

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES

AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE CIDRA

AUDITORIA 2000-01

30 DE JUNIO DE 2001

OFIC. DEL COMISIONADO
DE ASUNTOS MUNICIPALES
02 APR - 1 AM 9:46
RECIBIDO
UNIDAD DE CORREO

COMMONWEALTH OF PUERTO RICO

MUNICIPALITY OF CIDRA

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2001

COMMONWEALTH OF PUERTO RICO

MUNICIPALITY OF CIDRA

YEAR ENDED JUNE 30, 2001

CONTENTS

	Page
<u>FINANCIAL</u>	
Independent auditor's report	1-2
General-purpose financial statements:	
Combined balance sheet - all governmental fund types and account groups	3
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types	4
Combined statement of revenues, expenditures, encumbrances, and changes in fund balances - budget and actual general and debt service funds	5
Notes to general-purpose financial statements	6-24
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of expenditures of federal awards	25-27
Notes to the schedule of expenditures of federal awards	28
<u>INTERNAL CONTROL AND COMPLIANCE WITH LAWS AND REGULATIONS</u>	
Independent auditors' report on compliance and on internal control over financial reporting based on an audit of general purpose financial statements performed in accordance with <i>Government Auditing Standards</i>	29-30

COMMONWEALTH OF PUERTO RICO

MUNICIPALITY OF CIDRA

YEAR ENDED JUNE 30, 2001

CONTENTS -(CONTINUED)

	Page
<u>INTERNAL CONTROL AND COMPLIANCE WITH LAWS AND REGULATIONS (CONTINUED)</u>	
Independent auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A- 133	31-33
<u>FINDINGS AND QUESTIONED COSTS</u>	
Schedule of findings and questioned cost	34-39
Summary schedule of prior year audit findings	40-41



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

Member of:

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

INDEPENDENT AUDITORS' REPORT

**To the Honorable Mayor and
the Municipal Assembly
Municipality of Cidra
Cidra, Puerto Rico**

We have audited the accompanying general purpose financial statements of the **Municipality of Cidra**, as of and for the year ended June 30, 2001, 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.

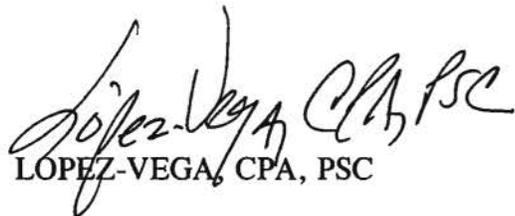
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget 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 the general-purpose financial statements are free of material misstatement. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the **Municipality of Cidra** as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2002 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

INDEPENDENT AUDITORS' REPORT (Continued)

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the **Municipality of Cidra**, taken as 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. The 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 presented, in all material respects, in relation to the general purpose financial statements taken as a whole.


LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
February 8, 2002

Stamp No.1785248 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.



COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA
COMBINED BALANCE SHEET
ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	General	Special Revenue	Debt Service	Capital Projects	General Fixed Assets	General Long-term Debt	
ASSETS AND OTHER DEBITS							
Cash and cash equivalents	\$7,578,003	\$1,314,057		\$73,002			\$8,965,062
Cash with fiscal agent		353,602	\$2,646,380	6,463,411			9,463,393
Intergovernmental receivables	376,987	67,159					444,146
Municipal license taxes receivable	3,693						3,693
Federal grants receivable		76,240					76,240
Due from other funds	909,111	1,045,540					1,954,651
Other receivables	112,364						112,364
Property and equipment					\$25,870,075		25,870,075
Amount available in Debt Service Fund						\$2,646,380	2,646,380
Amount to be provided for retirement of general long-term debt						15,203,227	15,203,227
Total assets and other debits	\$8,980,158	\$2,856,598	\$2,646,380	\$6,536,413	\$25,870,075	\$17,849,607	\$64,739,231
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable and accrued liabilities	\$745,755	\$43,928		\$191,641			\$981,324
Due to other funds	1,000,000	809,111		145,540			1,954,651
Due to other governmental entities	93,427					\$1,112,828	1,206,255
Deferred municipal license tax revenues	7,588,394						7,588,394
Deferred federal grant revenues		422,182					422,182
General obligation bonds						11,320,000	11,320,000
Note payable						420,000	420,000
Accrued landfill obligations						2,757,587	2,757,587
Accrued compensated absences						2,239,192	2,239,192
Total liabilities	9,427,576	1,275,221		337,181		17,849,607	28,889,585
Fund equity:							
Investment in general fixed assets					\$25,870,075		25,870,075
Fund balances:							
Reserved for encumbrances	98,973	387,414		462,809			949,196
Reserved for debt service			2,646,380				2,646,380
Unreserved:							
Designated for specific fund purposes		1,193,963		5,736,423			6,930,386
Undesignated	(546,391)						(546,391)
Total fund equity (deficit)	(447,418)	1,581,377	2,646,380	6,199,232	25,870,075		35,849,646
Total liabilities and fund equity	\$8,980,158	\$2,856,598	\$2,646,380	\$6,536,413	\$25,870,075	\$17,849,607	\$64,739,231

See accompanying notes to general purpose financial statements.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES					
Property taxes	\$4,654,834		\$1,393,532		\$6,048,366
Municipal license taxes	7,789,100				7,789,100
Licenses and permits	486,531				486,531
Intergovernmental	1,819,299	\$2,365,145			4,184,444
Rent of property	29,986				29,986
Fines and penalties	16,035				16,035
Interest	968,501				968,501
Federal grants		3,365,999			3,365,999
Program income		44,695			44,695
Miscellaneous	576,498	127,538			704,036
Total revenues	<u>16,340,784</u>	<u>5,903,377</u>	<u>1,393,532</u>		<u>23,637,693</u>
EXPENDITURES					
Current:					
Mayor and Municipal Assembly	1,397,652				1,397,652
General government	5,512,759	792,652			6,305,411
Public safety	863,143				863,143
Public works	4,780,664	2,797,266			7,577,930
Public health and sanitation	1,257,104				1,257,104
Welfare		1,033,020			1,033,020
Economic development	74,890	16,206			91,096
Recreation	523,505				523,505
Human services	603,488	4,058			607,546
Other		134,937		24,494	159,431
Debt service:					
Principal retirement	85,000		685,000		770,000
Interest	32,572		502,482		535,054
Capital outlays	163,030	979,097		2,259,029	3,401,156
Total expenditures	<u>15,293,807</u>	<u>5,757,236</u>	<u>1,187,482</u>	<u>2,283,523</u>	<u>24,522,048</u>
Excess (deficiency) of revenues over (under) expenditures	1,046,977	146,141	206,050	(2,283,523)	(884,355)
OTHER FINANCING SOURCES (USES):					
Operating transfers from/to other funds	(541,580)	(1,022,397)		1,563,977	
Proceeds from bond issuance		1,060,000		6,440,000	7,500,000
Total other financing sources (uses)	<u>(541,580)</u>	<u>37,603</u>		<u>8,003,977</u>	<u>7,500,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	505,397	183,744	206,050	5,720,454	6,615,645
Fund balances (deficit), beginning	<u>(952,815)</u>	<u>1,397,633</u>	<u>2,440,330</u>	<u>478,778</u>	<u>3,363,926</u>
Fund balances (deficit), ending	<u>(\$447,418)</u>	<u>\$1,581,377</u>	<u>\$2,646,380</u>	<u>\$6,199,232</u>	<u>\$9,979,571</u>

