

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

MUNICIPIO DE AGUADA
AUDITORIA 2001-2002
30 DE JUNIO DE 2002

GENERAL PURPOSE FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS WITH
ADDITIONAL REPORTS REQUIRED
UNDER THE OMB CIRCULAR A-133

MUNICIPALITY OF AGUADA

JUNE 30, 2002

RECIBIDO
UNIDAD DE CONTABILIDAD
15 DE JUNIO DE 2002
OFICINA DEL PRESIDENTE DEL CONCEJO MUNICIPAL

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Report of Independent Certified Public Accountants

Mayor and Municipal Legislature
Municipality of Aguada
Aguada, Puerto Rico

We have audited the accompanying general purpose financial statements of the Municipality of Aguada, Puerto Rico, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of Jardines de Aguada Project, which represent five percent and seven percent, respectively, of the assets and revenues of the special revenue fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jardines de Aguada Project, is based on the report of the other auditors.

Except as discussed in the third paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget Circular A-133 "Audits of States, Local Governments and Non Profit Organizations". Those standards and the OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

The Municipality's accounting records are inadequate to determine the completeness and valuation of the fixed assets inventory. Therefore, we were unable to form an opinion regarding the amount at which those fixed assets were recorded in the general fixed assets accounts group.

As more fully described in Note C (11), the Municipality has not determined and recorded an estimate of the total municipal solid waste landfill postclosure care costs, as required by U.S. generally accepted accounting principles. The effect of this departure on the general purpose financial statements is not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, except for the effect of such adjustments, if any, as might have been determined to be necessary had the matter discussed in the third paragraph been susceptible to satisfactory tests and for the effects of not determining the estimate of solid waste landfill postclosure care costs as described in the fourth paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Municipality of Aguada as of June 30, 2002, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2002 on our consideration of the Municipality's internal control 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Municipality of Aguada, Puerto Rico, taken as a whole. 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 and Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the general purpose financial statements. Such information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.



Rodriguez, Silva & Torres

Municipality of Aguada

COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

	Governmental Funds				Account groups		Total (Memorandum only)
	General	Special Revenue	Debt Service	Capital Projects	General Fixed Assets	General Long- Term Debt	
ASSETS AND OTHER DEBITS							
Cash and investments (note C1)	\$ 3,699,493	\$ 480,427	\$ -	\$ 23,535	\$ -	\$ -	\$ 4,203,455
Receivables (net where applicable of allowance for uncollectible)							
Due from governmental entities (note C2)	283,770	104,388	-	-	-	-	388,158
Other	321,487	-	-	-	-	-	321,487
Due from other funds (note C3)	376,112	945,657	-	379,934	-	-	1,701,704
Restricted assets							
Cash (note C4)	-	931,344	588,409	-	-	-	1,519,753
Property, plant and equipment	-	-	-	-	42,637,786	-	42,637,786
Other assets	-	1,854	-	-	-	-	1,854
Amount available in debt service fund	-	-	-	-	-	588,409	588,409
Amount to be provided for retirement of general and special obligation bonds and notes	-	-	-	-	-	4,881,499	4,881,499
Amount to be provided for retirement of other long-term debt	-	-	-	-	-	5,274,646	5,274,646
Total assets and other debits	\$ 4,680,862	\$ 2,463,670	\$ 588,409	\$ 403,469	\$ 42,637,786	\$ 10,744,554	\$ 61,518,749

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

Municipality of Aguada

COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

	Governmental Funds				Account groups		Total (Memorandum only)
	General	Special Revenue	Debt Service	Capital Projects	General Fixed Assets	General Long- Term Debt	
LIABILITIES							
Vouchers and accounts payable	\$ 92,213	\$ 337,291	\$ -	\$ 23,535	\$ -	\$ -	\$ 453,039
Due to governmental entities (note C2)	14,079	-	-	-	-	-	14,079
Accrued liabilities	70,534	6,675	-	-	-	-	77,209
Deposits payable	68,092	8,977	-	-	-	-	77,069
Due to other funds (note C3)	943,793	690,151	-	67,760	-	-	1,701,704
Deferred revenues (note C5)	1,245,893	413,515	-	-	-	-	1,659,408
General obligation bonds and notes (note C6)	-	-	-	-	-	5,469,908	5,469,908
Mortgages payable and other long-term debts (note C6)	-	-	-	-	-	5,274,646	5,274,646
Total liabilities	2,434,604	1,456,609	-	91,295	-	10,744,554	14,727,061
Contingencies (note D)							
FUNDEQUITY AND OTHER CREDITS							
Investment in general fixed assets	-	-	-	-	42,637,786	-	42,637,786
Fund balance							
Reserve for encumbrances	421,064	295,981	-	312,174	-	-	1,029,219
Reserve for debt service	-	-	588,409	-	-	-	588,409
Reserve for specific project (note A1)	-	87,799	-	-	-	-	87,799
Unreserved							
Designated for subsequent years expenditures	-	623,281	-	-	-	-	623,281
Undesignated	1,825,195	-	-	-	-	-	1,825,195
Total fund equity and other credits	2,246,259	1,007,061	588,409	312,174	42,637,786	-	46,791,688
Total liabilities, fund equity and other credits	\$ 4,680,863	\$ 2,463,670	\$ 588,409	\$ 403,469	\$ 42,637,786	\$ 10,744,554	\$ 61,518,749

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

Municipality of Aguada

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS TYPES

Year ended June 30, 2002

	Governmental Funds				Total (Memorandum only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Property taxes (note C7)	\$ 2,990,625	\$ -	\$ 1,076,545	\$ -	\$ 4,067,170
Municipal license taxes, licenses and permits (note C8)	1,301,189	-	-	-	1,301,189
Intergovernmental (note C9)	4,243,292	2,393,862	-	-	6,637,154
Rental income of properties	600,448	345,841	-	-	946,289
Fines and forfeitures	17,245	-	-	-	17,245
Interest	125,013	27,587	17,402	-	170,003
Other	81,017	-	-	-	81,017
Total revenues	9,358,829	2,767,290	1,093,947	-	13,220,068
Expenditures					
General government	3,379,343	899,062	-	-	4,278,405
Public safety	582,094	42,304	-	-	624,398
Highway and streets	3,127,725	-	-	-	3,127,725
Sanitation	1,092,817	497,531	-	-	1,590,349
Health	417,286	-	-	-	417,286
Welfare	235,603	398,916	-	-	634,519
Culture and recreation	645,586	178,185	-	-	823,771
Education	6,804	176,613	-	-	183,417
Capital projects	-	925,829	-	178,820	1,104,650
Other	9,215	-	-	-	9,215
Debt service					
Principal	-	-	387,107	-	387,107
Interest	-	-	318,329	-	318,329
Total expenditures	9,496,473	3,118,440	705,436	178,820	13,499,169
Excess (deficiency) of revenues over expenditures	(137,644)	(351,150)	388,511	(178,820)	(279,104)
Other financing sources (uses)					
Liabilities expected to be refinanced (note C6)	484,407	-	-	-	484,407
Operating transfers in	700,297	166,722	13,145	132,707	1,012,871
Operating transfers out	179,867	205,732	627,272	-	1,012,871
Total other financing sources (uses)	1,004,837	(39,010)	(614,127)	132,707	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	867,193	(390,160)	(225,616)	(46,113)	205,304
Fund balance at beginning of year	1,379,066	1,397,221	814,025	358,287	3,948,599
Fund balance at end of year	\$ 2,246,259	\$ 1,007,061	\$ 588,409	\$ 312,174	\$ 4,153,903

