OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES

AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE AGUADA
AUDITORIA 2002-2003

30 DE JUNIO DE 2003

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
(WITH ADDITIONAL REPORTS REQUIRED
UNDER THE OMB CIRCULAR A-133)

FISCAL YEAR ENDED JUNE 30, 2003

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

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Independent Auditors' Report

Mayor and Municipal Legislature
Municipality of Aguada
Aguada, Puerto Rico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of Aguada, Puerto Rico, as of and for the year ended June 30, 2003, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of *Jardines de Aguada Project*, which represent one hundred percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for *Jardines de Aguada Project*, is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient evidence to support the valuation, existence, completeness and rights and obligations applicable to certain general capital assets in government activities and we were unable to satisfy ourselves by means of other auditing procedures.

As more fully described in Note G to the financial statements, the Municipality has not determined and recorded in governmental activities an estimate of the total municipal solid waste landfill post closure care costs of a closed solid waste landfill, as required by accounting principles generally accepted in the United States of America. The amount by which this departure would affect the liabilities of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the valuation, existence, completeness and rights and obligations applicable to certain general capital assets in government activities and except for the effect of not determining and recording the estimate of solid waste landfill post closure care costs in governmental activities, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of Aguada as of June 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Municipality has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments;* GASB Statement No. 37, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and 34;* GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* GASB Interpretation No. 6 *"Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" and* GASB Statement No. 41 *Budgetary Comparison Schedule - Perceptive Differences - an Amendment of GASB Statement No. 34* as of June 30, 2003.

The Management's Discussion and Analysis on pages 4 through 14 and the Budgetary Comparison Schedule – General Fund on page 43 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated March 12, 2004 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Aguada's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, *"Audits of State, Local Governments, and Non-Profit Organizations"* and is not a required part of the basic financial statements. Such information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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Mayagüez, Puerto Rico
March 12, 2004

Rodríguez, Rivera & Toro LLP

MANAGEMENT DISCUSSION AND ANALYSIS

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2003

On July 1, 2002 the Management of the Municipality of Aguada implemented Statement No. 34 of the Governmental Accounting Standards Board (GASB) *"Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments"*. As a result of the requirements of such statement, a Management Discussion and Analysis (MD&A) is prepared. The MD&A is designed to introduce the basic financial statements and provide an analytical overview of the financial activities of the Municipality. Since it focus on current year activities, resulting changes and currently known facts, please read it in conjunction with the Municipality's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Municipality, primary government, exceeded its liabilities at the close of fiscal year 2003 by $22,924,070 (net assets).
- At the close of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of $5,741,998, an increase of $1,197,262 in comparison with the prior year. Approximately 26 percent of the total combined fund balances is unreserved.
- The General Fund, on a current financial resources basis, reported an excess of revenues and other financing sources over expenditures and other financing uses of $1,818,845 and an unreserved fund balance of $1,485,281.
- The investment in capital assets as of June 30, 2003 was $28,502,798 (net of depreciation).
- Long term debt increased $692,754, approximately 8 percent with respect to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Municipality's of Aguada basic financial statements. The Municipality's basic financial statements comprise three components:

- government-wide financial statements
- fund financial statements
- notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

In the past, the primary focus of local government financial statements has been summarized fund type information on a current financial resources basis. However, with the implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB Statement No. 34) for June 30, 2003, the new focus is on both the Municipality as a whole (government-wide) and the fund financial statements. Each view provides a different snapshot of the Municipality's finances. The government-wide financial statements, which are new for fiscal year 2003, provide both long-term and short-term information about the Municipality's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual parts of the Municipality's government, reporting the Municipality's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year-to-year or government-to-government) and enhance the Municipality's accountability.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2003

Government-Wide Statements

The government-wide statements report information about the Municipality as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, include all of the government's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two government-wide statements report the Municipality's net assets and how they have changed. Net assets, (the difference between the Municipality's assets and liabilities) is one way to measure the Municipality's financial health, or financial position. Over time, increases or decreases in the Municipality's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as the condition of the Municipality's roads and other infrastructure may need to be considered to assess the overall health of the Municipality.

Fund Financial Statements

The format of the fund financial statements will be more familiar to traditional users of government financial statements. The fund financial statements provide more detailed information about the Municipality's most significant funds – not the Municipality as a whole. Funds are accounting mechanisms that the Municipality uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by Federal and Commonwealth regulations, as well by bond covenants. The Municipality's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.

The Total Governmental Funds column requires reconciliation because of the different measurement focus from the government-wide statements (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column of the government-wide statements.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2003

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

This is the first year that the Municipality has presented its financial statements under the new reporting model required by GASB Statement No. 34. This reporting model changes significantly both the recording and presentation of financial data. However, under this statement, the Municipality is not required to restate prior periods for the purposes of providing comparative information. In future years, when prior year information becomes available, a comparative analysis of government-wide information will be included in this report.

Net assets

TABLE 1

Condensed Statement of Net Assets
June 30, 2003

Assets		
Current and other assets	$	8,222,288
Capital assets		28,502,798
Total assets	$	36,725,086
Liabilities		
Current and other liabilities	$	2,257,777
Long term liabilities		9,277,239
Total liabilities		11,535,016
Net assets		
Invested in capital assets, net of related debt		23,607,355
Restricted		2,807,536
Unrestricted		(1,224,821)
Total net assets	$	25,190,070

Net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. The largest portion of the Municipality's net assets reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The Municipality uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources, because capital assets are not generally liquidated for the purpose of retiring debt. Approximately 12% of the Municipality's net assets are subject to external restrictions.

Unrestricted net assets are the part of the net assets that can be used to finance day-to-day operations without constrains established by debt covenants, enabling legislation or other legal requirements. As of June 30 2003 the Municipality presented an unrestricted net assets deficit due primarily to incurred long term obligations such as compensated absences and debts to CRIM for which the Municipality did not provide funding in previous budgets. Historically, such obligations have been budgeted on a pay as you go basis without providing funding for their future liquidation. In addition, operational loans and certain general obligation bonds do not have a related capital asset to be reported as Invested in capital assets, net of related debt section of net assets. Therefore, are reported as part of the unrestricted net assets section.

Changes in net assets

TABLE 2

Condensed Statement of Activities
Fiscal year ended June 30, 2003

Program revenues:	
Fees, fines and charges for services	$ 2,361,280
Operating grants and contributions	764,536
Capital grants and contributions	1,258,078
General revenues:	
Property taxes	3,798,522
Municipal license taxes	1,074,308
Grants and contributions not restricted to specific programs	5,654,436
Interest	129,214
Other	267,061
Total revenues	15,307,435
Expenses:	
General government	7,246,853
Public works and sanitation	4,080,183
Public safety	563,054
Culture and recreation	1,393,023
Health	122,716
Welfare and community development	1,233,958
Claims and judgments	130,602
Interest on long term debt	366,773
Total expenses	15,137,162
Change in net assets	170,273
Net assets-beginning of year	25,019,797
Net assets-end of year	$ 25,190,070

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2003

FIGURE 1

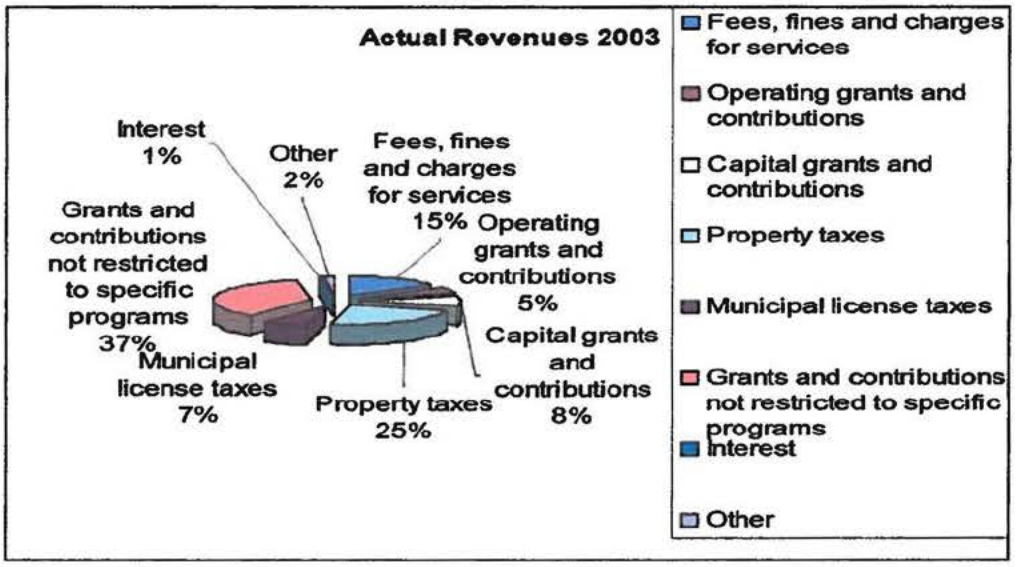
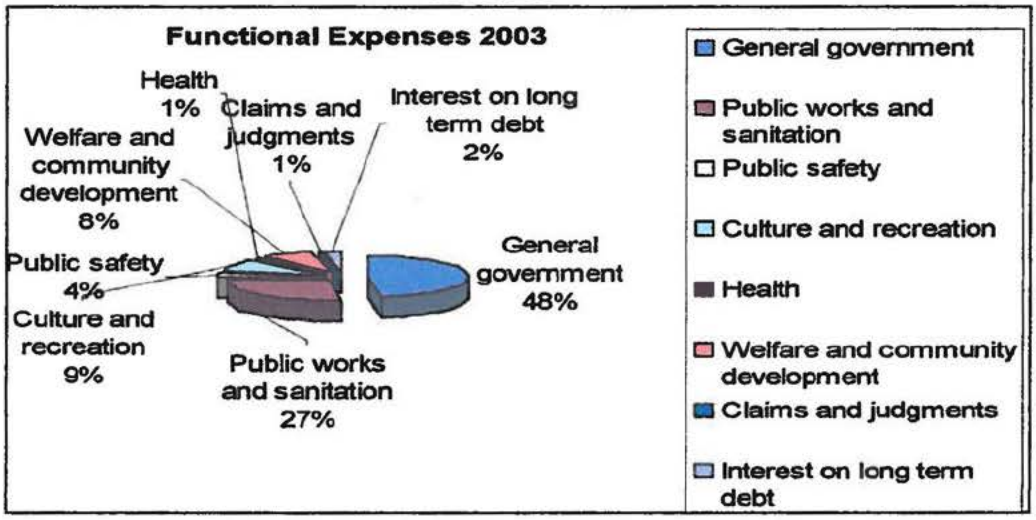


