

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES

AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE SABANA GRANDE

AUDITORIA 2005-2006

30 DE JUNIO DE 2006

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Capitulo 7.6(13)

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF SABANA GRANDE
SABANA GRANDE, PUERTO RICO

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2006

(WITH THE ADDITIONAL REPORTS AND
INFORMATION REQUIRED BY
THE GOVERNMENT AUDITING STANDARDS AND
OMB CIRCULAR A-133)

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(WITH THE ADDITIONAL REPORTS AND INFORMATION
REQUIRED BY THE GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133)

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MENDOZA & RAMOS
Contadores Públicos Autorizados, C.S.P.

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INDEPENDENT AUDITOR'S REPORT

**TO THE HONORABLE MAYOR AND
MEMBERS OF THE MUNICIPAL LEGISLATURE
MUNICIPALITY OF SABANA GRANDE, PUERTO RICO**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of SABANA GRANDE, Puerto Rico (Municipality), as of and for the year ended June 30, 2006, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and budgetary comparison information on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2006, on our consideration of the Municipality's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Mendoza & Ramos
MENDOZA & RAMOS
CERTIFIED PUBLIC ACCOUNTANTS, C.S.P.

Guayama, Puerto Rico
December 6, 2006

Stamp number 2134147 was
affixed to the original of this
report.



COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The management of Municipality of Sabana Grande, Puerto Rico (Municipality) offers this narrative overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2006. The new reporting model required by Governmental Accounting Standards Board Statement No. 34 was implemented during fiscal year 2004. The financial statements associated with it are described in the following narrative as well as in the Notes to Financial Statements.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, and much of the information is comparable to prior year. We encourage readers to consider this information with the Municipality's basic financial statements that follow.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The net assets of the Municipality exceeded its liabilities at June 30, 2006 by \$20.4 million and at June 30, 2005 by \$20.6 million.
- The Municipality's total net assets decreased by \$2.2 million during 2006 and during 2005 the net assets increased by \$1.7 million.
- As of June 30, 2006, the Municipality's governmental funds reported combined ending fund balances of \$8.3 million, a decrease of \$2.1 million from the prior year.
- At June 30, 2006, the Unreserved (Deficit) for the General Fund was \$1.1 million.
- The Municipality's capital assets inventory increase as a result of this year's operations. Capital assets as of June 30, 2006 were \$21.5 million.
- The investment in capital assets for this year was \$1.2 million.
- Loans principal payments were \$405 thousand and \$390 thousand in 2006 and 2005, respectively.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Municipality's financial statements. The Municipality's basic financial statements comprise three components: government-wide financial statements; fund financial statements; and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Municipality's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Municipality's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Municipality is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The Statement of Activities presents information showing how the Municipality's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements of the Municipality are principally supported by taxes and intergovernmental revenues. The governmental activities of the Municipality include general government, public safety, public works, human services and welfare, culture and recreation, physical environment, education and urban development. Property taxes, municipal license tax, state and federal grants finance most of these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Municipality, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The Municipality's basic services are reported in the government fund financial statements. The government funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Municipality adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general and major funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Municipality, assets exceeded liabilities by \$20.4 million as of June 30, 2006 versus \$22.6 million as of June 30, 2005. Our analysis below focuses on the net assets (Table 1) and changes in

	2006	2005
Current and non-current assets...	\$ 15,485,164	\$ 18,842,696
Capital assets.....	<u>16,299,494</u>	<u>15,771,099</u>
Total Assets.....	<u>31,784,658</u>	<u>34,613,795</u>
Current liabilities	517,458	694,466
Deferred revenues	1,201,262	1,221,986
Long-term liabilities.....	<u>9,622,009</u>	<u>10,027,065</u>
Total Liabilities	<u>11,340,729</u>	<u>11,943,517</u>
Net Assets:		
Investment in capital assets	11,710,494	10,949,098
Restricted.....	13,881,740	15,952,623
Deficit.....	<u>(5,148,305)</u>	<u>(4,231,438)</u>
Total Net Assets.....	<u>\$ 20,443,929</u>	<u>\$ 22,670,283</u>

net assets of the Municipality's governmental activities.

The largest portion of the Municipality's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets still outstanding. These capital assets are used to provide services to citizens; consequently these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the

capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Municipality's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Municipality's ongoing obligations to citizens and creditors.

Total Net Assets of the Municipality's governmental activities were \$20.4 million. The Unrestricted (Deficit) was approximately of \$5.1 million at June 30, 2006.

Governmental Activities

Governmental activities increased the Municipality's net assets. Key elements of this increase are as follows: the Municipality's governmental activities had net expenses of \$11.3 million. However, these services are intended to be primarily funded by taxes, as opposed to charges for services and grants, and those taxes and other general revenues did exceed net expenses by \$2.3 million. The Municipality experienced a substantial increase in property taxes and construction taxes due to growth in new constructions and the assessed valuation of property within the Municipality.

The cost of all governmental activities this year was \$20.9 million. Table 2 presents the cost of each of the Municipality's largest programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Table 2
Changes in Net Assets
For Fiscal Years Ending June 30,

	2006	2005
Revenues:		
Program Revenues:		
Federal Grants and Contributions	\$ 6,423,088	\$ 7,563,994
State Grants and Contributions	3,118,117	7,866,094
General Revenues:		
Property Taxes	2,184,858	2,099,854
Volume of Business Taxes.....	995,024	1,020,000
Construction Taxes	117,996	443,210
Intergovernmental	4,846,657	4,300,003
Other General Revenues	<u>927,827</u>	<u>741,875</u>
Total revenues.....	<u>18,613,567</u>	<u>24,035,030</u>
Expenses:		
General Administration.....	4,964,351	5,878,499
Public Safety	513,487	461,090
Public Works.....	2,478,231	2,256,175
Health and Sanitation	149,103	163,959
Culture and Recreation.....	420,062	452,960
Solid Waste Disposal	264,191	214,891
Human Services and Welfare.....	5,152,983	5,630,907
Urban Development	978,088	1,402,645
Education	5,585,114	5,584,768
Interest Costs.....	<u>409,538</u>	<u>281,448</u>
Total expenses	<u>20,915,148</u>	<u>22,327,342</u>
Changes in net assets	(2,301,581)	1,707,688
Net assets – beginning, as Restated	<u>22,745,510</u>	<u>20,962,595</u>
Net assets – ending.....	<u>\$ 20,443,929</u>	<u>\$ 22,670,283</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of its fiscal year. At June 30, 2006, the Municipality's governmental funds reported combined ending fund balances of \$8.3 million, a decrease of \$2.1 million from the prior year.

The Municipality has an Unrestricted (Deficit) of \$1.1 million in its Operating Fund. The remainder of the balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate prior year obligations \$200 thousand, (2) to pay debt service \$369 thousand or (3) for other restricted purposes \$9.3 million.

BUDGETARY HIGHLIGHTS

Budget and actual comparison schedules are provided in the Basic Financial Statements for the General Fund. The Budgetary Comparison Schedule of the General Fund shows the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general and major special revenue funds.

After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances and other unanticipated revenues. Differences between the original 2006 budget and the final amended budget for the General Fund were relatively minor and can be summarized as follows:

- Revenues primarily increased from collections of licenses and permits.
- Reduction in the Budget of Intergovernmental Revenues.
- The original budget was amended to increase expenditures between expenditures accounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets for its governmental type activities as of June 30, 2006 amounted to \$16.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, parks, roads, highways, and bridges. The total increase in the Municipality's investment in capital assets for the current fiscal year was \$1.2 million.

Additions during the fiscal year was principally for building construction, purchase of new vehicles and machinery and equipment, necessary to provides services to our citizens. Table 3 present the major classes of capital assets.

Land	\$1.4
Construction in Progress	2.1
Buildings	9.0
Infrastructure.....	2.3
Motor Vehicles	1.2
Machinery and Equipment.....	<u>.3</u>
 Total Capital Assets	 <u>\$16.3</u>

Long-term Debt

At June 30, 2006 the Municipality had total of \$9.6 million in general obligations and others outstanding debts, as shown in Table 4. Of this amount, \$6.4 million comprises debt backed by the full faith and credit of the government and \$2.2 million is other obligations.

General Obligations	\$ 6.4
Special Notes	1.0
Others.....	<u>2.2</u>
 Total Capital Assets	 <u>\$ 9.6</u>

The Municipality is required to limit the amount of general obligation debt to 10% of the total assessment of property located within the Municipality in order for the bonds to be repaid with the proceeds of property taxes restricted for debt services. Other obligations include accrued vacation and sick leaves and advances of property taxes. More detailed information about the Municipality's long-term liabilities is presented in the notes to the financial statements. The Municipality continues to meet its financial needs through prudent use of its revenues and creative debt financing programs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local, national and international economic factors influence the Municipality's revenues. Positive economic growth is correlated with increased revenues from property taxes, volume of business taxes, charges for services, as well as state and federal grants. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction, assessed valuation, and other revenues.

All of these factors were considered in preparing the Municipality's budget for the 2006 fiscal year. Some cost reductions helped fund improvements of existing facilities, public safety and works, economic development initiatives and human service improvements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Municipality's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information contact the Municipality's Finance Department at (787) 873-2060.

