

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES  
ÁREA DE ASESORAMIENTO, REGLAMENTACIÓN E INTERVENCIÓN FISCAL  
ÁREA DE ARCHIVO DIGITAL

**MUNICIPIO DE COMERIO**  
**AUDITORÍA 2008-2009**  
30 DE JUNIO DE 2009

COMISIONA DEL COMISIONADO  
DE ASUNTOS MUNICIPALES

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2009**

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MUNICIPALITY OF COMERIO  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2009**

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**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Carlos R. Diaz Negrón*

Certified Public Accountant

**MEMBER:**

American Institute of Certified Public Accountants  
Puerto Rico Society of Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and  
Municipal Legislative Body  
Municipality of Comerío  
Comerío, Puerto Rico**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Municipality of Comerío** as of and for the year ended June 30, 2009 which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the business-type activities. Those statements were audited by other auditors whose report has been furnish to me, and our opinion, insofar as it relates to the amounts included for Río Plata Development, is based solely on the report of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major funds, and the aggregate remaining fund information of the **Municipality of Comerío** as of June 30, 2009, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

**Independent Auditor's Report (Continued):**

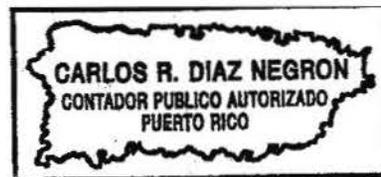
In accordance with Government Auditing Standards, I have also issued our report date December 23, 2009 on our consideration of **Municipality of Comerío**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 43 through 46 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Comerío basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relations to the basic financial statements taken as a whole.

December 23, 2009.  
Aguas Buenas, Puerto Rico

License No. 1339  
Expire December 1, 2010



The stamp No. 2446976 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**INTRODUCTION**

The following discussion presents an overview of the financial position and financial activities of the Municipality of Comerío (The Municipality) for the year ended June 30, 2009. This discussion was prepared by the Municipality management and should be read in conjunction with the financial statements and notes thereto, which follow.

**FINANCIAL HIGHLIGHTS**

The financial position of the Municipality remains strong at June 30, 2009, with total assets of \$62,027,994, total liabilities of \$12,731,956, and total net assets of \$49,296,010. Municipality net assets increased \$4,610,100 in comparison with June 30, 2008 balance of \$44,685,910. An overview of each statement is presented below along with a financial analysis of the transactions impacting the statement.

Condensed financial statements for the Municipality at June 30, 2009.

**CONDENSED STATEMENT OF NET ASSETS**

	<u>2008</u>	<u>2009</u>
<i>Assets</i>		
Capital Assets	\$44,776,259	\$47,382,865
Other Assets	7,745,562	14,645,129
	<u>\$52,521,821</u>	<u>\$62,027,994</u>
 <i>Liabilities and NET Assets</i>		
Long-Term Debt	\$ 5,517,608	\$ 8,904,465
Other Liabilities	2,318,303	3,827,491
	<u>\$ 7,835,911</u>	<u>\$12,731,956</u>
 Invested in Capital Assets	 \$41,766,425	 \$44,582,673
Restricted for:		
Debt Service	595,086	845,342
Capital Projects	1,975,894	4,374,563
Replacement and Others	994,403	1,150,695
Unrestricted	(645,898)	(1,657,263)
<i>Total Net Assets</i>	<u>\$44,685,910</u>	<u>\$49,296,010</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**CONDENSED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

	<u>2008</u>	<u>2009</u>
<b><i>Revenues</i></b>		
Program Revenues:		
Charges for Services	\$ 749,666	\$ 808,788
Operating Grants	2,126,141	1,835,427
Capital Grants	5,582,427	8,140,100
General Revenue:		
Property Tax	1,402,446	920,809
Municipal Tax	505,256	611,511
Sale Tax	731,175	903,971
Construction Excise Taxes	409,485	284,671
Grants and Entitlements	6,642,736	7,854,828
Interest, Rents and Others	655,314	268,185
	<u>\$ 18,804,646</u>	<u>\$ 21,628,290</u>
<b><i>Expenditures</i></b>		
General Administration	6,050,258	6,624,004
Public Safety	728,442	866,037
Education, Culture and Recreational	814,637	890,344
Public Works and Sanitation	5,401,654	5,048,115
Health and Welfare	1,961,874	2,013,957
Public Relation	471,803	396,110
Planning and General Services	-0-	500,338
Interest	105,930	132,112
Housing	547,444	454,193
Housing Interest	-0-	92,890
	<u>\$ 16,082,042</u>	<u>\$ 17,018,100</u>
<b><i>Changes in Net Assets</i></b>	<u>\$ 2,722,604</u>	<u>\$ 4,610,190</u>
<b><i>Net Assets at beginning</i></b>	<u>\$ 41,963,306</u>	<u>\$ 44,685,910</u>
<b><i>Net Assets at end</i></b>	<u>\$ 44,685,910</u>	<u>\$ 49,296,010</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**USING THE FINANCIAL STATEMENTS**

The Municipality's financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, Financial Statements and Management's Discussion and Analysis for State and Local Governments. The financial statement presentation required by GASB statement no. 34 provides a comprehensive, entity-wide perspective of the Municipality's assets, liabilities, net assets, revenues, expenditures, changes in net assets and cash flows.

The financial statements report information of the Municipality's as a whole and include the financial results of Rio Plata Development, a Business Type Division of the Municipality.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The Municipality's financial statements include three components: (1) the government-wide financial statements, (2) the fund financial statements, and (3) the notes to the financial statements (collectively known as the basic financial statements). This report also contains additional required supplementary information (budgetary schedules) in addition to the basic financial statements themselves. These components are described below:

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Municipality's operations and finance as a whole in a manner similar to private-sector business. These statements provide short-term and long-term information about the Municipality's financial position, which assist the Municipality's management to determine the economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means that these financial statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year ended June 30, 2009 even if cash involved have not been received or paid. The government-wide financial statements include: (1) the statements of net assets and (2) the statement of activities.

**Statement of Net Assets**

The statement of net assets presents all of the Municipality's assets and liabilities, with the difference between these two items reported as "net assets" (equity). Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Municipality is either improving or deteriorating.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**Statement of Activities**

The statement of activities presents information showing how the Municipality's net assets changed during the fiscal year ended June 30, 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Municipality.

Both of the abovementioned financial statements present all the governmental activities of the Municipality, which consist mostly by taxes and intergovernmental revenues (such as federal grants). Most services provided by the Municipality fall into this category, including culture, recreation and education, general government, health and sanitation, public safety, public housing and welfare, etc.

**Fund Financial Statements**

The Municipality's fund financial statements, which consist of: (1) the balance sheet – governmental funds and (2) the statement of revenues, expenditures, and changes in fund balances – governmental funds. These financial statements report the financial position and results of operations of the Municipality's governmental funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Municipality, like most other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each fund is considered an independent fiscal entity accounted for within a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial and contractual provisions.

The fund financial statements focus on: (1) individual parts of the Municipality's government and (2) reporting the Municipality's operations in more detail than the government-wide financial statements. For financial reporting purposes, the Municipality classifies its funds within the following fund categories: (1) general fund, (2) debt service fund, (3) special revenue funds and (4) capital projects funds (collectively known as the "governmental funds").

Governmental funds are used to account for all of the services provided by the Municipality and to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Municipality's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Municipality, that is, evaluating the Municipality's near-term financing requirements.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the fund information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Municipality's near-term financial decisions.

For financial reporting purposes the Municipality has four major funds: (1) the general fund, (2) HUD Block Grant, (3) \$3,817,000 Loan, (4) bond fund and (5) special communities' trust fund.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

**Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information consisting of a budgetary comparison between actual operating results with the original budget and the final amended budget for the general fund.

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**Statement of Net Assets**

The statement of net assets presents the assets, liabilities and net assets of the Municipality as of the fiscal year ended June 30, 2009. The net assets are displayed in three parts, invested in capital assets, restricted and unrestricted. Restricted net assets may either be expendable or nonexpendable and are those assets that are restricted by law or by an external donor. Unrestricted net assets, while they are generally designated for specific purposes. The statement of net assets, along with the Municipality's basic financial statements, is prepared under the accrual basis of accounting, whereby revenues are recognized when realized and expenses are recorded when the service or good is received, regardless of when the cash is exchanged.

Cash and cash equivalents represent 3.02% of total assets while investment in certificates of deposit represents 6.45% of it. Capital assets amount to 76.39% of total assets. The other 14.14% represents receivables, restricted cash and cash with fiscal agent.

