

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES

AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE SAN GERMAN

AUDITORIA 2001-02

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 SAN GERMÁN

JUNE 30, 2002

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Report of Independent Certified Public Accountants

Mayor and Municipal Legislature
Municipality of San Germán
San Germán, Puerto Rico

We have audited the accompanying general purpose financial statements of the Municipality of San Germán, 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 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 provides a reasonable basis for our opinion.

As more fully described in Note C (12), the Municipality has not determined and recorded an estimate of the total municipal solid waste landfill post closure care costs of a closed solid waste landfill, 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, except for the effect of such adjustments, if any, as might have been determined to be necessary and for the effects of not determining the estimate of solid waste landfill post closure care costs as described in the third 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 San Germán 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 a report dated December 16, 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 used in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Municipality of San Germán 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 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 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, Rivera & Toro LLP

Municipality of San German

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 Debts	
ASSETS AND OTHER DEBITS							
Cash and certificates of deposit (note C1)	\$ 2,136,313	\$ 1,845,894	\$ -	\$ 572,566	\$ -	\$ -	\$ 4,554,774
Receivables (net where applicable of allowance for uncollectible)							
State governmental agencies (note C2)	593,021	201,116	-	-	-	-	794,137
License tax (note C9)	368,423	-	-	-	-	-	368,423
Other	296,030	-	-	-	-	-	296,030
Due from other funds (note C3)	388,609	-	-	-	-	-	388,609
Restricted assets							
Cash (note C4)	-	496,568	2,098,987	1,949,661	-	-	4,545,216
Property, plant and equipment (note C5)	-	-	-	-	37,278,683	-	37,278,683
Amount available in debt service fund	-	-	-	-	-	2,098,987	2,098,987
Amount to be provided for retirement of general obligations bonds and operational loans	-	-	-	-	-	6,579,444	6,579,444
Amount to be provided for retirement of other long-term debt	-	-	-	-	-	2,146,486	2,146,486
Total assets and other debits	\$ 3,782,397	\$ 2,543,578	\$ 2,098,987	\$ 2,522,228	\$ 37,278,683	\$ 10,824,917	\$ 59,050,789

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

Municipality of San German

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 Debts	
LIABILITIES							
Vouchers and accounts payable	\$ 152,346	\$ 457,908	\$ -	\$ 76,266	\$ -	\$ -	\$ 686,520
Due to governmental agencies (note C2)	15,362	-	-	-	-	-	15,362
Accrued liabilities	494	-	-	-	-	-	494
Deposits payable	90,201	-	-	-	-	-	90,201
Due to other funds (note C3)	-	368,378	-	20,231	-	-	388,609
Deferred revenues (note C6)	2,374,698	83,576	-	-	-	-	2,458,274
General obligation bonds and operational loans (note C7)	-	-	-	-	-	8,678,431	8,678,431
Other long-term debts (note C7)	-	-	-	-	-	2,146,486	2,146,486
Total liabilities	2,633,101	909,863	-	96,497	-	10,824,917	14,464,378
Contingencies (note D)							
FUND EQUITY AND OTHER CREDITS							
Investment in general fixed assets	-	-	-	-	37,278,683	-	37,278,683
Fund balance							
Reserved for encumbrances (note A4h)	391,406	-	-	-	-	-	391,406
Reserved for debt service	-	-	2,098,987	-	-	-	2,098,987
Unreserved							
Designated for subsequent years expenditures	-	1,633,715	-	2,425,731	-	-	4,059,446
Undesignated	757,889	-	-	-	-	-	757,889
Total fund equity (deficit) and other credits	1,149,295	1,633,715	2,098,987	2,425,731	37,278,683	-	44,586,411
Total liabilities, fund equity (deficit) and other credits	\$ 3,782,397	\$ 2,543,578	\$ 2,098,987	\$ 2,522,228	\$ 37,278,683	\$ 10,824,917	\$ 59,050,789