BASIC FINANCIAL STATEMENTS:

Governmental-Wide Statement

- **Statement of Net Assets**
- **Statement of Activities**

Governmental Funds Statements

- **Balance Sheet**
- **Reconciliation of the Governmental Funds Balance Sheet**
- **Statement of Revenues Expenditure and Change in Fund Balance**
- **Reconciliation of the Statement of Revenues, Expenditure, and Changes in fund Balance**

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

**Governmental
 Activities**

ASSETS:

Cash and Investment	\$ 7,642,957
Cash with Fiscal Agent	2,063,791
Accounts Receivable (net):	
Property Taxes	82,356
Federal Grants	5,606,950
Other	<u>89,110</u>
Capital Assets (Note 5):	
Land, Improvements, and Construction in Progress	3,473,075
Other Capital Assets, (Net of Depreciation)	<u>12,826,419</u>
Total Capital Assets	<u>16,299,494</u>
TOTAL ASSETS	\$ <u>31,784,658</u>

LIABILITIES:

Bank Overdraft	32,836
Accounts Payable and Accrued Expense	416,601
Accrued Interest	68,021
Deferred Revenues	1,201,262
Long-Term Liabilities (Note6):	
Due within One Year	1,400,590
Due in More than One Year	<u>8,221,419</u>
Total Liabilities	11,340,729

NET ASSETS

Invested in Capital Assets, Net of Related Debt	11,710,494
Restricted for:	
Head Start Program	3,191,983
Community Development Block Grant	2,263,897
Other Governmental Funds	2,195,841
State Assignment Funds	5,860,285
Debt Service	369,734
Unrestricted (Deficit)	<u>(5,148,305)</u>
TOTAL NET ASSETS	\$ <u>20,443,929</u>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
Governmental Activities:					
Mayor and Municipal Legislature	\$ 2,038,692	\$ -	\$ -	\$ -	\$ (2,038,692)
General Government	2,925,659	-	25,205	-	(2,900,454)
Public Safety	513,487	-	151,006	-	(362,481)
Public Works	2,478,231	-	-	-	(2,478,231)
Culture and Recreation	420,062	-	-	-	(420,062)
Health and Sanitation	149,103	-	-	-	(149,103)
Solid Waste Disposal	264,191	-	-	-	(264,191)
Human Services and Welfare	5,152,983	1,025,122	2,152,968	-	(1,974,893)
Urban Development	978,088	-	178,269	859,937	60,118
Capital Outlay	-	-	-	-	-
Education	5,585,114	-	5,148,698	-	(436,416)
Interest on Long-Term Debt	409,538	-	-	-	(409,538)
Total Governmental Activities	\$ 20,915,148	\$ 1,025,122	\$ 7,656,146	\$ 859,937	\$ (11,373,943)

General revenues:

Taxes:

Property tax, levied for General Purposes	1,696,681
Property tax, levied for Debt Service	488,177
Volume of Business Tax	995,024
Construction Taxes	117,996
Intergovernmental revenues	4,846,657
Rent	152,369
Miscellaneous	775,458
Total General Revenues and Special Items	9,072,362

Change in the Net Assets (2,301,581)

Net Assets - Beginning of Year 22,745,510

Net Assets - Ending of Year \$ 20,443,929

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Head Start Fund	State Assignment Fund	CDBG Fund	Other Governmental Funds	Total Funds
ASSETS:						
Cash and Investment (Note 2)	\$ -	\$ 28,494	\$ 5,945,710	\$ 12,551	\$ 1,656,202	7,642,957
Cash with Fiscal Agent	221,072	-	-	-	1,842,719	2,063,791
Accounts receivable:						
Property Tax	-	-	-	-	82,356	82,356
Federal Grant	-	3,180,638	-	2,303,109	123,203	5,606,950
Due from Other Funds	347,969	-	-	-	594,235	942,204
State Governmental	32,534	-	-	-	56,576	89,110
TOTAL ASSETS	\$ 601,575	\$ 3,209,132	\$ 5,945,710	\$ 2,315,660	\$ 4,355,291	\$ 16,427,368
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Bank Overdraft	32,836	-	-	-	-	32,836
Accounts Payable and Accrued Expense Liabilities	206,182	17,149	-	16,886	5,402	245,619
Bonds and Notes Payable	-	-	-	-	161,000	161,000
Accrued Interest	-	-	-	-	68,021	68,021
Due to Governmental Units	9,982	-	-	-	-	9,982
Due to Other Funds	594,235	-	85,425	34,877	227,667	942,204
Deferred Revenue:						
Volume of Business Tax	833,941	-	-	-	-	833,941
Property Taxes	32,534	-	-	-	-	32,534
Federal Grants	-	3,180,638	-	2,113,515	439,656	5,733,809
Total Liabilities	1,709,710	3,197,787	85,425	2,165,278	901,746	8,059,946
Fund Balances:						
Reserve For:						
Encumbrances	200,614	-	-	-	-	200,614
Debt Service	-	-	-	-	369,734	369,734
Other Purposes	221,072	11,345	5,860,285	150,382	3,083,811	9,326,895
Unreserved (Deficit)	(1,529,821)	-	-	-	-	(1,529,821)
Total Fund Balances	(1,108,135)	11,345	5,860,285	150,382	3,453,545	8,367,422
TOTAL LIABILITIES AND FUND BALANCES	\$ 601,575	\$ 3,209,132	\$ 5,945,710	\$ 2,315,660	\$ 4,355,291	\$ 16,427,368

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Total Fund Balances- Governmental Funds (Page 12) \$ 8,367,422

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. In the current period, these amounts are:

Non Depreciable Capital Assets	\$ 3,473,075	
Depreciable Capital Assets	15,597,679	
Infrastructure Assets	2,480,195	
Accumalated Depreciation	<u>(5,251,455)</u>	
Total Capital Assets		16,299,494

Some of the Municipality's revenues will be collected after year-end but are not available soon enough to pay the current period's expenditures and therefore are deferred in the fund:

Head Start	3,180,638	
CDBG	2,113,515	
Child Care	72,335	
Municipal Revenue Collection Center	<u>32,534</u>	
Total Deferred Revenues		5,399,022

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Bonds and Notes Payable	(7,425,000)	
Compensated Absences	(1,590,082)	
Municipal Revenue Collection Center	<u>(606,927)</u>	
Total Long-Term Liabilities		(9,622,009)

Total Net Assets of Governmental Activities (Page 6) \$ 20,443,929

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	Head Start Fund	State Assignment Fund	CDBG Fund	Other Governmental Funds	Total Funds
REVENUES						
Property Tax	\$ 1,696,681	\$ -	\$ -	\$ -	\$ 488,177	\$ 2,184,858
Volume of Business Tax	995,024	-	-	-	-	995,024
Federal Assistance	-	4,515,438	-	801,160	2,137,131	7,453,729
Intergovernmental Revenues	4,846,657	-	278,961	-	2,839,156	7,964,774
Licenses and Permits	123,701	-	-	-	-	123,701
Rent	152,369	-	-	-	-	152,369
Miscellaneous	804,422	-	-	-	-	804,422
TOTAL REVENUES	8,618,854	4,515,438	278,961	801,160	5,464,464	19,678,877
EXPENDITURES						
Mayor and Municipal Legislature	1,947,204	-	-	-	-	1,947,204
General Administration	2,753,919	-	-	-	-	2,753,919
Public Safety	337,893	-	-	-	151,006	488,899
Public Works	2,283,453	-	-	-	-	2,283,453
Culture and Recreation	395,416	-	-	-	-	395,416
Health and Sanitation	405,397	-	-	-	-	405,397
Human Services and Welfare	1,220,151	-	756,204	-	3,110,757	5,087,112
Urban Development	-	-	789,848	659,877	290,745	1,740,470
Education	-	4,545,106	-	-	1,040,008	5,585,114
Capital Outlay	-	-	339,487	1,590	6,000	347,077
Debt Service:						
Principal	-	-	-	-	405,000	405,000
Interest and Other Charges	-	-	-	-	409,538	409,538
TOTAL EXPENDITURES	9,343,433	4,545,106	1,885,539	661,467	5,413,054	21,848,599
Excess (deficiency) of revenue over expenditures	(724,579)	(29,668)	(1,606,578)	139,693	51,410	(2,169,722)
OTHER FINANCIAL SOURCES (USES):						
Operating Transfer Out	(372,586)	-	-	-	-	(372,586)
Operating Transfer In	-	-	-	-	372,586	372,586
Net Other Financing Sources (Uses)	(372,586)	-	-	-	372,586	-
Net Change in the Fund Balance	(1,097,165)	(29,668)	(1,606,578)	139,693	423,996	(2,169,722)
FUND BALANCE - BEGINNING, AS RESTATED (Note 13)	(10,970)	41,013	7,466,863	10,689	3,029,549	10,537,144
FUND BALANCES AT END OF YEAR	\$ (1,108,135)	\$ 11,345	\$ 5,860,285	\$ 150,382	\$ 3,453,545	\$ 8,367,422

Original copy of 6/30/07

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURE, AND CHANGE
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2006

Net Change in Fund Balance - Total Governmental Funds (Page 14) \$ (2,169,722)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Urban Development and Capital Outlay	\$ 1,222,675	
Depreciation Expense	<u>(694,280)</u>	
Excess of Capital Outlay over Depreciation Expense		528,395

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds 3,339,038

Revenues in the Statement of Revenues that correspond to Prior Year resources are record as Revenue in the Statement of Activities (4,404,348)

Repayment of long-term principal is expenditure in the governmental funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year the repayments were: 405,000

Some expenses reported in the Statements of Activities do not require the use of current financial reurces and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Compensated Absences	(30,546)	
Decrease in Crim Debt	<u>30,602</u>	
Total Additional Expenditures		56

Change in Net Assets of Governmental Activities \$ (2,301,581)

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

NOTES TO BASIC FINANCIAL STATEMENTS

- NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (17-26)
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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipality of Sabana Grande, Puerto Rico (Municipality) was founded in the year 1813, and operates as a governmental unit of the Commonwealth of Puerto Rico, under the Law Number 81 of August 30, 1991, known as "Autonomy Municipalities Law of the Commonwealth of Puerto Rico". The governmental system of the Municipality is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Commonwealth of Puerto Rico. The legislative body consists of 14 Legislators also elected in the general elections of Puerto Rico for a four-year period.