See accompanying notes to general purpose financial statements.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2001**

	GENERAL FUND			DEBT SERVICE FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$4,362,964	\$4,362,964	\$ -	\$1,213,405	\$1,393,532	\$180,127
Municipal license taxes	7,788,353	7,789,100	747			
Licenses and permits	480,117	486,531	6,414			
Intergovernmental	1,694,296	1,694,296	-			
Rent of property	30,640	29,986	(654)			
Fines and penalties	16,035	16,035	-			
Interest	908,893	968,501	59,608			
Miscellaneous	762,467	576,498	(185,969)			
Total revenues	<u>16,043,765</u>	<u>15,923,911</u>	<u>(119,854)</u>	<u>1,213,405</u>	<u>1,393,532</u>	<u>180,127</u>
EXPENDITURES AND ENCUMBRANCES:						
Current:						
Mayor and Municipal Assembly	1,431,508	1,417,864	13,644			
General government	5,865,380	5,522,136	343,244			
Public safety	863,143	863,143	-			
Public works	4,627,633	4,623,175	4,458			
Public health and sanitation	1,257,278	1,257,278	-			
Economic development	74,890	74,890	-			
Recreation	524,812	524,812	-			
Human services	630,857	605,858	24,999			
Capital outlays	166,062	166,062	-			
Debt service:						
Principal retirement				685,000	685,000	-
Interest				528,405	502,482	25,923
Total expenditures and encumbrances	<u>15,441,563</u>	<u>15,055,218</u>	<u>386,345</u>	<u>1,213,405</u>	<u>1,187,482</u>	<u>25,923</u>
Excess (deficiency) of revenues over (under) expenditures and encumbrances	602,202	868,693	266,491		206,050	206,050
OTHER FINANCING USES:						
Operating transfer to other fund	602,202	(541,580)	60,622			
Excess (deficiency) of revenues over (under) expenditures, encumbrances and other financing uses		<u>327,113</u>	<u>327,113</u>			
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:						
Current year encumbrances treated as current year expenditures for budgetary basis		98,973				
Prior year encumbrances recorded as current year expenditures for GAAP basis		(118,623)				
GAAP adjustments to revenues		416,876				
Non-budgetary items		(218,942)				
Fund balances (deficit) , beginning		<u>(952,815)</u>			2,440,330	
Fund balances (deficit) , ending		<u><u>(\$447,418)</u></u>			<u><u>\$2,646,380</u></u>	

See accompanying notes to general purpose financial statements.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The **Municipality of Cidra** (the Municipality) was established in 1917. The Municipality's governmental system consists of an executive and a legislative body. It is governed by a Mayor and a fourteen member Municipal Assembly who are elected every four years through the Puerto Rico general elections.

The Municipality provides the following services: public safety, public works, culture and recreation, health, urban development and welfare.

The Municipality's general purpose financial statements are presented in accordance with generally accepted accounting principles (GAAP), as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Municipality's significant accounting policies follows:

A. Financial reporting entity:

In evaluating how to define the Municipality for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of *Statement No. 14, The Financial Reporting Entity*, of the Governmental Accounting Standards Board. The basic, but not the only criterion for including a potential component unit within the reporting entity is if elected officials of a primary government are financially accountable for the entity. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body and if either one of the following conditions exist: the primary government can impose its will on the other entity or the potential exists for the other entity to (1) provide specific financial benefits to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. Based on the above criteria there are no potential component units which should be included in the general purpose financial statements.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

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

B. Basis of presentation:

The Municipality records its transactions in the fund types and account groups described below:

Governmental fund types:

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of the Municipality's expendable financial resources and the related current 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 - is the general operating fund of the Municipality. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Special Revenue - is used to account for the proceeds of specific revenue sources that are legally restricted to be expended for specific purposes.

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

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

Account groups:

The account groups are used to maintain accounting control and accountability of the Municipality's general fixed assets and long-term debt. The Municipality's account groups are:

General Fixed Assets - is used to account for all fixed assets of the Municipality.
General Long-term Debt - is used to account for all long-term debt obligations of the Municipality.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

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

C. Basis of accounting:

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues collected in advance of the fiscal year to which they apply are recorded as deferred revenues and recognized as revenues in the corresponding year. Expenditures are recorded when the liability is incurred, except for (1) interest on general long-term debt obligations which is recorded when due, and (2) accruals for vacation, sick leave, claims and judgments which are recorded in the general long-term debt account group.

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

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Reservations of fund balance:

Reservations of fund balance represent portions of fund balances 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 purchases orders, contracts and other commitments issued for goods and services not received at year-end. Where the appropriations lapse at year-end, these will be honored during subsequent year. Encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, are reported with expenditures in all budgetary basis statements.

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

E. Budgetary data:

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

- Prior to May 31, the Major submits to the Municipal Assembly a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and the means of financing them.
- The budget document is available for public inspection prior to its approval by the Municipal Assembly.
- Prior to July 1, the annual budget is legally enacted through passage of the annual appropriation ordinance.
- Subsequent to the enactment of the annual appropriation ordinance, the Municipal Assembly has the authority to make necessary adjustments to the budget. Adjustments made during the year are reflected in the budget information included in the general purpose financial statements.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgetary data (continued):

The budget is prepared following the modified accrual basis of accounting, except for the encumbrances that are recorded as expenditures under the budgetary basis and as a reserve of funds balances under GAAP and for the interfund transactions that are not included in the budgetary basis.

