,260</b>	<b>-</b>	<b>4,377,761</b>	<b>13,226,156</b>
<b>Commitments and Contingencies (Notes 12, 13 and 14)</b>							
<b>Fund Equity</b>							
Investment in general fixed assets					9,954,948		9,954,948
Fund balance							-
Reserved for encumbrances	15,303						15,303
Designated for capital additions							-
Undesignated (deficit) equity	(6,746,426)	3,956,516	848,062	6,626			(1,935,222)
<b>Total fund equity (deficit)</b>	<b>(6,731,123)</b>	<b>3,956,516</b>	<b>848,062</b>	<b>6,626</b>	<b>9,954,948</b>	<b>-</b>	<b>8,035,029</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,153,955</b>	<b>\$ 4,907,573</b>	<b>\$ 848,062</b>	<b>\$ 18,886</b>	<b>\$ 9,954,948</b>	<b>\$ 4,377,761</b>	<b>\$ 21,261,185</b>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND EQUITY-ALL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Governmental Fund Types</b>				<b>Total</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Memorandum</b>
<b>REVENUES</b>					
Property taxes (Note 3)	\$ 422,681		\$ 495,905		\$ 918,586
Municipal license taxes (Note 4)	566,872				566,872
Licenses and permits	467,350				467,350
Charges for service and rents	15,658				15,658
Inter-governmental revenues (Note 5):					
Federal grants and contributions		3,127,928			3,127,928
State contributions	4,322,183				4,322,183
Interest, fines, and penalties	5,764		32,509		38,273
Other revenues	2,363,532				2,363,532
<b>Total revenues</b>	<b>8,164,040</b>	<b>3,127,928</b>	<b>528,414</b>	<b>-</b>	<b>11,820,382</b>
<b>EXPENDITURES</b>					
Municipal council	121,126				121,126
Offices:					
Administrative Services	571,280				571,280
Mayor	1,529,059				1,529,059
Departments:					
Civil Defense	1,485,404				1,485,404
Finance	2,757,128				2,757,128
Health	156,366				156,366
Public Works	976,506				976,506
Recreation	386,963				386,963
Personnel	169,597				169,597
Capital outlays		2,955,984			2,955,984
Collection of property taxes applied to advances (Note 15)	934,481				934,481
General Government	189,745				189,745
Secretary	123,292				123,292
Welfare		918,095			918,095

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND EQUITY-ALL FUND TYPES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES			FOUR	
	General	Special Revenue	Debt Service	Capital Projects	Memorandum
<b>Debt services:</b>					
Principal retirement (Note 10)	\$ -	\$ -	\$ 1,153,302	\$ -	\$ 1,153,302
Interest payments (Note 10)			136,508		136,508
Total expenditures	<u>9,400,947</u>	<u>3,874,079</u>	<u>1,289,810</u>	<u>-</u>	<u>14,564,836</u>
Excess of (deficiency) of revenues over expenditures	<u>(1,236,907)</u>	<u>(746,151)</u>	<u>(761,396)</u>	<u>-</u>	<u>(2,744,454)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Advances of property taxes (Note 3)	934,481				934,481
Operating transfer-in	41,575		961,542		1,003,117
Operating transfer-out	(961,542)		(41,575)		(1,003,117)
Total other financing sources (uses)	<u>14,514</u>	<u>-</u>	<u>919,967</u>	<u>-</u>	<u>934,481</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,222,393)</u>	<u>(746,151)</u>	<u>158,571</u>	<u>-</u>	<u>(1,809,973)</u>
<b>FUND BALANCE (DEFICIENCY) AT BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	<u>(6,364,300)</u>	<u>4,270,222</u>	<u>689,492</u>	<u>6,626</u>	<u>(1,397,960)</u>
<b>PRIOR YEAR ADJUSTMENT (NOTE 17)</b>	855,570	432,445			1,288,015
<b>FUND BALANCE (DEFICIENCY) RESTATED</b>	<u>(5,508,730)</u>	<u>4,702,667</u>	<u>689,492</u>	<u>6,626</u>	<u>(109,945)</u>
<b>FUND BALANCE (DEFICIENCY) AT END OF YEAR</b>	<u>\$ (6,731,123)</u>	<u>\$ 3,956,516</u>	<u>\$ 848,063</u>	<u>\$ 6,626</u>	<u>\$ (1,919,918)</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Governmental Fund</b>			<b>Debt Service Fund</b>		
	<b>Budget Amended</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable Memorandum</b>
<b>REVENUES (Notes 1 and 15)</b>						
Property taxes	\$ 422,681	\$ 422,681	\$ -	\$ 362,932	\$ 475,593	\$ 112,661
Municipal license taxes	560,000	566,872	6,872			-
Licenses and permits	300,500	467,350	166,850			-
Charges for service and rents	25,500	15,658	(9,842)			-
Inter-governmental revenues:						
State contributions	4,098,323	4,322,183	223,860			-
Interest, fines, and penalties	65,500	47,339	(18,161)		32,509	32,509
Other revenues	1,568,215	1,659,346	91,131			-
<b>Total revenues</b>	<b>7,040,719</b>	<b>7,501,429</b>	<b>460,710</b>	<b>362,932</b>	<b>508,102</b>	<b>145,170</b>
<b>EXPENDITURES (Notes 1 and 15)</b>						
Municipal council	123,284	121,126	2,158			
Offices:						
Administrative Services	571,287	571,280	7			
Mayor	1,536,362	1,529,059	7,303			
Departments:						
Civil Defense	1,488,252	1,485,404	2,848			
Finance	1,173,355	3,505,835	(2,332,480)			
Health	492,231	156,366	335,865			
Public Works	976,617	976,506	111			
Recreation	386,434	386,963	(529)			
Personnel	169,601	169,597	4			
Secretary	123,296	123,292	4			
Debt service; principal and interest payment		-	-	362,932	336,424	26,508
<b>Total expenditures</b>	<b>7,040,719</b>	<b>9,025,428</b>	<b>(1,984,709)</b>	<b>362,932</b>	<b>336,424</b>	<b>26,508</b>
<b>Excess of revenues over expenditures (expenditures over revenues)</b>	<b>\$ -</b>	<b>\$ (1,523,999)</b>	<b>\$ (1,523,999)</b>	<b>\$ -</b>	<b>\$ 171,678</b>	<b>\$ 171,678</b>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Organization**

The Municipality of Camuy, Puerto Rico (Municipality) was incorporated in 1807. The Municipality is a political legal entity with full legislative and administrative faculties in every affair of the municipal character, with perpetual succession existence and legal personality, separate and independent from the central government of the Commonwealth of Puerto Rico. The Municipality provides a full range of services including health, public works, environmental control, education, public safety, public housing and community development, culture and recreation as well as many other general and administrative services.

