

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

MUNICIPIO DE RIO GRANDE
AUDITORIA 2000-01
30 DE JUNIO DE 2001

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UNIVERSITY OF PUERTO RICO

Cathy Flores 2/18/09

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SINGLE AUDIT REPORT
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE**

SINGLE AUDIT REPORT

FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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MUNICIPALITY OF RIO GRANDE
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES
AND ACCOUNT GROUP
As of June 30, 2001

	GOVERNMENTAL FUND TYPES				ACCOUNTANT GROUPS		Total Memorandum Only
	General Fund	Special Revenue Fund	Debt Service Fund	CAPITAL PROJECTS	General Fixed Assets	General Long-term Debts	
<u>ASSETS AND OTHER DEBITS</u>							
Cash	\$1,697,436	\$399,747		\$315,618			\$2,412,801
Cash with fiscal agent			\$4,795,958				4,795,958
Receivables:							
Due from governmental agencies	701,490						701,490
Due from general fund		100,000					100,000
Due from special fund	9,562	30,000					39,562
Due from capital project fund	96,945						96,945
Other Receivables:							
Patent	59,464						59,464
Rents	1,964						1,964
Fixed Assets					\$24,506,537		
Amount in debt service fund						\$4,795,958	4,795,958
Amounts to be provided to:							
Compensate employees benefits						1,374,635	1,374,635
Repay General Obligations						9,754,588	9,754,588
TOTAL ASSETS	2,566,861	529,747	4,795,958	315,618	24,506,537	15,925,181	24,133,365
<u>LIABILITIES AND FUND EQUITY</u>							
<u>LIABILITIES</u>							
Bank overdraft	6,909						6,909
Accounts payable & accrued expenses	907,439	21,567					929,006
Due to state government agencies	2,756,507						2,756,507
Due to special fund	100,000			30,000			130,000
Due to general fund		9,562		96,945			106,507
Deposits	139,312						139,312
Deferred revenues	1,131,421						1,131,421
Accrued employees benefits						1,374,635	1,374,635
Contingencies						5,668,627	5,668,627
Property Tax						305,747	305,747
General obligations:							
Bonds						8,149,172	8,149,172
Notes						427,000	427,000
TOTAL LIABILITIES	5,041,588	31,129		126,945		15,925,181	21,124,843
<u>FUND EQUITY</u>							
FUND BALANCE							
investment in general fixed assets					24,506,537		24,506,537
Reserve for debt service			4,795,958				4,795,958
Undesignated							
Designated for future year expenditures	(2,474,727)	498,618		188,673			(1,787,436)
TOTAL FUND EQUITY	(2,474,727)	498,618	4,795,958	188,673	24,506,537		27,515,059
TOTAL LIABILITIES & FUND EQUITY	\$2,566,861	\$529,747	\$4,795,958	\$315,618	\$24,506,537	\$15,925,181	\$48,639,902

See accompanying notes to General Purpose Financial Statements

MUNICIPALITY OF RIO GRANDE
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES
AND ACCOUNT GROUP
As of June 30, 2000

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		Total Memorandum Only
	General Fund	Special Revenue Fund	Debt Service Fund	CAPITAL PROJECTS	General Fixed Assets	General Long-term Debts	
<u>ASSETS AND OTHER DEBITS</u>							
Cash	\$308,434	\$422,691		\$164,846			\$895,971
Cash with fiscal agent			\$3,625,041				3,625,041
Investments	417,283						417,283
Receivables							
Due from governmental agencies	701,490						701,490
Due from general fund		609,900		588,734			1,198,634
Other Receivables		5,539					5,539
Patent	122,299						122,299
Rents	795						795
Fixed Assets					\$24,185,165		
Amount in debt service fund						\$3,625,041	3,625,041
Amounts to be provided to:							
Compensate employees benefits						1,211,526	1,211,526
Repay General Obligations						12,254,036	12,254,036
TOTAL ASSETS	1,550,301	1,038,130	3,625,041	753,580	24,185,165	17,090,603	24,057,655
<u>LIABILITIES AND FUND EQUITY</u>							
<u>LIABILITIES</u>							
Bank overdraft	339,631			1,105			340,736
Accounts payable & accrued expenses	1,744,145	131,307					1,875,452
Due to state government agencies	908,245						908,245
Due to special fund	609,900						609,900
Due to capital project fund	588,734						588,734
Deposits	133,445						
Deferred revenues	1,189,742	359,423					1,549,165
Accrued employees benefits						1,211,526	1,211,526
Contingencies						5,668,627	5,668,627
Property Tax						343,186	343,186
General obligations:							
Bonds						9,266,264	9,266,264
Notes						601,000	601,000
TOTAL LIABILITIES	5,513,842	490,730		1,105		17,090,603	22,962,835
<u>FUND EQUITY</u>							
FUND BALANCE							
Investment in general fixed assets					24,185,165		24,185,165
Reserve for debt service			3,625,041				3,625,041
Undesignated							
Designated for future year expenditures	(3,963,541)	547,400		752,475			(2,663,666)
TOTAL FUND EQUITY	(3,963,541)	547,400	3,625,041	752,475	24,185,165		25,146,540
TOTAL LIABILITIES & FUND EQUITY	\$1,550,301	\$1,038,130	\$3,625,041	\$753,580	\$24,185,165	\$17,090,603	\$48,109,375

See accompanying notes to General Purpose Financial Statements

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

	Governmental Fund Type				Total Memorandum Only
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects	
REVENUES:					
Property taxes	\$3,843,858		\$1,801,062		\$5,644,920
Intergovernmental	2,945,416				2,945,416
Grants:					
Federal grant contribution		\$4,312,441			4,312,441
State grant contribution		1,274,899		\$370,301	1,645,200
Volume of business tax	2,122,420				2,122,420
Interest	284,576		206,431		491,007
Rent	33,032				33,032
Construction - Excise taxes	1,525,739				1,525,739
Miscellaneous	1,897,726				1,897,726
TOTAL REVENUES:	12,652,767	5,587,340	2,007,493	370,301	20,617,901
EXPENDITURES:					
General Administration	4,672,922	729,398			5,402,320
Public Works	1,898,549	4,817,326			6,715,875
Sports and recreation	378,555	9,985			388,540
Civil Defense	512,375	5,488			517,863
Elderly Center	427,509	72,298			499,807
Public Relationship	138,344				138,344
Municipal Police	1,738,034	351,408			2,089,442
Cultural Business	233,340				233,340
Environmental Control	1,225,724				1,225,724
Housing		559,742			559,742
Debt service:					
Principal and Interest			626,812		626,812
Capital outlays				172,945	172,945
TOTAL EXPENDITURES:	11,225,352	6,545,645	626,812	172,945	18,570,754
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	1,427,415	(958,305)	1,380,681	197,356	2,047,147
OTHER FINANCING SOURCES (USES):					
Transferred from in (out)	61,399	909,523	(209,764)	(761,158)	
TOTAL	61,399	909,523	(209,764)	(761,158)	
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,488,814	(48,782)	1,170,917	(563,802)	2,047,147
Fund balance (deficit), beginning	(3,963,541)	547,400	3,625,041	752,475	961,375
Fund balance (deficit), ending	<u>(\$2,474,727)</u>	<u>\$498,618</u>	<u>\$4,795,958</u>	<u>\$188,673</u>	<u>\$3,008,522</u>

See accompanying notes to General Purpose Financial Statements

**MUNICIPALITY OF RIO GRANDE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Type				Total Memorandum Only
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects	
REVENUES:					
Property taxes	\$3,148,118		\$1,023,365		\$4,171,483
Intergovernmental	2,930,594				2,930,594
Grants:					
Federal grant contribution		\$3,740,456			3,740,456
State grant contribution		2,222,149		\$694,291	2,916,440
Volume of business tax	2,427,149				2,427,149
Interest	271,386		161,394		432,780
Rent	38,159				38,159
Construction - Excise taxes	2,125,002				2,125,002
Miscellaneous	1,175,483				1,175,483
TOTAL REVENUES:	12,115,891	5,962,605	1,184,759	694,291	19,957,546
EXPENDITURES:					
General Administration	6,368,959	1,485,349			7,854,308
Public Works	2,690,983	3,953,771			6,644,754
Sports and recreation	414,064	93,450			507,514
Civil Defense	509,862	2,765			512,627
Elderly Center	481,857	78,917			
Public Relationship	150,021				
Municipal Police	1,495,363	404,859			1,900,222
Cultural Business	1,061,229				
General Services	781,450				
Housing		405,626			405,626
Debt service:					
Principal and Interest			953,926		953,926
Capital outlays				1,223,679	1,223,679
TOTAL EXPENDITURES:	13,953,788	6,424,737	953,926	1,223,679	22,556,130
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	(1,837,897)	(462,132)	230,833	(529,388)	(2,598,584)
OTHER FINANCING SOURCES (USES):					
Transferred from in (out)	1,006,387	691,014	(155,450)	(1,541,951)	
TOTAL	1,006,387	691,014	(155,450)	(1,541,951)	
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(831,510)	228,882	75,383	(2,071,339)	(2,598,584)
Fund balance (Deficit), beginning	(5,260,100)	(1,722,594)	3,549,658	2,823,814	(609,222)
Adjustments to beginning fund balance	2,128,069	2,041,112			4,169,181
Beginning fund balance adjusted	(3,132,031)	318,518	3,549,658	2,823,814	3,559,959
Fund balance (Deficit), ending	(\$3,963,541)	\$547,400	\$3,625,041	\$752,475	\$961,375

