

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

MUNICIPIO DE NAGUABO
AUDITORIA 2001-02
30 DE JUNIO DE 2002

RECIBIDO DEL COMISIONADO
UNIDAD DE CORREO
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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF NAGUABO, PUERTO RICO**

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

JUNE 30, 2002

**(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, 2002
(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, 2002, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the **Municipality's** management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2002 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.

INDEPENDENT AUDITORS' REPORT

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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 22, 2002



MUNICIPALITY OF NAGUABO, PUERTO RICO

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

JUNE 30, 2002

	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 and Investment (Note 1 E).....	\$ 326,133	\$ 306,704	\$ 32,861	\$ -	\$ -	\$ -	\$ 665,698
Cash with Fiscal Agent (Note 1 E)	36,252	212,803	87,381	1,074,086	-	-	1,410,522
Receivables:							
Property Taxes (Note 6).....	-	-	-	6,435	-	-	6,435
Federal Grants (Note 9).....	-	70,607	160,003	-	-	-	230,610
Others Funds (Note 2)	33,341	437,201	300,231	-	-	-	770,773
Others	-	8,927	-	-	-	-	8,927
Property, Plant and Equipment (Note 1 G)	-	-	-	-	-	-	-
Amount Available in Debt Service Fund (Note 6)	-	-	-	-	-	1,077,976	1,077,976
Amount to be Provide for Payment of:							
General Long-Term Debt (Note 5).....	-	-	-	-	-	2,256,024	2,256,024
Advance Property Taxes (Note 6).....	-	-	-	-	-	413,892	413,892
Unemployment Federal Programs (Note 5)	-	-	-	-	-	53,005	53,005
Unemployment Debt (Note 5)	-	-	-	-	-	141,909	141,909
Solid Waste Disposal (Note 5)	-	-	-	-	-	400,000	400,000
Water and Sewer Authority (Note 5)	-	-	-	-	-	215,120	215,120
Social Security Debt (Note 5).....	-	-	-	-	-	529,917	529,917
Income Tax Withheld Debt (Note 5).....	-	-	-	-	-	498,216	498,216
Income Tax Withheld Debt (Note 5).....	-	-	-	-	-	177,868	177,868
State Health Insurance Plan Debt (Note 5).....	-	-	-	-	-	310,216	310,216
P.R. Land Authority (Note 5).....	-	-	-	-	-	94,085	94,085
Vested Compensated Absence (Note 1 I)	-	-	-	-	-	1,135,157	1,135,157
TOTAL ASSETS AND OTHER DEBITS	\$ 395,726	\$ 1,036,242	\$ 580,476	\$ 1,080,521	\$ -	\$ 7,303,385	\$10,396,350

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

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

JUNE 30, 2002

	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	\$ 453,879	\$ 54,507	\$ 97,309	\$ -	\$ -	\$ -	\$ 605,695
Due to:							
Government Units (Note 4)	745,354	-	-	-	-	-	745,354
Other Funds (Note 2)	708,574	59,655	-	2,544	-	-	770,773
Deferred Revenues:							
Volume of Business Tax (Note 8)	318,204	-	-	-	-	-	318,204
Federal Grants (Note 9)	-	347,768	95,472	-	-	-	443,240
Long-Term Debts:							
General Obligations Bonds (Note 5)	-	-	-	-	-	2,634,000	2,634,000
Special Obligations Notes (Note 5)	-	-	-	-	-	700,000	700,000
Advances of Property Taxes (Note 7)	-	-	-	-	-	413,892	413,892
Unemployment Federal Programs (Note 5)	-	-	-	-	-	53,005	53,005
Unemployment Debt (Note 5)	-	-	-	-	-	141,909	141,909
Solid Waste Disposal	-	-	-	-	-	400,000	400,000
Water and Sewer Authority (Note 5)	-	-	-	-	-	215,120	215,120
Social Security Debt (Note 5)	-	-	-	-	-	529,917	529,917
Income Tax Withheld Debt (Note 5)	-	-	-	-	-	498,216	498,216
Income Tax Withheld Debt (Note 5)	-	-	-	-	-	177,868	177,868
State Health Insurance Plan (Note 5)	-	-	-	-	-	310,216	310,216
P.R. Land Authority (Note 5)	-	-	-	-	-	94,085	94,085
Vested Compensated Absence (Note 1 I)	-	-	-	-	-	1,135,157	1,135,157
TOTAL LIABILITIES	2,226,011	461,930	192,781	2,544	-	7,303,385	10,186,651

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

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

JUNE 30, 2002

	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)	401,339	-	-	-	-	-	401,339
Unreserved (Deficit):							
Designated for Debt Service (Note 1K)	-	-	-	1,077,977	-	-	1,077,977
Designated for Subsequent Years Expenditures	36,252	574,312	387,695	-	-	-	998,259
Undesignated (Deficit)	<u>(2,267,876)</u>	-	-	-	-	-	<u>(2,267,876)</u>
TOTAL FUND EQUITY (DEFICIT)	<u>(1,830,285)</u>	<u>574,312</u>	<u>387,695</u>	<u>1,077,977</u>	-	-	<u>209,699</u>
TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)	<u>\$ 395,726</u>	<u>\$ 1,036,242</u>	<u>\$ 580,476</u>	<u>\$ 1,080,521</u>	<u>\$ -</u>	<u>\$ 7,303,385</u>	<u>\$10,396,350</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 FISCAL YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
REVENUES					
Property Taxes (Note 7)	\$ 1,138,809	\$ -	\$ -	\$ 320,331	\$ 1,459,140
Volume of Business Taxes (Note 8).....	733,214	-	-	-	733,214
Federal Assistance (Note 9).....	-	1,131,920	958,109	-	2,090,029
Intergovernmental (Note 9)	3,952,396	307,659	307,725	-	4,567,780
Licenses and Permits	714,714	-	-	-	714,714
Miscellaneous.....	521,274	69,180	-	-	590,454
TOTAL REVENUES	7,060,407	1,508,759	1,265,834	320,331	10,155,331
EXPENDITURES					
Current:					
Mayor and Municipal Legislature	737,153	-	-	-	737,153
General Government.....	3,956,800	866,544	2,255	-	4,825,599
Public Safety	1,059,694	-	-	-	1,059,694
Public Works	904,303	-	-	-	904,303
Culture and Recreation	265,163	-	-	-	265,163
Sanitation	808,592	-	-	-	808,592
Human Services and Welfare	225,521	770,187	-	-	995,708
Urban Development	-	299,057	1,144,201	-	1,443,258
Capital Outlays.....	2,717	-	-	-	2,717
Advance of Property Taxes.....	796,105	-	-	-	796,105
Debt Service:					
Principal Retirement (Notes 5 and 6).....	-	-	-	253,875	253,875
Interest Payment	-	-	-	150,096	150,096
TOTAL EXPENDITURES	8,756,048	1,935,788	1,146,456	403,971	12,242,263
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,695,641)	(427,029)	119,378	(83,640)	(2,086,932)

MUNICIPALITY OF NAGUABO, PUERTO RICO

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
OTHER FINANCIAL SOURCES (USES):					
Advances of Property Taxes (Note 7)	\$ 796,105	\$ -	\$ -	\$ -	\$ 796,105
Proceed of Note	470,000	-	-	-	470,000
Operating Transfer In	116,108	470,000	-	32,553	618,661
Operating Transfer Out	(502,553)	(116,108)	-	-	(618,661)
TOTAL OTHER FINANCING SOURCES (USES)	879,660	353,892	-	32,553	1,266,105
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(815,981)	(73,137)	119,378	(51,087)	(820,827)
Fund Balances, at Beginning of Year	(1,014,304)	647,449	268,317	1,129,064	1,030,526
FUND BALANCES (DEFICIT) AT END OF YEAR	(\$ 1,830,285)	\$ 574,312	\$ 387,695	\$ 1,077,977	\$ 209,699

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 FISCAL YEAR ENDED JUNE 30, 2002

