

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES

AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE COMERIO

AUDITORIA 2000-01

30 DE JUNIO DE 2001

OFIC. DEL COMISIONADO MUNICIPAL
RECIBIDO
UNIDAD DE CORREOS
58

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2001

Comerio

COMMONWEALTH OF PUERTO RICO

MUNICIPALITY OF COMERIO

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2001

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2001*

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general-purpose financial statements of the Municipality of Comerío, 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 Comerío management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

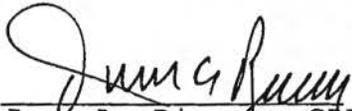
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable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

As describe in note 5, the Municipality of Comerío 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 ourselves as to the fixed asset balance or such all group amounting to \$11,268,143.

In my opinion, except for the effect on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of Comerio as of June 30, 2001, and the result of its operations and changes in fund balance for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 05, 2001 on my consideration of the Municipality of Comerio internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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 Organization, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly stated, in all material respect, in relation to the general-purpose financial statements taken as a whole.


Juan A. Rivera, CPA
Lic. #2214

December 05, 2001
Bayamón, Puerto Rico

NOTE: Stamp No. 1757832 of the Puerto Rico State Society of Certified Public Accountants was affixed to the original of this report.

MUNICIPALITY OF COMERIO
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES
AND ACCOUNT GROUP
As of June 30 .2001

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		Total Memorandum Only
	General Fund	Special Revenue Fund	Debt Service Fund	CAPITAL PROJECTS	General Fixed Assets	General Long-term Debts	
<u>ASSETS AND OTHER DEBITS</u>							
Cash	\$2,029,011	\$735,546		\$119,377			\$2,883,934
Cash with fiscal agent			\$220,095				220,095
Investments	2,375,000	2,150,000					4,525,000
Receivables							
Due from governmental agencies	341,695						341,695
Excise taxes	99,284						99,284
Patent	13,910						13,910
Rents	12,005						12,005
General Fixed Assets					\$11,268,143		11,268,143
Amount in debt service fund						\$220,095	220,095
Property tax advances						110,869	110,869
Amounts to be provided to:							
Compensate employees benefits						822,610	822,610
Commitment and contingencies						242,225	242,225
Repay general obligations						382,905	382,905
TOTAL ASSETS	4,870,905	2,885,546	220,095	119,377	11,268,143	1,778,704	21,142,770
<u>LIABILITIES AND FUND EQUITY</u>							
<u>LIABILITIES</u>							
Accounts payable & accrued expenses	410,704	85,391					496,095
Due to state government agencies	510,571						510,571
Deferred revenues	208,468	227,652		57,912			494,032
Property tax advances						110,869	110,869
Commitment and contingencies						242,225	242,225
Accrued employees benefits						822,610	822,610
General obligations:							
Bonds						338,000	338,000
Notes						265,000	265,000
TOTAL LIABILITIES	1,129,743	313,043		57,912		1,778,704	3,279,402
<u>FUND EQUITY</u>							
FUND BALANCE							
Investment in general fixed assets					11,268,143		11,268,143
Reserve for encumbrances	985,905	101,326					1,087,231
Reserve for debt service			220,095				220,095
Undesignated							
Designated for future year expenditures	2,755,257	2,471,177		61,465			5,287,899
TOTAL FUND EQUITY	3,741,162	2,572,503	220,095	61,465			17,863,368
TOTAL LIABILITIES & FUND EQUITY	\$4,870,905	\$2,885,546	\$220,095	\$119,377	\$11,268,143	\$1,778,704	\$21,142,770

See accompanying notes to General Purpose Financial Statements

MUNICIPALITY OF COMERIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Type				Total Memorandum Only
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects	
REVENUES:					
Property taxes	\$486,678		\$149,611		\$636,289
Intergovernmental	6,751,706				6,751,706
Grants:					
Federal grant contribution		\$1,075,691			1,075,691
State grant contribution		853,229		\$994,966	1,848,195
Volume of business tax	406,745				406,745
Interest	604,850		7,600		612,450
Rent	315,063				315,063
Construction - Excise taxes	140,222				140,222
Miscellaneous	354,054				354,054
TOTAL REVENUES:	9,059,318	1,928,920	157,211	994,966	12,140,415
EXPENDITURES:					
General Administration	3,910,939	202,485			4,113,424
Public Works	1,509,146	548,247			2,057,393
Sports and recreation	390,968	78,079			469,047
Civil Defence	182,735				182,735
Sanitation	616,812				616,812
Public Relationship	216,708	95,875			312,583
Municipal Police	132,940	217,702			350,642
Citizen Business	385,555	329,245			
Housing		313,960			313,960
Debt service:					
Principal and Interest			93,760		93,760
Capital outlays				1,277,883	1,277,883
TOTAL EXPENDITURES:	7,345,803	1,785,593	93,760	1,277,883	10,503,039
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	1,713,515	143,327	63,451	(282,917)	1,637,376
OTHER FINANCING SOURCES (USES):					
Transferred from in (out)	(573,847)	1,187,401	(7,710)	(605,844)	
TOTAL	(573,847)	1,187,401	(7,710)	(605,844)	
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,139,668	1,330,728	55,741	(888,761)	1,637,376
Fund balance (Deficit), beginning	2,601,494	1,241,775	164,354	950,226	4,957,849
Fund balance (Deficit), ending	<u>\$3,741,162</u>	<u>\$2,572,503</u>	<u>\$220,095</u>	<u>\$61,465</u>	<u>\$6,595,225</u>