The Municipal Government comprises the executive and legislative branches. The executive power is exercised by the Mayor and the legislative by the Municipal Assembly, which has 14 members. The members of these branches are elected every four years in the Puerto Rico general elections.

**b. Summary of Significant Accounting Policies**

The accounting policies of the Municipality are in accordance with the generally accepted accounting principles applicable to government entities. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued 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 following is a summary of the more significant policies:

**1) Fund Accounting**

The accounts of the Municipality are organized on the basis of funds and 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 comprises its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped in the financial statements into four fund types and other fund category, as follows:

a) **Governmental Funds**

i. **General Funds**

The General funds are the general operating funds of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

ii. **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

iii. **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, interest, and related costs.

iv. **Capital Project Funds**

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessments Funds and Agency Funds).

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

b) **Fiduciary Funds**

**Trust and Agency Funds**

Trust and Agency Funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

c) **Account Groups**

Account groups 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:

i. **General Fixed Assets Account Group**

This group of accounts is established to account for all fixed assets of the Municipality.

ii. **General Long-term Debt Account Group**

This group of accounts is established to account for all long-term debts of the Municipality.

d) **Budgetary Control:**

The Mayor submits and the Municipal Assembly approves, an annual budget for each fiscal year beginning July 1 as well as any amendment thereon. Appropriations in the Municipality budget consist of the following:

i. **General Fund appropriations for recurrent and ordinary functions of the Municipality.**

ii. **Appropriations of Special Funds for specific purposes and for capital improvements are, for the most part, authorized by separate laws and**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

do not require annual legislative budget authorization because they are continuing appropriations.

2) Basis of Accounting

Governmental revenues and expenditures are recognized using the modified accrual basis. Revenues are recognized in the accounting period in which they become both measurable and available to be used to pay recorded liabilities. Expenditures are recognized in the accounting period in which the final liability is incurred, measurable, except for unmatured interest on general long-term debt, which is recognized when due. Agency fund assets and liabilities are accounted for on modified accrual basis.

To accrue the intergovernmental revenues, the legal and contractual requirements of individual programs are used as a guide. Essentially, there are two types of revenues. In one, the resources must be used in the specific projects and purposes before the revenues are recognized by the Municipality. Therefore, revenues are recognized based on recorded expenditures and submitted to the granting agencies for reimbursements. In the other revenues, resources are unrestricted as to purpose of expenditures and are usually revocable only for failure to comply with prescribed compliance requirements.

Licenses, fees, permits, fines and other revenues are recognized when received.

Interest income is recognized and accrued in the accounting period in which they are earned.

3) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at a year end are reported as reservations of fund balances and do not constitute expenditures

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

or liabilities because the commitments will be honored during the subsequent year.

4) Total Column (Memorandum Only)

The amounts presented under this column represent the aggregate amount of the different types of funds and account groups. The totals under this column were not obtained from eliminations or consolidations, accordingly, they do not present consolidated information.

5) Insurance

The Municipality has insurance coverage for their public facilities and certain officials are covered by a fidelity bond. The Secretary of Treasury is the person authorized to negotiate the insurance coverage of the Municipality.

6) Inventories

The General and Special Revenue Fund purchase office and printing supplies, gasoline, oil and other items. The cost of current purchases is recorded as expenditures.

7) Interfund Transactions

Interfund transactions represent operating transfers from a fund receiving revenues to a fund through which the resources are to be disbursed.

8) Vacation and Sick Leave

Employees are entitled to 30 days vacations leave and 18 days sick leave per year. Sick leave is recorded as an expenditure in the year paid. Employees are entitled to payment of unused sick leave upon retirement if have been employed for at least 10 years in the municipal government. On July 1997, state Law 152 supra amended the Article 12.016, Section b (2) of the Municipal Law, authorizing the Municipality to pay any excess of vacations and sick leave accumulated over the maximum previously permitted by law. Calculations must be made until December 31 of every

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

year. Excess of sick leave must be paid until March 31 next every natural year. Excess of vacations can be paid after July 1 of every fiscal year.

9) Reporting Entity

In evaluating the Municipality as a reporting entity, management has addressed all potential component units which may or may not fall within the Municipality's oversight and control and, as such, be included within the Municipality's financial statements. The basic criteria for including a component unit within the Municipality's reporting entity is the exercise of oversight responsibility by the Municipality's Council. The specific criteria used by the Municipality for establishing oversight responsibility are:

**Manifestations of Oversight Responsibility**

Selection of Governing Authority  
Designation of Management  
Ability to Influence Operations Significantly

**Accountability for Fiscal Matters**

Budgetary Authority  
Surplus/Deficit  
Responsibility for Debt  
Fiscal Management  
Revenue Characteristics

Factors other than oversight which may significantly influence the entity relationship are:

**Scope of Public Service  
Special Financing Relationships**

The relative importance of each criteria is evaluated in light of specific circumstances in order to determine which component units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to the Municipality of Camuy indicate 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.

13  
**ORTIZ, RODRIGUEZ, RIVERA & CO.**

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

10) 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 related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**2. CASH AND SHORT-TERM INVESTMENTS**

**a. Cash in Bank and Concentration Risk**

The amounts reflected as cash in the balance sheet represents the individual funds' equity in pooled cash balance.

The Municipality maintains its cash accounts in a bank located in Puerto Rico. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The following is a summary of the total insured by collateral provided by bank and held by the Treasury Department of the Commonwealth of Puerto Rico pursuant to applicable laws and regulations.

	<u>Total</u>	<u>Insured by FDIC</u>	<u>Insured by Collateral in Treasury Department</u>
Popular Bank	<u>\$645,247</u>	<u>\$100,000</u>	<u>\$545,247</u>

**b. Cash with Fiscal Agents**

An additional special tax of 1.25% of the assessed value of all real and personal properties are levied by the Municipality. The proceeds of said tax are required to be credited to the Debt Service Fund for payment of General Obligation Bonds and Notes of the Municipality. The property taxes are collected by the Municipal Revenues Collection Center as agent for the Municipality and are retained by the Government Development Bank for debt service purposes. At June 30, 2001, the

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

balance of cash retained by the Government Development Bank amounted to \$848,062.