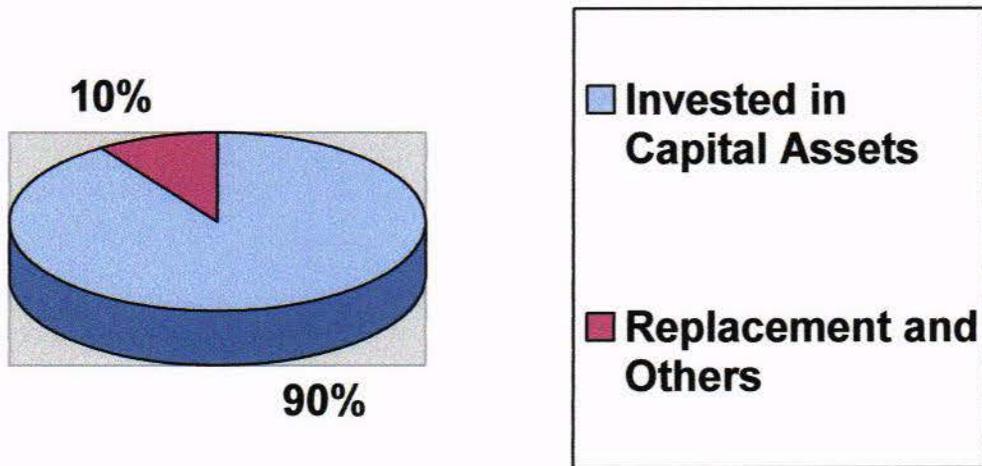
Municipality's cash and cash equivalents changed from \$1,844,419 at June 30, 2008 to \$1,871,643 at June 30, 2009. Capital Assets increased from \$44,776,259 to \$47,382,865 for the same period.

Current liabilities consists primary of accounts payable and accrued expenses which represent 30.06% of total liabilities. Long term debt represents 69.94% of total liabilities.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

Net assets represent the residual interest in the Municipality's assets after liabilities are deducted.

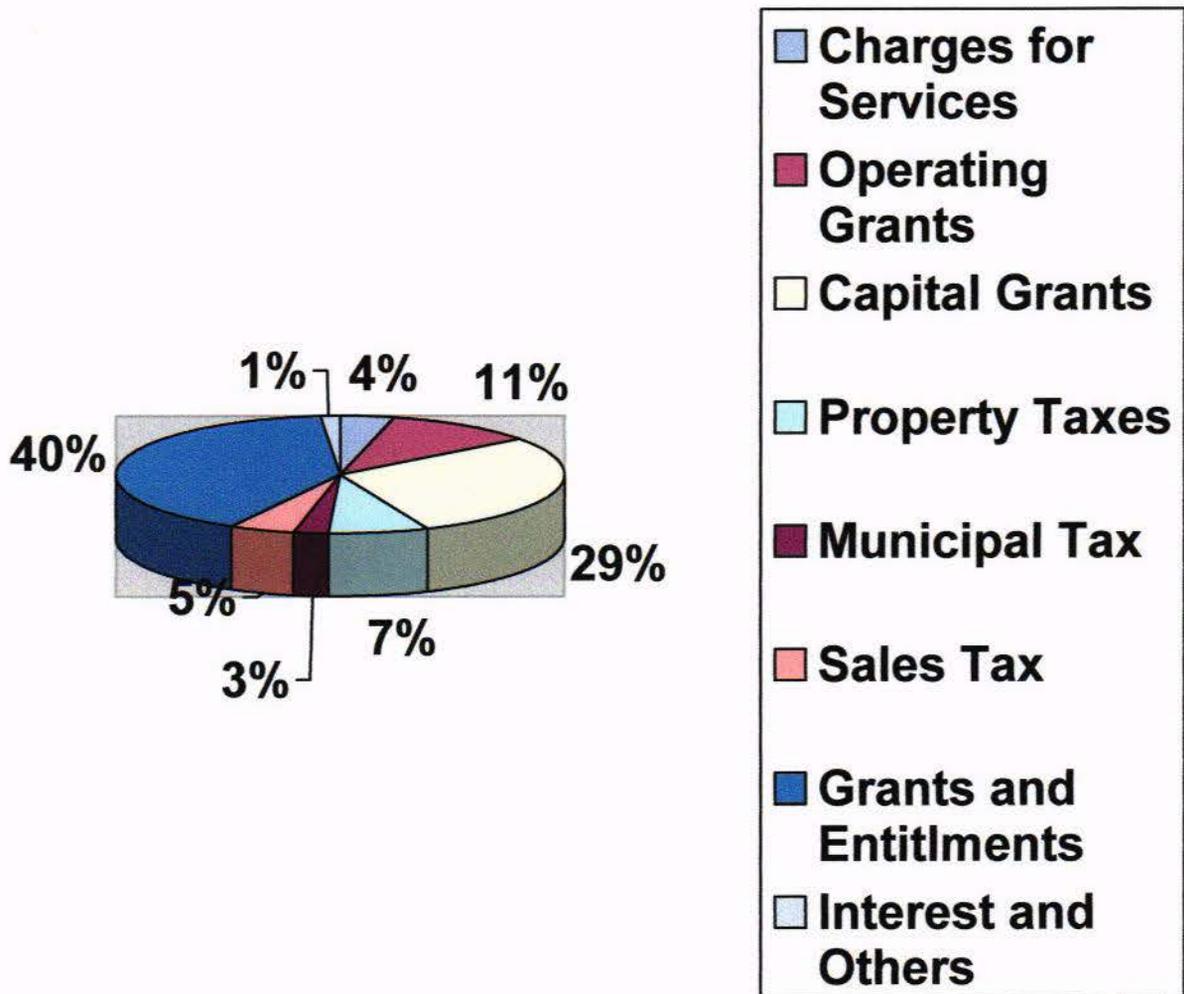
**Net Assets**



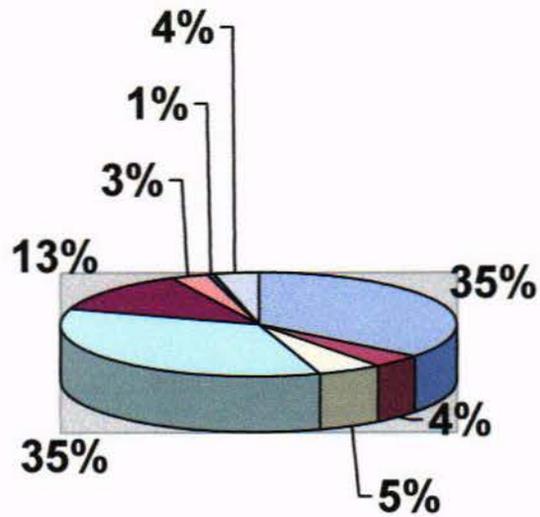
As of June 30, 2009, net assets amounted to \$49,296,010. Net assets invested in capital assets amounted to \$44,582,673 (90%). Restricted and unrestricted net assets amounted to \$4,713,337 (10%).

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERÍO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

The following illustrations demonstrate the Municipality's major sources of revenues and expenses.



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**



**General Administration**

**Public Safety**

**Education, Culture and Recreational**

**Public Works and Sanitation**

**Health and Welfare**

**Public Relation**

**Interest**

**Housing**

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2009**

	<b>PRIMARY GOVERNMENT</b>		
<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
Cash and cash equivalents	\$ 1,870,103	\$ 1,540	\$ 1,871,643
Cash with fiscal agent	4,887,031		4,887,031
Investment in certificates of deposit	4,000,000		4,000,000
Accounts receivable:			
Other agencies	2,251,685	3,797	2,255,482
Other		2,333	2,333
Property tax	616,416		616,416
Restricted cash		1,012,223	1,012,223
Capital assets, net	<u>46,412,204</u>	<u>970,661</u>	<u>47,382,865</u>
<b>Total Assets</b>	<u>60,037,440</u>	<u>1,990,554</u>	<u>62,027,994</u>
 <b>LIABILITIES AND NET ASSETS</b>  			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	2,710,146	78,979	2,789,125
Deferred revenue	742,355		742,355
Deposits	65,848	13,965	79,813
Due to other agencies	216,198		216,198
Long-term debt:			
Due within one year	1,021,575	94,232	1,115,807
Due in more than one year	<u>6,816,482</u>	<u>972,176</u>	<u>7,788,658</u>
<b>Total Liabilities</b>	<u>11,572,604</u>	<u>1,159,352</u>	<u>12,731,956</u>
Invested in capital assets, net of related liabilities	44,486,926	95,747	44,582,673
Restricted for:			
Debt service	845,342		845,342
Capital project	4,374,563		4,374,563
Other	138,472		138,472
Replacements and other		1,012,223	1,012,223
Unrestricted	<u>(1,380,495)</u>	<u>(276,768)</u>	<u>(1,567,263)</u>
<b>Total Net Assets</b>	<u>\$48,464,808</u>	<u>\$ 831,202</u>	<u>\$49,296,010</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>FUNCTIONS AND PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)/ REVENUE</u>
		<u>CHARGE FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
Governmental activities:					
General administration	\$ (6,624,004)		\$ 203,324		\$(6,420,770)
Public safety	(866,037)		226,330		(639,707)
Education, culture and recreational	(890,344)	\$ 9,026	289,506		(591,812)
Public works and sanitation	(5,048,115)			\$8,140,100	3,091,985
Health and welfare	(2,013,957)	259,000	1,116,267		(638,690)
Public relations	(396,110)				(396,110)
Planning and general service	(500,338)				(500,338)
Interest	(132,112)				(132,112)
Total governmental activities	<u>(16,471,107)</u>	<u>268,026</u>	<u>1,835,427</u>	<u>8,140,100</u>	<u>(6,227,554)</u>
Business type-activities:					
Housing	(454,193)	540,762			86,569
Interest	(92,890)				(92,890)
	<u>(547,083)</u>	<u>540,762</u>			<u>(6,321)</u>
Total	<u>\$(17,018,190)</u>	<u>\$808,788</u>	<u>\$1,835,427</u>	<u>\$8,140,100</u>	<u>\$(6,233,875)</u>

