

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

**MUNICIPIO DE VEGA ALTA**  
**AUDITORIA 2001-02**  
**30 DE JUNIO DE 2002**

OFIC. DEL COMISIONADO  
DE ADMINISTRACIONES  
MUNICIPALES

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**MUNICIPALITY OF VEGA ALTA, PUERTO RICO  
SINGLE AUDIT REPORT  
JUNE 30, 2002  
(INDEPENDENT AUDITOR'S REPORT)**

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO  
SINGLE AUDIT REPORT  
JUNE 30, 2002**

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**INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE  
FINANCIAL STATEMENTS**

Mayor of the Municipality of Vega Alta  
Vega Alta, Puerto Rico

I have audited the general-purpose financial statements of the Municipality of Vega Alta, Puerto Rico, as of June 30, 2002, and for the year ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Municipality of Vega Alta, Puerto Rico Management. My responsibility is to express an opinion on these general purpose financial statements based on my audit. Other auditors whose report dated December 14, 2001, expressed on qualified opinion on those statements, audited the general-purpose financial statements of Municipality of Vega Alta as of June 30, 2001.

Except as discussed in the following paragraph, I have conducted my audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Municipality of Vega Alta, Puerto Rico, did not provide me sufficient competent evidence with respect to the ownership of assets, for some property building the beginning balance of fixed assets presented were not audited by me therefore, I do not express an opinion on such amounts presented in the general fixed assets account group.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of Vega Alta, Puerto Rico, as of June 30, 2002, and the results of its operations and the changes in fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 12, 2002-on my consideration of Municipality internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Municipality of Vega Alta, Puerto Rico taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget 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 my opinion, is fairly stated in all material respects, in relation the by general purpose financial statement a taken as whole.

San Juan, Puerto Rico  
November 12, 2002

The stamp number 1855112  
was affixed to the  
original of this report.

  
CPA JUAN A. FELICIANO CHARNECO  
License No. 1263  
Expires December 1, 2004



**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNTS GROUPS**  
**JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES				ACCOUNTS GROUPS		TOTALS
	General	Debt Service	Capital Projects	Special Revenues Funds	General Fixed Assets	General Long-Term Debt	(Memorandum Only Year Ended) 2002
<b>ASSETS</b>							
Cash and investments (Note 2)	\$ 5,503,954	\$ -	\$ 2,992,544	\$ 713,153	\$ -	\$ -	\$ 9,209,651
Cash with fiscal agent and other (Note 7 & 8)	-	2,447,072	-	-	-	-	2,447,072
Receivable volume business (Note 4)	-	-	-	-	-	-	-
Accounts receivable other (Note 7)	137,769	-	-	880,234	-	-	1,018,003
Due to general fund and other funds	-	-	-	610,409	-	-	610,409
Property, plant and equipment (Note 6)	-	-	-	-	19,421,193	-	19,421,193
Amount available in debt Service Fund	-	-	-	-	-	2,447,072	2,447,072
Amount to be provided for retirement of general long-term debt (Note 7)	-	-	-	-	-	8,524,928	8,524,928
Amount to be provided for payment of accrued compensated absences (Note 1 F)	-	-	-	-	-	1,123,589	1,123,589
Total assets and other debits	\$ 5,641,723	\$ 2,447,072	\$ 2,992,544	\$ 2,203,796	\$ 19,421,193	\$ 12,095,589	\$ 44,801,917
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 1,372,505	\$ -	\$ -	\$ 1,191,769	\$ -	\$ -	\$ 2,564,274
Due to special revenue funds and other	501,612	-	-	-	-	-	501,612
General obligations bonds payable (Note 7)	-	-	-	-	-	10,972,000	10,972,000
Due to government entity	247,218	-	-	-	-	-	247,218
Vested compensated absences (Note 1 F)	-	-	-	-	-	1,123,589	1,123,589
Deferred revenue (Note 4)	1,569,536	-	-	63,450	-	-	1,632,986
Total liabilities	\$ 3,690,871	\$ -	\$ -	\$ 1,255,219	\$ -	\$ 12,095,589	\$ 17,041,679
<b>Fund Equity:</b>							
Investment in general fixed assets (Note 6)	-	-	-	-	19,421,193	-	19,421,193
Reserve for encumbrances	12,123	-	-	-	-	-	12,123
<b>Fund balances:</b>							
<b>Unreserved</b>							
Designated for debt service (7 & 8)	-	2,447,072	-	-	-	-	2,447,072
Designated for future years	-	-	2,992,544	948,577	-	-	3,941,121
Undesignated	1,938,729	-	-	-	-	-	1,938,729
Total Fund Equity	1,950,852	2,447,072	2,992,544	948,577	19,421,193	-	27,760,238
Total Liabilities, Fund Equity & Other Credits	\$ 5,641,723	\$ 2,447,072	\$ 2,992,544	\$ 2,203,796	\$ 19,421,193	\$ 12,095,589	\$ 44,801,917

See notes to general purpose financial statements.

MUNICIPALITY OF VEGA ALTA, PUERTO RICO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				TOTALS
	General	Debt Service	Capital Projects	Special Revenues Funds	(Memorandum Only Year Ended 2002)
<b>REVENUES</b>					
Property taxes (Note 3)	\$ 473,269	\$ 1,617,341	\$ -	\$ -	\$ 2,090,610
Local taxes (Note 4)	3,856,402	-	-	-	3,856,402
Intergovernmental revenues (Note 5)	3,755,660	-	837,359	1,204,808	5,797,827
Rent of properties (Note 6)	281,636	-	-	-	281,636
Interest income	207,756	26116	-	-	233,872
Other revenues (Note 5a)	1,869,438	-	-	-	1,869,438
Federal financial award	-	-	-	2,352,828	2,352,828
<b>Total revenues</b>	<b>10,444,161</b>	<b>1,643,457</b>	<b>837,359</b>	<b>3,557,636</b>	<b>16,482,613</b>
<b>EXPENDITURES:</b>					
Current:					
Municipal council	160,631	-	-	-	160,631
Administration	7,281,584	-	107,929	2,075,866	9,465,379
Public safety	4,200,016	-	-	-	4,200,016
Health	82,304	-	-	-	82,304
Public Work	70,565	-	780,435	1,414,399	2,265,399
Other expenditures	369,810	-	-	-	369,810
Debt service:					
Principal retirement	-	604,000	-	-	604,000
Interest and fiscal charges	-	868,779	-	-	868,779
<b>Total expenditures</b>	<b>12,164,910</b>	<b>1,472,779</b>	<b>888,364</b>	<b>3,490,265</b>	<b>18,016,318</b>
<b>Excess of revenues over (under) expenditur</b>	<b>(1,720,749)</b>	<b>170,678</b>	<b>(51,005)</b>	<b>67,371</b>	<b>(1,533,705)</b>
Other financing source (uses):					
Net advance of property taxes (Note 3)	2,337,058	-	-	-	2,337,058
Transfer in (out) to debt service fund	(407,777)	407,777	-	-	-
Transfer to special revenue fund (Note 1 E)	-	-	723,104	-	723,104
Transfer from special revenue fund (Note 1E)	-	-	(1,662,906)	-	(1,662,906)
<b>Total other financing source (uses)</b>	<b>1,929,281</b>	<b>407,777</b>	<b>(923,802)</b>	<b>-</b>	<b>1,397,256</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>208,533</b>	<b>578,455</b>	<b>(974,807)</b>	<b>67,371</b>	<b>(136,449)</b>
Fund balance June 30, 2001	1,483,733	1,696,736	3,765,634	920,193	7,866,296
Prior period adjustment (See note 9)	139,888	171,881	201,717	(38,987)	474,499
<b>Fund balance June 30, 2002</b>	<b>\$ 1,832,154</b>	<b>\$ 2,447,072</b>	<b>\$ 2,992,544</b>	<b>\$ 948,577</b>	<b>\$ 8,204,346</b>

See notes to general purpose financial statements

MUNICIPALITY OF VEGA ALTA, PUERTO RICO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND DEBT SERVICE FUND  
 FOR THE FISCAL YEAR THEN ENDED JUNE 30, 2002

