

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

**MUNICIPIO DE COMERIO  
AUDITORÍA 2011-2012  
30 DE JUNIO DE 2012**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2012**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2012**

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

*Carlos R. Díaz 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, 2012 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. 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, based on our audits and the report of other auditors, 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, 2012, 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 Governmental Auditing Standards, we have also issued our report dated December 13, 2012, on our consideration of the Municipality of Comerío's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statement and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

December 13, 2012  
Aguas Buenas, Puerto Rico

License No. 1339  
Expire December 1, 2013



CARLOS R. DIAZ NEGRON  
CONTADOR PUBLICO AUTORIZADO  
PUERTO RICO

The Stamp No. **E40863** 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, 2012**

**INTRODUCTION**

The following discussion presents an overview of the financial position and financial activities of the Municipality Autonomous of Comerío (The Municipality) for the year ended June 30, 2012. 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, 2012, with total assets of \$61,788,936, total liabilities of \$10,650,876, and total net assets of \$51,138,060. Municipality net assets decreased \$1,056,301 in comparison with June 30, 2011 balance of \$52,194,361. 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, 2012.

**Condensed Statement of Net Assets**

	<b>2011</b>	<b>2012</b>
<b>Assets</b>		
Capital Assets	\$54,709,111	\$55,188,847
Other Assets	<u>8,709,478</u>	<u>6,600,089</u>
	<u>63,418,589</u>	<u>61,788,936</u>
<b>Liabilities and NET Assets</b>		
Long-Term Debt	9,332,672	8,949,030
Other Liabilities	<u>1,891,556</u>	<u>1,701,846</u>
	<u>11,224,228</u>	<u>10,650,876</u>
Invested in Capital Assets	49,381,627	48,738,608
Restricted for Debt Service	1,496,034	1,529,038
Capital Projects	4,062,944	1,505,658
Replacement and Others	791,990	1,054,141
Unrestricted	<u>(3,538,234)</u>	<u>(1,689,385)</u>
<b>Total Net Assets</b>	<u>\$52,194,361</u>	<u>\$51,138,060</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
CONDENSED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

	<u>2011</u>	<u>2012</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 718,157	\$ 641,109
Operating Grants	2,165,974	2,005,913
Capital Grants	1,248,033	1,088,886
General Revenue:		
Taxes:		
Property Tax	1,396,324	1,219,914
Municipal Tax	626,737	573,535
Sale Tax	872,554	989,267
Construction Excise Taxes	244,882	329,867
Grants and Entitlements	7,548,926	8,058,219
Interest, Rents and Others	<u>433,346</u>	<u>663,660</u>
	<u>15,254,933</u>	<u>15,570,370</u>
<b>Expenditures</b>		
General Administration	6,429,222	6,429,959
Public Safety	1,020,408	1,032,754
Education, Culture and Recreational	990,160	1,037,523
Public Works and Sanitation	3,847,408	4,412,634
Health and Welfare	2,254,600	2,036,542
Public Relation	367,843	362,409
Planning and General Services	521,935	644,897
Interest	118,102	159,570
Housing	452,872	448,947
Housing Interest	<u>70,635</u>	<u>61,436</u>
	<u>16,073,185</u>	<u>16,626,671</u>
<b>Changes in Net Assets</b>	(818,252)	(1,056,301)
<b>Net Assets at beginning</b>	<u>53,012,613</u>	<u>52,194,361</u>
<b>Net Assets at end</b>	<u>\$52,194,361</u>	<u>\$51,138,060</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2012**

**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, 2012 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, 2012**

**Statement of Activities**

The statement of activities presents information showing how the Municipality's net assets changed during the fiscal year ended June 30, 2012. 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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-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, 2012**

**Fund Financial Statements (Continue)**

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 three major funds: (1) the general fund, (2) the debt service fund and (3) HUD Block Grant.

**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, 2012. 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 represents 2.72% of total assets while cash with fiscal agent represents 3.08% of it. Capital assets amount to 88.85% of total assets. The other 5.35% represents receivables, and restricted cash.

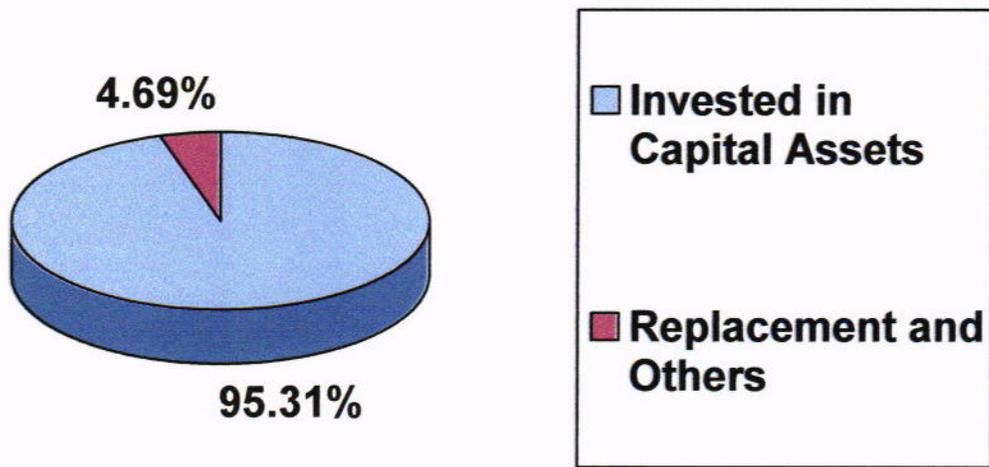
**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2012**

Municipality's cash and cash equivalents changed from \$2,476,002 at June 30, 2011 to \$1,683,427 at June 30, 2012. Capital Assets increased from \$54,709,111 to \$54,897,384 for the same period.