(Continue)

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Net (expense)/revenue	\$ (6,227,554)	\$ (6,321)	\$(6,233,875)
General revenue:			
Taxes:			
Property taxes	920,809		920,809
Municipal tax	611,511		611,511
Sale tax	903,971		903,971
Construction excise tax	284,671		284,671
Grants and entitlements	7,854,828		7,854,828
Licenses and permits	6,797		6,797
Interest	132,291	5,547	137,838
Rent	107,080		107,080
Other	16,470		16,470
Total general revenues	<u>10,838,428</u>	<u>5,547</u>	<u>10,843,875</u>
Changes in net assets	4,610,874	(774)	4,610,100
Net assets at beginning	<u>43,853,934</u>	<u>831,976</u>	<u>44,685,910</u>
Net assets at end	<u>\$ 48,464,808</u>	<u>\$831,202</u>	<u>\$49,296,010</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2009**

	<b>MAYOR FUNDS</b>						
	<u>GENERAL FUND</u>	<u>HUD BLOCK GRANT</u>	<u>\$3,817,000 LOAN</u>	<u>BONDS FUND</u>	<u>SPECIAL COMMUNITIES TRUST FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Cash:</b>							
Cash in bank	\$ 66,169	\$8,701		\$ 316,703	\$ 166,870	\$ 1,311,661	\$ 1,870,103
Cash with fiscal agent			\$3,663,917			1,223,114	4,887,031
Investment in saving certificates	650,000			1,150,000	2,000,000	200,000	4,000,000
<b>Receivables:</b>							
Property taxes	503,883					112,533	616,416
Due from other governmental agencies	26,734	381,446				1,843,505	2,251,685
Due from other funds	<u>1,178,997</u>					<u>292,639</u>	<u>1,471,636</u>
<b>Total Assets</b>	<u>\$2,425,783</u>	<u>\$390,147</u>	<u>\$3,663,917</u>	<u>\$1,466,703</u>	<u>\$2,166,870</u>	<u>\$4,983,452</u>	<u>\$15,096,870</u>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ 731,290	\$390,147			\$ 571,693	\$ 942,637	\$ 2,635,767
Deferred revenues	975,635					452,287	1,427,922
Deposits	65,848						65,848
Due to other fund	292,639				39,210	1,139,787	1,471,636
Due to other agencies	<u>216,198</u>						<u>216,198</u>
<b>Total Liabilities</b>	<u>2,281,610</u>	<u>390,147</u>			<u>610,903</u>	<u>2,534,711</u>	<u>5,817,371</u>
<b>Fund Balance</b>							
Unreserved	144,173		\$3,663,997	\$1,466,703	1,555,967		6,830,760
Unreserved reported as non- major other purpose						2,448,741	2,448,741
<b>Total Fund Balance</b>	<u>144,173</u>		<u>3,663,997</u>	<u>1,466,703</u>	<u>1,555,967</u>	<u>2,448,741</u>	<u>9,279,501</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$2,425,783</u>	<u>\$390,147</u>	<u>\$3,663,997</u>	<u>\$1,466,703</u>	<u>\$2,166,870</u>	<u>\$4,983,452</u>	<u>\$15,096,872</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2009**

<b>Fund Balances in Governmental Funds</b>	<b>\$ 9,279,501</b>
 <i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,412,204
Receivables deferred in governmental fund financial statements	685,567
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(5,807,000)
Accrued interest	(74,407)
Compensated absences	(1,332,866)
Advances from CRIM	(698,191)
	<b><u>\$48,464,808</u></b>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	MAJOR FUNDS						TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	HUD BLOCK GRANT	\$3,817,000 LOAN	BONDS FUND	SPECIAL COMMUNITIES TRUST FUND	OTHER GOVERNMENTAL FUNDS	
<b>Revenues:</b>							
Taxes:							
Property taxes	\$ 1,239,713					\$ 98,802	\$ 1,338,515
Municipal tax	611,511						611,511
Sales tax	535,141					368,830	903,971
Excise taxes	284,671						284,671
Grants and entitlements	7,586,797	\$2,116,345		\$1,171,000	\$2,370,395	4,585,818	17,830,355
Rental income	366,080						366,080
Licenses and permits	6,797						6,797
Interest	128,519					3,772	132,291
Other	25,496						25,496
<b>Total Revenues</b>	<u>10,784,725</u>	<u>2,116,345</u>		<u>1,171,000</u>	<u>2,370,395</u>	<u>5,057,222</u>	<u>21,499,687</u>
<b>Expenditures:</b>							
General administration	5,626,689					678,715	6,305,404
Public safety	647,577					185,711	833,288
Education and recreational	369,143					297,000	666,143
Public works and sanitation	2,414,714	2,116,345	\$153,083	225,602	1,357,612	2,255,512	8,522,868
Health and welfare	727,047					1,284,590	2,011,637
Public Relation	396,110						396,110
Planning and general services	500,338						500,338
Debt service:							
Principal						161,000	161,000
Interest						83,279	83,279
<b>Total expenditures</b>	<u>10,681,618</u>	<u>2,116,345</u>	<u>153,083</u>	<u>225,602</u>	<u>1,357,612</u>	<u>4,945,807</u>	<u>19,480,067</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>\$ 103,107</u>	<u>\$</u>	<u>\$(153,083)</u>	<u>\$ 945,398</u>	<u>\$1,012,783</u>	<u>\$ 111,415</u>	<u>\$ 2,019,620</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009**

**MAJOR FUNDS**

	<u>GENERAL FUND</u>	<u>HUD BLOCK GRANT</u>	<u>\$3,817,000 LOAN</u>	<u>BONDS FUND</u>	<u>SPECIAL COMMUNITIES FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 103,107</u>	<u>          </u>	<u>\$ (153,083)</u>	<u>\$ 945,398</u>	<u>\$1,012,783</u>	<u>\$ 111,415</u>	<u>\$2,019,620</u>
<b>Other financing sources (uses):</b>							
Operating transfer in	3,772					85,692	89,464
Operating transfer out	(85,692)					(3,772)	(89,464)
Rescued from loan			<u>3,817,000</u>				<u>3,817,000</u>
<b>Total other financing sources</b>	<u>(81,920)</u>	<u>          </u>	<u>3,817,000</u>	<u>          </u>	<u>          </u>	<u>81,920</u>	<u>3,817,000</u>
<b>Excess of revenues and other financing sources (under) expenditures and other financing sources</b>	21,187		3,663,917	945,398	1,012,783	193,335	5,836,620
Fund balance beginning of year	<u>122,986</u>	<u>          </u>	<u>          </u>	<u>521,305</u>	<u>543,184</u>	<u>2,255,406</u>	<u>3,442,881</u>
Restatement							
<b>Fund balance at end of year</b>	<u>\$ 144,173</u>	<u>\$          </u>	<u>\$3,663,717</u>	<u>\$1,466,703</u>	<u>\$1,555,967</u>	<u>\$2,448,741</u>	<u>\$9,279,501</u>

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

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

**Net change in fund balances – total governmental funds** **\$5,836,620**

*Amounts reported for Governmental Activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in The current period. 4,496,909

Governmental funds report principal payments on long-term debt as expenditures, whereas the principal payments reduce the long-term debt in the statement of net assets. 161,000

Governmental funds report proceed from long-term debt as other financial sources, whereas the proceed is recorded as a liabilities in the statement of net assets. (3,817,000)

Changes in accrued expenses which do not require the use of current financial resources:

Interest	(48,833)
Compensating absences	160,206
Deferred revenues	(417,706)