	GENERAL FUNDS			DEBT SERVICE FUND			TOTALS
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	(Memorandum Only Year Ended) 2002
<b>Revenues:</b>							
Property taxes	\$ 473,269	\$ 473,269	\$ -	\$ 1,050,632	\$ 1,617,341	\$ 566,709	\$ 2,090,610
Local taxes	4,110,000	3,856,402	(253,598)	-	-	-	3,856,402
Intergovernmental Revenues	3,488,412	3,755,660	267,248	-	-	-	3,755,660
Rent of properties	500,000	281,636	(218,364)	-	-	-	281,636
Interest income	450,000	207,756	(242,244)	-	26,116	26,116	233,872
Other revenues	130,000	1,869,438	1,739,438	-	-	-	1,869,438
<b>Total Revenues</b>	<b>9,151,681</b>	<b>10,444,160</b>	<b>1,292,479</b>	<b>1,050,632</b>	<b>1,643,457</b>	<b>592,825</b>	<b>12,087,617</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Municipal Council	222,682	160,631	62,051	-	-	-	160,631
Administration	6,710,154	7,312,576	(602,422)	-	-	-	7,312,576
Public Safety	4,420,400	4,300,624	119,776	-	-	-	4,300,624
Health	87,232	82,304	4,928	-	-	-	82,304
Public Work	75,857	70,565	5,292	-	-	-	70,565
Other Expenditures	454,637	363,810	90,827	-	-	-	363,810
<b>Debt Service:</b>							
Principal Retirement	-	-	-	511,074	604,000	(92,926)	604,000
Interest and Fiscal Charges	-	-	-	539,558	868,779	(329,221)	868,779
<b>Total Expenditures</b>	<b>11,970,962</b>	<b>12,290,510</b>	<b>(319,548)</b>	<b>1,050,632</b>	<b>1,472,779</b>	<b>(422,147)</b>	<b>13,763,289</b>
Excess of Revenues over (under) Expenditures	(2,819,281)	(1,846,349)	1,612,027	-	170,678	170,678	(1,675,671)
<b>Other Financing Source (Uses):</b>							
Net Advance of Property Taxes	2,337,058	2,337,058	-	-	-	-	2,337,058
Transfer to special revenue fund	-	-	-	-	-	-	-
Transfer from special revenue fund	-	-	-	-	-	-	-
Operating transfer (out) in to debt service	(421,000)	(407,777)	(13,223)	407,777	407,777	-	-
<b>Total Other Financing Sources (Uses):</b>	<b>1,916,058</b>	<b>1,929,282</b>	<b>(13,223)</b>	<b>407,777</b>	<b>407,777</b>	<b>-</b>	<b>2,337,059</b>
Excess (deficiency) of revenues and other sources over expenditures	(903,223)	82,932	986,155	407,777	578,455	170,678	661,387
Adjustments required under generally accepted accounting principles:							
Other GAAP adjustment to revenues	-	-	-	-	-	-	-
Other GAAP adjustment to expenditures	-	125,601	125,601	-	-	-	125,601
Fund balance at beginning of year	1,483,733	1,483,733	-	1,696,736	1,696,736	-	3,180,469
Prior period adjustment (See Note 9)	139,898	139,888	0	-	171,881	171,881	311,769
Fund balance June 30, 2002	\$ 720,408	\$ 1,832,154	\$ 1,111,756	\$ 2,104,513	\$ 2,447,072	\$ 342,559	4,279,226

See notes to general purpose financial statements.

**MUNICIPALITY OF VEGA ALTA, Puerto Rico**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

1) Organization, Operations and Summary of Significant Accounting

The accounting policies of the Municipality of Vega Alta, Puerto Rico (Municipality) conform accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant of such policies.

(A) Financial Reporting Entity

The Municipality of Vega Alta was established in the year of 1775. The governmental system of the municipality is composed of the executive and legislative bodies. The mayor is the Chief Executive Officer and is elected every four years in the general elections of the Municipality of Vega Alta. The legislative body consists of 14 assembly members also elected in the general elections of Puerto Rico for a four-year period.

The Municipality provides services such as: health, public works, sanitation, aids to low-income and elderly citizens, education, public safety, housing and urban development, culture and recreation, planning, zoning and other general and administrative services. The major sources of funding of the municipality comes from federal awards from the federal government and from state funds received from central government.

The general-purpose financial statements present the financial position of the various fund types and accounts groups and the results of operations of the various fund types of the Municipality of Vega Alta, Puerto Rico. This includes the organizational units governed by the Executive Officers and Members of the Municipal Assembly of the Municipality of Vega Alta, Puerto Rico. The Municipality of Vega Alta, Puerto Rico, has no oversight responsibility or authority over any other governmental entity, since no other entities are considered to be controlled by or dependent on the Municipality. Control or dependency is determined using the following criteria:

In evaluating the Municipality as a reporting entity, management has addressed all potential component units, which may or may not fall within the Municipality's oversight and control and, as such, be included within the Municipality's financial statement. The basic criteria for including a component unit within the Municipality's reporting entity is the exercise of oversight responsibility by the Municipality's Council. The specific criteria used by the Municipality for establishing oversight responsibility are:

**Manifestations of Oversight Responsibility**

- Selection of Governing Authority
- Designation of Management
- Ability to Influence Operations Significantly

**Accountability for Fiscal Matters**

Budget Authority  
Surplus/Deficit  
Responsibility for Debt  
Fiscal Management  
Revenue Characteristics

Factors other than oversight, which may significantly influence the entity relationship, are:

**Scope of Public Service  
Special Financing Relationships**

The relative importance of each criteria is evaluated in light of specific circumstances in order to determine which component units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to be Municipality of Vega Alta indicate that the reporting entity consists of all funds and accounts groups included in the combined balance sheet, therefore no organizations, activities or functions were excluded from the reporting entity.

**(B) Basis of Presentation - Fund Accounting**

The accounts of the municipality are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditure. Accordingly, inter-fund receivable and payables have not been eliminated. The various funds are summarized by type in the accompanying general-purpose financial statements. The municipality uses the following fund types and accounts groups:

**Governmental Funds**

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

**Special Revenue Funds –** The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Debt Service Funds –** The debt service fund are used to account for the accumulation of resources for, and the payment of, principal, interests and related costs on long-term general obligation bonds.

**Capital Projects Funds -** The Capital Projects Fund is used to account for financial resources reserved for the acquisition or construction of major capital facilities and improvements.

#### Accounts Groups

Account groups are not funds and 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 - The general fixed assets account group reflects the cost of fixed assets of a stewardship nature (land, buildings, improvements other than buildings, furniture and fixtures, equipment and motor vehicles acquired or constructed by the municipality). Public domain (“infrastructure”) fixed assets consisting of roads, bridges, underground water and sewer facilities and certain other property are recorded as expenditures in the general and special revenue funds and are not capitalized in the General Fixed Assets account Group.

#### Note 1 (B) Fund Accounting:

Donated fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided and the interest on financing during the construction period will not be capitalized in the General Fixed Assets account Group. Property acquisitions are not classified as capital outlays in the general-purpose financial statements.

**General Long-Term Debt Account Group –** This group of accounts is established to account for all long-term debt of the municipality.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(C Basis of Accounting)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general-purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter, normally within the next two or three months, 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 year to which they apply. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include; (1) accumulated unpaid sick leave and other employee amounts, which are not accrued (Note 1G).

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 however especial two types of these revenues. In one, money must be expended on the specific purpose or project before any amounts will be paid to the Municipality; therefore, revenues are recognized based upon the expenditures recorded. Similarly, if cost sharing or matching requirement exists, revenue recognition depends upon compliance with these requirements. In the other, money is virtually unrestricted as to purpose of expenditure and is usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and fogies, sale of property and miscellaneous revenues (except investment earnings) are recorded as revenues when received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and sick leave pay and (2) principal and interest on general long-term debt, which is recognized when due. Investment earnings (interest) are recorded as earned since they are measurable and available.

All fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Interest income is recognized and accrued in the accounting period in which they are earned.