The Municipality provides services such as: health, public works, sanitation, aids and services to low-income and elderly citizens, public safety, housing and urban development, culture and recreation, planning, zoning and other general and administrative services.

The accounting policies of the Municipality conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

The accompanying basic financial statements of the Municipality have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units.

In June 1999, the GASB issued Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement establishes new financial reporting requirements for state and local governments. The Municipality adopted the provisions of GASBS No. 34 as well as other statements referred to below as of July 1, 2004. They require new information and restructure much of the information that governments have presented in the past.

As previously mentioned, other GASB Statements and Interpretations were required to be implemented in conjunction with GASBS No. 34. Therefore, the Municipality has implemented the following GASB Statements in the current fiscal year 2003-2004: GASBS No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, GASBS No. 38, *Certain Financial Statement Note Disclosures*, GASB No. 41, *Budgetary Comparison Schedules - Perspective Differences*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The accompanying basic financial statements present the financial position and the results of operations of the Municipality and its various funds and fund types. The basic financial statements are presented as of June 30, 2006, and for the fiscal year then ended. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

A. Financial Reporting Entity

The accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the Municipality. In evaluating the Municipality as a reporting entity, management has addressed all the potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of GASBS No. 14.

The basic criteria for including a potential component unit within the reporting entity is if potential component units are financially accountable and other organizations for which the nature and significance of their relationship with the entity are such that exclusion would cause the Municipality's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) ability of the Municipality to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Municipality.

The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to the Municipality indicate no organizations meet the criteria to be included as component units. Accordingly, these basic financial statements present only the Municipality as the reporting entity.

These financial statements present the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended.

B. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual; as soon as it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter, normally within sixty (60) days, to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

The exception to this general rule is the principal and interest on general obligation long-term debt and compensated absences, if any, are recognized when due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

In applying the "susceptible to accrual" concept to intergovernmental revenues (federal grants) pursuant to GASBS No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (the Municipality may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

There are essentially two types of revenue. For the majority of grants, moneys must be expended by the Municipality on the specific purpose or project before any amounts will be reimbursed. Revenue is, therefore, recognized as expenditures as incurred to the extent available. For the other revenue, moneys are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria is met.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include the following:

- Employee's vested annual vacation and sick leave is recorded as expenditure when utilized. The amount of accumulated annual vacation and sick leave unpaid at June 30, 2006, has been reported only in the government-wide financial statements.

C. Financial Statement Presentation

The basic financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial model the focus is on either the Municipality as a whole, or major individual funds (within the basic financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all the activities of the Municipality. For most part, the effect of interfund activity has been removed from these government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the Municipality and its governmental activities. These statements, combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The Statement of Net Assets presents the reporting entities' assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in Capital Assets, Net of Related Debt – These consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

- Restricted Net Assets – These result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – These consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

The Statement of Activities is focused on both the gross and net costs per functional category. The statement reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. This is intended to summarize and simplify the user's analysis of cost of various governmental services.

Governmental Fund Financial Statements

The fund financial statements (the Balance Sheet, the Statement of Revenues, Expenditures, and Changes in Fund Balances, the Statement of Net Assets) focus on information about the major funds in the governmental category. Non-major funds are summarized into a single column.

The Governmental Major Fund Statements are presented on current financial resources and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. This presentation deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Municipality's actual experience conforms to the budgeted fiscal plan.

Since the governmental fund statements are presented in different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented and separate explanation for each differences.

The Municipality reports its financial position (Balance Sheet) and results of operations (Statement of Revenues, Expenditures and Changes in Fund Balance) in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

The fund financial statements as defined in GASBS No. 34 established criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category in the governmental fund) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The Municipality reports the following major fund:

NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

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

Head Start Fund – This is the fund used to account for all transactions of the Head Start Program. The objectives to this program are to provide comprehensive health, educational, nutritional, social and other developmental services primarily to economically-disadvantaged pre-school children and infants and toddlers so that the children will attain school readiness.

State Assignment Fund – This is the fund used to account for all the transactions of the State Assignment by Legislature Resolutions. The primary objectives of this assignment is to development of minor projects on communities, not-for-profit organizations and indirect assignment to persons of low and moderate income.

CDBG Fund – This is the fund used to account for all the transactions of the State Block Grant Program. The primary objectives of this program is to development of viable communities by providing decent housing, a suitable living environment and expanded economic opportunities, principally for persons of low and moderate income.

GASBS No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

D. Budgetary Data

The Municipality's annually adopts the Budget Resolution for all operating funds of the Municipality except for certain restricted accounts Special Revenue Funds. Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrance included as budgetary basis expenditures. The Municipality's Budget Resolution provides transfer authority (1) to the Mayor and the Management and Budget Director, within and between departments and funds, as long as the total budget of the Municipality (net of interfund transfers) is not increased; (2) to the Management and Budget Director to implement grant budgets as the grant applications are accepted by the Municipality; and (3) to the Management and Budget Director to amend (re-appropriate) each new year's budget, to the extent of outstanding encumbrances, and/or unexpended project/grant appropriations at year end. Municipality's Legislature action is required for (1) use of the budgeted Legislature contingency, and (2) the approval of a supplemental appropriation(s). During the year, several supplemental appropriations were necessary.

The budget columns (original and final budgets) of the Budgetary Comparison – General Fund reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

Amendments to the budget, including transfers, require the approval of the Municipal Legislature. Unencumbered appropriations lapse at the end of the next fiscal year. The Municipality follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the basic financial statements:

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

1. Prior of May 31, of each fiscal year, the Mayor submits to the Municipal Legislature a proposed budget for the fiscal year commencing the following July 1, in addition of a budget message.
2. The budget document is available for public inspection prior to its approval by the Municipal Legislature.
3. The Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law.
4. Prior to June 13, the annual budget is legally enacted through passage of the annual appropriation ordinance.
5. If a budget is not adopted prior to the end of the end of the fiscal year, the annual budget for the preceding fiscal year, as approved by the Municipal Legislature and the Mayor, is automatically renewed for the ensuing fiscal year until a new budget is approved. This permits the Municipality to continue making payments for its operating and other expenses until the new budget is approved.
6. Subsequent to the enactment of the annual appropriation ordinance, the Municipal Legislature has the authority to make necessary amendments made during the fiscal year and are reflected in the budget information included in the Budgetary Comparison Schedule – General Fund.
7. Budgetary data for the Special Revenue Fund has not been presented in the accompanying basic financial statements as such funds are budgeted over the life of the respective grant or project and not on an annual basis.

Since the budgetary basis differs from accounting principles generally accepted in the United States of America (GAAP), actual amounts for the General Fund in the accompanying Budgetary Comparison Schedule, is presented on the budgetary basis to enhance comparability.

The principal differences between the budgetary and GAAP bases are the following:

1. Encumbrances are recorded as expenditures under the budgetary basis and as a reserve of fund balances under GAAP.
2. The non-exonerated portion of the property tax advances are presented as revenue in the budgetary basis and as other financing sources under GAAP (See Note 8).
3. Interfund transactions of the General and Special Revenue Funds are not included in the budgetary basis.
4. Certain accrued liabilities and other debts are not included in the budgetary basis.
5. Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary data.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

All encumbrance appropriations in the operating budget lapse at the end of the fiscal year. Property taxes collected during the current year by the Municipal Revenue Collection Center (Fiscal Agent) are presented as revenues in the accounting basis but are not considered in the budgetary schedule.

The special funds of the Special Revenue Fund have not been included in the budgetary comparison because balances are not budgeted. Also the budget prepared for the Federal Financial Awards Programs included in the Capital Projects and Special Revenue Funds is based on a program period which is not necessarily a year. Accordingly, it's not practical to present an annual comparison of budget for such programs.

E. Cash, Cash Equivalent and Investment

The Director of Finance of the Municipality is responsible for investing the available resources in certificates of deposit and other short-term investments. Investments are made from the available combined funds of the Municipality and, accordingly, it is not practical to disclose certificates of deposit and other short-term investments individually by fund in the combined financial statements. Interest earned on certificates of deposit and other short-term investments are recognized as revenue in the General Fund. Cash in the Special Revenue, Debt Service and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments.

Cash with fiscal agent represents property tax collections retained by the Municipal Revenues Collection Center and undisbursed proceeds of certain bonds, loans or grants which are maintained in a cash custodian account by the Government Development Bank of the Commonwealth of Puerto Rico.

Cash balance recognized in the Debt Service Fund is restricted for the payment of the Municipality's obligations, and others are restricted for specific projects, such as the acquisition or construction of permanent improvements. This sinking fund is maintained by the Governmental Development Bank of Puerto Rico, agency which acts as the insurer and payer of the Municipality's bonds and notes issued in accordance with law.