FIGURE 2



Approximately 25% of the Municipality's revenues came from property taxes and approximately 15% comes from fees and charges for services. The remaining significant revenues are governmental contributions not restricted to specific programs with 37%. The Municipality's expenses cover a range of services. The largest expenses are general government representing approximately 48%, public works and sanitation representing approximately 27%, culture and recreation with 9% and welfare and community development with 8%. Program revenues of the Municipality covered 29% of total expenses.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2003

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

Governmental funds

The Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows and balances of resources available for spending. In particular, unreserved fund balance may serve as a useful measure of a Municipality's net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2003, the governmental funds reported combined ending fund balances of $5,741,998, a net increase of $1,197,262 in comparison with the prior year. This increase was caused primarily by a net change in debt service fund of ($141,760), ($462,283) in general fund, $1,801,305 in the other governmental funds and $390,833 in prior year adjustments to fund balances. Of total combined fund balances, $1,818,845 (32%) constitutes unrestricted fund balance, of which $1,485,281 is available for governmental spending. The remainder of fund balance is reserved to indicate that is not available for new spending.

The general fund is the operating fund of the Municipality. Unreserved fund balance of the general fund represents approximately 32% of total combined ending fund balances. For the year ended 2003 the fund balance of the general fund decreased by ($462,283) as compared by the prior year increase of $867,193. The cause was the result of a net increase of $406,941 in total revenues, insufficient to cover a net increase of $507,474 in total expenditures plus decrease of ($1,228,943) in other financing sources.

General fund budgetary highlights

The general fund final budget for the fiscal period 2002-2003 presented an increase of 3% with respect to prior year budget. Amendments to the original budget are approved by the Municipal Legislature. During the fiscal year budget revenues were increased by prior year revenues (fund balance) by $477,035 that are considered revenues for budgetary purposes but not for financial reporting purposes. During the fiscal year budget revenues were increased by $193,534 due to additional collections for property taxes, reimbursements from the Municipal Revenue Collection Center (CRIM). Actual revenues did not exceed the revised budgeted revenues by $24,628.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of the fiscal year, the Municipality has invested $28,502,798 in a broad range of capital assets, including buildings, parks, roads, bridges, land and equipment.

TABLE 3

Municipality of Aguada's Capital Assets
(net of depreciation)
June 30, 2003

Non-depreciable assets:		
Land	$	3,136,536
Construction in progress		1,197,596
Depreciable assets:		
Buildings and buildings improvements		17,876,362
Infrastructure		3,494,704
Vehicles, machinery and equipment		2,797,600
Total	$	28,502,798

The Municipality reported approximately $1,197,596 in infrastructure additions during the year. These one were mainly on improvements to the municipal athletic track.

Long term debt

At year-end, the Municipality had $5,945,000 in general and special bonds and notes, an increase of 9% with respect to prior year. The Municipality is required to maintain a legal debt margin of 10% of the total assessment of property located within the Municipality plus the balance of the property taxes in the debt service fund.

TABLE 4

Municipality of Aguada's Outstanding Debt
June 30, 2003

General and special obligation bonds and notes	$	5,945,000
Compensated absences		1,976,231
Claims and judgments		127,600
Payable to ASES		884,397
Payable to CRIM – prior years doubtful accounts		468,783
Christmas Bonus		271,316
Total	$	9,673,327

More detailed information about the Municipality's long term liabilities is presented in Note F to the basic financial statements.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2003

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Municipality's selected and appointed officials considered many factors when setting the fiscal year 2003-2004 budget. One of these factors is the economy. Among economic areas considered are the population growth estimates, personal income, housing statistics and unemployment rates.

The Municipality applied a conservative approach in development budget estimates. Amounts available for appropriations in the General Fund for the fiscal year 2004 are $9,859,498, an increase of approximately 4% with respect to prior year estimates. Budgeted expenditures are expected to rise accordingly to the increase of budgeted revenues.

The municipality's officials expect a favorable change in the economy for the increase in the private and public housing construction, specially that ones over property taxes exemptions, will bring more revenues to the municipality. However, the uncertainty in the reduction on operation of some manufacturing industries will, in some way, will reduce the impact of those increases in revenues.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Municipality's Director of Finance at PO Box 517, Aguada, Puerto Rico 00602.

BASIC FINANCIAL STATEMENTS

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government Governmental Activities	Component Unit	Total Reporting Entity
ASSETS			
Current assets:			
Cash and cash equivalents (note B)	$ 2,312,610	$ 5,680	$ 2,318,290
Short term investments (note B)	59,655	-	59,655
Receivables, net			
Property taxes	131,015		131,015
Due from:			-
Commonwealth Governmental entities (note C)	1,528,776	-	1,528,776
Federal Government	129,506	-	129,506
Other assets	-	8,536	8,536
Total current assets	4,161,562	14,216	4,175,778
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	2,045,987	92,093	2,138,080
Cash with fiscal agent	1,981,773	-	1,981,773
Deferred charges, net	32,966	-	32,966
Capital assets (note E):			
Nondepreciable assets:			
Land and construction in progress	4,334,132	93,700	4,427,832
Depreciable assets:			-
Buildings, infrastructure, equipment and other	24,168,666	1,311,393	25,480,059
Total capital assets, net	28,502,798	1,405,093	29,907,891
			-
Total noncurrent assets	32,563,524	1,497,186	34,060,710
Total assets	$ 36,725,086	$ 1,511,402	$ 38,236,488

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government Governmental Activities	Component Unit	Total Reporting Entity
LIABILITIES			
Current liabilities:			
Accounts payable	$ 294,936	$ 4,960	$ 299,896
Accrued payroll taxes and withholdings	77,301	-	77,301
Matured bonds and notes payable	335,000	-	335,000
Matured interest payable	169,377	11,443	180,820
Current portion of long-term obligations (note F):			
Bonds and notes payable	331,000	16,219	347,219
Compensated Absences	713,787	7,302	721,089
Commonwealth Governmental entities	66,060	-	66,060
Christmas Bonus	271,316	-	271,316
Total current liabilities	2,258,777	39,924	2,298,701
Noncurrent liabilities:			
Deposits payable	196,817	8,588	205,405
Deferred revenues:			-
Municipal license taxes (note I)	788,258	-	788,258
Long term liabilities (note F) :			
Compensated Absences	1,262,444	-	1,262,444
Commonwealth Governmental entities	1,287,120	-	1,287,120
Bonds and notes payable	5,614,000	1,912,523	7,526,523
Claims and judgments	127,600	-	127,600
Total noncurrent liabilities	9,276,239	1,921,111	11,197,350
Total liabilities	**11,535,016**	**1,961,035**	**13,496,051**
NET ASSETS			
Invested in capital assets, net of related debt	23,607,355	-	23,607,355
Restricted for:			-
Capital projects	1,203,145	-	1,203,145
Debt service	460,527	-	460,527
Other purposes	1,143,864	-	1,143,864
Unrestricted (deficit)	(1,224,821)	(449,633)	(1,674,454)
Total net assets	$ 25,190,070	$ (449,633)	$ 24,740,437

The accompanying notes are an integral part of this statement.

COMMONWELTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2003

Functions	Expenses	Program Revenues: Fees, Fines and Charges for services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Primary Government	Net (Expense) Revenue and Changes in Net Assets: Component Unit
Primary Government:						
Governmental Activities:						
General government	$ 7,246,853	$ 2,361,280	$ -	$ 94,679	$ (4,790,894)	
Public works and sanitation	4,080,183	-	-	1,037,516	(3,042,667)	
Public safety	563,054	-	-	-	(563,054)	
Culture and recreation	1,393,023	-	-	-	(1,393,023)	
Health	122,716	-	-	-	(122,716)	
Welfare and community development	1,233,958	-	764,536	125,883	(343,539)	
Claims and judgments	130,602	-	-	-	(130,602)	
Interest on long term debt	366,773	-	-	-	(366,773)	
Total primary government	$ 15,137,162	$ 2,361,280	$ 764,536	$ 1,258,078	(10,753,268)	
Component unit:						
Administrative	$ 112,455	$ 344,986	$ -	$ -		$ 232,531
Operations	86,148	-	-	-		(86,148)
Interest and depreciation	245,930	-	-	-		(245,930)
Total component unit	$ 444,533	$ 344,986	$ -	$ -		(99,547)
General revenues						
Property taxes					3,798,522	-
Municipal license taxes					1,074,308	-
Grants and contributions not restricted to specific programs					5,654,436	-
Interest					129,214	1,501
Other					267,061	-
Total					10,923,541	1,501
Change in net assets					170,273	(98,046)
Net assets-beginning					25,019,797	(351,587)
Net assets-ending					$ 25,190,070	$ (449,633)

