

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES

AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE NAGUABO

AUDITORIA 2000-01

30 DE JUNIO DE 2001

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF NAGUABO, PUERTO RICO**

**INDEPENDENT AUDITORS' REPORTS ON
GENERAL-PURPOSE COMBINED FINANCIAL STATEMENTS**

JUNE 30, 2001

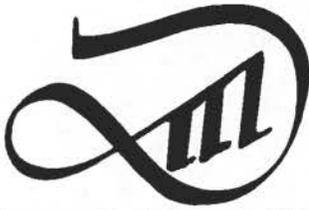
**(WITH THE ADDITIONAL REPORTS AND INFORMATION
REQUIRED BY THE GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133)**

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF NAGUABO, PUERTO RICO
INDEPENDENT AUDITORS' REPORTS ON
GENERAL-PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2001
(WITH THE ADDITIONAL REPORTS AND INFORMATION
REQUIRED BY THE GOVERNMENT AUDITING STANDARDS
AND THE OMB CIRCULAR A-133)**

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PART I
FINANCIAL



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INDEPENDENT AUDITORS' REPORT

**To the Honorable Mayor and
Member of the Municipal Legislature
Municipality of Naguabo, Puerto Rico**

We have audited the accompanying general-purpose financial statements of the **Municipality of Naguabo, Puerto Rico (Municipality)**, as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the **Municipality's** management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. Other auditor whose report, dated March 22, 2001, expressed a qualified opinion on those statements audited the financial statements of the **Municipality** as of June 30, 2000.

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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statements presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

The Municipality financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform to accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, present fairly, in all material respects, the financial position of the **Municipality**, as of June 30, 2001, and the results of operations and changes in the fund balances for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 11 that were applied to restate the 2000 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

INDEPENDENT AUDITORS' REPORT

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In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2001 on our consideration of the **Municipality's** internal control structure 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 performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.


CPA DIAZ MARTINEZ, PSC
Certified Public Accountants

Caguas, Puerto Rico
November 28, 2001



MUNICIPALITY OF NAGUABO, PUERTO RICO

**COMBINED BALANCE SHEET –
ALL FUND TYPES AND ACCOUNT GROUPS**

JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ASSETS AND OTHER DEBITS:							
Cash (Note 1 E).....	\$ 335,400	\$ 307,822	\$ 116,305	\$ -	\$ -	\$ -	\$ 759,527
Cash with Fiscal Agent (Note 1 E).....	36,252	266,519	89,635	1,073,859	-	-	1,466,265
Receivables:							
Property Taxes (Note 6)	-	-	-	143,949	-	-	143,949
Federal Grants (Note 8).....	-	296,088	-	-	-	-	296,088
Others Funds (Note 2).....	30,581	259,116	178,598	-	-	-	468,295
Others.....	2,749	-	-	-	-	-	2,749
Property, Plant and Equipment.....	-	-	-	-	-	-	-
Amount Available in Debt Service Fund (Note 5)	-	-	-	-	-	1,208,018	1,208,018
Amount to be Provide for Payment of:							
General Long-Term Debt (Note 4).....	-	-	-	-	-	1,917,982	1,917,982
Advance Property Taxes (Note 6).....	-	-	-	-	-	658,131	658,131
Unemployment Debt (Note 4).....	-	-	-	-	-	196,489	196,489
Water and Sewer Authority (Note 4).....	-	-	-	-	-	252,000	252,000
Social Security Debt (Note 4)	-	-	-	-	-	588,117	588,117
Income Tax Withheld Debt (Note 4).....	-	-	-	-	-	197,668	197,668
State Health Insurance Plan Debt (Note 4)	-	-	-	-	-	351,389	351,389
P.R. Land Authority (Note 4).....	-	-	-	-	-	102,085	102,085
Vested Compensated Absence (Note 1 H)	-	-	-	-	-	1,188,297	1,188,297
TOTAL ASSETS AND OTHER DEBITS	\$ 404,982	\$ 1,129,545	\$ 384,538	\$ 1,217,808	\$ -	\$ 6,660,176	\$ 9,797,049

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

**COMBINED BALANCE SHEET –
ALL FUND TYPES AND ACCOUNT GROUPS**

JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ASSETS AND OTHER DEBITS:							
Cash (Note 1 E).....	\$ 335,400	\$ 307,822	\$ 116,305	\$ -	\$ -	\$ -	\$ 759,527
Cash with Fiscal Agent (Note 1 E).....	36,252	266,519	89,635	1,073,859	-	-	1,466,265
Receivables:							
Property Taxes (Note 6)	-	-	-	143,949	-	-	143,949
Federal Grants (Note 8).....	-	296,088	-	-	-	-	296,088
Others Funds (Note 2).....	30,581	259,116	178,598	-	-	-	468,295
Others.....	2,749	-	-	-	-	-	2,749
Property, Plant and Equipment (Note 1 G).....	-	-	-	-	-	-	-
Amount Available in Debt Service Fund (Note 5)	-	-	-	-	-	1,208,018	1,208,018
Amount to be Provide for Payment of:							
General Long-Term Debt (Note 4).....	-	-	-	-	-	1,917,982	1,917,982
Advance Property Taxes (Note 6).....	-	-	-	-	-	658,131	658,131
Unemployment Debt (Note 4).....	-	-	-	-	-	196,489	196,489
Water and Sewer Authority (Note 4).....	-	-	-	-	-	252,000	252,000
Social Security Debt (Note 4)	-	-	-	-	-	588,117	588,117
Income Tax Withheld Debt (Note 4).....	-	-	-	-	-	197,668	197,668
State Health Insurance Plan Debt (Note 4)	-	-	-	-	-	351,389	351,389
P.R. Land Authority (Note 4).....	-	-	-	-	-	102,085	102,085
Vested Compensated Absence (Note 1 H)	-	-	-	-	-	1,188,297	1,188,297
TOTAL ASSETS AND OTHER DEBITS	\$ 404,982	\$ 1,129,545	\$ 384,538	\$ 1,217,808	\$ -	\$ 6,660,176	\$ 9,797,049

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

**COMBINED BALANCE SHEET –
ALL FUND TYPES AND ACCOUNT GROUPS**

JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
LIABILITIES AND FUND EQUITY							
LIABILITIES:							
Accounts Payable and Accrued Liabilities.....	\$ 284,319	\$ 293,445	\$ -	\$ -	\$ -	\$ -	\$ 577,764
Due to:							
Government Units (Note 3).....	338,989	-	-	-	-	-	338,989
Other Funds (Note 2).....	437,714	20,791	-	9,790	-	-	468,295
Deferred Revenues:							
Volume of Business Tax (Note 7).....	331,032	-	-	-	-	-	331,032
Federal Grants (Note 8).....	-	167,860	116,221	-	-	-	284,081
Long-Term Debts:							
General Obligations Bonds (Note 4).....	-	-	-	-	-	2,771,000	2,771,000
Special Obligations Notes (Note 4).....	-	-	-	-	-	355,000	355,000
Advances of Property Taxes (Note 6)...	-	-	-	-	-	658,131	658,131
Unemployment Debt (Note 4).....	-	-	-	-	-	196,489	196,489
Water and Sewer Authority (Note 4).....	-	-	-	-	-	252,000	252,000
Social Security Debt (Note 4).....	-	-	-	-	-	588,117	588,117
Income Tax Withheld Debt (Note 4).....	-	-	-	-	-	197,668	197,668
State Health Insurance Plan (Note 4) ...	-	-	-	-	-	351,389	351,389
P.R. Land Authority (Note 4).....	-	-	-	-	-	102,085	102,085
Vested Compensated Absence (Note 1 H).....	-	-	-	-	-	1,188,297	1,188,297
TOTAL LIABILITIES	<u>1,392,054</u>	<u>482,096</u>	<u>116,221</u>	<u>9,790</u>	<u>-</u>	<u>6,660,176</u>	<u>8,660,337</u>

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

**COMBINED BALANCE SHEET –
ALL FUND TYPES AND ACCOUNT GROUPS**

JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
FUND EQUITY (DEFICIT):							
Investment in Property, Plant and Equipment (Note 1 G).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance:							
Reserved for Encumbrances (Note 1 K)	624,494	-	-	-	-	-	624,494
Unreserved (Deficit):							
Designated for Debt Service (Note 1K).....	-	-	-	1,208,018	-	-	1,208,018
Designated for Subsequent Years Expenditures	626,252	647,449	268,317	-	-	-	1,542,018
Undesignated (Deficit)	<u>(2,237,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,237,818)</u>
TOTAL FUND EQUITY (DEFICIT)	<u>(987,072)</u>	<u>647,449</u>	<u>268,317</u>	<u>1,208,018</u>	<u>-</u>	<u>-</u>	<u>1,136,712</u>
TOTAL LIABILITIES AND FUND EQUITY.....	<u>\$ 404,982</u>	<u>\$ 1,129,545</u>	<u>\$ 384,538</u>	<u>\$ 1,217,808</u>	<u>\$ -</u>	<u>\$ 6,660,176</u>	<u>\$ 9,797,049</u>

The accompanying notes to general-purpose financial statements are an integral part of this statement.

MUNICIPALITY OF NAGUABO, PUERTO RICO

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

FOR THE YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
REVENUES					
Property Taxes (Note 6)	\$ 1,275,200	\$ -	\$ -	\$ 487,892	\$ 1,763,092
Volume of Business Taxes (Note 7)	559,080	-	-	-	559,080
Federal Assistance (Note 8)	-	1,573,514	1,573,536	-	3,147,050
Intergovernmental (Note 8).....	3,546,562	781,534	856,149	-	5,184,245
Licenses and Permits	488,645	-	-	-	488,645
Miscellaneous.....	433,611	-	-	-	433,611
TOTAL REVENUES	6,303,098	2,355,048	2,429,685	487,892	11,575,723
EXPENDITURES					
Current:					
Mayor and Municipal Legislature	624,746	-	-	-	624,746
General Government	3,482,146	632,155	-	-	4,114,301
Public Safety.....	1,117,466	4,448	-	-	1,121,914
Public Works	915,291	434,878	-	-	1,350,169
Culture and Recreation.....	260,355	-	-	-	260,355
Sanitation	470,956	-	-	-	470,956
Solid Waste Disposal.....	-	-	-	-	-
Human Services and Welfare.....	237,222	553,954	-	-	791,176
Urban Development.....	-	672,528	2,697,616	-	3,370,144
Capital Outlays	8,481	-	-	-	8,481
Advance of Property Taxes	622,842	-	-	-	622,842
Debt Service:					
Principal Retirement (Notes 4 and 5).....	-	-	-	240,000	240,000
Interest Payment	-	-	-	174,490	174,490
TOTAL EXPENDITURES	7,739,505	2,297,963	2,697,616	414,490	13,149,574
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,436,407)	57,085	(267,931)	73,402	(1,573,851)

MUNICIPALITY OF NAGUABO, PUERTO RICO

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

FOR THE YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
OTHER FINANCIAL SOURCES (USES):					
Advances of Property Taxes (Note 6).....	\$ 622,842	\$ -	\$ -	\$ -	\$ 622,842
Proceed of Note.....	590,000	-	-	-	590,000
Operating Transfer In	-	500,722	258,132	40,659	799,513
Operating Transfer Out.....	(541,381)	(258,132)	-	-	(799,513)
TOTAL OTHER FINANCING SOURCES (USES)	671,461	242,590	258,132	40,659	1,212,842
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(764,946)	299,675	(9,799)	114,061	(361,009)
Fund Balances, as Restated at Beginning of Year (Note 11)	(222,126)	347,774	278,116	1,093,957	1,497,721
FUND BALANCES (DEFICIT) AT END OF YEAR	(\$ 987,072)	\$ 647,449	\$ 268,317	\$ 1,208,018	\$ 1,136,712

*END IN 00 (3185485)
Adj. 2963279*

The accompanying notes to general-purpose financial statements are an integral part of this statement.

