

**PHA Plans**  
**Streamlined Annual**  
**Version**

**U.S. Department of Housing and  
Urban Development**  
Office of Public and Indian  
Housing

OMB No. 2577-0226  
(exp. 08/31/2009)

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This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937 that introduced 5-year and annual PHA Plans. The full PHA plan provides a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission and strategies for serving the needs of low-income and very low-income families. This form allows eligible PHAs to make a streamlined annual Plan submission to HUD consistent with HUD's efforts to provide regulatory relief for certain types of PHAs. Public reporting burden for this information collection is estimated to average 11.7 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

**Privacy Act Notice.** The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated there under at Title 12, Code of Federal Regulations. Information in PHA plans is publicly available.

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**Streamlined Annual PHA Plan**  
**For Fiscal Year: 2007-2008**  
**PHA Name:**

**MUNICIPALITY OF HORMIGUEROS**  
**RQ035**

**NOTE: This PHA Plan template (HUD-50075-SA) is to be completed in accordance with instructions contained in previous Notices PIH 99-33 (HA), 99-51 (HA), 2000-22 (HA), 2000-36 (HA), 2000-43 (HA), 2001-4 (HA), 2001-26 (HA), 2003-7 (HA), and any related notices HUD may subsequently issue.**

## Streamlined Annual PHA Plan Agency Identification

**PHA Name:** Municipality of Hormigueros

**PHA Number:** RQ-035

**PHA Fiscal Year Beginning:** (mm/yyyy) 07/2007-2008

**PHA Programs Administered:**

**Public Housing and Section 8**

Number of public housing units:  
Number of S8 units:

**Section 8 Only**

Number of S8 units: **103**

**Public Housing Only**

Number of public housing units:

N/A

**PHA Consortia:** (check box if submitting a joint PHA Plan and complete table)

Participating PHAs	PHA Code	Program(s) Included in the Consortium	Programs Not in the Consortium	# of Units Each Program
Participating PHA 1:				
Participating PHA 2:				
Participating PHA 3:				

**PHA Plan Contact Information:**

Name: Hon. Pedro J. García Figueroa - Mayor  
Address: P.O. Box 97  
Hormigueros, P.R. 00660

Phone: (787) 849-4071

Name: Nelly Ramos Vazquez-Director  
Name: Ana Beneján Reyes- Section 8 Coordinator

TDD:

Email (if available):  
**seccion8@hormiguerospr.net**

**Public Access to Information**

Information regarding any activities outlined in this plan can be obtained by contacting:  
(select all that apply)

PHA's main administrative office

PHA's development management offices

**Display Locations for PHA Plans and Supporting Documents**

The PHA Plan revised policies or program changes (including attachments) are available for public review and inspection.  Yes  No.

If yes, select all that apply:

- Main administrative office of the PHA
- PHA development management offices
- Main administrative office of the local, county or State government
- Public library       PHA Website       other (list below)

PHA Plan Supporting Documents are available for inspection at: (select all that apply)

- Main business office of the PHA       PHA development management offices
- Other (list below)

## Streamlined Annual PHA Plan Fiscal Year – 2007-2008

[24 CFR Part 903.12(c)]

### Table of Contents

[24 CFR 903.7(r)]

Provide a table of contents for the Plan, including applicable additional requirements, and a list of supporting documents available for public inspection.

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### **B. SEPARATE HARD COPY SUBMISSIONS TO LOCAL HUD FIELD OFFICE**

**Form HUD-50076, PHA Certifications of Compliance with the PHA Plans and Related Regulations: Board Resolution to Accompany the Streamlined Annual Plan** identifying policies or programs the PHA has revised since submission of its last Annual Plan, and including Civil Rights certifications and assurances the changed policies were presented to the Resident Advisory Board for review and comment, approved by the PHA governing board, and made available for review and inspection at the PHA's principal office;

For PHAs Applying for Formula Capital Fund Program (CFP) Grants:

**Form HUD-50070, Certification for a Drug-Free Workplace;**

**Form HUD-50071, Certification of Payments to Influence Federal Transactions;** and

**Form SF-LLL & SF-LLLa, Disclosure of Lobbying Activities.**

**1. Site-Based Waiting Lists (Eligibility, Selection, Admissions Policies)**

[24 CFR Part 903.12(c), 903.7(b)(2)]

Exemptions: Section 8 only PHAs are not required to complete this component.