See accompanying notes to General Purpose Financial Statements

MUNICIPALITY OF COMERIO
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL & DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2001

	<u>GENERAL FUND</u>			<u>DEBT SERVICE FUND</u>			<u>TOTAL (MEMORANDUM ONLY)</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>TOTAL BUDGET</u>	<u>TOTAL ACTUAL</u>	<u>TOTAL VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:									
PROPERTY TAX	\$486,678	\$486,678	\$0				\$486,678	\$486,678	\$0
INTRAGOVERNMENTAL	7,042,367	6,751,706	(290,661)				7,042,367	6,751,706	(290,661)
VOLUME OF BUSINESS TAX	308,750	406,745	97,995				308,750	406,745	97,995
EXCISE TAX	35,000	604,850	569,850				35,000	604,850	569,850
INTEREST	55,000	315,063	260,063				55,000	315,063	260,063
RENT	62,000	140,222	78,222				62,000	140,222	78,222
MISCELLANEOUS	274,118	354,054	79,935				274,118	354,054	79,935
DEBT SERVICE				\$123,712	\$157,211	\$33,499	123,712	157,211	33,499
TOTAL REVENUE	8,263,913	9,059,318	795,405	123,712	157,211	33,499	8,387,625	9,216,529	828,904
EXPENDITURE:									
MUNICIPAL COUNCIL	118,347	98,743	(19,604)				\$118,347	\$98,743	(19,604)
MAYOR OFFICE	428,056	404,813	(23,243)				428,056	404,813	(23,243)
FINANCE	2,963,474	2,845,175	(118,298)				2,963,474	2,845,175	(118,298)
PUBLIC WORK	1,746,272	1,614,672	(131,600)				1,746,272	1,614,672	(131,600)
CIVIL DEFENSE	224,217	190,540	(33,677)				224,217	190,540	(33,677)
MUNICIPAL POLICE	144,035	133,180	(10,855)				144,035	133,180	(10,855)
PERSONNEL	336,995	304,930	(32,065)				336,995	304,930	(32,065)
SPORT & RECREATIONS	523,887	439,886	(84,001)				523,887	439,886	(84,001)
SANITATION	741,640	659,524	(82,116)				741,640	659,524	(82,116)
PUBLIC RELATIONSHIP	228,879	219,934	(8,945)				228,879	219,934	(8,945)
CITIZENS BUSINESS	391,950	386,303	(5,647)				391,950	386,303	(5,647)
SECRETARY	307,737	276,731	(31,006)				307,737	276,731	(31,006)
INTERNAL AUDIT	59,757	52,411	(7,346)				59,757	52,411	(7,346)
DEBT SERVICE	48,668	34,629	(14,039)	123,712	101,470	(22,242)	123,712	101,470	(22,242)
TOTAL EXPENDITURE	8,263,913	7,661,472	(602,441)	123,712	101,470	(22,242)	8,387,625	7,762,942	(624,683)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$0	\$1,397,845	\$1,397,845	\$0	\$55,741	\$55,741	\$0	\$1,453,586	\$1,453,586

See Note to General Purpose Financial Statements

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipality of Comerío (the Municipality) was established in 1826. The Municipality's governmental system consists of an executive and a legislative body. It is governed by a Mayor and a twelve (12) member Municipal Assembly who are elected every four years through the Puerto Rico general elections.

The Municipality provides the following services: general and administrative service, public safety, human services, education, public works, culture and recreation, sanitation, health, housing and urban development and welfare.

The Municipality's general purpose financial statements are presented in accordance with generally accepted accounting principles, as applicable to governmental entities. A summary of the Municipality significant accounting policies follows:

A. REPORTING ENTITY

The Statement 14 of the Governmental Accounting Standards Board, defining the Governmental Financial Reporting Entity, specifies the criteria to be used in defining the reporting entity for financial reporting purposes. The basic, but not the only, criteria for including a potential component unit in the reporting entity are the following:

- a. Legally separate organization
- b. Financial accountability
- c. Financial accountability, as a result of fiscal dependence
- d. 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

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 unit are to be included as part of the reporting entity. My specific evaluations of the criteria applicable to the Municipality of Comerio 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.