See accompanying notes to General Purpose Financial Statements

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

	GENERAL FUND			DEBT SERVICE FUND			TOTAL (MEMORANDUM ONLY)		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	TOTAL BUDGET	TOTAL ACTUAL	TOTAL VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:									
PROPERTY TAX	\$3,843,858	\$3,843,858	\$0				\$3,843,858	\$3,843,858	\$0
INTERGOVERNMENTAL	2,276,860	2,945,416	668,556				2,276,860	2,945,416	668,556
VOLUME OF BUSINESS TAX	2,860,000	2,122,420	(737,580)				2,860,000	2,122,420	(737,580)
EXCISE TAX	2,425,000	1,525,739	(899,261)				2,425,000	1,525,739	(899,261)
INTEREST	200,000	284,576	84,576				200,000	284,576	84,576
RENT	50,000	33,032	(16,968)				50,000	33,032	(16,968)
MISCELLANEOUS	555,000	1,897,726	1,342,726				555,000	1,897,726	1,342,726
DEBT SERVICE				\$1,119,312	\$2,007,493	\$888,181	1,119,312	2,007,493	888,181
TOTAL REVENUE	12,210,718	12,652,767	442,049	1,119,312	2,007,493	888,181	13,330,030	14,660,260	1,330,230
EXPENDITURE:									
MUNICIPAL COUNCIL	275,417	221,282	(54,135)				\$275,417	\$221,282	(54,135)
MAYOR OFFICE	903,439	861,158	(42,281)				903,439	861,158	(42,281)
FINANCE	3,022,157	2,683,171	(338,986)				3,022,157	2,683,171	(338,986)
PUBLIC WORK	1,232,297	1,197,888	(34,409)				1,232,297	1,197,888	(34,409)
CIVIL DEFENSE	537,190	521,365	(15,825)				537,190	521,365	(15,825)
MUNICIPAL POLICE	1,786,585	1,741,637	(44,948)				1,786,585	1,741,637	(44,948)
PERSONNEL	588,661	572,326	(16,335)				588,661	572,326	(16,335)
SPORT & RECREATIONS	387,152	379,176	(7,976)				387,152	379,176	(7,976)
ENVIRONMENTAL CONTROL	1,511,159	1,473,014	(38,145)				1,511,159	1,473,014	(38,145)
ELDERLY CENTER	440,530	428,850	(11,680)				440,530	428,850	(11,680)
PUBLIC RELATIONSHIP	166,973	164,172	(2,801)				166,973	164,172	(2,801)
CULTURAL BUSINESS	258,092	255,330	(2,762)				258,092	255,330	(2,762)
SECRETARY	90,799	88,146	(2,653)				90,799	88,146	(2,653)
INTERNAL AUDIT	116,668	113,716	(2,952)				116,668	113,716	(2,952)
CONSERVATION & ADORNMENT	893,599	861,022	(32,577)				893,599	861,022	(32,577)
DEBT SERVICE:									
PRINCIPAL				856,030	626,812	(229,218)	856,030	626,812	(229,218)
INTEREST				263,282	209,764	(53,518)	263,282	209,764	(53,518)
TOTAL EXPENDITURE	12,210,718	11,562,253	(648,465)	1,119,312	836,576	(282,736)	13,330,030	12,398,829	(931,201)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$0	\$1,090,514	\$1,090,514	\$0	\$1,170,917	\$1,170,917	\$0	\$2,261,431	\$2,261,431

See Note to General Purpose Financial Statements

MUNICIPALITY OF RIO GRANDE
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL & DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2000

	<u>GENERAL FUND</u>			<u>DEBT SERVICE FUND</u>			<u>TOTAL (MEMORANDUM ONLY)</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>TOTAL BUDGET</u>	<u>TOTAL ACTUAL</u>	<u>TOTAL VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:									
PROPERTY TAX	\$3,148,118	\$3,148,118	\$0				\$3,148,118	\$3,148,118	\$0
INTERGOVERNMENTAL	2,906,600	2,930,594	23,994				2,906,600	2,930,594	23,994
VOLUME OF BUSINESS TAX	2,250,000	2,427,149	177,149				2,250,000	2,427,149	177,149
EXCISE TAX	1,000,000	2,125,002	1,125,002				1,000,000	2,125,002	1,125,002
INTEREST	500,000	271,386	(228,614)				500,000	271,386	(228,614)
RENT	150,000	38,159	(111,841)				150,000	38,159	(111,841)
MISCELLANEOUS	849,674	1,175,483	325,809				849,674	1,175,483	325,809
CAE				\$1,204,732	\$1,184,760	(\$19,972)	1,204,732	1,184,760	(19,972)
TOTAL REVENUE	10,804,392	12,115,891	1,311,499	1,204,732	1,184,760	(19,972)	12,009,124	13,300,651	1,291,527
EXPENDITURE:									
MUNICIPAL COUNCIL	261,235	217,143	(44,092)				261,235	217,143	(44,092)
MAYOR OFFICE	726,544	1,319,655	593,111				726,544	1,319,655	593,111
FINANCE	2,227,160	2,737,405	510,245				2,227,160	2,737,405	510,245
PUBLIC WORK	1,079,520	1,866,337	786,817				1,079,520	1,866,337	786,817
CIVIL DEFENSE	491,116	520,318	29,202				491,116	520,318	29,202
MUNICIPAL POLICE	1,344,323	1,767,415	423,092				1,344,323	1,767,415	423,092
PERSONNEL	448,776	484,371	35,595				448,776	484,371	35,595
SPORT & RECREATIONS	422,379	460,415	38,036				422,379	460,415	38,036
ENVIRONMENTAL CONTROL	1,383,513	1,782,013	398,500				1,383,513	1,782,013	398,500
ELDERLY CENTER	511,477	483,594	(27,883)				511,477	483,594	(27,883)
PUBLIC RELATIONSHIP	160,163	188,586	28,423				160,163	188,586	28,423
CULTURAL BUSINESS	782,097	1,357,004	574,907				782,097	1,357,004	574,907
SECRETARY	94,586	132,676	38,090				94,586	132,676	38,090
INTERNAL AUDIT	114,580	134,783	20,203				114,580	134,783	20,203
GENERAL SERVICES	756,923	870,170	113,247				756,923	870,170	113,247
CAE			0	1,204,732	1,109,376	(95,356)	1,204,732	1,109,376	(95,356)
TOTAL EXPENDITURE	10,804,392	14,321,885	3,517,493	1,204,732	1,109,376	(95,356)	12,009,124	15,431,261	3,422,137
	\$0	(\$2,205,994)	(\$2,205,994)	\$0	\$75,384	\$75,384	\$0	(\$2,130,610)	(\$2,130,610)

See accompanying notes to General Purpose Financial Statements

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The Municipality of Rio Grande (the Municipality) was established in 1840. The Municipality's governmental system consists of an executive and legislative body. It is governed by a Mayor and a sixteen (16) members municipal assembly who are elected every four years through the Puerto Rico general elections.

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

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

A. REPORTING ENTITY

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

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

Based on these criteria at June 30, 2001 and 2000, there are no significant component units for which the Municipality exercises oversight responsibility. Therefore, the reporting entity is limited to those departments, which comprise the Municipality's primary government.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)**

B. BASIS OF PRESENTATION

The accounting of the Municipality is organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups are:

Governmental Funds types:

Governmental funds use the current financial resources measurement focus. Only current assets and liabilities are generally included in their balance sheets. Their operating statements present sources and uses of available resources during a given period.

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

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

Debt service - is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related purposes.

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

Account groups:

The account groups are used to maintain accounting control and accountability of the Municipality's fixed assets and long-term liabilities, which are not accounted for in the respective government funds. The Municipality's account groups are:

General Fixed Assets - is used to account for all fixed assets of the Municipality.

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)

C. BASIS OF ACCOUNTING

All government funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues collected in advance of the fiscal year to which they apply are record as deferred revenues and recognized as revenues is in the corresponding year. Expenditures are recorded when the liability is incurred, except for general long- term debt obligations principal and interest which are recorded when due.

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

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

D. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Under the encumbrance system all purchase orders, contracts and other commitments for expenditures of resources shall be recorded to reserve that portion of the applicable appropriation for future obligations.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)**

E. BUDGETARY DATA

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

1. Prior to May 15, the Mayor submits to the Municipal Assembly a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and the means of financing them.
2. The budget document is available for public inspection prior to its approval by the Municipal Assembly.
3. Prior to July 1, the annual budget is legally enacted by approval of the annual appropriation ordinance.
4. Subsequent to the enactment of the annual appropriation ordinance, the Municipal Assembly has the authority to make necessary adjustments to the budget. Adjustments made during the year are reflected in the budget information included in the general-purpose financial statements. Revisions made to the original budget were as follows:

2001

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>
General	\$12,210,718		\$ 12,210,718
Debt service	1,119,312	-0-	1,119,312
	<u>\$13,330,030</u>	<u>-0-</u>	<u>\$13,330,030</u>

2000

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>
General	\$10,392,219	\$ 412,173	\$ 10,804,392
Debt service	1,204,732		1,204,732
	<u>\$11,596,951</u>	<u>\$ 412,173</u>	<u>\$12,009,124</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)**

E. BUDGETARY DATA (CONTINUED)

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

The actual result of operations, presented in the Statement of Revenues and Expenditures – Budget and Actual – General and Debt Service Funds, is in conformity with the budgetary accounting of the Municipality for a better comparison with the budget information.

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

2001

	<u>Revenues</u>	<u>Expenditures</u>
Accounting basis per the Statement of Revenues and Expenditures – General Fund	\$12,652,767	\$11,225,352
Adjustments:		
Add:		
Current year encumbrances recognized as expenditures in the budgetary basis		1,214,304
Deduct:		
Non-budgetary transactions Payment of “Resultas”		(877,433)
	\$ 12,652,767	\$11,562,253
Budgetary basis		

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)**

E. BUDGETARY DATA (CONTINUED)

2000

	<u>Revenues</u>	<u>Expenditures</u>
Accounting basis per the Statement of Revenues and Expenditures – General Fund	\$12,115,891	\$13,953,788
Adjustments:		
Add:		
Current year encumbrances recognized as expenditures in the budgetary basis		3,017,286
Deduct:		
Non-budgetary transactions		
Payment of "Resultas"		(851,033)
Accounts Payable and Intra Governmental Accruals		(1,798,156)
Budgetary basis	<u>\$ 12,115,891</u>	<u>\$14,321,885</u>

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

F. CASH

All cash banks at June 30, 2001 and 2000, is insured by the Federal Deposit Insurance Corporation up to \$100,000, and by collateral held by the Commonwealth of Puerto Rico Treasury Department in its name. Cash with fiscal agent represents cash held at the Government Development Bank for Puerto Rico that is restricted for the payment of debt service, acquisition of equipment or construction of major capital facilities.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)**

G. INTERFUND TRANSACTIONS

The General Fund provides services at cost to the special revenues funds. The amounts charged to these funds for the services provided are treated as a reduction of expenditures in the General Fund.

H. GENERAL FIXED ASSETS

General fixed assets are recorded as expenditures in the governmental funds and are capitalized at cost in the General Fixed Assets Account Group. Donated general fixed assets are recorded at their estimated fair market value at the time they are received by the Municipality.

I. COMPENSATED ABSENCES

Municipal employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of 60 days and sick leave up to a maximum of 90 days, with the excess paid annually. In the event of employee resignation the employee is reimbursed for accumulated vacation days up to the maximum allowed. Separation from employment prior to the use of all or part of the sick leave before 10 years of service terminates all rights for compensation. Employee's entitled vacations and sick leave are accrued in the General Long- Term Debt Account Group.

J. INSURANCE

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001 AND 2000

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)**

K. RESERVATIONS OF FUND BALANCE

Reservations of fund balance are those portions of fund balances that are not appropriable for expenditures or that is legally segregated for specific future use. The Municipality has the following reservations of fund balance:

- Debt service – represent net assets available to finance debt service payment.

L. TOTAL COLUMNS (MEMORANDUM ONLY)

The total columns are presented only to facilitate additional analysis. Consequently amounts shown in Total Columns (Memorandum Only) do not represent financial position or result of operations in conformity with accounting principles generally accepted in the United States of America. Such data is not comparable to a consolidation since inter-fund eliminations have not been made.