Governmental funds report payments of other long-term debt as expenditures where as the payment reduces the-long term is the obligate in the statement of net assets. 24,004

Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (1,784,326)

***Changes in Net Assets of Governmental Activities*** **\$ 4,610,874**

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
PROPERTY FUND STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009**

**ASSETS**

	<b>BUSINESS TYPE ACTIVITIES RIO PLATA DEVELOPMENT</b>
<b>Current Assets:</b>	
Cash	\$ 1,540
Accounts receivable:	
HUD	3,797
Other	<u>2,333</u>
	<u>7,670</u>
 <b>Property and Equipment</b>	 970,661
 <b>Restricted deposits</b>	 <u>1,012,223</u>
	 <u>\$1,990,554</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>	
Current liabilities:	
Current maturities of mortgage note	\$ 94,232
Accounts payable and accrued expenses	<u>92,944</u>
	187,176
Accrued liabilities:	
Mortgage note, net of current maturities	<u>972,176</u>
	<u>1,159,352</u>
 <b>Net assets</b>	 <u>831,202</u>
 <b>Total liabilities and net assets</b>	 <u>\$1,990,554</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
STATEMENT OF ACTIVITIES PROPERTY FUND  
YEAR ENDED JUNE 30, 2009**

	<b>BUSINESS TYPE ACTIVITIES RIO PLATA DEVELOPMENT</b>
<b>Revenues:</b>	
Rent	\$540,762
Financial	<u>5,547</u>
<b>Total revenues</b>	<u>546,309</u>
<b>Expenses:</b>	
Administrative	146,170
Utilities	11,275
Operating Maintenance	152,116
Taxes and insurance	35,305
Depreciation	109,327
Interest	<u>92,890</u>
<b>Total Expenses</b>	<u>547,083</u>
<b>Change in net assets</b>	(774)
Project net assets, beginning of year	<u>831,976</u>
<b>Project net assets, and year</b>	<u>\$831,202</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
PROPERTY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

**BUSINESS TYPE ACTIVITIES  
RIO PLATA DEVELOPMENT**

**Cash flows from operating activities:**

**Receipts:**

Rental receipts	\$537,942
Interest receipts	3,134
Other operating receipts	<u>2,413</u>
 Total receipts	 <u>543,489</u>

**Disbursements:**

Administrative	39,024
Management fee	42,120
Utilities	11,275
Salaries and wages	83,109
Operating and maintenance	134,653
Property insurance	12,071
Miscellaneous taxes and insurance	23,588
Interest on first mortgage	<u>92,890</u>
 Total disbursements	 <u>438,730</u>

<b>Net cash provided by operating activities</b>	<b><u>104,759</u></b>
--	-----------------------

**Cash flows from investing activities:**

Net deposits to the reserve for replacement account	(35,595)
Net withdrawals of reserve for replacement	32,400
Net deposits to the residual receipts account	(656)
Net purchase of fixed assets	<u>(3,350)</u>

<b>Net cash used in investing activities</b>	<b><u>\$ (7,201)</u></b>
--	--------------------------

(Continue)

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
PROPERTY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>BUSINESS TYPE ACTIVITIES RIO PLATA DEVELOPMENT</b>
<b>Cash flows from operating activities:</b>	
Principal payments- first mortgage	\$ (84,933)
Net decrease in bank overdraft-operations	<u>(12,553)</u>
<b>Net cash used in financing activities</b>	<u>(97,486)</u>
<b>Net increase in cash</b>	72
<b>Cash at beginning of year</b>	<u>1,468</u>
<b>Cash at end of year</b>	<u>\$ 1,540</u>
<b>Reconciliation of change in total net assets from operation to net cash provided by operating activities:</b>	
Change in total net assets from operations	\$ (774)
<b>Adjustment to reconcile change in total net assets form operations to net cash provided by operating activities:</b>	
Depreciation expense	109,327
Allowance for debt expense	7,834
<b>(Increase) decrease in current assets and increase (decrease) in current liabilities:</b>	
Tenant accounts receivable	(10,689)
Cash restricted for tenant security deposits	13
Accounts payable	(28,009)
Accrued liabilities	27,070
Tenant security deposits held in trust	<u>(13)</u>
<b>Net cash provided by operating activities</b>	<u>\$104,759</u>

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

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**1. ORGANIZATION**

The Municipality of Comerío (the Municipality) was established in 1826. The Municipality is a political and legal entity with full legislative and administrative faculties in every affair of municipal character, with perpetual succession, existence and legal personality separate and independent from the government of the Commonwealth of Puerto Rico.

The municipal government is comprised of the executive and legislative bodies, which are elected every four years in the Puerto Rico general elections. The executive power is exercised by the Mayor and the legislative power by the Municipal Legislative Body, which has twelve members.

The Municipality provides the following services to its community: health, public works, education, public safety, housing, community and social services, welfare, culture and recreation, as well as many other general and administrative services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Municipality relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant policies of the Municipality are described below.

**Reporting entity**

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Municipality consists of all funds and departments that are not legally separate from the Municipality. For the Municipality of Comerío, this includes various services including police protection, recreation (including parks), street maintenance and repair, sanitation, and general administrative services. The operation of each of these activities is directly controlled by Municipality Legislative Body through the budgetary process.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Component units are legally separate organizations for which the Municipality is financially accountable. The Municipality has no component units.

**Government wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which normally are supported mainly by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements segregate transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The Municipality reports the following major governmental funds:

1) **General Fund**

This is the operating fund of the Municipality and accounts for all financial resources, except those required to be accounted for in another fund.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2) HUD Block Grant

This fund was created for the accountability of the State Community Block Grant of the US Housing Development Department.

3) \$3,817,000 Loan

The fund accounts for proceed and expenditures of a special loan for the development of capital projects. The loan will be unpaid with state sale tax.

4) Bonds fund

This is a special fund created for the accountability of a grant provided by the Commonwealth of Puerto Rico from issuance of bonds which proceeds are internal

5) Specials Communities Trust Fund

This is a special fund created for the accountability of a grant which proceeds are intended to be used for infrastructure projects in special communities among the Municipality.

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statement of Net Assets and the Statement of Activities, both government and business like activities, are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Under this method revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for debt service, compensated absences and claims and judgments expenditures which are reported when payment is due.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement focus, basis of accounting and financial statement presentation (continued)**

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, than unrestricted resources as they are needed.

**Cash, cash equivalents, cash with fiscal agent and investment**

The Municipality's finance director is responsible for investing available resources. The Municipality is restricted by law to invest only in savings accounts and certificates of deposit with banks qualified as a depository of public funds by the Puerto Rico Treasury Department (PRTD) or in instruments of the Government Development Bank for Puerto Rico (GDB). The Municipality's policy is to invest any excess cash in interest bearing deposits with institutions qualified by the PRTD. Earnings from these funds are recorded in the corresponding fund as interest income.

Cash with fiscal agent in the governmental fund consists of unused proceeds from bonds and notes issued for the acquisition and construction of major capital improvements. Cash with fiscal agent in the debt service fund represents special additional property tax collections retained by the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service, as established by law.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Municipality considers all investments with an original maturity of three months or less to be cash equivalents.

**Interfund receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). Interfunds receivables and payables within the governmental activities are eliminated in the statement of net assets.

**Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure (which is normally immovable and of value only to the Municipality, such as roads, bridges, streets sidewalks, and drainage system), are reported in the applicable governmental columns in the government-wide financial statements. The Municipality elected to no capitalize infrastructure acquired before the implementation date of GASB 34 (June 30, 2003).

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. When historical cost is not available it is estimated using historic sales of the year of the acquisition of the related capital assets.

Depreciation in capital assets is calculated on the straight-line basis over the following estimated useful lives:

Building	40 years
Equipment	5 years
Infrastructure	40 years
Building improvements	40 years
Furnishing	5 years
Computer	3 years
Vehicles	5 years

The Municipality decides when to capitalize an asset using a capitalization threshold of \$25.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reservation of fund balance**

Reservations of fund balance represent portions of fund balances that are legally segregated for a specific future use or are not appropriated for expenditure. The Municipality has the following reservations of fund balance:

1) Debt/ service

Represents net assets available to finance future debt service payments.

2) Restricted assets:

Restricted assets include cash and investment of the business-type activities that are legally restricted as to his used. The restricted assets are related to replacement reserve, residual receipts reserve and tenants deposit held in trust.

3) State and federal programs

Represent the reservations of amounts available for specific use under state and federal grant programs.

**Risk financing**

The Municipality carries insurance to cover casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the municipalities of Puerto Rico. Cost of insurance allocated to the Municipality and deducted from the gross property tax collections by the Municipal Revenue Collection Center (the "CRIM") for the year ended June 30, 2009 amounted to \$201,478. The current insurance policies have not been cancelled or terminated. The CRIM also deducted \$217,846 for workers compensation insurance covering all municipal employees.