The bond issued by the Municipality is administrated by the Government Development Bank with a method of escrow system. At June 30, 2001, the balance of cash retained by the Government Bank available for the acquisition of real property and federal program amounted to \$57,958.

**3. PROPERTY TAXES**

The Municipal Revenues Collection Center of the Commonwealth of Puerto Rico (CRIM) is responsible by law for the assessment, levy and collection of all real and personal property taxes. The tax on personal property is self assessed by the taxpayer. The assessment is made in a return which must be filed with the Municipal Revenues Collection Center by May 15 of each year. The tax on real property is assessed by the Municipal Revenues Collection Center. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of the year 1957. The tax on personal property must be paid in full together with the return on or before May 15. The tax on real property is due in two equal installments in July 1 and January 1, following the assessment date.

The rates are 7.83% for real property and 5.83% for personal property. The composition is as follows:

	<u>Real</u>	<u>Personal</u>
Basic property	5.55%	3.55%
Additional special property - state	1.03%	1.03%
Additional special property - municipal	1.25%	1.25%
Discount made by state to taxpayer	< .20%>	< .20%>
 Total	 <u>7.83%</u>	 <u>5.83%</u>

The "Additional special property tax - municipal" is restricted for debt service and retained by the Government Development Bank for such purposes and it is recorded as revenue in the Debt Service Fund when collected by the Municipal Revenues Collection Center and reported to the Municipality.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The "Additional special property tax - state" is collected by the Municipal Revenue Collection Center for the payment of principal and interest of general obligation bonds and certain other obligations issued by the state government.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$15,000 of the assessed value. For such exempted amounts, the Department of the Treasury assumes payment of the basic tax to the Municipality, except for property assessed of less than \$3,500, for which no payment is made. Revenue related to the basic tax on exempt property is recorded in the General Fund when payments are received from the Municipal Revenues Collection Center.

Complete exemption from personal property taxes up to an assessment of \$50,000 is granted to merchants with an annual volume of net sales less than \$150,000.

The Municipal Revenues Collection Center advances to the Municipality an estimated amount of the basic property tax levied on nonexempt property for each fiscal year. Advances are repaid through actual collections from the taxpayers. The Municipal Revenues Collection Center periodically informs the Municipality of the amounts collected and applied to outstanding advances. The basic property tax advanced by the Municipal Revenues Collection Center (nonexempt) is recorded as other financing sources in the Municipality's General Fund and as an obligation in the General Fund. To the extent that such taxes are collected and informed by the Municipal Revenues Collection Center, they are recorded in the General Fund as revenue and as due to the Municipal Revenues Collection Center.

**4. MUNICIPAL LICENSE TAX**

Municipal License Tax receivables are recorded in the fiscal year in which payment is due and, accordingly, represent taxes which are due and uncollected at June 30, 2001. The annual Municipal License Tax is determined based on the gross income of all commerce and industrial organizations who have operations in the Municipality of Camuy, and are not totally or partially exempt under the Industrial Incentive Law of Puerto Rico.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF CAMUY**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

An annual return of business volume should be filed on or before April 15 of each year and payable in two equal installments due on July 1 and January 1. The rates of municipal license in the Municipality of Camuy are as follows:

Savings and loans associations	=	1.50%
Financing institution	=	1.50%
Other organizations	=	.30%

The amounts collected in advance are recorded as deferred revenues in the General Fund. The Municipality invoiced and collected in advance during the current year \$447,488, corresponding to the next fiscal year municipal license.

**5. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenue sources consist of contributions received from certain quasi-public corporations of the Government of Puerto Rico, such as the Water and Sewer Authority, the Electric Power Authority and from certain federal agencies, such as U.S. Department of H.U.D., U.S. Department of Health and Human Services and U.S. Department of Labor.

**6. GENERAL FIXED ASSETS**

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures of the various governmental funds and capitalized at cost, or, if donated, at their estimated fair market value at time of contribution in general fixed assets accounts group. Maintenance, repairs and minor renewals are expended as incurred. Asset dispositions and retirements are informed monthly to the Department of Treasury and written-off after authorization of that department. Depreciation is not provided on general fixed assets. Public domain or infrastructure, such as roads, streets, gutter, curbs, sidewalks, and drainage, is not recorded in this group of accounts. The Municipality has not maintained adequate records for its Fixed Assets, and management was not able to make an assertion as to the completeness of the General Fixed Assets Account Group. However, the Finance Department at present is in the process of updating these records in order to maintain a proper system in is future.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The Municipality's management has estimated its real property and other fixed assets as follows:

Real property	\$6,612,997
Vehicles, equipment, and furniture	<u>3,341,951</u>
Total general fixed assets	<u>\$9,954,948</u>

**7. DUE FROM OTHER AGENCIES**

Represents grants and contributions due from local and federal agencies:

	<u>General Fund</u>	<u>Total</u>
Authority of Electric Energy	<u>\$1,036,756</u>	<u>\$1,036,756</u>

**8. DUE FROM (TO) OTHER FUNDS**

Represents the amount due between funds. At the end of the fiscal period, the unpaid or unsettled amounts of these types of inter-fund transactions are reported as inter-fund receivables (due-from) and inter-fund payable (due-to) balances.

The due from and due to other fund balances as of June 30, 2001, are as follows:

	<u>Due from Other Fund</u>	<u>Due to Other Fund</u>
<b>General Fund</b>		
Special Fund	\$ 39,951	\$4,300,502
<b>Special Revenue Fund</b>		
General Fund	<u>4,300,502</u>	<u>39,951</u>
	<u>\$4,340,453</u>	<u>\$4,340,453</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**9. DUE TO OTHER AGENCIES**

The composition of this account is as follows:

	<u>General Fund</u>
Water and Sewer Authority	\$ 206,526
Electric Power Authority	1,083,576
General Service Administration	7,524
Retirement System	686,955
Internal Revenue Services	212,092
Puerto Rico Telephone Company	47,606
Municipality of Arecibo	<u>275,000</u>
	<u>\$2,519,279</u>

**10. GENERAL LONG-TERM DEBTS**

The general long-term debts' transactions as of June 30, 2001 are as follows:

Balance July 1, 2000	\$4,746,496
Additions for the year	553,872
Payments	( 1,150,469)
Adjustments	( <u>137,261</u> )
Balance June 30, 2001	<u>\$4,012,638</u>

General long-term debt obligations at June 30, 2001 are as follows:

**Bonds**

\$180,000 series of 1983, payable in annual installments of \$45,000 to \$11,000 until January 1, 2005, interest at 5%.	\$ 42,000
\$280,000 series of 1995, payable in annual installments of \$10,000 to \$40,000 until July 1, 2019, interest at 5.25%.	257,000

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

\$350,000 series of 1995, payable in annual installments of \$10,000 to \$40,000 until July 1, 2009, variable interest from 7.25% to 4.7%.	\$ 255,000
\$310,000 series of 1995, payable in annual installments of \$7,000 to \$23,000 until January 1, 2020, interest at 5.125%.	287,000
\$125,000 series of 1996, payable in annual installments of \$5,000 to \$10,000 until July 1, 2015, variable interest from 6.630 to 6.580%.	105,000
\$305,000 series of 1997, payable in annual installments of \$25,000 to \$45,000 until July 1, 2006, variable interest from 6.69% to 8%.	225,000
\$505,000 series of 1999, payable in annual installments of \$35,000 to \$65,000 until July 1, 2008, interest at 7.50%.	<u>430,000</u>
	<u>1,601,000</u>

**Notes Payable**

\$400,000 series of 1997, payable in annual installments of \$40,000 to \$60,000, until July 1, 2016; interest at 8%.	<u>360,000</u>
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**Other Long-term Debts**

Property tax advance - 1998	256,243
Property tax advance - 1999	784,181
Property tax advance - 2000	26,674
Payment plan with Health Department in monthly installments of \$27,989 approximately, until June 30, 2004.	918,598

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Payment plan with Treasury Department in monthly installments of \$5,200, until June 2002.	\$ <u>65,942</u>
	<u>2,051,638</u>
	<u>\$4,012,638</u>

The annual requirements for the amortization of general long-terms at June 30, 2001, are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2002	\$1,603,362
2003	489,406
2004	407,870
2005	168,000
2006	167,000
2007-2011	634,000
2012-2016	357,000
2017-2021	<u>186,000</u>
	<u>\$4,012,638</u>

As described in Note 3, the Municipality levies an annual special tax of 1.25% of the assessed value of real property. The proceeds of this tax are required to be credited to the Debt Service Fund for payment of general obligation bonds and notes of the Municipality. The property taxes are collected and retained by the Municipal Revenues Collection Center as agent for the Municipality.

**11. RETIREMENT PLAN**

**a. Plan Description**

The Employee's Retirement System of the General Government of Puerto Rico and its Instrumentalities (ESR) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The System was created under the ACT 447, approved on May 15, 1951, as

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

amended, and became effective on January 1, 1952. ERS covers all regular employees of the Commonwealth of Puerto Rico and its instrumentalities and of certain municipalities and components units not covered by their own retirements systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Heads for Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees.

The Systems provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

Members who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service of members who have attained an age of at least fifty-eight (58) years and have completed at least fifty-eight (58) years and have completed at least ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

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

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

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**b. Contribution Requirements**

Commonwealth legislation requires employees to contribute 5.775% of gross salary up to \$6,600 plus 8.275% of gross salary in excess of \$6,600. The Municipality contributions are 9.275% of gross salary. Contributions' requirements are established by law. The actuarially determined contribution requirement was \$269,373 and contributions actually made for the year ended June 30, 2000 was \$-0-. The Municipality's payroll for employees covered by ESR was \$2,904,291. The Municipality total payroll for all employees was \$3,964,632.

**c. Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Information on funding progress for the three last years is presented below:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net assets available for benefits as a percentage of total pension benefit obligation	N/A	N/A	N/A
Unfunded pension benefit obligation as a percentage of annual covered payroll	N/A	N/A	N/A
Employer contributions (not actuarial determined) as a percentage of annual covered payroll	9%	9%	9%

N/A = Not available

Trend information prior to 1999 is not available

For a ten-year trend information, refer to the separately issued financial statements of the Employee's Retirement System as of and for the year ended June 30, 2001.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**12. CONTINGENCIES**

- a. The Municipality receives Federal Grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believed that any required reimbursements would not be material.
- b. The Municipality is a defendant and/or co-defendant in various lawsuits which claims for actual damages. Some of these lawsuits are covered by insurance. The Municipality's management and counsels believe that any potential liability that might exist, if any, in excess of the insurance, will not affect significantly the financial position of the Municipality.

**13. COMMITMENTS**

The Municipality of Camuy had several outstanding or planned construction projects as of June 30, 2001. These projects are evidenced by contractual commitments with contractors. The construction projects of the Municipality are commitments of the Capital Projects' funds that amounts to \$155,041.

**14. LEASES**

Leasing arrangements with the Municipality as lessor are as follows:

- a. Total income from leases during the year ended June 30, 2001 was approximately \$15,648.
- b. The Municipality retains title to its leased property. The lessee pays taxes, municipal license taxes, insurance, and maintenance costs of the leased assets.

Leasing arrangement with the Municipality as lessee:

The Municipality is obligated under noncancellable operational leases, with periods not longer than one year.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**15. BUDGETARY COMPARISONS**

As described in Note 1, the statement of revenues and expenditures budget and actual was prepared in accordance with the budgetary basis. This method is not in accordance in some aspects with generally accepted accounting principles.

The principal difference between budgetary basis and generally accepted accounting principles, are as follows:

- c. The encumbrances are recorded as expenditures in the budgetary basis instead of as a reserve of the fund balance.
- d. The advances of property taxes are recorded as revenues in the budgetary basis instead as other financing sources, as required by generally accepted accounting principles.
- e. Under generally accepted accounting principles, the collection of property taxes through Municipal Revenue Collection Center is recorded as revenue and at the same time, such amount is recorded as expenditure and applied to previously advanced taxes when they are notified to the Municipality. In the budgetary basis, said revenues are recorded as revenues when the advances are received.

The necessary adjustments to reconcile the revenues and expenditures at the end of the year from the generally accepted accounting principles to budgetary basis, are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Generally accepted accounting principles basis	\$8,164,040	\$9,400,947
Plus current year encumbrances recorded as expenditures on the budgetary basis	-	15,303
Less prior year encumbrances recorded as expenditures on the GAAP basis	-	( 228,137)
Plus advances of property taxes recorded as revenue on the budgetary basis	934,481	-

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Revenues</u>	<u>Expenditures</u>
Plus transfer in/out	\$ 41,575	\$ 961,542
Less collection of property taxes (not exonerated), recorded previously as revenue by the Municipality when received and deducted from the advances payable to the Treasury Department	( 934,481)	( 934,481)
Revenues and expenditures not recorded as revenue or expense on the budgetary basis.	( <u>704,186</u> )	( <u>189,745</u> )
Budgetary basis	<u>\$7,501,429</u>	<u>\$9,025,429</u>

The budget prepared for each of the special revenue funds is based on a program period which is not necessarily the same fiscal year of the Municipality. Accordingly, it is not practical to present an annual comparison of budget and actual for the Special Revenue Fund.