2. PROPERTY TAXES

Through June 30, 1993, the Office of Municipal Affairs of the Treasury Department of the Commonwealth of Puerto Rico (the Department) was responsible by law for the assessment, levy and collection of all real and personal property taxes. On August 30, 1991, the Municipal Reform Act, Law 80 was enacted. This law authorized the creation of a government agency known as the Municipal Revenues Collection Center (CRIM, by its Spanish acronym), which assumed from the Department the responsibilities related to the assessment, levy and collection of property taxes, effective on July 1, 1993.

The tax on personal property is self-assessed by the taxpayer. The assessment is made on a return, which must be filed with the CRIM by May 15 of each year. The tax on real property is assessed by the CRIM. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of the year 1957. The tax on personal must be paid in full together with the return on or before May 15. The tax on real property is due in two equal installments in July 1 and January 1, following the assessment date.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

2. PROPERTY TAX (CONTINUED)

The annual tax rate for fiscal years 2001 and 2000 is 8.08 % for real property and 6.08 % for personal property of which 1.03 % of both belongs to the Commonwealth of Puerto Rico. The remaining percentage is distributed as follows: (a) 6.0 % and 4.0 %, respectively, represents the Municipality's basic property tax rate which is appropriated for general purposes and accounted for in the General Fund. Such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico Electronic Lottery and subsidy from the Commonwealth of Puerto Rico. From such fund, a distribution is made to all municipalities; (b) 1.25 % represents the add valorem tax restricted for debt services and accounted for in the debt service fund. The Commonwealth of Puerto Rico also contributes an annual tax rate of 0.2 % of the property tax collected and such amount is accounted for similar to item (a) above.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$ 15,000 of the assessed value. For such exempted amounts, the CRIM assumes payment of the basic tax to the Municipality. Revenue related to the basic tax on exempt property is recorded in the general fund when payments are received from the CRIM.

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

At June 30, 1995, the Municipality of Río Grande recognized a liability of \$ 461,034, to the Department arising from the excess of property tax advances over property tax collections until June 30, 1993. According to Article 23 of Law 80 the Municipalities must fulfill any amount owed to the Department resulting from the excess of property tax advances over collections in a period not exceeding 15 years. The obligation is included in the General Long- Term Debt Account Group.

	6/30/2001	6/30/2000
Balance Due	\$305,747	\$343,186

3. VOLUME OF BUSINESS TAX

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

3. VOLUME OF BUSINESS TAX (CONTINUED)

The tax rates are as follows

a.	Financial institutions	1.50 %
b.	Other organizations	.50 %

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

4. INTERGOVERNMENTAL REVENUES

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

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

5. GENERAL FIXED ASSETS

The Municipality has not maintained complete and adequate records of its general fixed assets. There are not control procedures to ascertain that all applicable expenditures are properly recorded in the fixed assets properly ledger. Also, the property records do not provide the necessary information to make the disclosures required by the 1980 GAAFR (Government Accounting and Financial Reporting). As a result, there is no adequate information available to properly classify the Municipality's property and equipment between land, buildings, equipment and construction in progress.

The Municipality's management has estimated its general assets as follows:

<u>Description</u>	<u>Balance at June 30, 2001</u>	<u>Balance at June 30, 2000</u>
Land	\$ 1,107,687	\$ 758,873
Buildings and improvements	16,325,768	15,782,050
Machinery and equipment	2,775,171	3,629,819
Motor vehicles	<u>4,297,911</u>	<u>4,014,423</u>
	<u>\$ 24,506,537</u>	<u>\$ 24,185,165</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

6. GENERAL LONG – TERM DEBT

The general long – term debt transactions for the year ended June 30, 2001 and 2000, are as follows:

2001

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payment or retirements</u>	<u>Ending balance</u>
Bonds	\$ 4,232,000		(\$ 182,000)	\$ 4,050,000
Notes	601,000		(174,000)	427,000
Leases	<u>5,034,264</u>	<u>\$ - 0 -</u>	<u>(935,092)</u>	<u>4,099,172</u>
	<u>\$ 9,867,264</u>	<u>\$ - 0 -</u>	<u>(\$ 4,695,507)</u>	<u>\$ 8,576,172</u>

2000

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payment or retirements</u>	<u>Ending balance</u>
Bonds	\$ 4,407,000		(\$ 175,000)	\$ 4,232,000
Notes	766,000		(165,000)	601,000
Leases	<u>4,355,507</u>	<u>\$5,034,264</u>	<u>(4,355,507)</u>	<u>5,034,264</u>
	<u>\$ 9,528,507</u>	<u>\$5,034,264</u>	<u>(\$4,695,507)</u>	<u>\$9,867,264</u>

General long- term debt outstanding at June 30, 2001 and 2000, consists of the following:

<u>Description</u>	<u>Amount 2001</u>	<u>Amount 2000</u>
Series of 1975 - \$ 530, 000; payable in annual installments ranging from \$10,000 to 45,000, until July 1, 2000, bearing interest rate at 9.50 %	\$ 0.00	\$ 45,000
Series of 1987 – 310,000, payable in annual installments ranging from \$10,000 to \$35,000, until July 2002, bearing interest rate at 8.2 %	65,000	95,000
Series of 1990 - \$155,000, payable in annual installments ranging From \$5,000 to \$2,000, until July 1, 2005, bearing interest rate at 6.2 %	80,000	90,000

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

6. GENERAL LONG - TERM DEBT (CONTINUED)

<u>Description</u>	<u>Amount 2001</u>	<u>Amount 2000</u>
Series of 1996 - \$ 1045,000 payable in annual installments ranging from \$10,000 to \$35,000, until July 1, 2012 with interest varying from 5.25 % to 6.63 %	960,000	980,000
Series of 1998 - \$355,000, payable in annual installments ranging from \$10,000 to \$35,000, until July 1, 2012, with interest varying from 6.875 % to 8.0 %	315,000	330,000
Series of 1995 - \$345,000, payable in annual installments ranging from \$55,000 to \$80,000, until July 1, 2000, with interest varying from 6.875 % to 8.0 %	0.00	80,000
Series of 1996 - \$1,715,000, payable in annual installments ranging from \$20,000 to \$150,000, until July 1, 2020, with interest varying from 4.70 % to 6.63 %	1,585,000	1,615,000
Series of 1994 - \$1,187,000 due to United State Department of Agriculture, Payable in annual installments ranging from \$14,000 to 29,000, until January 2019, bearing interest at 4.5 %.	1,045,000	1,077,000
Series of 1998 - \$696,600 payable in annual installments ranging from \$85,600 to \$155,000, until January 1, 2005, with interest varying from 4.75 % to 8.26 %	<u>427,000</u>	<u>521,000</u>
	4,477,000	4,833,000
\$5,034,264 lease contract obligation due to AA Public Finance Co. Inc., payable in semi-annual installments of \$608,841, including interest, until March 13, 2005, with an annual percentage rate of 8%.	<u>4,099,172</u>	<u>5,034,264</u>
Total general obligations	8,576,172	9,867,264

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

6. GENERAL LONG - TERM DEBT (CONTINUED)

	<u>2001</u>	<u>2000</u>
Contingencies	5,668,627	5,668,627
Property Tax	305,747	343,186
Provision for accrued compensated absences	1,374,635	1,211,526
	<u>\$15,925,181</u>	<u>\$17,090,603</u>

The annual requirements for the amortization of the general obligation outstanding at June 30, 2001 and 2000 are as follows:

Year ended June 30	<u>2001 Payments</u>	<u>2000 Payments</u>
2001		\$1,844,494
2002	1,719,499	1,719,499
2003	1,727,634	1,727,634
2004	1,691,169	1,691,169
2005	1,691,420	1,691,420
Thereafter	<u>5,298,653</u>	<u>5,297,391</u>
	12,128,375	13,971,607
Amount representing interests	<u>(3,552,203)</u>	<u>(4,104,343)</u>
Balance	\$8,576,172	\$9,867,264

7. DEBT SERVICE FUND

Revenues for the debt service fund consist mainly of the ad valorem property taxes, which are recognized as revenue when collected and reported by the CRIM. These taxes are for the debt service requirements of the bonds and notes obligations issued by the Municipality. The principal and interest on these obligations are paid by the Government Development Bank of Puerto Rico from ad valorem taxes received from the CRIM.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

8. PENSION PLAN

Substantially all of the Municipality's employees participate in the Employees Retirement System of the Commonwealth of Puerto Rico (" the System"), a cost- sharing multiple-employer retirement system. The System was created under the Act 447 approved on May 15,1951, as amended, and became effective on January 1, 1952. The payroll of the employees covered by the System for the year ended June 30, 2001 and 2000, was approximately \$5,500,000.

The System provides retirement, death and disability benefits. Retirement benefits depend upon age at retirement and number of years of credit service. Benefit vest after ten years of plan participation.

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

The amount of the annuity shall be one and one-half percent (1 ½ %) of the average compensation, multiplied by the number of years of creditable services up to twenty (20) years, plus two percent (2 %) of the average compensation multiplied by the number of years of creditable service in excess of twenty (20) years. In no case will the annuity be less than \$200 per month.

Participants who have completed at least thirty (30) years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive 65 % of the average compensation or if they have attained fifty-five (55) years of age will receive 75 % of the average compensation.

Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten (10) years of service. No benefit is payable if the participant receives a refund of his accumulated contributions.

State legislation requires covered employees to contribute 5.775 % for the first \$ 550 of their monthly gross salary and 8.275 % for the salary in excess of \$550. The Municipality's contributions are 9.275 % of gross salary. Contributions requirements are established by law.

Act number 1 dated February 16, 1990, made certain amendments applicable to new participants joining the System effective on April 1, 1990. Changes consisted mainly of an increase of the retirement age to sixty-five (65) years, the elimination of the merit pension and reduction of the percent for disability and death benefits.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

8. PENSION PLAN (CONTINUED)

The “pension benefits obligation” is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increase and step – rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System’s funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employees’ retirement system.

Certain historical trend information regarding the accumulation of assets in the System to pay benefits when due is available in the separate financial statements of the Commonwealth of Puerto Rico.

9. COMMITMENTS AND CONTINGENCIES

The Municipality is a defendant in various lawsuits filed against it arising out of, and incidental to its operations. Those suits ask for actual and punitive damages. Outside counsel for the Municipality has advised that a favorable outcome is unlikely on certain cases. Accordingly a provision for loss of \$5,668,627 has been charged to G. L. D. (General Long Term Debt) until the final decision of the court as of June 30, 2001 and 2000. The Municipality believes that the other suits are completely without merit and intends to vigorously defend its position.

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

Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowed costs as a result of these audits, becomes a liability of the fund that receives the grant and must be reimbursed to the Federal Government from the Municipality’s local funds.