F. Receivable

Receivable are stated nets of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Receivable from Federal Government represents amounts owed to the Municipality for reimbursement of expenditures incurred pursuant to federally funded programs.

G. Inventories

The General, Special Revenue and Capital Project Funds, purchases office and printing supplies, gasoline, oil and other expendable supplies held for consumption. The cost of purchases is recorded as expenses/expenditure in the appropriate fund and the inventory is not recorded in the basic financial statements.

H. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Municipality's

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

capitalization levels are \$500 on personal property. For improvements other than buildings, the capital outlay must be greater than \$10,000, extend the estimated useful life for ten years, and be greater than 10% of the original cost of the asset. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

CAPITAL ASSETS	YEARS
Buildings	50
Improvement Other Than Buildings	50
Equipments	10
Furniture	10
Vehicles	5
Machinery	5-10
Infrastructure	10-50

I. Compensated Absences

The Municipality accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The Municipality's employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed.

The Municipality accrued a liability for compensated absences, which meet the following criteria:

1. The Municipality's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by GASBS No. 16; the Municipality has accrued a liability for compensated absences, which has been earned but not taken by Municipality's employees. For the government-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

The following is a summary of changes in the balance of Compensated Absences for the fiscal year ended June 30, 2006.

BALANCE JULY 1, 2005	NEW ISSUES	RETIREMENTS AND CURRENT MATURATES	BALANCE JUNE 30, 2006	CURRENT PORTION	LONG-TERM PORTION
<u>\$1,559,536</u>	<u>\$ 30,546</u>	<u>\$ -</u>	<u>\$1,590,082</u>	<u>\$ 995,590</u>	<u>\$ 594,492</u>

J. Insurance

The Municipality has insurance coverage for its public facilities, primarily to provide protection from catastrophic losses. Also, principal officials of the Municipality are covered under various surety bonds. 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. Corresponding premiums payable are withheld by the Municipal Revenue Collection Center from quarterly advances of annual property tax and subsidy sent to the Municipality.

K. Interfund Transactions

Interfund transactions are reflected as loans, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

The Municipality has the following types of transactions among funds:

Interfund Transfers – Legally required transfers that are reported when incurred as transfers-in by the recipient fund and as transfers-out by the disbursing fund, with receivables and payables presented as amounts due to and due from other funds. Advances between funds are also presented as amounts due to and due from other funds. However, these transfers and related amounts receivables and payables are considered internal balances and activities that have been eliminated in the government-wide financial statements.

L. Reservations of Fund Balance – Governmental Funds

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditures or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for debt service and other specific purposes are examples of the latter.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

M. Claims and Judgments

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the General Fund. The Long-Term Debt Account includes an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

N. Use of Estimates

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

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments consist of certificates of deposit. The Municipality's cash, cash equivalent and investments at year-end were entirely covered by the Federal Deposit Insurance Corporation (FDIC) coverage, up to a maximum of \$100,000 in each bank, and the excess by collateral provided by the banks and held by the Department of the Treasury pursuant the applicable laws and regulations. Cash with fiscal agent is maintained in interest bearing accounts in the Government Development Bank of Puerto Rico and is not collateralized.

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Commonwealth of Puerto Rico. The Municipality is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws.

During the year, the Municipality invested its funds in short-term certificates of deposit. As June 30, 2006 the market value of investments recorded in Special Revenue Fund (\$4,544,533) approximated its carrying value as follow:

CERTIFICATE OF DEPOSIT ISSUED BY	CERTIFICATE OF PAYMENT NUMBER	PRINCIPAL AMOUNT	RATE	EXPIRATION DATE
Western Bank.....	2900710033	\$ 41,311	4.00%	07/18/06
Western Bank.....	1200710001	500,000	4.35%	09/24/06
Western Bank.....	1200710002	500,000	4.10%	07/26/06
Popular Bank of Puerto Rico	1110000010	592,539	1.93%	07/28/06
Popular Bank of Puerto Rico	1110000009	<u>2,910,683</u>	2.26%	07/18/06
Total		<u>\$4,544,533</u>		

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3 INTERFUND TRANSFER AND BALANCES

A. Interfund Transfers

Transfers are indicative of funding for capital projects or debt service, and subsidies of various operations.

INTERFUND TRANSFERS WITHIN THE GOVERNMENTAL FUNDS

<u>SOURCES</u>	<u>TRANSFER TO</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Debt Services Fund	<u>\$ 372,586</u>	Debt payment

B. Interfund Receivable and Payable Balances

Interfund receivables and payables at June 30, 2006 are summarized as follows:

<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>	<u>AMOUNT</u>
General Fund	State Assignment	\$ 85,425
General Fund	CDBG	34,877
General Fund	Other Funds	227,667
Other Funds	General Fund	<u>594,235</u>
TOTAL		<u>\$ 942,204</u>

NOTE 4 DUE TO OTHER GOVERNMENTAL UNITS

As of June 30, 2006, balance due to other governmental units of the General Fund for services rendered to the Municipality, consists of the following:

	<u>Amount</u>
Water Company	\$ 5,952
General Services Administration.....	<u>4,030</u>
Total Due to Governmental Units.....	<u>\$ 9,982</u>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2006 was as follows:

DESCRIPTION	BALANCE JULY 1, 2005	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2006
Non-Depreciable Capital Assets:				
Land.....	\$ 1,395,791	\$	\$ -	\$ 1,395,791
Construction in Progress	<u>2,503,466</u>	<u>875,598</u>	<u>(1,301,780)</u>	<u>2,077,284</u>
Total Non-Depreciable Capital Assets	<u>3,899,257</u>	<u>875,598</u>	<u>(1,301,780)</u>	<u>3,473,075</u>
Depreciable Capital Assets:				
Buildings.....	9,227,953	1,301,780	-	10,529,733
Infrastructure	2,480,195	-	-	2,480,195
Machinery and Equipment.....	1,639,044	81,041	-	1,720,085
Motor Vehicles	<u>3,081,825</u>	<u>266,036</u>	-	<u>3,347,861</u>
Total Depreciable Capital Assets.....	<u>16,429,017</u>	<u>1,648,857</u>	-	<u>18,077,874</u>
Less Accumulated Depreciation:				
Buildings.....	(1,350,609)	(176,961)	-	(1,527,570)
Infrastructure	(203,968)	(37,203)	-	(241,171)
Machinery and Equipment.....	(1,165,205)	(165,906)	-	(1,331,111)
Motor Vehicles	<u>(1,837,393)</u>	<u>(314,210)</u>	-	<u>(2,151,603)</u>
Total Accumulated Depreciation	<u>(4,557,175)</u>	<u>(694,280)</u>	-	<u>(5,251,455)</u>
Total Depreciable Capital Assets (Net)	<u>11,871,842</u>	<u>954,577</u>	-	<u>12,826,419</u>
CAPITAL ASSETS, NET	<u>\$15,771,099</u>	<u>\$ 1,830,175</u>	<u>\$(1,301,780)</u>	<u>\$ 16,299,494</u>

Depreciation expenses were charged to governmental functions/programs as follows:

	AMOUNT
Mayor and Municipal Legislature	\$ 91,488
General Government	171,796
Public Safety	24,588
Public Works.....	194,778
Culture and Recreation.....	24,646
Health and Sanitation	7,897
Human Services and Welfare	65,871
Urban Development	<u>113,216</u>
Total Depreciation Expenses.....	<u>\$ 694,280</u>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM DEBTS

A. General Obligations Bonds and Special Notes Payable

The principal long-term obligations of the Municipality are general obligations bonds and special notes issued to finance the construction and improvements of public facilities and purchase of equipment. The Municipality's obligations long-term debt retirements are appropriated and paid from resources accumulated in the Debt Service Fund (see Note 7). The special obligations long-term notes retirements are paid through retention made by the Municipal Revenue Collection Center from monthly advance of annual property tax and subsidy send to the Municipality.

General obligations bonds and notes payable as of June 30, 2006, are comprised of the following individual issues:

DESCRIPTION	AMOUNT
General Obligations Bonds:	
\$1,305,000, Series 2003, for construction purposes, payable in annual installments ranging from \$20,000 to \$100,000, excluding interests at 6.50%, through July 1, 2027	\$ 1,210,000
\$735,000 Series 2001, for construction purposes, payable in annual installments ranging from \$15,000 to \$75,000, excluding interests at 8.00%, through July 1, 2020	620,000
\$1,760,000 Series 2001, for purchase of building, payable in annual installments ranging from \$25,000 to \$160,000, excluding interests at 8.00%, through July 1, 2025	1,580,000
\$755,000 Series 2001, for operation purposes, payable in annual installments ranging from \$15,000 to \$65,000, excluding interests at 8.00%, through July 1, 2025	680,000
\$105,000, Series 2000, for construction purposes, payable in annual installments ranging from \$5,000 to \$15,000, excluding interests at 8.00%, through January 1, 2009 ...	40,000
\$60,000, Series 2000, for construction purposes, payable in annual installments ranging from \$1,000 to \$6,000, excluding interests from 6.41% to 6.56%, through January 1, 2024.....	53,000
\$600,000, Series 2000, payable in annual installments ranging from \$9,000 to \$29,000, excluding interests at 4.50%, through January 1, 2027 (Water & Waste Disposal Loans & Grants)	412,000
\$140,000, Series 1999, for construction purposes, payable in annual installments ranging from \$5,000 to \$10,000, excluding interests at 8.00%, through July 1, 2023	100,000
\$230,000, Series 1998, for construction purpose, payable in annual installments ranging from \$5,000 to \$20,000, excluding interests at 8.00%, through July 1, 2022	185,000