MUNICIPALITY OF NAGUABO, PUERTO RICO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL AND DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2001

	GENERAL			DEBT SERVICE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Property Taxes Advances	\$ 1,097,628	\$ 1,097,628	\$ -	\$ 272,327	\$ 487,892	\$ 215,565
Volume of Business Taxes	996,868	559,080	(437,788)	-	-	-
Intergovernmental.....	3,604,141	3,546,562	(57,579)	-	-	-
Licenses and Permits	1,389,221	488,645	(900,576)	-	-	-
Miscellaneous.....	666,949	423,822	(243,127)	-	-	-
TOTAL REVENUES.....	7,754,807	6,115,737	(1,639,070)	272,327	487,892	215,565
EXPENDITURES AND ENCUMBRANCES						
Mayor and Municipal Legislature	692,186	673,796	18,390	-	-	-
General Government:						
Finance	3,242,391	2,713,465	528,926	-	-	-
Personnel	244,389	478,891	(234,502)	-	-	-
Insurance	153,102	142,936	10,166	-	-	-
Public Safety	1,130,165	1,120,169	9,996	-	-	-
Public Works	949,320	966,502	(17,182)	-	-	-
Culture and Recreation.....	262,065	262,144	(79)	-	-	-
Sanitation	788,022	470,956	317,066	-	-	-
Human Services and Welfare	236,114	513,094	(276,980)	-	-	-
Urban Development.....	-	-	-	-	-	-
Capital Outlays	12,451	8,481	3,970	-	-	-
Debt Services	-	-	-	272,327	414,490	(142,163)
TOTAL EXPENDITURES AND ENCUMBRANCES	7,710,205	7,350,434	359,771	272,327	414,490	(142,163)
EXCESS OF REVENUES Over (Under) Expenditures and Encumbrances	44,602	(1,234,697)	(1,279,299)	-	73,402	73,402

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL AND DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2001

	GENERAL			DEBT SERVICE		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCIAL SOURCES (USES):						
Operating Transfer In (Out)	(\$ 43,800)	(\$ 40,659)	\$ 3,141	\$ -	\$ 40,659	\$ 40,659
Excess of Revenues and Other Sources (Uses) Over Expenditures And Other Uses	\$ 802	(1,275,356)	(\$ 1,276,158)	\$ -	114,061	\$ 114,061
Adjustment Required Under Generally Accepted Accounting Principles:						
Net Change in Encumbrance		233,770			-	
Proceed of Bonds		590,000			-	
GAAP Adjustment to Revenues		9,790			-	
Net Changes in Unbudgeted Items		(323,150)			-	
Fund Balance (Deficit), as Restated at Beginning of Year (Note 11)		(222,126)			1,093,957	
FUND BALANCE (DEFICT) AT END OF YEAR		(\$ 987,072)			\$ 1,208,018	

The accompanying notes to general-purpose financial statements are an integral part of this statement.

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSES FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **Municipality of Naguabo, Puerto Rico (Municipality)** was founded in the year 1775, and operates as a governmental unit of the Commonwealth of Puerto Rico, under the Law Number 81 of August 30, 1991, known as "Autonomy Municipalities Law of the Commonwealth of Puerto Rico". The governmental system of the **Municipality** is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Commonwealth of Puerto Rico. The legislative body consists of 14 legislators also elected in the general elections of Puerto Rico for a four-year period.

The **Municipality** provides services such as: health, public works, sanitation, aids and services to low-income and elderly citizens, public safety, housing and urban development, culture and recreation, planning, zoning and other general and administrative services.

The accounting policies of the **Municipality** conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

A. Financial Reporting Entity

The general-purpose financial statements of the **Municipality** have been prepared in accordance with accounting principles general accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is a standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

The general-purpose financial statements present the financial position of the various fund types and accounts groups and the results of operations of the various fund types of the **Municipality**. This includes the organizations units governed by the Executive Officers and members of the Municipal Legislature of the **Municipality**. In evaluating the **Municipality** as a reporting entity, management has considered all the potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of **GASB Number 14**.

The basic, but not the only criterion for including a potential component unit within the reporting entity is if elected officials of a primary government are financially accountable for the entity. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body and if either one of the following conditions exist: the primary government can impose its will on the other entity or the potential exists for the other entity to (1) provide specific financial benefits to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is if the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete.

The relative importance of each criteria must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Our specific evaluations of the criterias applicable to the **Municipality** indicates that the reporting entity consists of all funds and accounts groups included in the combined balance sheet, therefore, no organizations, activities or functions are required to be included in the reporting entity.

B. Basis of Presentation

The accounts of the **Municipality** are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set off self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds and account groups are summarized by type in the accompanying general-purpose financial statements. The **Municipality** records its transactions in the fund types and account groups described below. Transactions between funds within a fund type, if any, have been eliminated.

Amounts in the "Totals Memorandum Only" column in the combined financial statements represent a summation of the combined financial statements line items of the fund types and account groups, and are presented for the analytical purposes only. The summation include fund types and account groups that use different basis of accounting includes interfund transactions that have not been eliminated and the caption "amounts to be provided", which is not an asset in the usual sense. Consequently, amounts shown in the "Totals Memorandum Only" column are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures of the **Municipality**.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

B. Basis of Presentation (continuation)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Municipality are financed. The acquisition, use, and balances of the Municipality's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following are the Municipality's governmental fund types:

General Fund – This is the general operating fund of the Municipality. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund – This is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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

Capital Projects Fund – This is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue Fund). Completed assets of a stewardship nature are transferred to the General Fixed Assets Account Group.

ACCOUNT GROUPS

Account groups are not funds; they do not reflect available financial resources and related liabilities, but they are accounting records for the general long-term obligations. Account groups are used to establish accounting control and accountability for the Municipality's general fixed assets and the unmatured principal of its general long-term debts and other long-term obligations. The following is a description of the Account Group of the Municipality:

General Fixed Assets Account Group – This account group is used to account for all general fixed assets of the Municipality.

General Long-Term Debt Account Group – This account group is used to account for all long-term debt including bonds, notes and other long-term liabilities of the governmental fund type of the Municipality.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the general-purpose financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. Governmental fund types follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter, normally within sixty days, to be used to pay liabilities of the current period. Revenues collected in advance of the fiscal year to which they apply are recorded as deferred revenues and recognized as revenues in the years to which they apply.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially three types of these revenues. For one type, monies must be expended on the specific purpose or project before any amounts will be paid to the Municipality; therefore, revenues are recognized based upon the expenditures recorded.

For the second type, monies are received in advance and recorded as deferred revenues until the appropriate expenditures are made at which time the revenues are recorded.

For the third type, revenues are virtually unrestricted as to purpose of expenditure and nearly irrevocable or revocable only for failure to comply with the prescribed requirements, such as equal employment opportunity provisions. These resources are reflected as revenues at the time of receipt or earlier if they meet the "available" criteria.

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

C. Basis of Accounting (continuation)

Property taxes are recognized as revenues when collected by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico, even though a portion of the taxes may be collected in subsequent years. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when collected, because they are generally not measurable until actually received.

Expenditures and related liabilities are generally recorded in the accounting period in which the liability is incurred. Exceptions to this general rule include: (1) vacation, sick leave, disallowance, and litigation are recorded in the General Long-Term Debt Account Group; (2) expenditures and related liabilities for principal and interest on long-term obligations, which are recorded when due; (3) landfill obligation is included in the General Long-Term Debt Account Group since it will not be funded with available expendable financial resources.

D. Budgetary Accounting

The Municipality's Annual Budget is prepared on the budgetary basis of accounting and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior the beginning of the fiscal year. Budgetary control is maintained at the department level for each individual appropriation. Amendments to the budget, including transfers, require the approval of the Municipal Legislature. Unencumbered appropriations lapse at the end of the next fiscal year.

The Municipality follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the general-purpose financial statements:

1. Prior of May 31 of each fiscal year, the Mayor submits to the Municipal Legislature a proposed budget for the fiscal year commencing the following July 1 in addition of a budget message.
2. The budget document is available for public inspection prior to its approval by the Municipal Legislature.
3. The Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law.

4. Prior to June 1, the annual budget is legally enacted through passage of the annual appropriation ordinance.
5. Subsequent to the enactment of the annual appropriation ordinance, the Municipal Legislature has the authority to make necessary amendments made during the fiscal year and are reflected in the budget information included in the general-purpose financial statements.
6. Budgetary data for the Special Revenue Fund has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective grant or project and not on an annual basis.

Since the budgetary basis differs from generally accepted accounting principles of the United States of America (GAAP), actual amounts for the General Fund in the accompanying Combined Financial Statement of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance – Budget and Actual, is presented on the budgetary basis to enhance comparability.

The principal differences between the budgetary and GAAP bases are the following:

1. Encumbrances are recorded as expenditures under the budgetary basis and as a reserve of fund balances under GAAP.
2. The non-exonerated portion of the property tax advances are presented as revenue in the budgetary basis and as other financing sources under GAAP (See Note 6).
3. Interfund transactions of the General and Special Revenue Funds are not included in the budgetary basis.
4. Certain accrued liabilities and other debts are not included in the budgetary basis.
5. Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary data.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

D. Budgetary Accounting (continuation)

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

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

E. Cash and Investment

The Director of Finance of the **Municipality** is responsible for investing the available resources in certificates of deposit and other short-term investments. Investments are made from the available combined funds of the **Municipality** and, accordingly, it is not practical to disclose certificates of deposit and other short-term investments individually by fund in the combined financial statements. Interest earned on certificates of deposit and other short-term investments are recognized as revenue in the General Fund. Cash in the Special Revenue, Debt Service and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments. During the fiscal year, any investment in certificate of deposit was made.

Cash with fiscal agent represents property tax collections retained by the Municipal Revenues Collection Center and Government Development Bank of the Commonwealth of Puerto Rico. Debt Service Fund is restricted for the payment of the **Municipality's** obligations, and others are restricted for specific projects, such as the acquisition or construction of permanent improvements.

F. Inventories

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

G. General Fixed Assets

The general fixed assets account group should be reflects the cost of fixed assets of a stewardship nature (certain land, buildings, certain improvements other than building, furniture and fixtures, equipment and motor vehicles acquired or constructed by the **Municipality**. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters and sidewalks, underground water and sewer facilities and certain other property are recorded as expenditures and are not capitalize. Such assets normally are immovable and of value only to the **Municipality**. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets. Donated fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided and the interest on financing during the construction period will not be capitalized in the General Fixed Assets Account Group.

H. Compensated Absences

Municipal employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave, or upon retirement, terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The **Municipality** accrues a liability for compensated absences, which meet the following criteria: (1) the **Municipality's** obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered; (2) the obligation relates to rights that vest or accumulate; (3) Payment of the compensation is probable; and (4) the amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by **GASB Number 16**, the **Municipality** has accrued a liability for compensated absences, which has been earned but not taken by municipal employees. The liability for compensated absences, which will not require the use of expendable available financial resource, is included in the General Long-Term Debt Account Group.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

I. Insurance

The **Municipality** has insurance coverage for its public facilities, primarily to provide protection from catastrophic losses. Also, principal officials of the **Municipality** are covered under various surety bonds. The Secretary of the Treasury Department of the Commonwealth of Puerto Rico is the agent commissioned to place all of the **Municipality's** insurance coverage. Corresponding premiums payable are withheld by the Municipal Revenue Collection Center from quarterly advances of annual property tax and subsidy sent to the **Municipality**.

J. Interfund Transactions

The **Municipality** has the following types of transactions among funds:

Operating Transfers – Legally required transfers that are reported when incurred as "Operating transfers-in" by the recipient funds and as "Operating transfers-out" by the disbursing fund.

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

K. Reservations of Fund Balance

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

Encumbrance – Represent future expenditures under purchases orders, contracts and other commitments issued for goods and services not received at year-end. Where the appropriations lapse at year-end these will be honored during subsequent year. Encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, are reported with expenditures in all budgetary basis statements.

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

Fund Deficit in the General Fund is primarily attributable to prior year adjustments due to unrecorded debts and cash accounts reconciliation. The deficit is expected to decrease in the future as a result of a plan to reduce expenditures, obtain additional sources of revenues, and appropriation in annual budget as require by State Municipal Law.

L. Claims and Judgments

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the general fund. The general long-term debt account group includes an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

M. Use of estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues during the reporting period. Actual result count differs from those estimates.