B. BASIC OF PRESENTATION

The general- purpose financial statements have been prepared primarily from accounts maintained by the Department of Finance of the Municipality. Additional data has been obtained from reports prepared by other municipal departments based on independent or subsidiary accounting records maintained by them. The Municipality records its transactions in the fund types and account groups described below. Transactions between funds within a fund type, if any, have been eliminated.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. BASIC OF PRESENTATION - CONTINUED

Governmental Fund Types

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

General Fund - The general fund is the operating fund of the Municipality. It is used to record all the financial resources and the majority of current operations except for those of specific nature that must be recorded in other funds.

Special Revenue - Is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Fund - In the debt service fund the accumulation of resources assigned for the payment of principal, interest and related cost of the general long-term debts.

Capital Projects - Is used to account for financial resources reserved for the acquisition or construction of major capital facilities.

Fiduciary 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 result of operations.

Accounts Groups

The account groups are used to maintain accounting control and accountability of the Municipality's general fixed assets and long-term debt. The Municipality's account groups are:

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. BASIC OF PRESENTATION - CONTINUED

General Long-Term Debt - is used to account for all long-term debt obligations of the Municipality.

General Fixed Assets - is used to account for all fixed assets of the Municipality other than those accounted for in the proprietary funds, and certain fiduciary funds.

C. BASIS OF ACCOUNTING

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues collected in advance of the fiscal year to which they apply are recorded as deferred revenues and recognized as revenues in the corresponding year. Expenditures are recorded when the liability is incurred, except for (1) interest on general long-term debt obligations which is recorded when due, and (2) accruals for vacation, sick leave, claims and judgments which are recorded in the general long-term debt account group.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of such revenues. In one situation, funds must be expended on the specific purpose or project before any amount is reimbursed to the Municipality's therefore, revenues are recognized based upon the expenditures recorded. In the other situation, funds are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are recognized as revenues at the time of receipt or earlier, if they meet the criteria of availability.

Licenses, permits, rent of property, fines, penalties and other miscellaneous revenues (except investment earning) are recorded as revenues when received because they are generally not measurable until actually received.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. ENCUMBRANCES

Encumbrance accounting is used in the governmental funds. Under the encumbrance system all purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve that portion of the applicable appropriation for future obligations. Open encumbrances at year-end are reported as a reserve of fund balance since they do not constitute expenditures or liabilities.

E. BUDGETARY DATA

In establishing the budgetary data presented in the general purpose financial statements, the Municipality follows these procedures, which are in accordance with the Municipal Law.

- 1) Prior to May 31, the Mayor submits to the Municipal Assembly a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and the means of financing them.
- 2) The budget document is available for public inspection prior to its approval by the Municipal Assembly. Also, a copy of the document is sent to the Municipal Affairs Commissioner for further evaluation and recommendation.
- 3) Prior to July 1, the annual budget is legally enacted through the approval of the annual appropriation ordinance.
- 4) Subsequent to the enactment of the annual appropriation ordinance, the Municipal Assembly has the authority to make necessary adjustments to the budget. Adjustments made during the year are reflected in the budget information included in the general-purpose financial statements.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - CONTINUED

E. BUDGETARY DATA - CONTINUE

The budget is prepared following the modified accrual basis of accounting, except for encumbrances and property tax advances as described below.

The actual result of operations, presented in the Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)-Budget and Actual-General and Debt Service Fund, is in conformity with the budgetary accounting of the Municipality for a better comparison with the budget information.

The necessary adjustments to convert the result of operations of the General Fund from the accounting basis to the budgetary basis are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Accounting basis per the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - General Fund	\$ 9,059,318	\$7,345,803
Adjustments:		
Add:		
Current year encumbrances recognized as expenditures in the budgetary basis	-0-	985,905
Deduct:		
Non budgetary transactions		
Payment of "Resultas"	-0-	(159,665)
Accounts Payable and Intra Gubernamental Accruals	-0-	(510,571)
Budgetary Basis	----- \$ 9,059,318	----- \$7,661,472

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. BUDGETARY DATA - CONTINUED

The budget prepared for each of the special revenues funds is based on a program period that is not necessarily a year. Accordingly, it is not practical to present an annual comparison of budget and actual for the Special Revenues Fund.

F. CASH

The Municipality's Director of Finance is responsible for investing available resources and is restricted by law to invest only in saving accounts and certificates of deposit with banks qualified as depositories of public funds by the Treasury Department of the Commonwealth of Puerto Rico. Cash balance from most funds are pooled and invested. All cash in banks at June 30, 2001, is insured by the Federal Deposit Insurance Corporation up to \$100,000, and by collateral held by the Treasury Department in its name.