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM DEBTS (CONTINUE)

\$121,000, Series 1998, for operation purposes, payable in annual installments ranging from \$3,000 to \$8,000, excluding interests at 4.50%, through July 1, 2003	100,000
\$310,000, Series 1997, for construction purposes, payable in annual installments ranging from \$5,000 to \$30,000, excluding interests from 4.70% to 6.63%, through July 1, 2002.....	250,000
\$222,000 Series 1996, for construction purposes, actually in process of disbursement, interests at 4.50% (Water & Waste Disposal Loans & Grants).....	179,000
\$350,000 Series 1992, for construction purposes, payable in annual installments, actually in process of disbursement; interests at 5.25% (Community Facilities Loan)	238,000
\$350,000 Series 1991, for construction purposes, payable in annual installments ranging from \$13,000 to \$31,000, excluding interests at 5.25%, through January 1, 2015 (Community Facilities Loan)	223,000
\$361,000, Series 1984, for construction purposes, payable in annual installments ranging from \$5,000 to \$26,000, excluding interests at 5.00%, through January 1, 2008 ...	50,000
\$605,000 Series 2005, for operation purposes, payable in annual installments ranging from \$25,000 to \$60,000, excluding interest at 6.00% trough July 1, 2008.....	<u>520,000</u>
Total General Obligations – Bonds	<u>6,440,000</u>

DESCRIPTION	AMOUNT
Notes Payable:	
\$475,000, Series 2001, for purchase of equipment, payable in annual installments ranging from \$55,000 to \$90,000, excluding interests at 8.00%, through July 1, 2007	90,000
\$200,000, Series 1988, for operation purposes, payable in quarterly installments of \$2,500, excluding interests at 8.00%, through July 1, 2007.....	10,000
\$925,000, Series 2005, for operation purposes, payable in annual installments ranging from \$40,000 to \$85,000, excluding interests up to 5.50%, trough July 1, 2020....	<u>885,000</u>
Total Notes Payable.....	<u>985,000</u>
Total General Obligations Bonds and Notes	<u>\$ 7,425,000</u>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM DEBTS (CONTINUE)

The annual requirements to amortize the general and special obligations outstanding as of June 30, 2006 are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL PAYMENT</u>	<u>INTEREST PAYMENT</u>	<u>TOTAL PAYMENT</u>
2007	405,000	452,536	857,536
2008	330,000	427,461	757,461
2009	316,000	409,251	725,251
2010	316,000	391,406	707,406
2011	338,000	373,200	711,200
2012-2016	2,038,000	1,542,444	3,580,444
2017-2021	2,148,000	895,596	3,043,596
2022-2026	1,405,000	287,600	1,692,600
2027-2032	<u>129,000</u>	<u>6,325</u>	<u>135,325</u>
TOTAL	<u>\$ 7,425,000</u>	<u>\$ 4,785,819</u>	<u>\$12,210,819</u>

B. Other Long-Term Debts

<u>DESCRIPTION</u>	<u>BALANCE JULY 1, 2005</u>	<u>NEW ISSUES</u>	<u>RETIREMENTS AND ADJUSTMENT</u>	<u>BALANCE JUNE 30, 2006</u>
Property Taxes – MRCC	\$ 637,529	\$ -	\$ 30,602	\$ 606,927
Compensated Absences	<u>1,559,536</u>	<u>30,546</u>	<u>-</u>	<u>1,590,082</u>
TOTAL.....	<u>\$ 2,197,065</u>	<u>\$ 30,546</u>	<u>\$ 30,602</u>	<u>\$ 2,197,009</u>

C. Changes in General Long-Term Debts

The following is a summary of changes in long-term debts for the year ended June 30, 2006

<u>DESCRIPTION</u>	<u>BALANCE JULY 1, 2005</u>	<u>NEW ISSUES</u>	<u>RETIREMENTS AND ADJUSTMENT</u>	<u>BALANCE JUNE 30, 2006</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>	<u>AMOUNTS DUE AFTER NEXT YEAR</u>
General.....	\$ 6,684,000	\$ -	\$ 244,000	\$ 6,440,000	\$ 260,000	\$ 6,180,000
Special	1,146,000	-	161,000	985,000	145,000	840,000
Others Debts	<u>2,197,065</u>	<u>30,546</u>	<u>30,602</u>	<u>2,197,009</u>	<u>995,590</u>	<u>1,201,419</u>
TOTAL.....	<u>\$ 10,027,065</u>	<u>\$ 30,546</u>	<u>\$ 435,602</u>	<u>\$ 9,622,009</u>	<u>\$ 1,400,590</u>	<u>\$ 8,221,419</u>

NOTE 7 DEBT RETIREMENT

Revenues of the debt service fund consists of the ad-valorem property taxes which are recognized as revenue when collected from taxpayers and reported by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico to the Municipality (See Note 8).

These property taxes are accumulated by the Municipal Revenue Collection Center in costs of the general obligations bonds issued by the Municipality. Payments are made to the Government Development Bank

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7 DEBT RETIREMENT (CONTINUE)

of the Commonwealth of Puerto Rico from such accumulated funds by the Municipal Revenue Collection Center of Puerto Rico.

NOTE 8 PROPERTY TAXES

The Municipal Revenue Collection Center of the Commonwealth of Puerto Rico is responsible for the assessment of all real and personal property located within the Municipality and for the levy, administration and collection of the corresponding tax contribution.

The property tax contribution is levied each year over the appraised value of the property at the beginning of the calendar year. The real property assessment is based on the current value existing in the year 1957 and the personal property at the current value at the date of the assessment.

The tax rate per annum is 8.28% for real property and 6.28% for personal property of which 1.03% of both belong to the Commonwealth of Puerto Rico and 7.25% and 5.25%, respectively, belongs to the Municipality. From the portion belonging to the Municipality, 6.00% and 4.00%, respectively, represents the Municipality's basic tax rate that is appropriated for general purposes and therefore accounted for through the general fund.

The remaining portion belonging to the Municipality of 1.25% represents the ad-valorem property taxes withheld by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico and restricted for debt service, which is accounted for through the debt service fund (See Note 7). The Municipality has reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad-valorem tax rate.

The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 has assessed valuation on residential units occupied by their owners. However, the Municipality receives the full amount levied, except for residential units assessed at less than \$3,500 on which a complete exemption is granted. The Municipal Revenue Collection Center, instead of the property taxpayer, becomes the source of payment in these cases.

The Municipality grants a complete exemption from personal property taxes up to an assessment value of \$50,000. The Municipal Revenue Collection Center advances to the Municipality, on monthly payments, 100% of the contribution assessed over property for each fiscal year. In accordance to Law, these advances will be contributions by the Municipal Revenue Collection Center from taxpayers. The Municipal Revenue Collection Center periodically informs to the Municipality the amounts collected from taxpayers and applied to outstanding advances.

The Municipality records as revenue in the general fund the property tax contribution when received from monthly advances from Municipal Revenue Collection Center.

Due to the fact that collections of property tax are applied to the advances of property tax paid by the Municipality Revenue Collection Center, the amortization of the advance at end of year was not available due to that is in process of verification by external auditors.

NOTE 9 VOLUME OF BUSINESS TAX

The volume of business tax is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the Municipality and which are not totally or partially exempt from this tax under the Industrial Incentives Laws of the Commonwealth of Puerto Rico. All taxpayers are required to file their declarations by April 23 of each year.

The tax rates are as follows:

- a. 1.50% for financial institutions and savings and loan associations.
- b. 0.50% for all other organizations.

Taxes are payable in two equal semi-annual installments on July 1 and January 1 following the date of levy. If they are paid with declaration, the taxpayer is granted a 5% of discount. Collections of taxes during current fiscal year, applicable to the next fiscal year, are recorded as deferred revenues in the General Fund.

NOTE 10 INTERGOVERNMENTAL REVENUES

Intergovernmental revenues consist primarily of funds received from the Commonwealth of Puerto Rico, "in lieu of tax" payments from the Quasi-public Corporation, Puerto Rico Electric Power Authority, and federal financial assistance received from federal government.

Grants and subsidies received from the Commonwealth of Puerto Rico and federal agencies include, among others, a general subsidy for urban development and capital improvements. Intergovernmental revenues are accounted for through the General Fund except for those directly related to urban development and capital improvements, which are accounted for through the Special Revenue and the Capital Project Funds. Federal Financial Assistance is recorded in the Special Revenue Fund.

NOTE 11 EMPLOYEE'S RETIREMENT PLAN

The Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The ERS was created under the Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. ERS covers all regular employees of the Commonwealth of Puerto Rico and its instrumentalities and of certain municipalities and components units not covered by their own retirement systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Head of Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of the Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees. ERS provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 11 EMPLOYEE'S RETIREMENT PLAN (CONTINUE)

The Municipality adopted the requirements of GASBS No. 25 for all the career employees that are covered under the Commonwealth of Puerto Rico Employee's Retirement System, a multiple-employer public employee retirement system, established by State Laws.

Under the plan, the employees and employer portions are contributed, for which, the employee amount is withheld from salaries. Covered employees are required by Commonwealth statute to contribute 5.775% for the first \$6,600 of monthly salary plus 8.275% for the excess of this amount, or on the alternative, 8.275% of all salary. The Municipality contributes to the system 9.275% of the participating employee's salaries.