Current liabilities consists primary of accounts payable and accrued expenses which represent 15.98% of total liabilities. Long term debt represents 84.02% of total liabilities.

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

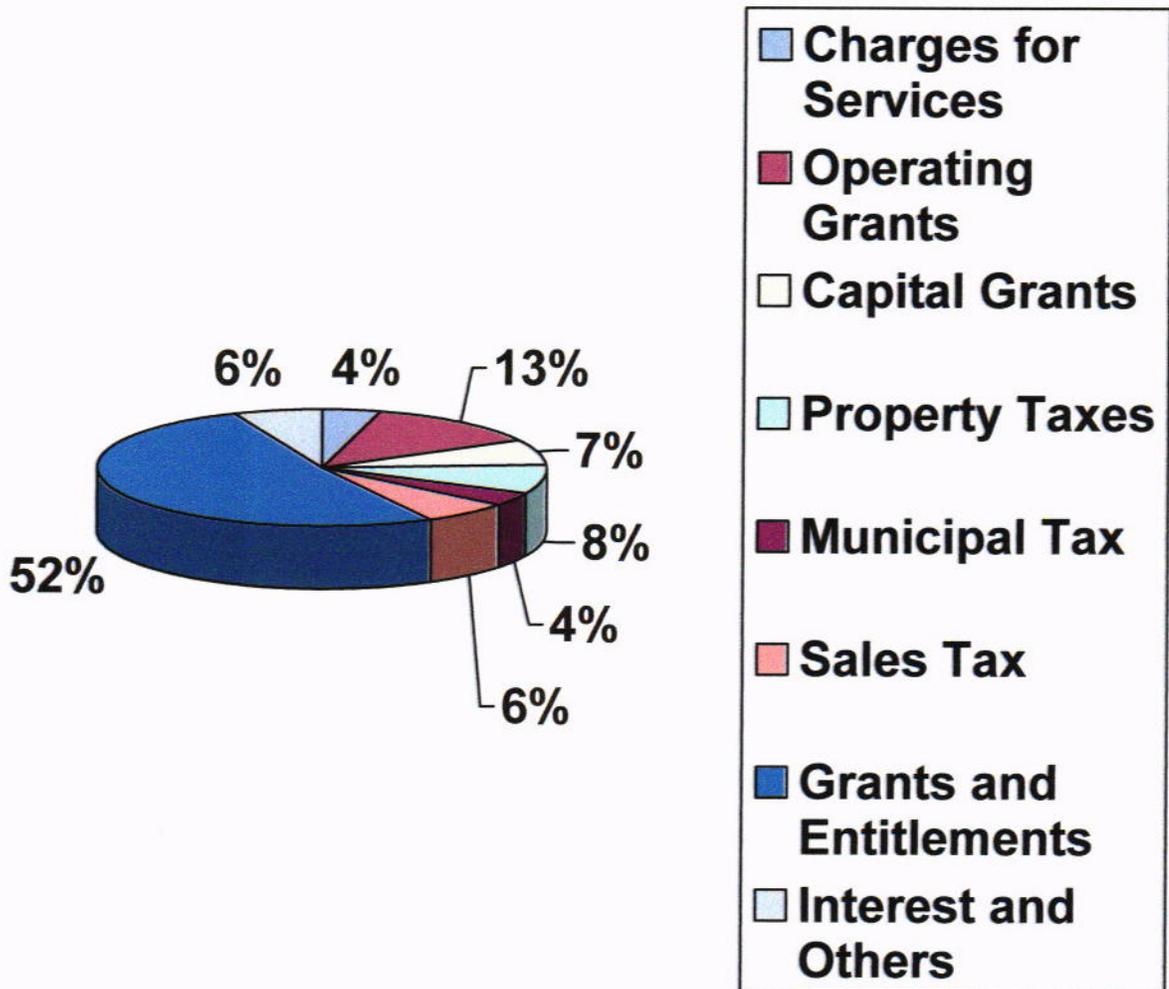
**Net Assets**



As of June 30, 2012, net assets amounted to \$51,138,060. Net assets invested in capital assets amounted to \$48,738,608 (95.31%). Replacement and others net assets amounted to \$2,399,452 (4.69%).

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

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, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Municipality's investment in capital assets as of June 30, 2012, amounts to \$74,970,495 with an accumulated depreciation of \$19,781,648 (including depreciation charges for the year totaled \$2,092,914), leaving a net book value of \$55,188,847. This investment in capital assets includes land, construction in progress, buildings, improvements, equipment, infrastructure, machinery and equipment and vehicles. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The Municipality finances a significant portion of its construction activities through bond or notes issuances. The proceeds from bond and notes issuances designated for construction activities are committed in its entirety for such purposes and cannot be used for any other purposes.

**Debt Administration**

The Puerto Rico Legislature has established a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged.

The applicable law also requires that, in order for a Municipality to be able to issue additional general obligation bonds and notes, such Municipality must have sufficient "payment capacity". Act No. 64 provides that a Municipality has sufficient "payment capacity" to incur additional general obligation debt if the deposits in such municipality's Redemption Fund and the annual amounts collected with respect to such Municipality's Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the Municipality's outstanding general obligation debt and the additional proposed general obligation debt ("Payment Capacity").