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

Municipality of San German

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

Year ended June 30, 2002

	Governmental Funds				Total (Memorandum only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Property taxes (note C8)	\$ 2,977,749	\$ -	\$ 1,599,568	\$ 419,097	\$ 4,996,413
Municipal license taxes, licenses and permits (note C9)	2,626,552	-	-	-	2,626,552
Intergovernmental (note C10)	4,734,614	3,118,318	-	-	7,852,931
Rental income of properties	467,585	-	-	-	467,585
Fines and forfeitures	3,762	-	-	-	3,762
Interest	175,919	48,121	35,443	-	259,483
Other	570,273	32,936	-	-	603,209
Total revenues	11,556,453	3,199,375	1,635,010	419,097	16,809,935
Expenditures					
General government	3,721,856	160,164	-	-	3,882,020
Public safety	812,857	994,207	-	-	1,807,064
Highway and streets	4,232,479	-	-	-	4,232,479
Sanitation	1,308,565	1,534,025	-	-	2,842,590
Health	635,474	-	-	-	635,474
Welfare	482,761	559,751	-	-	1,042,512
Culture and recreation	537,318	148,278	-	-	685,596
Education	307,850	92,188	-	-	400,038
Capital projects	-	1,705,512	-	2,278,720	3,984,233
Other	273,415	73,775	-	-	347,190
Debt service					
Principal	-	-	943,500	-	943,500
Interest	-	-	509,709	-	509,709
Total expenditures	12,312,574	5,267,901	1,453,209	2,278,720	21,312,404
Excess (deficiency) of revenues over expenditures	(756,121)	(2,068,526)	181,802	(1,859,624)	(4,502,469)
Other financing sources (uses)					
Proceeds from general obligations	486,510	2,395,000	-	-	2,881,510
Operating transfers in	351,930	8,741	72,155	-	432,826
Operating transfers out	80,896	48,121	303,809	-	432,826
Total other financing sources (uses)	757,544	2,355,620	(231,653)	-	2,881,510
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,423	287,094	(49,852)	(1,859,624)	(1,620,958)
Fund balance at beginning of year, as restated (note F)	1,147,872	1,346,621	2,148,839	4,285,355	8,928,687
Fund balance at end of year	\$ 1,149,295	\$ 1,633,715	\$ 2,098,987	\$ 2,425,731	\$ 7,307,728

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

Municipality of San German

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	\$ 3,650,488	\$ 4,271,427	\$ 620,939	\$ 1,140,975	\$ 1,599,568	\$ 458,593
Municipal license taxes, licenses and permits	2,580,000	2,626,552	46,552	-	-	-
Intergovernmental	3,806,741	3,708,390	(98,351)	-	-	-
Rental income of properties	714,166	432,085	(282,081)	-	-	-
Fines and forfeitures	10,000	3,762	(6,238)	-	-	-
Interest	410,000	277,849	(132,151)	-	35,443	35,443
Other	695,000	545,769	(149,231)	-	-	-
	<u>11,866,395</u>	<u>11,865,833</u>	<u>(562)</u>	<u>1,140,975</u>	<u>1,635,010</u>	<u>494,035</u>
Expenditures						
General government	3,459,765	3,308,494	151,271	-	-	-
Public safety	825,043	814,105	10,938	-	-	-
Highway and streets	4,400,283	4,393,275	7,008	-	-	-
Sanitation	1,364,498	1,348,682	15,816	-	-	-
Health	635,475	635,474	-	-	-	-
Welfare	511,970	501,309	10,661	-	-	-
Culture and recreation	545,846	541,539	4,307	-	-	-
Education	318,074	313,433	4,641	-	-	-
Other	13,028	12,989	39	-	-	-
Debt service						
Principal	-	-	-	453,926	495,053	(41,127)
Interest	-	-	-	687,049	886,000	(198,951)
Total expenditures	<u>12,073,982</u>	<u>11,869,302</u>	<u>204,680</u>	<u>1,140,975</u>	<u>1,381,053</u>	<u>(240,078)</u>
Excess (deficiency) of revenues over expenditures	(207,587)	(3,468)	204,119	-	253,957	253,957
Other financing sources (uses)						
Operating transfers out	92,413	81,855	10,558	-	303,809	303,809
Total other financing sources (uses)	<u>(92,413)</u>	<u>(81,855)</u>	<u>10,558</u>	<u>-</u>	<u>(303,809)</u>	<u>(303,809)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(300,000)	(85,323)	214,677	-	(49,852)	(49,852)
Fund Balance Allocation (note G)	300,000	-	-	-	-	-
	<u>\$ -</u>	<u>\$ (85,323)</u>	<u>\$ 214,677</u>	<u>\$ -</u>	<u>\$ (49,852)</u>	<u>\$ (49,852)</u>

