

Palm Beach County, Florida

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2001

1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (Schedule) presents the activity of all federal awards programs and state financial assistance projects of Palm Beach County, Florida (the County) for the year ended September 30, 2001. The County's structure is described in Note 1 to the accompanying general purpose financial statements. Federal awards and state financial assistance received directly from federal and state agencies as well as those passed through other governmental agencies are included in the Schedule.

2. Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting for expenditures accounted for in government funds, and the accrual basis of accounting for expenditures in proprietary funds. Under the modified accrual basis, revenue is recognized if it is both measurable and available for use during the fiscal year and expenditures are recognized in the period liabilities are incurred, if measurable. Under the accrual basis, expenditures are recognized in the period liabilities are incurred.

3. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

4. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of Palm Beach County, Florida. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.