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents (note B)	$ 2,312,610	$ -	$ -	$ 2,312,610
Short term investments (note B)	-	-	59,655	59,655
Receivables, net:				
Property taxes	-	131,015	-	131,015
Due from:				
Commonwealth Governmental entities (note C)	649,635	-	879,141	1,528,776
Federal Government	-	-	129,506	129,506
Other funds	460,417	-	-	460,417
Restricted assets:				
Cash and cash equivalents	-	-	2,045,987	2,045,987
Cash with fiscal agent	-	833,889	1,147,884	1,981,773
Total assets	$ 3,422,662	$ 964,904	$ 4,262,173	$ 8,649,739
LIABILITIES				
Accounts payable	$ 78,441	$ -	$ 216,495	$ 294,936
Accrued payroll taxes and withholdings	77,301	-	-	77,301
Matured bonds and notes payable	-	335,000	-	335,000
Matured interest payable	-	169,377	-	169,377
Due to:				
Other funds	-	-	460,417	460,417
Deposits payable	74,182	-	122,635	196,817
Deferred revenues:				
Municipal license taxes (note I)	788,258	-	-	788,258
Intergovernmental-Commonwealth agencies (note C)	585,635	-	-	585,635
Total liabilities	1,603,817	504,377	799,547	2,907,741
FUND BALANCES				
Reserved for:				
Encumbrances	333,564	-	-	333,564
Debt service	-	460,527	-	460,527
Capital projects	-	-	2,318,762	2,318,762
Other purposes	-	-	1,143,864	1,143,864
Unreserved, undesignated, reported in:				
General fund	1,485,281	-	-	1,485,281
Total fund balances	1,818,845	460,527	3,462,626	5,741,998
Total liabilities and fund balances	$ 3,422,662	$ 964,904	$ 4,262,173	$ 8,649,739

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances:		**$**	**5,741,998**
Amounts reported for governmental activities in the Statement of Net Assets different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			28,502,798
Assets are not available to pay for current period expenditures and therefore are not considered in the funds:			
Deferred charges			32,966
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Due from Commonwealth entities:			
Puerto Rico Electric Power Authority (PREPA)	$ 189,846		
Puerto Rico Department of Education	64,000		
CRIM-current year property tax advances liquidation	196,133		
Puerto Rico Department of Treasury-Christmas bonus reimbursemen	135,656		585,635
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds and notes	$ 5,945,000		
Compensated absences	1,976,231		
Christmas bonus	271,316		
Judgement and claims	127,600		
Doubtfull accounts debt payable to CRIM	468,783		
Debt to ASES	884,397		(9,673,327)
Net assets of governmental activities:		**$**	**25,190,070**

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes (note H)	$ 2,886,363	$ 720,541	$ -	$ 3,606,904
Municipal license taxes (note I)	1,074,308	-	-	1,074,308
Intergovernmental (note J)	4,725,646	-	4,244,584	8,970,230
Fees, fines and charges for services	861,944	-	-	861,944
Interest	108,100	7,335	13,779	129,214
Other	109,409	-	157,652	267,061
Total revenues	9,765,770	727,876	4,416,015	14,909,661
Expenditures				
Current:				
General government	4,423,204	139,084	1,938,199	6,500,487
Public works and sanitation	3,051,036	-	-	3,051,036
Public safety	573,505	-	-	573,505
Culture and recreation	775,729	-	-	775,729
Health	121,216	-	-	121,216
Welfare and community development	779,221	-	434,422	1,213,643
Claims and judgments	280,036	-	-	280,036
Capital outlays	-	-	1,498,600	1,498,600
Debt service				
Principal	-	708,968	-	708,968
Interest	-	366,773	-	366,773
Total expenditures	10,003,947	1,214,825	3,871,221	15,089,993
Excess (deficiency) of revenues over expenditures	(238,177)	(486,949)	544,794	(180,332)
Other financing sources (uses)				
Proceeds from general obligation bonds	-	-	845,000	845,000
Proceeds from CRIM - prior years property tax	532,594	-	-	532,594
Operating transfers in	-	345,189	689,080	1,034,269
Operating transfers out	(756,700)	-	(277,569)	(1,034,269)
Total other financing sources (uses)	(224,106)	345,189	1,256,511	1,377,594
Net change in fund balance	(462,283)	(141,760)	1,801,305	1,197,262
Fund balance at beginning of year, as restated (note K)	2,281,128	602,287	1,661,321	4,544,736
Fund balance at end of year	$ 1,818,845	$ 460,527	$ 3,462,626	$ 5,741,998

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2003

Net change in fund balances-total governmental funds:		**$ 1,197,262**
Amounts reported for governmental activities in the Statement of activities are different because:		
Governmental funds reports capital assets outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for capital assets:	$ 1,360,033	
Less: current year depreciation	(1,555,373)	(195,340)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Due from Commonwealth entities:		
Puerto Rico Electric Power Authority (PREPA)-current year	$ 189,846	
Puerto Rico Department of Education-current year	64,000	
CRIM-current year property tax advances liquidation	196,133	
Puerto Rico Department of Treasury-Christmas bonus reimbursement	135,656	585,635
Revenues reported in funds which are not reported as revenues in the Statement of Activities:		
Due from Commonwealth entities:		
Puerto Rico Electric Power Authority (PREPA)-prior year	$ (85,721)	
CRIM-prior year property tax advances liquidation	(198,049)	
Puerto Rico Department of Treasury-Christmas bonus reimbursement	(97,624)	(381,394)
Proceeds from general obligation bonds is an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets		(845,000)
Proceeds from CRIM - prior years property tax is an other financing source in the governmental funds, but are not sources of funds in the Statement of Net Assets		(339,060)
Repayment of long term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets:		
General obligation bonds and notes	$ 369,908	
Judgments and claims	277,034	
Advances from CRIM - prior years debts	339,060	
Christmas bonus	195,248	1,181,250
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Amortization of deferred charges	$ (4,076)	
Compensated absences	(630,088)	
Judgment and claims	(127,600)	
Christmas bonus	(271,316)	(1,033,080)
Change in net assets of governmental activities:		**$ 170,273**

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

NOTES TO FINACIAL STATEMENTS

Fiscal year ended June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipality of Aguada was founded in 1510. The Municipality is governed by the executive and the legislative branch elected for a four year term during the general elections in Puerto Rico. The Mayor is the executive officer and the legislative branch consists of twelve (12) members of the Municipal Legislature. The Municipality engages in a comprehensive range of services to the community such as: general government administration, public works, health, environmental control, education, public security, welfare, housing, community development and culture and recreation activities.

The financial statements of the Municipality have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*" which affects the way the Municipality prepares and presents financial information. This Statement, which establishes new requirements and a new reporting model for the annual reports of state and local governments, was developed to make annual reports easier to understand and more useful to the people who use the governmental financial information to make decisions.

Other GASB Pronouncements are required to be implemented in conjunction with GASB 34. Therefore, the Municipality has implemented the following GASB Statements in the current fiscal year: GASB Statement No. 37 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34*"; GASB Statement No. 38 "*Certain Financial Statement Note Disclosures;* "GASB Interpretation No. 6 *"Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements"* and GASB Statement No. 41 "*Budgetary Comparison Schedules—Perspective Differences—an amendment of GASB Statement No. 34.*

1. ***Financial reporting entity***

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

There are two methods of presentation of the component unit in the financial statement:

a. Blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Municipality's balances.
b. Discrete presentation of the component unit's financial data in columns separate from the Municipality's balances and transactions:

Based on the above criteria, *Jardines de Aguada Project* (USDA-RD No. 6320-6900660096) meets the criteria to be considered component unit of the Municipality. *Jardines de Aguada Project* is a 70-unit dwelling unit's project located at Aguada, Puerto Rico. The project is operated under Section 515 of USDA, rural development (USDA-RD) and regulated by Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project is also subject to Section 8 Housing Assistance Payments agreements with HUD, and significant portion of rental income is received from HUD. The financial statements of *Jardines de Aguada Project*, which have a year end June 30, 2003, has been included in the financial reporting entity as discrete because of the Municipality's ability to impose its will.

Complete financial statements of *Jardines de Aguada Project* can be obtained by contacting their administrative office at P.O. Box 71, Aguada, Puerto Rico 00602.

2. ***Basis of presentation, measurement focus and basis of accounting***

The financial report of the Municipality consists of a Management Discussion and Analysis (MD&A), basic financial statement notes to the financial statements and required supplementary information other than the MD&A. Following is a summary presentation of each, including the measurement focus and basis of accounting Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus:

Management Discussion and Analysis

This consists of a narrative introduction and analytical overview of the Municipality financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Basic financial statements

Basic financial statements include both government-wide and fund financial statements. Both levels of statements categorize primary activities as governmental type, which are primarily supported by taxes and intergovernmental revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide statements

The government-wide statements consist of a Statement of Net Assets and a Statement of Activities. These statements are prepared using the economic resources measurement focus, which concentrates on an entity or fund's net assets. All transactions end events that affect the total economic resources (net assets) during the period are reported. The statements are reported on the accrual basis of accounting. Revenues are recognized in the period earned and expenses recognized in the period in which the associated liability is incurred. Fiduciary activities, if any, whose resources are not available to finance government programs, are excluded from the government-wide statements. The effect of inter-fund activities is eliminated.

The Statement of Net Assets incorporates all capital (long lived) assets and receivables as well as long term debt and obligations. The Statement of Activities reports revenues and expenses in a format that focus on the net cost of each function of the Municipality. Both the gross and net cost of the function, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross expenses, including depreciation, by related program revenues, operating and capital grants, and contributions. Program revenues must be directly associated with the function.

The types of transactions included as program revenues are: charges for services, fees, licenses and permits; operating grants which include operating-specific and discretionary (either operating or capital) grants; and capital grants which are capital-specific grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Property taxes are recognized as revenues in the year for which they are levied. Revenues on both operating and capital grants are recognized when all eligibility requirements (which include time requirements) imposed by the provider have been met. For certain expenditure-driven grants revenue is recognized after allowable expenditures are incurred. As a policy, indirect expenses in the Statement of Activities are not allocated and the Municipality first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The Municipality reports deferred revenues in the government-wide statements. Deferred revenues arise when resources are received before the Municipality has a legal claim to them or before applicable eligibility requirements are met (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred). In subsequent periods, when the Municipality has a legal claim to the resources, the liability for deferred revenues is removed and the revenue is recognized.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Statements

The financial transactions of the Municipality are recorded in individual funds, each of which are considered an independent fiscal entity. Each fund is accounted for by providing a separate set of self balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. Funds are segregated according to their intended purpose which helps management demonstrating compliance with legal, financial and contractual provisions. Governmental Funds are those through which most governmental functions of the Municipality are financed. The governmental fund statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances with one column for the general fund, one for each major fund and one column combining all non-major governmental funds. Major funds are determined based on a minimum criterion (percentage of the assets, liabilities, revenues or expenditures) or based on the Municipality's official's criteria, if the fund is particularly important to financial statement users.