Property taxes are recognized as revenues when collected by the CRIM of the Municipality of Vega Alta, even though a portion of the taxes may be collected in subsequent years.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(D) Budgetary Data

The municipality's follows these procedures, which are in accordance with the Municipal Autonomy Law of August 30, 1991 in establishing the budgetary data reflected in the general-purpose financial statements.

- (1) Prior to May 15 of each fiscal year, the mayor submits to the Municipal Assembly a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and the means of financing them.
- (2) The budget document is available for public inspection prior to its approval by the municipal Assembly.
- (3) Prior to June 1, the annual budget is legally enacted through passage of the annual appropriation ordinance.
- (3) The Major is required by the Municipal Autonomous Law to present before October 15 the results of operations of the preceding year.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (6) Subsequent to the enactment of the annual appropriation ordinance, the Municipal Council 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.

The actual results of operations, presented in the Statement of Revenues and Expenditures Budget and Actual General Fund, are in conformity with the budgetary accounting of the Municipality for a better comparison with the budget information.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

The most significant difference between the budgetary and accounting bases is that encumbrances are recorded as expenditures under the accounting basis.

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

Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary basis.

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

The special funds of the special revenue fund have not been included in the budget and actual comparison because balances are not budgeted. Also the budget prepared for the Federal Financial Assistance Programs included in the capital projects and special revenue funds in based on a program period, which is not necessarily a year. Accordingly, it's not practical to present an annual comparison of budget and actual for such programs.

**(E) Inventories**

The general fund and special revenue funds purchases office and printing supplies, gasoline, and oil and other expendable supplies held for consumption. The cost of purchases is recorded as expenditure and the inventory is not recorded in the general-purpose financial statements.

**(F) Inter-fund Transactions**

Inter-fund transactions represent operating transfers from a fund receiving revenues to a fund through which the resources are to be disbursed.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

**(G) Compensated Absences**

Municipal employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of 60 days and sick leave up to a maximum of 90 days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all part of the sick leave terminates all rights for compensation, except for employees with ten or more year of service who are entitled to sick leave pay up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The Municipality 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 are attributable to employees 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, the Municipality has accrued a liability for compensated absences, which has been earned but not taken by municipal employees. The liability for compensated absences, which will not require the use of expendable available financial resources, is included in the general long-term debt account group. The estimated total cost of compensated absences that will require the use of current expendable resources is not included as an accrued liability in the general fund. Employees' maximum allowed accumulated vacations and sick leave are accounted for in the general long-term debt account group.

<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>
\$822,134	\$ -	\$ 39,620	\$1,123,589

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(I) Total Columns on Combined Statements-overview

Total columns on the general-purpose financial Combined Statements-Overview are captioned memorandums only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data on comparable to a consolidation. Underfund elimination have not been made in the aggregation of this data.

(J) Encumbrances

Encumbrances accounting are employed in the governmental fund types. Under the encumbrance system all purchases orders, contracts and other commitments issued for goods and services not received at year-end are recorded in order to reserve that portion of the applicable appropriation. The Municipality will honor where the appropriations lapse at year-end these. Under generally accepted accounting principles, encumbrances outstanding at year-end are reported as reservations of fund balance and the do not constitute expenditures or liabilities since the commitments 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.

(2) Cash and Investment

The Municipality is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico (Department of the Treasury), and such deposits should be kept in separate bank accounts in the name of the Municipality. All cash at June 30, 2002 is maintained in institutions approved by the Department of the Treasury.

The Municipality follows the practice of pooling cash of all funds, except from restricted funds held by the Municipal Revenue Collection Center for repayment of principal and interests on general long-term obligations, and federal financial assistance. Deposits were with the contracted depository bank in interest bearing accounts, which were secured at balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage, up to maximum of \$100,000. Deposits in excess of \$100,000 are collateral by bank securities to properly safeguard such funds.

Of June 30, 2002 the balance per bank records do not exceeds the insured limits, except for one bank account and ten certificates of deposit for which the balance per bank records exceeds the insured limits by \$1,983,280 and \$1,639,000 respectively, in the general fund, two bank accounts for which the balance per bank records exceeds the insured limits by \$314,862 in the special

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

revenue fund, and one bank account and three certificates of deposit for which the balance per bank records exceeds the insured limits by \$835,199 and \$200,000, respectively, in the capital projects fund. Nevertheless, management believes that concentration of credit risks is limited because balances are deposit with high standing financial institutions. Also, the Municipality has cash accounts with the Government Development Bank of Puerto (GDB) as a result of a long-term debt issued during current and prior fiscal years. This balance of \$997,960 in the capital projects funds is restricted for expenditures designated on loan agreements with GDB mainly for capital improvements. Cash with GDB is completely guaranteed by the Commonwealth of Puerto Rico.

Issued by	Certificate Number	Amount	Interest Rate	Due Date
Banco Popular de PR *	111000147	\$150,000	2.00	08-16-02
Banco Popular de PR	111000148	200,000	2.00	08-16-02
Banco Popular de PR	111000149	239,000	2.00	08-18-02
Banco Popular de PR	111000142	81,667	1.80	07-23-02
Banco Popular de PR	111000143	200,000	1.80	07-23-02
Banco Popular de PR	111000144	50,000	1.80	07-23-02
Banco Popular de PR	111000145	500,000	1.80	07-23-02
Banco Popular de PR *	111000146	100,000	1.80	07-23-02
Banco Popular de PR	111000139	500,000	1.80	07-25-02
Banco Bilbao Vizcaya *	128356000948	250,000	1.50	07-24-02
Banco Bilbao Vizcaya	128356000956	100,000	1.50	07-24-02
Doral Bank	2060005598	100,000	2.55	07-30-02
Doral Bank	2060005606	300,000	2.55	07-30-02
Doral Bank	2060005580	200,000	2.55	07-30-02
Doral Bank	2060005366	50,007	2.45	07-05-02
Banco Popular de PR	1110000151	50,000	1.95	08-01-02
Banco Popular de PR	1110000152	50,000	1.95	08-01-02
Banco Popular de PR	1110000153	100,000	1.95	08-01-02
Banco Popular de PR	1110000154	100,000	1.95	08-01-02
Banco Popular de PR	1110000155	200,000	1.95	08-01-02
Doral Bank	2060004914	300,000	2.35	07-26-02
Banco Popular de PR	2060000138	100,000	1.80	07-24-02
		\$3,920,674		

\*Included in the capital project fund.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(3) Property Taxes

The Collection Center of Municipal Revenues (CRIM) of the Commonwealth of Puerto Rico is responsible for the assessment of all real and personal property located within the Municipality of Vega Alta. Law number 81, approved on August 30, 1991, named Autonomous Municipalities of the Municipality of Puerto Rico Act of 1991, authorizes the municipalities of Puerto Rico to levy, a tax contribution over all properties within the territorial limits of the Municipality. Nevertheless, CRIM is responsible for the administration and collection of the corresponding tax contribution, during such fiscal year.

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

Law Number 83, approved on August 30, 1991, named Municipal Property Tax Law of 1991, Article 2.01, authorizes the municipalities to impose during fiscal year 1992-93, and for each subsequent fiscal year, a basic property tax contribution of up to 4% annually, over the assessed value of all real and non – exonerated property within the municipality, in addition to other contributions imposed based on laws in force. Also, law Number 83, in Article 2.02, authorize the municipalities to impose during fiscal year 1992-93, and for each subsequent fiscal year, a special contribution of up to 1.03% annually, over the assessed value of all real, personal and non-exonerated property within the Municipality, to be applied to the amortization of general long-term obligations. This special contribution is also in addition to other contributions imposed based on laws in force.