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

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

F. Inventories:

The General Fund purchases office and printing supplies, gasoline, oil and other items. The cost of purchases is recorded as an expenditure and, consequently, the inventory is not recorded in the general purpose financial statements.

G. Property and equipment:

Property and equipment acquired are recorded as expenditures in the governmental funds and are capitalized at cost in the General Fixed Assets Account Group. Donated property and equipment are recorded at their estimated fair market value at the time they are received by the Municipality. No depreciation has been provided on property and equipment. Interest cost during the construction period is capitalized, when significant.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

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

H. Cash and cash equivalents:

The Municipality's Director of Finance is responsible for investing available resources and is restricted by law to invest only in a saving account and certificates of deposit with banks qualified as depositories of public funds by the Department of the Treasury of the Commonwealth of Puerto Rico. The Municipality maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". All cash in banks at June 30, 2001 is insured by the Federal Deposit Insurance Corporation up to \$100,000, and by collateral held by the Treasury Department to its name. Interest earned from certificates of deposit and other short-term investments is recorded as revenue in the General Fund. Cash and Cash Equivalents include investments with original maturities of ninety days or less.

Cash with fiscal agent represents property tax collections retained by the Municipal Revenue Collection Center and Government Development Bank of the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service and unused proceeds from bonds and notes issued for the acquisition or construction of permanent improvements.

I. Interfund transactions:

The Municipality has the following types of transactions among funds:

Operating transfers - Transfers that are reported when incurred as "Operating transfers from other fund" by the recipient fund and as "Operating transfers to other fund" by the disbursing fund.

Transfer of Expenditures (Reimbursements) - Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as reduction of expenditures in the reimbursed fund.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Compensated absences:

Municipal employees are granted 30 days of vacation and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of 60 days and sick leave up to a maximum of 90 days. In the event of an employee resignation, the employee is reimbursed for accumulated vacation days up to the maximum allowed. Separation from employment prior to the use of all or part of the sick leave before 10 years of service terminates all rights for compensation.

The Municipality accrues 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 *GASB Number 16, Accounting for Compensated Absences*, the Municipality has accrued a liability for compensated absences, which has been earned but not taken by municipal employees. This liability is presented in the general long-term debt account group because they will not be funded with available expendable financial resources at June 30, 2001.

K. Insurance:

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Total columns (memorandum only):

The total columns (memorandum only) are presented only to facilitate additional analysis. Consequently, amounts shown in total columns do not represent financial position or result of operations, in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

M. Use of estimates in the preparation of general purpose financial statements:

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures 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.

2. DUE TO OTHER GOVERNMENTAL ENTITIES:

The amounts due to other governmental entities in the General Fund include the following:

Department of Labor	\$ 36,506
General Services Administration	1,558
Puerto Rico Telephone Company	<u>55,363</u>
Total	<u>\$ 93,427</u>

The Municipality reached agreements with the Department of Labor and the Municipal Revenue Collection Center for the payment of debts on a long-term basis. These liabilities are presented in the General Long-term Debt Account Group because it will not be funded with available expendable financial resources as of June 30, 2001.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

3. PROPERTY TAXES:

The Municipal Revenue Collection Center ("CRIM") of the Commonwealth of Puerto Rico is responsible by law to assess, levy and collect real and personal property taxes. The tax on personal property is self-assessed by the taxpayer. The assessment, as of January 1 of each year, is made on a return which must be filed with the CRIM, together with the payment, by May 15 of each year. The tax on real property is assessed by the CRIM. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of the year 1957.

Tax rates are 8.08% for real property and 6.08% for personal property of which 1.03% of both belongs to the Commonwealth of Puerto Rico. The Municipality's share is composed of the basic tax of 5.8% for real property and 3.8% for personal property which is recorded in the General Fund, and the additional tax of 1.25% in both cases which is restricted for debt service and retained by the CRIM for such purposes. To the extent that such taxes are informed and collected by the CRIM, they are recorded as revenue in the General Fund and in the Debt Service Fund.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$15,000 of the assessed value. For such exempted amounts, the CRIM assumes payment of the basic tax to the Municipality, except for property assessed at less than \$3,500, for which no payment is made. Revenue related to the basic tax on exempt property is recorded in the general fund when payments are received from the CRIM.

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

The CRIM advances to the municipality the estimated property tax collection for each fiscal year. Advances are repaid through actual collections from the taxpayers. The CRIM periodically informs the Municipality of the amounts collected and applied to outstanding advances. The property tax advanced by the CRIM during the year is recorded as property taxes revenues in the Municipality's General Fund. The CRIM issued the final liquidation noting that the collections exceeded advances by \$ 315,058. Such amount was included as intergovernmental receivables in the General Fund.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

4. MUNICIPAL LICENSE TAXES:

The municipal license 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 Acts of Puerto Rico. All taxpayers are required to file their declaration by April 15, of each year.

The tax rates are as follows:

Financial institutions	1.50%
Other organizations	0.50%

The tax may be paid in two equal semi-annual installments on July 15 and January 15 following the filing date. However, a discount of 5% is allowed for total payment received on or before April 15. Collections made prior to June 30 pertaining to the next fiscal year are recorded as deferred revenues.

5. INTERGOVERNMENTAL:

Intergovernmental revenues consist mainly of payments from the Commonwealth of Puerto Rico and payments in lieu of taxes from a quasi-public corporation, principally the Puerto Rico Electric Power Authority.