**A. Site-Based Waiting Lists-Previous Year**                      **N/A**

1. Has the PHA operated one or more site-based waiting lists in the previous year? If yes, complete the following table; if not skip to B.

<b>Site-Based Waiting Lists</b>				
<b>Development Information:</b> (Name, number, location)	<b>Date Initiated</b>	<b>Initial mix of Racial, Ethnic or Disability Demographics</b>	<b>Current mix of Racial, Ethnic or Disability Demographics since Initiation of SBWL</b>	<b>Percent change between initial and current mix of Racial, Ethnic, or Disability demographics</b>

2. What is the number of site based waiting list developments to which families may apply at one time?
3. How many unit offers may an applicant turn down before being removed from the site-based waiting list?
4.  Yes  No: Is the PHA the subject of any pending fair housing complaint by HUD or any court order or settlement agreement? If yes, describe the order, agreement or complaint and describe how use of a site-based waiting list will not violate or be inconsistent with the order, agreement or complaint below:

**B. Site-Based Waiting Lists – Coming Year**

If the PHA plans to operate one or more site-based waiting lists in the coming year, answer each of the following questions; if not, skip to next component.

1. How many site-based waiting lists will the PHA operate in the coming year? N/A

2.  Yes  No: Are any or all of the PHA's site-based waiting lists new for the upcoming year (that is, they are not part of a previously-HUD-approved site based waiting list plan)?  
If yes, how many lists?
3.  Yes  No: May families be on more than one list simultaneously?  
If yes, how many lists?
4. Where can interested persons obtain more information about and sign up to be on the site-based waiting lists (select all that apply)?
  - PHA main administrative office
  - All PHA development management offices
  - Management offices at developments with site-based waiting lists
  - At the development to which they would like to apply
  - Other (list below)

## **2. Capital Improvement Needs N/A**

[24 CFR Part 903.12 (c), 903.7 (g)]

Exemptions: Section 8 only PHAs are not required to complete this component.

### **A. Capital Fund Program**

1.  Yes  No Does the PHA plan to participate in the Capital Fund Program in the upcoming year? If yes, complete items 7 and 8 of this template (Capital Fund Program tables). If no, skip to B.
2.  Yes  No: Does the PHA propose to use any portion of its CFP funds to repay debt incurred to finance capital improvements? If so, the PHA must identify in its annual and 5-year capital plans the development(s) where such improvements will be made and show both how the proceeds of the financing will be used and the amount of the annual payments required to service the debt. (Note that separate HUD approval is required for such financing activities.).

### **B. HOPE VI and Public Housing Development and Replacement Activities (Non-Capital Fund)**

Applicability: All PHAs administering public housing. Identify any approved HOPE VI and/or public housing development or replacement activities not described in the Capital Fund Program Annual Statement.

1.  Yes  No: Has the PHA received a HOPE VI revitalization grant? (if no, skip to #3; if yes, provide responses to the items on the chart located on the next page, copying and completing as many times as necessary).
2. Status of HOPE VI revitalization grant(s):

N/A

<b>HOPE VI Revitalization Grant Status</b>	
a. Development Name:	
b. Development Number:	
c. Status of Grant:	
<input type="checkbox"/>	Revitalization Plan under development
<input type="checkbox"/>	Revitalization Plan submitted, pending approval
<input type="checkbox"/>	Revitalization Plan approved
<input type="checkbox"/>	Activities pursuant to an approved Revitalization Plan underway

3.  Yes  No: Does the PHA expect to apply for a HOPE VI Revitalization grant in the Plan year?  
If yes, list development name(s) below:

4.  Yes  No: Will the PHA be engaging in any mixed-finance development activities for public housing in the Plan year? If yes, list developments or activities below:

5.  Yes  No: Will the PHA be conducting any other public housing development or replacement activities not discussed in the Capital Fund Program Annual Statement? If yes, list developments or activities below:

### **3. Section 8 Tenant Based Assistance--Section 8(y) Homeownership Program**

(If applicable) [24 CFR Part 903.12(c), 903.7(k)(1)(i)]

1.  Yes  No: Does the PHA plan to administer a Section 8 Homeownership program pursuant to Section 8(y) of the U.S.H.A. of 1937, as implemented by 24 CFRparts 982? (If "No", skip to the next component; if "yes", complete each program description below (copy and complete questions for each program identified.)

2. Program Description:

a. Size of Program

Yes  No: Will the PHA limit the number of families participating in the Section 8 homeownership option?

If the answer to the question above was yes, what is the maximum number of participants this fiscal year?

b. PHA-established eligibility criteria

Yes  No: Will the PHA's program have eligibility criteria for participation in its Section 8 Homeownership Option program in addition to HUD criteria?  
If yes, list criteria:

c. What actions will the PHA undertake to implement the program this year (list)?

The Municipality of Hormigueros has decided to maintain of the Section 8 Homeownership Program pursuant to Section 8 (y) of the U.S.H.A of 1937, as implemented by CFR part 982. The Municipality currently utilizes State and Federal resources such as those provided by the State Housing Department as well as the Commonwealth of Puerto Rico Housing Development Bank:

1. **“La Llave Para Tu Hogar”** – Which is a state sponsored program designed to assist low-income families, who are in market to purchase a new home. The program provides a grant to these qualifying families from \$3,000.00 to \$5,000.00, which is used to bring the cost of the purchase down. These monies cannot be used as part of the closing cost. It is the responsibility of the family to secure the closing cost funding. The selling price of the home cannot be more than 80,000.00 this year.
2. Homebuyer Program sponsored by the US Department of Agriculture, Rural Development Administration.
3. **HOMEOWNERSHIP PROGRAM** – The Section 8 Homeownership Program of the Municipality sponsored by OCAM permits eligible participants in the section 8 housing choice voucher programs, including participants with portable vouchers, the option of purchasing a home with their section 8 assistance rather than renting. Two options are available for the assistance: Monthly homeownership assistance payment on behalf of a family, and to provide homeownership assistance for the family in the form of a single grant to be used toward the down payment required in connection with the purchase of the home. A maximum benefit up to five thousand dollar if qualify.
4. **HOPWA PROGRAM** – HOPWA is a tenant based program sponsored by the status Department of Health and HUD to offer rental assistance to eligible citizens that are affected and infected with HIV/AIDS. This program is administered in the Municipality of Hormigueros.
5. **SHELTER PLUS CARE PROGRAM** – The Shelter Plus Care Program is a federal funded program sponsored by HUD and administered by the municipality of Hormigueros. This program offers rental assistance to eligible homeless citizens to obtain a safe, secure and sanitary home. This program also offers supportive services to the participant.

**3. Capacity of the PHA to Administer a Section 8 Homeownership Program:**

The PHA has demonstrated its capacity to administer the program by (select all that apply):

- Establishing a minimum homeowner down payment requirement of at least 3 percent of purchase price and requiring that at least 1 percent of the purchase price comes from the family's resources.
- Requiring that financing for purchase of a home under its Section 8 homeownership will be provided, insured or guaranteed by the state or Federal government; comply with secondary mortgage market underwriting requirements; or comply with generally accepted private sector underwriting standards.
- Partnering with a qualified agency or agencies to administer the program (list name(s) and years of experience below):
- Demonstrating that it has other relevant experience (list experience below):

#### **4. Use of the Project-Based Voucher Program**

**Intent to Use Project-Based Assistance**      **N/A**

Yes  No: Does the PHA plan to "project-base" any tenant-based Section 8 vouchers in the coming year? If the answer is "no," go to the next component. If yes, answer the following questions.