Based on Articles 2.01 and 2.02 of law number 83, the Municipality of Vega Alta, Puerto Rico, imposed property tax rates over the assessed value of all real personal property within the Municipality. The tax rates are detailed as follows:

	Personal Property	Real Property
Basic Contribution	4.00%	6.00%
Additional Special State Contribution	1.03%	1.03
Additional Special Municipal Contribution	<u>1.25</u>	<u>1.25</u>
	6.28	8.28
Discount Granted by Central Government	<u>(.20)</u>	<u>(.20)</u>
Effective Tax Rate Applicable to Taxpayers	6.08%	8.08%

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 of the assessed valuation of owner occupied residential units. However, the Municipality receives the full amount levied, except for residential units assessed at less than \$3,500 on which a complete exemption is granted. The Municipal Revenue Collection Center (CRIM) instead of the property tax payer becomes the source of payment in these cases. Complete exemption from personal property taxes up an assessment of \$50,000 is granted to retailers with an annual volume of net sales under \$150,000.

The Municipal Revenue Collection Center (CRIM) reports annually to the Municipality the estimated basic property tax and the tax to be used for the debt service, which will be collected in the fiscal year. The basic tax is advance to the municipality during such fiscal year. It is the practice to amortize these advances through the subsequent collection by the Municipal Revenue Collection Center (CRIM) of the basic tax from the taxpayers.

The basic tax advance by the Municipal Revenue Collection Center (CRIM) is recorded in the general fund as other financing sources. As this tax is collected and reported by the Municipal Revenue Collection Center (CRIM), it is recorded in the general fund as revenue and as expenditure in the general long-term debt account group. The property tax received from the Municipal Revenue Collection Center (CRIM), which is related to the exoneration granted by the Commonwealth of Puerto Rico, is reflected as revenue in the general fund.

The CRIM sends to the Municipality of Vega Alta, on monthly payments, 100% of the estimate, made at beginning of fiscal year, of the contribution assessed over property to be collected for the municipality. Within ninety (90) days after fiscal year end, CRIM will prepare a final analysis of funds distributed to the municipality, and the actual funds collected. If fewer funds were distributed, than the actual amount collected by CRIM, they, through the Government Development Bank of Puerto Rico (GDB), will send to the Municipality the remaining balance. If funds were distributed in excess of amounts that actually correspond to the Municipality, CRIM informs to the GDB, in order to retain from future monthly payments, the amounts send in excess.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(4) Volume of Business Tax

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

The tax rates are as follow:

- 1.5% for financial institutions
- 1.00% for savings and loan associations
- for all other organizations 0.5%

Taxes are payable in two equal semiannual installments on July 1 and January 1 following the levy date. If they are paid before their maturity, the taxpayer is granted certain discounts. Collections of taxes during current fiscal year, applicable to the next fiscal year, are recorded as deferred revenues in the general fund.

(5) Intergovernmental Revenues and Federal Awards

Sources of intergovernmental revenues consist primarily of governmental payments from the Commonwealth of Puerto Rico and "in lieu of tax" payments from certain quasi public corporations, such as the Puerto Rico Electric Power Authority and the Puerto Rico Aqueduct and Sewer Authority.

Grants and subsidies received from the Commonwealth of Puerto Rico include, among others, a general subsidy for capital improvements.

All of these intergovernmental revenues are accounted for through the general fund except for those directly related to capital improvement, which is accounted for through the special revenue and the capital project funds. Federal Financial assistance is recorded in the special revenue fund and capital projects fund.

Intergovernmental revenues and federal awards received from the federal government are recorded following the applicable legal and contractual requirements. Essentially, there are two types of revenues; (1) revenues recognize based upon the expenditures recorded. This occurs when money must be expended on the specific purpose of project before any amounts will be paid to municipality. Similarly, if cost sharing or matching requirements exist, revenue recognition depends upon compliance with these requirements; and (2) resources reflected as revenues at the time of receipt or earlier. If susceptible to accrual. This applies to moneys virtually unrestricted as to purpose of expenditures and is usually revocable only for failure to comply with prescribed compliance requirements.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(6) Property, Plant and Equipment

A- Property, plant and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

Capitalized at cost, or if donated, at their estimated fair market value at time of contribution in general fixed assets accounts group. Maintenance, repairs and minor renewals are expended as incurred. Asset dispositions and retirements are informed monthly to the Department of Treasury and written-of after authorization of that department. Depreciation is not provided on general fixed assets. Public domain or infrastructure, such as roads, streets, gutter, curbs, sidewalks, and drainage, is not recorded in this group of accounts. The Municipality has not maintained adequate records for its Fixed Assets, and management was not able to make an assertion as to the completeness of the General Fixed Assets Account Group. However, the Finance Department at present is in the process of updating these records in order to maintain a proper system in its future.

A summary of changes in General Fixed Assets follows:

Description	Beginning Balance 2001	Additions	Retirements (Adjustments)	Balance 2002
Land	\$ 1,090,677	\$ 220,236	\$ -	\$ 1,310,913
Building	9,128,079	5,333,376	-	14,461,455
Machinery & Equipment	8,368,745	-	1,658,545	6,710,200
Construction in Progress	-	1,576,037	-	1,576,037
	<b>\$18,587,501</b>	<b>\$ 7,129,649</b>	<b>\$ 1,658,545</b>	<b>\$ 24,058,605</b>

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(7) Changes in General Long-Term Debt

The principal long-term obligations of the Municipality are obligation bonds issued to finance permanent improvements and purchases of equipment. The Municipality's long-term debt retirements are appropriated and paid from resources accumulated in the debt service fund.

The following is a summary of bonds of the Municipality of Vega Alta for year ended June 30, 2002.

Description	Payable at July 1, 2002	Additions	Reductions	Balance 2002
General Obligations Bonds	\$10,846,000	\$730,000	\$604,000	\$10,972,000

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

General Obligation Bonds:

Description	Original Amount	Interest Rate	Balance 06-30-02	Due Date
Bonds Series 1987-88	\$ 355,000	8.20%	\$ 45,000	07-01-2002
Bonds Series 1995-96	990,000	from 4.70% to 6.875%	885,000	07-01-2019
Bonds Series 1995-96	3,425,000	from 4.70% to 6.710%	3,085,000	07-01-2020
Bonds Series 1996-97	610,000	from 4.865% to 6.710%	570,000	07-01-2021
Bonds Series 1999-00	340,000	from 7.080% to 7.810%	225,000	07-01-2004
Bonds Series 1999-00	995,000	from 7.08% to 7.810%	850,000	07-01-2002
Bonds Series 1999-00	940,000	from 7.29% to 8.00%	880,000	07-01-2016
Bonds Series 1999-00	135,000	from 7.29% to 8.00%	125,000	07-01-2024
Bonds Series 2000-01	230,000	from 5.00% to 8.00%	225,000	07-01-2025
Bonds Series 2001-02	230,000	5.00%	230,000	07-01-2025
Bonds Series 2001-02	500,000	5.00%	500,000	07-01-2021
Bonds Series 1999-00	490,000	5.00%	310,000	07-01-2004
Bonds Series 1995-96	4,735,000	from 4.75% to 7.75%	3,042,000	07-01-2020
<b>TOTAL</b>	<b>\$ 13,975,000</b>		<b>\$10,972,000</b>	

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

The annual requirements to amortize all bonded debt outstanding as June 30, 2002 follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 583,000	\$ 680,817	\$ 1,263,817
2004	576,000	702,134	1,278,134
2005	628,000	658,603	1,286,603
2006	463,000	621,994	1,084,994
2007	496,000	588,096	1,084,096
Subsequent years	8,226,000	2,746,000	10,972,000
	<b>\$ 10,972,000</b>	<b>\$5,997,644</b>	<b>\$16,969,644</b>

**(8) Debt Service Funds**

Revenues of debt service fund consist primarily of the ad-valorem property taxes, which are recognized as revenues when they are collected by Municipal Revenue collection Center (CRIM). The Municipal Revenue Collection Center (CRIM) withholds these collections for debt service requirements of the public improvements notes issued by the Municipality. The Municipality receives interest from CAE.

Principal and interest on these obligations are paid to the Governmental Development Bank.

Property taxes (CAE)	\$ 1,617,341
Municipal general funds	407,777
Total	\$ 2,025,118

Payments at June 30, 2002 were as follows:

Principal	\$ 604,000
Interest	407,777
Total	\$ 1,011,777

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(Continued)**

(9) Prior Period Adjustments

The general fund balance has been restated in order to report adjustment to prior accounts receivable balance previously reported.