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

Municipality of Aguada

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGET-STATUTORY) GENERAL AND DEBT SERVICE FUND TYPES

Year ended June 30, 2002

	General Fund		Variance Favorable (Unfavorable)	Debt Service		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
Revenues						
Property taxes	\$ 2,898,742	\$ 2,990,625	\$ 91,883	\$ -	\$ 1,076,545	\$ 1,076,545
Municipal license taxes, licenses and permits	1,276,500	1,324,012	47,512	-	-	-
Intergovernmental	4,389,192	4,243,292	(145,900)	-	-	-
Rental income of properties	647,712	600,448	(47,264)	-	-	-
Fines and forfeitures	20,000	17,245	(2,755)	-	-	-
Interest	250,365	220,394	(29,971)	-	17,402	17,402
Other	680,799	685,933	5,134	-	-	-
	<u>10,163,310</u>	<u>10,081,949</u>	<u>(81,361)</u>	<u>-</u>	<u>1,093,947</u>	<u>1,093,947</u>
Expenditures						
General government	3,159,389	2,936,400	222,989	-	-	-
Public safety	630,904	591,830	39,074	-	-	-
Highway and streets	3,469,296	3,339,168	130,128	-	-	-
Sanitation	1,295,668	1,099,079	196,589	-	-	-
Health	417,286	417,286	-	-	-	-
Welfare	286,521	244,653	41,868	-	-	-
Culture and recreation	884,101	800,326	83,775	-	-	-
Education	7,000	6,804	196	-	-	-
Debt service						
Principal	-	-	-	-	375,291	(375,291)
Interest	-	-	-	-	317,000	-
Total expenditures	<u>10,150,165</u>	<u>9,435,546</u>	<u>714,619</u>	<u>-</u>	<u>692,291</u>	<u>(375,291)</u>
Excess (deficiency) of revenues over expenditures	13,145	646,404	633,259	-	401,656	718,656
Other financing sources (uses)						
Operating transfers out	55,345	38,145	(17,200)	-	627,272	627,272
Total other financing sources (uses)	<u>(55,345)</u>	<u>(38,145)</u>	<u>(17,200)</u>	<u>-</u>	<u>(627,272)</u>	<u>(627,272)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(42,200)	608,259	616,058	-	(225,616)	91,384
Fund Balance Allocation (Note E)	42,200	-	(42,200)	-	-	-
	<u>\$ -</u>	<u>\$ 608,259</u>	<u>\$ 573,858</u>	<u>\$ -</u>	<u>\$ (225,616)</u>	<u>\$ 91,384</u>

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

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipality of Aguada was founded in the year 1510. The Municipality is comprised by the executive and the legislative branch elected for a four year term during the general elections in Puerto Rico. The Mayor is the executive officer and the legislative branch consists of twelve members of the Municipality Council. The Municipality provides benefits to the community such as: health, public works, environmental control, human resources, education, public security, housing and community development, culture and recreation, and other general and administrative services.

The financial statements of the Municipality have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. A summary of the Municipality's significant accounting policies consistently applied in the preparation of the accompanying general purpose financial statements follows:

1. *Financial Reporting entity*

The financial reporting entity included in this report consists of the general purpose financial statements of the Municipality of Aguada (primary government). To fairly present the financial position and the results of operations of the financial reporting entity, management must determine whether its reporting entity consists of only the legal entity known as the primary government or one or more organizations called component units. The inclusion of a potential component unit in the primary government's reporting entity depends on whether the primary government is financially accountable for the potential component unit or on whether the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The basic criteria for deciding financial accountability are any one of the following:

- a. Fiscal dependency of the potential component unit on the primary government, or
- b. The primary government appoints a voting majority of the potential component unit's governing body and
 - 1) The primary government can impose its will on the potential component unit and/or
 - 2) A financial benefit/ burden exists between the primary government and the potential component unit.

Based on the above criteria, Jardines de Aguada Project (USDA-RD Project No. 63-20-690660096) meets the criteria to be considered a component unit of the Municipality. Jardines de Aguada is a 70 unit multi-family project located at Aguada, Puerto Rico. The Project is operated under Section 515 of USDA, Rural Development and regulated by the U.S. Department of Housing and Urban Development and USDA Rural Development with respect to rental charges and operating methods. The project is also subject to Section 8 Housing Assistance Payments Agreement with HUD, and a significant portion of the project's rental income is received from HUD.

The financial statements of Jardines de Aguada Project have been included in the financial reporting entity as blended since the Project's governing body is basically the same as the primary government.

2. Basis of presentation

The financial transactions of the Municipality are recorded in individual funds and account groups. Each fund is accounted for by providing a separate set of self balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds and account groups are reported by generic classification within the financial statements. Amounts in the "Total (Memorandum Only)" columns in the general purpose financial statements represent a summation of the financial statement line items of the fund types and

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

account groups and are presented for information purposes only. This total includes interfund transactions that have not been eliminated and the caption "amounts to be provided", which is not an asset in the usual sense. Consequently, amounts shown in the "Total (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures of the Municipality. The following fund types and account groups are used by:

a. *Governmental Funds*

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

General Fund. The General Fund is the general operations fund of the Municipality. It is used to account for all financial resources except those required to be accounted for another fund.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Project Funds. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

b. *Account Groups*

Account groups are used to establish accounting control and accountability for the Municipality's general fixed assets and general long-term debt. The following are the Municipality's account groups:

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

General Fixed Assets Account Group. This group of accounts is established to maintain control and cost information account for all fixed assets of the Municipality. General Fixed Assets are recorded as expenditures of the various Municipality funds at the time of purchase and are subsequently capitalized for memorandum purposes in the General Fixed Assets Account Group. Such assets include land, building, building improvements, furniture and equipment. The cost of certain roads, streets and sidewalks, bridges, curbs and gutters, drainage systems, lighting systems and similar assets are not capitalized. No depreciation is provided on General Fixed Assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for certain real estate assets including the usufructuary land lots which were valued at appraised or market value. Donated fixed assets are valued at their estimated fair market value on the date donated.

General Long-Term Debt Account Group. This group of accounts is established to account for all long-term debt of the Municipality. Because of their spending measurement focus, expenditures recognition for governmental fund types is limited to exclude amounts represented by non current liabilities.

Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

3. Basis of accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

a. Governmental Funds

These funds use the modified accrual basis of accounting. Under this basis of accounting revenues are recognized when susceptible to accrual; that is, when they are measurable and available. Available is defined as expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Intergovernmental revenues are considered earned and are accrued simultaneously with the grant expenditures unless such recognition is prohibited by the grant requirements, amounts represent unrestricted receipts or amounts are revocable only for failure to comply with prescribed compliance requirements. In such cases revenues are usually recognized as the time of receipt.

Licenses and permits, charges for services, rent and miscellaneous revenues are recorded as revenues when received because they are not measurable and available. Expenditures are generally recognized when the related liability is incurred. Exceptions to this rule are: (1) accumulated unpaid vacations, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt in the debt service funds, which are recorded as expenditures when due, except for principal and interest due in July 1 of the following fiscal year, which is recorded when resources are available in the debt service funds.

The Municipality reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Municipality has a legal claim to them. In subsequent periods, when the revenue recognition criteria is met, or when the Municipality has a legal claim to the resources, the liability for deferred revenues is removed from the combined balance sheet and the revenue is recognized.

4. Budgetary data

a. Budget policy

Budgets are prepared for General and Debt Service Funds following the requirements of the Autonomous Municipal Law of 1981 as amended. Although all operating expenses and expenditures are allocated to departmental operating budgets, certain items are not considered to be subject to direct control at the department level. These include: terminal leave payments, payroll taxes, pension costs, court costs and settlements, telephone and electricity expenses and liability, workers compensation and property insurance premiums. Budget amendments which require a change in total appropriations of any department are approved by the Municipal Council. Certain budget transfers within the limitations and restriction of

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

the Autonomous Municipal Law can be approved by the Executive Branch or by the Legislature Branch. The budgets are prepared on a budgetary (statutory) basis of accounting which is different from GAAP and reflect encumbrance accounting as described below. In instances where budget revenues appropriations have been revised during the year, budget amounts presented in the financial statements and schedules represent final revenues and authorization amounts. Encumbrance appropriates lapse one year after the end of the fiscal year. Unencumbered appropriations are lapsed at year end. Formal budgetary integration is not employed for Special Revenue and Capital Project Funds because effective budgetary control is alternatively achieved through general obligation bond indentures and legal and contractual grant agreement provisions.

b. Encumbrances

On a GAAP basis, encumbrances outstanding at year end are reported in the general purpose financial statements as a reservation of fund balance since they do not constitute expenditures or liabilities while on a budgetary (statutory) basis, encumbrances are recorded as expenditures of current year.

5. Receivables

Receivables are stated net 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.

6. Inventories

The Municipality purchases gasoline, oil and other expendable supplies held for consumption. The cost of those purchases is recorded as expenditure in the appropriate fund but the year-end inventory is not recorded in the combined balance sheet.

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Insurance coverage

The Puerto Rico Department of Treasury acts as an agent, obtaining and determining the coverage for the cities and municipalities of Puerto Rico. The coverage for the Municipality of Aguada consists of professional, public responsibility, property and theft, auto and fidelity bond coverage. Payment of the Municipality's insurance premiums are withheld quarterly from property tax advances and subsidies sent to the Municipality by the Municipal Revenue Collection Center (CRIM).

8. Compensated absences

The Municipality's employees accumulate vacation and sick leave based on continuous service. The vacation and sick leave for employees are accumulated on the basis of 2 1/2 days per month of vacations and 1 1/2 days per month of sick pay up to a maximum of 60 days of vacations and 90 days of sick leave. Upon separation from employment the accumulated vacations are liquidated up to the maximum number of days. Accumulated sick pay is liquidated to employees with 10 years or more service up to the maximum number of days.

The amount of vacation leave is accrued if earned based on services already performed by employees and if it is probable that will be paid in a future period. Amount of sick leave is accrued based on all vesting amounts for which payment is probable and on accumulated benefits as of the balance sheet date.

The accrual of compensated absences includes estimated payments that are related to payroll. The accrued expenditures for accumulated vacations and sick pay have been recorded in the General Long-Term Debt Account Group since it is anticipated that none of the liability already accrued will be liquidated with expendable available resources. Vacations and sick leave, when paid are recorded as expenditure in the General Fund.

9. Interfund transactions

Operating transfers are reported when incurred as operating transfers in by the recipient fund and as operating transfers out by the disbursing fund.

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Use of estimates

The preparation of the general purpose financial statement in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

11. Fund balance

a. Reservation of fund balance

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

Encumbrances: Represent future expenditures under purchase orders and other commitments, which generally will become liabilities in future periods when the goods or services are received.

Debt Service: Represents net assets available to finance future debt service payments.

Specific project: Represents the net assets of the Jardines de Aguada Project, a blended component unit.

b. Unreserved fund balance designations

Represent tentative plans or commitments of governmental resources.

12. Future adoption of accounting pronouncements

The GASB has issued the following statements, which the Municipality have not yet adopted:

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	<u>Statement</u>	<u>To be Adopted in Fiscal year ended,</u>
34	Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments	June 30, 2003
37	Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 20 and 34.	June 30, 2003
38	Certain Financial Statement Note Disclosures	June 30, 2003
39	Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14	June 30, 2004

The impact of these statements on the Municipality's general purpose financial statement has not yet been determined.

NOTE B - RECONCILIATION OF DIFFERENCES BETWEEN BUDGET-STATUTORY BASIS TO GAAP

The Municipality's Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types has been prepared in accordance with GAAP and the Combined Statement of Revenues and Expenditures - Budget and Actual (Budget-Statutory) - General and Debt Service Funds has been prepared on the budgetary basis, which is different from GAAP. The following reconciles the excess (deficiency) of revenues and other financing sources over expenditures and other financing use in both statements:

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE B - RECONCILIATION OF DIFFERENCES BETWEEN BUDGET -
STATUTORY BASIS TO GAAP - Continued

Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (Budgetary - statutory basis)	\$ 608,259
Less: Revenues recognized under budgetary basis but not in GAAP basis	(22,823)
Prior year encumbrances recognized as expenditures under GAAP basis in current year but not in budgetary basis	(60,462)
Expenditures accrued under GAAP but not under budget statutory basis	(78,844)
Add: Current year encumbrances considered expenditures under budgetary basis but not under GAAP basis	<u>421,063</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 867,193</u>

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

1. *Cash and investments*

The Municipality follows the practice of pooling cash of all funds except for restricted funds generally held by outside custodians and federal grants. Available pooled cash balance beyond immediate needs is invested in certificates of deposits. The Municipality considers highly liquid investments with an original maturity of three months or less when purchased. The method of allocating interest earned on pooled investments among governmental fund types provides that, unless otherwise restricted, all interest is credited to the General Fund. Deposits were with the contracted depository bank in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and by pledged Puerto Rico and U.S. Governmental Securities held by P.R. Treasury Department in its Trust Division in the name of the depository bank.