The “Schedule of Findings and Questioned Costs” disclosed certain instances of noncompliance with applicable laws and regulations and with the internal accounting and administrative control structure. No provision for any liability has been made in the accompanying general purpose financial statements for possible federal claims for refunds of those grant funds resulting from these instances of noncompliance. The amount, if any, of expenditures, which may be disallowed, cannot be determined at this time.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

10. PRIOR YEAR ADJUSTMENTS

During the year ended June 30, 2000, the Municipality corrected certain transactions affecting assets and liabilities that had been erroneously recorded in the Municipality's general purpose financial statements accordingly, the Municipality's fund balance for that year has been restated as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Fund balance at June 30, 2000 as previously reported	(\$5,260,100)	(\$ 1,722,594)	(\$6,982,694)
Prior year adjustments	2,128,069	2,041,112	4,169,181
	-----	-----	-----
Fund balance at June 30, 2000 as restated	<u>(\$3,132,031)</u>	<u>\$318,518</u>	<u>(\$2,813,513)</u>

This situation was caused by the following transactions:

- ❖ General Funds: All encumbrances at year end were recognized as expenses.
- ❖ Special Revenue Fund: contingencies event was recognized as expenses instead of L.T.D. till find court decision.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASSED THROUGH ENTITY GRANTOR NUMBER	FEDERAL DISBURSEMENT EXPENDITURES	
			<u>2001</u>	<u>2000</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program: Sector 8 Program	14.857	N/A	\$	\$ 230,407
Existing Housing and State Agency Program	14.855		<u>602,193</u>	<u>202,028</u>
			602,193	432,435
PASSED THROUGH P. R MUNICIPAL SERVICES ADMINISTRATION BLOCK GRANT – NON ENTITLEMENT				
Community Development Block Grant *	14.218		2,201,965	1,293,564
U. S. DEPARTMENT OF JUSTICE				
Community Oriented Policing Services	16.710		252,224	404,859
Other Federal Programs				
Federal Emergency Management Agency*	83.544		<u>1,973,431</u>	<u>1,613,359</u>
			<u>\$ 5,029,813</u>	<u>\$ 3,744,217</u>

* Major Programs

See notes to the schedule of expenditures of Federal Awards.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all the federal financial assistance programs of the municipality of Río Grande (the Municipality). The Municipality's reporting entity is defined in note 1 to the Municipality's general-purpose financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified – accrual basis of accounting, which is described in note 1 to the Municipality's general purpose financial statements.

3. RELATIONSHIP TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Expenditures of the financial assistance programs are included in the Municipality's general-purpose financial statements within the special revenue and capital projects funds. The reconciliation between the expenditures in the general purpose financial statement and expenditures in the schedule of expenditures of federal awards, is as follows:

Expenditures in the general-purpose financial statements:

	<u>2001</u>	<u>2000</u>
Special revenue funds	\$ 6,545,645	\$ 6,424,737
Capital projects fund	172,945	1,223,679
Less non-federal expenditures	<u>(1,688,777)</u>	<u>(3,904,199)</u>
Expenditures in the schedule of expenditures of Federal awards	<u>\$ 5,029,813</u>	<u>\$ 3,744,217</u>

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000
INTERNAL CONTROL SECTION



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

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

I have audited the financial statements of the Municipality of Rio Grande as of and for the years ended June 30, 2001 and 2000, and have issued my report thereon dated May 20, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Municipality of Rio Grande financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 01-01 to 01-15.

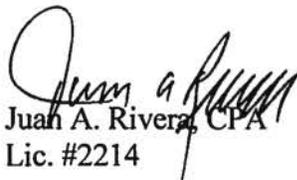
Internal Control Over Financial Reporting

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

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Municipality of Rio Grande ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs, as items 01-(3, 4, 5, 7 to 15).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, of the reportable conditions described above, I consider items 01-(1, 2, 6 and 10) to be material weakness.

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


Juan A. Rivera, CPA
Lic. #2214



May 20, 2002
Toa Baja, Puerto Rico

NOTE: Stamp No. 1839773 of the Puerto Rico State Society of Certified Public Accountants was affixed to the original of this report.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000
SINGLE AUDIT SECTION



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

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

Compliance

I have audited the compliance of Municipality of Rio Grande with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001 and 2000. The Municipality of Rio Grande major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Municipality of Rio Grande management. My responsibility is to express an opinion on the Municipality of Rio Grande compliance based on my audit.

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

As described in items 01-(06, 11 and 13) in the accompanying schedule of findings and questioned costs, the Municipality of Rio Grande did not comply with requirements regarding cash management and record retention that are applicable to its Community Development Block Grant, Section 8 Voucher. Compliance with such requirements is necessary, in my opinion, for the Municipality of Rio Grande to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Municipality of Rio Grande complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001 and 2000.

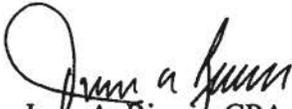
Internal Control Over Compliance

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

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Municipality of Rio Grande ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 01-(6, 7, 10 to 13).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 01-(1, 6 and 10) to be material weaknesses.

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


Juan A. Rivera, CPA
Lic. #2214

May 20, 2002
Toa Baja, Puerto Rico



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY AND AUDITOR'S RESULTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

SUMMARY OF AUDITOR'S REPORT:

1. The auditor's report express qualified opinion on the general-purpose financial statements of the Municipality of Rio Grande.
2. Fifteen reportable conditions disclosed during the audit of the general purpose financial statements are reported in the schedule of findings and questioned costs. Four of the conditions are reported as a material weakness.
3. Four of noncompliance material to the financial statements as the Municipality of Río Grande were disclosed during the audit.
4. Six reportable conditions disclosed during the audit of the major federal awards programs are reported in the schedule of findings and questioned costs.
5. The auditors' report on compliance for the major federal award programs for the Municipality of Río Grande expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Municipality of Río Grande are reported in items 01-(06, 11 to 13).
7. The programs tested as major programs included: FEMA, CDBG and Section 8.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Municipality of Río Grande was determined to be a high – risk audited.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-1

Accounting and Reporting System

Condition

During the performance of my audit procedures the following exceptions were noted:

- a. The Municipality's accounting system provides only for the recording of revenues, expenditures and other limited transactions. In addition, the accounting records are not integrated and do not provide for, a self balancing set of accounts for each fund operated by the Municipality, recording cash and other financial resources, together with all related assets, liabilities and residual equities or balances, and changes therein. Additionally, we noted that certain records in use were not adequately maintained.
- b. There are no adequate accounting controls and accountability for assets, in order to ascertain the amount of the Municipality's general fixed assets.
- c. Accounting records do not provide for segregation between expenditures and encumbrances.
- d. There are no established procedures by the Municipality for the imposition and collection of administrative fines.
- e. No proper year end closing procedures have been established to account for all transactions affecting all funds.

Criteria

A municipality's accounting system must make it possible to:

Present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with accounting principles generally accepted in the United States of America and;

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01 – 1

Accounting Reporting System (continued)

Criteria (continued)

- b. Determine and demonstrate compliance with finance, legal and contractual provisions.

Cause of condition

The Municipality of Río Grande has not established the accounting procedures, controls and records necessary to provide accurate information to prepare the financial statements and federal reports in conformity with accounting principles generally accepted in the United States of America, the governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB), and the related grant agreements.

Effect of condition

Due to the deficiencies mentioned above, the examination of the general-purpose financial statements for the years ended June 30, 2001 and 2000, was more difficult and less efficient than would have been in ordinary circumstances. Since the accounts and other records are not designed to provide the information as it is presented in the financial statements, was necessary to obtain such information from various departments and persons within the Municipality and from numerous accounting records, which are not integrated. This situation can cause the financial statements not to present all the assets, liabilities, revenues and expenditures of the Municipality.

Recommendation

In order to streamline the accounting and reporting systems and provide proper closing of records and adequate and timely information, we recommend the Municipality to consider the acquisition of new accounting systems.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-1

Accounting and Reporting System (continued)

Recommendation

The Municipality should implement a new accounting system that allows the preparation of monthly and year-end financial statements in accordance with accounting principles generally accepted in the United States of America applicable to government entities. This plan should provide for the following:

- a. Adequate training to all accounting personnel in order to improve the understanding of the system.
- b. The implementation of a double entry accounting system and the integration of all subsidiary ledgers.
- c. The preparation of periodic financial reports to be submitted to the Finance Director, the Mayor and the Municipal Assembly.
- d. Reconciliation of financial with the reports prepared and submitted to the Federal government, and
- e. The preparation of the general purpose financial statements in accordance to accounting principles generally accepted in the United State of America.

FINDING NUMBER 01-2

Bank Accounts and Cash Management

Condition

The following control deficiencies in bank reconciliation process were noted:

- a. Reconciling items are not promptly investigated and unrecognized differences are accumulated month after month.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-2

Bank Accounts and Cash Management

Condition (continued)

- b. The following bank reconciliation was not prepared during the fiscal years ended June 30, 2001 and 2000.

Empréstito	\$ 345,000	Empréstito	\$ 1,715,000
Empréstito	530,000	Empréstito	696,600
Empréstito	1,187,000	Empréstito	310,000
Empréstito	155,000	Empréstito	355,000
Empréstito	1,045,000		

- c. The cash balance shown by the Municipality and the Treasury Department of the Commonwealth of Puerto Rico for the Debt Service Fund as of June 30, 2001 and 2000, did not agree with the notification of the Account Activity of the Municipal Revenues Collection Center, known by its Spanish acronym (CRIM). This is due to transactions for the fiscal year, which were not recorded in the Municipality's books. Although such information was received late from the CRIM, the Municipality had not closed the books at that date and such transactions could have been properly recorded.
- d. The cash transactions report (Form 4-A) is not consistently prepared on a monthly basis.

Criteria

The Municipality must maintain adequate controls over bank accounts and must establish an effective system of cash management to prevent irregularities in this area.

Cause of condition

The Municipality has not established sufficient control in the manage of bank accounts to prevent errors and irregularities from being timely detected.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-2

Bank Accounts and Cash Management (continued)

Cause of condition

Also, the Municipality is not adequately documenting the management review and supervisor function over the preparation of the bank reconciliation. In addition, the Municipality has not established effective cash management controls.

Effect of condition

Error or irregularities might occur and not be timely detected.

Recommendation

All bank accounts shall be reconciled every month and all reconciling differences, if any, must be investigated and adjusted, accordingly. All bank accounts must be recorded in the books of the Municipality and any inactive account should be promptly closed and the available funds transferred to the general account or any other account, which may be required in the circumstances.

Transactions affecting funds held by the CRIM for the Municipality's Debt Service Fund should be recorded on a timely basis and balances reconciled periodically, especially at year-end.

Cash transactions Report (Form 4-A) should be consistently prepared on a monthly basis and properly reconciled to the Municipality's accounting records.

FINDING NUMBER 01-3

Fixed Assets

Condition

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

- a. There are no control procedures to ascertain that all capital expenditures are properly recorded in the assets property ledger.
- b. The subsidiary ledger is not reconciled with the Municipality's accounting records.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-3

Fixed Assets (Cont.)

Condition

- c. The Municipality has not taken a physical inventory of its fixed assets to determine the existence and condition of the property recorded in the subsidiary.
- d. The property records do not provide the necessary information to make the disclosures required by applicable standards.
- e. The acquisition of fixed assets is not always informed to the property custodian for the updating of the fixed assets ledger on a timely basis.
- f. The Municipality has not followed the guidance established by federal regulation to account for the fixed assets acquired using federally assisted program funds.