The Municipality is required under applicable law to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. In addition, principal of and interest on all general obligation municipal bonds and notes and on all municipal notes issued in anticipation of the issuance of general obligation bonds issued by the Municipality constitute a first lien on the Municipality's basic tax revenues.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

**PRIMARY GOVERNMENT**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS –TYPE ACTIVITIES</b>	<b>TOTAL</b>
Cash and cash equivalents	\$ 1,682,665	\$ 762	\$ 1,683,427
Cash with fiscal agent	1,901,947		1,901,947
Investment in certificates of deposit	300,000		300,000
Accounts receivable:			
Property tax	709,858		709,858
Sale tax	91,213		91,213
Other agencies	1,110,236	18,356	1,128,592
Others		22,374	22,374
Restricted cash		762,678	762,678
Capital assets, net	<u>54,134,706</u>	<u>1,054,141</u>	<u>55,188,847</u>
<b>Total Assets</b>	<u>59,930,625</u>	<u>1,858,311</u>	<u>61,788,936</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>			
Accounts payable and accrued expenses	981,869	42,920	1,024,789
Deferred revenue	417,416		417,416
Deposits	82,147	13,235	95,382
Due to other agencies	164,259		164,259
Long-term debt:			
Due within one year	1,163,992	122,881	1,286,873
Due in more than one year	<u>7,028,286</u>	<u>633,871</u>	<u>7,662,157</u>
<b>Total Liabilities</b>	<u>9,837,969</u>	<u>812,907</u>	<u>10,650,876</u>
Invested in capital assets, net of related liabilities	48,732,682	5,926	48,738,608
Restricted for:			
Debt service	1,529,038		1,529,038
Other provided by grantors	1,505,658		1,505,658
Replacements and other		1,054,141	1,054,141
Unrestricted	<u>(1,674,722)</u>	<u>(14,663)</u>	<u>(1,689,385)</u>
<b>Total Net Assets</b>	<u>\$50,092,656</u>	<u>\$1,045,404</u>	<u>\$51,138,060</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, 2012**

<u><b>FUNCTIONS AND PROGRAMS</b></u>	<u><b>EXPENSES</b></u>	<u><b>PROGRAM REVENUES</b></u>			<u><b>NET (EXPENSE)/ REVENUE</b></u>
		<u><b>CHARGE FOR SERVICES</b></u>	<u><b>OPERATING GRANTS AND CONTRIBUTIONS</b></u>	<u><b>CAPITAL GRANTS AND CONTRIBUTIONS</b></u>	
Governmental activities:					
General administration	\$ (6,429,959)		\$ 208,443		\$ (6,221,516)
Public safety	(1,032,754)		226,362		(806,392)
Education, culture and recreational	(1,037,523)	\$ 2,724	441,350		(593,449)
Public works and sanitation	(4,412,634)			\$1,088,886	(3,323,748)
Health and welfare	(2,036,542)	39,290	1,129,758		(867,494)
Public relations	(362,409)				(362,409)
Planning and general service	(644,897)				(644,897)
Interest	<u>(159,570)</u>				<u>(159,570)</u>
Total governmental activities	<u>(16,116,288)</u>	<u>42,014</u>	<u>2,005,913</u>	<u>1,088,886</u>	<u>(12,979,475)</u>
Business type-activities:					
Housing	(448,947)	599,095			150,148
Interest	<u>(61,436)</u>				<u>(61,436)</u>
	<u>(510,383)</u>	<u>599,095</u>			<u>88,712</u>
Total	<u>\$(16,626,671)</u>	<u>\$641,109</u>	<u>\$2,005,913</u>	<u>\$1,088,886</u>	<u>\$(12,890,763)</u>

(Continue)

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
Net (expense)/revenue	<u>\$(12,979,475)</u>	<u>\$ 88,712</u>	<u>\$(12,890,763)</u>
General revenue:			
Taxes:			
Property taxes	1,219,914		1,219,914
Municipal tax	573,535		573,535
Sale tax	989,267		989,267
Construction excise tax	329,867		329,867
Grants and entitlements	8,058,219		8,058,219
Licenses and permits	4,329	1,640	5,969
Interest	36,654		36,654
Rent	247,382		247,382
Other	<u>373,504</u>	<u>151</u>	<u>373,655</u>
Total general revenues	<u>11,832,671</u>	<u>1,791</u>	<u>11,834,462</u>
Changes in net assets	(1,146,804)	90,503	(1,056,301)
Net assets at beginning	<u>51,239,460</u>	<u>954,901</u>	<u>52,194,361</u>
Net assets at end	<u>\$ 50,092,656</u>	<u>\$1,045,404</u>	<u>\$ 51,138,060</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, 2012

	GENERAL FUND	DEBT SERVICE FUNDS	HUD CDBG FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Cash:</b>					
Cash in bank	\$ 583,083		\$ 16,627	\$1,082,955	\$1,682,665
Cash with fiscal agent		\$1,363,829		538,118	1,901,947
Investment in saving certificates				300,000	300,000
<b>Receivables:</b>					
Property taxes	583,993	125,865			709,858
Sale tax	57,835	33,378			91,213
Due from other governmental agencies	248,189		329,302	532,745	1,110,236
Due from other funds	<u>654,214</u>			<u>292,639</u>	<u>946,853</u>
<b>Total Assets</b>	<u>\$2,127,314</u>	<u>\$1,523,072</u>	<u>\$345,929</u>	<u>\$2,746,457</u>	<u>\$6,742,772</u>
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 497,039		\$229,835	\$178,890	\$ 905,764
Deferred revenues	902,813	\$ 115,281		99,126	1,117,220
Deposits	82,147				82,147
Due to other fund	292,639		116,094	538,120	946,853
Due to other agencies	<u>164,259</u>				<u>164,259</u>
<b>Total Liabilities</b>	<u>1,938,897</u>	<u>115,281</u>	<u>345,929</u>	<u>816,136</u>	<u>3,216,243</u>
<b>Fund Balance</b>					
Restricted		1,407,791			1,407,791
Restricted reported as non-major				1,930,321	1,930,321
Unassigned	188,417				188,417
<b>Total Fund Balance</b>	<u>188,417</u>	<u>1,407,791</u>		<u>1,930,321</u>	<u>3,526,529</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$2,127,314</u>	<u>\$1,523,072</u>	<u>\$345,929</u>	<u>\$2,746,457</u>	<u>\$6,742,772</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, 2012**