Law Number 305 of September 24, 1999, amends the Act Number 447 that establish a savings program. All employees active in the system as of December 31, 1999 may elect to transfer from define contribution programs to the new savings program (a defined contribution plan). Employees in the savings program may now contribute from a minimum of 8.275% up to a maximum of 10% of their monthly salary, and will invested in an account which will either: (a) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (b) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (c) earn a combination of both alternatives.

If at time of retirement accumulated benefits amount to \$10,000 or less may elect to receive a lump sum distribution up to the accumulated benefits. Under the new program the retirement age is reduced from 65 to 60 for those employees who joined the current plan on or after April 1, 1990.

The pension benefit for participants who retire with less than 30 years of service is computed at the rate of 1½% of their average compensation of each year of credit service for the remaining years. The System also provides for death and disability benefits and the assets of the System pertaining to the participant employees.

A variety of significant actuarial assumptions are used to determine the standard measure of the pension benefit obligation and these assumptions are summarized below:

- a. The present value of the future pension payments was computed by using a discount of 9%.
- b. Future pension payments reflect an assumption of a 6% salary increase.

All employees that do not elect to transfer for the new program and who at the time of employment are 55 years old or less are eligible to participate in the System. Pension benefits for participants with 30 years of service are as follows:

YEARS OF SERVICE	PARTICIPANT'S AGE	PENSION BENEFITS
30 or more	55 or less	65% of the average of the three years of highest salary during the employee's service period.
30 or more	58 or more	75% of the average of the three years of highest salary during the employee's service period.
30 or more	65 or more	75% of the average of the three years of highest salary during the employee's service period (employees started working after April 1, 1990).

NOTE 11 EMPLOYEE'S RETIREMENT PLAN (CONTINUE)

The amount of the total pension benefit obligation is based on a standardized measurement established by GASBS No. 27, *Financial Reporting for Defined Benefit Pension Plans and Notes Disclosure for Defined Contributions Plans*. The standardized measurement is the actuarial present value of estimated defined pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee services performed to date. The measure 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 other public retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The membership of retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving benefits, and active employees and the distribution of active employees between vested and non-vested is not readily available.

Contributions in 2005, and prior years were made based on percentages established by the law. Such percentage has not been based on actuarial studies, as required by accounting principles generally accepted in the United States of America. An actuarial compilation of the annual contribution applicable to the Municipality has not been prepared. Accordingly, the accounts by which the actual contributions differ from the required actuarial contributions are not known.

The total pension expenditures recorded in the category of administration for the Fiscal Year Ended June 30, 2006 was approximately \$ 235,685. All employees who at the time of employment are 55 years old or less are eligible to participate in the System. No benefit is payable if the participant receives a refund of his accumulated contributions.

The historical trend information regarding the accumulation of assets and pension benefit obligation in the ERS is not available. For the ten-year trend information, refer to the separately issued financial statements of the ERS as of and for the fiscal year ended June 30, 2006. The P.R. Retirement Plan Administration provides additional information of the ERS. They issue a publicly available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Commonwealth of Puerto Rico. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, P.R. 00940.

NOTE 12 CONTINGENCIES

A. Claims and Judgments

The Municipality is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the Municipality's activities. The legal counsel of the Municipality has advised that at this stage in the proceedings of lawsuits he cannot offer an opinion as to the probable outcome.

In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available can not determine the final outcome of these claims. Accordingly, the financial statements do not include adjustment, if any, that could result from the resolution of this legal proceeding. However, it has been the Municipality's experience that such actions are settled for amounts substantially less than the claimed amounts.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 12 CONTINGENCIES (CONTINUE)

B. Federal Grants

In the normal course of operations, the Municipality receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13 ACCOUNTING CHANGES, CHANGES IN REPORTING ENTITY AND RESTATEMENTS

During fiscal year 2003-2004, the Municipality implemented several new accounting standards and an interpretation issued by GASB.

These new accounting standards caused most of the accounting changes, changes in reporting entity, and restatements described on the ensuing discussions below. Changes and restatements for reasons other than the adoption of the above pronouncements are also explained below.

GASB Interpretation No. 6 clarifies the application of existing standards for distinguishing the respective portion of certain types of liabilities that should be reported as (1) governmental fund liabilities and (2) general long-term liabilities of that government. The provisions of this interpretation have been incorporated into the basics financial statements and notes.

These new accounting standards caused most of the accounting changes, changes in reporting entity, and restatements described on the ensuing discussions below. Changes and restatements for reasons other than the adoption of the above pronouncements are also explained below.

NET ASSETS RESTATEMENTS

The following schedule reconciles the June 30, 2006 Net Assets, as previously reported to Beginning Net Assets, as restated, July 1, 2005.

Net Assets	
Net Assets, as Previously Reported, at June 30, 2005	\$ 22,670,283
Adjustment to Accounts Payable.....	100,704
Adjustment to Capital Assets	<u>(25,477)</u>
Beginning Net Assets, as Restated, at July 1, 2005	<u>\$ 22,745,510</u>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 13 ACCOUNTING CHANGES, CHANGES IN REPORTING ENTITY AND RESTATEMENTS
 (CONTINUE)

FUND BALANCE RESTATED

The following schedule reconciles the June 30, 2006, Fund Balances, as previously reported to Beginning Fund Balances as restated July 1, 2005.

	GENERAL FUND	OTHERS GOVERNMENTAL FUNDS
Fund Balance, as Previously Reported, June 30, 2005	\$ (111,674)	\$3,055,025
Elimination of Outstanding Checks	100,704	
GAAP Conversion of Section 8 Program	<u> </u>	<u>(25,476)</u>
Beginning Fund Balance, as Restated, July 1, 2005	<u>\$ (10,970)</u>	<u>\$3,029,548</u>

END OF NOTES

REQUIRED SUPPLEMENTARY INFORMATION:

- **Budgetary Comparison Schedule-General Fund**
- **Notes to Required Supplementary Information**

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE- GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amount	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
			(See Note A)	Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1, 2005	\$ (10,970)	\$ (10,970)	\$ (10,970)	\$ -
Resources (Inflows)				
Property Taxes	1,696,681	1,696,681	1,696,681	-
Volume of Buseness Taxes	1,200,000	1,200,000	995,024	(204,976)
Intergovernmental Revenues	5,106,863	4,893,047	4,846,657	(46,390)
License and Permits	501,000	501,000	123,701	(377,299)
Rent	50,000	50,000	152,369	102,369
Miscellaneous	1,078,506	1,148,406	714,729	(433,677)
Total Resources (Inflows)	9,633,050	9,489,134	8,529,161	(959,973)
Amounts Available for Appropriation	9,622,080	9,478,164	8,518,191	(959,973)
Charges to Appropriations (Outflows)				
Mayor and Municipal Legislature	1,788,783	2,080,155	2,051,213	28,942
General Government	2,447,379	2,485,859	2,408,416	77,443
Public Safety	405,541	338,593	337,978	615
Public Work	2,336,888	2,318,949	2,318,355	594
Culture and Recreation	473,899	396,777	396,504	273
Health and Sanitation	375,256	405,475	405,397	78
Human Services and Welfare	1,462,569	1,221,587	1,220,948	639
Transfer to Other Funds	342,735	372,635	372,586	49
Total Charges to Appropriations	9,633,050	9,620,030	9,511,397	108,633
BUDGETARY FUND BALANCE, JUNE 30, 2006	\$ (10,970)	(141,866)	(993,206)	\$ (851,340)

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE A Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>GENERAL FUND</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Available for Appropriation" from the Budgetary Comparison Schedule (See Page 39).....	\$ 8,518,191
Difference – Budget to GAAP:	
The Fund Balance at the Beginning of Year is a budgetary resource but is not a Current-Year Revenue for financial reporting purposes.....	10,970
Prior and Current Adjustments to Revenues.....	<u>89,693</u>
Total Revenues as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 14).....	<u>\$ 8,618,854</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule (See Page 39).....	\$ 9,511,397
Difference – Budget to GAAP:	
Prior Year expenditures are not outflows of budgetary resources but are expenditures For financial reporting purposes.....	100,963
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary reporting purposes.....	(193,163)
Transfers to other funds are outflows of Budgetary Resources but are not Expenditures For Financial Reporting Purpose.....	(372,586)
Adjustment to Expenditures.....	<u>296,822</u>
Total Expenditures as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 12).....	<u>\$ 9,343,433</u>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE B Explanation of Differences between Budgetary Fund Balance and GAAP Fund Balance

Budgetary Fund Balance, June 30, 2006 (See Page 39)	\$ (993,206)
Timing Differences:	
Net Change in Encumbrances.....	(7,451)
Non-budgetary Items	<u>(529,164)</u>
Unreserved Fund Balance, June 30, 2006 (See Page 12).....	<u>\$ (1,529,821)</u>

END OF THIS SECTION

Schedule of Expenditures of Federal Awards and Reports on Compliance and Internal Control in accordance with Government Auditing Standards and the requirements of OMB Circular A-133

- **Schedule of Expenditures of Federal Awards**
- **Notes to Schedule of Expenditures of Federal Awards**
- **Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based upon the Audit Performed in Accordance with Government Auditing Standards**
- **Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Award Program and on the Schedule of Expenditures of Federal Awards**