	<u>Total</u>	<u>Insurance by FDIC</u>	<u>Insured by Collateral In Treasury Dept. of PR</u>
Oriental Group	\$3,125,000	\$100,000	\$ 3,025,000
First Bank	<u>1,400,000</u>	<u>100,000</u>	<u>1,300,000</u>
	\$4,525,000	\$200,000	\$ 4,325,000

G. INTERFUND TRANSACTIONS

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

H. RESERVATION OF FUND BALANCE

Reservation of fund balance is those portions of fund balances that are not appropriable for expenditure or that are legally segregated for a specific future use.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. RESERVATION OF FUND BALANCE - CONTINUE

The Municipality has the following reservations of fund balance:

- ❖ Encumbrances - represents future expenditures under purchase orders, contracts and other commitments. Generally these committed amounts will become liabilities in future periods as goods or services are performed or received.

- ❖ Debt Service - represents net assets available to finance future debt service payments.

I. COMPENSATED ABSENCES

Municipal employees are granted 30 days of vacations and 18 days of sick leave annually. Vacation may be accumulated up to a maximum of 60 days and sick leave up to a maximum of 90 days. In the event of employee resignation, the employee is reimbursed for accumulated vacation days up to the maximum allowed. Separation from employment prior to the use of all or part of the sick leave before 10 years of service terminates all rights for compensation. On July 1997, state law 152 Supra amended the article 12016, Section b (2) of the municipal law, authorizing the Municipality to pay any excess of vacation and sick leave accumulated over the maximum previously permitted by law. Calculation must be made until December 31, of every year. Excess of sick leave must be paid until March 31, next every natural year. Excess of vacation can be paid after July 1, every fiscal year. Employees' entitled vacation and sick leave are accrued in the General Long-Term Debt Account Group.

J. INSURANCE

The Municipality has insurance coverage for its public facilities, primarily to provide protection form catastrophic losses. The Secretary of the Treasury Department of the Commonwealth of Puerto Rico is the agent commissioned to place all of the Municipality's insurance coverage.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. TOTAL COLUMNS (MEMORANDUM ONLY)

The total columns are presented only to facilitate additional analysis. Consequently, amounts shown in Total Columns (Memorandum Only) do not represent financial position or result of operations, in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfold elimination has not been made.

L. INVENTORIES

The general and special revenue fund purchase office and printing supplies, gasoline, oils and other items. The cost of current purchases is recorded as expenditures

M. USED 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. The most significant estimates consist of the contribution received from the Electric Power Authority of Puerto Rico and the Municipal Revenue Collection Center (CRIM) caused by the delay of the notification of the real revenues and expenditures to be presented in the financial statements of the agencies mentioned above. Actual results could differ from those estimates.

NOTE 2 - PROPERTY TAXES

During August 1991, Law 80 was enacted to create an agency, named Municipal Revenues Collection Center (known by its Spanish acronym, CRIM), which assumed the functions of the assessment, levy and collection of all real and personal property taxes from the Office of Municipal Affairs of the Treasury Department effective July 1, 1993. The tax on real property is assessed by the CRIM. The assessment is made on January 1 of each year and is based on estimated current values of the property 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 return on real property is due on two equal installments in July 1 and January 1, following the assessment date.

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS*

NOTE 2 - PROPERTY TAXES (CONTINUED)

The annual tax rate for fiscal year 1997 is 8.08% for real property and 6.08% for personal property of which 1.03 of both belongs to the Commonwealth of Puerto Rico. The remaining percentage is distributed as follows: (a) 6.0% and 4.0%, respectively, represents the Municipality's basic property tax rate which is appropriated for general purposes and accounted for in the General Fund. Such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico Electronic Lottery and a subsidy from the Commonwealth of Puerto Rico. From such fund, a distribution is made to all municipalities; (b) 1.25% represents the ad valorem tax restricted for debt services and accounted for in the Debt Service Fund. The Commonwealth also contributes an annual tax rate 0.2% of the property tax collected and such amount is accounted for similar of item (a) above.

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 CRIM assumes payment of the basic tax to the Municipality. Revenues related to the basic tax on exempt property are recorded in the General Fund when payments are received from the CRIM.

Complete exemption from personal property taxes up to an assessment of \$50,000 is granted to retail businesses with an annual volume of sales under \$150,000.

The CRIM advances to the Municipality an estimated amount of the basic property tax levied on non-exempt property for each fiscal year. Advances are repaid through actual collections from the taxpayers. The CRIM periodically informs the Municipality of the amounts collected and applied to outstanding advances.

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

NOTE 3 - VOLUME OF BUSINESS TAX - MUNICIPAL TAXES

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

The tax rates are as follows:

- Savings and Loans Associations	1.00%
- Financial Institutions	1.50%
- Other Organizations	.50%

The tax is payable in two equal semi-annual installments on July 1 following the levy date. A discount of 5% is allowed for the full payment on or before April 15. Collections made prior to June 30 pertaining to the next fiscal year are recorded as deferred revenues.