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

6. CASH AND CASH EQUIVALENTS:

Cash in bank accounts	\$ 965,062
Certificates of deposit (90 days or less)	<u>8,000,000</u>
Total cash and cash equivalents	<u>\$ 8,965,062</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

7. PROPERTY AND EQUIPMENT:

A summary of changes in the General Fixed Assets Account Group is as follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2001</u>
Land	\$ 2,062,097	\$ 989,110	(\$ 55,000)	\$ 2,996,207
Buildings	13,868,315	2,139,715	(280,000)	15,728,030
Equipment	<u>6,334,114</u>	<u>914,398</u>	<u>(102,674)</u>	<u>7,145,838</u>
Total	<u>\$ 22,264,526</u>	<u>\$ 4,043,223</u>	<u>(\$ 437,674)</u>	<u>\$ 25,870,075</u>

8. GENERAL OBLIGATION BONDS:

The general obligation bonds transactions for the year ended June 30, 2001 were as follows:

Balance at July 1, 2000	\$ 5,010,000
Debt issued	6,995,000
Principal retirements	<u>(685,000)</u>
Balance at June 30, 2001	<u>\$ 11,320,000</u>

General obligation bonds at June 30, 2001 are as follows:

<u>Type of bonds</u>	<u>Maturity date</u>	<u>Original amount</u>	<u>Range of Interest rates</u>	<u>Balance at June 30, 2001</u>
1986 Series	7-1-02	\$ 565,000	8.2% to 9.0%	\$ 125,000
1992 Series	7-1-06	1,530,000	3.2% to 6.3%	870,000
1993 Series	7-1-03	1,120,000	0.0% to 8.0%	440,000
1996 Series	7-1-06	1,435,000	4.8% to 6.7%	990,000
1997 Series	7-1-21	605,000	4.8% to 6.7%	570,000
1998 Series	7-1-03	585,000	4.8% to 6.3%	375,000
1999 Series	7-1-24	710,000	0.0% to 8.0%	700,000
1999 Series	7-1-24	260,000	0.0% to 8.0%	255,000
2000 Series	7-1-25	555,000	0.0% to 8.0%	555,000
2000 Series	7-1-25	6,440,000	0.0% to 8.0%	<u>6,440,000</u>
Total general obligation bonds				<u>\$ 11,320,000</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

8. GENERAL OBLIGATION BONDS (CONTINUED):

The future annual requirements for the amortization of general obligations bonds outstanding as of June 30, 2001, are as follows:

Year ended	Total
<u>June 30</u>	
2002	\$ 770,000
2003	825,000
2004	835,000
2005	585,000
2006	630,000
Thereafter	<u>7,675,000</u>
Total	<u>\$11,320,000</u>

The Municipality is subject to certain laws of the Commonwealth of Puerto Rico which limit the amount of bond debt to 10 percent of the assessed valuation of the property located in the Municipality.

9. NOTES PAYABLE:

The notes payable transactions for the year ended June 30, 2001 were as follows:

Balance at July 1, 2000	-
Debt issued	\$ 505,000
Payments during the current year	<u>(85,000)</u>
Balance at June 30, 2001	<u>\$ 420,000</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

9. NOTE PAYABLE (CONTINUED):

Note payable at June 30, 2001 is as follows:

<u>Description</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Range of Interest rates</u>	<u>Balance June 30, 2001</u>
2000 Series	7-1-05	\$505,000	7.8% to 8.0%	<u>\$ 420,000</u>
Total note payable				<u>\$ 420,000</u>

The future annual requirements for the amortization of the note payable outstanding as of June 30, 2001, are as follows:

<u>Year ended June 30</u>	<u>Total</u>
2002	\$ 95,000
2003	100,000
2004	110,000
2005	<u>115,000</u>
Total	<u>\$ 420,000</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

10. DEBT SERVICE FUND:

Revenue for the Debt Service Fund consists mainly of the share of property taxes which is designated for the debt service requirements of the bonds and notes obligations issued by the Municipality. Principal and interest on these obligations are paid by the Government Development Bank.

11. RETIREMENT PLAN:

Defined Benefit Pension Plan

The Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (the "System") is the administrator of a cost sharing multiple-employer defined benefit public employee retirement system established by the Commonwealth of Puerto Rico. The System was created under the Act 447 approved on May 15, 1951, as amended. All regular employees of the Municipality hired before January 1, 2000 and under 55 years of age at the date of employment became members of the System as a condition to their employment. No benefits are payable if the participant receives a refund of his/her accumulated contributions. The System also provides for death and disability benefits pursuant to legislation enacted by the Commonwealth's legislature.

Under the System, 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 \$550 of monthly gross salaries plus 8.275% for the excess of this amount, or on the alternative, 8.275% of monthly gross salaries. The Municipality contributes to the System 9.275% of the participating employee's gross salaries.

Pension benefits for employees that joined the system before April 1, 1990 are as follows:

<u>Years of Service</u>	<u>Participant Age</u>	<u>Pension Benefits</u>
30 or more	54 or less	65% of the average of the three years of highest salary during the employees' service period.
30 or more	55 or more	75% of the average of the three of highest salary during the employees' service period.

For participants who retire with less than 30 years of service the pension benefits is computed at the rate of 1-1/2% of their average compensation for each year of credited service for the first 20 years and 2% for each of credited service for the remaining years.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

11. RETIREMENT PLAN (CONTINUED)

For those employees that joined the system after April 1, 1980 the pension benefits are as follows:

<u>Years of Service</u>	<u>Participant Age</u>	<u>Pension Benefits</u>
25 or more	Between 55 and 64	Computed at the rate of 1-1/2% of their average compensation for each year of credited service, with an actuarial reduction based on the actuarial guides adopted by the Board of Trustees.
10 or more	65 or more	Computed at the rate of 1-1/2% of their average compensation for each year credited service.

For participants who retire with less than 25 years of service and the participant age are 64 or less the pension benefit is computed at the rate of 1-1/2% of their average compensation for each year of credited service.

Defined Contribution Plan

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

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

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

11. RETIREMENT SYSTEM (CONTINUED):

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

Total Municipality contributions to the above-mentioned plans during the year ended June 30, 2001 recorded as pension expenditures was approximately \$ 430,000. This amount represent 100% of the required contribution for the fiscal year ended June 30, 2001.

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB Number 27, *Accounting for Pensions by State and Local Governmental Employers*. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employees services performed to date and is adjusted for the effects of projected salary increases. The significant actuarial assumptions used to determine the standardized measure of the pension benefit obligation are summarized below:

- * The present value of the future pension payments was computed by using a discount rate of 8.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
- * Future pension payments reflect an assumption of 5% salary increase.

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 nonvested is not readily available.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

11. RETIREMENT SYSTEM (CONTINUED):

Contributions in 2001 and prior years were made based on percentages established by the law. Such percentage has not been based on actuarial studies, as required by generally accepted accounting principles. 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 ten-year historical trend information is available in the separately issued audited financial statements of the System.

12. INTERFUND TRANSACTIONS:

Due from/to other funds

Interfund receivables and payables represents temporary loans between the funds. The amount reported in the General Fund as due from other funds represents advances made to the Special Revenue Fund to temporarily cover federal programs expenditures.

Operating transfers

Operating transfers represent transfers from the General Fund to the Special Revenue and the Capital Projects Funds to specific purposes designated by the management.