The Municipality reports the following major governmental funds:

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

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

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The fund statements are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred.

Property taxes are recognized as revenues in the year for which they are levied. Revenues on intergovernmental grants are recognized when all eligibility requirements (which include time requirements) imposed by the provider have been met and revenue becomes available. For certain expenditure-driven grants revenue is recognized after allowable expenditures are incurred. Licenses and permits, charges for services, rent and miscellaneous revenues are recorded as revenues when received because they are not measurable and available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Municipality reports deferred revenues in the governmental funds statements which arise when potential revenue does not meet both measurable and available criteria for recognition in the current period (in the government-wide statements revenue is recognized as soon as it is earned regardless of its availability). Deferred revenues also arise when resources are received before the Municipality has a legal claim to them or before applicable eligibility requirements are met. (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred). In subsequent periods, when the revenue recognition criteria is met, or when the Municipality has a legal claim to the resources, the liability for deferred revenues is removed from the combined balance sheet and the revenue is recognized.

Expenditures are generally recognized when the related liability is incurred. Certain exceptions to this fundamental concept include the following: 1) payments of principal and interest on general long term debt, which are recorded as expenditures when due, except for principal and interest due on July 1 (in this case amounts are recorded as liabilities and expenditures on June 30 since amounts have been accumulated or transferred to the debt service fund before July 1 payments are made) 2) vested compensated absences, claims and judgments and special termination benefits which are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources (in the government-wide statements the expense and related accrual liability for long term portions of debt must be included).

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund financial statements into the government-wide statements. This reconciliation is part of the financial statements.

Notes to Financial Statements

The notes to financial statements provide information that is essential to a user's understanding of the basic financial statements.

Required Supplementary Information:

Required supplementary information consists of the Budgetary Comparison Schedule – General Fund as required by GASB.

3. *Cash, cash equivalents and cash with fiscal agent*

Cash and cash equivalents consists of cash on hand, demand deposits and investments with original maturities of three months or less from the date of acquisition. The Municipality follows the practice of pooling cash of all funds except for certain Commonwealth's grants, restricted funds generally held by outside custodians and federal grants. Available pooled cash balance beyond immediate needs is invested in certificates of deposits.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash with fiscal agent in the debt service fund consists of the undisbursed balance of property tax collections retained by the Commonwealth of Puerto Rico, which are restricted for the repayment of the Municipality's general and special obligation bonds and notes as established by law. Restricted cash and cash equivalents in other governmental funds represent the balance of Federal and Commonwealth's grants deposits. Restricted cash with fiscal agent of other governmental funds represent restricted undisbursed proceeds of certain bonds, loans or grants which are maintained in a cash custodian account by GDB.

4. ***Receivables and due from governmental entities***

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions.

Amounts due from Commonwealth governmental entities in the general fund represents contributions from the Puerto Rico Electric Power Authority (PREPA) for payments in lieu of tax and/or represents amounts due from the Municipal Revenues Collection Center (CRIM) for excess of actual collections over advances of property taxes and amounts of municipal equalization fund ; in other governmental funds represents amounts owed to the Municipality for reimbursement of expenditures incurred on Commonwealth agencies grants. Amounts due from federal government represent amounts owed to the Municipality for the reimbursement of expenditures incurred pursuant to federally funded programs. Amounts reported in the debt service fund represent property tax revenue of current fiscal year collected by the CRIM on the first month (July) of subsequent fiscal year.

5. ***Interfund receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due from/to other funds".

6. ***Inventories***

The Municipality purchases gasoline, oil and other expendable supplies held for consumption. The cost of those purchases is recorded as expenditure when incurred in the appropriate fund but the year-end inventory is not recorded in the Statement of Net Assets, as management believes is not significant.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. ***Capital assets***

Capital assets of the primary government, which include property, plant, equipment and infrastructure, (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the Statement of Net Assets. Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of $1 or more for capitalizing vehicles, machinery and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Years
Buildings and building improvements	15-50
Infrastructure	20-40
Vehicles, machinery and equipment	5-15

8. ***Long-term obligations***

Long-term debt and other long-term obligations, which are reported as liabilities in the governmental activities column in the Statement of Net Assets, consists of general and special obligation bonds, liabilities for compensated absences, claims and judgments, and long-term liabilities to other governmental entities.

9. ***Deferred charges***

Bond issuance costs are reported as deferred charges and amortized as required by current standards. Governmental fund types recognize bond issuance costs as expenditures during the current period. Those issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the appropriate fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. *Compensated absences*

The Municipality's employee accumulates vacation and sick leave based on continuous service. The vacation and sick leave for employees are accumulated on the basis of 2½ days per month of vacation and 1½ days per month of sick pay up to a maximum of 60 days of vacations and 90 days of sick leave. Upon separation from employment the accumulated vacations are liquidated up to the maximum number of days. Accumulated sick pay is liquidated to employees with 10 years or more service up to the maximum number of days. Any excess over 90 days, on sick leave, at December 31 calendar year, are reimbursed The amount of vacations leave is accrued if earned based on services already performed by employees and if it is probable that will be paid in a future period. The amount of sick leave is accrued based on all vesting and no vesting amounts for which payment is probable and on accumulated benefits as of the fiscal year-end.

The accrual of compensated absences includes estimated payments that are related to payroll. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

11. *Fund balance*

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

Encumbrances:	Represent future expenditures under purchase orders and other commitments, which generally will become liabilities in future periods as the goods or services are received.
Debt Service:	Represents net assets available to finance future debt service payments.
Capital Projects:	Represent amounts to be used for future expenditures for capital projects under contracts and other commitments. These commitments generally will become liabilities in future periods as the projects are completed.
Other purposes:	Represent amounts to be used for future expenditures of Federal and Commonwealth's grants to be used to finance activities other than construction or capital improvement commitments

12. *Interfund transactions*

The Municipality reports certain transactions as operating transfers, which are legally required transfers that are reported when incurred as "Operating transfers-in" by the recipient fund and as "Operating transfers-out" by the disbursing fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. *Risk financing*

The Puerto Rico Treasury Department (PRDT) acts as an agent, obtaining and determining the coverage for the municipalities of Puerto Rico. The coverage for the Municipality of Aguada consists of professional, public responsibility, property and theft, auto and fidelity bond coverage.

Insurance policies costs are allocated by PRDT among all the municipalities of Puerto Rico. Payment of the Municipality's insurance premiums is monthly deducted from advances of property tax and amounts of municipal equalization fund send to the Municipality by the Municipal Revenue Collection Center (CRIM). Workers compensation insurance is also deducted from the monthly advances by the CRIM. Settled cases have not exceeded insurance coverage for any of the past three years.

14. *Use of estimates*

The preparation of the basic financial statements in accordance 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 basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

15. *Future adoption of accounting pronouncements*

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

	Statement	To be Adopted in Fiscal year ended,
39	Determining Whether Certain Organizations Are Component Units - an amendment of GASB 34 Statement No. 14	June 30, 2004
40	Deposit and Investment Risk Disclosure - an amendment of GASB Statement No. 3	June 30, 2005
42	Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries	June 30, 2006

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

NOTE B – DEPOSITS AND SHORT TERM INVESTMENTS

1. *Deposits*

The Municipality maintains its cash deposits in commercial banks and credit unions located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks and credit unions must be fully collateralized for the amount deposited in excess of federal deposit insurance and COSSEC (regulatory agency), respectively. All securities pledged as collateral by the Municipality are held by the Secretary of Treasury of Puerto Rico in the Municipality's name. The table presented below discloses the level of custody risk assumed by the Municipality based upon how its deposits were insured or secured with collateral at June 30, 2003:

Category 1: Insured or collateralized with securities held by the Secretary of Treasury agent's in the Municipality's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or its agents in the Municipality's name.

Category 3: Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Municipality's name.

The reported amount and bank balances of deposits with financial institutions as of June 30, 2003 were as follows:

	Category 1	Category 2	Category 3	Carrying amount	Bank balance
Deposits in commercial banks	$ 1,258,597	$ -	$ -	$ 1,258,597	$ 1,497,011
Deposits in credit unions	3,100,000	-	-	3,100,000	3,100,000
Deposits in governmental banks	-	-	1,981,773	1,981,773	1,963,920
	$ 4,358,597	$ -	$ 1,981,773	$ 6,340,370	$ 6,560,931

Reconciliation to government-wide statement of net assets:

	Unrestricted	Restricted	Total
Cash and cash equivalents - (including certificates of deposits of $3,100,00)	$ 2,312,610	$ 2,045,987	$ 4,358,597
Cash with fiscal agents	-	1,981,773	1,981,773
	$ 2,312,610	$ 4,027,760	$ 6,340,370

NOTE B - DEPOSITS AND INVESTMENTS - Continued

2. ***Short term investments***

Short term investments include $59,655 invested in the Puerto Rico Government Investment Trust Fund (PRGITF). The PRGITF was created by the Secretary of the Treasury of the Commonwealth pursuant to Act No. 176, of August 11, 1995, and began operations on December 4, 1995. PRGITF is a no-load diversified collective investment trust administered by the Government Development Bank of Puerto Rico that was created for the purpose of providing eligible governmental investors of Puerto Rico to invest in a money market portfolio. The deposits on hand and the investments purchased are not collateralized, secured or guaranteed by the Commonwealth or any of its agencies, instrumentalities or political subdivisions.