	GENERAL			DEBT SERVICE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Property Taxes Advances	\$ 1,138,809	\$ 1,138,809	\$ -	\$ 411,746	\$ 320,331	(\$ 91,415)
Volume of Business Taxes	775,000	733,214	(41,786)	-	-	-
Intergovernmental	3,810,618	3,952,396	141,778	-	-	-
Licenses and Permits	697,088	714,714	17,626	-	-	-
Miscellaneous	648,192	518,730	(129,462)	-	-	-
TOTAL REVENUES	7,069,707	7,057,863	(11,844)	411,746	320,331	(91,415)
EXPENDITURES AND ENCUMBRANCES						
Mayor and Municipal Legislature	869,337	810,393	58,944	-	-	-
General Government:						
Finance	2,341,822	2,696,644	(354,822)	-	-	-
Personnel	255,693	832,516	(576,823)	-	-	-
Insurance	195,000	164,867	30,133	-	-	-
Public Safety	1,072,392	1,064,488	7,904	-	-	-
Public Works	978,374	978,909	(535)	-	-	-
Culture and Recreation	268,249	266,952	1,297	-	-	-
Sanitation	826,993	808,592	18,401	-	-	-
Human Services and Welfare	225,732	226,615	(883)	-	-	-
Urban Development	-	-	-	-	-	-
Capital Outlays	3,562	2,717	845	-	-	-
Debt Services	-	-	-	257,000	403,971	(146,971)
TOTAL EXPENDITURES AND ENCUMBRANCES	7,037,154	7,852,693	(815,539)	257,000	403,971	(146,971)
EXCESS OF REVENUES Over (Under)						
Expenditures and Encumbrances	32,553	(794,830)	(827,383)	154,746	(83,640)	(238,386)

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 FISCAL YEAR ENDED JUNE 30, 2002

	GENERAL			DEBT SERVICE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCIAL SOURCES (USES):						
Operating Transfer In (Out).....	(\$ 32,553)	(\$ 32,553)	\$ -	\$ 32,553	\$ 32,553	\$ -
Excess of Revenues and Other Sources (Uses) Over Expenditures and Other Uses.....	\$ -	(827,383)	\$ 827,383	\$ -	(51,087)	\$ 51,087
Adjustment Required Under Generally Accepted Accounting Principles:						
Net Change in Encumbrance.....		(107,250)			-	
Proceed of Bonds.....		470,000			-	
GAAP Adjustment to Revenues.....		2,544			-	
Net Changes in Unbudgeted Items.....		(353,892)			-	
Fund Balance (Deficit), at Beginning of Year		(1,014,304)			1,129,064	
FUND BALANCE (DEFICT) AT END OF YEAR.....		(\$ 1,830,285)			\$ 1,077,977	

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 FISCAL YEAR ENDED JUNE 30, 2002

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, fiscal dependency of the potential component units 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 criteria 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**.

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.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

B. Basis of Presentation (continuation)

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 used to establish an accounting record 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, moneys 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, moneys 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.

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 to 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 to 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 to a budget message.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

D. Budgetary Accounting (continuation)

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 8).
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.

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.

Cash with fiscal agent represents property tax collections retained by the Municipal Revenues Collection Center and undisbursed proceeds of certain bonds, loans or grants which are maintained in a cash custodian account by the Government Development Bank of the Commonwealth of Puerto Rico.

Cash balance recognized in the 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. This sinking fund is maintained by the Governmental Development Bank of Puerto Rico, agency which acts as the insurer and payer of the **Municipality's** bonds and notes issued in accordance with the law.

F. Receivable

Receivable are stated nets of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Receivable from Federal Government represents amounts owed to the **Municipality** for reimbursement of expenditures incurred pursuant to federally funded programs.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

G. 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.

H. General Fixed Assets

The General Fixed Assets Account Group 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, underground water and sewer facilities and certain other property are recorded as expenditures and are not capitalized in the General Fixed Assets Account Group. 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.

I. 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 (3) 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.

J. 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 send to the **Municipality**.

K. 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.

L. 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.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

M. 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.

N. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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 CASH AND INVESTMENTS

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

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Commonwealth of Puerto Rico. The **Municipality** is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws.

ISSUED BY	CERTIFICATE OF DEPOSIT NUMBER	PRINCIPAL AMOUNT	INTEREST RATE	EXPIRATION DATE
Popular Bank	3259997	\$ 61,777	2.00%	11-26-02
TOTAL		<u>\$ 61,777</u>		

NOTE 3 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, 2002 consist of the follows:

	INTERFUND	
	RECEIVABLE	PAYABLE
General:		
Interfund Loans	\$ 30,798	\$708,574
Interest Receivable from Debt Service Fund	2,544	-
Special Revenue:		
Cash System in Current Account	437,200	59,655
Capital Project:		
Cash System in Current Account	300,231	-
Debt Services:		
Interest Payable to General Fund	-	2,544
TOTAL	<u>\$770,773</u>	<u>\$770,773</u>

NOTE 4 DUE TO OTHER GOVERNMENTAL UNITS

As of June 30, 2002, balance due to other governmental units of the General Fund for services rendered to the **Municipality**, consists of the following:

	AMOUNT
Retirement System Administration	\$685,558
Water and Sewer Authority	41,360
General Service Administration	9,487
AEELA	8,949
TOTAL	<u>\$745,354</u>

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 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 6). 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 send to the **Municipality**. General obligations bonds and notes payable as of June 30, 2002, are comprised of the following individual issues:

DESCRIPTION	AMOUNT
General Obligations Bonds:	
\$100,000, Series 2002, payable in annual installments ranging from \$15,000 to \$25,000 until year 2006; variable interest from 5.00% to 8.00%	\$ 100,000
\$370,000, Series 2002, payable in annual installments ranging from \$15,000 to \$45,000 until year 2016; variable interest from 5.00% to 8.00%	370,000
\$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%	200,000
\$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%	220,000
\$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%	395,000
\$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% (Water and Waste Disposal)	481,000
\$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% (Water and Waste Disposal)	533,000
\$200,000, Series 1999-2000, payable in annual installments from \$20,000 to \$35,000, variable interest from 7.08% to 7.50%	155,000

DESCRIPTION	AMOUNT
General Obligations Bonds:	
\$590,000, Series 2001, payable in annual installments from \$40,000 to \$80,000, excluding interest at 8.00%, through July 1, 2010	<u>550,000</u>
Total General Obligations – Bonds	<u>3,004,000</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%	<u>330,000</u>
Total Notes Payable	<u>330,000</u>
Total General Obligations Bonds and Notes	<u>\$3,334,000</u>

During Fiscal Year 2002-2003 a new loan from the U.S. Department of Agriculture – Rural Development was issued in the amount of \$239,000, payable in annual installments ranging from \$6,000 through \$10,000 of principal, plus interests at 4.50%, beginning on October 7, 2002 through 2014.

The annual requirements to amortize the general and notes obligations outstanding as of June 30, 2002, are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT
2003	\$ 304,000	\$ 201,909	\$ 505,909
2004	325,000	187,575	512,575
2005	342,000	164,890	506,890
2006	373,000	140,113	513,113
After 2006	<u>1,990,000</u>	<u>730,011</u>	<u>2,720,011</u>
TOTAL	<u>\$3,334,000</u>	<u>\$1,424,498</u>	<u>\$4,758,498</u>

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 GENERAL LONG-TERM DEBTS (continuation)

B. OTHER LONG-TERM DEBTS

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

DESCRIPTION	BALANCE JULY, 2001	BEGINNING BALANCE ADJUSTMENT	NEW ISSUES	RETIREMENTS AND CURRENT MATURATES	BALANCE JUNE 30, 2002
Property Tax Advance.....	\$ 451,328	\$ 223,559	\$ -	\$ -	\$ 227,769
Property Tax – Treasury.....	206,803	-	-	20,680	186,123
Unemployment Fed Programs ...	-	-	53,005	-	53,005
Unemployment	196,489	-	-	54,580	141,909
Solid Waste Disposal	-	-	444,584	44,584	400,000
Water & Sewer Authority	252,000	-	-	36,880	215,120
Social Security	588,117	-	-	58,200	529,917
Income Tax Withheld.....	-	-	554,552	56,336	498,216
Income Tax Withheld.....	197,668	-	-	19,800	177,868
State Health Ins. Plan.....	351,389	-	-	41,173	310,216
P.R. Land Authority	102,085	-	-	8,000	94,085
Compensated Absences	1,188,297	-	-	53,140	1,135,157
TOTAL	\$3,534,176	\$ 223,559	\$1,052,141	\$ 393,373	\$3,969,385

The **Municipality** due the amount of \$310,216 to State Insurance Health Plan (ASES). This amount should be amortize through retention of the increase in the Electronic LOTO participation received by the **Municipality**, in accordance with Law Number 29, of July 1, 1997.