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

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

The Municipality of San Germán was founded in the year 1573. 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 fourteen members of the Municipality Legislature. 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 San Germán (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 San Germán

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 there are no potential component units which should be included as part of the general purpose financial statements.

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 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:

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

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:

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 and similar assets are capitalized. No

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

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, available and collection is probable. 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. 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 at 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: accumulated unpaid vacations, sick pay, and other

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

employee amounts which are not accrued and principal and interest on general long-term debt in the debt service fund, 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 potential revenue does not meet both measurable, available and collectibility 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 Legislature. Certain budget transfers within the limitations and restriction of 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 and appropriations have been revised during the year, budget amounts presented in the financial statements and schedules represent final 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

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

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. Receivables 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.

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 San Germán consists of professional, public responsibility, property and theft, auto and fidelity bond coverage. Payments 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).

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

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.

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.

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

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 order and other commitments, which generally will become liabilities in future periods as goods or services are received.

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

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 has not yet adopted:

	Statement	To be Adopted in Fiscal year ended
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

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

Statement	To be Adopted in Fiscal year ended
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 Fund 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 uses in both statements:

Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (Budgetary - statutory basis)	\$ (85,323)
Less: Expenditures recognized in GAAP basis but not in budget (statutory) basis	(826,671)
Revenues recognized in budget (statutory) basis and not in GAAP basis	(29,500)
Add: Expenditures recognized for budget (statutory) basis and not for GAAP	391,407
Revenues recognized in GAAP basis but not in budget (statutory) basis	<u>551,510</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 1,423</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE C - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

1. Cash and certificates of deposit

The Municipality follows the practice of pooling cash of all funds except for certain state grants, restricted funds generally held by outside custodians and federal grants. Available pooled cash balance beyond immediate needs is invested in certificates of deposits. 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.

2. Due from state governmental agencies

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

	<u>Due from</u>
Municipal Revenue Collection Center (CRIM) (note C8)	\$ 494,244
Puerto Rico Department of Education	65,000
Puerto Rico Electric Power Authority	<u>33,777</u>
	<u>\$ 593,021</u>

3. Due from (to) other funds

The amount presented as due from (to) other funds represent interfund transfers and/or borrowings between funds.

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

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

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 F). Interest earned by this sinking fund during the fiscal year 2001-2002 amounted to \$35,443.

5. Property, plant and equipment

A summary of the General Fixed Assets Account group transactions follows:

	<u>Equipment</u>	<u>Real Estate</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at June 30, 2001	\$ 6,676,878	\$ 26,220,715	\$ 728,812	\$ 33,626,405
Additions	1,419,677	1,601,656	734,531	3,755,864
Retirements	103,586	-	-	103,586
Other adjustments	-	728,812	(728,812)	-
Balance at June 30, 2002	<u>\$ 7,992,969</u>	<u>\$ 28,551,183</u>	<u>\$ 734,531</u>	<u>\$ 37,278,683</u>

6. Deferred Revenues

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

Property Taxes (note C8)	\$ 494,200
Municipal license taxes (note C9)	1,846,677
Puerto Rico Electric Power Authority	33,777
	<u>\$ 2,374,698</u>

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

7. Long - term debts

a General obligation bonds and operational loans

The Municipality's outstanding general obligation bonds, notes and operational loans at June 30, 2002 amounted to \$8,678,431. 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). A detail of the general obligation bonds, notes and operational loans as of June 30, 2002 follows:

Original Amount	Description	Maturity	Interest Rate	Outstanding Balance
\$ 400,000	Public Improvement Bond	January 1, 2007	5.00%	\$ 123,204
1,150,000	Special Obligation Bond	July 1, 2006	8.50%	230,000
765,000	Public Improvement Bond	January 1, 2011	6.38%	423,000
400,000	Public Improvement Bond	January 1, 2013	6.13%	252,000
860,000	Public Improvement Bond	July 1, 2004	Variable	200,000
616,000	Public Improvement Bond	January 1, 2012	5.00%	361,227
3,500,000	Public Improvement Bond	July 1, 2015	Variable	2,825,000
500,000	General Obligation Note	July 1, 2003	Variable	120,000
390,000	General Obligation Note	January 1, 2005	4.75%	184,000
2,100,000	General Obligation Bond	July 1, 2013	8.00%	1,820,000
1,435,000	General Obligation Note	July 1, 2006	8.00%	1,195,000
830,000	General Obligation Bond	July 1, 2026	8.00%	820,000
130,000	General Obligation Bond	July 1, 2026	8.00%	125,000
				<u>\$ 8,678,431</u>

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

b. *Other long-term debts*

Compensated absences (note A8)	\$ 1,596,000
Municipal Revenue Collection Center (CRIM) - Prior years property tax doubtful accounts expected to be refinanced through long-term debt	486,510
Legal cases (note D2)	<u>63,976</u>
	<u>\$ 2,146,486</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 \$486,510 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 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 San Germán on Resolution No. 62 of March 25, 2002. Accordingly, the amount of \$486,510 will not require the use of available financial resources and has been classified as other long-term debt.

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

June 30,	Amount	
	Principal	Interest
2003	\$ 954,500	\$ 544,016
2004	897,500	543,230
2005	849,500	480,180
2006	840,500	420,042
2007	479,204	358,674
Thereafter	<u>4,657,227</u>	<u>1,917,316</u>
Totals	<u>\$ 8,678,431</u>	<u>\$ 4,263,458</u>

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

c. Changes in general long-term debts

	General obligations bonds and operational loans	Other long term debts	Total
Balance at June 30, 2001	\$ 7,669,431	\$ 1,683,535	\$ 9,352,966
Net Additions	2,395,000	550,486	2,945,486
Net Retirements	943,500	87,535	1,031,035
Other Adjustments	(442,500)	-	(442,500)
Balance at June 30, 2002	<u>\$ 8,678,431</u>	<u>\$ 2,146,486</u>	<u>\$ 10,824,917</u>

8. 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 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

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

obligations. As part of the requirements of the 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 year 2001-02 the CRIM performed the final liquidation and determined that the Municipality has a net receivable of \$191,006. For fund periods 1995-96 to 1999-2000 the CRIM informed that after an audit performed to property tax liquidations of those years, the Municipality has a net receivable of \$303,238, which was received on September 2002. The total amount receivable from CRIM as of June 30, 2002 amounts to \$494,244 and is recorded as deferred revenue since it is measurable but not available as required by U.S. generally accepted accounting principles.

9. 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 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 \$368,423. In addition, amounts collected in advance, totaling \$1,478,254 and pertaining to next fiscal period are reported as deferred revenue in the general fund. Total deferred revenue for license taxes amounts to \$1,846,677.

Amounts collected in advance pertaining to next fiscal period are reported as deferred revenue in the General Fund.

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

10. *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.

11. *Retirement plan*

a. *Plan description*

Regular employees of the Municipality contribute to a cost sharing multiple-employer defined benefit retirement plan, administered by the Employees' 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 for 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.

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.

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

The new program is a defined contribution plan, which consist 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, employers 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 fiscal year, which is equal to the required contribution, follows:

<u>Law No. 447</u>	<u>2000 Reform</u>
<u>\$ 277,427</u>	<u>\$ 135,462</u>

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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

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

The Municipality discontinued the operation and ceased to accept solid waste in its landfill since 1993. State and Federal laws and regulations require the Municipality to perform certain closure procedures and establish monitoring and maintenance function at the landfill for 30 years after closure. The closure and post closure care procedures are being assumed by the Municipality. As guidance for calculation of total closure costs, the Municipality utilized an estimate provided by the Puerto Rico Solid Waste Disposal Authority. As of June 30, 2002 the Municipality has incurred in closure care costs approximately for the amount of \$1,069,000. The Municipality is also required to provide post closure care costs after the closure activity is completed. Total estimated postclosure care costs have not been determined and accounted for as required by U.S. generally accepted accounting principles as of June 30, 2002. The final effect of these matters cannot be properly determined.