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

NOTE C - DUE FROM COMMONWEALTH ENTITIES

Amounts due from Commonwealth entities as of June 30, 2003 follows:

	Amount
Municipal Revenue Collection Center (CRIM) – excess of actual property tax collections over advances of property tax and amounts of municipal equalization fund	$ 196,133
Puerto Rico Electric Power Authority (PREPA) – compensation in lieu of tax of $189,846 and $769,439 on lawsuit final settlement	959,285
Puerto Rico Department of Education	128,000
Puerto Rico Department of Labor – Law No. 52	109,702
Puerto Rico Department of Treasury – Christmas bonus reimbursement	135,656
	$ 1,528,776

The amounts due from CRIM ($196,133), PREPA for compensation in lieu of tax ($189,846), Puerto Rico Department of Education ($64,000) and Puerto Rico Department of Treasury ($135,656) for a total amount of **$585,635** are recorded as deferred revenue in the governmental funds statements since are not available as required by current standards.

NOTE D - INTERFUND TRANSACTIONS

1. ***Due from/to other funds:***

Amounts due from/to other funds represent temporary advances to other funds by the general fund payroll and payroll taxes expenditures, as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds - CDBG	$ 45,585
General Fund	Other governmental funds - Law No. 52	124,689
General Fund	Other governmental funds - other funds	290,143
Total:		$ 460,417

2. ***Operating transfers:***

The $1,034,269 transfers among individual funds were made for operational purposes. Transfers includes interest earned on cash with fiscal agents in the debt service fund and principal and interest payments of general long term debt transferred from the general fund to the debt service fund.

NOTE E - CAPITAL ASSETS

1. ***Primary government:***

Capital assets and depreciation activity of the primary government as of and for the year ended June 30, 2003 is as follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,136,536	$ -	$ -	$ 3,136,536
Construction in progress	-	1,197,596	-	1,197,596
Total capital assets not being depreciated:	3,136,536	1,197,596	-	4,334,132
Capital assets, being depreciated:				
Buildings and building improvements	24,295,563	-	-	24,295,563
Infrastructure	12,909,044	-	-	12,909,044
Vehicles, machinery and equipment	7,288,379	162,437	-	7,450,816
Total capital assets being depreciated	44,492,986	162,437	-	44,655,423
Less accumulated depreciation for:				
Buildings and building improvements	5,482,590	936,611	-	6,419,201
Infrastructure	9,398,116	16,224	-	9,414,340
Vehicles, machinery and equipment	4,050,678	602,538	-	4,653,216
Total accumulated depreciation	18,931,384	1,555,373	-	20,486,757
Total capital assets being depreciated, net	25,561,602	(1,392,936)	-	24,168,666
Governmental activities capital assets, net	$ 28,698,138	$ (195,340)	$ -	$ 28,502,798

NOTE E - CAPITAL ASSETS

Depreciation expense was charged to functions/programs of the Municipality as follows:

Governmental activities:

General government	$ 54,972
Public works and sanitation	777,647
Public safety	72,846
Culture and recreation	628,093
Welfare and community development	20,315
Health	1,500
Total depreciation expense, governmental activities	$ 1,555,373

NOTE F - LONG TERM DEBT

1. ***Summary of long- term debt activity (primary government)***

The following summarizes activity in long-term debt of the primary government for the fiscal year ended June 30, 2003:

	Balance at July 1, 2002	Increases	Decreases	Balance at June 30, 2003	Due within one year
General, Special Obligations Bonds and Notes	$ 5,469,908	$ 845,000	$ (369,908)	$ 5,945,000	$ 331,000
Compensated absences	1,346,143	771,028	(140,940)	1,976,231	713,787
Claims and judgments	277,034	127,600	(277,034)	127,600	-
Debt to ASES	884,397	-	-	884,397	-
Advances from CRIM	339,060	-	(339,060)	-	-
Payable to CRIM-prior years doubtful accounts	468,783	-	-	468,783	66,660
Christmas Bonus	195,248	271,316	(195,248)	271,316	271,316
	$ 8,980,573	$ 2,014,944	$ (1,322,190)	$ 9,673,327	$ 1,382,763

NOTE F - LONG TERM DEBT - Continued

2. ***General and special obligation bonds and notes (primary government)***

The Municipality's outstanding general and special obligation bonds and notes at June 30, 2003 amount to $11,939,327. All these bonds are serviced by the Governmental Development Bank of Puerto Rico (GDB) maturing at various dates. As required by law, the Commonwealth Government is obligated to levy and collect property taxes for payment of principal and interest on bonds and notes. A debt service fund has been established for the bonds and notes at GDB with the proceeds of those property taxes, whereby sufficient funds must be set aside in order to cover the projected debt service requirement, before any new bonds are issued. The Municipality is required to maintain a legal debt margin of 10% of the total assessment of property located within the Municipality plus the balance of the property taxes in the debt service fund. Principal and interest payments of long term debt issued for operational purposes are made through withholdings from the advances of property tax and amounts of municipal equalization fund send to the Municipality by the Municipal Revenue Collection Center (CRIM).

A detail of the general and special obligation bonds and notes as of June 30, 2003 follows:

	Outstanding Amount
1999 general obligation note of $645,000 due in annual installments of $90,000 to $110,000 through January 1, 2005; with interest at 5.2% to 5.4%	$ 215,000
1989 public improvement bonds of $125,000 due in annual installments of $6,000 to $9,000 through January 1, 2013; with interest at 5% to 8%	70,000
1998 general obligation bond of $910,000 due in annual installments of $20,000 to $85,000 through July 1, 2020; bearing interest at rates ranging from 5.19% to 6.56%	805,000
1993 public improvement bonds of $2,030,000 due in annual installments of $55,000 to $185,000 through July 1, 2018; bearing interest at rates ranging from 7.1% to 8.2%	1,650,000
1988 public improvement bonds of $275,000 due in annual installments of $12,000 to $19,000 through January 1, 2012; with interest at 5%	140,000
1991 public improvement bonds of $460,000 due in annual installments of $40,000 to $55,000 through July 1, 2006; bearing interest at 6.2% to 6.4%	150,000
2003 general obligation bond of $845,000 due in annual installments of $15,000 to $70,000 through July 1, 2027; bearing interest at rates ranging from 5% to 6.5%	830,000

NOTE F - LONG TERM DEBT - Continued

	Outstanding Amount
1997 general obligation bond of $2,040,000 due in annual installments of $45,000 to $185,000 through July 1, 2021; bearing interest at rates ranging from 5.19% to 6.56%	1,815,000
1994 public improvement bonds of $350,000 due in annual installments of $8,000 to $26,000 through July 1, 2018; bearing interest at 4.50%	270,000
Total	$ 5,945,000

The debt services requirements to amortize general and special obligation bonds and notes as of June 30, 2003 follows:

June 30	Principal	Interest
2004	$ 331,000	$ 388,691
2005	347,000	369,562
2006	259,000	349,120
2007	220,000	333,159
2008	237,000	319,471
2009-2013	1,452,000	1,346,999
2014-2018	1,964,000	803,832
2019-2023	890,000	208,987
2024-2028	245,000	41,600
Totals	$ 5,945,000	$ 4,161,421

3. ***Other long-term liabilities (primary government)***

	Amount
Compensated absences - includes accrued vacations, sick leave benefits and other benefits with similar characteristics, represents the Municipality's commitment to fund such costs from future operations. Amount is paid with unrestricted funds	$ 1,976,231
Claims and judgments - represent the final settlement of one legal case paid subsequent to June 30, 2003 and two cases accrued since an unfavorable outcome is expected	127,600

NOTE F - LONG TERM DEBT - Continued

	Amount
Christmas Bonus- represent the accrued portion corresponding to fiscal year 2002-2003 of the Christmas bonus to be paid in December 2003	271,316
Payable to CRIM-prior year's doubtful accounts - As of June 30, 2002 the Municipality has entered into an agreement with the Municipal Revenue Collection Center (CRIM) to refinance the prior year's property tax doubtful accounts, which amounted to $468,783 on a long-term basis under the provision of Law No. 146 of October 11, 2001. The refinancing was done through a special loan to be repaid from .48% of the net increase of subsidy provided by the Commonwealth of Puerto Rico's general fund. The financing agreement was authorized by the Municipal Legislature of Aguada on Resolution No. 222 of March 12, 2002.	468,783
Payable to Puerto Rico Health Insurance Administration (ASES) - represents the Municipality's share of payment of the health insurance of the Commonwealth of Puerto Rico from the period May 1, 1996 to June 30, 1997	884,397
Totals	$ 3,728,327

NOTE G - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS OBLIGATIONS

The Municipality discontinued the operation and ceased to accept solid waste in its landfill. Commonwealth's and Federal laws and regulations require the Municipality to perform certain closure procedures and establish monitoring and maintenance procedures at the landfill site for thirty years after closure. The closure and post closure care procedures are being assumed by the Municipality. As guidance for calculation of total closure costs, the Municipality utilized an estimate provided by the Puerto Rico Solid Waste Disposal Authority. The Municipality is required to provide post closure care after the closure is completed. Total post closure care costs has not been determined and accounted as required by accounting principles generally accepted in the United States of America as of June 30, 2003.

NOTE H - PROPERTY TAXES

The Municipal Revenue Collection Center (CRIM) (a state governmental agency) is responsible for the assessment, collection and distribution of real and personal property taxes in accordance with the Municipal Property Tax Law (Law 83 of August, 1995). The tax levied on property is determined by the Municipal Government based on limits established by the Commonwealth Legislature. The tax on personal property is self-assessed by the taxpayer. The assessment is made on a return, which must be filed, with the CRIM by May 15 of each year. Real property is assessed by the CRIM. The tax is general assessed on January 1 on all taxable property located within the Municipality. For personal property the tax is due with the return filed on or before May 15. Taxes on real property may be paid on two equal installments, July 1st and January 1st.