C. CHANGES IN GENERAL LONG-TERM DEBTS

The following is a summary of changes in long-term obligations for the year ended June 30, 2002:

DESCRIPTION	BALANCE JULY, 2001	BEGINNING BALANCE ADJUSTMENT	NEW ISSUES	RETIREMENTS AND CURRENT MATURATES	BALANCE JUNE 30, 2002
General.....	\$2,771,000	\$ -	\$ 470,000	\$ 237,000	\$3,004,000
Special.....	355,000	-	-	25,000	330,000
Others.....	3,534,176	223,559	1,052,141	393,373	3,969,385
TOTAL	\$6,660,176	\$ 223,559	\$1,522,141	\$ 655,373	\$7,303,385

NOTE 6 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 7).

These property taxes are accumulated by the Municipal Revenue Collection Center in costs of the general obligations bonds issued by the **Municipality** (See Note 5). 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 7 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.

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 6).

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.

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 7 PROPERTY TAXES (continuation)

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 record 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 \$6,435 recognized in Debt Service Fund according to measurement revenue recognition focus.

NOTE 8 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 9 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.

NOTE 10 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.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 EMPLOYEE'S RETIREMENT PLAN (continuation)

Law Number 305 of September 24, 1999, amends the Act Number 447, that establish a savings program. All employees active in the system as of December 31, 1999 may elect to transfer from defined contribution program to the new savings program (a defined contribution plan). Employees in the savings program may now contribute from a minimum of 8.275% up to a maximum of 10% of their monthly salary, and will be invested in an account which will either: (a) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (b) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (c) earn a combination of both alternatives. 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. Under the new program the retirement age is reduced from 65 to 60 for those employees who joined the current plan on or after April 1, 1990.

All employees that do not elect to transfer for the new program, and 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:

YEARS OF SERVICE	PARTICIPANT'S AGE	PENSION BENEFITS
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:

- The present value of the future pension payments was computed by using a discount of 9%.
- 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.

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 2002 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 total pension expenditures recorded in the category of administration for the Fiscal Year Ended June 30, 2002 was approximately \$240,829. 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.

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, 2002.

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.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 CONTINGENCIES (continuation)

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 and Debt Service Funds have been restated by accounting adjustments that affect the Fund Equity of these Governmental Funds, as follows:

	GENERAL	DEBT SERVICE
Beginning Fund Balance (Deficit), At July 1, 2001.....	(\$ 987,072)	\$1,208,018
Debt Amortization Agreement Related to Prior Year Debts	462,968	-
Liquidation of Property Tax from Prior Years.....	-	(78,954)
Social Security Debt as June 30, 2001 and recognized According to Agency Confirmation	(490,200)	-
Beginning Fund Balance (Deficit) As Restated, July 1, 2001	<u>(\$1,014,304)</u>	<u>\$1,129,064</u>

NOTE 12 GASB STATEMENTS NUMBERS 33, 34 (AS AMENDED), 37, 38 AND 39

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.

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO THE GENERAL PURPOSES FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 GASB STATEMENTS NUMBERS 33, 34 (AS AMENDED), 37, 38 AND 39 (continuation)

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

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.

On May 2002, GASB No. 39 was issued that amend GASB 14 by established additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. This statement is effective for financial statements for periods beginning after June 15, 2003. Earlier application is encouraged.

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 FISCAL YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Agriculture:			
Water and Waste Disposal for Rural Communities.....	10.760		\$ 666,255
U.S. Department of Commerce:			
Economic Adjustment Assistance	11.307		<u>291,854</u>
U.S. Department of Housing and Urban Development:			
Direct Programs (Cluster):			
Section 8 Housing Choice Vouchers.....	14.871	RQ047V00014	511,812
Indirect Programs:			
Pass Through State – Office of the Commissioner of Municipal Affairs			
State Block Grant Program (SBGP).....	14.228	01-FD-47 00-FD-47 99-FD-47 98-FD-47 97-FD-47 96-FD-47 95-FD-47 94-AF-FD-47	<u>456,815</u>
Total U.S. Department of Housing and Urban Development			<u>968,627</u>
U.S. Health and Human Services:			
Pass Through Administration of Families and Children:			
Child Care and Development Block Grant	93.575	N/AV	135,835
Community Service Block Grant	93.569	N/AV	<u>27,458</u>
Total U.S. Health and Human Services			<u>163,293</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS.....			<u>\$2,090,029</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 FISCAL YEAR ENDED JUNE 30, 2002

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 PASS THROUGH GRANTOR'S NUMBER

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

NOTE 5 RELATIONSHIP TO GENERAL-PURPOSE COMBINED FINANCIAL STATEMENTS

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.....	\$1,131,920	\$ 958,109	\$2,090,029
State & Municipal Expenditures	<u>803,868</u>	<u>188,347</u>	<u>992,215</u>
TOTAL EXPENDITURES	<u>\$1,935,788</u>	<u>\$1,146,456</u>	<u>\$3,082,244</u>

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 LOAN OUTSTANDING

The **Municipality of Naguabo, Puerto Rico** had the following outstanding balance at June 30, 2002 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 5 of the Notes to General-Purposes Financial Statements).

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AMOUNT OUTSTANDING</u>
Water and Waste Disposal Loans and Grants	10.760	\$1,014,000

NOTE 7 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, 2002, and have issued our report thereon dated November 22, 2002, 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 items 02-II-01 and 02-II-02.

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, of the reportable conditions mentioned above, we consider item 02-II-01 being material weakness. 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 22, 2002.

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

Page 2

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

CPA DIAZ-MARTINEZ, PSC
Certified Public Accountants

Caguas, Puerto Rico
November 22, 2002





**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, 2002. The **Municipality's** major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 02-III-03 through 02-III-05 in the accompanying Schedule of Findings and Questioned Costs, **Municipality** did not comply with requirements regarding Eligibility that are applicable to its Section 8 Housing Choices Vouchers Program. Compliance with such requirements is necessary, in our opinion, for **Municipality** to comply with the requirements applicable to this program.

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 fiscal year ended June 30, 2002. 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 02-III-01, 02-III-02, 02-III-06 through 02-III-08.

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 02-III-01 through 02-III-07.

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 02-III-03 through 02-III-05 being 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 22, 2002



PART III

FINDINGS AND QUESTIONED COSTS

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

Internal control over financial reporting:

● Reportable condition(s) identified? Yes None Reported

● Material weakness (es) identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

● Reportable condition(s) identified? Yes None Reported

● Material weakness (es) identified? Yes No

Type of auditors' report issued on compliance for Major Programs: Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Loans and Grants
14.871	Section 8 Housing Choice Vouchers Program

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

Auditee qualified as low-risk auditee? Yes No

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING	NUMBER 02-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. <i>(This is a prior period finding.)</i>
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 FISCAL YEAR ENDED JUNE 30, 2002