NOTE 2 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Short-term advances between funds are accounted for in the interfund receivable and payable accounts. Interfund receivable and payable balances at June 30, 2001 consist of the follows:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General:		
Interfund Loans.....	\$ 20,791	\$437,714
Interest Receivable from Debt Service Fund	9,790	-
Special Revenue:		
Cash System in Current Account.....	259,116	20,791

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 INTERFUND RECEIVABLE AND PAYABLE BALANCES (continuation)

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Capital Project:		
Cash System in Current Account.....	\$178,598	\$ -
Debt Services:		
Interest Payable to General Fund.....	-	9,790
TOTAL	<u>\$468,295</u>	<u>\$468,295</u>

NOTE 3 DUE TO OTHER GOVERNMENTAL UNITS

As of June 30, 2001, balance due to other governmental units of the General Fund for services rendered to the **Municipality**, consists of the following:

	<u>AMOUNT</u>
Retirement System Administration	\$314,805
Water and Sewer Authority	10,624
General Service Administration	9,202
Others.....	<u>4,358</u>
TOTAL	<u>\$338,989</u>

NOTE 4 GENERAL LONG-TERM DEBTS

A. GENERAL OBLIGATIONS BONDS AND NOTES PAYABLE

The principal long-term obligations of the **Municipality** are general obligations bonds and notes payable issued to finance the construction and improvements of public facilities. The **Municipality's** obligations long-term debt retirements are appropriated and paid from resources accumulated in the debt service fund (See Note 5). The special obligations long-term note retirements are paid through retention made by the Municipal Revenue Collection Center from monthly advance of annual property tax and subsidy sent to the **Municipality**. General obligations bonds and notes payable as of June 30, 2001, are comprised of the following individual issues:

<u>Description</u>	<u>Amount</u>
General Obligations Bonds:	
\$415,000, Series 1991, payable in annual installments ranging from \$15,000 to \$50,000 until year 2006; variable interest from 4.37% to 6.36%	\$ 230,000
\$320,000, Series 1997, payable in annual installments ranging from \$20,000 to \$45,000 until year 2007; variable interest from 6.71% to 7.00%	250,000
\$620,000, Series 1998-99, payable in annual installments ranging from \$70,000 to \$110,000 until year 2005; variable interest from 5.62% to 6.00% (Water and Waste Disposal).....	475,000
\$514,000, Series 1999-2000, payable in annual installments ranging from \$16,000 to \$39,000 until year 2005; with interest rate of 4.50%...	498,000
\$576,000, Series 1999-2000, payable in annual installments ranging from \$14,000 to \$39,000 until year 2023; with interest rate at 4.50% computed annually (Water and Waste Disposal).....	548,000
\$200,000, Series 1999-2000, payable in annual installments from \$20,000 to \$35,000, variable interest from 7.08% to 7.50%	180,000
\$590,000, Series 2001, payable in annual installments from \$40,000 to \$80,000, excluding interest, through July 1, 2010, interest at 8.00%	<u>590,000</u>
Total General Obligations – Bonds.....	<u>2,771,000</u>
Special Obligations – Notes:	
\$400,000 Note from Lottery Fund, payable in annual installments ranging from \$10,000 to \$40,000 with interest rate at 8% computed annually.	<u>355,000</u>
Total Notes Payable	<u>355,000</u>
Total General Obligations Bonds and Notes.....	<u>\$3,126,000</u>

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 GENERAL LONG-TERM DEBTS (continuation)

A. GENERAL OBLIGATIONS BONDS AND NOTES PAYABLE (continuation)

The annual requirements to amortize the general and notes obligations outstanding as of June 30, 2001, are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total Payment
2002	\$ 252,000	\$ 143,978	\$ 395,978
2003	274,000	172,559	446,559
2004	290,000	153,775	443,775
2005	307,000	133,890	440,890
After 2005	<u>2,003,000</u>	<u>696,923</u>	<u>2,699,923</u>
TOTAL	<u>\$3,126,000</u>	<u>\$1,301,125</u>	<u>\$4,427,125</u>

B. OTHER LONG-TERM DEBTS

The following is a detail of Other Long-Term Debts at year-end:

Description	Balance July, 2000	Beginning Balance Adjustment	New Issues	Retirements and Current Maturates	Balance June 30, 2001
Property Tax Advance.....	\$ -	\$ 323,958	\$ 750,212	\$ 622,842	\$ 451,328
Property Tax - Treasury...	-	227,483	-	20,680	206,803
Unemployment.....	-	-	264,344	67,855	196,489
Water & Sewer Authority..	-	-	337,276	85,276	252,000
Social Security	-	646,317	-	58,200	588,117
Income Tax Withheld.....	-	217,468	-	19,800	197,668
State Health Ins. Plan.....	-	351,389	-	-	351,389
P.R. Land Authority.....	101,283	-	12,302	11,500	102,085
Compensated Absences ..	<u>1,096,716</u>	-	<u>91,581</u>	-	<u>1,188,297</u>
TOTAL	<u>\$1,197,999</u>	<u>\$1,766,615</u>	<u>\$1,455,715</u>	<u>\$ 886,153</u>	<u>\$3,534,176</u>

C. CHANGES IN GENERAL LONG-TERM DEBTS

The following is a summary of changes in long-term obligations for the year ended June 30, 2001:

Description	Balance July, 2000	Beginning Balance Adjustment	New Issues	Retirements and Current Maturates	Balance June 30, 2001
General	\$2,406,000	\$ -	\$ 590,000	\$ 225,000	\$2,771,000
Special	370,000	-	-	15,000	355,000
Others	<u>1,197,999</u>	<u>1,766,615</u>	<u>1,455,715</u>	<u>886,153</u>	<u>3,534,176</u>
TOTAL	<u>\$3,973,999</u>	<u>\$1,766,615</u>	<u>\$2,045,715</u>	<u>\$1,126,153</u>	<u>\$6,660,176</u>

NOTE 5 DEBT RETIREMENT

Revenues of the debt service fund consists of the ad-valorem property taxes which are recognized as revenue when collected from taxpayers and reported by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico to the **Municipality** (See Note 6).

These property taxes are accumulated by the Municipal Revenue Collection Center in costs of the general obligations bonds issued by the **Municipality** (See Note 4). Payments are made to the Government Development Bank of the Commonwealth of Puerto Rico from such accumulated funds by the Municipal Revenue Collection Center of Puerto Rico.

NOTE 6 PROPERTY TAXES

The Municipal Revenue Collection Center of the Commonwealth of Puerto Rico is responsible for the assessment of all real and personal property located within the **Municipality** and for the levy, administration and collection of the corresponding tax contribution.

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

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

NOTE 6 PROPERTY TAXES (continuation)

The tax rate per annum is 8.08% for real property and 6.08% for personal property of which 1.03% of both belongs to the Commonwealth of Puerto Rico and 7.05% and 5.05%, respectively, belongs to the **Municipality**. From the portion belonging to the **Municipality**, 6.00% and 4.00%, respectively, represents the **Municipality's** basic tax rate that is appropriated for general purposes and therefore accounted for through the General Fund. The remaining portion belonging to the **Municipality** of 1.25% represents the ad-valorem property taxes withheld by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico and restricted for debt service, which is accounted for through the Debt Service Fund (See Note 5).

The **Municipality** has reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad-valorem tax rate. The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 has assessed valuation on residential units occupied by their owners. However, the **Municipality** receives the full amount levied, except for residential units assessed at less than \$3,500 on which a complete exemption is granted. The Municipal Revenue Collection Center, instead of the property taxpayer, becomes the source of payment in these cases.

The **Municipality** grants a complete exemption from personal property taxes up to an assessment value of \$50,000. The Municipal Revenue Collection Center advances to the **Municipality**, on monthly payments, 100% of the contribution assessed over property for each fiscal year. In accordance to Law, these advances will be contributions by the Municipal Revenue Collection Center from taxpayers. The Municipal Revenue Collection Center periodically informs to the **Municipality** the amounts collected from taxpayers and applied to outstanding advances.

The **Municipality** records as revenue in the General Fund the exonerated portion of property tax contribution when received from quarterly advances from Municipal Revenue Collection Center. The non-exonerated portion of the advance is recorded as other financing sources in the General Fund and in the General Long-Term Debt Account Group as an increase in related debt. The revenue for the basic contribution over property not exonerated is recorded in the General Fund where the respective property tax notifications from Municipal Revenue Collection Center are received, which includes the amounts collected by such Center.

Due to the fact that collections of non-exonerated property taxes are applied to the advances of property tax sent by the Municipal Revenue Collection Center, they are recorded as amortization of the advance in the General Long-Term Account Group, for

Municipal Revenue Collection Center (MRCC), expenditures in the General Fund and recognized as revenue in accordance with GAAP.

The liquidation of Property Taxes of the current fiscal year is preliminary as stated by MRCC. During the fiscal year, the **Municipality** has receivable of \$9,790 recognized in Debt Service Fund according to measurement revenue recognition focus.

NOTE 7 VOLUME OF BUSINESS TAX

The volume of business tax is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the **Municipality** and which are not totally or partially exempt from this tax under the Industrial Incentives Laws of the Commonwealth of Puerto Rico. All taxpayers are required to file their declarations by April 23 of each year. The tax rates are as follows:

- a. 1.50% for financial institutions and savings and loan associations.
- b. 0.50% for all other organizations.

Taxes are payable in two equal semi-annual installments on July 1 and January 1 following the date of levy. If they are paid with declaration, the taxpayer is granted a 5% of discount. Collections of taxes during current fiscal year, applicable to the next fiscal year, are recorded as deferred revenues in the General Fund.

NOTE 8 INTERGOVERNMENTAL REVENUES

Intergovernmental revenues consists primarily of funds received from the Commonwealth of Puerto Rico, "in lieu of tax" payments from the quasi-public corporation, Puerto Rico Electric Power Authority, and federal financial assistance received from federal government.

Grants and subsidies received from the Commonwealth of Puerto Rico and federal agencies include, among others, a general subsidy for urban development and capital improvements. Intergovernmental revenues are accounted for through the general fund except for those directly related to urban development and capital improvements, which are accounted for through the Special Revenue and the Capital Project Funds. Federal Financial Assistance is recorded in the Special Revenue Fund.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 EMPLOYEE'S RETIREMENT PLAN

The Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The ERS was created under the Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. ERS covers all regular employees of the Commonwealth of Puerto Rico and its Instrumentalities and of certain municipalities and components units not covered by their own retirements systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Head of Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of the Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees. ERS provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

The Municipality adopted the requirements of GASB Number 25 for all the career employees that are covered under the Commonwealth of Puerto Rico Employee's Retirement System, a multiple-employer public employee retirement system, established by State Laws.

Under the plan, the employees and employer portions are contributed, for which, the employee amount is withheld from salaries. Covered employees are required by Commonwealth statute to accept before April 1, 1999 to contribute 5.775% for the first \$6,600 of salary plus 8.275% for the excess of this amount, or on the alternative, 8.275% of all salary. After such date, contribute 8.275% of their salaries. This is the only choice available to Mayor. The Municipality contributes to the system 9.275% of the participating employee's salaries.

On September 24, 1999 amendments to the law were approved, which establish a savings program. All employees active in the system as of December 31, 1999 may elect to transfer from define contribution program to the new savings program. Employees in the savings program may now contribute an additional 10% of their monthly salary, and, if at time of retirement accumulated benefits amount to \$10,000 or less may elect to receive a lump sum distribution up to the accumulated benefits.

The total pension expenditures recorded in the category of administration for the Fiscal Year Ended June 30, 2001 was approximately \$234,041. All employees who at the time of employment are 55 years old or less are eligible to participate in the

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

All employees who at the time of employment are 55 years old or less are eligible to participate in the System. Pension benefits for participants with 30 years of service are as follows:

<u>Years Of Service</u>	<u>Participant's Age</u>	<u>Pension Benefits</u>
30 or more	55 or less	65% of the average of the three years of highest salary during the employee's service period.
30 or more	58 or more	75% of the average of the three years of highest salary during the employee's service period.
30 or more	65 or more	75% of the average of the three years of highest salary during the employee's service period (employees started working after April 1, 1990).

The pension benefit for participants who retire with less than 30 years of service is computed at the rate of 1½% of their average compensation of each year of credit service for the remaining years. The System also provides for death and disability benefits and the assets of the System pertaining to the participant employees.

A variety of significant actuarial assumptions are used to determine the standard measure of the pension benefit obligation and these assumptions are summarized below:

- a. The present value of the future pension payments was computed by using a discount of 9%.
- b. Future pension payments reflect an assumption of a 6% salary increase.

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB Number 27, *Financial Reporting for Defined Benefit Pension Plans and Notes Disclosure for Defined Contributions Plans*. The standardized measurement is the actuarial present value of estimated defined pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee services performed to date.

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 EMPLOYEE'S RETIREMENT PLAN (continuation)

The measure is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The membership of retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving benefits, and active employees and the distribution of active employees between vested and nonvested is not readily available.

Contributions in 2001 and prior years were made based on percentages established by the law. Such percentage has not been based on actuarial studies, as required by generally accepted accounting principles. An actuarial compilation of the annual contribution applicable to the Municipality has not been prepared. Accordingly, the accounts by which the actual contributions differ from the required actuarial contributions are not known.

The historical trend information regarding the accumulation of assets and pension benefit obligation in the ERS are not available. For the ten-year trend information, refer to the separately issued financial statements of the ERS as of and for the year ended June 30, 2001.

NOTE 10 CONTINGENCIES

A. CLAIMS AND JUDGMENTS

The Municipality is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the Municipality's activities. The legal counsel of the Municipality has advised that at this stage in the proceedings of lawsuits he cannot offer an opinion as to the probable outcome.