(10) Deferred Income

The deferred income corresponds to income receipt this year from the next fiscal year from special revenue fund.

(11) Employees, 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 Instrumentality's (ERS). ERS cover 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. ERS issues a publicly financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the ERS.

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 and the Municipality is required to contribute 9.275% of gross salary. The Municipality's actual contribution for the year ended June 30, 2002 was \$231,639, which is equal to the required contribution.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

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

The amounts of the annuity will be one and one-half percent of the average compensation multiplied by the number of years of creditable service up to twenty years, and 2 percent of the average compensation multiplied by the number of years of creditable service in excess of twenty years. In no case the annuity will be less than \$200 per month.

Participants who have completed at least thirty (30) years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation or if they have attained fifty-five (55) years of age will receive 75% of the average compensation. Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten (10) years of service.

No benefits is payable if the participant receives a refund of his accumulated contributions.

(12) Health Insurance

According to Law 29 as of July 1, 1998 The Municipality contributes to the Administration of Insurance of Health (ASES), the amount of \$756,498 during the year. A monthly contribution of \$63,041 was deducted from the amount received from the Municipal Collection Center. This contribution represented 6% of the prior year budget.

(13) Use of Estimates

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

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(14) Contingencies

A. Litigation

In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in the discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available cannot determine the final outcome of these claims. 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.

B. Federal Financial Assistance

The Municipality receives financial assistance from the Federal Government in the form of grants or entitlements. All grants are subject to financial and compliance audits by the grantor agencies, which could result in requests for reimbursement by the grantor agencies for expenditures, which are disallowed under the terms of the grants. These amounts, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The Municipality's administration believes that such disallowances, if any, will not have a material adverse effect on the financial position of the Municipality.

C. Comptroller's Office Audits

The Municipality of Vega Alta, Puerto Rico, has been audited by the Comptroller's Office of the Commonwealth of Puerto Rico. The Comptroller's Office issued two final reports related to the financial operations of the Municipality dated October 10, 2001. The report covers municipal operations from January 1, 1998 through January 8, 2001. Such report includes findings regarding to certain alleged irregularities in the operations and administration of the Municipality of Vega Alta, Puerto Rico, during the stated period. The Comptroller's opinion in the report stated that the operations of the Municipality were conducted substantially in accordance with laws and regulations, except for some findings disclosed in specific municipal operations.

The Comptroller's Office of the Commonwealth of Puerto Rico is also auditing the Municipality of Vega Alta, Puerto Rico, as of general-purpose financial statement date. The final effects, if any, of the outcome of such audit is not presently determinable.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

D. Other

A Federal Grand Jury and the Federal Bureau of Investigation (FBI), is in the process of investigation of some alleged fraudulent transactions, and is also conducting investigation of certain other apparent irregularities in the operations of the municipality, The final effects, if any, of the outcome of such investigation is not presently determinable.

(15) Stewardship, Compliance and Accountability:

As of June 30, 2002 the actual income was less to the income budget, the excess occurred primary due to income from interest of banks, eventual income was less than budget. The excess of expenditures of interest paid disclose in the debt service fund disclosed excess of expenditures over revenues due to transfer from special revenue fund excess is compensated by used of prior debt service balance.

(16) Deferred Revenue

The deferred revenue of the general fund corresponds to the business tax received from the next fiscal year. Deferred revenues of special revenue funds are federal awards funds received in advance for the next fiscal year.

(17) Prior Period Adjustment

Represent adjustment to balance accounts receivable from CRIM from prior year be used accounts as general fund and recorded as capital revenue funds later.

(18) Accounts receivable other

Represented by receivable from the Municipal Revenue Collection Center (CRIM).

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(continued)**

(19) GASB - 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34 (Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments). GASB-34 will significantly change the way in which the Municipality reports its finances.

Under the new reporting model, general-purpose governments must present the following basic financial statements and required supplementary information (RSI) to be in accordance with generally accepted accounting principles:

- a. Management’s discussion and analysis.
- b. Government-wide financial statements.
- c. Fund financial statements.
- d. Notes to the financial statements
- e. RSI, including budgetary comparison schedules, infrastructure condition data, and other required by previous GASB pronouncements, if applicable.

The Statement will first be effective for governments with annual revenues exceeding \$100 million for fiscal years beginning after June 15, 2001; for those with revenues of \$10 million to \$100 million, years beginning after June 15, 2002; and for those with revenues of less than \$10 million, years beginning after June 15, 2003.

MUNICIPALITY OF VEGA ALTA, PUERTO RICO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Federal Grantor / Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantors Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Department of Housing and Urban Development Public and Indian Housing			
Section 8-Voucher	14-855	RQ056VO56001-004	379749
Passed-through Commonwealth of P.R. Commissioner office at Municipal Affairs			
Community Planning and Development			
Community Development Block Grant (State Program)	14-228	FD-2001	442,012
	14-228	FD-2000	\$ 10,804
	14-228	FD-1999	541,124
	14-228	FD-1998	118,522
	14-228	FD-1997	193,591
	14-228	FD-1996	228,007
			<u>1,534,060</u>
Housing Opportunities for person with AIDS	14-241		59,913
U.S. Department of Justice:			
Passed-through Commonwealth of P.R. Commissioner office at Municipal Affairs			
Office Community Oriented Policing Services Troops to C.O.P.S.	16-710		68,707
U.S. Department of Transportation			
Passed-through Commonwealth of P.R. Commissioner office at Municipal Affairs	20-500		661
U.S. Federal Emergency Management Agency:			
Passed-through Emergency Management State and Local Assistance			
FEMA	83-544	1247	333,117
Lluvia/Nov	83-544		10,481
			<u>343,598</u>
Total Federal Assistance			<u>\$ 2,386,688</u>

See notes to the schedule of expenditures of federal awards.

**MUNICIPALITY OF VEGA ALTA, PUERTO RICO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS**  
**FOR THE FISCAL YEAR THEN ENDED JUNE 30, 2002**

(1) GENERAL

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Municipality of Vega Alta, Puerto Rico and is presented on the accrual basis of accounting in accordance with generally accepted accounting principles. The reporting entity is define in Note 1 to the general purpose financial statements of the Municipality. 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) MAJOR FEDERAL AWARDS

The Community Development Block grants, Housing Assistance Payments Programs, Health and Human Services Programs and Federal Emergency Management Agency represents the major federal financial awards of the Municipality. Major federal awards represent 89% of total expenditures.

(3) FEDERAL CFDA NUMBER

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

(4) RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Federal financial assistance expenditures are reported in the Municipality of Vega Alta, Puerto Rico Combined Statement of Revenues, Expenditures and Change in Fund Balances - All Governmental and Types as follow:

<u>Description</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total</u>
Federal Programs Expenditures	\$2,386,688	\$ -	\$ 2,386,688
State & Municipal Expenditures	1,103,577	888,364	1,991,941
Total Expenditures	\$3,490,265	\$ 888,364	\$ 4,378,629

*Juan A. Feliciano Charneco*  
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**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 Mayor and Municipal Council  
Municipality of Vega Alta, Puerto Rico

I have audited the general-purpose financial statements of the Municipality of Vega Alta, Puerto Rico, as of and for the year ended June 30, 2002, and has issued a qualified (for its general fixed assets) report thereon dated November 12, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtain reasonable assurance about whether the Municipality of Vega Alta financial statements are free of material misstatement, I performed tests of its compliance which certain provision of law, regulations, contracts and grants, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

I noted no matters involving the internal control over financial reporting and its operation that I consider being material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Municipality of Vega Alta, in a separate dated November 12, 2002.

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

San Juan, Puerto Rico  
November 12, 2002

The stamp number 1855773  
Was affixed to the  
original of this report.

*Juan A. Feliciano Charneco*  
CPA JUAN A. FELICIANO CHARNECO  
License No. 1263  
Expires December 1, 2004



*Juan A. Feliciano Charneco*

CERTIFIED PUBLIC ACCOUNTANT

406 Tnt. César González  
Eleanor Roosevelt  
Hato Rey, PR 00919

Tel. (787) 879-4433  
Fax (787) 880-1402

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

Mayor of the Municipality of Vega Alta  
Vega Alta, Puerto Rico

**Compliance**

I have audited the compliance of the Municipality of Vega Alta, Puerto Rico, 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. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Municipality's management. My responsibility is to express an opinion on the Municipality's compliance based on my audit.