The cash and investment balance of the special revenue fund includes \$50,000 invested in the Puerto Rico Government Investment Trust Fund (PRGITF). The PRGITF, was created by the Secretary of the Treasury of the Commonwealth

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

pursuant to Act No. 176, of August 11, 1995, and began operations on December 4, 1995 PRGITF is a no-load diversified collective investment trust administered by the Government Development Bank of Puerto Rico, that was created for the purpose of providing eligible governmental investors of Puerto Rico to invest in a money market portfolio. The deposits on hand and the investments purchased are not collateralized, secured or guaranteed by the Commonwealth or any of its agencies, instrumentalities or political subdivisions.

The PRGITF invests in short-term instruments, which may be considered highly liquid as defined by the limitations contained in Rule 2a-7 of the Investment Company Act of 1940. However, the investments are subject to the ability of the PRGITF to receive payment from the securities' issuer when due. The Municipality investment is recorded at cost in the general purpose financial statements, which is not significantly different from investment pool's share price. Income earned from the investments made by the PRGITF is available for withdrawal at any time.

2. Due from (to) state governmental agencies

The Municipality's receivables from and debts to governmental agencies as of June 30, 2002 follows:

	<u>Due from</u>	<u>Due to</u>
Municipal Revenues Collection Center (CRIM)	\$ 198,049	\$ -
Puerto Rico Water and Sewer Authority	-	14,079
Puerto Rico Electric Power Authority	85,721	-
	<u>\$ 283,770</u>	<u>\$ 14,079</u>

3. Due from (to) other funds

The amount presented as due from (to) other funds represent interfund transfers and/or borrowings between funds, and cash pertaining to other funds pooled in the general fund bank account.

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

4. Restricted asset-cash

Restricted cash balance in the special revenue and capital projects funds represent the undisbursed proceeds of certain bonds, loans or grants which are maintained in a cash custodian account by the Governmental Development Bank of Puerto Rico or a federal government instrumentality. Cash balance recognized in the debt service fund represent the undisbursed balance of property tax collections, which are restricted for the repayment of the Municipality's general and special obligation bonds and notes. This sinking fund is maintained by the Governmental Development Bank of Puerto Rico, agency which acts as the insurer and payor of the Municipality's bonds and notes issued in accordance with the law (see related note E2). Interest earned by this sinking fund during the fiscal year 2001-2002 amounted to \$17,402.

5. Deferred Revenues

The amounts presented as deferred revenues in the general fund include the following:

Municipal license taxes (note C8)	\$ 962,123
Property Taxes (note C7)	198,049
Puerto Rico Electric Power Authority	<u>85,721</u>
	<u>\$ 1,245,893</u>

6. Long - term debts

a. General obligation bonds and notes

The Municipality's outstanding general obligation bonds and notes at June 30, 2002 amounted to \$5,469,908. All these bonds are serviced by the Governmental Development Bank of Puerto Rico (a governmental agency) maturing at various dates. The Commonwealth Government is obligated to levy and collect the taxes for the payment of principal and interest on the bonds. A sinking fund has been established for the bonds repayment at the Governmental Development Bank whereby sufficient funds must be set aside to redeem the bonds in minimum annual principal and interest amounts. Principal and interest payments of operational loans issued to finance operations of the general fund, if any, are made through retentions to intergovernmental revenues by the Municipal Revenue Collection Center (CRIM).

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

A detail of the general obligation bonds, notes and operational loans as of June 30, 2002 follows:

Original Amount	Description	Maturity	Rate	Outstanding
\$ 250,000	General Obligation Bond	July 1, 2003	8.20%	\$ 30,000
235,000	General Obligation Bond	July 1, 2003	8.20%	30,000
125,000	General Obligation Bond	January 1, 2013	5.00%	75,000
275,000	General Obligation Bond	January 1, 2012	5.00%	152,000
460,000	General Obligation Bond	July 1, 2006	Variable	190,000
350,000	General Obligation Bond	January 1, 2018	4.50%	282,000
2,030,000	General Obligation Bond	July 1, 2018	6.11%	1,705,000
2,040,000	General Obligation Bond	July 1, 2021	5.00%	1,860,000
910,000	General Obligation Bond	July 1, 2020	3.26%	825,000
255,212	Note payable	January 1, 2003	10.00%	5,908
645,000	Note payable	July 1, 2025	7.00%	315,000
				<u>\$ 5,469,908</u>

The annual requirements to amortize general obligation bonds and notes outstanding as of June 30, 2002 are as follows:

June 30	Principal
2003	\$ 354,908
2004	316,000
2005	332,000
2006	244,000
2007	200,000
Thereafter	<u>4,023,000</u>
Totals	<u>\$ 5,469,908</u>

b. Mortgages payable - Jardines de Aguada Project

Mortgages payable consists of permanent residence loans provided by USDA Rural Development. The land and buildings of the Project secure the mortgage notes. The mortgages are payable in monthly installments including interest, through 2032 as follows:

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

	Note 1	Note 2	Total
Mortgage interest	8.5%	10.75%	
Subsidy interest	6.5%	8.75%	
Monthly payment	<u>\$ 10,076</u>	<u>\$ 2,666</u>	<u>\$ 12,742</u>
Balance due as June 30, 2002	<u>\$ 1,603,450</u>	<u>\$ 340,154</u>	<u>\$ 1,943,604</u>

The maturity during the subsequent five years is as follows:

Year Ending	Amount
2003	\$ 14,862
2004	16,219
2005	17,702
2006	19,320
2007	21,088
Thereafter	<u>1,854,413</u>
Total	<u>\$ 1,943,604</u>

c. Other long-term debts

Compensated absences (note A8)	\$ 1,346,142
Health Service Administration (ASES)	884,397
Municipal Revenue Collection Center (CRIM) - Prior years property tax doubtful accounts expected to be refinanced through long-term debt	484,407
Municipal Revenue Collection Center (CRIM) (note C7)	339,060
Judgements and other claims (note D2)	<u>277,036</u>
	<u>\$ 3,331,042</u>

As of June 30, 2002 the Municipality has entered into an agreement with the Municipal Revenue Collection Center (CRIM) to refinance the prior years property tax doubtful accounts, which amounted to \$484,407 on a long-term basis. It has demonstrated its intentions and its ability to consummate the transaction by an agreement with the CRIM which does not expire within one year from the date of the combined balance sheet under the provision of Law No. 146 of October 11, 2001. The refinancing will be done through a special loan to be repaid from .48% of

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

the net increase of subsidy provided by the Commonwealth of Puerto Rico's general fund. The financing agreement was authorized by the Municipal Legislature of Aguada on Resolution No. 49 of March 2002. Accordingly, the amount of \$484,407 will not require the use of available financial resources and has been classified as other long-term debt.