In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available can not determine the final outcome of these claims, with the exception of eight lawsuits related to payment at received services and sexual harassment, to which the Legal Counsel has estimated a potential loss of \$2,646,770 and \$75,000, respectively. However, it

has been the Municipality's experience that such actions are settled for amounts substantially less than the claimed amounts.

B. FEDERAL GRANTS

In the normal course of operations, the Municipality receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11 BEGINNING FUND BALANCES RESTATEMENT

Beginning Fund Balances Undesignated (Deficit) for General, Special Revenue and Capital Project Funds have been restated by accounting adjustments that affect the Fund Equity of these Governmental Funds, as follows:

	General	Special Revenue	Capital Project
Beginning Fund Balance (Deficit), At July 1, 2000 .	(\$3,185,405)	\$ 632,012	\$ 327,488
Elimination of Account Payable Not Supported	176,818	-	-
Debt Amortization Agreement Related to Prior Year Debts	315,276	-	-
Unemployment Debt Amortization Related to Prior Year Debt	264,344	-	-
Reclassification of Social Security and Income Tax Withheld Recognized as Liability Instead of Long-Term Debt	758,640	-	-
Elimination of Interfunds Debt Not Supported	326,876	(326,876)	-
Reclassification of Advance Property Recorded as Liability Instead of Long-Term Debt	206,803	-	-
Elimination of Operational Expenditures From Prior Year Due to Cancellation of Outstanding Checks	202,927	-	-

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 BEGINNING FUND BALANCES RESTATEMENT (continuation)

	General	Special Revenue	Capital Project
Recognition of Canceled CD Deposited in Current Account	\$ 666,777	\$ -	\$ -
Recognition of Payment of Debt Not Recorded at June 30, 2000	66,202	-	-
PR Power Authority Debt as of June 30, 2000 Not Recognized According to Agency Confirmation	(11,440)	-	-
Recognition of Cash Not Recorded at June 30, 2000:			
Payroll Account	(50,940)	-	-
Cash with Fiscal Agent	36,252	-	-
Reclassification of:			
Cash – Deferred Revenue	-	(1,246)	-
Special Funds	4,744	(4,744)	-
Legislature Resolutions	-	48,628	(48,628)
Reclassification from Fund Balance to Deferred Revenues (Federal Capital Project Funds)	-	-	(744)
Beginning Fund Balance (Deficit) As Restated, July 1, 2000	(\$ 222,126)	\$ 347,774	\$ 278,116

NOTE 12 GASB STATEMENTS NUMBERS 33 AND 34 (AS AMENDED)

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The objective of this Statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. The minimum requirements for Basic Financial Statements and Required Supplementary Information (RSI) are:

A. Management’s Discussion and Analysis (MD&A) – a component of RSI, should introduce the basic financial statements and provide an objective and easily readable analytical of the government’s financial activities based on currently

known facts, decisions, or conditions. MD&A should discuss the current-year positive and negative results in comparison with the prior year, with emphasis on the current year.

B. Basic Financial Statements – should include:

1. Government-wide Statements – The government-wide statements should display information about the reporting government as a whole, except for its fiduciary activities. The statements should include separate columns for the governmental and business-type activities of the primary government as well as for its component units. Government-wide financial statements should be prepared using the economic resources measurement focus and the accrual basis of accounting. Capital assets, including infrastructure assets, and depreciation charges are reported on these new financial statements:

- a. Statement of Net Assets
- b. Statement of Activities

2. Fund Financial Statements – Fund financial statements for the primary government’s governmental, proprietary, and fiduciary funds should be presented after the government-wide statements. These funds should be presented after the governmental and enterprise funds. Fiduciary statements should include financial information for fiduciary funds and similar component units. Each of the three fund categories should be reported using the measurement focus and basis of accounting required for that category.

3. Notes to the Financial Statements – One set of notes for both financial statements.

C. Required Supplementary Information other than MD&A. Except for MD&A, required supplementary information, including the required budgetary comparison information, should be presented immediately following the notes to the financial statements.

GASB No. 34 will begin to take effect for the Municipality in fiscal year beginning after June 15, 2002. Earlier application is encouraged.

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO THE GENERAL PURPOSES FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 12 GASB STATEMENTS NUMBERS 33 AND 34 (AS AMENDED)
(continuation)

Prospective reporting of general infrastructure assets is required at the effective dates of this Statement. Retroactive reporting of all major general governmental infrastructure assets is encouraged at that date. Retroactive reporting is required four (4) year after the effective date on the basic provisions for all major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980.

Governments that elect early implementation of this Statement, should also implement GASB Statement Number 33, Accounting and Financial Reporting for Nonexchange Transactions, at the same time. Also, GASB 34 was amended by GASB Number 37 and 38 for topics that should be included in the MD&A and disclosures.

END OF NOTES

PART II

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND REPORTS REQUIRED BY GOVERNMENT AUDITING
STANDARDS AND OMB CIRCULAR A-133**

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. Department of Agriculture:			
Water and Waste Disposal for Rural Communities.....	10.760		<u>\$1,486,496</u>
U.S. Department of Commerce:			
Economic Adjustment Assistance.....	11.307		<u>87,040</u>
U.S. Department of Housing and Urban Development:			
Direct Programs (Cluster):			
Section 8 Rental Voucher Program.....	14.855	RQ047V00014	377,057
Section 8 Rental Certificate Program.....	14.857	RQ047CE0011	<u>46,496</u>
Total Section 8 Program.....			423,553
Indirect Programs:			
Pass Through State – Office of the Commissioner of Municipal Affairs			
State Block Grant Program (SBGP).....	14.228	00-FD-47 99-FD-47 98-FD-47 97-FD-47 96-FD-47 95-FD-47 94-AF-FD-47	<u>1,110,319</u>
Total Department of Housing and Urban Development.....			<u>1,533,872</u>
U.S. Department of Justice:			
Public Safety Partnerships and Community Policing Grants.....	16.710		<u>4,448</u>
U.S. Federal Emergency Management Administration:			
Pass Through Office of Governor			
Public Assistance Grant.....	83.544	FEMA1247DR-PR	<u>35,194</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS....			<u>\$3,147,050</u>

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

MUNICIPALITY OF NAGUABO, PUERTO RICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Municipality of Naguabo, Puerto Rico (Municipality)** and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements. The reporting entity is defined in Note (1) (A) to the general-purpose combined financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The accompanying Schedule of Expenditures of Federal Awards is prepared from **Municipality's** accounting records and is not intended to present financial position or the results of operations.
- B. The **Municipality** in accordance with the terms records the financial transactions and conditions of the grants, which are consistent with generally accepted accounting principles.
- C. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable or when actually paid, whichever occurs first.

NOTE 3 FEDERAL CFDA NUMBER

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

NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Expenditures of federal awards are reported in the **Municipality's** Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Type as follows:

DESCRIPTION	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL
Federal Programs Expenditures.....	\$1,573,514	\$1,573,536	\$3,147,050
State & Municipal Expenditures	<u>724,449</u>	<u>1,124,080</u>	<u>1,848,529</u>
TOTAL EXPENDITURES.....	<u>\$2,297,963</u>	<u>\$2,697,616</u>	<u>\$4,995,579</u>

NOTE 5 LOAN OUTSTANDING

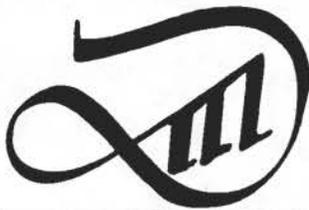
The **Municipality of Naguabo, Puerto Rico** had the following outstanding balance at June 30, 2001 for Water and Waste Disposal for Rural Communities Programs. For these loans the grantor does not impose continuing compliance requirements, as described on the OMB Circular A-133. Therefore, the prior year balances are not considered expenditures on the Schedule of Expenditures of Federal Awards. The amount presented in the Schedule, represent federal expenditures according to modified accrual basis of accounting (see Note 2). The loans outstanding balances were included in the **Municipality's** General Long-Term Account Group (see Note 4 of the Notes to General-Purposes Financial Statements).

Program Title	Federal CFDA Number	Amount Outstanding
Water and Waste Disposal Loans and Grants	10.760	\$1,046,000

NOTE 6 MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Costs.

END OF NOTES



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

**To the Honorable Mayor and
Members of the Municipal Legislature
Municipality of Naguabo, Puerto Rico**

We have audited the financial statements of **Municipality of Naguabo, Puerto Rico (Municipality)** as of and for the year ended June 30, 2001, and have issued our report thereon dated November 28, 2001, which was qualified because the **Municipality** financial statements do not include the general fixed assets account group, which should be included in order to conform to accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the **Municipality'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 and the report of others auditors, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Municipality'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 the internal control over financial reporting and its operation that we consider being reportable conditions. Reportable conditions involve matters coming to our consideration relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the **Municipality's** ability to record, process, summarize and report financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 01-II-01.

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

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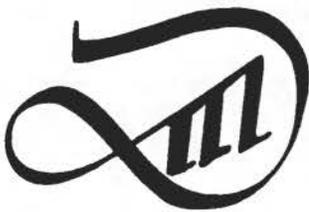
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions mentioned above being material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the **Municipality** in a separate letter dated November 28, 2001.

This report is intended for the information and use of the management, other within the organization, Office of the Commissioner of Municipal Affairs, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


CPA DIAZ-MARTINEZ, P.S.C.
Certified Public Accountants

Caguas, Puerto Rico
November 28, 2001





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

**To the Honorable Mayor and
Members of the Municipal Legislature
Municipality of Naguabo, Puerto Rico**

Compliance

We have audited the compliance of the **Municipality of Naguabo, Puerto Rico (Municipality)** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The **Municipality's** major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **Municipality's** management. Our responsibility is to express an opinion on the **Municipality's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 the **Municipality's** compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **Municipality's** compliance with those requirements.

As described in items 01-III-02, 01-III-03, 01-III-04, 01-III-06, and 01-III-07 in the accompanying Schedule of Findings and Questioned Costs, **Municipality** did not comply with requirements regarding Eligibility and Special Tests and Provisions that are applicable to its Section 8 Rental Programs. Compliance with such requirements is necessary, in our opinion, for **Municipality** to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the **Municipality** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 01-III-05.

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

Page 2

Internal Control Over Compliance

The management of the **Municipality** 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'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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matter involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the **Municipality's** ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 01-III-01 through 01-III-05.

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. Our consideration of the internal control over compliance 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 items 01-III-02, 01-III-03 and 01-III-04, to be material weaknesses.

This report is intended for the information and use of the management, other within the organization, Office of the Commissioner of Municipal Affairs, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



CPA DIAZ-MARTINEZ, PSC
Certified Public Accountants

Caguas, Puerto Rico
November 28, 2001



PART III
FINDINGS AND QUESTIONED COSTS

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness (es) identified? X Yes No
- Reportable condition(s) identified that are not considered being material weaknesses? Yes X None Reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Reportable condition(s) identified that are not considered being material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance for Major Programs: Unqualified, except for Section 8 Rental Programs, which is qualified.