**Post Employment Benefits**

Pursuant various Acts, the Municipality is required to cover annually the 3% increase (cost of living allowance) in the retirement plan of it's retirees employees. Substantially all of the employees may become eligible for these benefits of they reach normal retirement to while working for the Municipality. For the fiscal year ended June 30, 2009, post employment benefits to retirees amounted to \$87,411. These benefits are recorded as expenditures in the general fund when reported by the retirement plan.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Compensated absences**

Employees accumulate vacation leave at a rate of 2.5 days per month up to maximum of 60 days. Unpaid vacation time accumulated is fully vested to the employees from the first day of work.

Employees accumulate sick leave at a rate of 1.5 days per month up to a maximum 90 days. In the event of employee resignation, the employee is paid for accumulated vacations days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years or more of service who are entitled to sick leave pay up to the maximum allowed. Employees' maximum allowed vacations and vested sick benefits are accounted for in the Statement of Net Assets.

**Use of estimates**

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

**Deposits and investments**

Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of Puerto Rico.

**3. PROPERTY TAX**

The personal property tax is self assessed by the taxpayer on a return, which is to be filed by May 15 of each year with the Municipal Revenue Collector Center (the CRIM), a governmental entity created by the Commonwealth of Puerto Rico. Real property tax is assessed by the CRIM on each piece of real state and on each building.

The assessment is made as of January 1 of each year and is based on current values for personal property and on esteemed values as of 1957 for real property tax. The tax on personal property must be paid in full together with the return by May 15. The tax on real property may be paid in two installments by July 1 and January 1.

The CRIM is responsible for the billing and collections of real and personal property taxes on behalf of all the municipalities of Puerto Rico. Before the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collected for the ensuing fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, where by a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**3. PROPERTY TAX (CONTINUED)**

This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after year-end. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a liability to the CRIM is recorded at June 30.

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 exempt amounts, the Puerto Rico Treasury Department assumes payment of the basic tax to the Municipalities, except for property assessed at less than \$3,500 for which no payment is made. As part of Law No. 83 of August 30, 1991, as amended, the exempt amount to be paid by Puerto Rico Treasury Department to the Municipalities was frozen as of January 1, 1992. In addition, the law grants a tax exemption from the payment of personal property taxes of up to \$50,000 of the assessed value to retailers having annual net sales of less than \$150,000.

The annual rate for fiscal year 2009 is 8.78% for real property and 6.78% for personal property of which 1.03% of both tax rates are for the redemption of public debt issued by the Commonwealth of Puerto Rico. The remaining percentage is distributed as follows: (a) 6.0% and 4.0%, respectively, represent the Municipality's basic property tax rate, which is appropriated for general purposes and accounted for in the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico Electronic Lottery and subsidy from the Commonwealth of Puerto Rico. From such fund, a distribution is made to all municipalities; (b) 1.75% represents the special ad valorem tax restricted for debt service and accounted for in the debt service fund. The Commonwealth contributes an annual tax rate of 0.2% of the property tax collected and the remaining rate is paid by the taxpayer.

Prior to 1994, the Department of the Treasury was the agency responsible for the assessment of real property and for the administration and collection of the related taxes. Amounts advanced by the Secretary of the Treasury to the Municipality of Comerío, that had not been amortized through the collections of property taxes amounted to \$12,934 as of June 30, 2009.

On January 26, 2000, Public Law 42, as amended, was enacted which authorized the CRIM to obtain a loan up to \$200 million, and for a term not exceeding 30 years, to allow for the financing of the debt that the municipalities of Puerto Rico have with the CRIM arising from final settlements of property tax advances versus actual collections through fiscal year 2000-2001. The amount that the municipalities will collect from the additional property taxes resulting from the increase in the subsidy from the central government to the municipalities was assigned through this law to repay such loan. The increase in this subsidy was the result of the Public Law 238, enacted on August 15 1999. As of June 30, 2009 the amount due to CRIM amounting to \$709,261 is presented as other long-term debt (see Note 10).

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**3. PROPERTY TAX (CONTINUED)**

Total property tax receivable, net of an allowance for uncollectible accounts of \$4,120,473, amounted to \$616,416 at June 30, 2009. The composition of property taxes receivable and the related deferred revenues is as follows at June 30, 2009:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Gross property taxes receivable	\$3,872,407	\$864,482	\$4,736,889
Less allowance for uncollectible accounts	<u>3,368,524</u>	<u>751,949</u>	<u>4,120,473</u>
Net property taxes receivable	<u>\$ 503,883</u>	<u>\$112,533</u>	<u>\$ 616,416</u>
Deferred (unavailable property) tax revenues in GFFS	<u>\$ 489,759</u>	<u>\$109,379</u>	<u>\$ 599,138</u>

**4. VOLUME OF BUSINESS TAX**

The municipal license tax is levied annually based on the volume of business of certain businesses and industrial organizations that operate in the Municipality. The tax rates are 1.50% for financing institutions and .50% for the other business institutions. The taxpayers must file a return not later than April 15 of every year and the tax is payable in two installments, due in July 1 and January 1 of the following fiscal year. The amount levied could be paid with a five percent (5%) discount if payment is made on or before the filing date. The Municipality levied and collected during the year ended June 30, 2009, \$399,447 corresponding to the following fiscal year volume of business tax. This amount was recorded as deferred revenue, and is presented as a liability in the accompanying combined balance sheets.

**5. SALE TAX**

The Municipal Legislature body approved the Ordinance no. 17, series 2006-07 to establish a sale tax of 1.5% effective November 1, 2006. Pursuant to the provisions of the Law number 80 of July 29, 2007 and effective August 1, 2007, the citizenship contribution was uniformly established in 1.5% which is collected by the Treasury Department of the Commonwealth of Puerto Rico. This law uniformed the used of the contribution of 1.5% in the following activities; solid waste disposal costs, recycle, public works and improvements, health services and security service.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**6. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues sources consist of contributions received from certain quasi-public corporations of the Commonwealth of Puerto Rico, such as the Puerto Rico Aqueduct and Sewer Authority and the Puerto Rico Electric Power Authority. Also, the Municipality receives some subsidies from the Commonwealth of Puerto Rico which include, among others, a subsidy for general operations and for the financing of capital improvements. The intergovernmental revenues are recorded in the General fund, except for those that are legally restricted for expenditure for specified purposes which are recorded in the Other Governmental Funds.

**7. DEFERRED REVENUE**

**Deferred revenue consist o the following**

Deferred revenue in the general fund related to the municipal license tax collected in the fiscal year 2007-2008 that will be earned in fiscal year 2008-2007.	\$ 399,447
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The deferred revenue presented in other governmental funds is the portion of federal grants received for which qualifying expenditures have not been incurred.	<u>342,908</u> 742,355
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Amount due from other governmental entity but not available	86,429
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Property tax receivable but not available in the government fund financial statements.	<u>599,138</u>
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\$1,427,922

**8. COMMITMENTS AND CONTINGENCIES**

At June 30, 2009, the Municipality was defendant and/or codefendant in several litigations arising out of the normal Municipality's operations. Most of the cases are covered by insurance. Management, after consultation with legal counsel, is of the opinion that the ultimate liability, in excess of insurance coverage, if any, resulting from such pending litigations would not be material in relation to the financial position of the Municipality.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time, although the Municipality expects such amounts, if any, to be immaterial.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**9. RESTRICTED DEPOSIT**

Restricted cash in the business type activities included restricted deposits as follows:

Replacement reserve	\$ 962,274
Security deposits	13,965
Residual receipts	<u>35,984</u>
	<u>\$1,012,223</u>

**A. Replacement Reserve**

The project is required under the Project Rental Assistance Contract (PRAC) and federal regulations, to set aside amounts to aid in funding extraordinary maintenance and repair and replacement of capital items in accordance with applicable regulations. Funds may be drawn from the reserve and used only in accordance with HUD guidelines and with approval of, or as directed by, HUD.

**B. Security Deposits**

The project is required, under federal regulations, to set aside, at the time of the initial execution of the lease, the tenant's security deposit and its accumulated interest. The project must refund to the tenant, the full amount of the tenant's security deposit, provided the tenant does not owe any amount under the lease. The Project may use the tenant's security deposit balance as a reimbursement for any unpaid amounts the tenant owes under the lease.