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING	NUMBER 02-II-02
REQUIREMENT	REPORTABLE CONDITION OVER BANK ACCOUNTS
CONDITION	During our examination of Municipality's bank accounts we noted the following deficiency: the EDA and Rural Development (Sanitary Sewer Grant) were in a same bank account.
CRITERIA	Subpart B, 7 CFR Section 3015.11 (b) (6), stated that Water and Waste Disposal for Rural Communities funds should have a separate bank account.
EFFECT	Municipality did not maintain an adequate control of cash.
CAUSE	Evidence that system fails to provide a complete and accurate control of cash.
RECOMMENDATION	Municipality should open a separate bank account to receive the grant's funds.
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-01																
FEDERAL PROGRAM	WATER AND WASTE DISPOSAL FOR RURAL COMMUNITIES (CFDA NO. 10.760) U.S. DEPARTMENT OF AGRICULTURE																
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL																
NONCOMPLIANCE	ALLOWABLE COST/COST PRINCIPLES																
CONDITION	It was noted in our tests of Municipality's internal control over disbursements process, that canceled checks for the following disbursements were not available for our examination:																
	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;"><u>PAYEE</u></th> <th style="text-align: center;"><u>DATE</u></th> <th style="text-align: center;"><u>CHECK NUMBER</u></th> <th style="text-align: center;"><u>AMOUNT</u></th> </tr> </thead> <tbody> <tr> <td>Ing. Jesús M. Alverio</td> <td>08/02/01</td> <td style="text-align: center;">41</td> <td style="text-align: right;">\$7,440.00</td> </tr> <tr> <td>Secretario del Tribunal</td> <td>09/28/01</td> <td style="text-align: center;">162</td> <td style="text-align: right;"><u>305.00</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>\$7,445.00</u></td> </tr> </tbody> </table>	<u>PAYEE</u>	<u>DATE</u>	<u>CHECK NUMBER</u>	<u>AMOUNT</u>	Ing. Jesús M. Alverio	08/02/01	41	\$7,440.00	Secretario del Tribunal	09/28/01	162	<u>305.00</u>				<u>\$7,445.00</u>
<u>PAYEE</u>	<u>DATE</u>	<u>CHECK NUMBER</u>	<u>AMOUNT</u>														
Ing. Jesús M. Alverio	08/02/01	41	\$7,440.00														
Secretario del Tribunal	09/28/01	162	<u>305.00</u>														
			<u>\$7,445.00</u>														
CRITERIA	Subpart C, 7 CFR Section 3016.20 (b) (6), stated the standards for the record keeping of the documents that justify the disbursements.																
CAUSE	Municipality did not maintain an adequate control over the record keeping of documents that justify the disbursements.																
EFFECT	Municipality is not in compliance with Subpart C, 7 CFR Section 3016.20 (b) (6).																
RECOMMENDATION	We recommend the implementation of an adequate control over the record keeping of document that justifies the disbursements.																
QUESTIONED COSTS	\$7,445.00																
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.																

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-02
FEDERAL PROGRAMS	WATER AND WASTE DISPOSAL FOR RURAL COMMUNITIES (CFDA NO. 10.760) U.S. DEPARTMENT OF AGRICULTURE
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	DAVIS-BACON ACT
CONDITION	Municipality did not develop a monitoring system to ensure that contractors paid prevailing wages payments according to Department of Labor.
CRITERIA	Davis-Bacon Act, as amended (40 USC 276a – 276a-7). Also, the Federal Program Manual, Phase II, Section 2, issued by the Office of Commissioner of Municipal Affairs State similar requirements.
EFFECT	Municipality is not in compliance with Davis-Bacon Act (40 USC 276a – 276a-7).
CAUSE	Municipality did not develop an adequate monitoring system to ensure contractors and subcontractors compliance with the act. The procedures established that the Municipality must interview the employees at the beginning, at a middle stage and at the end of the project.
RECOMMENDATION	We recommend management to develop a monitoring system that includes obtaining prevailing wage rates from the Department of Labor, the assignment of specific responsibility to one municipal employee to monitor contractors and subcontractors for compliance, obtaining contractor's payrolls and perform the interviews to contractor's and subcontractor's laborers accordingly to the established requirements.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-03
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM (CFDA NO 14.871) 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	Municipality is not in compliance with 24 CFR, Subpart F, Section 5.617 (b) and Section 5.230 (a).
CAUSE	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 recommend 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.

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-04
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM (CFDA NO 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test we noticed that six (6) participants files have evidence of income that wasn't reported in HUD50058 and three (3) participants file don't have an actual picture.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart H, Section 887.357 stated that as a condition of reexamination the program should verify a family's income and composition.
EFFECT	Municipality is not in compliance with 24 CFR, Subpart H, Section 887.357.
CAUSE	Municipality does not review the supporting evidence of income and composition.
RECOMMENDATION	We recommend management to review all the supporting documents to issue a Form HUD50058.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF NAGUABO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-05
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM (CFDA NO 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test we noticed that six (6) participants files don't have property's deed to evidence lessor ownership.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart G, Section 982.306 (d) stated that the Municipality must not approve a unit if the owner is the parent, child, grandparent, grandchild, sister, or brother of any member of the family.
EFFECT	Municipality is not in compliance with 24 CFR, Subpart G, Section 982.306 (d).
CAUSE	Municipality does not implemented procedures that guarantee that the family does not own or has any interest in the unit.
RECOMMENDATION	We recommend management to implement the necessary procedures 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 FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-06
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM (CFDA NO 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	PROCUREMENT STANDARDS
CONDITION	During our Participants Files Test we noted that one (1) tenant's file does not contain the contract as required by the federal regulation.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart D, Section 982.162 (a) (2) and (3) stated that the Municipality must use program contracts and other forms required by HUD headquarters, including: the HAP contract between the Municipality and the owner; and the lease language required by HUD (in the lease between the owner and the tenant).
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart D, Section 982.162 (a)(2) and (3).
CAUSE	The Municipality did not establish procedures to ensure that all the required contracts were legalized before the housing assistance payments and/or the utility reimbursements were disbursed.
RECOMMENDATION	We recommend management to implement procedures in order to ensure compliance 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 FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-07
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 FISCAL YEAR ENDED JUNE 30, 2002

SECTION III -- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-8
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM (CFDA NO 14.871) 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 recommend 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 FISCAL YEAR ENDED JUNE 30, 2002

FISCAL YEAR	FINDING NUMBER	FINDING	CFDA NUMBER	QUESTIONED COST	COMMENTS
(1) Audit Findings that have been Fully Corrected:					
2001	01-III-01	Allowable Cost/Cost Principles	10.760 14.855 – 14.857	NONE	System and procedures corrected.
2001	01-III-03	Eligibility	14.855 – 14.857	NONE	System and procedures corrected
	01-III-04	Eligibility	14.855 – 14.857	NONE	System and procedures corrected
	01-III-06	Special Tests and Provisions	14.855 – 14.857	NONE	System and procedures corrected
(2) Audit Findings not Corrected or Partially Corrected:					
2001	01-III-02	Eligibility – HUD-approved release and consent forms.	14.855 – 14.857	NONE	Action should be taken.
2001	01-III-05	Reporting – Annual reports.	10.760	NONE	Rural Development have not required at the moment any annual report.
2001	01-III-07	Special Tests and Provisions – Inspections.	14.855 – 14.857	NONE	The Section 8 Inspector notifies all participants about their deficiencies of the units. We will develop the procedures to assure that all deficiencies are corrected within the specific time frame.
(3) Corrective action taken is significantly different from corrective action previously reported:					
NONE					
(4) Audit findings is no longer valid:					
NONE					

END OF SCHEDULE

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

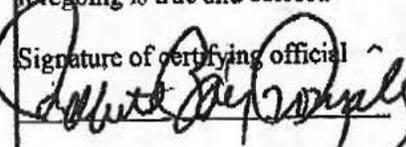
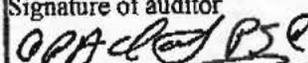
RETURN TO: Federal Audit Clearinghouse, 1201 E. 10th Street, Jeffersonville, IN 47132

Form SF-SAC(3-20-2001) OMB #0348-0057

Report ID : 26155

12/27/01

Part I: GENERAL INFORMATION

1. Fiscal year ending date for this submission (mm/dd/yyyy) 06/30/2001		2. Type of A-133 audit <input checked="" type="radio"/> Single audit	
3. Audit period covered <input checked="" type="radio"/> Annual		CENSUS USE ONLY	4. Date received by clearinghouse
5. Employer Identification Number (EIN) a. Auditee EIN 660433490		b. Are multiple EINS covered in this report? <input checked="" type="radio"/> No	
6. AUDITEE INFORMATION		7. AUDITOR INFORMATION	
a. Auditee name MUNICIPALITY OF NAGUABO		a. Auditor name CPA DIAZ-MARTINEZ, PSC	
b. Auditee address (Number and street) P.O. BOX 40		b. Auditor address (Number and street) P.O. BOX 8369	
City NAGUABO		City CAGUAS	
State Zip Code PR 00718 - 0040		State Zip Code PR 00726 - 8369	
c. Auditee contact Name ROBERT BAEZ GONZALEZ		c. Auditor contact Name JOSE E. DIAZ-MARTINEZ	
Title MAYOR		Title PRESIDENT	
d. Auditee contact telephone (787) 874 - 2068		d. Auditor contact telephone (787) 746 - 0510	
e. Auditee contact FAX (Optional) (787) 874 - 1144		e. Auditor contact FAX (Optional) (787) 746 - 0525	
f. Auditee contact E-mail (Optional)		f. Auditor contact E-mail (Optional)	
g. AUDITEE CERTIFICATION STATEMENT - (This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.		g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 9, 10, and 11, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The Auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.	
Signature of certifying official  Date 01 / 09 / 02		Signature of auditor  Date 01 / 08 / 02	
Name/Title of certifying official HON ROBERT BAEZ GONZALEZ, MAYOR			