The Municipality budget is amended by the majority vote of the Municipal Assembly. Said amendments are included in the budgetary basis.

**16. MUNICIPAL SOLID WASTE LANDFILL CLOSURE**

The Municipality discontinued the operation and ceased to accept solid waste in August 1995 in the landfill. State and Federal laws and regulations require the Municipality to perform certain closure procedures and establish monitoring and maintenance functions at the landfill site for thirty years after closure.

The Municipality must to comply with some regulations of the Environmental Quality Control Board. Into these regulation, the Municipality is in process to submit a study that reflects some additional cost to be incurred. Until the moment, the costs are be financed by the Solid Waste Authority, but an additional can be matching with municipal funds.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**17. BEGINNING FUND BALANCES RESTATEMENT**

Beginning Fund Balances of General Fund and Special Revenue Fund have been restated by accounting adjustments for accounting errors detected during the fiscal year that affect the Fund Equity of these Governmental Fund as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Beginning Fund Balance (deficit)	(\$6,364,300)	\$4,270,222
Overstatement of accounts payable	<u>855,570</u>	<u>432,445</u>
Adjusted balance (deficit)	<u>(\$5,508,730)</u>	<u>\$4,702,667</u>

**18. SUBSEQUENT EVENT**

**The New Governmental Financial Reporting Model**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved the issuance of the long-awaited statement on the financial reporting model project. GASB No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," makes dramatic changes to the way state and local governments report their finances to the public. Issuance of the statement is the culmination of an extended due process period, including the issuance of a preliminary views document and exposure draft and conducting public hearings and focus groups.

Under the new reporting model, general purpose governments must present the following basic financial statements and required supplementary information (RSI) to be in accordance with generally accepted accounting principles:

- a. Management's discussion and analysis.
- b. Government-wide financial statements.
- c. Fund financial statements.
- d. Notes to the financial statements.
- e. RSI, including budgetary comparison schedules, infrastructure condition data, and other data required by previous GASB pronouncements, if applicable.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The Statement will first be effective for governments with annual revenues exceeding \$100 million for fiscal years beginning after June 15, 2001; for those with revenues of \$10 million to \$100 million, years beginning after June 15, 2002; and for those with revenues of less than \$10 million, years beginning after June 15, 2003.

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

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
<b>U.S. Department of Housing and Urban Development (HUD)</b>		
Direct programs:		
Section 8-Rental Certificate Program	14.857	\$ 90,055
Section 8-Rental Voucher Program	14.855	540,880
Pass-through State - Commissioner Office of Municipal Affairs Community Development Block Grant-State Program SBGP	14.228	1,851,261
Pass-through State - Administration of Families and Children Emergency Shelter Grant Program	14.231	<u>33,669</u>
Subtotal U.S. Department of HUD		<u>2,515,865</u>
<b>U.S. Department of Agriculture</b>		
Pass-through PR Department of Education Child and Adult Care Food Program	10.558	<u>8,195</u>
Subtotal U.S. Department of Agriculture		<u>8,195</u>
<b>U.S. Department of Transportation</b>		
Pass-through PR Highway Authority Federal Transit Capital Improvement Grants	20.500	<u>2,015</u>
Subtotal U.S. Department of Transportation		<u>2,015</u>
<b>U.S. Department of Health and Human Services (HHS)</b>		
Pass-through Regional Elderly Office Special Program for Aging, Title III, Part C	93.045	23,000
Pass-through Administration of Families and Children Child Care and Development Block Grant	93.575	<u>111,892</u>
Subtotal U.S. Department of HHS		<u>134,892</u>

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

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Disbursements/ Expenditures</b>
<b>U.S. Department of Justice</b>		
COPS Hiring Program	16.711	\$ <u>177,976</u>
Subtotal U.S. Department of HHS		<u>177,976</u>
<b>TOTAL</b>		<b><u>\$2,838,943</u></b>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality of Camuy 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Total federal expenditures per schedule	\$2,838,943
Total non-federal expenditures accounted for the Special Revenue Fund of the General Purpose Financial Statements	<u>1,035,136</u>
Total expenditures accounted for in the Special Revenue Fund of the General Purpose Financial Statements	<u>\$3,874,079</u>



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Puerto Rico Board of Certified  
Public Accountants  
Management Consulting  
Services Division  
SACVA

**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT  
OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor  
and Municipal Assembly  
Municipality of Camuy  
Camuy, Puerto Rico

We have audited the financial statements of the Municipality of Camuy as of and for the year ended June 30, 2001, and have issued our report thereon dated December 13, 2001, which was qualified because insufficient audit evidence exists to support Municipality of Camuy's disclosures with respect to the general fixed assets balances and the Municipality did not kept adequate accounting records to prepare the general purpose financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

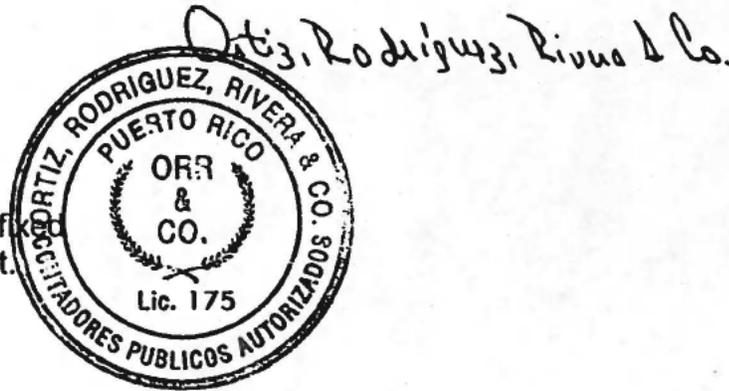
In planning and performing our audit, we considered Municipality of Camuy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Municipality of Camuy's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions and recommendations as items 1, 2, and 3.

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 purpose 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all matters reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Municipality of Camuy, in a separate letter dated January 21, 2002.

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

San Juan, Puerto Rico  
December 13, 2001

The stamp 1776296 was affixed to the original of this report.