**C. Residual Receipts**

The Project is required, under federal regulations and PRAC, to set aside the surplus project funds in an interest-bearing residual receipts account when the project funds are more than needed for the operation of the project, to pay operating expenses, and to make the required deposits to the replacement reserve. Withdrawals from this account will be made only with the approval of HUD and for project purposes, including the reduction of project rental assistance payments.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**10. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

<b>Primary Government</b>	<b>Balance June 30, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,835,925	\$ 51,980		\$ 6,887,905
Construction progress	<u>9,014,807</u>	<u>1,879,147</u>	<u>\$ 8,009,300</u>	<u>2,884,654</u>
Total capital assets not being depreciated	<u>15,850,732</u>	<u>1,931,127</u>	<u>8,009,300</u>	<u>9,777,559</u>
Capital assets being depreciated:				
Buildings	20,329,620			20,329,620
Equipment	1,470,326	237,506	38,486	1,669,346
Infrastructure	2,098,078			2,098,078
Infrastructure equipment	2,949,474	6,668,738		9,618,212
Buildings improvements	5,949,450	3,583,072		9,532,522
Furnishing	427,308	33,721	2,955	458,074
Work of art	1,580			1,580
Computer	242,148	23,978	3,601	262,525
Vehicles	<u>3,464,016</u>	<u>28,800</u>	<u>178,097</u>	<u>3,314,719</u>
Total capital assets being depreciated	<u>36,932,000</u>	<u>10,575,815</u>	<u>223,139</u>	<u>47,284,676</u>
Less accumulated depreciation for:				
Buildings	(3,273,612)	(507,153)		(3,780,765)
Equipment	(1,068,459)	(190,334)	37,752	(1,221,041)
Infrastructure	(181,771)	(52,452)		(234,223)
Infrastructure equipment	(373,273)	(580,529)		(953,802)
Buildings improvements	(580,963)	(225,648)		(806,611)
Furnishing	(286,304)	(47,768)	2,955	(331,117)
Work of art	(1,580)			(1,580)
Computer	(203,559)	(24,211)	3,601	(224,169)
Vehicles	<u>(3,113,590)</u>	<u>(156,230)</u>	<u>178,097</u>	<u>(3,091,723)</u>
	<u>(9,083,111)</u>	<u>(1,784,325)</u>	<u>222,405</u>	<u>(10,645,031)</u>
Total depreciable capital assets, net	<u>27,848,889</u>	<u>8,791,490</u>	<u>(734)</u>	<u>36,639,645</u>
Governmental activities capital assets net	<u>\$43,699,621</u>	<u>\$10,722,617</u>	<u>\$ 8,010,034</u>	<u>\$ 46,412,204</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**10. CAPITAL ASSETS (CONTINUED)**

<u>Primary Government</u>	<u>Balance June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2009</u>
Business-type activities:				
Capital assets net being depreciated:				
Land	\$ 134,360	_____	_____	\$ 134,360
Capital assets being depreciated:				
Building and improvements	3,827,974	\$ 3,350	_____	3,831,324
Office furniture and equipment	<u>188,321</u>	_____	_____	<u>188,321</u>
	<u>4,016,295</u>	<u>3,350</u>	_____	<u>4,019,645</u>
Less accumulated depreciation:				
Building and improvements	(2,910,807)	(96,298)	_____	3,007,105
Office furniture and equipment	<u>(163,210)</u>	<u>(13,029)</u>	_____	<u>(177,039)</u>
	<u>(3,074,017)</u>	<u>(109,327)</u>	_____	<u>(3,183,344)</u>
Total depreciation, capital, assets net	<u>942,278</u>	<u>(105,977)</u>	_____	<u>836,301</u>
Business activities capital assets, net	<u>\$1,076,638</u>	<u>\$(105,977)</u>	<u>\$ _____</u>	<u>\$ 970,661</u>

Depreciation expense was charged to functions/programs of the Municipality as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General administration	\$ 502,900	
Public safety	32,749	
Public works	1,022,156	
Education, culture and recreation	224,201	
Health and welfare	2,320	
Housing	_____	<u>\$109,327</u>
Total depreciation expense	<u>\$1,784,326</u>	<u>\$109,327</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**11. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2009 was as follows:

<b>Primary government: Governmental Activities:</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within one year</u></b>
Bonds and notes payable	\$2,151,000	\$3,817,000	\$161,000	\$5,807,000	\$ 206,000
Advance from CRIM	722,195		24,004	698,191	15,575
Compensated absences	<u>1,493,072</u>	<u>          </u>	<u>160,206</u>	<u>1,332,866</u>	<u>800,000</u>
	4,366,267	3,817,000	345,210	7,838,057	1,021,575
<b>Business-type activities:</b>					
Mortgage payable	<u>1,151,341</u>	<u>          </u>	<u>84,933</u>	<u>1,066,408</u>	<u>34,232</u>
Total	<u>\$5,517,608</u>	<u>\$3,817,000</u>	<u>\$430,143</u>	<u>\$8,904,465</u>	<u>\$1,055,807</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**11. LONG-TERM DEBT (CONTINUED)**

**Governmental activities:**

Bonds and notes payable:

\$342,000 Municipal public improvement bonds of 1993 payable in annual principal installments of \$18,000 to \$26,000 through January 1, 2016 plus interest at 5.75%	\$152,000
\$95,000 public improvement bonds of 1993 payable in annual principal installments ranging from \$5,000 to \$7,000 through January 1, 2016, plus interest at 5%	41,000
\$505,000 municipal general obligation bonds of 2003 payable in annual principal installments ranging from \$15,000 to \$40,000 through Jul1, 2027, plus interest at 5% to 6.5%	445,000
\$1,010,000 notes of 2005 payable in an annual principal installment of \$25,000 to \$70,000 through July 1, 2029, plus Interest at 5%	895,000
\$3,817,000 municipal special obligation note serial of 2008 payable in an annual installments regarding from \$90,000 to \$342,000 in July 1, 2028 plus interest at 5.4%	3,817,000
\$200,000 municipal general obligation notes serial of 2004 payable in annual principal installments ranging from \$28,000 to \$33,000 through January 1, 2013, plus interest at 4.50%.	122,000
\$100,000 municipal general obligation note of 2007 payable in annual installments ranging from \$13,000 to \$16,000 though January 1, 2015 plus notes at 4.13%.	87,000
\$284,000 municipal general obligation note payable in monthly installments ranging from \$39,000 to \$46,000 though January 1, 2015 plus interest of 4.13%.	<u>248,000</u>
	<u>\$5,807,000</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**11. LONG-TERM DEBT (CONTINUED)**

**Business-type activities:**

Mortgage note payable in monthly installments of \$15,513 including interest at 9% including subsidy interest of 8% through 2017. The note is secured by a residential building. \$1,066,408

**Advances from CRIM**

These amounts represent the balance owed to CRIM at June 30, 2009 as described in Note 3 and is payable in semiannual aggregated installments of \$33,245 through August 2009 and \$28,303 thereafter through July 2032 including interest at 6.1%.

**Health Reform Insurance Liability**

The amount due to the Puerto Rico Health Insurance Administration is related with an unpaid balance from year ended at June 30, 1997 accordingly with the implementation of Act No. 72 of September 7, 1993, which establishes contributions for the medical services covered by the Health Reform based on the operational budget of the municipalities. The unpaid balance will be amortized through the proportional participation of the municipalities to the annual increase in electronic lottery income which will be collected and withheld by the Treasury Department of Puerto Rico.

The annual debt service requirements to maturity long-term debt as of June 30, 2009 are as follows:

**Governmental-Type Activities**

<u>Bonds and Notes Payable</u> <u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 206,000	\$ 262,058
2011	244,000	366,093
2012	260,000	351,619
2013	275,000	340,244
2014	253,000	319,961
2015-2019	1,149,000	1,364,645
2020-2024	1,419,000	879,339
2025-2029	1,931,000	366,650
2030	<u>70,000</u>	<u>1,750</u>
	<u>\$5,807,000</u>	<u>\$4,252,359</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**11. LONG-TERM DEBT (CONTINUED)**

**Due to CRIM:**

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 15,575	\$ 42,877
2011	14,590	42,015
2012	15,507	41,098
2013	16,481	40,124
2014	17,517	39,088
2015-2019	105,545	177,481
2020-2024	143,139	139,885
2025-2029	194,125	88,900
2030-2031	<u>175,712</u>	<u>22,406</u>
	<u>\$698,191</u>	<u>\$633,874</u>

**Business-type activities**

**Mortgage note payable:**

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 94,232	\$ 91,924
2011	103,037	83,119
2012	112,318	73,838
2013	122,881	63,275
2014	136,504	49,652
2015-2018	<u>497,436</u>	<u>61,032</u>
	<u>\$1,066,408</u>	<u>\$422,840</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**12. RETIREMENT SYSTEM**

**Defined Benefit Pension Plan**

The Employees' Retirement System of the Commonwealth of Puerto Rico and its instrumentalities (the "Retirement System"), created pursuant to Act. No. 447 of May 15, 1951, as amended, is a cost-sharing multiple employer defined benefit pension plan sponsored by, and reported as a component unit of the Commonwealth. All regular employees of the Municipality hired before January 1, 2000 and under 55 years of age at the date of employment became members of the Retirement System as a condition to their employment. No benefits are payable if the participant receives a refund of his/her accumulated contributions.