Form SF-SAC(3-20-2001) OMB #0348-0057

Report ID : 26155

Part I: GENERAL INFORMATION - Continued		
8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (x) one box)		
<input checked="" type="radio"/> No - SKIP to Part II, Item 1		
9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (x) one box) However, if cognizance has been reassigned, see instructions		
Part II: FINANCIAL STATEMENTS (To be completed by auditor)		
1. Type of audit report (Mark (x) one box)		
<input checked="" type="radio"/> Qualified opinion		
2. Is a "going concern" explanatory paragraph included in the audit report?		
<input checked="" type="radio"/> No		
3. Is a reportable condition disclosed?		
<input checked="" type="radio"/> Yes		
4. Is any reportable condition reported as a material weakness?		
<input checked="" type="radio"/> Yes		
5. Is a material noncompliance disclosed?		
<input checked="" type="radio"/> No		
Part III: FEDERAL PROGRAMS (To be completed by auditor)		
1. Type of audit report on major program compliance		
<input checked="" type="checkbox"/> Qualified opinion		
2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10)		
<input checked="" type="radio"/> No		
3. What is the dollar threshold to distinguish Type A and Type B programs? (§ .520(b)) Round to the nearest dollar. \$300000.00		
4. Did the auditee qualify as a low-risk auditee? (§ .530)		
<input checked="" type="radio"/> No		
5. Is a reportable condition disclosed for any major program? (§ .510(a)(1))		
<input checked="" type="radio"/> Yes		
6. Is any reportable condition reported as a material weakness? (§ .510(a)(1))		
<input checked="" type="radio"/> Yes		
7. Are any known questioned costs reported? (§ .510(a)(3) or (4))		
<input checked="" type="radio"/> No		
8. Was a Summary Schedule of Prior Audit Findings prepared? (§ .315(b))		
<input checked="" type="radio"/> Yes		
9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings, as shown in the Summary Schedule of Prior Audit Findings, related to direct funding. (Mark (x) all that apply.) Each agency identified is required to receive a copy of the reporting package.		
10	<input checked="" type="checkbox"/>	Department of Agriculture
14	<input checked="" type="checkbox"/>	Department of Housing and Urban Development
In addition, one copy each of the reporting package is required for:		
1	the Federal Audit Clearinghouse archives
0	and, if not marked above, the cognizant agency (if identified in Part I, Item 9)
3	Total number of reporting packages to be submitted

Form SF-SAC(3-20-2001) OMB #0348-0057

Report ID : 26155

Part III: FEDERAL PROGRAMS Continued

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							11. AUDIT FINDINGS		
Row	10a. CFDA Number		10b. Research and development	10c. Name of Federal Program	10d. Amount expended in Whole Numbers	10e. Direct Award	10f. Major program	11a. Type of compliance requirement (3)	11b. Audit finding reference #(s) (4)
	Federal Agency Prefix (1)	Extension (2)							
1	10.	760	<input checked="" type="checkbox"/> N	WATER AND WASTE DISPOSAL FOR RURAL COMMUNITIES	\$ 1486496 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> Y	B, L	01-III-01; 01-III-05
2	11.	307	<input checked="" type="checkbox"/> N	ECONOMIC ADJUSTMENT ASSISTANCE	\$ 87040 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> N	O	N/A
3	14.	855	<input checked="" type="checkbox"/> N	SECTION 8 RENTAL VOUCHER-CLUSTER	\$ 377057 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> Y	B, E, N	01-III-01; 02; 03; 04; 06; 07
4	14.	857	<input checked="" type="checkbox"/> N	SECTION 8 RENTAL CERTIFICATE-CLUSTER	\$ 46496 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> Y	B, E, N	01-III-01; 02; 03; 04; 06; 07
5	14.	228	<input checked="" type="checkbox"/> N	STATE BLOCK GRANT PROGRAM	\$ 1110319 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
6	16.	710	<input checked="" type="checkbox"/> N	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	\$ 4448 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
7	83.	544	<input checked="" type="checkbox"/> N	PUBLIC ASSISTANCE GRANT	\$ 35194 .00	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> N	O	N/A
Computer Generated Total Federal Awards Expended:				\$ 3147050					
TOTAL FEDERAL AWARDS EXPENDED:				\$3147050					

*Footnotes for Part 3 - Item 10 and Item 11

- See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.
- Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.
- Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weakness), questioned costs, fraud, and other items reported under § 510 (a)) reported for each Federal program.

A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis-Bacon Act
 E. Eligibility
 F. Equipment and real property management

G. Matching, level of effort, earmarking
 H. Period of availability of funds
 I. Procurement
 J. Program income
 K. Real property acquisition and relocation assistance

L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None

P. Other

- N/A for None.

**MUNICIPALITY OF NAGUABO
CORRECTIVE ACTION PLAN
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

Cash #03-242

RECIBIDO
UNIDAD DE CORREO

10 FEB -4 11:47

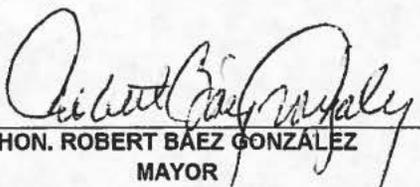
UNIDAD DE COMISIONADO
MUNICIPALIDAD

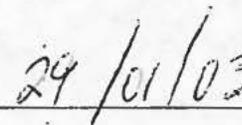
**MUNICIPALITY OF NAGUABO
CORRECTIVE ACTION PLAN
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

FINDING NUMBER	RESPONSIBLE INDIVIDUAL	MANAGEMENT VIEWS	CORRECTIVE ACTION PLAN	ANTICIPATED COMPLETION DATE
02-11-01	Finance Department Director	The report informs that construction in progress are not accounted and there is no adequate internal control procedure to assure the proper valuation and timeliness of recognition of real estate inventory.	We propose establish internal control procedures in order to comply with proper valuation and timeliness of recognition of fixed assets. According with the requirements of GASB 34 the governments have reporting in financial statements proper valuation of all Capital Assets, includes the infrastructure assets. The Municipality Governments have compliance with this regulations.	August 2003
02-11-02	Finance Department Director	The report informs that EDA and Rural Development (sanitary server grant) were in a same bank account.	It will be considered this recomendation during the next events, nevertheless, the account of EDA will be canceled on the month of march 2003.	March 2003
02-111-01	Finance Department Director	The report informs that canceled checks were not available for examination.	The check #41, for the amount of \$7,440 is now available for examination. Enclosure copy of the canceled check. Also, we found evidence of the check #162, for the amount of \$305, that present it is outstanding. Enclosure such evidence.	Done
02-111-02	Federal Programs Office Director	The report informs that the Municipality is not in compliance with Davis-Bacon Act.	The Municipality will develop an adequate monitoring system for the compliance of the Act.	
02-111-03	Federal Programs Office Section 8 Supervisor	It is informed that 11 participants files did not have evidence of HUD approved release and consent forms.	From 11 participants files, six (6) did have the forms in the files, which the auditor did not find. The rest are already corrected. All files will have a checklist to avoid lack of documents. See enclosure.	Done

FINDING NUMBER	RESPONSIBLE INDIVIDUAL	MANAGEMENT VIEWS	CORRECTIVE ACTION PLAN	ANTICIPATED COMPLETION DATE
02-111-04	Federal Programs Office Section 8 Supervisor	It is informed that six (6) participants files wasn't reported in HUD 50058 and three (3) don't have actual pictures.	The participants were informed to bring documents. All files will be checked to avoid lack of documents.	During the months of January and February, 2003
02-111-05	Federal Programs Office Section 8 Supervisor	The report informed that six (6) participants files don't have property's deed to evidence lessor ownership.	From six (6) cases that was informed that did not have the property's deed, four (4) do have the document in it's file, which the auditor did not find. In some cases, the owner have various homes rented and the deed is in one of the files. We will photocopy the deed to file in each case. All files will be checked to avoid lack of documents.	During the months of January and February, 2003
02-111-06	Federal Programs Office Section 8 Supervisor	It is informed that one (1) tenant's file does not contain the contract.	The contract is in the file, which the auditor did not find. See enclosure.	Done
02-111-07	Finance Department Director	The report informs that the Municipality did not prepare annual reports required by Rural Development.	Referent this finding we will impart instructions to prepare the required reports in order to comply with the Rural Development program regulations.	March 2003
02-111-08	Federal Programs Office Section 8 Supervisor	It is informed that the Municipality does not have a list of failed inspections to verify the corrections of deficiencies within 30 days.	The Inspector proceeded to prepare the list. See enclosure.	Done

The information stated above has been determined to be accurate based upon information available as of January 29, 2003.