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. Other cases are at discovery stage on which the legal counsels have not determined an outcome and other cases will not be covered by insurance. In relation to settled cases not to be covered by insurance, the Municipality accrued \$109,974 in the special revenues fund and \$63,976 as other long-term debts. However, it is the opinion of the Municipality and the legal counsels that, based on their experience, such actions and the potential liabilities will not impair the Municipality's financial position.

Municipality of San Germán

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE E - SUBSEQUENT EVENTS

On September 7, 2001, the Government Development Bank of Puerto Rico approved a \$3,000,000 loan to the Municipality for an infrastructure project, financed through Rural Development.

NOTE F - FUND BALANCE RESTATEMENT

The fund balance as of July 1, 2001 of the following funds has been restated to correct transactions erroneously recorded in previous years:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Balance as of beginning of year, as previously reported	\$ 2,360,288	\$ 2,725,741	\$ 2,730,207
Adjustments	<u>(1,212,416)</u>	<u>(576,902)</u>	<u>1,555,148</u>
Balance at beginning of year, as restated	<u>\$ 1,147,872</u>	<u>\$ 2,148,839</u>	<u>\$ 4,285,355</u>

NOTE G - 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 year's budgetary surpluses.

SUPPLEMENTAL INFORMATION

Municipality of San German

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 Housing and Urban Development</u>			
Major Programs:			
Passed through the Office of Commissioner of Municipal Affairs:			
Community Development Block Grant - State's Program	14.228	AB - 57 AF - 57 DC - 57 FD - 57	\$ 809,331
Direct Program:			
Section 8 Housing Choice Vouchers	14.871	N/A	372,133
			<u>1,181,464</u>
<u>U.S. Department of Health and Human Services</u>			
Nonmajor Program:			
Passed through the Puerto Rico Governor Office (Oficina de Asuntos de la Vejez):			
Special Programs for the Aging_ Title III Part B_ Grants for for Supportive Services and Senior Centers	93.044	N/AV	62,854
<u>U.S. Department of Justice</u>			
Nonmajor Programs:			
Passed through the P.R. Department of Justice:			
Public Safety Partnership and Community Policy Grants - COPS	16.710	N/A	22,498
Local Law Enforcement Block Grant	16.592	N/A	194,633
			<u>217,131</u>
<u>Federal Emergency Management Agency</u>			
Nonmajor Program:			
Passed through the Puerto Rico Governor Office: (Governor's Authorized Representative-GAR)			
Public Assistance Grants	83.544	N/A	177,960
Total federal awards expenditures and questioned costs:			<u>\$ 1,639,409</u>

The accompanying notes are an integral part of this schedule.

Municipality of San Germán

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.

Municipality of San German

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

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

<u>CFDA #</u>	<u>Special Revenue Fund</u>
14.228	\$ 809,331
14.871	372,133
93.044	62,854
16.710	22,498
16.592	194,633
83.544	<u>177,960</u>
Total federal awards expenditures:	1,639,409
Total state funds awards expenditures and other nonfederal expenditures:	<u>3,628,492</u>
Total expenditures, general purpose financial statements	<u><u>\$ 5,267,901</u></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 San Germán
San Germán, Puerto Rico

We have audited the accompanying general purpose financial statements of the Municipality of San Germán for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002 in which we have expressed a qualified opinion 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 San Germán 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 San Germán in a separate letter dated December 16, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Municipality of San Germán'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the

internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Municipality of San Germán in a separate letter dated December 16, 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 & Pao MP

**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 San Germán
San Germán, Puerto Rico

Compliance

We have audited the compliance of Municipality of San Germán 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 San Germán'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 San Germán's management. Our responsibility is to express an opinion on Municipality of San Germán's compliance based on our audit.