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Commonwealth's legislature. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten years of plan participation. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least ten years of service to receive non-occupational disability benefits.

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

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive 65 percent of the average compensation, as defined, otherwise they will receive 75 percent of the average compensation, as defined.

Commonwealth legislation requires employees to contribute 5.775% for the first \$550 of their monthly gross salary and 8.275% for the excess over \$550 of monthly gross salary. The Bank is required by the same statute to contribute 9.275% of the participant's gross salary.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**12. RETIREMENT SYSTEM (CONTINUED)**

**Defined Contribution Plan**

The Legislature of the Commonwealth enacted Act No. 305 on September 24, 1999, which amends Act No. 447 to establish, among other, a defined contribution savings plan program (the "Program") to be administered by the Retirement System. All regular employees hired for the first time on or after January 1, 2000 and former employees who participated in the defined benefit pension plan, received a refund of their contributions and are rehired on or after January 1, 2000 become members of a Program as a condition to their employment. In addition, employees who at December 31, 1999 were participants of the defined pension plan, had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the defined benefit pension plan plus interest thereon to the Program.

Act No. 305 requires employees to contribute 8.275% of their monthly gross salary to the Program. Employees may elect to increase their contribution up to 10% of their monthly gross salary. Employee contributions are credited to his/her individual account established under the Program. Participants have three options to invest their contributions to the Program. Investment income is credited to the participant's account semi-annually.

The Bank is required by Act No. 305 to contribute 9.275% of the participant's gross salary. The Retirement System will use these contributions to increase its asset level and reduce the unfunded status of the defined benefit pension plan.

Upon retirement, the balance in the participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants with a balance of \$10,000 or less at retirement will receive a lump-sum payment. In case of death, the balance in the participant's account will be paid in a lump-sum to his/her beneficiaries. Participants have the option of a lump-sum or purchasing an annuity contract in case of permanent disability.

Total employees and employer contributions to the above mentioned plans during the year ended June 30, 2009 amounted to approximately \$259,202 and \$294,920, respectively. This amount represented 100% of the required contribution for the year.

Additional information on the Retirement System is provided in its financial statements for the year ended June 30, 2009, a copy of which can be obtained from the Retirement System.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**13. CONTINGENCIES**

At June 30, 2009, the Municipality was defendant and/or codefendant in several litigations arising out of the normal Municipality's operations. Most of the cases are covered by insurance. Management, after consultation with legal counsel, is of the opinion that the ultimate liability, in excess of insurance coverage, if any, resulting from such pending litigations would not be material in relation to the financial position of the Municipality.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time, although the Municipality expects such amounts, if any, to be immaterial.

**RIQUIRED SUPPLEMENTARY INFORMATION**

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF BUDGETARY COMPARISON**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AT BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 1,289,694	\$ 1,289,694	\$ 1,289,694	
Municipal tax	520,201	520,201	598,161	\$ 77,960
Sales tax	470,294	470,294	535,140	64,846
Excise taxes	383,800	383,800	284,671	(99,129)
Grants and entitlements	7,129,476	7,129,476	7,129,098	(378)
Rental income	396,252	396,252	370,762	(25,490)
Licenses and permits	5,000	5,000	2,115	(2,885)
Interest	139,000	139,000	132,290	(6,710)
Other	<u>668,846</u>	<u>668,846</u>	<u>16,922</u>	<u>(651,924)</u>
Total revenues	<u>11,002,563</u>	<u>11,002,563</u>	<u>10,358,853</u>	<u>(643,710)</u>
<b>Expenditures:</b>				
General administration	5,669,085	5,826,894	5,564,432	262,462
Public safety	690,163	664,370	647,577	16,793
Education, culture and recreational	395,762	387,418	369,145	18,273
Public works and sanitation	2,605,396	2,462,265	2,414,713	47,552
Health and welfare	751,060	740,987	727,048	13,939
Public relation	361,189	404,334	396,109	8,225
Planning and general service	<u>529,908</u>	<u>516,295</u>	<u>500,338</u>	<u>15,957</u>
Total expenditures	<u>11,002,563</u>	<u>11,002,563</u>	<u>10,619,362</u>	<u>383,201</u>
Excess of revenue over expenditure	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ (260,509)</u>	<u>\$(260,509)</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO SCHEDULE OF BUDGETARY COMPARISON**  
**JUNE 30, 2009**

**1. BUDGETS AND BUDGETARY ACCOUNTING**

The Municipality follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for special revenue funds because effective budgetary control is alternatively achieved through legal and contractual grant requirements provisions.
- 2) On or before May 15, the Mayor submits to the Municipal Legislative Body a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing them.
- 3) Prior to June 13, the budget is legally enacted through passage of an ordinance.
- 4) The Municipal Legislative Body approves, by ordinance budget appropriations by functional basis. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Municipal Legislative Body.
- 5) Unused appropriations for the annual budgeted funds lapse at the end of the year.

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

The presentation of the budgetary data excludes other appropriations such as capital projects, debt service and special revenue funds because projects are funded on a multi-year nature, generally requiring several years to complete or effective budgetary control is alternatively achieved through general obligation bond indentures and legal and contractual grant agreement provisions.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE (CONTINUED)**  
**JUNE 30, 2009**

**2. RECONCILIATION OF GAAP TO BUDGETARY BASIS**

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

	<u>Revenues</u>	<u>Expenditures</u>
Revenue and expenses for generally accepted accounting principles (GAAP) basis	\$10,787,725	\$10,681,618
Transfer in included as revenues in budgetary basis	3,772	
Income earned during fiscal year 2008-09 and recorded as income in prior year budget.	(457,699)	
Transfer out included as expenditures in budgetary basis		85,692
Other adjustment to adjust revenues from budgetary basic to modified accrual basis.	25,055	
Expenses per GAPP did not record in budgetary basis	<u>                    </u>	<u>(147,948)</u>
Revenue and expenses per budgetary basis	<u>\$10,358,853</u>	<u>\$10,619,362</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERÍO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

	<u>NUMBER</u>	<u>EXPENDITURES</u>
<b><u>US Department of Housing and Urban Development</u></b>		
Passed through:		
Municipal Service Administration:		
Community Development Block Grant	14.228	\$2,074,628
Puerto Rico Public Housing Administration:		
Public and Indian Housing	14.850	356,069
Direct Program:		
Section 8- Housing Choice Vouchers	14.871	586,242
Emergency Shelter Grant Program	14.231	55,206
<b><u>US Department of Justice</u></b>		
Direct program:		
Edward Byrne Memorial Justice Assistance Grant Program (COPS)	16.738	22,833
Crime Victim Assistance Program	16.575	31,869
<b><u>US Department of Agriculture</u></b>		
Direct Program:		
Rural Housing Presentation Grant	10.433	2,937
Passed through:		
PR Department of Education:		
Child and Adult Food Program	10.558	23,090
<b><u>US Department of Health and Human Services</u></b>		
Passed through:		
PR Department of Family:		
Child Care and Development Block Grant	93.575	<u>100,053</u>
		<u>\$3,252,927</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2009**

**1. BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Municipality of Comerío and is presented on the modify basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments and Non profit organizations.

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

*Carlos R. Diaz Negrón*

Certified Public Accountant

MEMBER:

American Institute of Certified Public Accountants  
Puerto Rico Society of Certified Public Accountants

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**REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARD**

**To the Honorable Mayor and  
Municipal Legislative Body  
Municipality of Comerío  
Comerío, Puerto Rico**

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of **Municipality of Comerío, Puerto Rico**, as of and for the year ended June 30, 2009 which collectively comprise the Municipality of Comerío's basic financial statements and have issued our report there on dated December 23, 2009. Other auditors audited the financial statements of Rio Plata Development, as described in our report on Municipality of Comerío's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting of compliance and other matters that are reported on separately by those auditors. 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.

**Internal Control over Financing Reporting**

In planning and performing our audit, we considered Municipality of Comerío's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Municipality of Comerío's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Municipality of Comerío's internal control over financial reporting.

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL (CONTINUED):

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Municipality of Comerío's ability to initiate, authorize, record process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Municipality of Comerío's financial statements that is more than inconsequential will not be prevented or detected by Municipality of Comerío's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Municipality of Comerío's internal control.

Our consideration of internal control over financial reporting was form the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

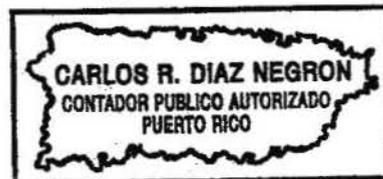
### Compliance and Other Material

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

This report is intended solely for the information and use of management, Municipal Legislative Body, and 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.