 HON. ROBERT BAEZ GONZALEZ
 MAYOR


 DATE

A N N E X

ESTADO LIBRE ASOCIADO DE PUERTO RICO
GOBIERNO MUNICIPAL DE NAGUABO

Relación de Cheques Emitidos que aparecen pendiente de pago:

Cuenta: #311-019313 Cuenta Construcción

Número	Fecha	Expedido a favor de :	Importe:
145	06/14/01	Hon. Secretario De Hacienda	1,874.69
162	09/06/01	Secretario Del Tribunal	305.00 ✓
163	09/06/01	Secretario Del Tribunal	716.00
Total de cheques en Tránsito:.....			\$2,895.69

Gobierno Municipal de Naguabo

OFICINA DE PROGRAMAS FEDERALES

CALLE BALDORIOTY 45

NAGUABO, PUERTO RICO 00718

SECCION 8

TEL: 874-1095

FAX: 874-3108

DOCUMENTOS REQUERIDOS PARA SU SOLICITUD DE SUBSIDIO DE RENTA

PROGRAMA: _____ VOUCHER _____ EXISTING _____ HOPWA

FECHA

FECHA DE CITACION

- _____ 1. CERTIFICADO DE MATRIMONIO.
- _____ 2. SENTENCIA DE DIVORCIO ORIGINAL.
- _____ 3. CERTIFICADO DE DEFUNCION.
- _____ 4. ACTA DE NACIMIENTO (ORIGINAL) - TODOS LOS MIEMBROS DE LA UNIDAD FAMILIAR.
- _____ 5. TARJETA DE RESIDENTE EN CASO DE SER EXTRANJERO.
- _____ 6. CERTIFICADO DE BUENA CONDUCTA DE LA POLICIA (SI ES MAYOR DE 18 AÑOS) ORIGINAL.
- _____ 7. UNA FOTO FAMILIAR.
- _____ 8. TRES (3) CARTAS DE REFERENCIA PERSONAL (CON DIRECCION Y TELEFONO).
- _____ 9. CARTA DE NO TENER CREDITO POR PAGAR EN EFECTIVO.
- _____ 10. DOS (2) CARTAS DE REFERENCIA DE CREDITO CON DIRECCION Y TELEFONO.
- _____ 11. CARTA DEL ARRENDADOR CON DIRECCION Y TELEFONO.
- _____ 12. CARTA DE VIVIR AGREGADO CON DIRECCION Y TELEFONO.
- _____ 13. CARTA DEL ALBERGUE INDICANDO FECHA DE INGRESO.
- _____ 14. ORDEN DE DESAHUCIO POR AUTORIDAD COMPETENTE.
- _____ 15. VERIFICACION DE ESTUDIOS CON SELLO OFICIAL (SI ES UNIVERSITARIO PRESENTAR EL DESGLOSE DE BECA).
- _____ 16. CERTIFICACION DE PATRONO Y TALONARIO DE CHEQUE.
- _____ 17. CARTA DE CESANTIA.
- _____ 18. CERTIFICACION DE TRABAJO POR CUENTA PROPIA.
- _____ 19. VERIFICACION DESEMPLEO.
- _____ 20. CERTIFICACION DEL SEGURO SOCIAL (NO COPIA DEL CHEQUE).
- _____ 21. CERTIFICACION DE PENSION ALIMENTARIA POR CORTE, CARTA DEL PADRE CON DIRECCION Y TELEFONO Y/O CARTA DE ASUME.
- _____ 22. CARTA ASISTENCIA ECONOMICA, CUPONES Y FSE.

- _____ 23. DECLARACION JURADA ESTATUS CIVIL, COMPOSICION FAMILIAR, INGRESO SI POSEE PROPIEDADES O NO PROPIEDADES Y ACTIVOS (AHORROS EN EL BANCO).
 - _____ 24. CUSTODIA LEGAL DE MENORES ADICIONALES A LOS HIJOS LEGALES.
 - _____ 25. CERTIFICACION DE CUIDO DE NIÑOS CON DIRECCION Y TELEFONO.
 - _____ 26. TARJETA DE SEGURO SOCIAL (COPIA TODOS EN LA FAMILIA).
 - _____ 27. WESTERN BLOT Y CD-4.
 - _____ 28. CERTIFICACION DE DEUDA DEL CRIM.
 - _____ 29. CERTIFICACION DE HACIENDA.
 - _____ 30. CERTIFICACION DE RADICACION DE PLANILLAS CONTRIBUTIVAS.
 - _____ 31. CERTIFICACION DE DEUDA DE ASUME.
 - _____ 32. CUALQUIER OTRO DOCUMENTO REQUERIDO.
-

FIRMA DEL SOLICITANTE

**ESTADO LIBRE ASOCIADO DE PUERTO RICO
MUNICIPIO DE NAGUABO
PROGRAMA SECCION 8 EXISTENTE-CERTIFICADO -VOUCHER
CONTRATO DE ARRENDAMIENTO**

Contrato Número 21-22-VQ-0033

En NAGUABO, Puerto Rico, a 26 de MARZO de 2002

DE UNA PARTE: Don(a) MARTA CARDONA SSN 564-23-5440 mayor de edad, de estado civil VIUDA, de profesión AMA DE CASA con domicilio en 45 TIEMANN PL APT 4K NEW YORK denominado en adelante como **ARRENDADOR.**

DE LA OTRA PARTE: Don (a) MARIBEL SANTIAGO PEREZ mayor de edad, de estado civil SOLTERA, de profesión AMA DE CASA, con domicilio en BO DUQUE SECTOR DAVILA NAGUABO PR 00718 denominado en adelante como **JEFE DE FAMILIA.**

Manifiestan los comparecientes estar plenamente capacitados para contratar y en consecuencia:

EXPONEN

PRIMERA: Que el ARRENDADOR es dueño y/o administrador de la vivienda objeto de este Contrato, la cual esta ubicada en BO DUQUE PARCELA 168 (BAJOS) NAGUABO, PR-00718

SEGUNDA: Que la renta total mensual para la vivienda objeto de este Contrato será pagada por mensualidades adelantadas de \$ 400, de ese total \$ 400 será aportado por el Municipio de Naguabo (Autoridad Local) como subsidio a favor de la FAMILIA.

TERCERA: Que la FAMILIA aportará la cantidad mensual de \$ (55) al pago de la renta, que se compromete a pagar mensualmente dentro de los primeros cinco (5) días de cada mes.

CUARTA: Que las cantidades indicadas en el Artículo Tercero, están sujetas a cambio por razón de variación en el ingreso familiar, composición familiar, gastos médicos excepcionales, cualquier otro gasto extraordinario, de conformidad con las escalas y criterios establecidos por el Departamento Federal de Desarrollo Urbano y Vivienda (HUD) o por cualquier ajuste hecho por el Municipio de Naguabo en las cantidades designadas para servicios de energía eléctrica y/o agua u otros servicios. La vigencia de cualesquiera de dichos cambios será notificada por escrito a las partes.

QUINTA: Que además de la aportación de la FAMILIA como parte de la renta total mensual, el ARRENDADOR requiere de esta el depósito de una fianza, que servirá como garantía de que la FAMILIA ha de cumplir con los compromisos contraídos mediante este Contrato. La fianza asciende a la cantidad de \$ 300, equivalente a la aportación bruta familiar mensual o a \$50.00, cualquiera que resulte mayor.