I conducted my audit in accordance with 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 and Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Municipality's compliance with those requirements.

In my opinion, Municipality of Vega Alta, 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, 2002. However, the results of my 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 2002-01, 2002-02, 2002-03, 2002-04, 2002-05, 2002-06, 2002-07 and 2002-08.

Internal Control Over Compliance

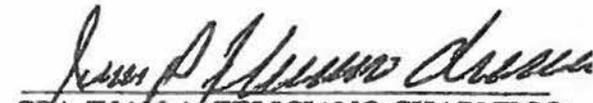
The management of the Municipality of Vega Alta, Puerto Rico, is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Municipality of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

My 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. I noted no matters involving the internal control over compliance and its operation that I consider being material weaknesses.

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

San Juan, Puerto Rico  
November 12, 2002

The stamp number 1855774  
was affixed to the  
original of this report.

  
CFA JUAN A. FELICIANO CHARNECO  
License No. 1263  
Expires December 1, 2004



**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**A. Summary of Audit results**

**Financial Statements**

Type of auditor's issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes \_\_ X \_\_\_ No

Reportable condition(s) identified not considered  
to be material weaknesses?

\_\_\_ Yes \_\_ X \_\_\_ No None reported

Noncompliance material to financial statements noted?

\_\_\_ Yes \_\_ X \_\_\_ No

**Federal Awards**

Internal control over mayor programs:

Material weakness(es) identified?

\_\_\_ Yes \_\_ X \_\_\_ No

Reportable condition(s) identified not

Considered being material weaknesses?

\_\_\_ Yes \_\_ X \_\_\_ No

Type of auditor's report issued on compliance considered  
For mayor programs

Unqualified

Any audit findings disclosed that are required to be  
Reported in accordance with Circular A-133,  
Section .510(a) are reported on part C, of this schedule

\_\_ X \_\_\_ Yes \_\_\_ No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.855, 14.857	Section 8 – Voucher
83.534	FEMA
14-228	CDBG

Dollar threshold used to distinguish  
Between type A and type B Programs

300,000

Auditee qualified as low-risk auditee

Yes  No

B - Financial Statements Findings

No matters were reported regarding reportable conditions, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with paragraph 5.18 through 5.20 of Governmental Auditing Standards.

C - Federal Award Findings and Questioned Cost

Federal Program Information

**MUNICIPALITY OF VEGA ALTA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2002  
 (continued)**

**U.S. Department of Housing and Urban Development  
 Public and Indian Housing  
 Passed-through Public and Indian Housing  
 CFDA No. 14-855  
 Grant No. RQ-56V056001/004  
 Year ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
2002-01	<p><u>Statement of Condition and Criteria</u>            During my test of compliance I noted that the Municipality is not complying with the criteria established by Standards of Financial Management Systems, Sub-part C, Section 21,b.</p> <ol style="list-style-type: none"> <li>1. Accurate, current and complete disclosure of the financial results of federally sponsored projects of programs.</li> <li>2. Records that identify adequately the source and application of funds. The records shall contain information pertaining to federal awards, authorization, obligations, un-obligated balances, assets, outlays, income and interest.</li> <li>3. Effective controls and accountability for funds, property and other assets.</li> <li>4. Comparisons of outlays with budget amount for award.</li> <li>7. Accounting records including cost accounting records that are supported by source documentation.</li> </ol>	<p style="text-align: center;">-0-</p>

To established procedures to comply with Financial and Program Management Standards of funds from the Office of the Public and Indian Housing voucher program. It was noted during my audit that Municipality does not maintain proper accounting records.

Cause

The Municipality does not comply with the Financial and Program Management System Standards.

Effect

The Municipality does not maintain an adequate procedures for the administration of funds from the office of the Commissioners Office of Municipal Affairs-Voucher.

Auditor's Recommendation

The Municipality must establish adequate procedures in order to control in a more effective manner the financial and Program management system standards.

Municipality Response:

We concur with auditor's recommendations. The Municipality will evaluate the actual administrative procedures followed to establish a procedure, to comply with proper financial and program management system standards.

**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002  
(continued)**

**U.S. Department of Housing and Urban Development  
Passed-through Public and Indian Housing  
CFDA No. 14-855  
Grant No. RQ56V056001/004  
Year Ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
-----	-----	-----
2002-02	<p><u>Statement of Condition and Criteria</u> It was noted in my test of compliance is not complying with the criteria established by Treasury Circular letter 1075. The Municipalities financial management system.</p> <p>To established procedures to minimize the time elapsing between the transfer of funds from the Office of the Public and Indian Housing and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.</p> <p><u>Cause</u> The Municipality does not comply with the Circular 1075 of the Department of Treasury of the United States.</p> <p><u>Effect</u> The Municipality does not maintained an adequate procedures for the Administration of cash that determine properly their use needed.</p> <p><u>Auditors Recommendation</u> The Municipality establishes adequate procedures in order to control in a more effective manner the need of the federal funds used.</p> <p><u>Municipality Response:</u> We concur with auditor's recommendations. The Municipality evaluate the actual administrative procedures followed to establish procedures to minimize the time between the funds revenue and the expenditure.</p>	-0-

**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002  
(continued)**

**Department of Housing Urban Development  
Passed-through Public and Indian Housing  
CFDA No. 14-241  
Grant No. Housing Opportunities for Persons with Aids  
Year ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
-----	-----	-----
2002-03	<p><u>Statement of Condition and Criteria</u> It was noted in my test of compliance that the Municipality is not complying complying with the criteria established by the Standards of Financial management Systems, Sub-part C, Section 21, b.</p> <ol style="list-style-type: none"> <li>1. Accurate, current and complete disclosure of the financial results of federally sponsored projects of programs.</li> <li>2. Records that identify adequately the source and application of funds. The records shall contain information pertaining to federal awards, authorization, obligations, un-obligated balances, assets, outlays, income and interest.</li> <li>3. Effective controls and accountability for funds, property and other assets.</li> <li>4. Comparisons of outlays with budget amount for award.</li> <li>7. Accounting records including cost accounting records that are supported by source documentation.</li> </ol> <p>To established procedures to comply with Financial and Program Management Standards of funds from the Office of the Public and Indian Housing Hopua Program. It was noted during my audit that Municipality does not maintain proper accounting records.</p> <p><u>Cause</u> The Municipality does not comply with the Financial and Program Management System Standards.</p>	-0-

Effect

The Municipality does not maintain and adequate procedures for the Administration of funds from the Office of the Public and Indian Housing Hopua Program.

Auditors Recommendation

The Municipality must establish adequate procedures in order to control in a More effective manner the financial and Program Management System Standards

Municipality Response:

We concur with auditor's recommendations. The Municipality will evaluate the actual administrative procedures followed to establish a procedure, to comply with proper financial and program management system standards.

**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002  
(continued)**

**U.S. Department of Housing  
Passed-through Public and Indian Housing  
CFDA No. 14-241  
Grant No. Hosing Opportunities for Persons with Aids  
Year ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
2002-04	<p><u>Statement of Condition and Criteria</u> It was noted in my test of compliance is not complying the criteria Established by Treasury Circular letter 1075. The Municipalities financial management system.</p>	-0-

To established procedures to minimize the time elapsing between the transfer of funds from the Office of the Public and Indian Housing Affairs and the disbursements by the Municipality. It was noted during my audit that the Municipality held cash balances over \$5,000 for periods longer than 3 days.

Cause

The Municipality does not comply with the Circular 1075 of the Department of Treasury of the United States.

Effect

The Municipality does not maintain adequate procedures for the administration of cash that determine properly their use needed.

Auditor's Recommendation

The Municipality must establishes adequate procedures in order to control in a more effective manner the need of the federal funds used.