1.  Yes  No: Are there circumstances indicating that the project basing of the units, rather than tenant-basing of the same amount of assistance is an appropriate option? If yes, check which circumstances apply:
  - low utilization rate for vouchers due to lack of suitable rental units
  - access to neighborhoods outside of high poverty areas
  - other (describe below :)
2. Indicate the number of units and general location of units (e.g. eligible census tracts or smaller areas within eligible census tracts):

#### **5. PHA Statement of Consistency with the Consolidated Plan**

[24 CFR Part 903.15]

For each applicable Consolidated Plan, make the following statement (copy questions as many times as necessary) only if the PHA has provided a certification listing program or policy changes from its last Annual Plan submission.

1. Consolidated Plan jurisdiction: (provide name here)
  2. The PHA has taken the following steps to ensure consistency of this PHA Plan with the Consolidated Plan for the jurisdiction: (select all that apply)
- The PHA has based its statement of needs of families on its waiting lists on the needs expressed in the Consolidated Plan/s.

- X The PHA has participated in any consultation process organized and offered by the Consolidated Plan agency in the development of the Consolidated Plan.
- X The PHA has consulted with the Consolidated Plan agency during the development of this PHA Plan.
- Activities to be undertaken by the PHA in the coming year are consistent with the initiatives contained in the Consolidated Plan. (List below)
- Other: (list below)

3. The Consolidated Plan of the jurisdiction supports the PHA Plan with the following actions and commitments: (describe below)

### **6. Supporting Documents Available for Review for Streamlined Annual PHA Plans**

PHAs are to indicate which documents are available for public review by placing a mark in the “Applicable & on Display” column in the appropriate rows. All listed documents must be on display if applicable to the program activities conducted by the PHA.

<b>List of Supporting Documents Available for Review</b>		
<b>Applicable &amp; On Display</b>	<b>Supporting Document</b>	<b>Related Plan Component</b>
	<i>PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Standard Annual, Standard Five-Year, and Streamlined Five-Year/Annual Plans;</i>	5 Year and Annual Plans
X	<i>PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Streamlined Annual Plan</i>	Streamlined Annual Plans
X	<i>Certification by State or Local Official of PHA Plan Consistency with Consolidated Plan.</i>	5 Year and standard Annual Plans
	Fair Housing Documentation Supporting Fair Housing Certifications: Records reflecting that the PHA has examined its programs or proposed programs, identified any impediments to fair housing choice in those programs, addressed or is addressing those impediments in a reasonable fashion in view of the resources available, and worked or is working with local jurisdictions to implement any of the jurisdictions’ initiatives to affirmatively further fair housing that require the PHA’s involvement.	5 Year and Annual Plans
X	Housing Needs Statement of the Consolidated Plan for the jurisdiction(s) in which the PHA is located and any additional backup data to support statement of housing needs for families on the PHA’s public housing and Section 8 tenant-based waiting lists.	Annual Plan: Housing Needs
	Most recent board-approved operating budget for the public housing program	Annual Plan: Financial Resources
	Public Housing Admissions and (Continued) Occupancy Policy (A&O/ACOP), which includes the Tenant Selection and Assignment Plan [TSAP] and the Site-Based Waiting List Procedure.	Annual Plan: Eligibility, Selection, and Admissions Policies
	Deconcentration Income Analysis	Annual Plan: Eligibility, Selection, and Admissions Policies
	Any policy governing occupancy of Police Officers and Over-Income Tenants in Public Housing. <input type="checkbox"/> Check here if included in the public housing A&O Policy.	Annual Plan: Eligibility, Selection, and Admissions Policies
X	Section 8 Administrative Plan	Annual Plan: Eligibility,