<b>Fund Balances in Governmental Funds</b>	<b>\$ 3,526,529</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.	54,134,706
Receivables deferred in governmental fund financial statements	699,804
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(5,727,000)
Accrued interest	(76,105)
Compensated absences	(1,820,874)
Advances from CRIM	(644,404)
 <b>Total net assets in statement of net assets</b>	 <b><u>\$50,092,656</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, 2012**

	MAJOR FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	DEBT SERVICE FUNDS	HUD CDBG FUND	OTHER GOVERNMENTAL FUNDS		
<b>Revenues:</b>						
Taxes:						
Property taxes	\$ 908,853	\$305,143				\$ 1,213,996
Municipal tax	573,535					573,535
Sales tax	647,338	341,929				989,267
Excise taxes	329,867					329,867
Grants and entitlements	8,016,204		\$900,903	\$2,235,911		11,153,018
Rental income	286,672					286,672
Licenses and permits	4,329					4,329
Interest	36,373	281				36,654
Other	376,228					376,228
<b>Total Revenues</b>	<u>11,179,399</u>	<u>647,353</u>	<u>900,903</u>	<u>2,235,911</u>		<u>14,963,566</u>
<b>Expenditures:</b>						
General administration	5,863,652			135,129		5,998,781
Public safety	715,041			264,726		979,767
Education and recreational	373,162			419,280		792,442
Public works and sanitation	2,353,507		\$900,903	2,564,235		5,818,645
Health and welfare	767,900			1,263,360		2,031,260
Public Relation	362,409					362,409
Planning and general services	522,195					522,195
Debt service:						
Principal		265,000				265,000
Interest		147,780				147,780
<b>Total expenditures</b>	<u>10,957,866</u>	<u>412,780</u>	<u>900,903</u>	<u>4,646,730</u>		<u>16,918,279</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>221,533</u>	<u>234,573</u>	<u>-</u>	<u>(2,410,819)</u>		<u>(1,954,713)</u>

(continued)

**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, 2012**

	MAJOR FUNDS				TOTAL
	GENERAL FUND	DEBT SERVICE FUNDS	HUD CDBG FUND	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
<b>Excess of Revenues over Expenditures</b>	\$ 221,533	\$ 234,573	—	\$ (2,410,819)	\$ (1,954,713)
<b>Other financing sources (uses):</b>					
Operating transfer in	240,280	44,140	—	278,196	562,616
Operating transfer out	(322,336)	(240,280)	—	—	(562,616)
Total other financing sources	(82,056)	(196,140)	—	278,196	—
<b>Excess of revenues and other financing sources (under) expenditures and other financing sources</b>	139,477	38,433	—	(2,132,623)	(1,954,713)
Fund balance beginning of year	48,940	1,369,358	—	4,062,944	5,481,242
<b>Fund balance at end of year</b>	\$ 188,417	\$ 1,407,791	\$ —	\$ 1,930,321	\$ 3,526,529

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

**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, 2012**

**Net change in fund balances – total governmental funds** \$(1,954,713)

*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. 2,542,509

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. 265,000

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

Interest	(11,790)
Compensating absences	(10,197)
Deferred revenues	5,918

Governmental funds report payments of other long-term debt as expenditures whereas the payment reduces the long-term is the obligate in the statement of net assets. 15,987

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. (1,999,518)

***Changes in Net Assets of Governmental Activities*** **\$(1,146,804)**

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

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERÍO**  
**STATEMENT OF FINANCIAL POSITION-PROPRIETARY FUND**  
**JUNE 30, 2012**

**ASSETS**

	<b>PROPRIETARY FUND</b> <b><u>RIO PLATA DEVELOPMENT</u></b>
<b>Current Assets:</b>	
Cash	\$ 762
Accounts receivable:	
HUD	18,356
Other	<u>22,374</u>
	41,492
 <b>Property and Equipment</b>	 1,054,141
 <b>Restricted deposits</b>	 <u>762,678</u>
	 <u><b>\$1,858,311</b></u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>	
Current liabilities:	
Current maturities of mortgage note	\$ 122,881
Accounts payable and accrued expenses	<u>42,920</u>
	<u>165,801</u>
Long-term liabilities:	
Deposits	13,235
Mortgage note, net of current maturities	<u>633,871</u>
	<u>647,106</u>
	 <u>812,907</u>
 <b>Net assets</b>	 <u>1,045,404</u>
 <b>Total liabilities and net assets</b>	 <u><b>\$1,858,311</b></u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
STATEMENT OF ACTIVITIES - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012**

	<b>PROPRIETARY FUND RIO PLATA DEVELOPMENT</b>
<b>Revenues:</b>	
Rent	\$ 599,095
Financial	1,640
Others	<u>151</u>
<b>Total revenues</b>	<u>600,886</u>
<b>Expenses:</b>	
Administrative	158,865
Utilities	9,764
Operating Maintenance	151,218
Taxes and insurance	35,704
Depreciation	93,396
Interest	<u>61,436</u>
<b>Total Expenses</b>	<u>510,383</u>
<b>Change in net assets</b>	90,503
Project net assets, beginning of year	<u>954,901</u>
<b>Project net assets, and year</b>	<u>\$1,045,404</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>PROPRIETARY FUND RIO PLATA DEVELOPMENT</b>
<b>Cash flows from operating activities:</b>	
<b>Receipts:</b>	
Rental receipts	\$599,818
Interest receipts	1,640
Other operating receipts	<u>151</u>
Total receipts	<u>601,609</u>
<b>Disbursements:</b>	
Administrative	24,634
Management fee	45,310
Utilities	9,764
Salaries and wages	192,698
Operating and maintenance	127,927
Property insurance	10,086
Miscellaneous taxes and insurance	13,511
Interest on first mortgage	<u>61,436</u>
Total disbursements	<u>485,366</u>
<b>Net cash provided by operating activities</b>	<u><b>116,243</b></u>
<b>Cash flows from investing activities:</b>	
Deposits to the reserve for replacement account	(31,897)
Withdrawals at reserve for replacement account	60,642
Net deposits to the residual receipts account	103
Net purchase of fixed assets	<u>(30,142)</u>
<b>Net cash used in investing activities</b>	<u><b>(1,294)</b></u>