Municipality Response:

We concur with auditor's recommendations. The Municipality evaluate the actual administrative procedures followed to establish a procedure to minimize the time between the funds revenue and the expenditures.

**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002  
(continued)**

**U.S. Department of Federal Emergency Management Agent  
Passed-through Commonwealth of Puerto Rico  
Governors Authorized Representative (GAR)  
CFDA No. 83-544  
Grant FEMA – 1247-DR-PR  
Year ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
-----	-----	-----
2002-05	<p><u>Statement of Condition and Criteria</u> It was noted in my test of compliance is not complying the criteria established by Treasury Circular letter 1075. The Municipalities financial management system.</p> <p>To established procedures to minimize the time elapsing between the transfer of funds from the Office of the Governors Authorized Representative (GAR) and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.</p> <p><u>Cause</u> The Municipality does not comply with the Circular 1075 of the Department of Treasury of the United States.</p> <p><u>Effect</u> The Municipality does not maintained adequate procedures for the administration of cash that determine properly their use needed.</p> <p><u>Auditor's Recommendation</u> The Municipality must establishes adequate procedures in order to control in a more effective manner the need of the federal funds used.</p> <p><u>Municipality Response:</u> We concur with auditor's recommendations. The Municipality evaluate the actual administrative procedures followed to establish a procedure to minimize the time between the funds revenue and the expenditures.</p>	<p style="text-align: center;">-0-</p>

**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002  
(continued)**

**U.S. Department of Federal Emergency Management Agent  
Passed-through Commonwealth of Puerto Rico  
Governors Authorized Representative (GAR)  
CFDA No. 83-544  
Grant FEMA – 1136-DR-PR  
Year ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
-----	-----	-----
2002-06	<p><u>Statement of Condition and Criteria</u> It was noted in my test of compliance is not complying the criteria established established by Treasury Circular letter 1075. The Municipalities financial management system.</p> <p>To established procedures to minimize the time elapsing between the transfer of funds from the Office of the Governor Authorized Representative (GAR) and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.</p> <p><u>Cause</u> The Municipality does not comply with the Circular 1075 of the Department of Treasury of the United States.</p> <p><u>Effect</u> The Municipality does not maintained adequate procedures for the administration of cash that determine properly their use needed.</p> <p><u>Auditor's Recommendation</u> The Municipality must establishes adequate procedures in order to control in a more effective manner the need of the federal funds used.</p> <p><u>Municipality Response:</u> We concur with auditor's recommendations. The Municipality evaluates the actual administrative procedures followed to establish a procedure to minimize the time between the funds revenue and the expenditures.</p>	<p style="text-align: center;">-0-</p>

**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002  
(continued)**

**U.S. Department of Federal Emergency Management Agent  
Passed-through Commonwealth of Puerto Rico  
Governors Authorized Representative (GAR)  
CFDA No. 53-544  
Grant FEMA – Lluvias/noviembre  
Year ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
-----	-----	-----
2002-07	<p><u>Statement of Condition and Criteria</u> It was noted in my test of compliance is not complying the criteria establish by Treasury Circular letter 1075. The Municipalities financial management system.</p> <p>To established procedures to minimize the time elapsing between the transfer of funds from the Office of the Governors Authorized Representative (GAR) and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.</p> <p><u>Cause</u> The Municipality does not comply with the Circular 1075 of the Department of Treasury of the United States.</p> <p><u>Effect</u> The Municipality does not maintained adequate procedures for the administration of cash that determine properly their use needed.</p> <p><u>Auditor's Recommendation</u> The Municipality must establish adequate procedures in order to control in a more effective manner the need of the federal funds used.</p> <p><u>Municipality Response:</u> We concur with auditor's recommendations. The Municipality evaluates the actual administrative procedures followed to establish a procedure to minimize the time between the funds revenue and the expenditures.</p>	<p style="text-align: center;">-0-</p>

**MUNICIPALITY OF VEGA ALTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002  
(continued)**

**U.S. Department of Labor  
Passed-through Commonwealth of Puerto Rico  
Commissioners Office of Municipal Affairs  
CFDA No. 17-253  
Grant No. Welfare to Work  
Year ended June 30, 2002**

Ref. No.	Finding / Noncompliance	Questioned Cost
-----	-----	-----
2002-08	<p><u>Statement of Condition and Criteria</u> It was noted in my test of compliance is not complying the criteria establish by Treasury Circular letter 1075. The Municipalities financial management system.</p> <p>To established procedures to minimize the time elapsing between the transfer of funds from the Office of the Commissioners Office of Municipal Affairs and the disbursements by the Municipality. It was noted during my audit that Municipality held cash balances over \$5,000 for periods longer than 3 days.</p> <p><u>Cause</u> The Municipality does not comply with the Circular 1075 of the Department of Treasury of the United States.</p> <p><u>Effect</u> The Municipality does not maintained adequate procedures for the administration of cash that determine properly their use needed.</p> <p><u>Auditor's Recommendation</u> The Municipality must establishes adequate procedures in order to control in a more effective manner the need of the federal funds used.</p> <p><u>Municipality Response:</u> We concur with auditor's recommendations. The Municipality evaluate the actual administrative procedures followed to establish a procedure to minimize the time between the funds revenue and the expenditures.</p>	<p style="text-align: center;">-0-</p>

**MUNICIPALITY OF VEGA ALTA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2002**

2001 – Finding No. 1: Section 8 Rental Voucher Program  
CFDA No. 14.855  
Section 8 Rental Certificate Program  
CFDA No. 14.857  
Year ended June 30, 2002  
**Finding Reported Again**

2001 – Finding No. 2: Section 8 Housing  
Section 8 Rental Voucher Program  
CFDA No. 14.855  
Year ended June 30, 2002  
**Finding Was Corrected**

2001 – Finding No. 3: Section 8 Housing  
Section 8 Rental Voucher Program  
CFDA No. 14.855  
Year ended June 30, 2002  
**Finding Was Corrected**

2001 – Finding No. 4: Section 8 Housing  
Section 8 Rental Voucher Program  
CFDA No. 14.855  
Year ended June 30, 2002  
**Finding Was Corrected**

2001 – Finding No.5: Section 8 Housing  
Section 8 Rental Voucher Program  
CFDA No. 14.855  
Year ended June 30, 2002  
**Finding Still Prevails**



*Estado Libre Asociado de Puerto Rico*  
*Gobierno Municipal del Pueblo de Vega Alta*

*Benjamin Decllet Salgado*

*Director de Finanzas*

**CORRECTIVE ACTION PLAN**  
**YEAR ENDED JUNE 30, 2002**  
 (continue)

Ref. No. 2002-01	<u>Finding /Corrective Action Planned/Person Responsible:</u>	<u>Anticipated Completion Date</u>
---------------------	---	--

Statement of Condition:  
 The Section 8 – Voucher Program Standard for financial Management System.

On or before  
 end of 2002-03  
 fiscal year

Corrective Action Planned:

The Section 8 – Voucher Administration will evaluate and Implement adequate procedure to control and use in effective Manner federal funds. Standards for financial management system.

Person Responsible:  
 Benjamin Decllet, Finance Director.

Ref. No. 2002-02	<u>Finding /Corrective Action Planned/Person Responsible:</u>	<u>Anticipated Completion Date</u>
---------------------	---	--

Statement of Condition:  
 The Section 8 – Voucher Program cash balance over \$5,000 for Periods end longer than 3 days.

On or before  
 end of 2002-03  
 fiscal year

Corrective Action Planned:

The Municipality Section – 8 Voucher administrator established Adequate procedures to control and use in a effective manner, Federal Funds.