Criteria

The Municipality is not in compliance with applicable accounting and disclosure standards. Furthermore, federal regulations establish specific guidance for the acquisition, recording and safeguarding of assets acquired with federal funds.

Cause of condition

A proper fixed assets record system has not been established.

Effect of condition

There is no adequate information available to properly classify the Municipality's property and equipment between land, building, equipment, vehicles, and construction in progress. Misappropriations might occur and not be detected. In addition, costs related to fixed assets acquisition could be disallowed.

Recommendation

The Municipality should:

- a. Establish adequate control procedures to assure that all applicable expenditures are properly recorded in the Municipality's accounting records on a timely basis.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-3

Recommendation (Cont.)

- b.** Perform a physical inventory of all property and equipment and compare it with the items recorded in the property ledger. All differences noted should be immediately investigated and resolved. After updating the property ledger, formal procedures should be established to take a physical inventory on a periodic basis.

- c.** Revise the property records to provide the information required by applicable accounting standards, which consist of the following:
 - 1) General fixed assets by sources.
 - 2) General fixed assets by function and activity classifications for each major class of assets.
 - 3) Changes in general fixed assets by function and activity
 - 4) Changes in general fixed assets by major class of assets.

- d.** Designate a person to analyze the expenditures accounts to identify and prepare a report of all items that should be included in the property records. These reports should be sent to the property custodian to reconcile and update the property ledger.

FINDING NUMBER 01-4

Accounts Payable

Condition

During my examination of accounts payable, the following deficiencies were noted:

- a.** There is no proper segregation of items representing accounts payable and amounts representing encumbrances.
- b.** The current accounting records do not have an accounts payable control account nor a subsidiary ledger to maintain a proper control over outstanding obligations.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-4

Accounts Payable (continued)

Condition	<p>c. Perform a physical inventory of all property and equipment and compare it with the items recorded in the property ledger. All differences noted should be immediately investigated and resolved. After updating the property ledger, formal procedures should be established to take a physical inventory on a periodic basis.</p>
Cause of condition	<p>The Municipality's current accounting system is designed to record purchase orders issued as expenditures.</p>
Effect of condition	<p>The accounts payable balance may include both actual liabilities and amounts for which goods or services have not been received. This makes extremely difficult to identify the Municipality's obligations at a specific date and could result in a misstatement of such obligations.</p>
Recommendation	<p>The Municipality should implement procedures to clearly distinguish encumbrances from amounts actually owed because goods or services were already received or performed before year-end. In addition, the Municipality should establish a control account and a subsidiary ledger for accounts payable. An adequate system in this area will provide the following benefits:</p> <ol style="list-style-type: none">1) management will have adequate information for planning and controlling expenditures and disbursements;2) the effort to determine outstanding obligations for the preparation of the budgetary liquidation and the general purpose financial statements will be reduced and;3) the possibility of unrecorded liabilities will be minimized.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-5

Long-Term Debt

Condition	The Municipality does not maintain adequate records of its outstanding long-term obligation and consequently relies on the notifications from the Government Development Bank for Puerto Rico (GDB), to acknowledge the balance of its outstanding debt and the amounts needed to fund debt service.
Criteria	A proper system for debt recognition must be maintained.
Cause of condition	Lack of a sound internal control structure.
Effect of condition	Financial statement might not present all long-term debt of the Municipality.
Recommendation	The Municipality should design a system to maintain adequate accounting records of its outstanding long-term obligations. These records will be used to verify the correctness of the amounts informed by GDB for the Municipality's debt service and the amounts informed by them as outstanding long-term debt.

FINDING NUMBER 01-6

Purchasing and receiving

Condition My review of twenty (20) disbursements for Municipal funds and eleven (11) for federal funds revealed noncompliance with applicable requirements. My review of the supporting document revealed that the followings documents were missing or incomplete:

<u>Description</u>	<u>Municipal Funds</u>	<u>Federal Funds</u>
a. Requisition forms not found		3
b. Quotation procedure not Evidenced	1	1
c. Received and Evidenced not Found	4	8
d. Voucher without Treasure Officer signature	6	

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-6

Purchasing and received (Cont.)

Condition	<u>Description</u>	<u>Municipal Funds</u>	<u>Federal Funds</u>
	e. Document not cancelled as paid	7	11
	f. Purchase order not found	1	3
	g. Purchase order without Treasure officer signature	1	
	h. Purchase order without account number		4

Criteria

The plan of organization and methods and procedures adopted by an entity shall ensure that the use of resources is consistent with laws, regulations and policies. The above described conditions are contrary to the following regulations:

- a. Law No. 81 dated August 30, 991
- b. Attachment L of the PROMB circular de 54-84 G 54-84

Such regulation establish among other things that:

- a. A financial management system shall provide for an effective control over and accountability for all funds, properties, and an other funds.
- b. A grantee financial management system shall provide for procedures for determining reasonableness, allocability and allowability of costs in accordance with the provisions of state regulations and OMB Circular A-87.

Cause of condition

The Municipality has not established the necessary procedures to comply with the purchasing and receiving procedures.

Effect of condition

The Municipality did not comply with the regulation mentioned above.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-6

Purchasing and received (Cont.)

Recommendation

The Municipality should reengineer its purchasing process taking into account the applicable laws, and regulations applicable. As part of the mechanization process, the Municipality should evaluate an accounting system that integrates the purchasing function.

Questioned costs

\$ 21,375

FINDING NUMBER 01-7

Bids

Condition

As part of my examination of the bid procedures of the Municipality, I requested the file and documents for (14) bids granted during the year. The following summarizes the deficiencies found:

1 of 14 the contract did not provide the income tax retention for professional services. According Income Tax Law

Condition

1. 1 of 14 the contract did not provided for the budget account from which the services will be pay.
2. 2 of 14 the contract did not provided clause for cancel the contract by negligence of the contracting party.

Criteria

Those situations are contrary to law No. 81 of August 30, 1991, federal regulations and the PROMB circular G 54-84 which require an effective control and accountability of funds. Property, etc. Also, The PR controller office established the criteria and clause to be included in the all municipalities contracts.

Cause of condition

The Municipality did not establish the necessary procedures to comply with the bid requirement.

Effect of condition

The Municipality did not comply with the regulations mentioned above.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-7

Bids (Cont.)

Recommendation

The Municipality must establish the necessary policies and procedures to prevent these situations in the future.

FINDING NUMBER 01-8

Revenues/ Accounts Receivable

Condition

The following deficiencies were found in the revenues and accounts receivable area:

- a. The Municipality of Rio Grande has not completed the automatization of the process of levy and collection of the volume of business tax.

Criteria

The Municipality 's control over revenues shall ensure that the data obtained from the system be reliable and that adequate controls be in force over the levy and / or collection of taxes and accounts receivable.

In addition, the Municipality must maintain adequate controls over volume of business taxes receivable and shall establish an effective system of accounts receivable recording.

Cause of condition

This situation cause that the data that could be obtained from the system be unreliable and that the Municipality does not have a good control over the levy and/ or collection of taxes.

Effect of condition

The amount of volume of business tax receivable were not properly documented.

Recommendation

The Municipality must establish the necessary procedures to have in place a computerized system to levy the volume of business tax and record accounts receivable and use this data in the collection process.

**COMMONWEALTH OF PUERTO RICO
MUNICIPLITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-9

Accounting for compensated absences

Condition

Even though details of the days accrued by the employees is maintained manually by the Municipality, the dollar amounts of these accrued benefits are not maintained unless required for specific purpose.

The Municipality's personnel are entitled to accrue compensatory time, vacation, sick, and leave benefits that meet the following conditions.

1. Employee's rights to receive compensation for future absences is attributable to employees services already rendered.
2. The payment of the or accumulated.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

Cause of condition

Proper accounting procedure is not maintained.

Effect of condition

The Municipality did not comply with GASB No. 16, accounting for compensated absences, which provides that liabilities for compensated absences should be inventoried at the end of each accounting period and adjusted to current salary costs.

Recommendation

We recommend that an action plan be developed to concert these conditions immediately.

FINDING NUMBER 01-10

All federal financial assistance programs

Single audit report

Condition

The single audit report for the fiscal years ended June 30, 2001, and 2000 was issued in excess of period required by OMB Circular A-133.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-10

All federal financial assistance programs

Single audit report (continued)

Criteria	OMB Circular A-133, subpart C, section 320 establishes that all audits should be completed and submitted to the cognizant agency within the earlier of 30 days after receipt of the auditor's report or nine (9) months after the end of the audit period.
Cause of condition	Accounting records are not closed timely to permit the performance of the audit and the issuance of the reports within the required time frame established by the regulations.
Effect of condition	Exposure to disciplinary actions by federal grantors, such as withholding of federal financial assistance and reduction in future appropriations.
Recommendation	Consider the acquisition of a new accounting system as well as reengineering the functions of the accounting and finance divisions.

FINDING NUMBER 01-11

Section 8 / CDGB

Cash management

Condition	The Municipality has not established effective procedures to ascertain that the funds were available when needed and excess of cash if any were invested based on applicable laws and regulations.
Criteria	The OMB Common Rule requires that grantee's cash management systems include administrative procedures to minimize the time elapsing between the transfer of funds from the Federal Government and the disbursement by the grantee. When advances are made by the letter of credit method, funds shall be disbursed not later three days after being received.
Cause of condition	No proper forecast or projections are made of the future cash needs of the Municipality and their disbursing requirements.

COMMONWEALTH OF PUERTO RICO
MUNICIPLITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

FINDING NUMBER 01-11

Section 8 / CDGB

Cash management (Cont.)

Effect of condition

Noncompliance with regulations could result in a charges for federal financial assistance funding from advance method to the reimbursement method.

Recommendation

I recommend that the Municipality establish an adequate cash management system to comply with applicable laws and regulations

FINDING NUMBER 01-12

CDBG

Federal financial reports

Condition

The Municipality did not comply with the requirement related to the submission of the federal financial reports, as follows:

- a. CDBG: the following required reports were not provided for revision:

- Form HUD-4949.2 - summary of activities not having direct benefit.
- Form HUD - 4949.2a - summary of activities having direct benefit.
- Form HUD - 4949.5 - Rehabilitation summary

Criteria

Federal regulations require the submission of quarterly and annual reports of the progress of the grants and to maintain:

1. Accurate, current and complete disclosure of the financial results of each grant program in accordance with reporting requirements.
2. Records that identify adequately the source and application of funds for grant supported activities.
3. Effective control over and accountability for all funds, property, and other assets.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

FINDING NUMBER 01-12

CDBG

Federal financial reports (continued)

Cause of condition	The information to file the reports was not available because of deficiencies in the accounting records.
Effect of condition	The Municipality could be disqualified from receiving federal financial assistance.
Recommendation	The Municipality shall file the financial reports periodically and correct deficiencies in the accounting system as soon as possible.