(Continue)

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERÍO**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUE)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>PROPRIETARY FUND RIO PLATA DEVELOPMENT</b>
<b>Cash flows from operating activities:</b>	
Principal payments- first mortgage	\$(115,000)
<b>Net cash used in financing activities</b>	<u>(115,000)</u>
<b>Net decrease in cash</b>	(51)
<b>Cash at beginning of year</b>	<u>813</u>
<b>Cash at end of year</b>	<u>\$ 762</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	\$ 90,503
<b>Adjustment to reconcile change in total net assets form operations to net cash provided by operating activities:</b>	
Depreciation expense	93,396
Bad debt expense	9,856
(Increase) decrease in:	
Tenant accounts receivable	723
Cash restricted for tenant security deposits	(464)
Accounts payable	(20,032)
Accrued liabilities	(58,203)
Tenant security deposits held in trust	<u>464</u>
<b>Net cash provided by operating activities</b>	<u>\$ 116,243</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, 2012**

**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 fourteen 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.

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

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

**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.

2) Debt Service Fund

This fund is used to account for the accumulation of resources from addition property tax and sales and use tax for and the payment of, general long-term debt principal, interest and related cost.

3) HUD CDBG Fund

This fund is used to account for the Community Development Block Grant of the US Department of Housing and Urban Development.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

**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 90 days (except property taxes that are 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.

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.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

**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.

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.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

**Capital assets (Continued)**

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.

**Fund balance**

In the prior year, the Authority adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which enhanced the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to observe constraints imposed upon the use of resources reported in governmental funds.

Pursuant to the provisions of GASB 54, the fund balances amounts are reported as nonspendable, restricted, committed, assigned and unassigned, based on the relative strength of the constraints that control how specific amounts can be spent, as described follows:

- ❖ **Nonspendable** – Represent resources that cannot be spent readily with cash or are legally or contractually required not to be spent, including but not limited to inventories, prepaid items, long-term balances of loans and notes receivable.
- ❖ **Restricted** – Represent resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by creditors or grantors), or through enabling legislation (that is, legislation that creates a new revenue source and restrict its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- ❖ **Committed** – Represent resources used for specific purposes, imposed by formal action of the entity's highest level of decision making authority (governing body through resolutions) and can only be changed by similar resolutions, no later than the end of the fiscal year.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

**Fund balance (Continued)**

- ❖ **Assigned** – Represent resources intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed (generally resolutions approved by the governing body). Intent can be expressed by the governing body, or by an official or body to which the governing body delegates authority in conformity with the by-laws of the Authority. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
  
- ❖ **Unassigned** – Represent the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purpose for which amounts had been restricted, committed, or assigned.

At June 30, 2012, the accompanying fund financial statements reported fund balances as restricted, assigned and unassigned.

**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, 2012 amounted to \$106,388. The current insurance policies have not been cancelled or terminated. The CRIM also deducted \$188,073 for workers compensation insurance covering all municipal employees.

**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.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

**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.

**Subsequent Events**

Management has evaluated subsequent events through December 13, 2012, the date the financial statements were evaluated to be issued.

**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, 2012**

**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 2012 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.

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, 2012 the amount due to CRIM amounting to \$644,404 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, 2012**

**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, 2012. The composition of property taxes receivable and the related deferred revenues is as follows at June 30, 2012:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Gross property taxes receivable	\$4,760,205	\$1,025,942	\$5,786,147
Less allowance for uncollectible accounts	<u>4,176,212</u>	<u>900,077</u>	<u>5,076,289</u>
Net property taxes receivable	<u>\$ 583,993</u>	<u>\$ 125,865</u>	<u>\$ 709,858</u>
Deferred (unavailable property) tax revenues in GFFS	<u>\$ 534,885</u>	<u>\$ 115,281</u>	<u>\$ 650,166</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, 2012, \$318,291 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 and statement of net assets.

**5. SALE TAX**

On July 4, 2006, the legislature of the Commonwealth of Puerto Rico approved Act No. 117 ("Act 117") which amends the Puerto Rico Internal Revenue Code of 1994 to provide for a sale and use tax of 5.5 to be imposed by the Commonwealth Government. Act 117 also authorized each municipality government to impose a municipal sale and use tax of 1.5%. This municipal sale and use tax has in general the same tax base and limitations (except for unprocessed foods) as those provided by the Commonwealth's sale and use tax.

The Act 80 also provides for restrictions on the use of the resources (including the .5 of 1.5% collected by the Commonwealth Government) to be invested in solid waste and recycling program, capital improvements and health and public safety costs. Amount collected by the Commonwealth will be deposited in accounts or special funds in the Governmental Development Bank of Puerto Rico ("GDB"), subject to restrictions imposed and distributed as follows:

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**5. SALE TAX (continued)**

- a) .2% of the .5% will be deposited in a "Municipal Development Fund" to finance costs as restricted by the Act,
- b) .2% of the 5% will be deposited in a "Municipal Redemption Fund" to paid loans to municipalities subject to restrictions imposed by the Act and,
- c) .1% of the .5 will be deposited in a "Municipal Improvement Fund" to finance capital improvement project; these fund will be distributed based on legislation form the Commonwealth's legislature.