NOTE 4 - INTERGOVERNMENTAL REVENUE

Intergovernmental revenues consists mainly of payments from the Commonwealth of Puerto Rico and payments in lieu of taxes from certain quasi-public corporations, principally the Puerto Rico Electric Power Authority.

Grants and subsidies received from the Commonwealth of Puerto Rico include, among other, a general subsidy for capital improvements. Intergovernmental revenues are recorded in the General Fund, except for those related directly to capital improvements, which are recorded in the Capital Projects Fund.

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

NOTE 5 - GENERAL FIXED ASSETS

General fixed assets have acquired for general governmental purposes. Assets purchases are recorded as expenditures of 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 a 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.

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

Land	\$ 799,725
Real Property	775,406
Vehicles, equipment, and furniture	9,693,011

Total fixed assets	\$11,268,142
	=====

NOTE 6 - GENERAL LONG-TERM DEBT

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

Balance at July 1, 2000	\$ 662,000
Additions during the year	-0-
Amortization during the year	(59,000)

Balance at the End of Year	\$ 603,000
	=====

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

NOTE 6 - GENERAL LONG-TERM DEBT - CONTINUED

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

BONDS

\$342,000 series of 1991, payable in annual installments of \$8,000 to \$26,000 until January 1, 2016, interest at 5.75%. \$264,000

\$95,000 series of 1992, payable in annual installments of \$1,000 to \$7,000 until January 1, 2016, interest at 5%. 74,000
338,000

NOTE PAYABLE

\$350,000 series of 1998, payable in annual installments of \$40,000 to \$60,000 until July 1, 2005; interest from 4.865% to 6.31%. 265,000

Other Long-Term Debts -----
603,000

Property tax Advance prior year payable in annual installments of \$11,087 until September 1, 2010. 110,869

Accumulated vacations and sick leaves payable to regular employees. 822,610

\$1,536,479
=====

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

NOTE 6 - GENERAL LONG-TERM DEBT - CONTINUED

The annual requirements to amortize the general long-term debt outstanding at June 30, 2001 is as follows:

2002	\$ 90,719
2002	94,444
2003	96,796
2004	93,967
2005	98,881
Thereafter	340,143

	814,950
Amount Representing Interest	211,950

	\$ 603,000
	=====

The Municipality is subject to certain laws of the Commonwealth of Puerto Rico, which limit the amount of bond debt to 10 percent of the assessed valuation of the property located in the Municipality of Comerio.

NOTE 7 - DEBT SERVICE FUND

Revenues for the Debt Service Fund mainly consist of the ad valorem property taxes (as described in note 2) which are recognized as revenues when collected and reported by the CRIM. These taxes are for the debt service requirements of the bonds and notes obligation issued by the Municipality. The Government Development Bank pays principal and interest on these obligations for Puerto Rico from funds obtained from the ad valorem taxes and received from the CRIM.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

There are certain claims and lawsuits pending against the Municipality arising out of, and incidental to its operations. A portion of these lawsuits is covered by insurance.

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUE

The Municipality is a grantee in various Federal Financial Assistance Programs. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resource for eligible purposes.

Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance cost as a result of these audits, becomes liability of the fund that receives the grant and must be reimbursed to the Federal Government from the Municipality's local funds. The "Schedule of Reportable Conditions and Recommendations" and the "Schedule of Findings and Questioned Costs" for the year ended June 30, 2001, disclosed some instances of noncompliance with applicable laws and regulations and with internal accounting and administrative control structure. No provision for any liability has been made in the general-purpose financial statements for possible federal claims for refunds of those grant funds. The amount, if any of expenditures, which may be disallowed, cannot be determined at this time.

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 potential liability that might exist in excess of the insurance will affect the financial position of the Municipality by \$242,225.

NOTE 9 - PENSION PLAN

Substantially all employees participate in the Retirement System of the Commonwealth of Puerto Rico (the System), a multiple-employer public employee retirement system created by statute.

All employees who at the time of employment are 55 years old or less are eligible to participate in the System. Employees who retire at or after age 55 with 25 years of credited service or age 58 with 10 years of credited service are entitled to retirement benefits, payable each month for life, computed based on a benefit rate set forth by the System. The System also provides death and disability benefits.

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

NOTE 9 - PENSION PLAN - CONTINUE

Covered employees are required to contribute, depending on selected alternatives, from 5.775% to 8.275 of their salary to the System. The Municipality is required to contribute 9.275% of the participant's salary. Total contributions (both employer and employees) to the System made by the Municipality during the year ended June 30, 2001 amounted to \$238,932.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increase and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons between public employee retirement system and employers. The System does not make separate measurements of assets and pension benefits obligation for individual employers. The actuarial present value of accrued benefits obligation at June 30, 2000, for the System as a whole, was not determined at the moment of these financial statements.