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. ACCOUNTING SYSTEM**

We noted that the Municipality of Camuy is not keeping an accounting system as required by General Accepted Accounting Principles at present time, the Municipality records the transactions in the general, capital project and special funds. These funds are kept under the cash basis method. Also, the system used to record the purchase orders and contracts are not adequate; because does not provide for a segregation between the account payable and the encumbrances. In order to prepare the combined financial statements, we realized several adjusting entries to convert them to a modified accrual basis of accounting.

**Recommendation**

We recommend the Municipality of Camuy that in coordination with the Municipal Revenue Collection Center and the Commissioner Office of Municipal Affairs, implement an accounting system which should provide the following.

That the Municipality's operations are accounted for through several separate funds and account groups, accounting in each of them the related assets, liabilities, and equity and other balances. The individual funds should be summarized in a combined financial statements by fund category. The Municipality should use the general purpose financial statements based on the following fund and accounts groups:

**a. Governmental Funds**

Governmental funds are used to finance most of the governmental functions. The sources and uses of resources available are systematically registered through the statement of changes in fund balances and not through the determination of net income. The different types of governmental funds are as follows:

1) General

This is the operational fund for the Municipality. It accounts for all financial resources except those required to be accounted for in another funds.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

2) Special revenue

Is used to account for the proceeds of specific revenue sources (other than expendable trust or mayor capital projects) that are legally restricted for expenditure for specified purposes.

3) Debt service

Is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest and related costs.

4) Capital project

Is used to account for financial resources to be used for the construction or acquisition or major capital facilities (other than those financed by proprietary and trust funds).

The resources that come from bonds and notes are registered as other financial resources in the Capital Project Funds. The expenditures related to the projects are incurred after the bonds and note issuances.

So, the Capital Project Funds can reflect an excess of expenditures over revenues and other resources.

**b. Proprietary Fund**

Is used to account for operations financed and operated similar to business, whose main objective is the determination of net income. The main objective of this type of fund is to match income with expenses and deriving profits. Depreciation accounts are also used in this type of fund.

**c. Trust and Agency Fund**

Is used to account for assets held by the Municipality Agency, in the trustee's capacity or as agent whose main responsibility is to ascertain that those assets are disposed of as prescribed by the individual or other governmental unit.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**d. Account Groups**

Accounts groups are not funds. The same should be used to establish accounting controls and to account for General Fixed Assets and General Long-term Debt.

1) General Fixed Assets accounts group

Is used to provide accounting over general fixed assets, except those already recorded in the proprietary and Trust Funds.

2) General Long-term Debt accounts group

Is used to provide accounting control over General Municipal Long-term Debt; except those accounted in the Proprietary and Trust Funds.

The Municipality's accounting system should provide for the segregation of the encumbrances from accounts payable. Encumbrances represent commitments related with a service to be received or a good to be acquired. This amount should be accumulated in an account named Fund Balance Reserved for Encumbrances at the time the purchase order is issued. The amount of Encumbrances should be reserved for each fund balance since no bilateral agreement exists. The accounts payable and accrued expenses should be recorded when the debt is incurred and the amount is determinable.

**2. ACCOUNTING RECORDS**

During the attempt to audit the Municipality's General Purpose Financial Statements there were several situations hindering the preparation of the General Purpose Financial Statements in accordance with generally accepted accounting principles. These situations were principally due to the following:

- a. We observed that the accounting records and the information provided by the Municipality contains material errors which we conclude there are transactions realized during the fiscal year 2000-2001 and that were not recorded on the accounting books of the Municipality.
- b. Significant adjustments had to be made during the audit.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

- c. The balance of the cash transactions report (Form 4A), does not agree with various accounts and their respective bank account's reconciliations.
- d. The Municipality maintains several cash accounts which are either inactive or have limited activity.

**Recommendation**

We recommend to the Municipality to maintain a good internal control system in order that all income and expenditure transactions will be records on accounting books correctly; given special treatment to the special funds management by the Municipality. Moreover, the Municipality must to prepare the bank reconciliations of all accounts of the Municipality as required by the Law of Autonomy Municipality on Chapter 8, Article 8.10(j).

**3. FIXED ASSETS**

During the audit we noted that:

- a. The additions to the property ledger had been recorded on a cash basis, instead on the accrual basis.
- b. There is no supervision process established in order to verify if each department keeps adequate control of the property that is under their responsibility.
- c. Expenditures for financing charges of issued long-term debts, and financing charges related to property, plant and equipment had not been recorded in the property ledger.
- d. There is no supervision process to verify if each department keeps adequate control of the inventory.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**Recommendation**

To improve the internal controls in the area of property, the following procedures should be implemented by the Property Custodian in coordination with the Finance Director:

- a. It is recommended to take a physical inventory once a year. Any discrepancies found should be investigated and proper action taken.
- b. The Department of Property must perform periodical surprise physical observations and/or verification of the related assets to determine their existence and condition.
- c. The Department of Property must record the expenditures for financing charges of issued long-term debts.
- d. It is recommended to reconcile periodically the expenditures recorded by the Finance Department and the amount recorded by the Department of Property. Any discrepancies found should be investigated.



**ORTIZ, RODRIGUEZ, RIVERA & CO.**

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

Members:  
American Institute of Certified  
Public Accountants (AICPA)  
Puerto Rico Board of Certified  
Public Accountants  
Management Consulting  
Services Division  
NACVA

CPA Orlando Luis Ortiz Cabrera  
CPA Marco Antonio Rivera Zuniga  
CPA Agustin Rodriguez Nieves

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor  
and Municipal Assembly  
Municipality of Camuy  
Camuy, Puerto Rico

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality of Camuy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Municipality of Camuy's compliance with those requirements.

In our opinion, Municipality of Camuy 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 our 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 item 00-1.

Internal Control over Compliance

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

Our 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 do 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

San Juan, Puerto Rico  
December 13, 2001

The stamp 1776297 was affixed  
to the original of this report



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**1. SUMMARY OF AUDIT RESULTS**

- a. The auditors' report expresses a qualified opinion on the financial statements of the Municipality of Camuy.
- b. There were reportable conditions on internal controls.
- c. No instances of noncompliance material to the financial statements of Municipality of Camuy were disclosed during the audit.
- d. There were no reportable conditions on internal controls over major programs.
- e. The auditor's report on compliance for the major federal award programs for Municipality of Camuy express an unqualified opinion.
- f. Audit findings relation to the major federal award programs for Municipality of Camuy are reported in number 3 of this schedule.
- g. The programs tested as major programs included:
  - SBGP - CFDA No. 14.228
  - Cop's - CFDA No. 16.540
- h. The threshold for distinguishing types A and B programs was \$300,000.
- i. Municipality of Camuy was determined to be a high-risk audit.