The CRIM advances funds to the Municipality based on an estimate of special governmental subsidies and the property taxes to be levied and which are collected in subsequent periods. This distribution includes advances of property tax and amounts of municipal equalization fund from the Commonwealth government. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. The CRIM prepares a preliminary settlement not later than three months after fiscal year-end and a final settlement not later than six months after fiscal year-end. If actual collections exceed the advances a receivable from CRIM is recorded. However, if advances exceed actual collections, a payable to CRIM is recorded. A receivable of $196,133 resulting from the final settlement for fiscal year 2002-2003 is recorded as revenue in the government-wide statements but is recorded as a deferred revenue in the governmental funds statements since is not available as required by current standards.

The CRIM performed an audit of prior year's settlements as of June 30, 2001. As a result of this audit, the Municipality has a positive balance of $532,594. The Municipality received from CRIM a net amount of $193,534, after deducting a prior year's debt balance of $339,060.

NOTE I - MUNICIPAL LICENSE TAXES

Municipal License taxes are assessed annually by the Municipality to all organizations or entities subject to the tax doing business in the Municipality's location except for entities totally or partially exempt pursuant to certain Commonwealth's statutes. This tax is based generally on volume of business or gross sales as shown in a tax return that should be submitted on or before April 15. During the fiscal year ended June 30, 2003 the tax rates were as follows:

Financial business - 1.50% of gross revenues
Other organizations - .50% of gross revenues

The tax is due in two equal installments on July 1 and January 1 of each fiscal year. Tax revenue is recognized at that moment by the Municipality. A discount of 5% is allowed when full payment is made on or before April 15.

Municipal license taxes collected prior to June 30 but pertaining to the next fiscal year in the amount of $788,259 is recorded as deferred revenues.

NOTE J - INTERGOVERNMENTAL REVENUES

Intergovernmental revenues in the General Fund are comprised of the following:

	Amount
CRIM - municipal equalization fund	$ 3,285,387
Compensation in lieu of tax from the Puerto Rico Electric Power Authority (PREPA)	1,331,212
Puerto Rico Department of Treasury-Christmas bonus reimbursement	109,047
	$ 4,725,646

NOTE K - FUND BALANCE RESTATEMENTS

Beginning fund balances of governmental funds has been restated to reflect the correction of errors and recognition of certain assets and liabilities not recorded in previous year. Detail of restatements follows:

	General Fund	Debt Service Fund	Other Governmental Funds
Fund balance at beginning of year, as previously reported:	$ 2,246,259	$ 588,409	$ 1,319,235
Adjustments:	34,869	13,878	342,086
Fund balance at end of year, as restated	$ 2,281,128	$ 602,287	$ 1,661,321

NOTE L - RETIREMENT PLAN

1. ***Plan description***

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

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

NOTE L - RETIREMENT PLAN - Continued

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

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. There will be a pool of pension assets, which will be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the State government and will be subjected to the total accumulated balance of the savings account. The annuity will be based on a formula, which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. If savings accounts balance is $10,000 or less at time of retirement, the balance will be distributed by the System to the participant as a lump sum. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not been granted under the new program. The employer contributions (9.275% of the employee's salary) will be used to fund the current plan. Under System 2000 the retirement age is reduced from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

2. ***Funding policy***

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

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

Fiscal year ended:	Law No. 447	System 2000
2003	$ 218,328	$ 46,226
2002	$ 241,488	$ 50,044
2001	$ 261,723	N/A

NOTE M - COMMITMENTS

1. ***Construction***

The Municipality has commitments at June 30, 2003 of approximately $1,818,437 for design, construction, improvements or renovation of certain municipal facilities.

NOTE N - CONTINGENCIES

1. ***Federal and State grants***

Projects financed by Federal and State Grants are subject to audits by grantors and other governmental agencies in order to determine its expenditures to comply with the conditions of such grants. It is the Municipality's opinion that no additional material unrecorded liabilities will arise from audits previously performed or to perform.

2. ***Litigations***

The Municipality is, at present, a defendant in a number of legal matters that arise in the ordinary course of the Municipality's activities. There are cases whereby the Municipality is a defendant or codefendant that will be covered by insurance, certain cases whereby the legal counsel has not determined an outcome and other cases that will not be covered by insurance. There were one case with an adverse outcome paid subsequent to June 30, 2003 and two cases on which the legal counselor expect an unfavorable outcome (all of them not covered by insurance), for which the Municipality accrued $127,600 in the government-wide statements. However, it is the opinion of the Municipality and the legal counsels that based on their experience, such actions and the potential liabilities will not impair the Municipality financial position.

REQUIRED SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2003

	Budgeted amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note A)	Positive (Negative)
Revenues				
Property taxes	$ 2,587,642	$ 3,079,897	$ 3,079,897	$ -
Municipal license taxes	1,145,000	1,145,000	1,074,308	(70,692)
Intergovernmental	4,725,473	4,725,473	4,725,646	173
Fees, fines and charges for services	818,562	818,562	861,944	43,382
Interest	90,000	90,000	108,100	18,100
Other	125,000	125,000	109,409	(15,591)
Total revenues	9,491,677	9,983,932	9,959,304	(24,628)
Expenditures				
General government	3,878,417	4,156,128	4,185,289	(29,161)
Public works and sanitation	3,263,242	3,212,528	3,181,953	30,575
Public safety	639,327	600,327	576,950	23,377
Culture and recreation	797,028	814,778	798,139	16,639
Health	136,483	130,483	121,216	9,267
Welfare and community development	777,180	787,048	780,737	6,311
Claims and judgements	-	342,035	280,034	62,001
Transfers to other funds	-	417,640	417,640	-
Total expenditures	9,491,677	10,460,967	10,341,958	119,009
Excess (deficiency) of revenues over expenditures	-	(477,035)	(382,654)	94,381
Readjustments from prior year fund balance (Note B)	-	477,035	382,654	(94,381)
	$ -	$ -	$ -	$ -

The accompanying notes to required supplemental information are an integral part of this schedule.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

June 30, 2003

NOTE A - BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING

The Municipal budget is prepared for General Fund following the requirements of the Municipal Law of 1981 as amended. Although all operating expenses and expenditures are allocated to departmental operating budgets, certain items are not considered to be subject to direct control at the department level. These includes: terminal leave payments, payroll taxes, pension costs, court costs and settlements, telephone and electricity expenses and liability, workers compensation and property insurance premiums. Budget amendments, which require a change in total appropriations of any department, are approved by the Municipal Legislature. Certain budget transfers within the limitations and restriction of the Municipal Law can be approved by the Executive Branch or by the Legislature Branch. The budget is prepared on a budgetary (statutory) basis of accounting which is different from GAAP. Revenues include amounts classified by GAAP as other financing sources and expenditures include encumbrances and amounts classified by GAAP as other financing uses. On a GAAP basis, encumbrances outstanding at year end are reported in the governmental funds statements as a reservation of fund balance since they do not constitute expenditures or liabilities while on a budgetary basis encumbrances are recorded as expenditures of current year. Encumbrance appropriations lapse one year after the end of the fiscal year. Unencumbered appropriations are lapsed at year end.

The presentation of the budgetary data excludes other appropriations such as capital projects, debt service and special revenue funds because projects are funded on a multi-year nature, generally requiring several years to complete or effective budgetary control is alternatively achieved through general obligation bond indentures and legal and contractual grant agreement provisions.

NOTE B - READJUSTMENTS FROM PRIOR YEARS FUND BALANCE

The budgetary comparison schedule – general fund present readjustments from prior years fund balance of $477,035. This represents readjustments of current year budget with prior year's budgetary surpluses, which are resources available for appropriation. These readjustments were authorized by the Municipal Legislature through Resolution Number 19 of September 3, 2002 in the amount of $200,000 and Resolution Number 78 of April 7, 2003 in the amount of $277,035.

NOTE C - BUDGET TO GAAP RECONCILIATION

The budgetary comparison schedule - general fund, present comparisons of the original and final legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present accounting principles generally accepted in the United States, the following budget to GAAP reconciliation is presented:

COMMONWEATH OF PUERTO RICO
MUNICIPALITY OF AGUADA

NOTES TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

JUNE 30, 2003

NOTE C - BUDGET TO GAAP RECONCILIATION - Continued

Revenues:

Actual amounts (budgetary basis) revenues from the budgetary comparison schedule:	$	9,959,304
Differences - budget to GAAP:		
Proceeds from CRIM - prior years property tax is an other financing source for for financial reporting purposes but revenue for budgetary purposes:		(193,534)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds:	$	9,765,770

Expenditures:

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule:	$	10,341,958
Differences - budget to GAAP:		
Transfers to other funds are expenditures for budgetary basis but are not expenditures for financial reporting purposes:		(417,640)
Non budgeted items recorded as current year expenditures for financial reporting purposes:		413,193
Current year encumbrances recorded as expenditures for budgetary reporting purposes:		(333,564)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds:	$	10,003,947

SUPPLEMENTAL INFORMATION

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number (note B)	Pass-Through Grantor's Number (note C)	Expenditures (note A)
U.S. Department of H.U.D.			
Major program:			
Passed through the Office of Commissioner of Municipal Affairs:			
Community Development Block Grant - State's Program	14.228	AF - 37	
		AB - 37	
		FD - 37	$ 1,258,078
Nonmajor program:			
Direct program:			
Section 8 Housing Choice Vouchers	14.871	N/A	280,281
Nonmajor program:			
Passed through the P.R. Department of Family - Families and Children Administration:			
Emergency Shelter Grants Program	14.231	N/AV	34,740
			1,573,099
U.S. Department of Agriculture			
Nonmajor program:			
Passed through the P.R. Department of Education:			
Child and Adult Care Food Program	10.558	N/AV	13,531
U.S. Department of Health and Human Services			
Major program:			
Passed through the P.R. Department of Family - Families and Children Administration:			
Child Care and Development Block Grant	93.575	123-2003-000393	309,386
U.S. Department of Education			
Nonmajor program:			
Passed through the P.R. Department of Education:			
Safe and Drug Free School and Communities	84.186	N/AV	41,574
Federal Emergency Management Agency			
Nonmajor program:			
Passed through the Puerto Rico Governor Office: (Governor's Authorized Representative-GAR):			
Public Assistance Grants	83.544	DR-PR-1247	12,208
U.S. Department of Justice			
Nonmajor program:			
Passed through the P.R.Department of Justice:			
Local Law Enforcement Grant Program	16.592	N/AV	70,450
U.S. Department of Labor			
Nonmajor program:			
Passed through the Northwertern Consortium:			
WIA Youth Activities	17.259	N/AV	41,971
Total federal awards expenditures:			$ 2,062,219