The employers that have employees participating in the System are required to cover actuarial deficiencies related to the accrued benefits for their participating employees. The System is reviewing the data regarding the potential deficiency related to the Municipality and the results cannot be determined at the present time. Therefore, the liability, if any, which would have been presented in the general long-term debt account group has not been recorded.

NOTE 10 - DUE FROM OTHER AGENCIES

Represents grants and contributions due from local quasi-public agency.

	<u>GENERAL</u> <u>FUND</u>
A.E.E.	<u>\$ 341,695</u>

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

NOTE 11 - LEASES

Leasing arrangements with the Municipality as lessor are as follows:

1. The Municipality leases spaces under operating lease agreements with terms ranging from one to five years.
2. Total income from leases during the year ended June 30, 2001 as approximately \$140,222.
3. The Municipality retains title to its leased property. The lessee pays taxes, municipal license taxes, insurance, and maintenance cost of the leased assets.

Leasing arrangements with the Municipality as lessee:

The Municipality is obligated under noncancellable operational leases, with periods no longer than one year.

NOTE 12 - DUE TO GOVERNMENTAL AGENCIES

The composition of this account is as follows:

	<u>General Fund</u>
Water and Sewer Authority	\$ 50,689
Electric Power Authority	426,146
General Service Administration	806
Retirement System	19,911
Workmen Compensation (C.F.S.E.)	652
Puerto Rico Telephone Company	<u>12,367</u>
	<u>\$ 510,571</u>

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001*

NOTE 13 - SUBSEQUENT EVENT

The New Governmental Financial Reporting Model

In June 30, 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 hearing and focus groups.



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

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

Compliance

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

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Governmental 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality of Comerío compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not include a legal determination of the Municipality of Comerío compliance with those requirements.

As described in item 2001-5 in the accompanying schedule of findings and questioned costs, the Municipality of Comerío did not comply with requirements regarding cash management that are applicable to its Section 8 Program. Compliance with such requirements is necessary, in my opinion, for the Municipality of Comerío to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Municipality of Comerío 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.

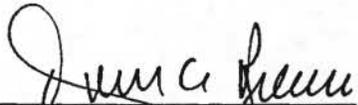
Internal Control Over Compliance

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

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Municipality of Comerío ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the 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. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, I believe that none of the reportable conditions described above is a material weakness. This report is intended for the information of the audit committee, the Municipality's management, the Department of Housing and Urban Development (Cognizant Agency), and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Juan A. Rivera, CPA
Lic. #2214

December 05, 2001
Bayamón, Puerto Rico

NOTE: Stamp No. 1757833 of the Puerto Rico State Society of Certified Public Accountants was affixed to the original of this report.



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

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

I have audited the financial statements of the Municipality of Comerío as of and for the year ended June 30, 2001, and have issued my report thereon dated December 17, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Municipality of Comerío financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2001-1-2-3-4 and 2001-5.

Internal Control Over Financial Reporting

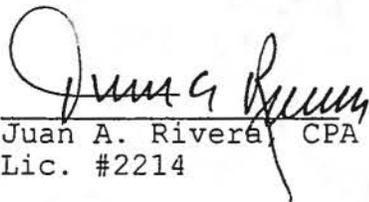
In planning and performing my audit, I considered the Municipality of Comerío internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Municipality of Comerio ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-1-2-3-4 and 2001-5.

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 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. My 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 reportable conditions that are also considered to be material weakness. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, the Municipality's management, the Department of Housing and Urban Development (Cognizant Agency), and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Juan A. Rivera, CPA
Lic. #2214

December 05, 2001
Bayamón, Puerto Rico

NOTE: Stamp No. 1757834 of the Puerto Rico State Society of Certified Public Accountants was affixed to the original of this report.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the general-purpose financial statements of the Municipality of Comerio.
2. Five reportable conditions disclosed during the audit of the financial statements are reported in the Schedule of Finding and Questioned Cost. Any of the conditions is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Municipality of Comerio were disclosed during the audit.
4. One reportable condition disclosed during the audit of the major federal award programs is reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal award programs for the municipality of Comerio expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Municipality of Comerio are reported in Part C. of this Schedule.
7. The programs tested as major programs included: SBGP.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Municipality of Comerio was determined to be a low-risk audited.

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2001*

B. REPORTABLE CONDITIONS

1 - FIXED ASSETS -2001-1

During our examination of the fixed assets, the following deficiencies were noted:

- a) There are no control procedures to ascertain that all applicable expenditures are properly recorded in the fixed assets property ledger.
- b) The subsidiary ledger is not reconciled with the Municipality's accounting records.
- c) The Municipality has not taken a physical inventory of its fixed assets to determine the existence and condition of the property recorded in the subsidiary.
- d) The property records do not provide the necessary information to make the disclosures required by the 1980 GAAFR (Governmental Accounting, Auditing and Financial Reporting).
- e) The acquisition of fixed assets is not always informed to the property custodian for the updating of the fixed assets ledger on a timely basis.