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 San Germán'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 San Germán's compliance with those requirements.

In our opinion, the Municipality of San Germán complied, in all material respects, with the requirements during the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2002 III-1 and 2002 III-2

We also noted certain immaterial instances of noncompliance that we have reported to management of Municipality of San Germán in a separate letter dated December 16, 2002.

Internal Control Over Compliance

The management of the Municipality of San Germán 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 San Germán'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.



Mayagüez, Puerto Rico
December 16, 2002

Rodríguez, Rivera & Toro P.A.

Municipality of San Germán

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 type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 3. Reportable conditions reported as a material weakness | <input type="checkbox"/> Yes | <input checked="" 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 checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

5. Major programs:

CFDA Number(s)	Name of Federal Program or Cluster
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 San Germán

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year ended June 30, 2002

III. Findings and questioned costs for federal awards:

Reference Number	Program	Regulations/ Requirements	Population Size		Items Tested		Items not in compliance		Findings/Non Compliance	Questioned Costs												
			Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount														
2002 III-1	U.S. Department of HUD Community Development Block Grant-State's Program CFDA Number 14.228	Eligibility	-	\$ -	-	\$ -	-	\$ -	<p>Condition and criteria: In order to become eligible to benefit from the Donation of Construction Materials Project to improve homes of needed families under the SBGP Program, participant's record must contain required documents as requested by federal regulations. Our examination of ten participant's files disclosed the following deficiencies:</p> <table border="1"> <thead> <tr> <th>Deficiency</th> <th>Case(s)</th> </tr> </thead> <tbody> <tr> <td>a. No copy of Social Security Card</td> <td>7</td> </tr> <tr> <td>b. No copy of ID Card</td> <td>7</td> </tr> <tr> <td>c. Final evaluation form not properly filed</td> <td>7</td> </tr> <tr> <td>d. No evidence of income determination</td> <td>1</td> </tr> <tr> <td>e. Follow up visit form not properly filed</td> <td>2</td> </tr> </tbody> </table>	Deficiency	Case(s)	a. No copy of Social Security Card	7	b. No copy of ID Card	7	c. Final evaluation form not properly filed	7	d. No evidence of income determination	1	e. Follow up visit form not properly filed	2	\$ -
Deficiency	Case(s)																					
a. No copy of Social Security Card	7																					
b. No copy of ID Card	7																					
c. Final evaluation form not properly filed	7																					
d. No evidence of income determination	1																					
e. Follow up visit form not properly filed	2																					

Municipality of San Germán

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year ended June 30, 2002

III. Findings and questioned costs for federal awards:

Reference Number	Program	Regulations/ Requirements	Population Size		Items Tested		Items not in compliance		Findings/Non Compliance		Questioned Costs
			Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount	Deficiency	Case(s)	
									f. Evidence of donated material form not properly filed	2	
									g. Application form was not signed by either party as evidence of agreement	1	
									Cause and effect: Failure to appropriately follow established internal controls and procedures.		
									Recommendation: Responsible personnel must review established controls and procedures to procure compliance with applicable laws, regulations, and federal requirements.		

Municipality of San Germán

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year ended June 30, 2002

III. Findings and questioned costs for federal awards:

Reference Number	Program	Regulations/ Requirements	Population Size		Items Tested		Items not in compliance		Findings/Non Compliance	Questioned Costs										
			Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount												
2002 III-2	U.S. Department of HUD - Section 8 - Housing Choice Voucher Program CFDA Number 14.871	Eligibility; Special Tests and Provisions	-	\$ -	-	\$ -	-	\$ -	Conditions and criteria: In order to become eligible to participate of Section 8 program benefits, participants should comply with certain eligibility requirements. Our examination of twenty four participant files disclosed the following deficiencies:	\$ -										
									<table border="1"> <thead> <tr> <th>Deficiency</th> <th>Case (s)</th> </tr> </thead> <tbody> <tr> <td>a. Missing credit reference letters or affidavit</td> <td>6</td> </tr> <tr> <td>b. Missing utilities billing evidence</td> <td>3</td> </tr> <tr> <td>c. Missing updated good behavior certificates</td> <td>3</td> </tr> <tr> <td>d. Missing reasonable rent determination</td> <td>1</td> </tr> </tbody> </table>	Deficiency	Case (s)	a. Missing credit reference letters or affidavit	6	b. Missing utilities billing evidence	3	c. Missing updated good behavior certificates	3	d. Missing reasonable rent determination	1	
Deficiency	Case (s)																			
a. Missing credit reference letters or affidavit	6																			
b. Missing utilities billing evidence	3																			
c. Missing updated good behavior certificates	3																			
d. Missing reasonable rent determination	1																			