13. OPERATING LEASES:

The Municipality is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Municipality's account groups.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

13. OPERATING LEASES (CONTINUED):

The following is a schedule by years of future minimum rental payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2001:

<u>Year ending June 30,</u>	<u>Amounts</u>
2002	\$ 25,100
2003	13,200
2004	<u>1,000</u>
Total minimum payments required	<u>\$ 39,300</u>

14. LANDFILL OBLIGATIONS:

State and federal laws and regulations require the Municipality to place a final cover on its landfill site since 1994, when it stopped accepting waste, and perform certain maintenance and monitoring functions at the site until compliance is achieved. In accordance with statement No. 18 of the Governmental Accounting Standards Board, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the Municipality has performed a study of the activities that need to be implemented at the landfill to comply with applicable state and federal regulations. Based on this study, the Municipality recognized \$ 997,000 and \$ 2,152,000 as the Municipality's estimated total current cost for landfill closure and postclosure care costs, respectively. As of June 30, 2001, these estimated closure and postclosure care costs were adjusted to reflect the effect of inflation. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations. Through June 30, 2001, the Municipality has incurred \$ 943,883 related to the landfill closure. The balance of total closure and postclosure costs of \$ 2,757,587, is reported in the General Long-term Debt Account Group because it will not be funded with available expendable financial resources at June 30, 2001. The Municipality expects to finance a significant amount of this obligation with the issuance of general obligation bonds.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2001

15. COMMITMENTS AND CONTINGENCIES:

A. Federal grants:

The Municipality participates in a number of Federal Financial Assistance Programs. Although the Municipality's grant programs have been audited in accordance with the provisions of the Single Audit Act of 1996, through June 30, 2001, these programs are still subject to financial and compliance audits by the granting agencies and the resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Municipality expects such amounts, if any, not to be material.

B. Claims and lawsuits:

The Municipality is a defendant in several legal proceedings that arise in the ordinary course of the Municipality's activities. Certain of these claims are covered by insurance. The administration believes that the ultimate liability, if any, would not be significant. As a result, the accompanying general-purpose financial statements do not include adjustments, if any, that could result from the resolution of these legal proceedings.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct Programs:			
Section 8 – Cluster:			
Section 8 – Rental Certificate Program	14.857	RQ-062-CE	\$ 40,169
Section 8 - Rental Voucher Program	14.855	RQ-062-VO	760,285
Total Section 8 – Cluster of Programs			800,454
Community Development Block Grants- Entitlement Grant	14.218	B-00-MC-72-0021	1,349,745
Urban Development Action Grants	14.221	NOT AVAILABLE	120,000
Pass-through Office of the Commissioner of Municipal Affairs:			
Community Development Block Grants:			
State Block Grant Program	14.228	97-FD-17	8,875
State Block Grant Program	14.228	98-FD-17	32,616
State Block Grant Program	14.228	99-FD-17	246,009
			287,500
Pass-through Commonwealth of Puerto Rico Department of the Family:			
Emergency Shelter Grants Program	14.231	S-99-DC-72-0001	2,291
Total U.S. Department of Housing and Urban Development			2,559,990

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (CONTINUED)

YEAR ENDED JUNE 30, 2001

<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:			
Direct Programs:			
Rural Housing Preservation Grants	10.433		77,079
Rural Development Grants	10.769		16,206
Rural Self-Help Housing Technical Assistance	10.420		<u>216,014</u>
Total U.S. Department of Agriculture			<u>309,299</u>
U.S DEPARTMENT OF JUSTICE:			
Universal Hiring Program Pass-through the Commonwealth of P.R.	16.710		228,656
Department of Justice Local Law Enforcement Block Grants Program	16.592	NOT AVAILABLE	30,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	NOT AVAILABLE	<u>136,790</u>
Total U.S. Department of Justice			<u>395,446</u>
U.S DEPARTMENT OF TRANSPORTATION:			
Pass-through the Commonwealth of Puerto Rico Highway Safety Commission Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	00-03-08	<u>2,389</u>
Total U.S. Department of Transportation			<u>2,389</u>
U.S.FEDERAL EMERGENCY MANAGEMENT AGENCY			
Public Assistance Grants	83.544	1274-DR-PR	<u>194,768</u>
Total U.S. Federal Emergency Management Agency			<u>194,768</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (CONTINUED)

YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditur es
U.S. DEPARTMENT OF COMMERCE:			
Economic Development Administration	11.300	01-19-57006	<u>2,724</u>
Total U.S. Department of Commerce			<u>2,724</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$3,464,616</u>

The accompanying notes are an integral part of this schedule.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2001

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Municipality of Cidra** and is presented on the modified accrual basis of accounting. The basis of accounting is the same used to prepare the general-purpose financial statements. 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*.

2. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule are included in the Special Revenue Fund in the Municipality's general purpose financial statements. The reconciliation between the expenditures in the general purpose financial statements and expenditures in the Schedule of Expenditures of Federal Awards is as follows:

Per Schedule of Expenditures of Federal Awards	\$ 3,464,616
Non federal programs included in the Special Revenue Fund in the general purpose financial statements	<u>2,292,620</u>
Per Special Revenue Fund in the general purpose financial statements	<u>\$ 5,757,236</u>



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

Member of:

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

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

**To the Honorable Mayor
and the Municipal Assembly
Municipality of Cidra
Cidra, Puerto Rico**

We have audited the general purpose financial statements of the **Municipality of Cidra** as of and for the year ended June 30, 2001, and have issued our report thereon dated February 8, 2002, which was unqualified. 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 of Cidra's** general purpose 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 general purpose 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 of Cidra'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 a matter involving the internal control over financial reporting that, in our judgment, could adversely affect **Municipality of Cidra's** ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs item **01-01**.

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

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 general purpose 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 reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying Schedule of Findings and Questioned Costs is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the **Municipality of Cidra** in a separate letter dated February 8, 2002.

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


LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
February 8, 2002

Stamp No.1785249 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.





López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

Member of:

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

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

**To the Honorable Mayor
and the Municipal Assembly
Municipality of Cidra
Cidra, Puerto Rico**

Compliance

We have audited the compliance of the **Municipality of Cidra** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The **Municipality of Cidra's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **Municipality of Cidra's** management. Our responsibility is to express an opinion on the **Municipality of Cidra'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 the *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB 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 of Cidra'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 the **Municipality of Cidra's** compliance with those requirements.