d. Changes in general long-term debts

	Balance at June 30, 2001	Net Additions	Net Retirements	Balance at June 30, 2002
General obligations bonds and notes	\$ 5,798,723	\$ -	\$ (328,815)	\$ 5,469,908
Mortgage payable – Jardines de Aguada Project	1,957,223	-	(13,619)	1,943,604
Other long-term debts	2,654,627	919,920	(243,505)	3,331,042
	<u>\$ 10,410,573</u>	<u>\$ 919,920</u>	<u>\$ (585,939)</u>	<u>\$ 10,744,554</u>

7. Property taxes

The Municipal Revenue Collection Center (CRIM) (a state governmental agency) is responsible for the assessment, collection and distribution of real and personal property taxes in accordance with the Commonwealth Property Tax Law. The tax levied on property is determined by the Commonwealth and the Municipal Government based on limits established by the Commonwealth Legislature. The tax on personal property is self-assessed by the taxpayer. The assessment is made on a return, which must be filed, with the CRIM by May 15 of each year.

Real property is assessed by the CRIM. The tax is general assessed on January 1st on all taxable property located within the Municipality. For personal property the tax is due with the return filed on or before May 15. Taxes on real property may be paid in two equal installments, July 1st and January 1st. Property taxes are recorded as revenue by the Municipality in the year of receipt.

Property taxes are recorded as revenues by the Municipality in the year of receipt. The CRIM advance funds to the Municipality based on an estimate of the property taxes to be levied and which are collected in subsequent periods. The CRIM collects

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

such taxes and delivers to the Municipality's government any excess of taxes collected over the tax advance and amounts assigned for the repayment of the bond obligations. As part of the requirements of the new Autonomous Municipal Law (Law number 80 of August 30, 1991), the CRIM determined a final liquidation of funds distributed to municipalities. This distribution includes advances of property tax and income derived from other subsidies from the state government.

For the fiscal years 1998-99 and 1999-00 the Municipality has a net payable to the CRIM of \$188,747 and \$150,313 respectively, for a total debt balance of \$339,060 which is recorded as other long term debt in the general long term debt accounts group. The Municipality is in process to refinance this debt on a long-term basis under the provision of Law No. 42 of January 26, 2000, which was created to permit the CRIM to recover the accumulated debt for this concept from the Municipalities of Puerto Rico. The refinancing will be done through a special loan to be repaid from .48% of the net increase of subsidiary provided by the Central Government to the Municipality under the referred law. The financing agreement was authorized by the Municipal Legislature of Aguada on Resolution No. 1 of July 2, 2001. As of June 30, 2002 the CRIM has not informed the Municipality of any further action regarding this matter.

For the fiscal year ended June 30, 2002 the CRIM performed a preliminary liquidation and determined that the Municipality has a net receivable of \$198,049 which is recorded as deferred revenue since it is measurable but not available as required by U.S. generally accepted accounting principles.

8. Municipal license taxes, licenses and permits

Municipal license taxes are assessed annually by the Municipality to all organizations or entity's subject to the tax doing business in the Municipality's location based generally on volume of business or gross sales. The Municipal license tax return should be submitted on April 15. If the tax is paid within the filing date a discount is allowed. If it is not paid on the filing date it can be paid in two equal installments (July 1st and January 1st following April 15 filing due date), but the discount is not allowed.

As required by generally accepted accounting principles, a license tax receivable and a corresponding deferred revenue for the same amount is recognized in the general

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

fund based on taxes earned as of June 30, 2002, estimated to be collectible in year 2002-2003, but not currently available for a total amount of \$157,980. In addition, amounts collected in advance, totaling \$804,143 and pertaining to next fiscal period are reported as deferred revenue in the general fund. Total deferred revenue for license taxes amounts to \$962,123.

9. Intergovernmental revenues

Intergovernmental revenues in the General Fund are comprised of subsidies received from the Commonwealth of Puerto Rico through the Municipal Revenue Collection Center and amounts received from state agencies as compensation in lieu of tax. Amount recorded in Special Revenue Fund consists of federal and state governmental grants.

10. Retirement plan

a. Plan description

Regular employees of the Municipality contribute to a cost sharing multiple employer defined benefit retirement plan, administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covers all regular full time public employees working for the central government, public corporations and the municipalities of Puerto Rico. The system provides retirement pensions, death and disability benefits.

Retirement benefits depend upon age at retirement and number of years of credited service. Disability retirement benefits are available to members of occupational and non occupational disabilities. Benefits vest after ten years of plan participation. The system was created under Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest 36 months of compensation recognized by ERS. The annuity, for which a plan member is eligible, is limited to a minimum of \$200 per month and a maximum of 75% of the average compensation. ERS issues a publicly financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the ERS.

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

Law No. 305 of September 24, 1999 amended the Act No. 447 of 1951 and was enacted with the purpose of establishing a new pension program. The new pension program became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999 may elect either to stay in the defined benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000 will only be allowed to become members of the new program.

The new program is a defined contribution plan, which consists of a savings account for each system participant. There will be a pool of pension assets, which will be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the State government and will be subjected to the total accumulated balance of the savings account. The annuity will be based on a formula, which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. If savings accounts balance is \$10,000 or less at time of retirement, the balance will be distributed by the System to the participant as a lump sum. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not been granted under the new program. The employee's contributions (9.275% of the employee's salary) will be used to kind the current plan.

Under the new program the retirement age is reduced from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

b. Funding policy

The Act 447, as amended, is the authority under which obligations to contribute to the Plan by the Plan members, employer's and other contributing entities are established or may be amended. Plan members are required to contribute 5.775% of gross salary up to \$6,600 plus 8.275% of gross salary in excess of \$6,600 except for the Mayor or employee under a supplementation plan, which contributes 8.275% of gross salary. The Municipality is required to contribute 9.275% of gross salary.

The Municipality's actual contribution for the current and the previous fiscal year, which is equal to the required contribution, follows:

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

<u>Fiscal year ended:</u>	<u>Law No. 447</u>	<u>2000 Reform</u>
2002	\$ 241,488	\$ 50,044
2001	<u>\$ 261,723</u>	<u>N/A</u>

11. Municipal Solid Waste Landfill Closure and Post Closure Care Cost

The Municipality discontinued its landfill operations and ceased to accept solid waste in its landfill. State and Federal Laws and Regulations require the Municipality to perform certain closure procedures and establish monitoring and maintenance functions at the landfill site for thirty years after closure. The closure care procedures were assumed and completed by the Municipality. The postclosure care costs have not been determined and accounted as required by U.S. generally accepted accounting principles as of June 30, 2002.

NOTE D - CONTINGENCIES

1. Federal and state grants

Projects financed by federal and state grants are subject to audit in order to determine its expenditures to comply with the conditions of such grants. It is the Municipality's opinion that no additional material unrecorded liabilities will arise from audits previously performed or to be performed.