<b>List of Supporting Documents Available for Review</b>		
<b>Applicable &amp; On Display</b>	<b>Supporting Document</b>	<b>Related Plan Component</b>
		Selection, and Admissions Policies
	Public housing rent determination policies, including the method for setting public housing flat rents. <input type="checkbox"/> Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination
	Schedule of flat rents offered at each public housing development. <input type="checkbox"/> Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination
X	Section 8 rent determination (payment standard) policies (if included in plan, not necessary as a supporting document) and written analysis of Section 8 payment standard policies. X Check here if included in Section 8 Administrative Plan.	Annual Plan: Rent Determination
X	Public housing management and maintenance policy documents, including policies for the prevention or eradication of pest infestation (including cockroach infestation).	Annual Plan: Operations and Maintenance
	Results of latest Public Housing Assessment System (PHAS) Assessment (or other applicable assessment).	Annual Plan: Management and Operations
	Follow-up Plan to Results of the PHAS Resident Satisfaction Survey (if necessary)	Annual Plan: Operations and Maintenance and Community Service & Self-Sufficiency
X	Results of latest Section 8 Management Assessment System (SEMAP)	Annual Plan: Management and Operations
X	Any policies governing any Section 8 special housing types X Check here if included in Section 8 Administrative Plan	Annual Plan: Operations and Maintenance
	Public housing grievance procedures <input type="checkbox"/> Check here if included in the public housing A & O Policy	Annual Plan: Grievance Procedures
X	Section 8 informal review and hearing procedures. X Check here if included in Section 8 Administrative Plan.	Annual Plan: Grievance Procedures
	The Capital Fund/Comprehensive Grant Program Annual Statement /Performance and Evaluation Report for any active grant year.	Annual Plan: Capital Needs
	Most recent CIAP Budget/Progress Report (HUD 52825) for any active CIAP grants.	Annual Plan: Capital Needs
	Approved HOPE VI applications or, if more recent, approved or submitted HOPE VI Revitalization Plans, or any other approved proposal for development of public housing.	Annual Plan: Capital Needs
	Self-evaluation, Needs Assessment and Transition Plan required by regulations implementing Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. See PIH Notice 99-52 (HA).	Annual Plan: Capital Needs
	Approved or submitted applications for demolition and/or disposition of public housing.	Annual Plan: Demolition and Disposition
	Approved or submitted applications for designation of public housing (Designated Housing Plans).	Annual Plan: Designation of Public Housing
	Approved or submitted assessments of reasonable revitalization of public housing and approved or submitted conversion plans prepared pursuant to section 202 of the 1996 HUD Appropriations Act, Section 22 of the US Housing Act of 1937, or Section 33 of the US Housing Act of 1937.	Annual Plan: Conversion of Public Housing
	Documentation for required Initial Assessment and any additional information required by HUD for Voluntary Conversion.	Annual Plan: Voluntary Conversion of Public Housing
	Approved or submitted public housing homeownership programs/plans.	Annual Plan: Homeownership
X	Policies governing any Section 8 Homeownership program (Section _____ of the Section 8 Administrative Plan)	Annual Plan: Homeownership
	Public Housing Community Service Policy/Programs <input type="checkbox"/> Check here if included in Public Housing A & O Policy	Annual Plan: Community Service & Self-Sufficiency
	Cooperative agreement between the PHA and the TANF agency and between the PHA and local employment and training service agencies.	Annual Plan: Community Service & Self-Sufficiency