The Municipal Sale Tax is specifically imposed over all sale transactions of taxable items and combined transactions (as defined by the municipal internal regulation) taken place within municipal limits. The Municipal Tax is also specifically imposed over the purchase price for the use, storage or consumption of taxable transactions (as defined by the municipal internal regulation) taken place within municipal limits.

The Municipal Legislature approved the imposition of the municipal sales and use tax effective November 1, 2006. Individual, organizations and entities subject to collect the municipal sales and use tax must file a tax return to Municipality. Tax is due each 20<sup>th</sup> day of each month based on tax collected in the preceding month. The Municipal Ordinance does not impose specific restrictions or limitations on the use of the municipal sale and use tax resources. Resources are recorded in the general fund of the Municipality.

**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.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**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 2011-2012 that will be earned in fiscal year 2012-2013.	\$ 318,290
The deferred revenue presented in other governmental funds is the portion of federal grants received for which qualifying expenditures have not been incurred.	<u>99,126</u>
Property tax receivable but not available in the government fund financial statements.	417,416
Other	<u>650,166</u>
	<u>49,638</u>
	<u><u>\$1,117,220</u></u>

**8. COMMITMENTS AND CONTINGENCIES**

At June 30, 2012, 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.

**9. RESTRICTED DEPOSIT**

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

Replacement reserve	\$713,164
Security deposits	13,235
Residual receipts	<u>36,279</u>
	<u><u>\$762,678</u></u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**9. RESTRICTED DEPOSIT (CONTINUED)**

**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, 2012**

**10. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

<b>Primary Government</b>	<b>Balance June 30, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2012</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,546,483	\$ 152,309		\$ 7,698,792
Construction progress	<u>10,222,970</u>	<u>2,012,075</u>	<u>\$(7,670,221)</u>	<u>4,564,824</u>
Total capital assets not being depreciated	<u>17,769,453</u>	<u>2,164,384</u>	<u>(7,670,221)</u>	<u>12,263,616</u>
Capital assets being depreciated:				
Buildings	20,621,720	7,320,858		27,942,578
Equipment	1,812,643	106,018	(3,500)	1,915,161
Infrastructure	2,996,246	151,609		3,147,855
Infrastructure equipment	10,347,398	304,996		10,652,394
Buildings improvements	10,069,398	31,500		10,100,898
Furnishing	497,393	8,310		505,703
Work of art	1,580			1,580
Computer	310,401	67,653		378,054
Vehicles	<u>3,501,481</u>	<u>57,402</u>	<u>(9,901)</u>	<u>3,548,982</u>
Total capital assets being depreciated	<u>50,158,260</u>	<u>8,048,346</u>	<u>(13,401)</u>	<u>58,193,205</u>
Less accumulated depreciation for:				
Buildings	(4,805,506)	(690,707)		(5,496,213)
Equipment	(1,546,532)	(125,714)	3,500	(1,668,746)
Infrastructure	(373,028)	(78,696)		(451,724)
Infrastructure equipment	(2,324,736)	(707,546)		(3,032,282)
Buildings improvements	(1,296,835)	(252,337)		(1,549,172)
Furnishing	(425,718)	(35,163)		(460,881)
Work of art	(1,580)			(1,580)
Computer	(278,069)	(28,083)		(306,152)
Vehicles	<u>(3,283,994)</u>	<u>(81,272)</u>	<u>9,901</u>	<u>(3,355,365)</u>
	<u>(14,335,998)</u>	<u>(1,999,518)</u>	<u>13,401</u>	<u>(16,322,115)</u>
Total depreciable capital assets, net	<u>35,822,262</u>	<u>6,048,828</u>		<u>41,871,090</u>
Governmental activities capital assets net	<u>\$53,591,715</u>	<u>\$ 8,213,212</u>	<u>\$(7,670,221)</u>	<u>\$ 54,134,706</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**10. CAPITAL ASSETS (CONTINUED)**

<u>Primary Government</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>
Business-type activities:				
Capital assets net being depreciated:				
Land	\$ 134,360	_____	_____	\$ 134,360
Capital assets being depreciated:				
Building and improvements	4,150,392	\$30,142	_____	4,180,534
Office furniture and equipment	<u>198,780</u>	_____	_____	<u>198,780</u>
	<u>4,349,172</u>	<u>30,142</u>	_____	<u>4,379,314</u>
Less accumulated depreciation:				
Building and improvements	(3,176,109)	(90,145)	_____	(3,266,254)
Office furniture and equipment	<u>(190,028)</u>	<u>(3,251)</u>	_____	<u>(193,279)</u>
	<u>(3,366,137)</u>	<u>(93,396)</u>	_____	<u>3,459,533</u>
Total depreciation, capital, assets net	<u>983,035</u>	<u>(63,254)</u>	_____	<u>919,781</u>
Business activities capital assets, net	<u>\$1,117,395</u>	<u>\$(63,254)</u>	\$ _____	<u>\$ 1,054,141</u>