FINDING NUMBER 01-13

Section 8 Tests

Condition	During my Section 8 procedures tests performed to eighteen (18) cases we found the following deficiencies: a. Birth certification not found (3)
Criteria	Federal regulations establish specific guidance for the section - 8 screening procedures concerning to eligibility and program administration.
Cause of condition	The Municipality did not maintain adequate accounting and administrative controls.
Effect of condition	The Municipality could be disqualified from receiving federal financial assistance.
Recommendation	The Municipality must verify the procedures regarding section-8 benefits and assure that screening procedures regarding eligibility and program administration be followed effectively.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

OTHERS FINDING

FINDING NUMBER 01-14

The following deficiencies were found during the audited of Puerto Rico office of the controller; audit report M – 01 – 13

Condition

A. Municipality outstanding debt with different Governmental entities.
(Department of Labor, municipalities of Fajardo, Carolina and Guaynabo, and PR Retirement System).

Criteria

Law # 81 Article 7.003 established that is mandatory create budget assignments for legally outstanding debts of the municipalities that not included in previous budget. Law number 101 of June 24 1977, labor law of PR established that is obligatory that all employer submitted quarterly return and pay the accrued labor taxes before the 30 of next month after the quarter.

Cause and Condition

The Municipality did not included in budget outstanding debts from prior periods of the year audited; and the Municipality did no prepared the labor tax return and neither made the deposits to department of labor and PR retirement system.

Effect of Condition

The Municipality were forced to pay interest and penalties reducing the resources of the Municipality.

Recommendation

The Municipality shall make L.T.D to pay outstanding intergovernmental debts.

Condition

B. Cancellation of penalties of taxpayers of the Municipality. In relation to volume of business tax and excise taxes.

Criteria

In the law 81, article number 1.006 established that is prohibited cancel total or partially of Municipality taxes, volume of buss. Tax for any natural or legal entity.

Cause of Condition

The Municipality official cancelled penalties in the years 1998 – 1999.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

OTHERS FINDING

FINDING NUMBER 01-14 (Cont.)

Effect of Condition	The Municipality officials infringe the law and reduced the Municipality resources.
Recommendation	The Municipality shall charge back to the Municipality taxpayer for the amount due.
Condition	C. Long term lease contract without proper authorization of “ Banco Gubernamental de Fomento” entity in charge to evaluated a Municipality contracts.
Criteria	Executive order of the governor of PR OE – 1993 of May 28, 1993, established that any governmental entity that entered in any financial contractual agreement will be presented before to “ Banco Gubernamental de Fomento” for the proper evaluation approval or disapproval. Law number 81, article 2.001(H) established similar requirement as mentioned above.
Cause of Condition	The mayor for the year 1998-1999 entered in contractual agreement without proper authorization.
Effect of Condition	The Municipality entered in contractual agreement without proper advising of “Banco Gubernamental de Fomento.”

FINDING NUMBER 01-15

The following deficiencies were found during the audit of PR office of the controller. (audit report M – 01 – 17).

Condition	A. The Municipality entered in contractual agreement and sales properties to one ex employee during the time prohibited by law.
Criteria	The article 3.7 of law number 24 of July 24, 1985 (Ethical Governmental Law) established that any ex employee or public official might entered in contractual agreement with the previous employer (Governmental Entity) until two year after resignation.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

OTHERS FINDING

FINDING NUMBER 01-15 (Cont.)

Cause of Condition	During the year 1997-98 the Municipality mayor enter in contractual agreement of professional services and sales properties witch one ex employee during the prohibited time by law.
Effect of Condition	Illegal sales of properties and illegal payment for professional services by \$217,000.
Recommendation	Assign this information to the legal counsel in order to obtain the proper advising.
Condition	B. Illegal contract with one employee the Municipality maintain contractual agreement with one employee that work in regular time to other governmental agency.
Criteria	Same as finding above.
Cause and Condition	Same as finding above.
Effect of Condition	Same as finding above.
Recommendation	Same as finding above.
Condition	C. Payment of obligation of years prior (1999) and charged to 1999 budget.
Criteria	Law # 81 established that the amount committed for one specific year budget can not be pay with another budget amounts.
Cause and Condition	The Municipality during 1997 – 1999 disbursed illegally 12 payments under the condition mentioned above.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

OTHERS FINDING

FINDING NUMBER 01-15 (Cont.)

Effect and Condition	The Municipality disbursed \$77,778 illegally.
Recommendation	The Municipality will give all of this information the its legal counsel to obtain the proper advising for the necessary legal steps.
Condition	D. Payment of work certification in the sanitary system was pay without the job been executed.
Criteria	In the article 8.005 of law 81 established that the major, municipal official or any other representative assigned by the mayor are legally tie for the lawfulness accuracy, correction and appropriate of all expenses authorized for payment.
Cause of Condition	The Municipality officials authorized payment without the necessary verification of work execute.
Effect of Condition	The Municipality disbursed \$59,720 for work not performed.
Recommendation	The Municipality will give all of this information to the legal counsel to begin the process of obtain the reimbursement from the contractor.
Condition	E. Municipality's contractor performed work into the municipality with the workmen compensation insurance as required by law.
Criteria	The article 8.016 of law number 81 established that any construction contract will not be formalized until the contractor demonstrate the payment of workmen compensation insurance.
Cause of Condition	During the years 1997-98 the Municipality formalized several construction contracts without evidence of the payment of workmen compensation insurance.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

OTHERS FINDING

FINDING NUMBER 01-15 (Cont.)

Effect of Condition

The workmen compensation insurance agency after audit of municipality contracts charged back to the Municipality \$6,430.

Recommendation

The Municipality will charged back the contractors the amount paid to workmen compensation agency.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

The Municipality of Río Grande has been the subject of various audits and program monitoring compliance over the past years. Following is a summary of audit findings for which final determination and/or corrective action are in process. Most of these findings still prevail for the year ended June 30, 2001.

<u>Audit report</u>	<u>Findings</u>	<u>Questioned costs</u>	<u>Actual status</u>
Single audit for the year ended June, 30, 1999, dated August 31, 2001	<p>1. <u>Accounting and Reporting System</u> During the performance of audit procedures the following exceptions were noted:</p> <p>a. The Municipality's accounting system provides only for the recording of revenues, expenditures and other limited transactions. In addition, the accounting records are not integrated and do not provide for, a self balancing set of accounts for each fund operated by the Municipality, recording cash and other financial resources, together with all related assets, liabilities and residual equities or balances, and changes therein. Additionally, we noted that certain records in use were not adequately maintained.</p> <p>b. There are not adequate accounting controls and accountability for assets, in order to ascertain the amount of the Municipality's general fixed assets.</p>	N/A	Condition still prevails

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Actual status</u>
Single audit for the year ended June, 30, 1999, dated August 31, 2001	<p>1. <u>Accounting and Reporting System (continued)</u></p> <p>c. Accounting records do not provide for segregation between expenditures and encumbrances.</p> <p>d. There are not established procedures by the Municipality for the imposition and collection of administrative fines.</p> <p>e. No proper year end closing procedures have been established to account for all transactions affecting all funds.</p>		
	<p>2. <u>Bank Accounts and Cash Management</u></p> <p>The following control deficiencies in bank reconciliation process were noted:</p> <p>a. Reconciling items are not promptly investigated and unreconciled differences are accumulated month after month.</p> <p>c. The following bank reconciliation was not prepared during the fiscal year ended June 30, 1999.</p> <p>Empréstito \$ 345,000 Empréstito \$1,715,000 Empréstito 1,355,000 Empréstito 300,000 Empréstito 1,187,000 Empréstito 310,000 Empréstito 155,000 Empréstito 355,000 Empréstito 1,045,000</p>	N/A	Condition still prevails

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

Audit report

Single audit for the year ended June, 30, 1999, dated August, 31, 2001

Findings

2. Bank Accounts and Cash Management (cont.)

c. Some bank reconciliation were not reviewed and signed by the Finance Director, where as other bank Reconciliation were provide to us unsigned by the prepare. The bank Reconciliation were the following:

Account name Account number

Colaboradoras de Familia	130-011401
CBDG – HUD	130-037354
Centro Ancianos Agabe	130-832425
Family Self Sufficiency	130-010499
House Preservation Grant	130-024201
Federal Transportation Administration	130-024082
Sec 8 Exiting	9-03320
SBGP 92	130-011215
S.B.G.P	130-010863
Sec. 8 Voucher	130-831441
FEMA	90-8000123
Maratón Ciudad el Yunque	130-010766
Campamento de Verano	130-017183

Questioned costs

Actual status

Corrected

d. The cash balance shown by the Municipality and the Treasury Department of the Commonwealth of Puerto Rico for the Debt Service Fund as of June 30, 1999, did not agree with the notification of the Account Activity of the Municipal Revenues Collection Center, known by its Spanish acronym (CRIM). This is due to transactions for the fiscal year, which were not recorded in the Municipality's books. Although such information was received late from the CRIM, the Municipality had not closed the books at that date and such transactions could have been properly recorded.

Condition still prevails

e. The cash transactions report (Form 4-A) is not consistently prepared on a monthly basis.

Condition still prevails

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned costs</u>	<u>Actual status</u>
August 31, 2001 year ended June, 30, 1999, dated August, 31, 2001	<p>3. <u>Budget</u></p> <p>Concerning the budget for the fiscal year 1999, we noted that procedures to verify the availability of funds before approving an invoice for payment were not followed during the fiscal year covered by our audit.</p>	N/A	Condition corrected
	<p>4. <u>Fixed Assets</u></p> <p>During the examination of the fixed assets, the following deficiencies were noted:</p> <ul style="list-style-type: none"> a. There are no control procedures to ascertain that all capital expenditures are properly recorded in the assets property ledger. b. The subsidiary ledger in not reconciled with the Municipality's accounting records. c. The Municipality has not taken a physical inventory of its fixed assets to determine the existence and condition of the property recorded in the subsidiary. d. The property records do not provide the necessary information to make the disclosures required by applicable standards. e. The acquisition of fixed assets is not always informed to the property custodian for the updating of the fixed assets ledger on a timely basis. 	N/A	Condition still prevails

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Actual status</u>
August 31, 2001 year ended June, 30, 1999, dated August 31, 2001	4. <u>Fixed Assets (continued)</u>	N/A	Condition still prevails
	<p>f. The Municipality has not followed the guidance established by federal regulation to account for the fixed acquired using federally assisted program funds.</p>		
	5. <u>Accounts Payable</u>	N/A	Condition still prevails
	<p>During the examination of accounts payable, the following deficiencies were noted:</p>		
	a. There is no proper segregation of items representing accounts payable and amounts representing encumbrances.		
	b. The current accounting records do not have an accounts payable control account nor a subsidiary ledger to maintain a proper control over outstanding obligations.		Corrected
	c. In addition, we requested invoices paid after June 30, 1999, to verify the completeness of the accounts payables per the "Liquidación Presupuestaria" and nine (9) of them were not provided for revision.		
	6. <u>Long-Term Debt</u>	N/A	Condition still prevails
	<p>The Municipality does not maintain adequate records of its outstanding long-term obligations and consequently relies on the notifications from the Government Development Bank for Puerto Rico (GDB), to acknowledge the balance of its outstanding debt and the amounts needed to fund debt service.</p>		