<b>List of Supporting Documents Available for Review</b>		
<b>Applicable &amp; On Display</b>	<b>Supporting Document</b>	<b>Related Plan Component</b>
X	FSS Action Plan(s) for public housing and/or Section 8.	Annual Plan: Community Service & Self-Sufficiency
	Section 3 documentation required by 24 CFR Part 135, Subpart E for public housing.	Annual Plan: Community Service & Self-Sufficiency
	Most recent self-sufficiency (ED/SS, TOP or ROSS or other resident services grant) grant program reports for public housing.	Annual Plan: Community Service & Self-Sufficiency
X	Policy on Ownership of Pets in Public Housing Family Developments (as required by regulation at 24 CFR Part 960, Subpart G). <input checked="" type="checkbox"/> Check here if included in the public housing A & O Policy.	Annual Plan: Pet Policy
X	The results of the most recent fiscal year audit of the PHA conducted under the Single Audit Act as implemented by OMB Circular A-133, the results of that audit and the PHA's response to any findings.	Annual Plan: Annual Audit
X	Other supporting documents (optional) (list individually; use as many lines as necessary)	(specify as needed)
	Consortium agreement(s) and for Consortium Joint PHA Plans <u>Only</u> : Certification that consortium agreement is in compliance with 24 CFR Part 943 pursuant to an opinion of counsel on file and available for inspection.	Joint Annual PHA Plan for Consortia: Agency Identification and Annual Management and Operations

**7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor**

<b>Annual Statement/Performance and Evaluation Report</b>		<b>N/A</b>			
<b>Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary</b>					
PHA Name:		Grant Type and Number Capital Fund Program Grant No: Replacement Housing Factor Grant No:			Federal FY of Grant:
<input type="checkbox"/> Original Annual Statement <input type="checkbox"/> Reserve for Disasters/ Emergencies <input type="checkbox"/> Revised Annual Statement (revision no:    ) <input type="checkbox"/> Performance and Evaluation Report for Period Ending: <input type="checkbox"/> Final Performance and Evaluation Report					
Line No.	Summary by Development Account	Total Estimated Cost		Total Actual Cost	
		Original	Revised	Obligated	Expended
1	Total non-CFP Funds				
2	1406 Operations				
3	1408 Management Improvements				
4	1410 Administration				
5	1411 Audit				
6	1415 Liquidated Damages				
7	1430 Fees and Costs				
8	1440 Site Acquisition				
9	1450 Site Improvement				
10	1460 Dwelling Structures				
11	1465.1 Dwelling Equipment—Nonexpendable				
12	1470 Nondwelling Structures				
13	1475 Nondwelling Equipment				
14	1485 Demolition				
15	1490 Replacement Reserve				
16	1492 Moving to Work Demonstration				
17	1495.1 Relocation Costs				
18	1499 Development Activities				
19	1501 Collectivization or Debt Service				
20	1502 Contingency				
21	Amount of Annual Grant: (sum of lines 2 – 20)				
22	Amount of line 21 Related to LBP Activities				
23	Amount of line 21 Related to Section 504 compliance				
24	Amount of line 21 Related to Security – Soft Costs				
25	Amount of Line 21 Related to Security – Hard				

**7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor**

<b>Annual Statement/Performance and Evaluation Report</b> <b>N/A</b>					
<b>Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary</b>					
PHA Name:			Grant Type and Number Capital Fund Program Grant No: Replacement Housing Factor Grant No:		Federal FY of Grant:
<input type="checkbox"/> Original Annual Statement <input type="checkbox"/> Reserve for Disasters/ Emergencies <input type="checkbox"/> Revised Annual Statement (revision no:   ) <input type="checkbox"/> Performance and Evaluation Report for Period Ending: <input type="checkbox"/> Final Performance and Evaluation Report					
Line No.	Summary by Development Account	Total Estimated Cost		Total Actual Cost	
		Original	Revised	Obligated	Expended
	Costs				
26	Amount of line 21 Related to Energy Conservation Measures				

<b>Annual Statement/Performance and Evaluation Report</b> <b>N/A</b>								
<b>Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)</b>								
<b>Part II: Supporting Pages</b>								
PHA Name:			Grant Type and Number Capital Fund Program Grant No: Replacement Housing Factor Grant No:		Federal FY of Grant:			
Development Number Name/HA-Wide Activities	General Description of Major Work Categories	Dev. Acct No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised	Funds Obligated	Funds Expended	