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
General administration	\$ 436,968	
Public safety	52,987	
Public works	1,136,498	
Education, culture and recreation	245,081	
Health and welfare	5,282	
Planning and general services	122,702	
Housing	_____	<u>\$93,396</u>
Total depreciation expense	<u>\$1,999,518</u>	<u>\$93,396</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**11. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2012 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	\$5,992,000		\$265,000	\$5,727,000	\$ 250,000
Advance from CRIM	660,391		15,987	644,404	16,992
Compensated absences	<u>1,810,677</u>	<u>\$10,197</u>	<u>          </u>	<u>1,820,874</u>	<u>897,000</u>
	8,463,068	10,197	280,987	8,192,278	1,163,992
<b>Business-type activities:</b>					
Mortgage payable	<u>869,604</u>	<u>          </u>	<u>112,852</u>	<u>756,752</u>	<u>122,881</u>
<b>Total</b>	<b><u>\$9,332,672</u></b>	<b><u>\$10,197</u></b>	<b><u>\$393,839</u></b>	<b><u>\$8,949,030</u></b>	<b><u>\$1,286,873</u></b>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**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 \$20,000 to \$26,000 through January 1, 2016 plus interest at 5.75%	\$ 95,000
\$95,000 public improvement bonds of 1993 payable in annual principal installments ranging from \$6,000 to \$7,000 through January 1, 2016, plus interest at 5%	25,000
\$505,000 municipal general obligation bonds of 2003 payable in annual principal installments ranging from \$15,000 to \$40,000 through July 1, 2027, plus interest at 5% to 6.5%	400,000
\$1,010,000 notes of 2005 payable in an annual principal installment of \$30,000 to \$70,000 through July 1, 2029, plus Interest at 5%	810,000
\$3,817,000 municipal special obligation note serial of 2008 payable in an annual installments regarding from \$104,000 to \$342,000 in July 1, 2028 plus interest at 5.4%	3,526,000
\$200,000 municipal general obligation notes serial of 2004 payable in two annual principal installments of \$31,000 and \$33,000 through January 1, 2013, plus interest at 4.50%.	33,000
\$100,000 municipal general obligation note of 2007 payable in annual installments ranging from \$14,000 to \$16,000 though January 1, 2015 plus notes at 4.13%.	46,000
\$284,000 municipal general obligation note of 2007 payable in monthly installments ranging from \$40,000 to \$46,000 though January 1, 2015 plus interest at 4.13%.	132,000
\$665,000 municipal general of obligation of 2010 payable in monthly installments ranging from \$5,000 to \$65,000 through July 1, 2035 plus interest at 7.50%	<u>660,000</u> 5,727,000

**Business-type activities:**

Mortgage note payable in monthly installments of \$15,513 including interest at 9% including subsidy interest of 8% through 2018. The note is secured by a residential building.	<u>756,752</u> <u>\$6,483,752</u>
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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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

**Advances from CRIM**

These amounts represent the balance owed to CRIM at June 30, 2012 as described in Note 3 and is payable in semiannual aggregated installments through July 2032 including interest at 6.1%.

The annual debt service requirements to maturity long-term debt as of June 30, 2012 are as follows:

**Governmental-Type Activities**

<b><u>Bonds and Notes Payable</u></b>			<b><u>Aggregated</u></b>
<b><u>Year Ended June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>payments</u></b>
2013	\$ 250,000	\$ 177,992	\$ 427,992
2014	258,000	318,588	576,588
2015	276,000	328,139	604,139
2016	231,000	335,681	566,681
2017	218,000	319,696	537,696
2018-2022	1,342,000	1,342,983	2,684,983
2023-2027	1,861,000	793,929	2,654,929
2028-2032	1,076,000	181,689	1,257,689
2033-2037	<u>215,000</u>	<u>34,686</u>	<u>249,686</u>
	<b><u>\$5,727,000</u></b>	<b><u>\$3,833,383</u></b>	<b><u>\$9,560,383</u></b>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

**Due to CRIM:**

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Aggregated payments</u>
2013	\$ 16,992	\$ 39,612	\$ 56,604
2014	18,059	38,545	56,604
2015	19,194	37,410	56,604
2016	20,400	36,204	56,604
2017	21,682	34,922	56,604
2018-2022	130,637	152,383	283,020
2023-2027	177,168	105,852	283,020
2028-2032	<u>240,272</u>	<u>42,748</u>	<u>283,020</u>
	<u>\$644,404</u>	<u>\$487,676</u>	<u>\$1,132,080</u>

**Business-type activities**  
**Mortgage note payable:**

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Aggregated payments</u>
2013	\$122,881	\$ 63,275	\$186,156
2014	134,431	51,725	186,156
2015	148,080	38,076	186,156
2016	160,912	25,244	186,156
2017	175,028	11,128	186,156
2018	<u>15,420</u>	<u>93</u>	<u>15,513</u>
	<u>\$756,752</u>	<u>\$189,541</u>	<u>\$946,293</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**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.

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.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**12. RETIREMENT SYSTEM (CONTINUED)**

**Defined Contribution Plan**

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, 2012 amounted to approximately \$229,655 and \$260,450, 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, 2012, a copy of which can be obtained from the Retirement System.

**13. CONTINGENCIES**

As of June 30, 2012, 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**SCHEDULE OF BUDGETARY COMPARISON**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>GENERAL FUND</u>			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AT BUDGETARY BASIS</u>	
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 861,264	\$ 861,264	\$ 873,869	\$ 12,605
Municipal tax	516,287	516,287	573,535	57,248
Sales tax	557,635	557,635	647,338	89,703
Construction excise taxes	321,698	321,698	329,867	8,169
Grants and entitlements	7,780,695	7,780,695	8,016,204	235,509
Rental income	256,523	256,523	286,672	30,149
Licenses and permits	3,809	3,809	4,329	520
Interest	31,828	31,828	36,373	4,545
Other	<u>736,569</u>	<u>736,569</u>	<u>376,228</u>	<u>(360,341)</u>
Total revenues	<u>11,066,308</u>	<u>11,066,308</u>	<u>11,144,415</u>	<u>78,107</u>
<b>Expenditures:</b>				
General administration	5,760,512	5,938,441	5,882,873	55,568
Public safety	742,105	715,041	715,041	-
Education, culture and recreational	408,992	380,313	373,163	7,150
Public works and sanitation	2,484,704	2,371,274	2,353,508	17,766
Health and welfare	811,107	769,568	767,899	1,669
Communication press and media	303,523	367,400	362,408	4,992
Planning and general service	<u>555,365</u>	<u>524,271</u>	<u>522,194</u>	<u>2,077</u>
Total expenditures	<u>11,066,308</u>	<u>11,066,308</u>	<u>10,977,086</u>	<u>89,222</u>
Excess of revenue over expenditure	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 167,329</u>	<u>\$ 167,329</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO SCHEDULE OF BUDGETARY COMPARISON**  
**JUNE 30, 2012**