In our opinion, the **Municipality of Cidra** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item **01-02**.

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

Internal Control Over Compliance

The management of the **Municipality of Cidra** 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 Cidra'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.

We noted certain matter involving the internal control over compliance and its operation that we consider to be reportable condition. 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 of Cidra's** ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item **01-02**.

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 on 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 material weakness. However, we believe that reportable condition described above is not a material weakness. We also noted other matters involving the internal control over compliance and certain immaterial instance of noncompliance, which we have reported to management of the **Municipality of Cidra** in a separate letter dated February 8, 2002.



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

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


LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
February 8, 2002

Stamp No.1785250 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2001

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

Material weakness identified? Yes No

Reportable conditions identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal awards

Internal Control over major programs:

Material weakness identified? Yes No

Reportable conditions identified not considered to be material weaknesses? Yes None reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant – Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes No

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2001

Section II - Financial Statements Findings

Finding Reference **01-01**

Requirement **Personnel Files and Payroll Related Procedures**

Statement of Condition We performed a payroll test and examined a sample of 25 personnel files. The following will summarize the deficiencies found:

- a. Five (5) of the examined files did not have Certificate of No Penal Record.
- b. Nine (9) of the examined files did not have copy of Social Security Card.
- c. Two (2) of the examined files did not have Academic Background Certifications/Diplomas.
- d. Twenty (20) of the examined files did not include the Drug-Free Workplace Form.
- e. Eight (8) of the examined files did not have Employment Form.
- f. All the examined files (25) did not have Health Certificate.
- g. Eleven (11) of the examined files did not have Photo Identification.
- h. Three (3) of the examined files did not have a Birth Certificate.
- i. Three (3) of the examined files did not have Immigration Form (I-9).

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)

YEAR ENDED JUNE 30, 2001

Section II – Financial Statements Findings

Finding Reference	01-01 (Continued)
Criteria	Article 11.023 of State Act Number 81 of August 30, 1991 states that Municipality should maintain a file for each of their employees that reflect a completed record of these since their entrance date until their service's ending.
Cause of Condition	There is no internal control procedures implemented in order to assure that personnel files include all required documents.
Effect of Condition	The Municipality does not maintain an adequate control over the personnel files.
Recommendation	We recommend that the Municipality should review personnel files to assure completeness of the documentation as required by law and periodically perform follow-up procedures in order to update such files.
Questioned Costs	None
Management Response	The Municipality Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)

YEAR ENDED JUNE 30, 2001

Section III – Major Federal Award Program Findings and Questioned Costs

Finding Reference	01-02
Program	Community Development Block Grants – Entitlement Grants (CFDA. No. 14.218); U.S. Department of Housing and Urban Development
Requirement	Special Test - Housing Rehabilitation
Statement of Condition	<p>During our examination of twenty-five (25) Housing Rehabilitation Participant’s files we noted the following:</p> <ul style="list-style-type: none">a. The total of examined files (25) has not the pre-rehabilitation inspections or a document that describes the participant housing unit deficiencies to be corrected.b. In the twenty-five (25) examined files the contract between the Municipality and the participant did not include the participant housing unit deficiencies to be corrected.c. Ten (10) files did not contain evidence of inspections realized by the program in order to verify if the rehabilitation work was carried out in accordance with the specifications.d. Two (2) files did not include evidence of the family income.e. On three (3) files the eligibility application was not properly completed.f. Two (2) files did not include evidence of the final inspection in order to assure the rehabilitation work was realized according to the agreement.g. In one (1) file the Municipality used the adjusted income limits for a family of six members nevertheless the applicant’s family was composed by four members.h. In one (1) file the applicant’s annual income exceed the limits of very-low and low income.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2001

Section III - Major Federal Award Program Findings and Questioned Costs

Finding Reference	01-02 (Continued)
Program	Community Development Block Grants - Entitlement Grants (CFDA. No. 14.218); U.S. Department of Housing and Urban Development
Requirement	Special Test - Housing Rehabilitation (Continued)
Statement of Condition (continued)	
	<p style="margin-left: 40px;">i. On seven (7) examined files we found that the assistance was used for the construction of a house instead for housing rehabilitation.</p>
Criteria	24 CFR, Section 570.506, states that when CDBG funds are used for rehabilitation, the grantee must assure that the work is properly completed. Also, 24 CFR, Sections 91.220 and 570.301, establishes that all the activities that a grantee undertakes during their CDBG program year must be identified in an action plan or an amended action plan.
Cause of Condition	The Municipality did not maintain adequate internal controls procedures in order to assure that the assistance for housing rehabilitations were used for applicable participants and allowed activities
Effect of Condition	The Municipality is not in compliance with 24 CFR, Section 570.506 and 24 CFR Sections 91.220 and 570.301.
Recommendation	We recommend the Program to establish the following procedures: <ol style="list-style-type: none">a. Ascertain that the participant housing unit deficiencies to be corrected are incorporated into the rehabilitation contract.b. Realize pre-rehabilitation inspection describing the participant housing unit deficiencies to be corrected.c. Assign a staff to inspect the rehabilitation work upon completion to assure that is carried out in accordance with contracts specifications.d. Assure that all participant files include all required documentation

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)

YEAR ENDED JUNE 30, 2001

Section III – Major Federal Award Program Findings and Questioned Costs

Finding Reference	01-02 (Continued)
Program	Community Development Block Grants – Entitlement Grants (CFDA. No. 14.218); U.S. Department of Housing and Urban Development
Requirement	Special Test - Housing Rehabilitation (Continued)
Recommendation (continued)	<ul style="list-style-type: none">e. Such as eligibility determination, adequate evidence of family income and evidence of residence existence.f. Assure that the funds approved to participants for housing rehabilitation are used for allowable activities included in the Annual Action Plan approved by HUD
Questioned Costs	None
Management Response	The Municipality Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2001