**2. FINDINGS - FINANCIAL STATEMENTS AUDIT**

See Schedule of Reportable Conditions and Recommendation on pages 33 to 37.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<p><b>Cops CFDA No. 16.540</b></p>	<p><b>Condition 01-1</b></p> <p>During the audit, we examined cash movement of the program. We observed the receipts were deposited on the general account of the municipality. This situation result on that the federal funds available were covered the overdraft of the general account, and we cannot verify trace the receipt with the disbursement.</p> <p><u>Criteria</u></p> <p>The Federal Agency requires the federal funds were deposited on a separate bank account or on an account for a special program, where the fund will be identify easily.</p> <p><u>Cause</u></p> <p>The federal fund was not deposited and a separate bank account.</p> <p><u>Effect</u></p> <p>The internal control of the federal program was not according the Federal Agency requirement.</p> <p><u>Recommendation</u></p> <p>The federal funds should be deposited and be managed in a separate bank account.</p>	<p><b>\$ <u>-0-</u></b></p>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF STATUS OF PRIOR YEAR  
AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

During the current examination, follow-up was given to the findings informed to the Municipality in prior years. It was noted that corrective action has been taken, except for certain conditions that still exist and require further action. These are included in the accompanying Schedule of Prior Year Audits Findings and Questioned Costs.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF STATUS OF PRIOR YEAR  
AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
<b>SBGP CFDA No. 14.228</b>	<b>Condition 2000-01</b>  The municipality did not maintain on participants files the evidence of final inspection of the housing rehabilitation activity.	Condition was corrected.
<b>SBGP CFDA No. 14.228</b>	<b>Condition 2000-02</b>  During the disbursement test, the supporting documents related to some disbursement voucher, purchase orders, and invoices were no stamp as paid, and were issued without same authoritative signatures.	Condition was corrected.
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-03</b>  Noncompliance with cash management requirements. The municipality held cash balance more than 5,000 for period longer than three days.	Condition was corrected.
<b>SBGP CFDA No. 14.228</b>	<b>Condition 2000-04</b>  The municipality did not apply adequately the monitoring system developed to ensure contractors compliance with payment of prevailing wages rates to employees.	Condition still prevails.
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-05</b>  The three participant files do not have evidence of HUD approved released and consent form submitted by the family.	Condition was corrected.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF CAMUY  
SCHEDULE OF STATUS OF PRIOR YEAR  
AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-06</b>  In four participants files the municipality does not verify the family income and composition.	Condition was corrected.
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-07</b>  The municipality did not maintain current and complete accounting records.	Condition was corrected.
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-08</b>  The Municipality did not submit on time the annual contribution and operating statement, Form HUD-52681.	Condition was corrected.
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-09</b>  Some participant files do not have the contract between the municipality and house owners. Also, do not have the form to compute the rent (Form 50058).	Condition was corrected.
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-10</b>  Some participant files do not have a unit inspection report.	Condition was corrected.
<b>Section 8 CFDA No. 14.855 and 14.857</b>	<b>Condition 2000-11</b>  Some units do not have an inspection report.	Condition was corrected.

**EXHIBIT I**

**CORRECTIVE ACTION PLAN**

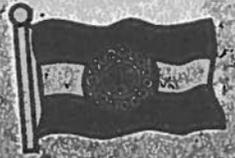
**ORTIZ, RODRIGUEZ, RIVERA & CO.**

**CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES**

Suite 152, PO Box 70250, San Juan, P.R. 00936-7250 • Phone (787) 756-8524, Fax (787) 274-0562



*Gobierno Municipal de Camuy*  
*Departamento de Finanzas*  
PO Box 539  
Camuy, Puerto Rico 00627  
Tels. 898-2160 • 898-4315 • 898-2333 • 898-2389



## CORRECTIVE ACTION PLAN

December 13, 2001

Cognizant or Oversight Agency for Audit:

Municipality of Camuy respectfully submits the following corrective action plan for the year ended June 30, 2001.

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

Audit period: Fiscal year ended June 30, 2001.

The findings from the June 30, 2001 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS - FEDERAL AWARD PROGRAM AUDITS, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Finding 01-1: Cops - CFDA No. 16-540

Reportable Condition: See Condition 01-1.

Recommendation:

The federal funds should be deposited and be managed in a separate bank account.

Action Taken:

The Municipality knows the situation and accepts the recommendation. In order to correct it, the Municipality created a new bank account to segregate the funds and to manage its individually as required.

If the Cognizant or Oversight Agency for Audit has questions regarding this plan, please call Mr. José E. Concepción at (787) 898-2160.

Sincerely yours,

  
José E. Concepción  
Finance Director

**Data Collection Form for Reporting on  
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS  
for Fiscal Year Ending Dates On or After January 1, 2001**

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

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

**PART I GENERAL INFORMATION (To be completed by auditee, except for Item 7)**

1. Fiscal period ending date for this submission Month Day Year Fiscal Period End Dates Must Be On or After January 1, 2001 06 / 30 / 2001	2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit
--	---

3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - Months	FEDERAL GOVERNMENT USE ONLY	4. Date received by Federal clearinghouse
---	-----------------------------	---

5. Employer Identification Number (EIN) a. Auditee EIN <table border="1"><tr><td>6</td><td>6</td><td>0</td><td>4</td><td>3</td><td>3</td><td>5</td><td>7</td><td>7</td></tr></table>	6	6	0	4	3	3	5	7	7	b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)
6	6	0	4	3	3	5	7	7		

**6. AUDITEE INFORMATION**

a. Auditee name Municipality of Camuy
b. Auditee address (Number and street) PO Box 539 City Camuy State ZIP + 4 Code Puerto Rico 00627-0539
c. Auditee contact Name José E. Concepción Title Finance director
d. Auditee contact telephone (787) 898 - 2160
e. Auditee contact FAX (Optional) (787) 898 - 0260
f. Auditee contact E-mail (Optional)

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

a. Auditor name Ortiz, Rodríguez, Rivera & Co.
b. Auditor address (Number and street) Suite 152 PO Box 70250 City San Juan State ZIP + 4 Code Puerto Rico 00936-7250
c. Auditor contact Name Marco A. Rivera, CPA Title Auditor
d. Auditor contact telephone (787) 756 - 8524
e. Auditor contact FAX (Optional) (787) 274 - 0562
f. Auditor contact E-mail (Optional)