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Loans and Grants
14.855 – 14.857	Section 8 Rental Program (Cluster)

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

Auditee qualified as low-risk auditee? Yes X No

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section II – Financial Statement Findings

FINDING	NUMBER 01-II-01
REQUIREMENT	REPORTABLE CONDITION OVER PROPERTY, PLANT AND EQUIPMENT
CONDITION	During our examination of Municipality's property record and reports we noted the following deficiencies: (1) Construction in Progress are not accounted for as part of Property, Plant and Equipment account balance; (2) there is no adequate internal control procedure to assure the proper valuation and timeliness of recognition of real estate inventory.
CRITERIA	Article 9.002 of State Act Number 81 of August 30, 1991 stated that Municipality should maintain updated property accounting records.
EFFECT	Municipality did not maintain an adequate control of the accountability regarding property transactions.
CAUSE	Evidence that system fails to provide a complete and accurate output consistent with the entity's control objectives because of the misapplication of controls.
RECOMMENDATION	Municipality should implement internal control procedures in order to comply with this requirement.
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section III – Federal Award Findings and Questioned Costs

FINDING	NUMBER 01-III-01
FEDERAL PROGRAMS	WATER AND WASTE DISPOSAL FOR RURAL COMMUNITIES (CFDA NO. 10.760) U.S. DEPARTMENT OF AGRICULTURE
	SECTION 8 RENTAL PROGRAMS (CFDA NOS. 14.855 AND 14.857) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	INTERNAL CONTROL
NONCOMPLIANCE	ALLOWABLE COST/COST PRINCIPLES
CONDITION	It was noted in our tests of Municipality's internal control over disbursements process, that supporting documents related to fourteen (14) checks pertaining to Rural Development and thirty one (31) checks pertaining to Section 8 issued were not stamp as "paid".
CRITERIA	Code of Federal Regulations, Subpart I, CFR 24 Section 570.489 (d) (1); and also Subpart D, CFR 7 Section 1703.109, require that the State shall have fiscal and administrative requirements for expending and accounting for all funds received under this subpart.
EFFECT	Liabilities could be paid twice by the Municipality , an unallowable cost.
CAUSE	There is no adequate internal control procedures implemented to assure this compliance.
RECOMMENDATION	Municipality should stamp "paid" in all disbursement supporting documents in order to assure compliance with this requirement.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section III – Federal Award Findings and Questioned Costs

FINDING	NUMBER 01-III-02
FEDERAL PROGRAMS	SECTION 8 RENTAL PROGRAMS (CFDA NOS. 14.855 AND 14.857) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test we noted that eleven (11) participants files did not have evidence of the HUD-approved release and consent forms submitted by the family as required by federal regulation.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart F, Section 5.617 (b) stated that as a condition of admission to, or continued occupancy of, any assisted unit, the Municipality shall require the family head and other such family members as is designated, on 24 CFR, Subpart B, Section 5.230 (a), to execute a HUD-approved release and consent form authorizing any depository or private source of income, or any federal, state or local agency, to furnish or release to the Municipality and to HUD such information as the Municipality and HUD determines to be necessary.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart F, Section 5.617 (b) and Section 5.230 (a).
CAUSE	The Municipality does not have consent forms that authorize the collection of income information from State Wages Information Collection Agencies (SWICA), and wages, net earnings from self-employment, payments of retirement income, and unearned income as referenced at 26 U.S.C. 6103. In addition consent form may authorize the collection of other information from applicants and participant to determine eligibility or level of benefits.
RECOMMENDATION	We recommended management to require each member of the family of an assistance applicant or participant who is at least 18 years of age, and each family head and spouse regardless of age, to sign a release form.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section III – Federal Award Findings and Questioned Costs

FINDING	NUMBER 01-III-03
FEDERAL PROGRAMS	SECTION 8 RENTAL PROGRAMS (CFDA NOS. 14.855 AND 14.857) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test we noted that two (2) participant files did not have third party verifications regarding family income.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart K, Section 982.516 (a) (2) stated that, the Municipality must obtain and document in the tenants files third party verification of the following factors, or must document in the tenant file why third party was not available: (1) reported family annual income, (2) the value of assets, (3) expenses related to deductions from annual income and (4) other factors that affect the determination of adjusted income.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart K, Section 982.516 (a) (2).
CAUSE	The Municipality does not maintain tenant files as required by federal regulations in order to verify the information provided by the applicant or participants regarding the family income and the family composition.
RECOMMENDATION	We recommended management to ensure the verification of applicant or participant family income in order to comply with program regulations.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section III – Federal Award Findings and Questioned Costs

FINDING	NUMBER 01-III-04
FEDERAL PROGRAMS	SECTION 8 RENTAL PROGRAMS (CFDA NOS. 14.855 AND 14.857) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test we noted that the twenty five (25) participants files observed did not have evidence of the execution of HUD-approved release and consent forms to investigate participant's information from third parties.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart F, Section 5.617 (b) stated that as a condition of admission to, or continued occupancy of, any assisted unit, the Municipality shall require the family head and other such family members as it designated, on 24 CFR, Subpart B, Section 5.230 (a), to execute a HUD-approved release and consent form authorizing any depository or private source of income, or any federal, state or local agency, to furnish or release to the Municipality and to HUD such information as the Municipality and HUD determines to be necessary.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart F, Section 5.617 (b) and Section 5.230 (a).
CAUSE	The Municipality does not execute consent forms that authorize the collection of income information from State Wages Information Collection Agencies (SWICA), and wages, net earnings from self-employment, payments of retirement income, and unearned income as referenced at 26 U.S.C. 6103. In addition consent form may authorize the collection of other information from applicants and participant to determine eligibility or level of benefits.
RECOMMENDATION	We recommended management to execute the release forms and confirm the information of the participants from third parties.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section III – Federal Award Findings and Questioned Costs

FINDING	NUMBER 01-III-05
FEDERAL PROGRAM	WATER AND WASTE DISPOSAL FOR RURAL COMMUNITIES (CFDA NO. 10.760) U.S. DEPARTMENT OF AGRICULTURE
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	REPORTING
CONDITION	During our audit, we noted that the Municipality did not prepare annual reports required by Rural Development.
CRITERIA	OMB Common Rules, Subpart B, 7 CFR Section 1780.47 (f) (2) require that prior to the beginning of each fiscal year a Form RD 442-2, Statement of Budget, Income and Equity and, Form RD 442-3, Balance Sheet, have to be filed to the processing office.
EFFECT	Municipality did not comply with OMB Common Rules, Subpart B, 7 CFR Section 1780.47 (f) (2).
CAUSE	There are no internal controls implemented to assure that all required information is timely and properly presented to comply with program regulations.
RECOMMENDATION	We recommend management to prepare the required reports in order to comply with program regulations.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section III – Federal Award Findings and Questioned Costs

FINDING	NUMBER 01-III-06
FEDERAL PROGRAMS	SECTION 8 RENTAL PROGRAMS (CFDA NOS. 14.855 AND 14.857) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our audit we noted that the Municipality does not have a current waiting list for applicants.
CRITERIA	Code of Federal Regulations, 24 CFR, Sections 982.202 through 982.207 stated that, the Municipality must prepare a waiting list that includes: (1) applicant name, (2) family unit size, (3) date and time of application, (4) qualification for federal preference, (5) qualification for any ranking preference or local preference, (6) racial or ethnic designation of the head of household; from which it can select eligible applicants.
EFFECT	Municipality is not in compliance with 24 CFR, Sections 982.202 through 982.207.
CAUSE	Municipality is not preparing a list of applicants as required in accordance with admission policies, and thus it can not assure the correct selection of participants.
RECOMMENDATION	We recommended management to prepare a waiting lists according to HUD requirements and identify the preferences.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Section III – Federal Award Findings and Questioned Costs

FINDING	NUMBER 01-III-07
FEDERAL PROGRAMS	SECTION 8 RENTAL PROGRAMS (CFDA NOS. 14.855 AND 14.857) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our verification of Housing Quality Standards Enforcement, we noticed that the Municipality does not have a list of failed inspections to verify the corrections of deficiencies within thirty (30) calendar days.
CRITERIA	Code of Federal Regulations, 24 CFR, Sections 982.158 and 982.404 stated that, the Municipality must prepare a list of units that fail to meet Housing Quality Standards.
EFFECT	Municipality does not comply with 24 CFR, Sections 982.158 and 982.404.
CAUSE	Municipality has failed to develop a procedure to assure that all deficiencies are corrected within the specific time frame, in order to comply with program regulations and requirements.
RECOMMENDATION	We recommended management to prepare a list of units that fail the inspection.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

END OF SCHEDULE

MUNICIPALITY OF NAGUABO, PUERTO RICO

SCHEDULE OF PRIOR AUDIT'S FINDINGS

FOR THE YEAR ENDED JUNE 30, 2001

FISCAL YEAR	FINDING NUMBER	FINDING	CFDA NUMBER	QUESTIONED COST	COMMENTS
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(1) Audit Findings that have been Fully Corrected:

2000	00-III-01	Cash Management	14.855 – 14.857	NONE	System and procedures corrected.
	00-III-02	Activities Allowed or Unallowed	14.228	NONE	System and procedures corrected.

(2) Audit Findings not Corrected or Partially Corrected:

NONE

(3) Corrective action taken is significantly different from corrective action previously reported:

NONE

(4) Audit findings is no longer valid:

NONE

END OF SCHEDULE

MUNICIPALITY OF NAGUABO

**CORRECTIVE ACTION PLAN FOR THE
SINGLE AUDIT REPORT OF YEAR ENDED JUNE 30, 2003**

FINDING NUMBER	RESPONSIBLE INDIVIDUAL	MANAGEMENT VIEWS	CORRECTIVE ACTION PLAN	ANTICIPATED COMPLETION DATE
03-11-01	Finance Department, Clerk of Property and Finance Director	<p>The Single Audit reports that municipality's Capital Assets record and reports have the following deficiencies:</p> <ul style="list-style-type: none"> a. Incomplete information over properties, b. Construction in progress are not accounted for; c. There is no adequate internal control procedures to assure the proper valuation, ownership and timeliness of recognition of real estate inventory, d. Depreciation expense for depreciable capital assets was not recorded. 	Before long, it to sign a contract with CPA firm to executed these works and to carry out an order of GASB 34.	Pending
03-11-02	Finance Department	Municipality's bank accounts have the following deficiency: the EDA and Rural Development were in same bank account.	The EDA project has been completed (see final acceptance report enclosed). Therefore, the bank account is only of Rural Development.	Done

RECIBIDO
 UNIDAD DE CONTROL
 01 MAR -1 AM 9:59
 DIR. DEL COMISIONADO

MUNICIPALITY OF NAGUABO

**CORRECTIVE ACTION PLAN FOR THE
SINGLE AUDIT REPORT OF YEAR ENDED JUNE 30, 2003**

FINDING NUMBER	RESPONSIBLE INDIVIDUAL	MANAGEMENT VIEWS	CORRECTIVE ACTION PLAN	ANTICIPATED COMPLETION DATE
03-111-02	Federal Program and Finance Department, Official Payer and Finance Director	Municipality held high cash balances according to the bank statements.	It was informed to Official Payer and Finance Director the importance to minimize the time elapsing between the transfer of funds by the state and disbursement for activities. In the case of CDBG funds, the disbursement of the documents no more than three (3) days once the funds are deposited in the bank account.	Done
03-111-03	Federal Program and Finance Department, Clerk of Property	The Federal Program Department has a property register that exclude information as acquisition date.	It was informed to Clerk of Property to implement internal control procedures to assure that a property register of Federal Program must be maintained.	Done
03-111-04	Federal Programs, Section 8 Supervisor	One (1) participant file did not have evidence of the HUD approved release and consent forms submitted by the family as required by federal regulation.	This participant file have now a release and consent form, (see evidence enclosed). It was informed to Section 8 Supervisor to examine each participant file to verify a release form.	Done

MUNICIPALITY OF NAGUABO

**CORRECTIVE ACTION PLAN FOR THE
SINGLE AUDIT REPORT OF YEAR ENDED JUNE 30, 2003**

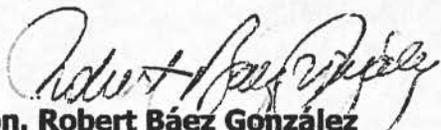
FINDING NUMBER	RESPONSIBLE INDIVIDUAL	MANAGEMENT VIEWS	CORRECTIVE ACTION PLAN	ANTICIPATED COMPLETION DATE
03-111-05	Section 8 Supervisor, Federal Programs	It was noticed that three (3) participant's file have evidence of income that wasn't reported in HUD 500-58	The three (3) participants files have fulfilled a form HUD 50058, (see evidence enclosed). It was informed to Section 8 Supervisor to examine all the supporting documents to issue this form.	Done
03-111-06	Finance Department and Child Care Administrator	Municipality's internal control over disbursement process that three (3) disbursement was made out of period of availability.	It was informed to Accountant of Child Care Program and Finance Director to coordinate that disbursement it realize in the period of availability.	Done
03-111-07	Federal Program and Secretary Municipal	The model for construction contracts over \$10,000 used by the municipality did not contain the detailed clauses for compliance with the contractual legal remedies.	The EDA contract model was used for the project already constructed, which the agency provided (see enclosure). Nevertheless, we will verify each similar contract for compliance the detailed clauses.	Done
03-111-08	Finance Department, Official Purchase and Child Care Administrator	Did not found evidence that at least three (3) qualified quotations were obtained for five (5) purchase order.	The purchase equipment's are specialized for child, with exclusive brand and dispatch by only one seller.	Done

MUNICIPALITY OF NAGUABO

**CORRECTIVE ACTION PLAN FOR THE
SINGLE AUDIT REPORT OF YEAR ENDED JUNE 30, 2003**

FINDING NUMBER	RESPONSIBLE INDIVIDUAL	MANAGEMENT VIEWS	CORRECTIVE ACTION PLAN	ANTICIPATED COMPLETION DATE
03-111-09	Section 8 Inspector Federal	Does not have a list inspections to verify the corrections of deficiencies within thirty (30) calendar days.	The Section 8 Inspector will make list of failed inspections.	Pending

The information stated above has been determined to be accurate based upon information available as of , February 20, 2003.