## 8. Capital Fund Program Five-Year Action Plan

Capital Fund Program Five-Year Action Plan					
Part I: Summary					N/A
PHA Name					<input type="checkbox"/> Original 5-Year Plan <input type="checkbox"/> Revision No:
Development Number/Name/HA-Wide	Year 1	Work Statement for Year 2  FFY Grant: PHA FY:	Work Statement for Year 3  FFY Grant: PHA FY:	Work Statement for Year 4  FFY Grant: PHA FY:	Work Statement for Year 5  FFY Grant: PHA FY:
	Annual Statement				
CFP Funds Listed for 5-year planning					
Replacement Housing Factor Funds					





April 23, 2008

Department of Housing and Urban Development  
Caribbean Field Office  
Parque Las Americas Federico Costa St.  
San Juan, Puerto Rico

Mr. Domingo García-Executive Director:

The following is to inform that the Annual Plan that was recently transmitted was sent by mistake through the PIC system under the year 2007 instead of fiscal year beginning 2008.

With no further comments I request your consideration and acceptance of correlation. Any questions you may contact me at (787) 849-4071.

Sincerely,

Ana Benejan  
Section 8 Housing Coordinator  
Municipality of Hormigueros RQ-035

Enclosures: Transmission acceptance approval from PIC



**Estado Libre Asociado de Puerto Rico**

**Honorable Pedro Garcia Figueroa**

*Alcalde*

Mr. Domingo L. Garcia  
Director  
Public Housing Division U.S.  
Department Of Housing &  
Urban Development Parque Las  
Americas I Federico Costa #3  
Suite #200 San Juan, Puerto Rico  
00918

Dear Mr.Garcia:

**RE: Hormigueros PHA Plan - RQ035  
Fiscal Year - 2007-2008**

The Municipality of Hormigueros is submitting one (1) original of above reference plan, including the required original certifications, as well as other related documentation in compliance with the "Quality Housing & Work Responsibility Act of 1998".

In this regard, this same documentation will be electronically transmitted to HUD's Mainland Office as per applicable regulations.

While every attempt was made to include any and all required information and/or documentation relating to this same submission, we stand ready and willing to provide your agency with any additional information required.

We continue to appreciate your cooperation that either you and/or your program staff may extend to us in this matter.

Respectfully,

Pedro Juan Garcia Figueroa  
Mayor  
Municipality of Hormigueros

**Standard PHA Plan  
PHA Certifications of Compliance**

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing

**PHA Certifications of Compliance with the PHA Plans and Related Regulations:  
Board Resolution to Accompany the *Standard Annual, Standard 5-Year/Annual, and  
Streamlined 5-Year/Annual PHA Plans***

*Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official if there is no Board of Commissioners, I approve the submission of the ~~x~~ standard Annual,    standard 5-Year/Annual or    streamlined 5-Year/Annual PHA Plan for the PHA fiscal year beginning 7/2007, hereinafter referred to as "the Plan", of which this document is a part and make the following certifications and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the Plan and implementation thereof:*