SEXTA: Que el ARRENDADOR se compromete a proveer los siguientes servicios y los enseres del hogar indicados a continuación:

Servicios y Enseres	Si	No
Electricidad y/o gas	/ /	/x/
Agua y alcantarillado	/ /	/x/
Nevera	/ /	/x/
Estufa	/ /	/x/
Calentador	/x/	/ /
Seguridad (Vigilancia)	/ /	/x/
Exterminación	/ /	/x/
Pintura	/x/	/ /
Otros (Especifique) DETECTOR HUMO	/x/	/ /

SEPTIMA: El ARRENDADOR conservará la vivienda, las facilidades y equipo provisto con ella, para el uso y beneficio de la FAMILIA y en condominios proveerá para la conservación y mantenimiento de las áreas comunes, de acuerdo con las condiciones y normas de calidad de vivienda que sirven de base para la aprobación de este Contrato de Arrendamiento por el Municipio de Naguabo y el ARRENDADOR. En lo pertinente a su obligación contractual deberá responder a los requerimientos de servicio por parte de la FAMILIA dentro de un término razonable. Cuando corresponda, como en los casos de condominios, la renta incluirá los gastos de mantenimiento y conservación de las facilidades comunes.

OCTAVA: El Jefe de Familia mantendrá en buenas condiciones de uso y limpieza la vivienda arrendada. Además hará por su cuenta las reparaciones, previa notificación al ARRENDADOR, de los equipos, accesorios y pertenencias incluyendo, sin limitación alguna, grifos de agua, tuberías y plomería que fuera necesario hacer por daños resultantes de la negligencia, mal uso o abuso de la propiedad por parte de la FAMILIA, visitantes o personas autorizadas por él.

NOVENA: El Jefe de Familia se obliga a resarcir al ARRENDADOR por cualquier daño que debido a su negligencia cause en la vivienda que ocupa.

DECIMA: Inspección de la vivienda.

- (A) Las partes contratantes inspeccionarán la vivienda antes de ser ocupada por el Jefe de Familia y cuando éste notifique su intención de desalojarla. Dicha inspección deberá constar en una declaración escrita y firmada por ambas partes, sobre las condiciones de conservación y mantenimiento en que se encuentre la Vivienda, sus instalaciones y enseres.
- (B) El Arrendador así como funcionarios de el Municipio de Naguabo además, inspeccionar periódicamente la vivienda a fin de comprobar:
1. Si el Jefe de Familia o los miembros de su FAMILIA continúan habitándola.
 2. Si contrario a lo estipulado en este Contrato, la habitan otras personas que no sean los miembros de la FAMILIA del Arrendamiento declarados por éste como tales.
 3. Si está debidamente conservada y se utiliza para fines residenciales.

UNDECIMA: Entrada a la vivienda

El ARRENDADOR, así como funcionarios del Municipio de Naguabo, no entrarán a la vivienda en ausencia del Jefe de Familia o persona que le represente, salvo autorización escrita. Esta condición se obviará en casos de emergencia, cuando se estime que haya peligro de daño inminente para la propiedad, vecindario o algunas personas y en caso de abandono de la vivienda, según se dispone más adelante.

DUODECIMA: Obligaciones Especiales del Jefe de Familia

- (A) El Jefe de Familia ocupará la vivienda como su domicilio habitual permanente.
- (B) No sub-arrendará la vivienda ni parte de la misma.
- (C) Dedicará la vivienda sólo para fines residenciales y no permitirá que en la misma se celebren reuniones que puedan ocasionar escándalos, alteración a la paz, o la comisión de algún delito.
- (D) No dedicará la vivienda a la venta de licores y otras bebidas embriagantes, o comercio de clase alguna.
- (E) No utilizará la vivienda o sus inmediaciones para la crianza de animales que puedan afectar la salud, higiene, seguridad y tranquilidad de la Comunidad.
- (F) No fijará o instalará carteles, letreros, rótulos, ni otros medios similares de publicidad para anunciar negocios u otros.
- (G) Notificará al ARRENDADOR y al Municipio de Naguabo (Autoridad Local), cualquier riesgo que amenace la propiedad o daños que requieran reparaciones urgente y extraordinarias, dentro del término de cinco (5) días desde que tuvo conocimiento de lo antes indicado.

DECIMOTERCERA: Cuando la persona o personas que firmaren este Contrato dejaren de ser miembros del grupo familiar, se suscribirá uno nuevo, que firmará un miembro de la familia que reúna los requisitos de elegibilidad al subsidio de la renta y se haya quedado sin vivienda como miembro de la familia.

DECIMOCUARTA: Serán causas para dar por terminado este Contrato, además de las estipuladas en la Sección II del Addendum a este Contrato, las siguientes:

1. Morosidad habitual en el pago de la aportación familiar al pago de la renta por parte del Jefe de Familia.
2. Por abandono de la vivienda.
3. Incumplimiento por parte del Arrendador y/o de la familia de cualesquiera de las obligaciones establecidas en este Contrato, así como las establecidas en el Código Civil de Puerto Rico (L.P.R.A, Sección 311, etc. sec.), según apliquen.
4. Cuando la Familia advenga a ser inelegible, el Municipio de Naguabo podrá dar por terminado los pagos de subsidio de renta.

DECIMOQUINTA: El ARRENDADOR notificará por escrito al Jefe de Familia, con no menos de treinta (30) días de anticipación a la fecha de su efectividad, su intención de resolver este Contrato y las razones para su resolución y deberá dentro del término establecido, remitir copia al Municipio de Naguabo. En dicha notificación debe expresarse, además que el Jefe de Familia tiene diez (10) días a partir de la fecha del recibo de la misma, para contestar y expresar sus objeciones, debidamente fundamentadas, disponiéndose que de no hacerlo así, se entenderá que acepta todas y cada una de las alegaciones contenidas en la notificación.

La contestación del Jefe de Familia, deberá ser enviada al Arrendador y al Municipio de Naguabo dentro del término establecido a partir de la fecha en que se notifique a la familia. El Municipio de Naguabo examinará las alegaciones del Arrendador y de la Familia y emitirá Resolución por escrito a dichas partes, expresando su determinación.

DECIMOSEXTA: Si después de resuelto el Contrato el Jefe de Familia no desocupa la vivienda dentro del término de treinta (30) días, el ARRENDADOR realizará los trámites para iniciar la acción de desahucio, conforme a las leyes correspondientes.

DECIMOSEPTIMA: El ARRENDADOR no discriminará contra la Familia en la prestación de servicios, ni en forma alguna, por razón de raza, color, credo, religión, política, sexo u origen nacional.

DECIMOCTAVA: Este Contrato es firmado por las partes con la condición de que el Municipio de Naguabo formalice un Contrato de Subsidio de Renta (Housing Assistance Payment Contract) con el Arrendador.

DECIMONOVENA: La vigencia de este Contrato será la misma a la establecida en el Contrato de Vale de Asistencia formalizado entre el Municipio de Naguabo y el Arrendador, autorizando los pagos de Asistencia.

VEGESIMA: Que los nombres y circunstancias personales de los miembros de la Familia **MARIBEL SANTIAGO PEREZ** que han de residir en la vivienda objeto de y bajo los términos de este Contrato son:

Nombre	Relación	Edad
MARIBEL SANTIAGO	JEFE	
DELMARIE ALBINO SANTIAGO	HIJO	7
GENESIS MARIE ROMAN	HIJA	3
JULIO L. ROMAN	HIJO	1-1/2
..		

VIGESIMOPRIMERA: Que los comparecientes acuerdan que este Contrato estará vigente desde el 1 de ABRIL de 2002 hasta el 1 de ABRIL de 2003

VIGESIMASEGUNDA: Que de ser la Familia aún elegible y de permanecer ocupando la vivienda después de la fecha de terminación de este Contrato, con el consentimiento del ARRENDADOR, el mismo continuará vigente bajo los mismos términos y condiciones. Disponiéndose en el caso de que el Municipio de Naguabo decida no renovar dicho Contrato, deberá notificarlo al Arrendador y a la Familia por lo menos con sesenta (60) días de anticipación a la fecha de terminación del mismo.

VIGESIMATERCERA: El Addendum de este Contrato forma parte del mismo.

MARTA CARDONA *Marta Cardona*
ARRENDADOR

26 de mayo 2002
FECHA

MARIBEL PEREZ SANTIAGO *Maribel Santiago*
JEFE DE FAMILIA

26 de mayo 2002
FECHA

TESTIGO

FECHA

Advertencia:

La Ley del Congreso de los Estados Unidos 18-1001 provee, entre otras cosas que cualquier persona a sabiendas y voluntariamente haga o use documento o escrito que contenga una declaración o partida falsa, ficticia o fraudulenta en cualquier asunto dentro de la jurisdicción de cualquier departamento o agencia de Estados Unidos será multado por una suma no mayor de \$10,000 o encarcelado por un término no mayor de cinco años, o ambas penas.