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned costs</u>	<u>Actual status</u>
Single audit report for the year ended June 30, 1999, dated August 31, 2001	7. <u>Cash Management</u>	N/A	Condition corrected
	The disbursement test revealed instances in which disbursements were made weeks after the funds were received.		
	8. <u>Internal Auditor</u>	N/A	Condition corrected
	At June 30, 1999, there was one internal auditor appointed but did not prepare an annual work plan, where the Municipality activities be reviewed.		
	9. <u>Personnel Files</u>	N/A	Condition corrected
	The review to twenty five (25) personnel files for the year under audit, from a total population of 495, revealed the following instances where the required documents were not found:		
	<u>Document</u>	<u>Exceptions</u>	
	1. Evaluation from	11	
	2. Withholding from	4	
	3. "OCAP" form OP-12	2	
	4. "OCAP" form OP-12	3	
	5. Drug free workplace letter	4	
	6. Employees deduction authorization	2	
	7. Evidence of academic preparation	4	
	8. Copy of social security	3	
	9. Form I-9	6	
	10. Internal code conducts	2	
	In addition, the following deficiencies were found:		

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned costs</u>	<u>Actual status</u>						
Single audit report for the year ended June 30, 1999 dated August 31, 2001	<p>9. <u>Personnel Files (cont.)</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Deficiency</u></th> <th style="text-align: right;"><u>Exceptions</u></th> </tr> </thead> <tbody> <tr> <td>1. Certificate of good health were expired.</td> <td style="text-align: right;">2</td> </tr> <tr> <td>2. Certificate of good behavior were expired.</td> <td style="text-align: right;">2</td> </tr> </tbody> </table> <p>Also, the Municipality does not have an updated system for classification and evaluation of employees. The appointment of the employees is not subject to the evaluation of their knowledge, experience and academic preparation required for the position they are recruited. The personnel manual has not been revised according to the needs of the Municipality and applicable requirements, such as:</p> <ol style="list-style-type: none"> a. The personnel shall be recruited through the Department of Labor, newspapers, magazines, or bulletins of the Office of personnel. The merit procedure needs to be followed; that is, skillful personnel shall be recruited and office personnel shall be promoted for its qualifications and experience. b. The employees shall provide the documents, which support their appointment, and the ones required by law shall be available in their files. c. There shall be an adequate retribution plan to identify the classification of the vacancies in the Municipality. 	<u>Deficiency</u>	<u>Exceptions</u>	1. Certificate of good health were expired.	2	2. Certificate of good behavior were expired.	2		
<u>Deficiency</u>	<u>Exceptions</u>								
1. Certificate of good health were expired.	2								
2. Certificate of good behavior were expired.	2								

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned costs</u>	<u>Actual status</u>												
Single audit report for the Year ended June 30, 1999 Dated August 31, 2001	<p>9. <u>Personnel Files (continued)</u></p> <p>d. Employees performing a job shall be appointed for that position and with no conflicting functions.</p> <p>e. Positions that require a specific academic preparation shall be occupied by qualified personnel.</p> <p>f. Employees shall sign the attendance records and receive that payroll checks for the functions they render to the Municipality.</p>														
	<p>10. <u>Cash Receipts</u></p> <p>The review of sixty (60) cash receipts revealed non-compliance with applicable requirements. The following were the deficiencies found:</p>	N/A	Condition corrected												
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Deficiency</u></th> <th style="text-align: center;"><u>Instances</u></th> </tr> </thead> <tbody> <tr> <td>1. The support for a receipt wasn't provided for revision</td> <td style="text-align: center;">1</td> </tr> <tr> <td>2. Deposits slips were not Provided for revision</td> <td style="text-align: center;">8</td> </tr> <tr> <td>3. We couldn't trace the receipts to the " listado de validación"</td> <td style="text-align: center;">60</td> </tr> <tr> <td>4. We couldn't verify if the receipts were posted to the correct account.</td> <td style="text-align: center;">60</td> </tr> <tr> <td>5. We couldn't trace the receipt to the "Informe de Enlace"</td> <td style="text-align: center;">12</td> </tr> </tbody> </table>	<u>Deficiency</u>	<u>Instances</u>	1. The support for a receipt wasn't provided for revision	1	2. Deposits slips were not Provided for revision	8	3. We couldn't trace the receipts to the " listado de validación"	60	4. We couldn't verify if the receipts were posted to the correct account.	60	5. We couldn't trace the receipt to the "Informe de Enlace"	12		
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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Actual status</u>
Single audit report for the Year ended June 30, 1999 Dated August 31, 2001	11. <u>Purchasing and received</u>	N/A	Condition still prevails
	The review of fifty eight (58) disbursements for Municipal funds and thirty (30) for federal funds revealed noncompliance with applicable requirements. My review of the supporting documentation revealed that the followings documents were missing or incomplete:		
	12. <u>Bids</u>	N/A	Condition still prevails
	As part of examination of the bid procedures of the Municipality, I requested the file and documents for five (5) bids granted during the year. The following summarizes the deficiencies found:		
	1. Two subsections of one bid were granted based on prior experience.		Corrected
	2. The contracts were not provided for revisions.		Corrected

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned Status</u>	<u>Actual costs</u>
Single audit report for the year ended June 30, 1999 Dated August 31, 2001	<p>13. <u>Revenues/ Accounts Receivable</u></p> <p>The following deficiencies were found In the revenues and accounts receivable area:</p> <p>a. The Municipality of Rio Grande has not completed the automatization of the process of levy and collection of the volume of business tax.</p> <p>b. Document related to a Municipality's accounts receivable for health services were provided to us inclusion wasn't sufficient in order to validate the fairness and collectivity of such accounts receivable.</p>	N/A	Condition still prevails
	<p>14. <u>Accounting for compensated absences</u></p> <p>The Municipality though details of the days accrued by the employees maintains Eve manually; the dollar amounts of these accrued benefits are not maintained unless required for specific purposes.</p>	N/A	Condition still prevails
	<p>15. <u>AA Public Co, Inc. Debt</u></p> <p>Audit report M-01-13 dated on September 11, 2000 submitted by the Comptroller's office of the commonwealth of Puerto Rico, establishes that the Municipality did not follow the due process in the objection of a leaseback purchase agreement with AA, Public CO Inc. In addition, the Municipality is actually investigating the \$950,000 loan process since no evidence exists of its deposit in the Municipality bank accounts.</p>		Condition corrected

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned Status</u>	<u>Actual costs</u>
Single audit report for the year ended June 30, 1999 dated August 31, 2001	16. <u>Single audit report</u>	N/A	Condition corrected
	The single audit report for year ended June30, 1999, was issued in excess of two years after the end of the audit period.		
	17. <u>Accounting records</u>	N/A	Condition still prevails
	The Municipality in not complying the requirements established by federal regulations. Accounting records do not provide for the preparation of accurate financial reports.		
	18. <u>Disbursements</u>	3,885,017	Condition still prevails
	The following deficiencies were found related to FEMA disbursements as per the Puerto Rico Office of the Comptroller Audit report M-00-27		
	<ul style="list-style-type: none"> a. No original documents were found b. No proper internal control was maintained for the payments approval. 		
	19. <u>Cash management</u>	N/A	Condition still prevails
	The Municipality has not established procedures to ascertain that the funds were available when needed and excess of cash if any were invested based on applicable laws and regulations.		
	20. <u>Federal financial reports</u>	N/A	Condition still prevails
	The Municipality did not comply with the requirement related to the submission of the federal financial reports, as follows:		

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned status</u>	<u>Actual costs</u>
Single audit report for the year ended June 30, 1999 dated August 31, 2001	20. <u>Federal financial reports (cont.)</u>	N/A	Condition still prevails
	a. SBGP: for the quarters ended:		
	September 30, 1998, and June 30, 1999, we were unable to determine the timeliness of submission.		
	b. CDBG: the following required reports were not provided for revision:		
	Form HUD – 4949.2 - summary of activities not having direct benefit.		
	Form HUD – 4949.2a - Summary of activities having direct benefit.		
	Form HUD – 4949.3 - Financial Summary		Condition corrected
	Form HUD – 4949.5 - Rehabilitation Summary		Condition still prevails
	FEMA: the Municipality did not provide for our revision from SF – 269 (Financial Status Report).		Condition corrected
	21. <u>Balance sheet/financial statements</u>	N/A	Condition corrected
	In review of the balance sheet for section 8, Form HUD 52681, we note that the report was not date by the prepared. We could not ascertain that it was timely submitted. In addition, the following reports were not provided for our revision, HUD Forms – 52663, 52595, and 52683.		

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF RIO GRANDE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<u>Audit report</u>	<u>Findings</u>	<u>Questioned status</u>	<u>Actual costs</u>
Single audit report for the year ended June 30, 1999 dated August 31, 2001	<p>22. <u>Voucher for payment of annual contribution and operating statement</u></p> <p>I could not determine the timeliness of the submission of the Voucher for Payment of Annual Contribution and Operating Statement, Form HUD 52681, since there is not written evidence of the submission date of the report to the Federal government.</p>	N/A	Condition corrected
	<p>23. <u>Section 8 Test</u></p> <p>During my Section- 8 procedures tests performed to five (5) cases we found the following deficiencies:</p>	N/A	Condition still prevails
	<ul style="list-style-type: none"> a. Signed application not found (1) b. Tenant certification with an erroneous income (1) c. Rent payment used was an amount under the one stated by applicable tables (3) d. Income evidence used was outdated (2) e. Housing Quality Inspection Incomplete (1) f. No evidence of income verification (1) g. Tenant certification not found (1) 		

CORRECTIVE ACTION PLAN



Estado Libre Asociado de Puerto Rico
Gobierno Municipal de Río Grande

Apartado 847
Río Grande, Puerto Rico 00745

Hon. Emilio Rosa Pacheco
Alcalde

Teléfonos:
887-2370 / 887-2695

SCHEDULE OF FINDINGS & QUESTIONED COSTS FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

FINDING 01-01: Accounting and Reporting System

We have contracted with consulting firm in the governmental area for the actualization of the procedures and reports required by GASB-34 for the fiscal year 2002-03. The System propose by OCAM do not comply with GASB-34 and need to be actualize. We are using a manual accounting system to produce the financial reports ending 2001-2002. In the future we will establish an alternate system similar to OCAM.

The Director of Finance was instructed to follow-up these task.

FINDING 01-2: Bank Accounts and Cash Management

- (a) Reconcile monthly differences of bank reconciliation by June-02 we will be making the necessary adjustments related to all bank reconciliation's.
- (b) Bank reconciliation for L.T.D. manage by governmental bank.
This finding was complimented by June 30, 2002.
- (c) Reconciliation of municipality book vs. account maintained by Municipality Collection Center (CRIM) (May 2002) this finding had been complimented. The municipal debt notification had been registered into the corresponding municipal funds.
- (d) The 4a report (summary of all Funds activities) has been partially adjusted and we are working in order to adjust it completely. This form is verify monthly to make sure that the books and records matched. This finding is partially complimented.