Original Finding Number	CFDA No.	Current Status of Prior Year Audit Federal Award Findings - Part III Findings (As required by OMB Circular A-133)
00-01	14.228	<p><u>The Municipality should minimize the time elapsed between the transfer of funds from pass-through grantor and disbursements</u></p> <p><u>Full corrective</u> action has been taken.</p>
00-02	14.228	<p><u>The Municipality should review their procedures for submitting reports in order to submit the reports on a timely manner</u></p> <p>No corrective action has been taken. The Municipality is developing a reporting calendar to ascertain that all deadlines for different Federal programs are met.</p>
00-03	14.857	<p><u>The Municipality should implement procedures to provide for the preparation of Form HUD-52681 by the end of the fiscal year in order to comply with the established federal regulation.</u></p> <p>No corrective action has been taken. The Municipality is developing a reporting calendar to ascertain that all deadlines for different Federal programs are met.</p>
00-04	14.857	<p><u>The Municipality should implement procedures to provide for the preparation of Form HUD-52595 in order to comply with the established federal regulation.</u></p> <p>Audit finding in no longer valid because HUD does not require this Form.</p>
00-05	14.855	<p><u>The Municipality should implement procedures to provide for the preparation of Form HUD-52681 by the end of the fiscal year in order to comply with the established federal regulation.</u></p> <p>No corrective action has been taken. The Municipality is developing a reporting calendar to ascertain that all deadlines for different federal programs are met.</p>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF CIDRA**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - (CONTINUED)

YEAR ENDED JUNE 30, 2001

Original Finding Number	CFDA No.	Current Status of Prior Year Audit Federal Award Findings - Part III Findings (As required by OMB Circular A-133)
00-06	14.855	<p><u>The Municipality should implement procedures to provide for the preparation of Form HUD-52595 in order to comply with the established federal regulation.</u></p> <p>Audit finding in no longer valid because HUD does not require this Form.</p>
00-07	14.857 14.855	<p><u>The Municipality should assure that the required documentation be included in the participant file prior to make any subsidy payment.</u></p> <p>No corrective action has been taken. The Municipality is preparing a checklist in order to ascertain that all documents required by regulations are included in the files.</p>
00-08	All Programs	<p><u>The Municipality should review employees file to assure completeness of the required documentation.</u></p> <p>No corrective action has been taken. The Municipality is developing a plan to perform follow up procedures in order to update such files.</p>

**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS**

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

Form SF-SAC(3-20-2001)

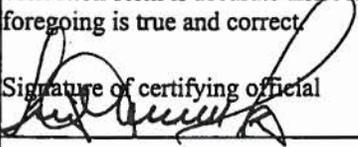
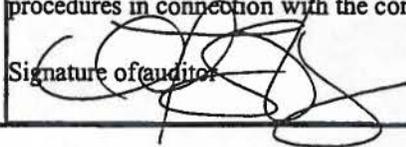
OMB #0348-0057

Report ID : 37757

3/31/02

RECIBIDO
UNIDAD DE CORREO
02 APR - 3 PM 2:53

Part I: GENERAL INFORMATION

1. Fiscal year ending date for this submission (mm/dd/yyyy) 06/30/2001		2. Type of A-133 audit <input checked="" type="radio"/> Single audit	
3. Audit period covered <input checked="" type="radio"/> Annual		CENSUS USE ONLY	4. Date received by clearinghouse
5. Employer Identification Number (EIN) a. Auditee EIN 660434909		b. Are multiple EINS covered in this report? <input checked="" type="radio"/> No	
6. AUDITEE INFORMATION		7. AUDITOR INFORMATION	
a. Auditee name MUNICIPALITY OF CIDRA		a. Auditor name LOPEZ VEGA, CPA, PSC	
b. Auditee address (Number and street) APARTADO 729		b. Auditor address (Number and street) PARANA # 1686, EL CEREZAL	
City CIDRA		City SAN JUAN	
State PR	Zip Code 00739 -	State PR	Zip Code 00926 - 3144
c. Auditee contact Name LUIS PEREZ SANTIAGO		c. Auditor contact Name ANGEL ALFREDO LOPEZ VEGA	
Title FINANCE DIRECTOR		Title PRESIDENT	
d. Auditee contact telephone (787) 739 - 4041		d. Auditor contact telephone (787) 777 - 8044	
e. Auditee contact FAX (Optional) (787) 739 - 5118		e. Auditor contact FAX (Optional) (787) 777 - 8045	
f. Auditee contact E-mail (Optional)		f. Auditor contact E-mail (Optional) MCG@ISLA.NET	
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.		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 9, 10, and 11, 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 certifying official 		Signature of auditor 	
Date 3 / 31 / 02		Date 3 / 31 / 02	
Name/Title of certifying official FINANCE DIRECTOR			

Call 1-800-603-9494

02 APR - 3 PM 4:03
DAVID CRISTOFER
E INTERVENCIÓN
OCAM

Report ID : 37757

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)

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

Part II: FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (x) one box)

Unqualified opinion

2. Is a "going concern" explanatory paragraph included in the audit report?

No

3. Is a reportable condition disclosed?

No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness?

No

5. Is a material noncompliance disclosed?

No

Part III: FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance

Unqualified 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)

No

3. What is the dollar threshold to distinguish Type A and Type B programs? (§ .520(b)) Round to the nearest dollar.
\$300000.00

4. Did the auditee qualify as a low-risk auditee? (§ .530)

Yes

5. Is a reportable condition disclosed for any major program? (§ .510(a)(1))

Yes

6. Is any reportable condition reported as a material weakness? (§ .510(a)(1))

No

7. Are any known questioned costs reported? (§ .510(a)(3) or (4))

No

8. Was a Summary Schedule of Prior Audit Findings prepared? (§ .315(b))

Yes

9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings, as shown in the Summary Schedule of Prior Audit Findings, related to direct funding. (Mark (x) all that apply.) Each agency identified is required to receive a copy of the reporting package.

14	<input checked="" type="checkbox"/>	Department of Housing and Urban Development
----	-------------------------------------	---

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

- 1the Federal Audit Clearinghouse archives
- 0and, if not marked above, the cognizant agency (if identified in Part I, Item 9)
- 2Total number of reporting packages to be submitted