**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.

**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, Items 8, 9, and 10, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of certifying official  
*José E. Concepción*  
Printed Name/Title of certifying official  
José E. Concepción,  
Finance Director  
Date  
Month Day Year  
3 12 01

Signature of auditor  
*Ortiz, Rodríguez, Rivera & Co*  
Date  
Month Day Year  
3 12 01

RECIBIDO  
OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES  
02 MAR 06 PH 1:11 PM  
CIUDAD DE CAMUY

**PART I GENERAL INFORMATION - Continued**

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (X) one box)  
 1  Yes - Identify Cognizant Agency in Part I, Item 9      2  No - SKIP to Part II, Item 1
9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (X) one box) However, if cognizance has been reassigned, see instructions.
- |  |   |   |   |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy                              | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture                          | 66 <input type="checkbox"/> Environmental Protection Agency     | 15 <input type="checkbox"/> Interior                      | 20 <input type="checkbox"/> Transportation              |
| 11 <input type="checkbox"/> Commerce                             | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice                       | <input type="checkbox"/> Other - Specify:               |
| 12 <input type="checkbox"/> Defense                              | 93 <input type="checkbox"/> Health and Human Services           | 17 <input type="checkbox"/> Labor                         |   |
| 84 <input type="checkbox"/> Education                            |   |   |   |

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

1. Type of audit report (Mark (X) one box)  
 1  Unqualified opinion      2  Qualified opinion      3  Adverse opinion      4  Disclaimer of opinion
2. Is a "going concern" explanatory paragraph included in the audit report?      1  Yes      2  No
3. Is a reportable condition disclosed?      1  Yes      2  No - SKIP to Item 5
4. Is any reportable condition reported as a material weakness?      1  Yes      2  No
5. Is a material noncompliance disclosed?      1  Yes      2  No

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

1. Type of audit report on major program compliance  
 1  Unqualified opinion      2  Qualified opinion      3  Adverse opinion      4  Disclaimer of opinion
2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10)      1  Yes      2  No
3. What is the dollar threshold to distinguish Type A and Type B programs? (§ \_\_ .520(b))      \$ 300,000
4. Did the auditee qualify as a low-risk auditee? (§ \_\_ .530)      1  Yes      2  No
5. Is a reportable condition disclosed for any major program? (§ \_\_ .510(a)(1))      1  Yes      2  No - SKIP to Item 7
6. Is any reportable condition reported as a material weakness? (§ \_\_ .510(a)(1))      1  Yes      2  No
7. Are any known questioned costs reported? (§ \_\_ .510(a)(3) or (4))      1  Yes      2  No
8. Was a Summary Schedule of Prior Audit Findings prepared? (§ \_\_ .315(b))      1  Yes      2  No

9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)
- |  |   |   |  |
|--|---|---|--|
| 02 <input type="checkbox"/> Agency for International Development           | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration   |
| 10 <input type="checkbox"/> Agriculture                                    | 39 <input type="checkbox"/> General Services Administration     | 89 <input type="checkbox"/> National Archives and Records Administration  | 19 <input type="checkbox"/> State                            |
| 23 <input type="checkbox"/> Appalachian Regional Commission                | 93 <input type="checkbox"/> Health and Human Services           | 05 <input type="checkbox"/> National Endowment for the Arts               | 20 <input type="checkbox"/> Transportation                   |
| 11 <input type="checkbox"/> Commerce                                       | 14 <input type="checkbox"/> Housing and Urban Development       | 06 <input type="checkbox"/> National Endowment for the Humanities         | 21 <input type="checkbox"/> Treasury                         |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute for Museum Services       | 47 <input type="checkbox"/> National Science Foundation                   | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense  | 15 <input type="checkbox"/> Interior                            | 07 <input type="checkbox"/> Office of National Drug Control Policy        | 64 <input type="checkbox"/> Veterans Affairs                 |
| 84 <input type="checkbox"/> Education                                      | 16 <input checked="" type="checkbox"/> Justice                  | 59 <input type="checkbox"/> Small Business Administration                 | 00 <input type="checkbox"/> None                             |
| 81 <input type="checkbox"/> Energy   | 17 <input type="checkbox"/> Labor                               |   | <input type="checkbox"/> Other - Specify:                    |
| 66 <input type="checkbox"/> Environmental Protection Agency                | 09 <input type="checkbox"/> Legal Services Corp                 |   |  |

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

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

- the Federal Audit Clearinghouse archives .....
- and, if not marked above, the cognizant agency (if identified in Part I, Item 9) .....

Count total number of boxes marked above and submit this number of reporting packages 2

**PART III FEDERAL PROGRAMS - Continued**

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							11. AUDIT FINDINGS	
CFDA Number (a)		Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s) <sup>3</sup> (a)	Audit finding reference number(s) <sup>4</sup> (b)
Federal Agency Prefix <sup>1</sup>	Extension <sup>2</sup>							
1 4	857	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Section 8 - Rental Certificate Program	\$ 90,055 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	0	N/A
1 4	855	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Section 8 - Rental Voucher Program	\$ 540,880 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	0	N/A
1 4	228	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Community Development Block Grant State Program SBGP	\$ 1,851,261 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	0	N/A
1 0	558	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Child and Adult Care Food Program	\$ 8,195 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	0	N/A
1 4	231	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Emergency Shelter Grant Program	\$ 33,669 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	0	N/A
2 0	500	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Federal Transit Capital Improvement Grant	\$ 2,015 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	0	N/A
9 3	045	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Special Program for Aging Title III, Part C	\$ 23,000 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	0	N/A
9 3	575	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Child Care and development Block Grant	\$ 111,892 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	0	N/A
1 6	711	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Cops Hiring Program	\$ 177,976 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	C	01-1
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$ .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				\$ 2,838,943 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

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

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

<sup>3</sup> Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a)) reported for each Federal program.

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

<sup>4</sup> N/A for NONE

**PART I** Item 5 Continuation Sheet

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

1		16		31		46		61
2		17		32		47		62
3		18		33		48		63
4		19		34		49		64
5		20		35		50		65
6		21		36		51		66
7		22		37		52		67
8		23		38		53		68
9		24		39		54		69
10		25		40		55		70
11		26		41		56		71
12		27		42		57		72
13		28		43		58		73
14		29		44		59		74
15		30		45		60		75

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