As a result of these situations, there is no adequate information available to properly classify the Municipality's property and equipment between land, buildings, equipment and construction in progress.

Recommendation:

We recommend that the Municipality should:

- a) Establish adequate control procedures to assure that all applicable expenditures are properly recorded in the Municipality's accounting records on a timely basis.
- b) Perform a physical inventory of all property and equipment and compare it with the items recorded in the property ledger. All differences noted should be immediately investigated and resolved. After updating the property ledger, formal procedures should be established to take a physical inventory on a periodic basis.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2001

B. REPORTABLE CONDITIONS (CONTINUED)

2 - PERSONNEL RECORD - 2001-2

During our examination of the personnel record, the following deficiencies were note:

- A. The form number I-9 (Immigration form) required by law no were encountered in any of the tested personnel file (30).
- B. The employees record did not show that the governmental ethic law were discussed with the employees.

Recommendation:

I recommended that each of the forms mentioned above must be included in each personnel record.

Auditee Response:

Personnel administrator was instructed to fill the mentioned form and included in the employees record.

3. DISBURSEMENT TEST - GENERAL FUND 2001-3

From thirteen samples summarized \$ 120,371.00.

The following exceptions were noted:

<u>Supplier</u>	<u>CK. NO.</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Computer Advantage	1821	X	X		
Sidney Travel	19378	X	X	X	X

- A) Requisition form without amount committed
- B) Requisition form without budget account
- C) Without ~~of~~ three quotation
- D) Without invoice

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2001*

B - REPORTABLE CONDITIONS (CONTINUED)

4. ACCOUNTS RECEIVABLE 2001-4

CONDITION: At June 30, 2001 several accounts receivable are due; and I did not encountered any effort by the finance personnel to collect this resources (\$125,200).

CRITERIA: The article 6.005 of the law 81 required that the finance director are obligated to supervise the collection activities.

EFFECT: The Municipality cash flow and budget compliance are affected by the lack of collection of this resources.

CAUSE: Accounts receivable remained high due to improper follow of the collection procedure established by law number 81.

RECOMMENDATION: Implementation of law 81 and municipal ordinances in respect collections of account receivable.

AUDITEE RESPONSE: The finance director implemented cash collection plan to recover all amounts in rarer; and also this plan included the tax payer evasion.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2001

C. REPORTABLE CONDITION FEDERAL PROGRAMS

2000-7

SECTION 8
EXISTING

COST/COMMENTS 2001-5

QUESTIONED

1. Condition: The Municipality has not established effective cash management procedures.
2. Criteria: Federal regulations require that grantees shall conform to the standards of timing and amounts as applicable to advances by federal agencies. Amounts requested should be limited to the Program's immediated cash needs.
3. Effect: As part of my test, I noted that Municipality paid its housing in assistance payments after five days eight of twelve months as required by HUD.
4. Cause: Cash balances remained high because usually the funds received during the month are not expended within the elapsing time allowed.
5. Recommendation: Coordination between finance department and federal section will be establish to disburse the payments in to the requirements time.
6. Auditee Response: Finance Director was instructed to establish formal procedures to ascertain compliance with the above State requirements.

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2001*

FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASSED THROUGH GRANTOR NUMBER	FEDERAL DISBURSEMENT EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Program: Section 8 Programs	14.857	N/A	\$ 291,144
Existing Housing and State Agency Program	14.855	N/A	22,816
			----- 313,960
PASSED THROUGH P.R. MUNICIPAL SERVICES ADMINISTRATION BLOCK GRANT - NON ENTITLEMENT			
SBGP (Consolidation)	14.228	→ 92-FD-20	470,561
			----- 470,561
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (H.H.S)			
Child care and development Block Grant Program	93.575		96,062
Community Service Block Grant	93.569		7,491
			----- 104,553
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult care food program	10.558		13,159
			----- 13,159
U.S. DEPARTMENT OF JUSTICE			
Community Oriented Policing Services	16.710		170,063
Crime Victims Assistance Grant	16.575		19,196
			----- 189,259

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASSED THROUGH GRANTOR NUMBER	FEDERAL DISBURSEMENT EXPENDITURES
---	---------------------------	--	---

OTHERS FINANCIAL ASSISTANCE

US FEDERAL EMERGENCY MANAGEMENT AGENCY	83.544		53,002 -----
---	--------	--	-----------------

Total Federal Assistance			<u><u>\$1,144,494</u></u>
---------------------------------	--	--	---------------------------

→ Mayor Program

See accompanying notes to schedule of federal financial assistance

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001*

NOTE 1 - GENERAL

The accompanying Schedule of Federal Financial Assistance presents the activities of all federal financial assistance programs of the Municipality of Comerio, Puerto Rico. The Municipality reporting entity is defined in Note 1 to the Municipality's general-purpose financial statements. All federal financial assistance passed through other governmental agencies, are included in the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Federal Financial Assistance is presented using the modified accrual basis of accounting, which is described in Note 1 of the Municipality's general-purpose financial statements.