2. Litigation

The Municipality is, at present, a defendant in a number of legal matters that arise in the ordinary course of the Municipality's activities. There are cases whereby the Municipality is a defendant or codefendant that will be covered by insurance, certain cases whereby the legal counsel has not determined an outcome and other cases that will not be covered by insurance. One of the Municipality's legal counsels informed that in one case there is a probability of an unfavorable outcome for a total amount of \$405,636 which the Municipality accrued \$78,844 in the general fund, \$49,756 in the special revenue fund and \$277,036 in the general long-term debt account group. However, it is the opinion of the Municipality and the legal counsel that, based on their experience, such actions and the potential liabilities will not impair the Municipality's financial position.

Municipality of Aguada

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE E - FUND BALANCE ALLOCATION

The fund balance allocation recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual at the general fund represents amendments to current year budget with prior years budgetary surpluses.

SUPPLEMENTAL INFORMATION

Municipality of Aguada

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number (note B)	Pass-Through Grantor's Number (note C)	Expenditures (note A)
<u>U.S. Department of H.U.D.</u>			
Major Programs:			
Passed through the Office of Commissioner of Municipal Affairs:			
Community Development Block Grant - State's Program	14.228	AF - 37 AB - 37 FD - 37	\$ 364,967
Direct Program:			
Section 8 Housing Choice Vouchers	14.871	N/A	303,763
Nonmajor program:			
Passed through the P.R. Department of Family - Families and Children Administration:			
Emergency Shelter Grants Program	14.231	N/AV	8,462
			<u>677,192</u>
<u>U.S. Department of Agriculture</u>			
Nonmajor program:			
Passed through the P.R. Department of Education:			
Child and Adult Care Food Program	10.558	N/AV	19,164
<u>U.S. Department of Health and Human Services</u>			
Nonmajor programs:			
Passed through the P.R. Department of Family - Families and Children Administration:			
Child Care and Development Block Grant	93.575	N/AV	299,319
Passed through the Puerto Rico Governor Office (Oficina de Asuntos de la Vejez):			
Special Programs for Aging_ Title III, Part C_ Nutrition Services	93.045	N/AV	73,730
			<u>373,049</u>
<u>U.S. Department of Justice</u>			
Nonmajor programs:			
Passed through the P.R. Department of Justice:			
Title V- Delinquency Prevention Program	16.548	N/AV	90,189
Local Law Enforcement Block Grant Program	16.592	N/AV	46,884
			<u>137,073</u>
<u>U.S. Department of Education</u>			
Nonmajor program:			
Passed through the P.R. Department of Education			
Safe and Drug Free School and Communities	84.186	N/AV	50,182
<u>U.S. Department of Labor</u>			
Nonmajor program:			
Passed through the Northwestern Consortium:			
WIA Youth Activities	17.259	N/AV	51,870
Total federal awards expenditures:			<u>\$ 1,308,530</u>

The accompanying notes are an integral part of this schedule.

Municipality of Aguada

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality and is presented on the modified accrual basis of accounting. Expenditures are recognized when the related liability is incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government and Nonprofit Organizations.

NOTE B - FEDERAL CFDA NUMBER

The Catalog of Federal Domestic Assistance (CFDA) Number is a program identification number. The first two digits identify the federal department or agency that administers the program and the last three numbers are assigned by numerical sequence.

NOTE C - PASS-THROUGH GRANTOR'S NUMBER

State or local government redistributions of federal awards to the Municipality, known as "pass-through awards", should be treated by the Municipality as though 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 the identifying number assigned by the pass-through entity for federal awards received as a subrecipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

NOTE D - FEDERAL AWARDS OF BLENDED COMPONENT UNIT

The Schedule of Expenditures of Federal Awards do not include the balance of the following programs, for which grantor imposes continuing compliance requirements:

- a. Outstanding loan balance of \$1,943,604 of a Rural Rental Housing Loans Program (Section 515 Direct Loan) - CFDA No. 10.415
- b. Expenditures of \$343,024 of a Section 8 Housing Assistance Payment Program - Special Allocations (Project-based Section 8) - CFDA No. 14.195

Those balances were subjected to a separate audit in accordance with the requirements of OMB Circular A-133 for which the Municipality engaged other auditors.

Municipality of Aguada

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

NOTE E - RECONCILIATION OF EXPENDITURES PRESENTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE EXPENDITURES PRESENTED IN THE GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Description</u>	<u>Special Revenue Fund</u>
14.228	\$ 364,967
14.871	303,763
14.231	8,462
10.558	19,164
93.575	299,319
93.045	73,730
16.548	90,189
16.592	46,884
84.186	50,182
17.259	51,870
	<hr/>
Total federal awards expenditures:	1,308,530
Total state funds awards expenditures and other nonfederal expenditures:	1,809,910
	<hr/>
Total expenditures, general purpose financial statements	<u>\$ 3,118,440</u>

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

Mayor and Municipal Legislature
Municipality of Aguada
Aguada, Puerto Rico

We have audited the accompanying general purpose financial statements of the Municipality of Aguada for the year ended June 30, 2002, and have issued our report thereon dated September 23, 2002 in which we have expressed a qualified opinion regarding the completeness and valuation of the fixed assets inventory and because the Municipality has not determined and recorded an estimate for the total municipal solid waste landfill postclosure care costs, as required by generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Municipality of Aguada general purpose financial statements are free of material misstatement, we performed test 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. However, we noted certain immaterial instances of noncompliance that we have to report to management of Municipality of Aguada in a separate letter dated September 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Municipality of Aguada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving

internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect Municipality of Aguada's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs, as item 2002 II-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002 II-1 a material weakness. We also noted certain immaterial instances of noncompliance that we have reported to management of the Municipality of Aguada in a separate letter dated September 23, 2002.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Rodriguez, Luena & Toro LLP

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

Mayor and Municipal Legislature
Municipality of Aguada
Aguada, Puerto Rico

Compliance

We have audited the compliance of Municipality of Aguada with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Municipality of Aguada's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Municipality of Aguada's management. Our responsibility is to express an opinion on Municipality of Aguada's compliance based on our audit.

Municipality of Aguada general purpose financial statements include the operations of Jardines de Aguada Project which expended \$2,286,628 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2002. Our audit, described below, did not include the operations of Jardines de Aguada Project because such entity engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the Municipality of Aguada complied, in all material respects, with the requirements during the year ended June 30, 2002.