Person Responsible:  
 Benjamin Decllet, Finance Director

**CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2002  
(continue)**

<u>Ref. No.</u>	<u>Finding /Corrective Action</u>	<u>Anticipated</u>
2002-03	<u>Planned/Person Responsible:</u>	<u>Completion Date</u>
	<u>Statement of Condition:</u> The Housing Opportunities for Persons with Aids Program Standards for financial management system.	On or before end of 2002-03 Fiscal year.
	<u>Corrective Action Planned:</u> The HOPWA Administration will evaluate and implement adequate Procedures to control and use in a effective manner, federal funds. Standards for financial management system.	
	<u>Person Responsible:</u> Benjamín Deplet, Finance Director	

<u>Ref. No.</u>	<u>Finding /Corrective Action</u>	<u>Anticipated</u>
2002-04	<u>Planned/Person Responsible:</u>	<u>Completion Date</u>
	<u>Statement of Condition:</u> The Housing Opportunities for Persons with Aids Program Cash balance over \$5,000 for periods end longer than 3 days	On or before end of 2002-03 fiscal year
	<u>Corrective Action Planned:</u> The Housing Opportunities for Persons with Aids Administrator Established adequate procedures to control and use in a effective manner federal funds.	
	<u>Person Responsible:</u> Benjamin Deplet, Finance Director	

**CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2002  
(continue)**

<u>Ref. No.</u>	<u>Finding /Corrective Action</u>	<u>Anticipated</u>
	<u>Planned/Person Responsible:</u>	<u>Completion Date</u>
2002-05	<p><u>Statement of Condition:</u> The Federal Emergency Management Agent Program , George Cash balance over \$5,000 for periods end longer than 3 days</p> <p><u>Corrective Action Planned:</u> The Finance Department of the Federal Emergency Management Agent administrator established adequate procedures to control and use in a effective manner Federal Funds.</p> <p><u>Person Responsible:</u> Benjamin Deplet, Finance Director</p>	<p>On or before end of 2002-03 fiscal year</p>
2002-06	<p><u>Statement of Condition:</u> The Federal Emergency Management Agent Program , Hortence Cash balance over \$5,000 for periods end longer than 3 days</p> <p><u>Corrective Action Planned:</u> The Finance Department of the Federal Emergency Management Agent administrator established adequate procedures to control and use in a effective manner Federal Funds.</p> <p><u>Person Responsible:</u> Benjamin Deplet, Finance Director</p>	<p>Anticipated <u>Completion Date</u></p> <p>On or before end of 2002-03 fiscal year</p>

**CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2002  
(continue)**

Ref. No. 2002-07	<u>Finding /Corrective Action</u> <u>Planned/Person Responsible:</u>	<u>Anticipated Completion Date</u>
	<u>Statement of Condition:</u> The Federal Emergency Management Agent Program Lluvia / Nov Cash balance over \$5,000 for periods end longer than 3 days	On or before end of 2002-03 fiscal year
	<u>Corrective Action Planned:</u> The Finance Department of the Federal Emergency Management Agent administrator established adequate procedures to control and use in a effective manner federal Funds.	
	<u>Person Responsible:</u> Benjamin Deplet, Finance Director	
Ref. No. 2002-08	<u>Finding /Corrective Action</u> <u>Planned/Person Responsible:</u>	<u>Anticipated Completion Date</u>
	<u>Statement of Condition:</u> The Welfare to Work Program, Cash balance over \$5,000 for periods end longer than 3 days	On or before end of 2002-03 fiscal year
	<u>Corrective Action Planned:</u> The Finance Department of the School To Work Program administrator established adequate procedures to control and use in a effective manner, federal funds.	
	<u>Person Responsible:</u> Benjamin Deplet, Finance Director	

MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

Informe de Auditoría: "Single Audit"

Periodo Auditado: 1 de julio de 2001 - 30 de junio de 2002

Funcionario Principal: Sr. José M. Colón García

Funcionario Designado: Sr. Josué A. Cardona Santana

Fecha: Diciembre 2002

Posición: Alcalde Interino

Posición: Auditor Interno Interin

UNIDAD DEL COMISIONADO  
CORREO  
03 MAR 18 AM 8:06

Cont # 03,9273

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-01 El Municipio debe establecer procedimientos adecuados que ayuden a controlar de una manera eficiente los Estándares Programáticos y Financieros del programa de certificados auspiciados por HUD.	El Municipio tiene y cumple con los Estándares Programáticos y Financieros del Programa de certificados auspiciados por HUD.	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

*José M. Colón García*  
FIRMA

*6/03/03*  
FECHA

MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-02 El Municipio debe establecer procedimientos adecuados que ayuden de una manera efectiva a planificar y proyectar la cantidad de efectivo necesario en las operaciones efectuadas con fondos federales.	El Municipio evaluará los procedimientos que se usan actualmente de tal manera que se pueda minimizar el tiempo que transcurre desde que se reciben los fondos federales hasta el momento en que se desembolsan los mismos.	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

  
FIRMA

6/03/03  
FECHA

MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-03 El Municipio debe establecer procedimientos adecuados que ayuden a controlar de una manera efectiva los Estándares Programáticos y Financieros del programa HOPUA	El Municipio evaluará los prácticas que se usan actualmente de manera que puedan establecer y seguir prácticas que ayuden a establecer los Estándares Programáticos y Financieros del Programa HOPUA	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

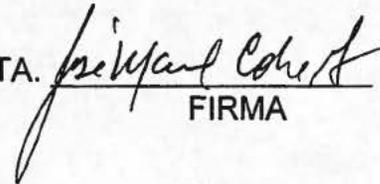
  
FIRMA

6/03/03  
FECHA

MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-04 El Municipio debe establecer procedimientos adecuados que ayuden de una manera efectiva a planificar y proyectar la cantidad de efectivo necesario en las operaciones efectuadas con fondos federales.	El Municipio evaluará los procedimientos que se usan actualmente de tal manera que se pueda minimizar el tiempo que transcurre desde que se reciben los fondos federales hasta el momento en que se desembolsan los mismos.	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

  
FIRMA

6/03/03  
FECHA

MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-05 El Municipio debe establecer procedimientos adecuados que ayuden de una manera efectiva a planificar y proyectar la cantidad de efectivo necesario en las operaciones efectuadas con fondos federales.	El Municipio evaluará los procedimientos que se usan actualmente de tal manera que se pueda minimizar el tiempo que transcurre desde que se reciben los fondos federales hasta el momento en que se desembolsan los mismos.	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

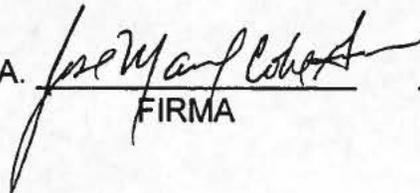
  
FIRMA

6/03/03  
FECHA

MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-06 El Municipio debe establecer procedimientos adecuados que ayuden de una manera efectiva a planificar y proyectar la cantidad de efectivo necesario en las operaciones efectuadas con fondos federales.	El Municipio evaluará los procedimientos que se usan actualmente de tal manera que se pueda minimizar el tiempo que transcurre desde que se reciben los fondos federales hasta el momento en que se desembolsan los mismos.	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

  
FIRMA

6/03/03  
FECHA

MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-07 El Municipio debe establecer procedimientos adecuados que ayuden de una manera efectiva a planificar y proyectar la cantidad de efectivo necesario en las operaciones efectuadas con fondos federales.	El Municipio evaluará los procedimientos que se usan actualmente de tal manera que se pueda minimizar el tiempo que transcurre desde que se reciben los fondos federales hasta el momento en que se desembolsan los mismos.	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

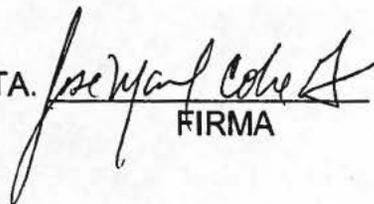
  
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MUNICIPIO DE VEGA ALTA  
PLAN DE ACCION CORRECTIVA

RECOMENDACION	ACCION CORRECTIVA	RESULTADO
2002-08 El Municipio debe establecer procedimientos adecuados que ayuden de una manera efectiva a planificar y proyectar la cantidad de efectivo necesario en las operaciones efectuadas con fondos federales.	El Municipio evaluará los procedimientos que se usan actualmente de tal manera que se pueda minimizar el tiempo que transcurre desde que se reciben los fondos federales hasta el momento en que se desembolsan los mismos.	Cumplimentada.

CERTIFICO QUE ESTA INFORMACION ES CORRECTA.

  
FIRMA

06/03/03  
FECHA