ADDENDUM A CONTRATO

(1) EL JEFE DE FAMILIA O CUALQUIER MIEMBRO DE SU GRUPO FAMILIAR O INVITADO O CUALQUIER PERSONA BAJO EL CONTROL DEL JEFE DE FAMILIA NO PUEDE ESTAR O PARTICIPAR EN NINGUNA ACTIVIDAD CRIMINAL EN O CERCA DEL PROYECTO, INCLUYENDO PERO NO LIMITADO A ACTIVIDADES CRIMINALES VIOLENTAS O ACTIVIDADES DE DROGAS O RELACIONADAS CON ASUNTOS DE DROGAS.

(2) EL JEFE DE FAMILIA O CUALQUIER MIEMBRO DE SU GRUPO FAMILIAR NO PERMITIRA QUE LA UNIDAD SEA UTILIZADA O FACILITE SU USO PARA ALGUNA ACTIVIDAD CRIMINAL, INCLUYENDO PERO NO LIMITADA, A CUALQUIER ACTIVIDAD CRIMINAL DE VIOLENCIA O RELACIONADA CON ACTIVIDAD CRIMINAL DE DROGAS.

(3) CUALQUIER ACTIVIDAD DE VIOLENCIA CRIMINAL SIGNIFICA CUALQUIER ACTIVIDAD CRIMINAL GRAVE QUE CONTENGA COMO UNO DE SUS ELEMENTOS EL USO O ATENTAR USAR FUERZA FISICAS CONTRA ALGUNA PERSONA O PROPIEDAD DE UNA SEMEJANTE.

(4) LA ACTIVIDAD CRIMINAL RELACIONADA CON DROGAS SIGNIFICAN LA ILEGAL MANUFACTURA, VENTA, DISTRIBUCION, USO O POSESION CON LA INTENCION DE MANUFACTURAR, VENDER DISTRIBUIR O USAR UNA SUSTANCIA CONTROLADA CONFORME LO DEFINE LA LEY DE SUSTANCIAS CONTROLADAS DE PUERTO RICO Y/O LA SECCION 1 O 2 DE LA LEY DE SUSTANCIAS CONTROLADAS FEDERAL.

(5) UNA O MAS VIOLACIONES DE LA SECCION 1 O 2 DE ESTE ADDENDUM DE ARRENDAMIENTO CONSTITUYE UNA VIOLACION SUSTANCIAL AL CONTRATO; ESTAS VIOLACIONES SERVIRAN DE BASE PARA TERMINAR EL CONTRATO DE ARRENDAMIENTO Y/O DESHAUCIO Y DESALOJO DE LA PROPIEDAD.

(6) PRUEBA DE VIOLACIONES SERAN DETERMINADAS CON PREPONDERANCIA DE LA EVIDENCIA EXCEPTO QUE OTRAS COSAS SE DISPONGAN POR LAS LEYES DE PUERTO RICO O LAS LEYES FEDERALES SOBRE ESTA MATERIA.

(7) EN CASO DE EXISTIR CONFLICTO ENTRE LO PROVISTO EN EL PRESENTE ADDENDUM DE ARRENDAMIENTO Y LO PROVISTO EN EL CONTRATO DE ARRENDAMIENTO PREVALECERAN Y SERAN DE APLICACION LO QUE PROVEE EL PRESENTE ADDENDUM DE ARRENDAMIENTO. ESTE ADDENDUM DE ARRENDAMIENTO FORMARA PARTE DEL CONTRATO ENTRE EL JEFE DE FAMILIA Y EL ARRENDADOR DESDE LA FECHA DE SU NOTIFICACION.

Martha Cardona
ARRENDADOR

Maubel Soto
INQUILINO

3/26/2009
FECHA

26/3/2002
FECHA

**MUNICIPIO DE NAGUABO
OFICINA DE PROGRAMAS FEDERALES
SECCION 8**

TELEFONOS (787) 874-1095 /874-3108

MODELO

CERTIFICACION

CERTIFICO, que realice la inspección a la vivienda localizada en _____
_____ propiedad del sr. (a) _____
y la misma está en perfectas condiciones.

Firmo la presente certificación hoy _____, _____ de _____

Onix Mills López
Inspector

FIRMA INQUILINO

FIRMA ARRENDADOR

**HACIA UN NUEVO COMIENZO...PARA NAGUABO
CALLE BALDORIOTY #45 NAGUABO, PR. 00718. PO. BOX 40**

ANNEX 02-111-08

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

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

**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates On or After January 1, 2001**

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

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

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

1. Fiscal period ending date for this submission Month Day Year Fiscal Period End Dates Must Be On or After January 1, 2001 06 / 30 / 2002		2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit										
3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - _____ Months		FEDERAL GOVERNMENT USE ONLY	4. Date received by Federal clearinghouse									
5. Employer Identification Number (EIN) a. Auditee EIN: <table border="1"><tr><td>6</td><td>6</td><td>0</td><td>4</td><td>3</td><td>3</td><td>4</td><td>9</td><td>0</td></tr></table>			6	6	0	4	3	3	4	9	0	b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)
6	6	0	4	3	3	4	9	0				

6. AUDITEE INFORMATION

a. Auditee name
MUNICIPALITY OF NAGUABO

b. Auditee address (Number and street)
PO BOX 40
City
NAGUABO
State ZIP + 4 Code
PR 00718-0040

c. Auditee contact Name
ROBERT BAEZ GONZALEZ
Title
MAYOR

d. Auditee contact telephone
(787) 874 - 2068

e. Auditee contact FAX (Optional)
(787) 874 - 1144

f. Auditee contact E-mail (Optional)

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name
CPA DIAZ-MARTINEZ, PSC

b. Auditor address (Number and street)
PO BOX 8369
City
CAGUAS
State ZIP + 4 Code
PR 00726-8369

c. Auditor contact Name
JOSE F. DIAZ-MARTINEZ
Title
PRESIDENT

d. Auditor contact telephone
(787) 746 - 0510

e. Auditor contact FAX (Optional)
(787) 746 - 0525

f. Auditor contact E-mail (Optional)
CPADIAZMARTINEZ@HOTMAIL.COM

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

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

Signature of certifying official: *Robert Baez Gonzalez*
Date: 12 / 19 / 02
Printed Name/Title of certifying official:
Robert Baez Gonzalez / Mayor

Signature of auditor: *CPA Diaz-Martinez PSC*
Date: 12 / 19 / 02

PART I GENERAL INFORMATION - Continued

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

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

- | | | | |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture | 66 <input type="checkbox"/> Environmental Protection Agency | 15 <input type="checkbox"/> Interior | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | <input type="checkbox"/> Other - Specify: |
| 12 <input type="checkbox"/> Defense | 93 <input type="checkbox"/> Health and Human Services | 17 <input type="checkbox"/> Labor | |
| 84 <input type="checkbox"/> Education | | | |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)

- 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

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

3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5

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

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

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance

- 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

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

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

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

5. Is a reportable condition disclosed for any major program? (\$ ___ .510(a)(1)) 1 Yes 2 No - SKIP to Item 7

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

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

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

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

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

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

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

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

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

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

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

11. AUDIT FINDINGS

CFDA Number (a)		Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s) ³ (a)	Audit finding reference number(s) ⁴ (b)
Federal Agency Prefix ¹	Extension ²							
1	0 .760	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WATER AND WASTE DISPOSAL FOR RURAL COMMUNITIES	\$ 666,255 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	BDL	02-III-02, 02-II I-02, 02-III-07
1	1 .307	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ECONOMIC ADJUSTMENT ASSISTANCE	\$ 291,854 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
1	4 .871	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SECTION 8 HOUSING CHOICE VOUCHERS	\$ 511,812 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	EIN	02-III-03, 02-III-04, 02-II I-05, 02-III-06, 02-III-08
1	4 .228	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	STATE BLOCK GRANT PROGRAM (SBGP)	\$ 456,815 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
9	3 .575	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CHILD CARE AND DEVELOPMENT BLOCK GRANT	\$ 135,835 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
9	3 .569	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	COMUNITY SERVICE BLOCK GRANT	\$ 27,458 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
TOTAL FEDERAL AWARDS EXPENDED →				\$ 2,090,029 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

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

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

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

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

⁴ N/A for NONE

Item 5 Continuation Sheet

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

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

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