Report ID : 37757

Part III: FEDERAL PROGRAMS Continued									
10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							11. AUDIT FINDINGS		
Row	10a. CFDA Number		10b. Research and development	10c. Name of Federal Program	10d. Amount expended in Whole Numbers	10e. Direct Award	10f. Major program	11a. Type of compliance requirement (3)	11b. Audit finding reference #(s) (4)
	Federal Agency Prefix (1)	Extension (2)							
1	14.	857	<input checked="" type="checkbox"/> N	SECTION 8 RENTAL CERTIFICATE PROGRAM	\$ 40169 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
2	14.	855	<input checked="" type="checkbox"/> N	SECTION 8 RENTAL VOUCHER PROGRAM	\$ 760285 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
3	14.	218	<input checked="" type="checkbox"/> N	COMMUNITY DEVELOPMENT BLOCK GRANTS- ENTITLEMENT GRANTS	\$ 1349745 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> Y	N	01-02
4	14.	221	<input checked="" type="checkbox"/> N	URBAN DEVELOPMENT ACTION GRANT	\$ 120000 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
5	14.	228	<input checked="" type="checkbox"/> N	COMMUNITY DEVELOPMENT BLOCK GRANTS- STATE PROGRAM	\$ 287500 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
6	14.	231	<input checked="" type="checkbox"/> N	EMERGENCY SHELTER GRANTS PROGRAM	\$ 2291 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
7	10.	433	<input checked="" type="checkbox"/> N	RURAL HOUSING PRESERVATION GRANTS	\$ 77079 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
8	10.	769	<input checked="" type="checkbox"/> N	RURAL DEVELOPMENT GRANTS	\$ 16206 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
9	10.	420	<input checked="" type="checkbox"/> N	RURAL SELF-HELP HOUSING TECHNICAL ASSISTANCE	\$ 216014 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
10	16.	710	<input checked="" type="checkbox"/> N	UNIVERSAL HIRING PROGRAM	\$ 228656 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
11	16.	592	<input checked="" type="checkbox"/> N	LOCAL LAW ENFORCEMENT	\$ 30000 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
12	16.	580	<input checked="" type="checkbox"/> N	EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE	\$ 136790 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
13	20.	601	<input checked="" type="checkbox"/> N	ALCOHOL TRAFIC SAFETY AND DRUNK DRIVING PREVENTION INCENTIVE GRANT	\$ 2389 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
14	83.	544	<input checked="" type="checkbox"/> N	PUBLIC ASSISTANCE GRANTS	\$ 194768 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
15	11.	300	<input checked="" type="checkbox"/> N	ECONOMIC DEVELOPMENT ADMINISTRATION	\$ 2724 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A

Computer Generated Total Federal Awards Expended:	\$ 3464616	
TOTAL FEDERAL AWARDS EXPENDED	\$3464616	

*Footnotes for Part 3 - Item 10 and Item 11

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.
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 weakness), questioned costs, fraud, and other items reported under § .510 (a)) reported for each Federal program.

- | | | |
|--|---|---------------------------------|
| A. Activities allowed or unallowed | G. Matching, level of effort, | L. Reporting |
| B. Allowable costs/cost principles | earmarking | M. Subrecipient monitoring |
| C. Cash management | H. Period of availability of funds | N. Special tests and provisions |
| D. Davis-Bacon Act | I. Procurement | O. None |
| E. Eligibility | J. Program income | |
| F. Equipment and real property
management | K. Real property acquisition and
relocation assistance | P. Other |

4. N/A for None.

Report ID : 37757

Part III: FEDERAL PROGRAMS Continued									
10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							11. AUDIT FINDINGS		
Row	10a. CFDA Number		10b. Research and development	10c. Name of Federal Program	10d. Amount expended in Whole Numbers	10e. Direct Award	10f. Major program	11a. Type of compliance requirement (3)	11b. Audit finding reference #(s) (4)
	Federal Agency Prefix (1)	Extension (2)							
1	14.	857	<input checked="" type="checkbox"/> N	SECTION 8 RENTAL CERTIFICATE PROGRAM	\$ 40169 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
2	14.	855	<input checked="" type="checkbox"/> N	SECTION 8 RENTAL VOUCHER PROGRAM	\$ 760285 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
3	14.	218	<input checked="" type="checkbox"/> N	COMMUNITY DEVELOPMENT BLOCK GRANTS- ENTITLEMENT GRANTS	\$ 1349745 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> Y	N	01-02
4	14.	221	<input checked="" type="checkbox"/> N	URBAN DEVELOPMENT ACTION GRANT	\$ 120000 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
5	14.	228	<input checked="" type="checkbox"/> N	COMMUNITY DEVELOPMENT BLOCK GRANTS- STATE PROGRAM	\$ 287500 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
6	14.	231	<input checked="" type="checkbox"/> N	EMERGENCY SHELTER GRANTS PROGRAM	\$ 2291 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
7	10.	433	<input checked="" type="checkbox"/> N	RURAL HOUSING PRESERVATION GRANTS	\$ 77079 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
8	10.	769	<input checked="" type="checkbox"/> N	RURAL DEVELOPMENT GRANTS	\$ 16206 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
9	10.	420	<input checked="" type="checkbox"/> N	RURAL SELF-HELP HOUSING TECHNICAL ASSISTANCE	\$ 216014 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
10	16.	710	<input checked="" type="checkbox"/> N	UNIVERSAL HIRING PROGRAM	\$ 228656 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
11	16.	592	<input checked="" type="checkbox"/> N	LOCAL LAW ENFORCEMENT	\$ 30000 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
12	16.	580	<input checked="" type="checkbox"/> N	EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE	\$ 136790 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
13	20.	601	<input checked="" type="checkbox"/> N	ALCOHOL TRAFIC SAFETY AND DRUNK DRIVING PREVENTION INCENTIVE GRANT	\$ 2389 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
14	83.	544	<input checked="" type="checkbox"/> N	PUBLIC ASSISTANCE GRANTS	\$ 194768 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
15	11.	300	<input checked="" type="checkbox"/> N	ECONOMIC DEVELOPMENT ADMINISTRATION	\$ 2724 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A

Computer Generated Total Federal Awards Expended:	\$ 3464616
TOTAL FEDERAL AWARDS EXPENDED	\$3464616

*Footnotes for Part 3 - Item 10 and Item 11

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.
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 weakness), questioned costs, fraud, and other items reported under §_510 (a)) reported for each Federal program.

- | | | |
|---|--|---------------------------------|
| A. Activities allowed or unallowed | G. Matching, level of effort, earmarking | L. Reporting |
| B. Allowable costs/cost principles | H. Period of availability of funds | M. Subrecipient monitoring |
| C. Cash management | I. Procurement | N. Special tests and provisions |
| D. Davis-Bacon Act | J. Program income | O. None |
| E. Eligibility | K. Real property acquisition and relocation assistance | P. Other |
| F. Equipment and real property management | | |

4. N/A for None.

Form SF-SAC(3-20-2001) OMB #0348-0057
Form SF-SAC Data Collection Form for Fiscal Year Ending 2001+
Report ID : 37757

No EINS have been entered on Page 4.