Municipality of San Germán

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year ended June 30, 2002

III. Findings and questioned costs for federal awards: (Continued)

Reference Number	Program	Regulations/ Requirements	Population Size		Items Tested		Items not in compliance		Findings/Non Compliance	Questioned Costs
			Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount		
									<p>Cause and effect: Failure to properly review participant's records and update required documentation may cause noncompliance with applicable laws, regulations and federal requirements.</p> <p>Recommendation: A review of participants' records must be performed on a regular basis to ensure compliance with program requirements and regulations.</p>	
			Total questioned costs							\$ -

Municipality of San Germán

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2002

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

Fiscal year ended June 30,	No.	Condition	Status
2001	1	During the examination of the personnel records it was observed that in most cases, certain important documentation were missing.	Finding remains uncleared by the Office of Commissioner of Municipal Affairs of Puerto Rico (OCAM).
2001	4	The Municipality does not have adequate property records and accounting system. There is no system established to gather all capital expenditures for construction in progress. Additions to property ledger are recorded on a cash basis instead of accrual basis. The figures presented in the general fixed assets group of accounts of the general purpose financial statements do not agree with the subsidiary ledgers.	Situation prevails. See current year finding number 2002 II-1 in the accompanying Schedule of Findings and Questioned Costs. Finding remains uncleared by the Office of Commissioner of Municipal Affairs of Puerto Rico (OCAM).

Municipality of San Germán

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

Year ended June 30, 2002

II. Findings and questioned costs for federal awards:

Fiscal year ended June 30,	Program	No.	Condition	Status
2001	U.S. Department of HUD Community Development Block Grant-State's Program CFDA Number 14.228	2	The Municipality did not submit the program income report required by the grant agreement.	Finding remains uncleared by the Office of Commissioner of Municipal Affairs of Puerto Rico (OCAM).
2001	U.S. Department of HUD Community Development Block Grant-State's Program CFDA Number 14.228	3	The Office of Federal Funds did not comply with the requirement of maintaining a cash management system with procedures to minimize the time elapsed between the transfer of funds from federal agencies and disbursements of funds.	Finding remains uncleared by the Office of Commissioner of Municipal Affairs of Puerto Rico (OCAM).
2001	U.S. Department of HUD: Section 8 Housing Choice Voucher Program CFDA Number 14.871	5	In nine of twenty five cases examined, at least one of the required documents were missing in the participant files.	Situation prevails. See current year finding number 2002 III-2 in the accompanying Schedule of Findings and Questioned Costs. Finding remains uncleared by the Office of Commissioner of Municipal Affairs of Puerto Rico (OCAM).

ESTADO LIBRE ASOCIADO DE PUERTO RICO
MUNICIPIO AUTONOMO DE SAN GERMAN



DEPARTAMENTO DE FINANZAS
APARTADO 85
SAN GERMAN, P.R. 00683

TELEFONO/FAX: (787) 892-1060

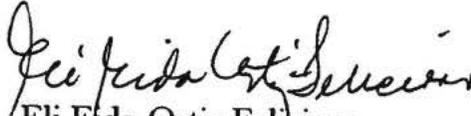
December 26, 2002

Rodríguez Rivera & Toro LLP
P.O. Box 1080
Mayagüez, P.R. 00681-1080

To Whom It May Concern:

Enclose the management's comments to the schedule of findings and questioned cost for year ended on June 30, 2002, as request.