The Director of Finance was instructed to correct this situation by June 2002.

- Ciudad de El Yunque -

Finding 01-03: Lack of Control Over Fixed Assets

This finding will be completely complimented by fiscal year 2002-03. During this fiscal year everything that is required by GASB- 34 will be fulfill.

Director of Finance was instructed to correct this condition by the date mentioned above.

Finding 01-04: Accounts Payable

(a) Segregation Between accounts payable and encumbrances) the OCAM systems will not be implemented completely, because of that the account payable of the encumbrances were not separated. For the fiscal years 2002-2003 this finding will be completely complimented.

(b) Control over outstanding obligation this finding is complimented. The outstanding obligations from one year to the other are registered. And proper record are maintained.

Finding 01-06: Purchasing and Receiving Lack of Supporting Document and Officials Approved

We have oriented all personal to request all services and materials through property approved requisitions making sure that there are enough funds available. The pre-intervention unit verify that every purchase order or requisition comply with all the laws and regulation. In order to pay we verify that all material or services has been received and the receiving document has been signed.

The Director of Finance was instructed to enforced the current disbursement polices.

Finding 01- 07: Bids Omissions of Contract Clauses Required by PR Controller Office's

This finding has been complimented starting from fiscal year 2001-02. All the new contract have the checklist required.

The municipal secretary office was instructed to through check list verify all contract clauses.

Finding 01-08: Revenues

We will be enforcing to keep track of all debt all debt concerning patents and well be given the necessary follow ups in order to keep the records for tax payments and their business tax owned for every year ending on June 30.

Director of Finance was instructed to work with "OCAM" (Agency in Charge of Municipality System) to correct this condition by June 2003.

Finding 01-09: Accounting for Compensated absences

We still don't have a mechanize system established in the Municipality to accumulate all the employees records and their accumulated vacations in dollars and cents. We still use the manual system because the OCAM system do not provide for that.

Director of Finance was instructed to work with "OCAM" (Agency in Charge of Municipality System) to correct this condition by June 2003.

Finding 01-10: Single Audit Report

This finding is complimented for the fiscal year 2001-02. The Municipality already has contracted a CPA firm to perform the pending audit.

Finding 01-11: Cash Management

This finding was complimented by fiscal year 2001-02.

Finding 01-12: Federal Financial Reports

This finding was complimented by fiscal year 2001-02.

Finding 01-13: Section 8 Compliance Test

The Section 8 Federal Assistance Files was purged and completed all of the documentation required by law.

Director of Section 8 Federal Assistance was instructed to maintain all beneficiary file with the information requirement.

Finding 01-14: Audit Report of PR Office of the Controller (M-01-13)

(a) Outstanding Debts With Other Governmental Agencies

The Municipality of Rio Grande borrows from the Governmental Bank a loan for the payment of the entities mentioned in this finding.

(b) Tax Payers Penalties Cancellation

The Municipality has realized the necessary actions in order to correct this finding.

The Director of Finance was instructed to enforce the law and eliminate this practice.

(c) Financing Contract without Governmental Development Bank Advising

This situation has occurred in the past administration. During this administration this situation has not happen again. All the contracts realized by the Municipality that need to be submitted to the Governmental Bank consideration will submitted for the proper advising.

Finding 01-15 Audit Report of PR Office of the Controller (M-01-17)

(a) Sales of Properties and Contract with one ex Employee During the Prohibit Period Required by Law.

The Municipality is working in order to correct this finding. Actually these situations are not occurring again.

The secretary of the Municipality was instructed to enforce the law in order that this situation do not occurred again.

(b) Illegal Contract with one Employee that work to other Governmental Agency

This finding has been corrected and during this administration this situation has not been repeated.

The secretary of the Municipality was instructed to enforce the law in order that this situation do not occurred again.

(c) Unlawful Payments

The Municipality's Legal Assessors has been assigned the corrective actions of this finding.

(d) Contract Deficiencies Drainage Systems

The Municipality's Board of Auction after evaluating the only two formal offers. It has considerate recommend one of these construction corporation the completion of the Dolores Ponderosa Sewage System. Once H.U.D. approve the above exposure this project will be finish.

(e) Contractors without Workmen Compensation Insurance

This finding has been corrected under this administration. The municipality does not subscribe any contract unless the contractor shows evidence of the insurance policy pertaining to the "F.S.E."

Cordially,



Hon. Emilio Rosa Pacheco
Alcalde

FORM SF-SAC (5-2004)

U.S. DEPT. OF COMM. - Econ. and Stat. Adm'n. - U.S. CENSUS BUREAU ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS for Fiscal Year Ending Dates in 2004, 2005, or 2006

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

RETURN TO

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

PART I GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)

1. Fiscal period ending date for this submission <table border="1"> <tr><td>Month</td><td>Day</td><td>Year</td></tr> <tr><td>06</td><td>30</td><td>2004</td></tr> </table> Fiscal Period End Dates Must Be in 2004, 2005, or 2006		Month	Day	Year	06	30	2004	2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit					
Month	Day	Year											
06	30	2004											
3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - <input type="text"/> Months		4. FEDERAL GOVERNMENT USE ONLY Date received by Federal clearinghouse											
5. Auditee Identification Numbers													
a. Primary Employer Identification Number (EIN) <table border="1"> <tr><td>6</td><td>6</td><td>-</td><td>0</td><td>4</td><td>3</td><td>3</td><td>5</td><td>6</td><td>7</td></tr> </table>		6	6	-	0	4	3	3	5	6	7	b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	
6	6	-	0	4	3	3	5	6	7				
d. Data Universal Numbering System (DUNS) Number <table border="1"> <tr><td> </td><td> </td><td>-</td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </table>				-								e. Are multiple DUNS covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	
		-											
c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.		f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.											

6. AUDITEE INFORMATION

a. Auditee name MUNICIPALITY OF RIO GRANDE
b. Auditee address (Number and street) P O BOX 847 City RIO GRANDE State ZIP + 4 Code PR 00745 -
c. Auditee contact Name EDUARD RIVERA CORREA Title MAYOR
d. Auditee contact telephone (787) 887 - 2370
e. Auditee contact FAX (787) 888 - 1515
f. Auditee contact E-mail

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name JUAN A. RIVERA, CPA
b. Auditor address (Number and street) P O BOX 757 City DORADO State ZIP + 4 Code PR 00646 -
c. Auditor contact Name JUAN A. RIVERA Title OWNER
d. Auditor contact telephone (787) 784 - 2255
e. Auditor contact FAX (787) 784 - 2250
f. Auditor contact E-mail JRMELECIO@HOTMAIL.COM

9. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official 	Date Month Day Year 02 / 19 / 2005
Printed Name of certifying official Eduard Rivera Correa	
Printed Title of certifying official Alcalde	

9. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the certifying auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor 	Date Month Day Year 02 / 08 / 05
--------------------------	--

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report

Mark either: 1 Unqualified opinion **OR**
any combination of: 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No

3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness? 1 Yes 2 No

5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12) 1 Yes 2 No

2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b)) \$ 500,000

3. Did the audtee qualify as a low-risk audtee? (§ .530) 1 Yes 2 No

4. Is a reportable condition disclosed for any major program? (§ .510(a)(1)) 1 Yes 2 No -SKIP to Item 6

5. Is any reportable condition reported as a material weakness? (§ .510(a)(1)) 1 Yes 2 No

6. Are any known questioned costs reported? (§ .510(a)(3) or (4)) 1 Yes 2 No

7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b)) 1 Yes 2 No

8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)

- | | | | |
|--|--|---|--|
| 98 <input type="checkbox"/> U.S. Agency for International Development | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> U.S. Department of State |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 97 <input type="checkbox"/> Homeland Security | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 14 <input checked="" type="checkbox"/> Housing and Urban Development | 07 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 03 <input type="checkbox"/> Institute of Museum and Library Services | 47 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 15 <input type="checkbox"/> Interior | 09 <input type="checkbox"/> Small Business Administration | 00 <input type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 18 <input type="checkbox"/> Justice | | <input type="checkbox"/> Other - Specify: |
| 66 <input type="checkbox"/> Environmental Protection Agency | 17 <input type="checkbox"/> Labor | | <input type="text"/> |
| | 09 <input type="checkbox"/> Legal Services Corporation | | <input type="text"/> |

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

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

- the Federal Audit Clearinghouse archives
- and, if not marked above, the Federal cognizant agency

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

FORM SF-SAC (5-2004)

PART III FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

10. AUDIT FINDINGS

CFDA Number		Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program		Type(s) of compliance requirement(s) ⁴ (a)	Audit finding reference number(s) ⁵ (b)
Federal Agency Prefix ¹ (a)	Extension ² (b)					Major program (g)	If yes, type of audit report ³ (h)		
1	4 .871	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	HOUSING CHOICE VOUCHER	\$ 593,275 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	BCENP	04-08, 04-09, -10, 04-11, 04-12, 04-13, 04-14
1	4 .218	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	COMMUNITY DEVELOPMENT BLOCK GRANT	\$ 2,381,860 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	P	04-15
9	3 .575	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CHILD CARE AND DEVELOPMENT GRANT	\$ 153,493 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3 .044	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE III, PART B, GRANT FOR SUPPORTIVE SERVICES AND SENIOR CENTER	\$ 81,903 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	5 .611	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WILDLIFE RESTORATION	\$ 31,960 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	0 .433	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	RURAL HOUSING PRESERVATION GRANT	\$ 43 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	3 .544	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PUBLIC ASSISTANCE GRANT	\$ 68,193 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
TOTAL FEDERAL AWARDS EXPENDED				\$ 3,310,727 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

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

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

³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a)) reported for each Federal program.

- A. Activities allowed or unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis - Bacon Act

- E. Eligibility
- F. Equipment and real property management
- G. Matching, level of effort, earmarking
- H. Period of availability of Federal funds

- I. Procurement and suspension and debarment
- J. Program income
- K. Real property acquisition and relocation assistance

- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions
- O. None
- P. Other

⁵ N/A for NONE

PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.											f. List the multiple DUNS covered in the report.													
1	N	/	A			21	-			41	-				1	N	/	A			21	-		
2						22	-			42	-				2						22	-		
3						23	-			43	-				3						23	-		
4						24	-			44	-				4						24	-		
5						25	-			45	-				5						25	-		
6						26	-			46	-				6						26	-		
7						27	-			47	-				7						27	-		
8						28	-			48	-				8						28	-		
9						29	-			49	-				9						29	-		
10						30	-			50	-				10						30	-		
11						31	-			51	-				11						31	-		
12						32	-			52	-				12						32	-		
13						33	-			53	-				13						33	-		
14						34	-			54	-				14						34	-		
15						35	-			55	-				15						35	-		
16						36	-			56	-				16						36	-		
17						37	-			57	-				17						37	-		
18						38	-			58	-				18						38	-		
19						39	-			59	-				19						39	-		
20						40	-			60	-				20						40	-		

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