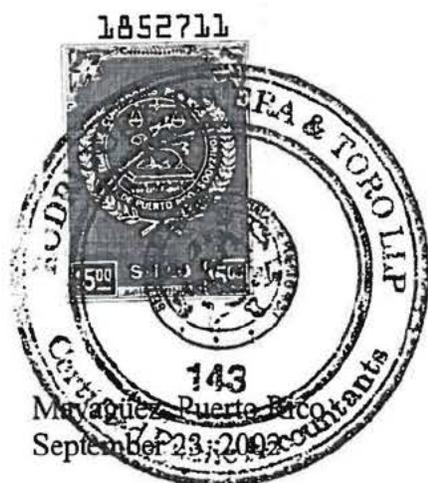
We noted certain immaterial instances of noncompliance that we have reported to management of Municipality of Aguada in a separate letter dated September 23, 2002.

Internal Control Over Compliance

The management of the Municipality of Aguada 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 of Aguada'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 internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 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. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Rodriguez, Riven & Toro LLP

Municipality of Aguada

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2002

I. *Summary of audit results:*

Part I - Financial Statements

- | | | |
|--|--|---|
| 1. Type of audit report: | <input type="checkbox"/> Unqualified opinion | <input checked="" type="checkbox"/> Qualified opinion |
| | <input type="checkbox"/> Adverse opinion | <input type="checkbox"/> Disclaimer of opinion |
| 2. Reportable conditions reported: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3. Reportable conditions reported as a material weakness | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. Material noncompliance disclosed | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Part II - Federal Awards

- | | | |
|--|---|--|
| 1. Reportable conditions reported: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 2. Reportable conditions reported as a material weakness | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 3. Type of report on compliance for major programs | <input checked="" type="checkbox"/> Unqualified opinion | <input type="checkbox"/> Qualified opinion |
| | <input type="checkbox"/> Adverse opinion | <input type="checkbox"/> Disclaimer of opinion |
| 4. Audit findings required to be reported under Section 510(a) of Circular A – 133 | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

- | | | |
|--------------------|-----------------------|---|
| 5. Major programs: | | Name of Federal Program or Cluster |
| | <u>CFDA Number(s)</u> | <u>Cluster</u> |
| | 14.228 | Community Development Block Grant - State's Program |
| | 14.871 | Section 8 Housing Choice Vouchers |

- | | | |
|--|---|--|
| 6. Dollar threshold used to distinguish Type A and Type B programs | <input checked="" type="checkbox"/> \$300,000 | <input type="checkbox"/> \$3,000,000 |
| | <input type="checkbox"/> \$30,000,000 | |
| 7. Low-risk auditee | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Municipality of Aguada

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2002

II. *Findings related to the financial statements reported in accordance with GAGAS:*

Area: Property, plant and equipment:

Reference number 2002 II-1

Condition and criteria: During our tests over the property, plant and equipment area, we found the following deficiencies:

- a. There is no proper reconciliation between the general ledger and the subsidiary records as of June 30, 2002.
- b. The construction in progress inventory was not recorded in the fixed assets records as of June 30, 2002.

Due to the weaknesses mentioned above, we consider that there is not adequate support for the completeness and valuation assertions for the general purpose financial statements as of June 30, 2002. These facts are considered to be material weaknesses.

Cause and effect: No adequate accounting controls maintained over accounting recordkeeping during prior years. If not corrected, the Municipality might have difficulties in the implementation of the requirements of GASB 34 and will not be in compliance with the applicable laws and regulations.

Recommendation: The Municipality must establish a procedure to reconcile the subsidiary ledger with the corresponding accounts in the general ledger including the application or the necessary adjustments if corrections are needed. This procedure should be periodically repeated in order to assure timely correction of account. Also a construction in progress inventory should be established and maintained.

Municipality of Aguada

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2002

I. Findings related to the financial statements reported in accordance with GAGAS:

<u>Fiscal year Ended June 30,</u>	<u>No.</u>	<u>Condition</u>	<u>Status</u>
2001	2001 II-1	a. There is no proper reconciliation between the general ledger and the subsidiary records of property, plant and equipment as of June 30, 2001. b. The construction in progress inventory was not recorded in the fixed assets records as of June 30, 2001.	Finding cleared by OCAM. See current year finding number 2002 II-1 in the accompanying Schedule of Findings and Questioned Costs.

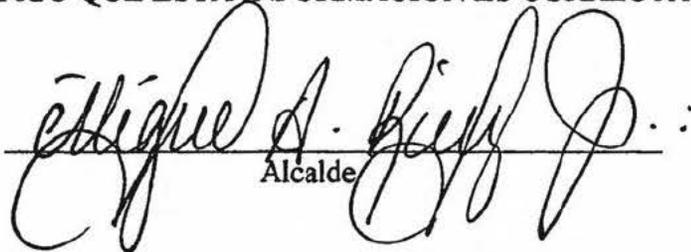
ESTADO LIBRE ASOCIADO DE PUERTO RICO
GOBIERNO MUNICIPAL DE AGUADA
AGUADA, PUERT RICO

PLAN DE ACCIÓN CORRECTIVA

Informe de Auditoría al 6/30/02
Período Auditado: 1 de julio de 2001 al 30 de junio de 2002
Tel. (787) 868-6400 Ext. 406

HALLAZGO	ACCIÓN CORRECTIVA
<p>Reference number 2002 II-1</p> <p>During our tests over the property, plant and equipment area, we found the following deficiencies:</p> <ul style="list-style-type: none">a. There is no proper reconciliation between the general ledger and the subsidiary records as of June 30, 2002.b. The construction in progress inventory was not recorded in the fixed assets records as of June 30, 2002.	<p>Realizaremos un inventario físico completo para determinar el valor real de la propiedad y entonces así realizar los ajustes pertinentes tanto al mayor general como al subsidiario de propiedad.</p> <p>Llevaremos un detalle manual de la construcción en progreso para así hacer la entrada al sistema.</p>

CERTIFICO QUE ESTA INFORMACIÓN ES CORRECTA


Alcalde

19 de diciembre de 2002

Fecha

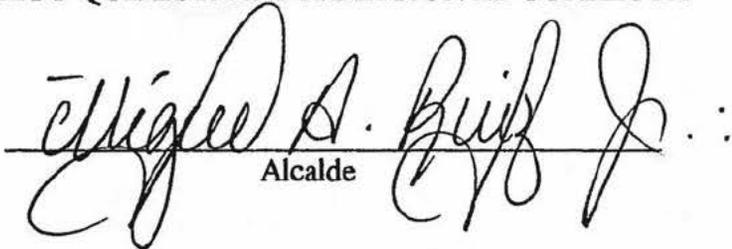
ESTADO LIBRE ASOCIADO DE PUERTO RICO
GOBIERNO MUNICIPAL DE AGUADA
AGUADA, PUERT RICO

PLAN DE ACCIÓN CORRECTIVA

Informe de Auditoría al 6/30/02
Período Auditado: 1 de julio de 2001 al 30 de junio de 2002
Tel. (787) 868-6400 Ext. 406