Name: Hon. Robert Báez González

Position: Mayor

FINAL ACCEPTANCE REPORT

EDA Award Number: 01-19-57011 Contract # _____ of _____ Contracts
Contract Title: Fishing Village Contract Award Date: February 11, 1998
Húcares Ward (EDA)

The following persons were present during the inspection:

Architect/Engineer: Eng. Hernán González
Owner: Municipality of Naguabo
Contractor: Modern Technology
Economic Development Representative: Eng. Philip J. Saputo
Other: _____

RECITAL: The work performed under this contract was inspected on Feb. 5, 2003 for the purpose of determining acceptability of construction. The Date of Acceptance is hereby established as June 12, 2003.

Definition of the term "Date of Acceptance": The "Date of Acceptance" is the date which the Owner may occupy and/or use the facility for the purpose for which it is intended in accordance with the contract documents and all work for the facility has been completed with the exception of minor cleanup and minor corrective action as shown in the Architect/Engineer's list made during the final inspection.

Hernán González _____
Architect/Engineer Signature Date 25 sept 2003

The Contractor agrees that the Date of Acceptance is also the date of commencement of all warranties required by the contract documents and that he/she, the Contractor, has released all liens on the project, including materialmen and mechanics liens or others filed by the Contractor. The Contractor will complete the work on the Architect/Engineer's list of minor cleanup and corrective work within _____ days of the Date of Acceptance.

Modern Technology _____
Contractor Signature Date 20/Sept./2003

The Owner accepts the work as complete and will assume full possession thereof at 11:00AM (time) on June 12, 2003 (date).

Robert Báez González _____
Mayor Municipality of Naguabo Date Sept. 30/03

ECONOMIC DEVELOPMENT ADMINISTRATION
PROGRAM PERFORMANCE REPORT
SECTION 201 AND 209 CONSTRUCTION PROJECTS

REPORTING PERIOD: PROJECT COMPLETION 3 YEARS 6 YEARS

EDA Project No.: 01-19-57011

Date of EDA Grant Award: February 11, 1998

I. GRANTEE ORGANIZATION: (Information in italics will be generated from OPCS - do not enter)

1. Grantee Name: Municipality of Naguabo
2. Address: P O Box 40
Naguabo, Puerto Rico 00718
3. Telephone: 787-874-3108
4. Fax: 787-874-3108
5. E-mail Address: brendal@east-net.net

6. Contact Person: Name: Elizabeth Lopez-De Victoria
Title: Federal Programs Director
Telephone: 787-874-3108 Fax: 787-874-3108
brendal@east-net.net
Email Address:

II. EDA PROJECT INFORMATION:

1. EDA Project Budget:

	<i>Approved</i>	<i>Final (Actual)</i>
EDA Funds	\$ <u>800,000</u>	\$ <u>700,562.22</u>
Applicant	\$ <u>300,000</u>	\$ <u>300.000</u>
Local Funds	\$ _____	\$ _____
State	\$ _____	\$ _____
Other Federal	\$ _____	\$ _____
Other	\$ _____	\$ _____
 Total Project Dollars:	 \$ <u>1,100,000</u>	 \$ <u>1,000,562.22</u>

2. Construction Schedule:

	<i>Estimated</i>	<i>Final (Actual)</i>
a. Start Dates:	<u>June 23, 2000</u>	<u>June 23, 2000.</u>
b. Completion Dates:	<u>Jan. 30, 2002</u>	<u>Feb. 4, 2003</u>

3. Project Location:

Naguabo, Puerto Rico 00718
County/ State/ Zip Code

4. Project Description:

Reconstruction of Fishing Village

11/30/02

Page 2

REPORTING PERIOD: PROJECT COMPLETION 3 YEARS 6 YEARS

EDA Project No. 01-19-57011

Date of EDA Grant Award: February 11, 1998

III. OUTCOMES (Actual at time of report)

- 1. Permanent Jobs
 - a. Number of Jobs Created: 5
 - b. Number of Jobs Retained: 30
 - c. Total Number of Direct Jobs: 35

2. Additional dollars invested:	<i>Direct</i>	<i>Indirect</i>
a. Private sector:	\$ _____	\$ _____
b. Local public:	\$ <u>50,000</u>	\$ _____
c. State:	\$ <u>100,000</u>	\$ _____
d. Other Federal:	\$ _____	\$ _____
e. Totals:	\$ <u>150,000</u>	\$ _____

- 3. Increase in Local Real or Business Property Tax Base:
 - a. Enter value of increase in tax base (prior to any abatement): \$ _____
 - b. Is the project located in a Federal Empowerment Zone or Enterprise Community? Yes ___ No X
 - c. Is the project located in a State enterprise zone? Yes ___ No X

4. Local Capacity Anticipated and Actual Results: Weigh each objective based on anticipated benefits (total should not exceed 100%) then rate each objective on actual performance (with 10 being the highest).

	Weight (0-100%)	Actual Results (Rate of 1-10)
a. Created infrastructure to support private investment:	<u>50</u>	<u>10</u>
b. Created infrastructure to stimulate private investment:	<u>10</u>	<u>8</u>
c. Stabilized and maintained the local economic base:	<u>20</u>	<u>7</u>
d. Diversified the local economy:	<u>10</u>	<u>8</u>
e. Other non-quantitative benefits	<u>10</u>	<u>9</u>
Specify: _____		

5. Indirect Benefits: Estimate the number of local businesses that realized significant increases in sales or employment due to indirect project affects (i.e. increased consumer/supplier demand): _____

V. Please submit a good quality photograph of the EDA project and/or firms assisted.

AUTHORIZED CERTIFYING OFFICIAL

Signature: Robert Baez Gonzalez Date Report Submitted: Sept. 25, 2003

Typed or Printed Name & Title: Mayor Telephone: (787)874-3108
Municipality of Naguabo



Estado Libre Asociado de Puerto Rico
Gobierno Municipal de Naguabo
Oficina de Programa Federales

AUTORIZACION

Yo, Jinxky Diaz Camareno, autorizo al Municipio de Naguabo y/o a sus Empleados del Programa de Sección 8, donde tengo sometida una solicitud para Subsidio de Renta bajo el Programa de Sección 8, a solicitar y que se les entregue información relacionada con mis ingresos, Cuentas de Bancos, Seguro Social, Trans-Union (Informe de Crédito), Administración de Veteranos, Bienestar Público, Fondo del Seguro del Estado, A.C.C.A. y Departamento del Trabajo.

Toda vez que esta información es requisito para que mi solicitud pueda ser procesada, agradeceré a la Agencia, Patrono u otra institución a quién la misma le sea solicitada, que suministre ésta y por este medio autorizo dicha divulgación.

Jinxky Diaz (Hija)

582-97-9376

NOMBRE JEFE FAMILIA

SEGURO SOCIAL

ESPOSO (A)

SEGURO SOCIAL

DIRECCION: PMB 201 1267 PO Box Naguabo P.R.
00718

"HACIA UN NUEVO COMIENZO... PARA NAGUABO"

1. Agency

1a. Agency Name	MUNICIPALITY OF NAGUABO		
1b. PHA code			RQ047
1c. Program	Voucher		VO
1d. Project number (Public/Indian Housing Only)			
Suffix			
1e. Building Number (Public/Indian Housing Only)			
1f. Building Entrance Number (Public/Indian Housing Only)			
1g. Unit Number (Public/Indian Housing Only)			

2. Action

2a. Type of Action	<input type="radio"/> New Admission <input checked="" type="radio"/> Annual Reexamination <input type="radio"/> Interim Reexamination <input type="radio"/> Portability Move-In <input type="radio"/> Portability Move-Out <input type="radio"/> End Participation <input type="radio"/> Other Change of Unit <input type="radio"/> FSS/WIW Addendum Only <input type="radio"/> Annual Reexamination Searching <input type="radio"/> Issuance of Voucher <input type="radio"/> Expiration of Voucher <input type="radio"/> Flat Rent Annual Update <input type="radio"/> Annual HQS Inspection Only <input type="radio"/> Historical Adjustment <input type="radio"/> Void		
2b. Effective date (mm/dd/yyyy) of action			02/01/2003
2c. Correction?			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2d. If correction: (check primary reason)	<input type="checkbox"/> Family Income correction <input type="checkbox"/> PHA income correction <input type="checkbox"/> Family correction (non-income) <input type="checkbox"/> PHA correction (non-income)		
2e. Date (mm/dd/yyyy) correction transmitted			
2f. Repayment agreement?			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2g. Monthly amount of repayment			
2h. Date (mm/dd/yyyy) of admission to program			02/01/2000
2i. Projected effective date of next re-examination			02/01/2004
2j. Projected date (mm/dd/yyyy) of next flat rent reexamination (public housing only)			
2k. FSS Participant now or in the last year?			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2m. Special program(s)	<input type="checkbox"/> Enhanced Voucher <input type="checkbox"/> Welfare to Work Voucher		
2n. Other special programs: Number 01			
2n. Other special programs: Number 02			
2n. Other special programs: Number 03			
2n. Other special programs: Number 04			
2n. Other special programs: Number 05			
2p. Use if instructed by HUD			
2q. PHA Use Only			
2r. PHA Use Only			
2s. PHA Use Only			
2t. PHA Use Only			
2u. PHA Use Only			

6. Assets

6f, 6g. Column Totals	\$0.00	\$0.00
6h. Passbook Rate (written as decimal)		0.02
6i. Imputed Asset Income: 6f X 6h (If 6f is \$5000 or less, then zero.)	\$0.00	
6j. Final Asset Income: Larger of 6g or 6i		\$0.00

7. Income

7a. Family Member Name SANTANA, LILLIAM		Family Member No. 1	
7b. Source of Income	7d. Dollars per year	7e. Income exclusions (includes income disallowance and ISA-Public Housing only)	7f. Income after Earned Income Exclusion
General Assistance	\$672.00	\$0.00	\$672.00
7g. Column Totals		\$0.00	\$672.00
7i. Total Annual Income: 6j + 7g			\$672.00

RIVERA, Omayra

580-04-1101

Voucher

12/02/2003

1. Agency

1a. Agency Name

MUNICIPALITY OF NAGUABO

1b. PHA code

RQ047

1c. Program

Voucher

VO

1d. Project number (Public/Indian Housing Only)

Suffix

1e. Building Number (Public/Indian Housing Only)

1f. Building Entrance Number (Public/Indian Housing Only)

1g. Unit Number (Public/Indian Housing Only)

2. Action

2a. Type of Action

- New Admission
- Annual Reexamination
- Interim Reexamination
- Portability Move-In
- Portability Move-Out
- End Participation
- Other Change of Unit
- FSS/WIW Addendum Only
- Annual Reexamination Searching
- Issuance of Voucher
- Expiration of Voucher
- Flat Rent Annual Update
- Annual HQS Inspection Only
- Historical Adjustment
- Void

2b. Effective date (mm/dd/yyyy) of action

12/01/2003

2c. Correction?

Yes No

2d. If correction: (check primary reason)

- Family income correction
- PHA income correction
- Family correction (non-income)
- PHA correction (non-income)

2e. Date (mm/dd/yyyy) correction transmitted

2f. Repayment agreement?

Yes No

2g. Monthly amount of repayment

2h. Date (mm/dd/yyyy) of admission to program

10/30/2001

2i. Projected effective date of next re-examination

12/01/2004

2j. Projected date (mm/dd/yyyy) of next flat rent reexamination (public housing only)

2k. FSS Participant now or in the last year?