**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 SCHEDULE OF BUDGETARY COMPARISON (CONTINUED)  
JUNE 30, 2012**

**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>Expenses</u>
Revenue and expenses for generally accepted accounting principles (GAAP) basis	\$11,179,399	\$10,957,866
Transfer in included as revenues in budgetary basis	240,280	
Transfer out included as expenditures in budgetary basis		322,336
Other adjustment to adjust revenues and expenses from budgetary basic to modified accrual basis	<u>(275,264)</u>	<u>(303,116)</u>
Revenue and expenses per budgetary basis	<u>\$11,144,415</u>	<u>\$10,977,086</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERÍO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

	<u>NUMBER</u>	<u>EXPENDITURES</u>
<b><u>US Department of Housing and Urban</u></b>		
<b><u>Development</u></b>		
Passed through:		
Municipal Service Administration:		
Community Development Block Grant	14.228	\$ 900,903
Puerto Rico Public Housing Administration:		
Public and Indian Housing	14.875	441,922
Puerto Rico Department of Family:		
ARRA-Homeless Prevention and Rapid Re-Housing Program	14.257	83,474
Emergency Shelter Grants Program	14.231	13,507
Direct Program:		
Section 8- Housing Choice Vouchers	14.871	666,071
<b><u>US Department of Justice</u></b>		
Passed through:		
PR Department of Justice:		
Public Safety Partnership and Community Policing Grants	16.710	17,190
Crime Victim Assistance Program		
Edward Byrne Memorial Justice Assistance Grant Program	16.575	36,570
<b><u>US Department of Agriculture</u></b>		
Passed through:		
PR Department of Education:		
Child and Adult Food Program	10.558	19,455
<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	420,624
<b><u>US Department of Energy</u></b>		
Passed through:		
Puerto Rico Energy affairs Administration		
Energy Efficacy Conservation Block Grant	81.128	<u>108,700</u>
		<u>\$2,708,416</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF COMERIO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2012**

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

**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 Municipality of Comerío, Puerto Rico, as of and for the year ended June 30, 2012, which collectively comprise the Municipality of Comerío, Puerto Rico's basic financial statements and have issued our report thereon dated December 13, 2012. 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. 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 or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

Management of Municipality of Comerío is responsible for establish and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Municipality of Comerío, Puerto Rico'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 on the effectiveness of Municipality of Comerío, Puerto Rico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality of Comerío, Puerto Rico's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED):**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 previously.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Municipality of Comerío, Puerto Rico'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 a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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, others within the entity, 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 13, 2012  
Aguas Buenas, Puerto Rico

License No. 1339  
Expires December 1, 2013

The Stamp No. **E40864** 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**

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

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

**Compliance**

We have audited **Municipality of Comerío, Puerto Rico** is compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Municipality of Comerío's major federal programs for the year ended June 30, 2012. Municipalities of Comerío, Puerto Rico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Municipality of 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, Puerto Rico's basic financial statements include the operations of Río Plata Project which expensed \$1,173,739 in federal award which are not included in the schedule during the year ended June 30, 2012. Our audit, described below, did not include the operations of Río Plata Project because the Project's management engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

## REPORT ON COMPLIANCE WITH REQUIREMENTS (CONTINUED)

In our opinion, Municipality of Comerio, Puerto Rico complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. 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 01-12.

### Internal Control Over Compliance

Management of Municipality of Comerío, Puerto Rico, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Municipality of Comerío, Puerto Rico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Municipality of Comerío, Puerto Rico's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 01-12. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS (CONTINUED)**

**Internal Control Over Compliance**

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

This report is intended solely for the information and use of management, Municipal Legislative Body, others within the entity, 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 13, 2012  
Aguas Buenas, Puerto Rico

The Stamp No. **E40865** of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

License No. 1339  
December 1, 2013

**MUNICIPALITY OF COMERIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF COMERIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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

**Unqualified**

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**

81.128  
93.575  
14.228  
  
14.850

Energy Efficiency Conservation Block Grant  
Child Care Development Block Grant  
Community Development Block Grant/  
State's Program  
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, 2012**

**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, 2012**

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

**Finding No. 1-12 – 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 14 disbursements to test the compliance with the Procurement and Suspension and Debarment requirement for Community Development Block Grant program. In 6 of the 11 disbursements examined amounting \$605,398.07, the Municipality did not verify that the entity is not suspended or debarred or otherwise excluded.

**Criteria:**

**Suspension and Debarment:**

2 CFR part 180 states that 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. 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. CFR Section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

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, 2012**

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

**Finding No. 1-12 – Procurement and Suspension and Debarment (Continued)**

**Effect:**

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

**Questioned cost:**

None

**Recommendation:**

We 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, 2012**

Estado Libre Asociado de Puerto Rico  
Municipio Autónomo de Comerío

**CORRECTIVE ACTION PLAN**  
SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2012

**Finding No. 01-12 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
As part of our procedure we examined 14 disbursements to test the compliance with the Procurement and Suspension and Debarment requirement for Community Development Block Grant program. In 6 of the 11 disbursements amounting \$605,398.07, the Municipality did not verify that the entity is not suspended or debarred or otherwise excluded.	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 Service Administration(GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.	The 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).	The Municipality could be exposed to administrative action by the grantor.	The Excluded Parties System (ELPS) maintained by the General Services Administration (GSA)	Roberto Ortiz - Municipality Secretary Lcda. Nellienid Lugo- Legal Director Division	January 9, 2013	January 9, 2013	A copy of the contract was send to the Municipality Secretary Office and to the Legal Division Office in order to comply with this requirement.