The accompanying notes are an integral part of this schedule.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FEDERAL CFDA NUMBER

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

NOTE C - PASS -THROUGH GRANTOR'S NUMBER

State or local government redistributions of federal awards to the Municipality, known as "pass-through awards", should be treated by the Municipality as though they were received directly from the federal government. OMB Circular A-133 requires the schedule to include the name of the pass-through entity and the identifying number assigned by the pass-through entity for federal awards received as a subrecipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

NOTE D – RECONCILIATION OF EXPENDITURES PRESENTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE EXPENDITURES PRESENTED IN THE BASIC FINANCIAL STATEMENTS

Description	Other Governmental Funds
14.228	$ 1,258,078
14.871	280,281
14.231	34,740
10.558	13,531
93.575	309,386
84.186	41,574
83.544	12,208
16.592	70,450
17.259	41,971
Total federal awards expenditures	2,062,219
Total nonfederal awards expenditures	1,809,002
Total expenditures, fund statements	$ 3,871,221

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

Mayor and Municipal Legislature
Municipality of Aguada
Aguada, Puerto Rico

We have audited the financial statements of the Municipality of Aguada as of and for the year ended June 30, 2003, and have issued our report thereon dated March 12, 2004 which is qualified since we were unable to obtain sufficient evidence to support the valuation, existence, completeness and rights and obligations applicable to certain general capital assets and because the Municipality has not determined and recorded in governmental activities an estimate of the total municipal solid waste landfill post closure care costs of a closed solid waste landfill, as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Municipality of Aguada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Municipality of Aguada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Municipality of Aguada's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item **2003 II-1.**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item **2003 II-1** in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated March 12, 2004.

This report is intended for the information of the management of the Municipality, Commonwealth and Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

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RODRIGUEZ, RIVERA & TORO LLP
Certified Public Accountants
Mayagüez, Puerto Rico
March 12, 2004
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Rodriguez, Rivera & Toro LLP

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

Mayor and Municipal Legislature
Municipality of Aguada
Aguada, Puerto Rico

Compliance

We have audited the compliance of Municipality of Aguada with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal programs for the year ended June 30, 2003. Municipality of Aguada's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Municipality of Aguada's management. Our responsibility is to express an opinion on Municipality of Aguada's compliance based on our audit.

Municipality of Aguada's basic financial statements include the operations of *Jardines de Aguada Project* as a discretely presented component unit, which expended $2,269,670 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2003. Our audit, described below, did not include the operations of *Jardines de Aguada Project* because such entity engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the Municipality of Aguada complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted certain immaterial instances of noncompliance that we have reported to management of the Municipality of Aguada in a separate letter dated March 12, 2004.

This report is intended for the information of the management of the Municipality, Commonwealth and Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

1944068

RODRIGUEZ, RIVERA & TORO LLP
Certified Public Accountants

Mayagüez, Puerto Rico
March 19, 2004

Rodriguez, Rivera & Toro LLP

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2003

I. Summary of audit results:

Part I - Financial Statements

1. Type of audit report:	☐ Unqualified opinion ☐ Adverse opinion	☒ Qualified opinion ☐ Disclaimer of opinion
2. Reportable conditions identified that are not considered material weakness:	☒ Yes	☐ None reported
3. Reportable conditions reported as a material weakness:	☒ Yes	☐ No
4. Material noncompliance disclosed:	☐ Yes	☒ No

Part II - Federal Awards

1. Reportable conditions reported:	☐ Yes	☒ No
2. Reportable conditions identified that are not considered material weakness:	☐ Yes	☒ None reported
3. Type of report on compliance for major programs:	☒ Unqualified opinion ☐ Adverse opinion	☐ Qualified opinion ☐ Disclaimer of opinion
4. Audit findings required to be reported under Section 510(a) of OMB Circular A – 133:	☐ Yes	☒ No

5. Major programs:	CFDA Number(s)	Name of Federal Program or Cluster
	14.228	Community Development Block Grant - State's Program
	93.575	Child Care and Development Block Grant

6. Dollar threshold used to distinguish Type A and Type B programs:	☒ $300,000	
7. Low-risk auditee:	☐ Yes	☒ No

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year ended June 30, 2003

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

Reference Number: **2003 II-1**
Area: **Capital Assets**
Type: **Material Weakness**

Condition and criteria:

The Municipality performed a review of capital assets inventory records in order to comply with requirements of GASB Statement Number 34. Our tests disclosed the following:

a. From a sample of 37 property items from different categories in order to verify proper ownership, valuation and reasonability of depreciation expense we noted that,
   (1) In 6 cases the municipal personnel could not provide us evidence of property title or other appropriate documentation to support asset ownership. In 5 of these cases no evidence of cost determination was provided for our examination.
   (2) The existence of property could not be verified in 2 infrastructure items (roads and bridges) recorded in the inventory records for a total cost $903,221 (net of accumulated depreciation of $2,607,939).
   (3) In 4 cases the cost of the item did not agreed with supporting documents presented by a significant amount.
   (4) In 2 cases the cost of the items could not be documented by municipal personnel.
   (5) In 2 cases the estimated useful life determined by the Municipality was not reasonable.
b. From an overall verification of the property documents provided by the Municipality we found the following:
   (1) We found 30 land parcels identified by an external consultant which did not have any cost assigned and therefore, not included as part of the property inventory.
   (2) We found 6 land parcels and 1 recreational facility with aggregate estimated cost of $86,934 which were not included in the inventory list and recorded in the financial statements.
   (3) We did not found evidence of cost determination on an additional land parcel with a cost of $89,515.
   (4) We found inconsistencies in the useful life of various real property assets.

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

Reference Number: **2003 II-1 - continued**

(5) We noted that in 8 items (buildings and buildings improvements) the cost recorded in the inventory list do not reconcile with the estimated historical cost determined by an external appraiser. Total net effect amounts to $44,171.

Cause and effect: Even though a review process was performed on this area, the Municipality does not have sufficient documentation to properly support assets ownership and other areas including costs of certain assets.

Recommendation: The Municipality should coordinate among its departments specific procedures in order to gather information about capital assets ownership, costs and completeness. This process should be started immediately in order to perform the corresponding corrections in the financial statements.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2003

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

Fiscal year ended June 30,	Finding No.	Condition	Status
2002	2002 II-1	a. There is no proper reconciliation between the general ledger and the subsidiary records of property, plant and equipment as of June 30, 2001. b. The construction in progress inventory was not recorded in the fixed assets records as of June 30, 2001.	Finding remains unclear by the Office of Commissioner of Municipal Affairs of Puerto Rico (OCAM).

Hon. Miguel A. Ruiz Hernández
Alcalde

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADA

Reference number: 2003 II - 1

The following activities will be held among our departments to assure completeness, assets owership and cost of machinery and equipment and real estate property of our municipality.

1. Physical inventory and book adjustment if necessary for real property will be conducted during this year.

2. Property owenership that was not available will be searched at the property registration Officce, Lawyer office, previous property owners or any other source that provide assurance that the municipality is the legal owner.

3. Property cost not supported or in disagreement with books will be reconciled with their disbursement records, local legislature records or long term debt issuance records.

4. Land parcels with no cost evidence will be appraised if no historical cost is found to support it.

Procedures to strenghten controls for the proper assets recording at the time of construction, adquisition or renewal will be implemented.

Dirección Postal: P. O. Box 517, Aguada, Puerto Rico 00602
Tel. 787-868-6400 • Fax 787-868-6030

INTERNET REPORT ID: 118839 3/26/04 OMB No. 0348-0057

FORM **SF-SAC**
(3-20-2001)

U.S. DEPT. OF COMM.– Econ. and Stat. Admin.– U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET

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

for Fiscal Year Ending Dates On or After January 1, 2001

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

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

PART I GENERAL INFORMATION *(To be completed by auditee, except for Item 7)*

1. Fiscal period ending date for this submission
Month 06 / Day 30 / Year 2003 — Fiscal Period End Dates Must Be On or After January 1, 2001

2. Type of Circular A-133 audit
1 ☒ Single audit 2 ☐ Program-specific audit

3. Audit period covered
1 ☒ Annual 2 ☐ Biennial 3 ☐ Other – Months

FEDERAL GOVERNMENT USE ONLY

4. Date received by Federal clearinghouse

5. Employer Identification Number (EIN)
a. Auditee EIN: 6 6 0 4 3 4 0 5 7

b. Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No
If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)