Yes No

2m. Special program(s)

- Enhanced Voucher
- Welfare to Work Voucher

2n. Other special programs: Number 01

2n. Other special programs: Number 02

2n. Other special programs: Number 03

2n. Other special programs: Number 04

2n. Other special programs: Number 05

2p. Use If Instructed by HUD

2q. PHA Use Only

2r. PHA Use Only

2s. PHA Use Only

2t. PHA Use Only

2u. PHA Use Only

6. Assets

6f, 6g. Column Totals	\$0.00	\$0.00
6h. Passbook Rate (written as decimal)		0.02
6i. Imputed Asset Income: 6f X 6h (If 6f is \$5000 or less, then zero.	\$0.00	
6j. Final Asset Income: Larger of 6g or 6i		\$0.00

7. Income

7a. Family Member Name RIVERA, OMAIRA		Family Member No. 1	
7b. Source of Income	7d. Dollars per year	7e. Income exclusions (includes income disallowance and ISA-Public Housing only)	7f. Income after Earned Income Exclusion
Child support	\$1,560.00	\$0.00	\$1,560.00
Other wage	\$10,920.00	\$0.00	\$10,920.00
7g. Column Totals		\$0.00	\$12,480.00
7i. Total Annual Income: 6j + 7g			\$12,480.00

MUNICIPIO DE NAGUABO OFICINA DE PROGRAMAS FEDERALES
SECCION 8
NAGUABO, PUERTO RICO 00718

NO. DE CONTRATO 21-22-VO-0024

ENMIENDA CONTRATO DE ARRENDAMIENTO

-----El Municipio de Naguabo enmienda el CONTRATO DE SUBSIDIO entre:-----

<u>URSULIO MARGANO</u>	<u>OMAYRA RIVERA</u>
Nombre del Arrendador	Nombre del Inquilino
<u>583-03-2848</u>	<u>580-04-1101</u>
Seguro Social del Arrendador	Seguro Social del Inquilino
<u>URB. MANSIONES DE BAIROA CALLE 2</u>	<u>CALLE CELIS 43 (BAJOS)</u>
<u>CAGUAS, PR</u>	<u>NAGUABO PR 00718</u>
Dirección del Arrendador	Dirección del Inquilino

-----La ENMIENDA consiste en:-----

Extensión al contrato de Arrendamiento desde el 1 DE DICIEMBRE DE 2003
hasta 1 DE DICIEMBRE DE 2004

Cambio en Composición familiar al _____

Transferencia a otra unidad al _____

Cambio en ingresos al _____

Renta Negativa al _____

Otros _____

RENTA TOTAL-----	\$ <u>400.00</u>
PARTICIPACION FAMILIAR-----	<u>196.00</u>
APORTACION AGENCIA MUNICIPAL-----	<u>204.00</u>
RENTA NEGATIVA-----	\$ <u>-0-</u>

OMAYRA RIVERA ESCUDERO
OMAYRA RIVERA ESCUDERO
Inquilino

URSULIO MARGANO
Arrendador

NO APLICA
Causante

MUNICIPIO DE NAGUABO
OFICINA DE PROGRAMAS FEDERALES
SECCION 8
NAGUABO, PUERTO RICO 00710

NO. DE CONTRATO 21-22-V0-0024

ENMIENDA CONTRATO DE ARRENDAMIENTO

-----El Municipio de Naguabo emienda el CONTRATO DE SUBSIDIO entre:-----

<u>URSULO MARCANO</u>	<u>OMAYRA RIVERA</u>
Nombre del Arrendador	Nombre del Inquilino
<u>503-03-2040</u>	<u>500-04-1101</u>
Seguro Social del Arrendador	Seguro Social del Inquilino
<u>URB. MANSIONES DE BAIROA CALLE 2-319</u>	<u>CALLE CELIS 43 (BAJOS)</u>
<u>CAGUAS, PUERTO RICO</u>	<u>NAGUABO, PUERTO RICO 00718</u>
Dirección del Arrendador	Dirección del Inquilino

-----La ENMIENDA consiste en:-----

XX Extensión al contrato de Arrendamiento desde el 1 DE DICIEMBRE DE 2002

hasta 1 DE DICIEMBRE DE 2003

 Cambio en Composición familiar al

 Transferencia a otra unidad al

 Cambio en ingresos al

 Renta Negativa al

 Otros

RENTA TOTAL-----	\$ <u>400.00</u>
PARTICIPACION FAMILIAR-----	<u>157.00</u>
APORTACION AGENCIA MUNICIPAL-----	<u>243.00</u>
RENTA NEGATIVA-----	\$ <u>-0-</u>

[Handwritten signature]

[Handwritten signature]
OMAYRA RIVERA ESCUDERO
 Inquilino

PADRO, JULIO A

583-41-4270

Voucher

03/11/2003

1. Agency

1a. Agency Name

1b. PHA code

1c. Program

1d. Project number (Public/Indian Housing Only)

Suffix

1e. Building Number (Public/Indian Housing Only)

1f. Building Entrance Number (Public/Indian Housing Only)

1g. Unit Number (Public/Indian Housing Only)

2. Action

2a. Type of Action

New Admission Annual Reexamination Interim Reexamination Portability Move-In

Portability Move-Out End Participation Other Change of Unit FSS/W/TW Addendum Only

Annual Reexamination Searching Issuance of Voucher Expiration of Voucher Flat Rent Annual Update

Annual HQS Inspection Only Historical Adjustment Void

2b. Effective date (mm/dd/yyyy) of action

2c. Correction? Yes No

2d. If correction: (check primary reason)

Family income correction PHA income correction

Family correction (non-income) PHA correction (non-income)

2e. Date (mm/dd/yyyy) correction transmitted

2f. Repayment agreement? Yes No

2g. Monthly amount of repayment

2h. Date (mm/dd/yyyy) of admission to program

2i. Projected effective date of next re-examination

2j. Projected date (mm/dd/yyyy) of next flat rent reexamination (public housing only)

2k. FSS Participant now or in the last year? Yes No

2m. Special program(s)

Enhanced Voucher Welfare to Work Voucher

2n. Other special programs: Number 01

2n. Other special programs: Number 02

2n. Other special programs: Number 03

2n. Other special programs: Number 04

2n. Other special programs: Number 05

2p. Use If Instructed by HUD

2q. PHA Use Only

2r. PHA Use Only

2s. PHA Use Only

2t. PHA Use Only

2u. PHA Use Only

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26-010-04

6. Assets

6f, 6g. Column Totals	\$0.00	\$0.00
6h. Passbook Rate (written as decimal)		0.03
6i. Imputed Asset Income: 6f X 6h (If 6f is \$5000 or less, then zero.)	\$0.00	
6j. Final Asset Income: Larger of 6g or 6i		\$0.00

7. Income

7g. Column Totals		
7i. Total Annual Income: 6j + 7g		

12. Section 8: Vouchers (except owner-occupied manufactured home)

12a. Number of bedrooms on voucher	<input type="text" value="3"/>
12b. Is family now moving to this unit?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12c. Does the family qualify as a Hard to House family?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
12d. Portability? (If no, skip to 12g)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12e. Cost billed per month (put 0 if absorbed)	<input type="text" value="\$0.00"/>
12f. PHA Number billed	<input type="text"/>
12g. Check all housing types that apply:	
<input type="checkbox"/> Group home (prorate gross rent)	
<input type="checkbox"/> Own manufactured home, lease space	<input type="checkbox"/> SRO: 1 room occupied by 1 person
12h. Owner name	<input type="text" value="BUSTELO ROSARIO"/>
12i. Owner <input type="checkbox"/> TIN or <input checked="" type="checkbox"/> SSN (select one)	<input type="text" value="581180015"/>
12j. Payment standard for the family	<input type="text" value="\$455.00"/>
12k. Rent to owner	<input type="text" value="\$375.00"/>
12m. Utility allowance, if any	<input type="text" value="\$80.00"/>
12p. Gross rent of unit: 12k + 12m (or "Space Rent")	<input type="text" value="\$455.00"/>
12q. Lower of 12j or 12p (If premerger voucher, see InstructionBooklet)	<input type="text" value="\$455.00"/>
12r. TTP: copy from 9j	<input type="text" value="\$25.00"/>
12s. Total HAP: 12q minus 12r	<input type="text" value="\$430.00"/>
Rent Calculation	
12t. Total family Share: 12p minus 12s	<input type="text" value="\$25.00"/>
12u. HAP to owner: lower of 12k or 12s	<input type="text" value="\$375.00"/>
12v. Tenant rent to owner: 12k minus 12u	<input type="text" value="\$0.00"/>
12w. Utility reimbursement to family: 12s minus 12u, but do not exceed 12m	<input type="text" value="\$80.00"/>

Head of Household PADRO, JULIO A	SSN J3-41-4270	Program Voucher	Date Modified 03/20/2003
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6. Assets

6f, 6g. Column Totals	\$0.00	\$0.00
6h. Passbook Rate (written as decimal)		0.02
6i. Imputed Asset Income: 6f X 6h (If 6f is \$5000 or less, then zero.	\$0.00	
6j. Final Asset Income: Larger of 6g or 6i		\$0.00

7. Income

7a. Family Member Name CORDERO, MARIA I		Family Member No. 2	
7b. Source of Income	7d. Dollars per year	7e. Income exclusions (Includes income disallowance and ISA-Public Housing only)	7f. Income after Earned Income Exclusion
General Assistance	\$2,496.00	\$0.00	\$2,496.00
7g. Column Totals		\$0.00	\$2,496.00
7i. Total Annual Income: 6j + 7g			\$2,496.00

12. Section 8: Vouchers (except owner-occupied manufactured home)

12a. Number of bedrooms on voucher	<input type="text" value="3"/>
12b. Is family now moving to this unit?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12c. Does the family qualify as a Hard to House family?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
12d. Portability? (If no, skip to 12g)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12e. Cost billed per month (put 0 if absorbed)	<input type="text" value="\$0.00"/>
12f. PHA Number billed	<input type="text"/>
12g. Check all housing types that apply:	
<input type="checkbox"/> Group home (prorate gross rent)	
<input type="checkbox"/> Own manufactured home, lease space	<input type="checkbox"/> SRO: 1 room occupied by 1 person
12h. Owner name	<input type="text" value="BUSTELO ROSARIO"/>
12i. Owner <input type="checkbox"/> TIN or <input checked="" type="checkbox"/> SSN (select one)	<input type="text" value="581180015"/>
12j. Payment standard for the family	<input type="text" value="\$580.00"/>
12k. Rent to owner	<input type="text" value="\$375.00"/>
12m. Utility allowance, if any	<input type="text" value="\$80.00"/>
12p. Gross rent of unit: 12k + 12m (or "Space Rent")	<input type="text" value="\$455.00"/>
12q. Lower of 12j or 12p (If premerger voucher, see InstructionBooklet)	<input type="text" value="\$455.00"/>
12r. TTP: copy from 9j	<input type="text" value="\$25.00"/>
12s. Total HAP: 12q minus 12r	<input type="text" value="\$430.00"/>
Rent Calculation	
12t. Total family Share: 12p minus 12s	<input type="text" value="\$25.00"/>
12u. HAP to owner: lower of 12k or 12s	<input type="text" value="\$375.00"/>
12v. Tenant rent to owner: 12k minus 12u	<input type="text" value="\$0.00"/>
12w. Utility reimbursement to family: 12s minus 12u, but do not exceed 12m	<input type="text" value="\$55.00"/>

AGREEMENT

THIS AGREEMENT, made this 23rd day of August, 2001, by and between the **Municipality of Naguabo**, hereinafter called "OWNER" and Modern Technology Construction doing business as (an individual,) or (a partnership,) or (a corporation) hereinafter called "CONTRACTOR".

WITNESSETH: That for and in consideration of the payments and agreements hereinafter mentioned:

1. The CONTRACTOR will commence and complete the construction of the **Reconstruction Fishing Village Naguabo, Puerto Rico**.
2. The CONTRACTOR will furnish all of the material, supplies, tools, equipment, labor and other services necessary for the construction and completion of the PROJECT described herein.
3. The CONTRACTOR will commence the work required by the CONTRACT DOCUMENTS within ten (10) calendar days after the date of the NOTICE TO PROCEED and will complete the same within 149 calendar days of the issuance of the NOTICE TO PROCEED, unless the period for completion is extended otherwise by the CONTRACT DOCUMENTS.
4. The CONTRACTOR agrees to perform all of the WORK described in the CONTRACT DOCUMENTS and comply with the terms therein for the sum of \$ 614,000 or as shown in the BID schedule.
5. The term "CONTRACT DOCUMENTS" means and includes the following:
 - (A) Advertisement For BIDS
 - (B) Information For BIDDERS
 - (C) BID
 - (D) BID BOND

RA

M

- (E) Agreement
- (F) Payment BOND
- (G) Performance BOND
- (H) NOTICE OF AWARD
- (I) NOTICE TO PROCEED
- (J) CHANGE ORDER
- (K) General Conditions
- (L) SUPPLEMENTAL GENERAL CONDITIONS
- (M) DRAWINGS prepared by Hernán González González Engineer and dated June, 2001.
- (N) SPECIFICATIONS prepared or issued by Hernán González González, Engineer dated June, 2001
- (O) ADDENDA: N/A
 - No. _____ dated _____, 200
 - No. _____ dated _____, 200

Handwritten initials: RG and MC

- 6. The OWNER will pay to the CONTRACTOR in the manner and at such times as set forth in the General Conditions such amounts as required by the CONTRACT DOCUMENTS.
- 7. This Agreement shall be binding upon all parties hereto and their respective heirs, executors, administrators, successors, and assigns.

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed by their duly authorized officials, this Agreement in (5)
Number of Copies
 each of which shall be deemed an original on the date first above written.