December 23, 2009  
Aguas Buenas, Puerto Rico

License No. 1339  
Expires December 1, 2010



The stamp No. 2446977 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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

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

**To the Honorable Mayor and  
Municipal Legislative Body  
Municipality of Comerío  
Comerío, Puerto Rico**

**Compliance**

We have audited the compliance of Municipality of Comerío, Puerto Rico, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Municipality of Comerío, Puerto Rico's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Municipality of Comerío, Puerto Rico's management. Our responsibility is to express an opinion on Municipality of Comerío, Puerto Rico's compliance based on our audit. Municipality of Comerío's basic financial statements include the operations of the Río Plata Development (a business type activities), which expenditures of \$1,504,164 in federal awards which are not included in the schedule during the year ended June 30, 2009. Our audit described below, did not include the operations of the business type activities because those statements were audited by other auditors.

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 State and 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 non-compliance 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 Comerío, Puerto Rico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstance. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Municipality of Comerío, Puerto Rico's compliance with those requirements.

## **REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE (CONTINUED):**

In our opinion, Municipality of Comerio complied, in all material respects; with the requirements referred to above that are applicable to each o its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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 01-09 and 02-09.

### **Internal Control over Compliance**

The management of Municipality of Comerío, Puerto Rico 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 Comerío, Puerto Rico's internal control over compliance with requirement 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 but not for the purpose of expensing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Municipality's internal control over compliance.

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

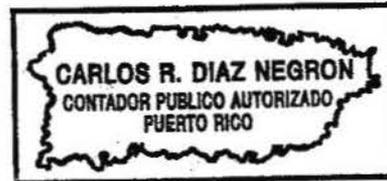
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more that inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 01-09 and 02-09 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more that a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings to be material weakness.

**REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE (CONTINUED):**

Municipality of Comerío's response to findings identified in our audit described in the accompanying schedule of findings and questioned costs. We did not audit Municipality of Comerío's response and accordingly, we express no opinion on it.

The report is intended solely for the information and use of the management and the Municipal Legislative Body of the Municipality of Comerío, 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.



December 23, 2009  
Aguas Buenas, Puerto Rico

License No. 1339  
Expires December 1, 2010

The stamp No. 2446978 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

**Type of auditor's report issued**

**Unqualified**

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_yes \_X\_no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? \_\_\_yes \_X\_no

Noncompliance material to financial statement noted? \_\_\_yes \_X\_no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes \_X\_no
- Significant deficiency (ies) identified that are not considered to be material weakness(es) \_X.yes \_\_\_no

Type of auditor's report issued on compliance for major programs

**Qualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 \_X.yes \_\_\_no

Identification of major programs:

**CFA Number(s)**

**Name of Federal Program Cluster**

14.228

Community Development Block Grant/  
State's Program.

14.850

Public and Indian Housing

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Audit qualified as low-risk audited? \_\_\_yes \_X\_no

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**SECTION II - FINANCIAL STATEMENTS FINDINGS**

NONE

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Finding No. 01-09 – Davis-Bacon Act**

**Federal Program**

CFDA – 14.228 Community Development Block Grant

**Compliance requirement:**

Davis-Bacon Act

**Category:**

Compliance

**Condition:**

As part of our audit procedures we examined 15 disbursements to test the compliance with the Davis-Bacon Act for Public Assistance Grants program. In two disbursements amounting \$21,889 contracts do not state that the contractor is required to submit such information.

**Criteria:**

40 USC 3141–3144, 3146, and 3147 require that when required by the Davis-Bacon Act, the Department of Labor’s (DOL) government-wide implementation of the Davis-Bacon Act, or by federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL.

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347 which includes the required statement of compliance (OMB No. 1215-0149).

**Effect:**

The Municipality could be exposed to administrative action by the grantor.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**SECTION III. - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding No. 01-09 – Davis-Bacon Act (Continued)**

**Questioned cost:**

None

**Recommendation:**

I recommend that the Municipality establishes an adequate internal control system to ascertain compliance with the Davis-Bacon Act.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**SECTION III. - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding No. 02-09 – Procurement and Suspension and Debarment**

**Federal Program**

CFDA – 14.228 Community Development Block Grant

**Compliance requirement:**

Procurement and Suspension and Debarment

**Category:**

Compliance

**Condition:**

As part of our audit procedures we examined 15 disbursements to test the compliance with the Procurement and Suspension and Debarment requirement for Community Development Block Grant program. In six disbursements amounting \$797,826, we the Municipality complied with Suspension and Debarment requirement.

**Criteria:**

*Suspension and Debarment:*

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Under nonprocurement suspension and debarment rules in effect prior to November 26, 2003, covered transactions included procurement contracts for goods or services equal to or in excess of \$100,000 (the “small purchase” or “simplified acquisition threshold”). A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date “covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**SECTION III. - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding No. 02-09 – Procurement and Suspension and Debarment (Continued)**

**Effect:**

The Municipality could be exposed to administrative action by the grantor.

**Questioned cost:**

None

**Recommendation:**

I recommend that the Municipality establishes an adequate internal control system to ascertain compliance with the Procurement and Suspension and Debarment requirement.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO**

**EXHIBIT – I**

**CORRECTIVE ACTION PLAN  
FOR YEAR ENDED JUNE 30, 2009**

**ESTADO LIBRE ASOCIADO DE PUERTO RICO  
MUNICIPIO AUTÓNOMO DE COMERÍO**

**CORRECTIVE ACTION PLAN  
SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2009**

**Finding No. 01-09 Davis-Bacon Act**

PROGRAM DEFICIENCY	OBJECTIVES	KEY TASK/ ACTION ITEMS	OBSTACLES	RESOURCES	LEAD STAFF NAME AND POSITION	COMPLETION TARGET DATE	ACTUAL COMPLETION DATE	IMPLEMENTATION PROGRESS COMMENTS
<p>As part of our procedure we examined 15 disbursements to test the compliance with the Davis-Bacon Act for Public Assistance Grant program. In two disbursements amounting \$21,889 contracts do not state that the contractor is required to submit such information.</p>	<p>40 USC 3141-3144, 3146 and 3147 require that when required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL.</p>	<p>The correct contract form including the new clause regarding the Davis-Bacon Act will be give to the Secretary's Office and Legal Division in order to comply with this requirement. This has to be used in future contracts.</p>	<p>The Municipality could be exposed to administrative action by the grantor.</p>	<p>Davis-Bacon Act from the Department of Labor (40USC3141-3144,3146 and 3147) and Labor Standards provisions Applicable to Contracts Governing Federally Finance and Assisted Construction (29 CFR part 5).</p>	<p>Cruz Reyes Rivera – Municipality Secretary  Lcda. Nellienid Lugo- Director Legal Division</p>	<p>March 25, 2010</p>	<p>March 25, 2010</p>	<p>A copy of the contract was send to the Municipality Secretary Office in order to comply with this requirement.</p>

**ESTADO LIBRE ASOCIADO DE PUERTO RICO  
MUNICIPIO AUTÓNOMO DE COMERÍO**

**CORRECTIVE ACTION PLAN  
SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2009**

**Finding No. 02-09 Procurement and Suspension and Debarment**

PROGRAM DEFICIENCY	OBJECTIVES	KEY TASK/ ACTION ITEMS	OBSTACLES	RESOURCES	LEAD STAFF NAME AND POSITION	COMPLETION TARGET DATE	ACTUAL COMPLETION DATE	IMPLEMENTATION PROGRESS COMMENTS
<p>As part of our procedure we examined 15 disbursements to test the compliance with the Procurement and Suspension and Debarment requirement for Community Development Block Grant program. In six disbursements amounting \$797,826, we the Municipality complied with Suspension and Debarment requirement.</p>	<p>When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by chequing the Excluded Parties List System(EPLS) maintained by the General Service Administration(GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.</p>	<p>The correct contract form including the new clause regarding the Procurement and Suspension and Debarment will be give to the Secretary's Office and Legal Division in order to comply with this requirement. This has to be used in future contracts. A General Service Administration (GSA) certification will be request prior to the signature of the contract. This verification accomplished by checking the Excluded Parties List System (ELPS).</p>	<p>The Municipality could be exposed to administrative action by the grantor.</p>	<p>The Excluded Parties List System (ELPS) maintained by the General Services Administration (GSA)</p>	<p>Cruz Reyes Rivera – Municipality Secretary  Lcda. Nellienid Lugo- Director Legal Division</p>	<p>March 25, 2010</p>	<p>March 25, 2010</p>	<p>A copy of the contract was send to the Municipality Secretary Office in order to comply with this requirement.</p>