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Agriculture:			
Pass-Through Department of Education:			
Child and Adult Care Food Program.....	10.558	N/AV	<u>\$ 348,676</u>
U.S Department of Commerce:			
Direct Program:			
Economic Development Administration	11.300		<u>6,591</u>
Total U.S. Department of Agriculture.....			<u>355,267</u>
U.S. Department of Housing and Urban Development:			
Pass-Through State – Office of Commissioner Of Municipal Affairs:			
Community Development Block Grant Program/ Small Cities Program.....	14.219	05-FC-55 05-AB-55 05-FE-55 04-FC-55 04-AB-55 03-FC-55 03-AB-55 02-FC-55 02-AB-55 01-FD-55	661,467
Direct Program:			
Section 8 Housing Choice Voucher Program.....	14.871		<u>679,991</u>
Total U.S. Department of Housing and Urban Development.....			<u>1,341,458</u>
U.S. Department of Justice:			
Direct Program:			
Community Oriented Policing Services in School (Cops).....	16.710		<u>151,006</u>
Subtotal Expenditures of Federal Awards (Balance Carry Forward)			<u>1,847,731</u>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	PASS-THROUGH CFDA NUMBER	ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
Subtotal Expenditures of Federal Awards (Balance Brought Forward)			<u>\$ 1,847,731</u>
U.S. Department of Health and Human Services:			
Pass-Through Office of Governor – Elderly Office:			
Special Program for Aging, Title III, Part B	93.044	N/AV	84,807
Pass-Through Administration of Children and Families:			
Child Care and Development Block Grant.....	93.575	CC-92-502	170,199
Head Start Program.....	93.600	02-CH-0483-36 02-CH-0483-37	4,545,106
Family Violence Prevention and Services.....	93.592		44,005
Social Services Block Grant.....	93.667		40,140
Direct Program:			
Early Head Start	93.600		<u>517,247</u>
Total U. S. Department of Health and Human Services.....			<u>5,316,697</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,249,235</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality of Sabana Grande, Puerto Rico (Municipality) and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements. The reporting entity is defined in Note (1) (A) to the general-purpose combined financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The accompanying Schedule of Expenditures of Federal Awards is prepared from Municipality's accounting records and is not intended to present financial position or the results of operations.
- B. The financial transactions are recorded by the Municipality in accordance with the terms and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America.
- C. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable or when actually paid, whichever occurs first.

NOTE 3 FEDERAL CFDA NUMBER

The CFDA numbers included in this Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

NOTE 4 PASS THROUGH GRANTOR'S NUMBER

State or local government redistribution of federal awards to the Municipality, treated as if they were received directly from the federal government. OMB Circular A-133 requires the schedule to include the name of the pass through entity and identifying number assigned by the pass through entity for federal awards received as a sub-recipient. Numbers identified as N/AV are not available.

NOTE 5 MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Costs.

END OF NOTES



MENDOZA & RAMOS
Contadores Públicos Autorizados, C.S.P.

P.O. Box 35 • Guayama, Puerto Rico 00785

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the Municipal Legislature
MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

We have audited the basic financial statements of Municipality of SABANA GRANDE, Puerto Rico (the "Municipality") as of and for the fiscal year ended June 30, 2006, and have issued report thereon dated December 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipality's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

INDEPENDENT AUDITORS' REPORT

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

Mendoza & Ramos
MENDOZA & RAMOS
CERTIFIED PUBLIC ACCOUNTANTS, C.S.P.

Guayama, Puerto Rico
December 6, 2006

Stamp number 2134148 was
affixed to the original of this
report.





MENDOZA & RAMOS
Contadores Públicos Autorizados, C.S.P.

P.O. Box 35 • Guayama, Puerto Rico 00785

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor and
Members of the Municipal Legislature
MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

Compliance

We have audited the compliance of the Municipality of SABANA GRANDE, Puerto Rico (the "Municipality") 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 fiscal year ended June 30, 2006. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Municipality's management. Our responsibility is to express an opinion on the Municipality's compliance based on our audit.

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

The Municipality did not comply with the requirements regarding cash management, period of availability; reporting, and applicable special tests and provisions that are applicable to its Community Development Block Grants/Small Cities, Section 8 Housing Choice Vouchers and Head Start Grants. Compliance with such requirements is necessary, in our opinion, for the Municipality to comply with requirements applicable to that program.

INDEPENDENT AUDITORS' REPORT

In our opinion, except for the noncompliance described in the paragraph, the Municipality complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the Fiscal Year Ended June 30, 2006. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs.

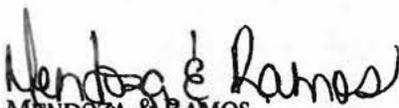
Internal Control over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Municipality's 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 item 06-01 to 06-05.

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 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. Our 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 we believe none of the reportable conditions described above to be material weakness.

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


MENDOZA & RAMOS
CERTIFIED PUBLIC ACCOUNTANTS, C.S.P.

Guayama, Puerto Rico
December 6, 2006

Stamp number 2134149 was
affixed to the original of this
report.



FINDINGS AND QUESTIONED COST:

- **Schedule of Findings and Questioned Costs**

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

SECTION I-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of auditors' report issued:

- Unqualified Opinion
- Qualified Opinion
- Adverse Opinion
- Disclaimer Opinion

Internal control over financial reporting:

- Reportable condition(s) identified? Yes None Reported
- Material weakness (es) identified? Yes No
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Reportable condition(s) identified? Yes None Reported
- Material weakness (es) identified? Yes No

Type of auditors' report issued on compliance for Major Programs:

- Unqualified Opinion
- Qualified Opinion
- Adverse Opinion
- Disclaimer Opinion

Any audit finding disclosed that are required to be reported in accordance with OMB Circular A-133?

- Yes No

The Municipality's major programs were:

CFDA Number	State Block Program
14.219	Community Development Block Grant/Small Cities Section 8 Housing Choice Vouchers Head Start and Early Head Start
14.871	
93.600	

Dollar threshold used to distinguish between Type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

- Yes No

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

SECTION II – FINANCIAL STATEMENT FINDINGS

NO MATTER IS REPORTED.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	06-01
FEDERAL PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT/SMALL CITIES (CDBG) (CFDA NO. 14.219) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS THROUGH STATE-OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	CASH MANAGEMENT
CONDITION	<p>During the fiscal year 2005-2006, the Municipality received \$684,021, from the pass-through entity (“Municipality Affairs Commissioner Office-OCAM”) regarding the State Community Development Block Grant Program (“CDBG”).</p> <p>In order to determine compliance with the cash management requirement, we selected for testing seven remittances of funds received from “OCAM” amounting \$370,950, (54%). In some cases, the time elapsed between the receipt and the disbursement of such funds was for more than three months.</p>
CRITERIA	As stated in 24 CFR 85.21 and 31 CFR 205.33, Subpart B, grantees must minimize the time elapsing between the drawdown of Federal funds from the Federal government, or pass-through entity, and their disbursements for Federal program purposes.
CAUSE	Municipality’s Finance Department, division responsible for the disbursement of funds, does not count with the resources or a plan, to attain and process within a reasonable period of time, all monthly disbursements which are requested from the different Municipality’s divisions.
EFFECT	If the recipient fails to expend those Federal assistance funds within a reasonable period, or fails to establish procedures to minimize the time elapsing between cash advances and the disbursements, the Municipality could be adversely affected in the benefits they are entitled to receive in the future
RECOMMENDATION	According to priorities monthly responsibilities, the Municipality’s Finance Department should implement a plan or a schedule to process and comply with all monthly disbursements within a reasonable period of time.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINDING	06-02
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHERS (CFDA NO. 14.871) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CATEGORY	COMPLIANCE
NONCOMPLIANCE	CASH MANAGEMENT
TOPIC SENTENCE	Non-compliance with cash management requirement.
CONDITION	<p>Section 8 Housing Choice Voucher Program does not have adequate controls over the timing of disbursements once the federal funds are received.</p> <p>During the fiscal year 2005-2006, the Municipality received \$668,078 from Section 8 Voucher grant funds. In order to determine compliance with the cash management requirement, we selected for testing three out of the twelve remittances of funds received during the fiscal year amounting \$167,080 (25%). The time elapsed between the receipt and the disbursement of such funds was for more than three weeks.</p>
CRITERIA	As stated 24 CFR 85.21 and 31 CFR 205.33, Subpart B. grantees must minimize the time elapsing between the drawdown of Federal funds from the Federal government, or pass-through entity, and their disbursements for Federal program purposes.
CAUSE	Municipality's Finance Department, division responsible for the disbursement of funds, does not count with the resources or plan, to attain and process within a reasonable period of time, all monthly disbursements which are requested from the different Municipality's divisions.
EFFECT	If the recipient fails to expend those Federal assistance funds within a reasonable period or fails to establish procedures to minimize the time elapsing between cash advances and the disbursements, the Municipality's could be adversely affected in the benefits they are entitled to receive in the future.
RECOMMENDATION	According to priorities and monthly responsibilities, the Municipality's Finance Department should implement a plan or a schedule to process and comply with all monthly disbursement within a reasonable period of time.
QUESTIONED COST	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINDING	06-03
FEDERAL PROGRAM	HEAD START/EARLY HEAD START
CATEGORY	COMPLIANCE
NONCOMPLIANCE	PERIOD OF AVAILABILITY/LIQUIDATION OF FUNDS
TOPIC SENTENCE	Advanced funds in excess not returned to the pass-through entity
CONTIDION	<p>During the fiscal year 2005-2006, the Head Start Program received \$4,733,225, from the pass-through entity, "Administración para el Cuidado y Desarrollo Integral de la Niñez" (ACUDEN), to paid all programmatic, administrative and training costs incurred by the Program.</p> <p>We found that after five months of May 31, 2006, 90 days after the end of the funding and contract period, the Program maintains approximately \$12,400, of the funds requested and received from ACUDEN in excess of the total Program's expenditures and obligations for the program year.</p>
CRITERIA	<p>As stated by the Delegation of funds contract with the pass-through entity (ACUDEN), provision number 12, the Municipality must return any excess of funds not used within 90 days after the end of the contract effective date.</p> <p>As per OMB Circular A-102 (.50)(d)(2)), the grantee must immediately refund to the Federal Agency any balance of unobligated (unencumbered) cash advances that is not authorized to be retained for use on other grants.</p>
CAUSE	Advances funds were requested to paid some obligations (encumbrances) registered as of the end of the funding period and they were not finally materialized as of the liquidation deadline.
EFFECT	The Municipality could be adversely effect in the benefits they are entitled to receive in the future.
RECOMMENDATION	The Municipality should promptly remit to ACUDEN the known questioned costs amounting to \$12,400. In addition, the Municipality should implement internal controls to prevent the request of funds in excess of expenditures and obligations.
QUESTIONED COST	\$12,400
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINDING 06-04