OWNER:

Municipality of Naguabo,

BY

Name Robert Báez González

Title Mayor

(SEAL)

ATTEST:

Ana M. Cortina

Maria E. Cardona

for Name María Eugenia Cardona
(Please type)

Title Municipal Secretary

CONTRACTOR:

Modern Technology Construction

BY

by: Name José Rafael Hernández Colón
(Please Type)

Address P. O. Box 7453
San Juan, PR 00916-7453

(SEAL)

ATTEST:

Name Elizabeth López De Victoria

(Please Type)

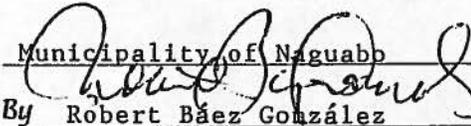
Federal Programs Director

NOTICE TO PROCEED

TO: Mr. José R. Hernández
Modern Technology Construction
P. O. Box 7453
San Juan, PR 00916-7453

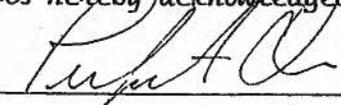
DATE: August 23, 2001
PROJECT: Reconstruction of
Fishing Village (EDA funds)

You are hereby notified to commence WORK in accordance with the Agreement dated August 23, 2001 on or before September 4, 2001, and you are to complete the WORK within 149 consecutive calendar days thereafter. The date of completion of all WORK is therefore January 30, 2002.

Municipality of Naguabo

By Robert Báez González
Title Mayor

ACCEPTANCE OF NOTICE

Receipt of the above NOTICE TO PROCEED is hereby acknowledged by _____


this the August 23, 2001

for: By José R. Hernández
Title President
Employee Identification Number 660-51-8337

GOBIERNO MUNICIPAL DE NAGUABO
NAGUABO, PUERTO RICO
CONTRATO: _____

CONTRATO DE CONSTRUCCION

-----En Naguabo, Puerto Rico a 23 de agosto de 2001.-----

COMPARECEN

----DE LA PRIMERA PARTE: EL MUNICIPIO DE NAGUABO, PUERTO RICO, Seguro Social Patronal Número 660-43-3490 representando en este acto por su Alcalde, Hon. Robert Báez González, quien es mayor de edad, casado y vecino de Naguabo, Puerto Rico. En lo sucesivo denominado como EL MUNICIPIO.-----

----DE LA SEGUNDA PARTE: Modern Technology Construction, es representado en este acto, por su carácter Presidente, José Rafael Hernández Colón, una corporación con fines de lucro, organizada de acuerdo con las leyes de Puerto Rico e inscrita en el Departamento de Estado, con el número de Registros 89,164 con seguro social patronal número 660-51-8337 y quien es mayor de edad, en lo sucesivo llamado EL CONTRATISTA.-----

----Manifiestan las partes tener la capacidad legal necesaria para este otorgamiento y en tal virtud, libre y voluntaria.-----

EXPONEN

----PRIMERO: Que de acuerdo con la facultad que le confiere al MUNICIPIO la Ley Número 81 del 30 de agosto de 1991, conocida como Ley de Municipios Autónomos del Estado Libre Asociado de Puerto Rico, ha convenido con EL CONTRATISTA en formalizar un Contrato para la construcción de: Villa Pesquera Segunda Fase a construirse en el Bo. Playa Húcares de Naguabo.-----

----SEGUNDO: Que la Junta de Subastas en su reunión celebrada el día 2 de agosto de 2001, acordó adjudicarle la Subasta formal Número 2001-05 a Modern Technology Construction.-----

----TERCERO: Que para llevar a efecto la obra, EL MUNICIPIO Y EL CONTRATISTA formalizan este contrato sujeto a las siguientes:-----

CLAUSULAS Y CONDICIONES

----UNA: EL CONTRATISTA se compromete a realizar la obra contratada de acuerdo con los términos, condiciones y especificaciones técnicas y planos de la Subasta formal Número 2001-05, los cuales se hacen formar parte de este contrato como si tuvieran en éste reproducidos.-----

----DOS: EL CONTRATISTA suministrará toda la mano de obra, equipo, materiales y servicios para el proyecto antes indicado.-----

----TRES: Por los trabajos a realizarse EL MUNICIPIO pagará al CONTRATISTA la suma de seiscientos catorce mil dólares (\$614,000.00), abonando aquellas sumas de dinero que fueran certificadas, las cuales en ningún caso serán mayor al noventa (90%) del importe total a pagar por cada factura certificada.-----

----CUATRO: EL MUNICIPIO pagará a EL CONTRATISTA la cantidad acordada del Programa EDA.

-----CINCO: EL MUNICIPIO retendrá un diez por ciento (10%) del importe total indicado en la cláusula número TRES de este contrato para garantizar el fiel cumplimiento del mismo. Esta cantidad retenida se devolverá después que EL MUNICIPIO compruebe fuera de toda duda y razonabilidad que los trabajos se efectuaron de acuerdo con los términos, condiciones y especificaciones técnicas y planos establecidos en la Subasta formal Número 2001-05 y EL CONTRATISTA ofrezca evidencia de que no tiene pendiente ninguna obligación legal derivada de la ejecución de la obra. El Ingeniero certificado contratado por EL MUNICIPIO será responsable de certificar la buena condición de la obra construída y aceptar finalmente el proyecto, siguiendo las mejores normas y procedimientos de construcción para la eventual devolución del importe retenido.-----

-----SEIS: Un vez se firme este Contrato, se pondrá fecha para una reunión pre-construcción y en la misma se determinará la fecha de comienzo de la obra.-----

-----SIETE: Una vez EL CONTRATISTA ofrezca evidencia de que ha cumplido con todas las obligaciones a las que se compromete relacionadas con la ejecución de la obra y el Ingeniero del Proyecto acepte a nombre de EL MUNICIPIO la misma, se le pagará a aquel el dinero retenido en un término no mayor de treinta (30) días laborables.-----

-----OCHO: EL CONTRATISTA dará comienzo a los trabajos aquí contratados en la fecha que EL MUNICIPIO dé la orden de comienzo de las labores y deberá terminar y entregar la obra en un período de ciento cincuenta (150) días CALENDARIOS.-----

-----NUEVE: Del CONTRATISTA no terminar y entregar los trabajos aquí contratados en el término antes convenido, éste será responsable y pagará a EL MUNICIPIO la suma de quinientos dólares (\$500) por cada día de retraso en la terminación y entrega del proyecto que le certifiquen a menos que el Alcalde apruebe por escrito dicho retraso justificado o haya un "Substantial Completion" del proyecto.-----

-----DIEZ: EL CONTRATISTA se obliga a observar y cumplir con todas las Leyes y Reglamentos vigentes con la jurisdicción Federal, Estatal o Municipal que sean aplicables a este Contrato; incluyendo todo tipo de seguro, tanto de responsabilidad civil por cualquier daño que pudieran ocasionar él o sus empleados y cualquier otro seguro o fianza que se le requiera o sea necesario conforme a Ley o Reglamento aplicable.-----

-----ONCE: EL CONTRATISTA se compromete a instalar señales o avisos necesarios que indiquen la obra en construcción y a todas las medidas necesarias para evitar cualquier tipo de accidente. Asimismo, EL CONTRATISTA protegerá las tuberías, cables y otras utilidades existentes de posibles daños y en caso de rotura reparará los mismos sin costo adicional para EL MUNICIPIO. Bajo ningún concepto EL CONTRATISTA cerrará calle alguna. Si fuere Departamento de Obras Públicas y con la Policía Municipal, con tiempo suficiente antes de comenzar la obra para tomar las medidas necesarias.-----

-----DOCE: EL CONTRATISTA será responsable de dejar el área de trabajo limpia y de restituir las condiciones generales del área a su estado óptimo.-----

-----TRECE: EL CONTRATISTA se obliga a no asignar, transferir, contratar o subcontratar la presente obra de este Contrato sin el previo consentimiento escrito de EL MUNICIPIO.-----

Deberá proveer los siguientes documentos para validar este Contrato:

- 1) Certificación negativa del CRIM
- 2) Póliza del Fondo del Seguro del Estado
- 3) Responsabilidad Pública
- 4) Certificación de Hacienda
- 5) Bid Bond
- 6) Performance Bond
- 7) Certificación del Fondo del Seguro del Estado

---CATORCE: EL CONTRATISTA aceptará órdenes de cambio ya sean éstas aditivas o deductivas, tanto en las partidas a licitar y/u otra partida adicional necesaria para completar el alcance del proyecto, de ser requerido por el Municipio.-----

---QUINCE: EL CONTRATISTA será responsable de obtener, todo permiso, licencia, autorización que sea necesario para la realización de la obra.-----

---DIECISEIS: EL CONTRATISTA certifica y garantiza que ha radicado sus Planillas de Contribución sobre Ingresos para los cinco (5) años contributivos previos al año en que se formaliza este Contrato. Certifica, además, que al presente no tiene deudas por concepto de Contribución Sobre Ingresos ni por ningún otro tipo de contribución, conforme se define dicho concepto en el Boletín Administrativo Número OE-1991-24, emitido por el Gobernador de Puerto Rico el 18 de junio del 1991. También, se reconoce que esta certificación es una condición esencial para el Contrato y de ésta no ser correcta en todo o en parte será causa suficiente para que EL MUNICIPIO pueda dejar sin efecto el mismo y EL CONTRATISTA tendrá que reintegrar EL MUNICIPIO toda suma de dinero recibida bajo este Contrato.-----

---DIECISIETE: Manifiesta EL CONTRATISTA que no tiene litigios en proceso contra alguna instrumentalidad gubernamental o municipal.-----

---DIECIOCHO: EL CONTRATISTA certifica que ningún funcionario o empleado de este Municipio o algún miembro de su unidad familiar tiene, directa o indirectamente, interés económico relacionado con este Contrato. Igualmente certifica que ningún funcionario o empleado tiene algún interés en las ganancias o beneficios producto de este Contrato, conforme a lo dispuesto en el Artículo 3.3. D y E de la Ley de Ética Gubernamental.-----

---DIECINUEVE: Certifica EL CONTRATISTA que no tiene otro contrato vigente con alguna agencia de Gobierno u otro Municipio que conflija con este Contrato.-----

---VEINTE: EL CONTRATISTA certifica que no recibe pago adicional o compensación extraordinaria de otro organismo gubernamental que esté en conflicto con este Contrato.-----

---VEINTIUNO: EL CONTRATISTA releva a EL MUNICIPIO de todo tipo de responsabilidad por accidentes como consecuencia de cualquier acción de EL CONTRATISTA o sus empleados en la ejecución de la obra aquí contratada.-----

---VEINTIDOS: EL CONTRATISTA se compromete y responsabiliza a conservar informes, facturas u otros documentos relacionados con el servicio contratado para ser examinados o copiados por la Oficina del Contralor de Puerto Rico en sus intervenciones. Dichos documentos lo conservará por un período no menor de seis (6) años o hasta que se efectúe una intervención por la Oficina del Contralor de Puerto Rico, lo que ocurra primero.-----

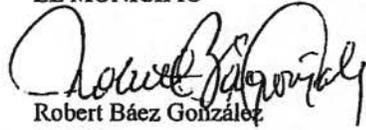
---VEINTITRES: EL MUNICIPIO podrá resolver o dar por terminado el presente contrato en cualquier momento antes de su terminación previa notificación escrita al efecto con quince (15) días de anticipación a la fecha en que se pretende resolver, disponiéndose que EL MUNICIPIO podrá ejercitar dicho derecho a su entera voluntad siempre que medie incumplimiento de Contrato alguno por parte de EL CONTRATISTA, y será por justa causa.

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---TAL ES EL CONTRATO que por el presente documento formalizan las partes suscribientes que así lo hacen constar por medio de sus firmas en la última página de este Contrato y sus iniciales en cada una de las páginas del mismo.-----

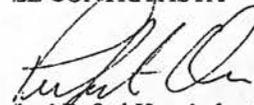
Dado en Naguabo, hoy 23 de agosto de 2001.

EL MUNICIPIO



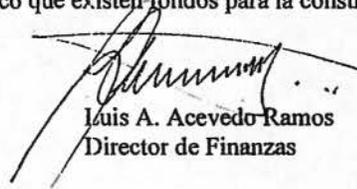
Robert Báez González
Alcalde
Municipio de Naguabo
Naguabo, Puerto Rico 00718

EL CONTRATISTA



p.w.: José Rafael Hernández Colón
660-51-8337
P.O. Box 7453
San Juan, Puerto Rico 00916-7453

Yo, Luis A. Acevedo Ramos, Certifico que existen fondos para la construcción de este proyecto del programa E. D. A.



Luis A. Acevedo Ramos
Director de Finanzas