HALLAZGO	ACCIÓN CORRECTIVA
<p>Reference number 2002 II-1</p> <p>During our tests over the property, plant and equipment area, we found the following deficiencies:</p> <ul style="list-style-type: none"> a. There is no proper reconciliation between the general ledger and the subsidiary records as of June 30, 2002. b. The construction in progress inventory was not recorded in the fixed assets records as of June 30, 2002. 	<p>Realizaremos un inventario físico completo para determinar el valor real de la propiedad y entonces así realizar los ajustes pertinentes tanto al mayor general como al subsidiario de propiedad.</p> <p>Llevaremos un detalle manual de la construcción en progreso para así hacer la entrada al sistema.</p>

CERTIFICO QUE ESTA INFORMACIÓN ES CORRECTA



 Alcalde

19 de diciembre de 2002
 Fecha

FORM **SF-SAC**
(3-20-2001)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 On or After January 1, 2001**

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

RETURN TO Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132**PART I GENERAL INFORMATION (To be completed by auditee, except for Item 7)**

1. Fiscal period ending date for this submission Month Day Year Fiscal Period End Dates Must Be On or After January 1, 2001 06 / 30 / 2002		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 3 <input type="checkbox"/> Other— Months 2 <input type="checkbox"/> Biennial		FEDERAL GOVERNMENT USE ONLY	4. Date received by Federal clearinghouse									
5. Employer Identification Number (EIN) a. Auditee EIN <table border="1"><tr><td>6</td><td>6</td><td>0</td><td>4</td><td>3</td><td>4</td><td>0</td><td>5</td><td>7</td></tr></table>			6	6	0	4	3	4	0	5	7	b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)
6	6	0	4	3	4	0	5	7				

6. AUDITEE INFORMATION

a. Auditee name MUNICIPALITY OF AGUADA	
b. Auditee address (Number and street) P.O. BOX 517 City AGUADA State ZIP + 4 Code PR 00602-	
c. Auditee contact Name RAMON RIVERA, CPA Title FINANCE DIRECTOR	
d. Auditee contact telephone (787) 868 — 2112	
e. Auditee contact FAX (Optional) (787) 868 — 0315	
f. Auditee contact E-mail (Optional)	

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

Signature of certifying official

Date
Month Day Year
12 / 26 / 02

Printed Name/Title of certifying official

RAMON RIVERA, CPA/FINANCE DIRECTOR

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name RODRIGUEZ, RIVERA & TORO, LLP	
b. Auditor address (Number and street) P.O. BOX 1080 City MAYAGUEZ State ZIP + 4 Code PR 00681-1080	
c. Auditor contact Name JOSE A. TORO MERCADO, CPA, CVA Title MANAGING PARTNER	
d. Auditor contact telephone (787) 834 — 3100	
e. Auditor contact FAX (Optional) (787) 831 — 2909	
f. Auditor contact E-mail (Optional) JTORO@RRTLIP.COM	

g. AUDITOR STATEMENT — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 8, 9, and 10, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is **not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date
Month Day Year
12 / 26 / 02

PART I GENERAL INFORMATION - Continued

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (X) one box)
1 Yes - Identify Cognizant Agency in Part I, Item 9 2 No - SKIP to Part II, Item 1

9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (X) one box) However, if cognizance has been reassigned, see instructions.

- | | | | |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture | 66 <input type="checkbox"/> Environmental Protection Agency | 15 <input type="checkbox"/> Interior | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | <input type="checkbox"/> Other - Specify: |
| 12 <input type="checkbox"/> Defense | 93 <input type="checkbox"/> Health and Human Services | 17 <input type="checkbox"/> Labor | |
| 84 <input type="checkbox"/> Education | | | |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)
1 Unqualified opinion 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. Type of audit report on major program compliance
1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10) 1 Yes 2 No

3. What is the dollar threshold to distinguish Type A and Type B programs? (\$ ____ .520(b)) \$ 300,000

4. Did the auditee qualify as a low-risk auditee? (\$ ____ .530) 1 Yes 2 No

5. Is a reportable condition disclosed for any major program? (\$ ____ .510(a)(1)) 1 Yes 2 No - SKIP to Item 7

6. Is any reportable condition reported as a material weakness? (\$ ____ .510(a)(1)) 1 Yes 2 No

7. Are any known questioned costs reported? (\$ ____ .510(a)(3) or (4)) 1 Yes 2 No

8. Was a Summary Schedule of Prior Audit Findings prepared? (\$ ____ .315(b)) 1 Yes 2 No

9. 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)

- | | | | |
|--|---|---|--|
| 02 <input type="checkbox"/> 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"/> 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 | 14 <input type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 84 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute for Museum Services | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 16 <input type="checkbox"/> Justice | 59 <input type="checkbox"/> Small Business Administration | 00 <input checked="" type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | <input type="checkbox"/> Other - Specify: |
| 68 <input type="checkbox"/> Environmental Protection Agency | 09 <input type="checkbox"/> Legal Services Corp | | |

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 cognizant agency (if identified in Part I, Item 9)

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

FORM SF-SAC (3-20-2001)

PART III FEDERAL PROGRAMS - Continued (Page 3 - #1 of 1)

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							11. AUDIT FINDINGS		
Federal Agency Prefix ¹	CFDA Number (a)		Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s) ³ (a)	Audit finding reference number(s) ⁴ (b)
	Extension ²								
1 4	.228		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	COMMUNITY DEVELOPMENT BLOCK GRANT-STATES PROGRAM	\$ 364,967 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	O	N/A
1 4	.871		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	SECTION 8 HOUSING CHOICE VOUCHERS	\$ 303,763 .00	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	O	N/A
1 4	.231		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	EMERGENCY SHELTER GRANT PROGRAM	\$ 8,462 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
1 0	.558		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	CHILD AND ADULT CARE FOOD PROGRAM	\$ 19,164 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
9 3	.575		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	CHILD CARE AND DEVELOPMENT BLOCK GRANT	\$ 299,319 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
9 3	.045		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	SPECIAL PROGRAM FOR THE AGING, TITLE III, PART C	\$ 73,730 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
1 6	.548		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	TITLE V-DELINQUENCY PREVENTION PROGRAM	\$ 90,189 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
1 6	.592		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	LOCAL LAW ENFORCEMENT BLOCK GRANT PROGRAM	\$ 46,884 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
8 4	.186		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	SAFE AND DRUG FREE SCHOOL AND COMMUNITIES	\$ 50,182 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
1 7	.259		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	WIA YOUTH ACTIVITIES	\$ 51,870 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	O	N/A
TOTAL FEDERAL AWARDS EXPENDED					\$ 1,308,530 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

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

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

³ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- 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

⁴ N/A for NONE

PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

1	N / A	16	31	46	61
2		17	32	47	62
3		18	33	48	63
4		19	34	49	64
5		20	35	50	65
6		21	36	51	66
7		22	37	52	67
8		23	38	53	68
9		24	39	54	69
10		25	40	55	70
11		26	41	56	71
12		27	42	57	72
13		28	43	58	73
14		29	44	59	74
15		30	45	60	75

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