FEDERAL PROGRAM HEAD START / EARLY HEAD START (CFDA NO. 93.600)
DEPARTMENT OF HEALTH AND HUMAN SERVICES

CATEGORY COMPLIANCE

NONCOMPLIANCE REPORTING

TOPIC SENTENCE Final financial reports were incorrect

CONDITION During our reporting test, we found that the Program filed a final financial status report as of May 31, 2006 that does not agree with the general ledger as follows:

Account	Program Year	Obligations Per Report	Obligations per General Ledger	Differences
PA 22	3/1/05-2/28/06	\$82,893	\$0	\$82,893
PA 20	3/1/05-2/28/06	1,000	\$0	1,000

CRITERIA As per OMB Circular A-102 (____.20(b)(1)), accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

As stated in 45 CFR 1304.51(h), grantee and delegate agencies must establish and maintain efficient and effective reporting systems that generate periodic reports of financial status and program operations in order to control program quality, maintain program accountability, and advise governing bodies, policy groups, and staff of program progress; and generate official reports for Federal, State, and local authorities, as required by applicable law.

CAUSE Differences were due to obligations (encumbrances) that were reported at the closeout final financial report but they were not finally incurred.

EFFECT The occurrence of this situation inhibits the pass-through entity or the federal awarding agency from monitoring the programs financial performance. In addition, the Program could be sanctioned by the pass-through entity due to inaccurate filing of financial reports.

RECOMMENDATION The Program should perform timely reconciliation and cutoff procedures between amounts recorded at the federal program level and numbers recorded in the general ledger in order to provide reasonable assurance that reports of federal awards submitted to the pass-through entity or the federal awarding agency include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with Program requirements.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

QUESTIONED COSTS None

MANAGEMENT RESPONSE Pending the Corrective Action Plan.

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINDING	06-05
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHERS (CFDA NO. 14.871) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CATEGORY	COMPLIANCE
NONCOMPLIANCE	SPECIAL TEST
TOPIC SENTENCE	Lack of control over selections from the waiting list
CONDITION	<p>Applications received by Section 8 Housing Choice Voucher Program were not selected from the waiting list in accordance with Municipality's ("PHA") administrative plan. The Municipality has agreed to give preference for selection of families on the waiting list based on local preferences.</p> <p>After reviewing the waiting list, we noted that the applications were not being attended according to the local preferences established in the administrative plan. Some applications with a lower preference were attended before those with a higher one. Also, vouchers were first granted to families who submitted an application with a lower preference.</p>
CRITERIA	<p>As stated in 24 CFR 982.204(a); except for special admissions, PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan. PHA's administrative plan Chapter VIII A establishes that the Municipality has agreed to give preferences for selection of families on the waiting list based on local preferences. Also, 24 CFR 982.207, establishes that the method for selecting applicants from a preference category must leave a clear audit trail that can be used to verify that each applicant has been selected in accordance with the method specified in the administrative plan.</p>
CAUSE	<p>The person responsible for the inclusion and the selection of families from the waiting list did not count with an understanding of how families should be selected according to the local preferences established in the administrative plan.</p>
EFFECT	<p>Selection process from the waiting list could be questioned by allegation preference among applicants. Such lack of control, also, could cause that ineligible participants could be admitted into the Program causing costs disallowances.</p>
RECOMMENDATION	<p>As an adequate control measure, the Program should encourage that all policies and procedures as the one established in the administrative plan regarding admission selection from the waiting list, should be followed unless there is a major cause for the contrary.</p>

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

QUESTIONED COST None

MANAGEMENT RESPONSE Pending the Corrective Action Plan.

END OF SCHEDULE

MUNICIPALITY OF SABANA GRANDE, PUERTO RICO

SCHEDULE OF PRIOR AUDIT'S FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(1) Audit Findings that have been Fully Corrected:

FISCAL YEAR 2005

Finding Number:	05-III-01	Procurement Standards.
CFDA Number:	14.228	
Questioned Cost:	NONE	
Auditee Comments:	Contracts were modified.	

(2) Audit Findings not corrected or Partially Corrected:

NONE

(3) Corrective action taken is significantly different from corrective action previously reported:

NONE

(4) Audit findings is no longer valid:

NONE

END OF SCHEDULE

FORM **SF-SAC**
(5-2004)

U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— 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."

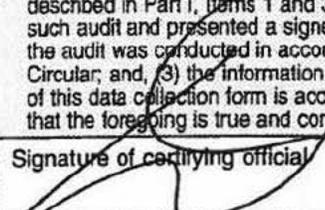
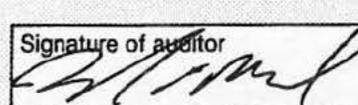
REQUIRED TO

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 Month Day Year 06 / 30 / 2006 Fiscal Period End Dates Must Be In 2004, 2005, or 2006		2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit	
3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - <input type="text"/> Months		4. FEDERAL GOVERNMENT USE ONLY Date received by Federal clearinghouse	
5. Auditee Identification Numbers			
a. Primary Employer Identification Number (EIN) 66 - 0433530		b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	
d. Data Universal Numbering System (DUNS) Number - - - - -		e. Are multiple DUNS covered in this report? 1 <input type="checkbox"/> Yes 2 <input 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		7. AUDITOR INFORMATION (To be completed by auditor)	
a. Auditee name MUNICIPIO DE SABANA GRANDE		a. Auditor name CPA MENDOZA & RAMOS	
b. Auditee address (Number and street) APARTADO 356 City SABANA GRANDE State ZIP + 4 Code PR 00637 -		b. Auditor address (Number and street) BOX 35 City GUAYAMA State ZIP + 4 Code PR 00785 -	
c. Auditee contact Name MIGUEL G. ORTIZ VELEZ Title MAYOR		c. Auditor contact Name CPA MIGUEL MENDOZA Title PARTNER	
d. Auditee contact telephone (787) 873 - 2060		d. Auditor contact telephone (787) 864 - 9271	
e. Auditee contact FAX (787) 873 - 2590		e. Auditor contact FAX (787) 864 - 9271	
f. Auditee contact E-mail		f. Auditor contact E-mail CPAMMENDOZA@YAHOO.COM	
g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.			
Signature of certifying official 		Signature of auditor 	
Date Month Day Year 1 / 26 / 2007		Date Month Day Year 01 / 26 / 07	
Printed Name of certifying official Miguel G. Ortiz Velez		Printed Title of certifying official Mayor	
Printed Title of certifying official Mayor		Date Month Day Year 01 / 26 / 07	

07 MAR 30
 DISC
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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))

3. Did the auditee qualify as a low-risk auditee? (§ .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)

- | | | | |
|--|--|---|--|
| 08 <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 | 16 <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	0	.558	CHILD AND CARE FOOD	\$ 348,676 .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	1	.300	ECONOMIC DEVELOPMENT ADMINISTRATION	\$ 6,591 .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	4	.219	COMMUNITY DEVELOPMENT OF AGRICULTURE	\$ 661,467 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	C	06-01
1	4	.871	SECTION 8 HOUSING CHOICE VOUCHER	\$ 679,991 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	CN	06-01,05
1	6	.710	COMMUNITY ORIENTED POLICING SERVICES IN SCHOOL	\$ 151,006 .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
9	3	.044	SPECIAL PROGRAM FOR AGING, TITLE III, PART B	\$ 84,807 .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	.575	CHILD CARE AND DEVELOPMENT BLOCK	\$ 170,199 .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	.600	HEAD START	\$ 4,545,106 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	HL	06-03,04
9	3	.592	FAMILY VIOLENCE PREVENTION AND SERVICES	\$ 44,005 .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	.667	SOCIAL SERVICES BLOCK	\$ 40,140 .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
TOTAL FEDERAL AWARDS EXPENDED →				\$ 7,249,235 .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	E. Eligibility	I. Procurement and suspension and debarment	L. Reporting
B. Allowable costs/cost principles	F. Equipment and real property management	J. Program income	M. Subrecipient monitoring
C. Cash management	G. Matching, level of effort, earmarking	K. Real property acquisition and relocation assistance	N. Special tests and provisions
D. Davis -- Bacon Act	H. Period of availability of Federal funds		O. None

⁵ N/A for NONE

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)		
9	3	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EARLY HEAD START	\$ 517,247 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	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			
		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			
		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 →				\$ 7,249,235 .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.

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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.