NOTE 3 - RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Revenues and expenditures of the Federal Financial Assistance Programs are included in the Municipality's general-purpose financial statements within the Special Revenues. The reconciliation between the expenditures in the general-purpose financial statements and expenditures in the Schedule of Federal Financial Assistance is as follows:

Expenditures in the general-purpose financial statements:

Special Revenues Fund	\$1,692,724
Capital Project Fund	1,285,360

	2,978,084
 Less non-federal expenditures	 (1,833,590)

 Expenditures in the Schedule of Federal Financial Assistance	 \$1,144,494
	=====

*COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF COMERIO
SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
JUNE 30, 2001*

CURRENT STATUS: STILL PREVAIL

1 - FIXED ASSETS -2001

During our examination of the fixed assets, the following deficiencies were noted:

- a) There are no control procedures to ascertain that all applicable expenditures are properly recorded in the fixed assets properly ledger.
- b) The subsidiary ledger is not reconciled with the Municipality's accounting records.
- c) The Municipality has not taken a physical inventory of its fixed assets to determine the existence and condition of the property recorded in the subsidiary.
- d) The property records do not provide the necessary information to make the disclosures required by the 1980 GAAFR (Governmental Accounting, Auditing and Financial Reporting).
- e) The acquisition of fixed assets are not always informed to the property custodian for the updating of the fixed assets ledger on a timely basis.

As a result of these situations, there is no adequate information available to properly classify the Municipality's property and equipment between land, buildings, equipment and construction in progress.

CURRENT STATUS: STILL PREVAIL.

**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 / 01	2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit
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3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 3 <input type="checkbox"/> Other - Months 2 <input type="checkbox"/> Biennial	FEDERAL GOVERNMENT USE ONLY	4. Date received by Federal clearinghouse FEB 20 AM 8:30 RECEIVED OFICINA DE COORDINACION DEL GOBIERNO MUNICIPAL DE DORADO
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5. Employer Identification Number (EIN) a. Auditee EIN 6 6 0 4 3 3 5 6 2	b. Are multiple EINs covered in this report? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)
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6. AUDITEE INFORMATION

a. Auditee name MUNICIPALITY OF COMERIO	
b. Auditee address (Number and street) BOX 1108	
City COMERIO	State P R
ZIP + 4 Code 0 0 7 8 2 -	
c. Auditee contact Name NEFTALI RAMOS RODRIGUEZ	
Title FINANCE DIRECTOR	
d. Auditee contact telephone (787) 875 - 3445	
e. Auditee contact FAX (Optional) (787) 875 - 5550	
f. Auditee contact E-mail (Optional)	

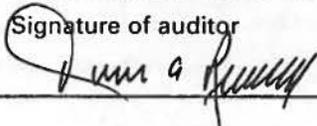
7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name JUAN RIVERA, CPA	
b. Auditor address (Number and street) BOX 757	
City DORADO	State
ZIP + 4 Code 0 0 6 4 6 -	
c. Auditor contact Name JUAN RIVERA, CPA	
Title PARTNER IN CHARGE	
d. Auditor contact telephone (787) 269 - 6910	
e. Auditor contact FAX (Optional) (787) 269 - 6915	
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.

Signature of certifying official 
 NEFTALI RAMOS RODRIGUEZ
 Printed Name/Title of certifying official
 Date Month Day Year 12 / 17 / 01

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 auditor 
 Date Month Day Year 12 / 17 / 01

Omb #602-49280

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) ³ (a)	Audit finding reference number(s) ⁴ (b)
Federal Agency Prefix ¹	Extension ²							
1	4 857	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SECTION 8 PROGRAM - HUD	\$ 291,144 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	C	2001-5
1	4 855	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	EXISTING HOUSING AND STATE AGENCY PROGRAM - HUD	\$ 22,816 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		2001-5
1	4 228	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	SBGP	\$ 470,561 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
9	3 569	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	COMMUNITY SERVICE BLOCK GRANT	\$ 7,491 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
9	3 575	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	CHILD CARE AND DEVELOP. BLOCK GRANTS	\$ 96,062 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
1	0 558	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	DEPARTMENT OF AGRICULTURE	\$ 13,159 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
1	6 710	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	COMMUNITY ORIENTED POLICING SERV.	\$ 170,063 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
1	6 575	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	CRIME VICTIMS ASSISTANT GRANT	\$ 19,196 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
8	3 544	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	FENA	\$ 53,002 .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		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		
TOTAL FEDERAL AWARDS EXPENDED →				\$ 1,143,494 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

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

³ 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.

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|------------------------------------|---|--|----------|
| 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 | | |

⁴ N/A for NONE