Cordially yours,


Eli Eida Ortiz Feliciano
Director

kvw/EEOF

**Municipality of San Germán
Managements Comments to
Schedule of Findings and Questioned Cost
Year Ended June 30, 2002**

***Municipality of San Germán
Management Comments to
Schedule of Findings and Questioned Cost
Year Ended June 30, 2002***

<i>Ref. Number</i>	<i>Program</i>	<i>Finding</i>	<i>Management Comment</i>
2002 III - 1	U.S. Department of Housing of Urban Development	Some files of the Donation of Construction material Project were incomplete	<p>The following instructions were given to the Federal Program Director to ascertain that all files are completed:</p> <ol style="list-style-type: none"> 1. To prepare a check list containing all the required documents 2. The above list should be a part of the record. 3. To verify all the existing files to be sure that the required documents are presents. 4. To request from applicants the missing information and, or documents. 5. To verify that all documents are properly signed by applicants.

<i>Ref. Number</i>	<i>Program</i>	<i>Finding</i>	<i>Management Comment</i>
2002 III - 2	U.S. Department of Housing of Urban Development, Section 8-Housing Choice Voucher Program (CFDA Number 14.871)	Some participants didn't comply with certain eligibility requirements.	Personnel was instructed to review participant's records to ensure compliance with program requirements and regulations.

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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 06 / 30 / 2002 Fiscal Period End Dates Must Be On or After January 1, 2001	2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit
--	---

3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - _____ Months	FEDERAL GOVERNMENT USE ONLY	4. Date received by Federal clearinghouse
--	------------------------------------	--

5. Employer Identification Number (EIN)

a. Auditee EIN:

6	6	0	4	3	3	5	3	1
---	---	---	---	---	---	---	---	---

b. Are multiple EINs covered in this report? 1 Yes 2 No

If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)

6. AUDITEE INFORMATION

a. Auditee name
MUNICIPALITY OF SAN GERMAN

b. Auditee address (Number and street)
P.O. BOX 85
City
SAN GERMAN
State ZIP + 4 Code 0 0 6 8 3 -

PR

c. Auditee contact
Name
MRS. ELI EIDA ORTIZ FELICIANO
Title
FINANCE DIRECTOR

d. Auditee contact telephone
(787) 892 - 3500

e. Auditee contact FAX (Optional)
(787) 892 - 1060

f. Auditee contact E-mail (Optional)
DIRFINSANGEM@YAHOO.COM

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 0 0 6 8 1 -

PR

c. Auditor contact
Name
JOSE A. TORO, CPA
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

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

9. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 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 certifying official: *Eli Eida Ortiz Feliciano* Date: 12/26/02
Printed Name/Title of certifying official
ELI EIDA ORTIZ FELICIANO - FINANCE DIRECTOR

Signature of auditor: *Rodriguez Rivera & Toro LLP* Date: 12/26/02
Month Day Year

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 checked="" type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <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 type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | <input type="checkbox"/> Other - Specify: |
| 66 <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

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

FORM SF-SAC (3-20-2001)

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							11. AUDIT FINDINGS	
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)
Federal Agency Prefix ¹	Extension ²							
1	4 .228	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	COMMUNITY DEVELOPMENT BLOCK GRANT STATES PROGRAM	\$ 809,331 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	E	2002 III-1
1	4 .871	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM	\$ 372,133 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	EN	2002 III-2
9	3 .044	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL PROGRAMS FOR AGING TIT III	\$ 62,854 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
1	6 .710	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICY GRANTS	\$ 22,498 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
1	6 .592	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	LOCAL LAW ENFORCEMENT BLOCK GRANT	\$ 194,633 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8	3 .544	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PUBLIC ASSISTANCE GRANTS	\$ 177,960 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
TOTAL FEDERAL AWARDS EXPENDED				\$ 1,639,409 .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	F. Equipment and real property management	K. Real property acquisition and relocation assistance	O. None
B. Allowable costs/cost principles	G. Matching, level of effort, earmarking	L. Reporting	P. Other
C. Cash management	H. Period of availability of Federal funds	M. Subrecipient monitoring	
D. Davis - Bacon Act	I. Procurement and suspension and debarment	N. Special tests and provisions	
E. Eligibility	J. Program income		

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