6. AUDITEE INFORMATION

a. Auditee name
MUNICIPALITY OF AGUADA

b. Auditee address *(Number and street)*
P. O. BOX 517

City
AGUADA

State PR ZIP + 4 Code 0 0 6 0 2 –

c. Auditee contact
Name
RAMON RIVERA,CPA

Title
FINANCE DIRECTOR

d. Auditee contact telephone
(787) 868 – 2112

e. Auditee contact FAX *(Optional)*
(787) 868 – 0315

f. Auditee contact E-mail *(Optional)*

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

Signature of certifying official

Date Month 3 / Day 25 / Year 04

Printed Name/Title of certifying official
CPA RAMON RIVERA/FINANCE DIRECTOR

7. AUDITOR INFORMATION *(To be completed by auditor)*

a. Auditor name
RODRIGUEZ, RIVERA & TORO, LLP

b. Auditor address *(Number and street)*
P.O. BOX 1080

City
MAYAGUEZ

State PR ZIP + 4 Code 0 0 6 8 1 – 1 0 8 0

c. Auditor contact
Name
JOSE A. TORO MERCADO, CPA., CVA

Title
MANAGING PARTNER

d. Auditor contact telephone
(787) 834 – 3100

e. Auditor contact FAX *(Optional)*
(787) 831 – 2909

f. Auditor contact E-mail *(Optional)*
JTORO@RRTLLP.COM

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

Signature of auditor
Rodriguez, Rivera & Toro LLP

Date Month 03 / Day 25 / Year 04

INTERNET REPORT ID: 118839 3/26/04 EIN: 6 6 0 4 3 4 0 5 7

PART I GENERAL INFORMATION – Continued

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

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

02 ☐ Agency for International Development
10 ☐ Agriculture
11 ☐ Commerce
12 ☐ Defense
84 ☐ Education
81 ☐ Energy
66 ☐ Environmental Protection Agency
83 ☐ Federal Emergency Management Agency
93 ☐ Health and Human Services
14 ☐ Housing and Urban Development
15 ☐ Interior
16 ☐ Justice
17 ☐ Labor
47 ☐ National Science Foundation
20 ☐ Transportation
☐ Other – *Specify:*

PART II FINANCIAL STATEMENTS *(To be completed by auditor)*

1. Type of audit report *(Mark (X) one box)*
1 ☐ Unqualified opinion 2 ☒ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 ☐ Yes 2 ☒ No

3. Is a reportable condition disclosed? 1 ☒ Yes 2 ☐ No – *SKIP to Item 5*

4. Is any reportable condition reported as a material weakness? 1 ☒ Yes 2 ☐ No

5. Is a material noncompliance disclosed? 1 ☐ Yes 2 ☒ No

PART III FEDERAL PROGRAMS *(To be completed by auditor)*

1. Type of audit report on major program compliance
1 ☒ Unqualified opinion 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

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

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

4. Did the auditee qualify as a low-risk auditee? (§___ .530) 1 ☐ Yes 2 ☒ No

5. Is a reportable condition disclosed for any major program? (§ ___ .510(a)(1)) 1 ☐ Yes 2 ☒ No – *SKIP to Item 7*

6. Is any reportable condition reported as a material weakness? (§ ___ .510(a)(1)) 1 ☐ Yes 2 ☐ No

7. Are any known questioned costs reported? (§ ___ .510(a)(3) or (4)) 1 ☐ Yes 2 ☒ No

8. Was a Summary Schedule of Prior Audit Findings prepared? (§___.315(b)) 1 ☐ Yes 2 ☒ No

9. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. *(Mark (X) all that apply or None)*

02 ☐ Agency for International Development
10 ☐ Agriculture
23 ☐ Appalachian Regional Commission
11 ☐ Commerce
94 ☐ Corporation for National and Community Service
12 ☐ Defense
84 ☐ Education
81 ☐ Energy
66 ☐ Environmental Protection Agency
83 ☐ Federal Emergency Management Agency
39 ☐ General Services Administration
93 ☐ Health and Human Services
14 ☐ Housing and Urban Development
03 ☐ Institute for Museum Services
15 ☐ Interior
16 ☐ Justice
17 ☐ Labor
09 ☐ Legal Services Corp
43 ☐ National Aeronautics and Space Administration
89 ☐ National Archives and Records Administration
05 ☐ National Endowment for the Arts
06 ☐ National Endowment for the Humanities
47 ☐ National Science Foundation
07 ☐ Office of National Drug Control Policy
59 ☐ Small Business Administration
96 ☐ Social Security Administration
19 ☐ State
20 ☐ Transportation
21 ☐ Treasury
82 ☐ United States Information Agency
64 ☐ Veterans Affairs
00 ☒ **None**
☐ Other – *Specify:*

Each agency identified is required to receive a copy of the reporting package.

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

- the Federal Audit Clearinghouse archives . . . . . ☒
- and, if not marked above, the cognizant agency (if identified in Part I, Item 9) . . . . . ☐

Count total number of boxes marked above and submit this number of reporting packages **1**

INTERNET REPORT ID: 118839 3/26/04 EIN: 6 6 0 4 3 4 0 5 7

FORM SF-SAC (3-20-2001)

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

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR | **11.** AUDIT FINDINGS

CFDA Number (a) Federal Agency Prefix [1]	Extension [2]	Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s)[3] (a)	Audit finding reference number(s)[4] (b)
14	.228	1 ☐ Yes 2 ☒ No	COMMUNITY DEVELOPMENT BLOCK GRANT- STATES PROGRAM	$ 1,258,078 .00	1 ☐ Yes 2 ☒ No	1 ☒ Yes 2 ☐ No	O	N/A
14	.871	1 ☐ Yes 2 ☒ No	SECTION 8 HOUSING CHOICE VOUCHERS	$ 280,281 .00	1 ☒ Yes 2 ☐ No	1 ☐ Yes 2 ☒ No	O	N/A
14	.231	1 ☐ Yes 2 ☒ No	EMERGENCY SHELTERS GRANTS PROGRAMS	$ 34,740 .00	1 ☐ Yes 2 ☒ No	1 ☐ Yes 2 ☒ No	O	N/A
10	.558	1 ☐ Yes 2 ☒ No	CHILD AND ADULT CARE FOOD PROGRAM	$ 13,531 .00	1 ☐ Yes 2 ☒ No	1 ☐ Yes 2 ☒ No	O	N/A
93	.575	1 ☐ Yes 2 ☒ No	CHILD CARE AND DEVELOPMEMT BLOCK GRANT	$ 309,386 .00	1 ☐ Yes 2 ☒ No	1 ☒ Yes 2 ☐ No	O	N/A
84	.186	1 ☐ Yes 2 ☒ No	SAFE AND DRUG FREE SCHOOL AND COMMUNITIES	$ 41,574 .00	1 ☐ Yes 2 ☒ No	1 ☐ Yes 2 ☒ No	O	N/A
83	.544	1 ☐ Yes 2 ☒ No	PUBLIC ASSISTANCE GRANTS	$ 12,208 .00	1 ☐ Yes 2 ☒ No	1 ☐ Yes 2 ☒ No	O	N/A
16	.592	1 ☐ Yes 2 ☒ No	LOCAL LAW ENFORCEMENT BLOCK GRANT PROGRAM	$ 70,450 .00	1 ☐ Yes 2 ☒ No	1 ☐ Yes 2 ☒ No	O	N/A
17	.259	1 ☐ Yes 2 ☒ No	WIA YOUTH ACTIVITIES	$ 41,971 .00	1 ☐ Yes 2 ☒ No	1 ☐ Yes 2 ☒ No	O	N/A
		1 ☐ Yes 2 ☐ No		$ .00	1 ☐ Yes 2 ☐ No	1 ☐ Yes 2 ☐ No		
TOTAL FEDERAL AWARDS EXPENDED →				$ 2,062,219 .00	*IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS*			

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

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

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

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

[4] N/A for NONE

INTERNET REPORT ID: 118839 3/26/04 EIN: 6 6 0 4 3 4 0 5 7

PART I Item 5 Continuation Sheet

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

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

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

Hon. Miguel A. Ruiz Hernández
Alcalde

Estado Libre Asociado de Puerto Rico
Gobierno Municipal de Aguada
Departamento de Finanzas
Aguada, Puerto Rico

OFIC. DEL COMISIONADO
ASUNTOS MUNICIPALES
04 MAR 30 AM 11:42
RECIBIDO
UNIDAD DE CORREO

25 de marzo de 2004

Oficina del Comiosionado de Asuntos Municipales
Att. Lic. Barbara Sanfiorenzo
Comisionada
PO Box 70167
San Juan, PR 00936-0167

Re: Estados Financieros Auditados Año Fiscal 2002 - 2003.

Saludos cordiales de todos los que laboramos en la Administración Municipal de Aguada.

Nos place acompañarle una (1) copia del Estado Financiero Auditado del Municipio de Aguada para el año fiscal terminado el 30 de junio de 2003 (Single Audit) y además una (1) copia de la Forma SF-SAC "Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations" para el mismo año fiscal.

04 MAR 30 PM 3:19
DIVISION DE COMM. REGLAMENTACION E INTERVENCION

Sin nada más a que referirme, quedo.

Cordialmente,

CPA Ramón Rivera Sánchez
Director de Finanzas

Dirección Postal: P. O. Box 517, Aguada, Puerto Rico 00602
Tel. 787-868-6400 • Fax 787-868-6030

ÓC-09-78

oct. 03

Estado Libre Asociado de Puerto Rico
OFICINA DEL CONTRALOR
San Juan, Puerto Rico

Certificacion de Notificacion de Envío
Relacionada con las Cartas de Recomendaciones (*management letters*), Informes de Auditoría, Estados Financieros Auditados y otros

Yo, Miguel A. Ruiz Hernandez (Nombre), Funcionario Principal de Municipio de Aguada, (entidad o agencia) certifico a la Oficina del Contralor de Puerto Rico que en cumplimiento con la **Ley Núm. 273 del 10 de septiembre de 2003**, hemos enviado los siguientes documentos e informes, correspondientes al año terminado al 30 de junio de 2003: (año)

- ☒ Las cartas finales de recomendaciones (*management letters)* que han sometido los auditores externos durante la auditoría, dentro de los treinta (30) días de haberlas recibido.
- ☒ Copia de los informes de auditoría emitidos en forma final.
- ☒ Estados financieros auditados, los informes de cumplimiento, si aplica, y de control interno sobre cumplimiento y la opinión sobre cumplimiento.

Certifico, además, que el 25 de marzo de 2004 (fecha) los auditores externos comparecieron ante el funcionario principal de la entidad, su junta directiva o su comité de auditoría dentro de sesenta (60) días de haber entregado el informe final de auditoría para informar detalladamente los hallazgos y las recomendaciones.

En Aguada, Puerto Rico, hoy 29 de marzo de 2004

Miguel A. Ruiz Jr.
Funcionario Principal