1. The Plan is consistent with the applicable comprehensive housing affordability strategy (or any plan incorporating such strategy) for the jurisdiction in which the PHA is located.
2. The Plan contains a certification by the appropriate State or local officials that the Plan is consistent with the applicable Consolidated Plan, which includes a certification that requires the preparation of an Analysis of Impediments to Fair Housing Choice, for the PHA's jurisdiction and a description of the manner in which the PHA Plan is consistent with the applicable Consolidated Plan.
3. The PHA has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, consulted with this Board or Boards in developing the Plan, and considered the recommendations of the Board or Boards (24 CFR 903.13). The PHA has included in the Plan submission a copy of the recommendations made by the Resident Advisory Board or Boards and a description of the manner in which the Plan addresses these recommendations.
4. The PHA made the proposed Plan and all information relevant to the public hearing available for public inspection at least 45 days before the hearing, published a notice that a hearing would be held and conducted a hearing to discuss the Plan and invited public comment.
5. The PHA will carry out the Plan in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990.
6. The PHA will affirmatively further fair housing by examining their programs or proposed programs, identify any impediments to fair housing choice within those programs, address those impediments in a reasonable fashion in view of the resources available and work with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and maintain records reflecting these analyses and actions.
7. For PHA Plan that includes a policy for site based waiting lists:
  - The PHA regularly submits required data to HUD's MTCS in an accurate, complete and timely manner (as specified in PIH Notice 99-2);
  - The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
  - Adoption of site-based waiting list would not violate any court order or settlement agreement or be inconsistent with a pending complaint brought by HUD;
  - The PHA shall take reasonable measures to assure that such waiting list is consistent with affirmatively furthering fair housing;
  - The PHA provides for review of its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications, as specified in 24 CFR part 903.7( c)( 1).
8. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
9. The PHA will comply with the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped.
10. The PHA will comply with the requirements of section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135.
11. The PHA has submitted with the Plan a certification with regard to a drug free workplace required by 24 CFR Part 24, Subpart F.
12. The PHA has submitted with the Plan a certification with regard to compliance with restrictions on lobbying required by 24 CFR Part 87, together with disclosure forms if required by this Part, and with restrictions on payments to influence Federal Transactions, in accordance with the Byrd Amendment and implementing regulations at 49 CFR Part 24.

- 13. The PHA will comply with acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable.
- 14. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105( a).
- 15. The PHA will provide HUD or the responsible entity any documentation that the Department needs to carry out its review under the National Environmental Policy Act and other related authorities in accordance with 24 CFR Part 58.
- 16. With respect to public housing the PHA will comply with Davis-Bacon or HUD determined wage rate requirements under section 12 of the United States Housing Act of 1937 and the Contract Work Hours and Safety Standards Act.
- 17. The PHA will keep records in accordance with 24 CFR 85.20 and facilitate an effective audit to determine compliance with program requirements.
- 18. The PHA will comply with the Lead-Based Paint Poisoning Prevention Act and 24 CFR Part 35.
- 19. The PHA will comply with the policies, guidelines, and requirements of OMB Circular No. A-87 (Cost Principles for State, Local and Indian Tribal Governments) and 24 CFR Part 85 (Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments.).
- 20. The PHA will undertake only activities and programs covered by the Plan in a manner consistent with its Plan and will utilize covered grant funds only for activities that are approvable under the regulations and included in its Plan.
- 21. All attachments to the Plan have been and will continue to be available at all times and all locations that the PHA Plan is available for public inspection. All required supporting documents have been made available for public inspection along with the Plan and additional requirements at the primary business office of the PHA and at all other times and locations identified by the PHA in its PHA Plan and will continue to be made available at least at the primary business office of the PHA.



MUNICIPALITY OF HORMIGUEROS  
PHA Name

RQ-035  
PHA Number/HA Code

- Standard PHA Plan for Fiscal Year: 2007
- Standard Five-Year PHA Plan for Fiscal Years 20\_\_ - 20\_\_, including Annual Plan for FY 20\_\_
- Streamlined Five-Year PHA Plan for Fiscal Years 20\_\_ - 20\_\_, including Annual Plan for FY 20\_\_

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official  <b>PEDRO JUAN GARCIA FIGUEROA</b>	Title  <b>MAYOR</b>
Signature  X 	Date  4/02/08

# Streamlined PHA Plan PHA Certifications of Compliance

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing

## PHA Certifications of Compliance with the PHA Plans and Related Regulations: Board Resolution to Accompany the *Streamlined Annual PHA Plan*

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official if there is no Board of Commissioners, I approve the submission of the streamlined Annual PHA Plan for PHA fiscal year beginning 7/2007, hereinafter referred to as the Streamlined Annual Plan, of which this document is a part and make the following certifications, agreements with, and assurances to the Department of Housing and Urban Development (HUD) in connection with the submission of the Streamlined Plan and implementation thereof:

1. The streamlined Annual Plan is consistent with the applicable comprehensive housing affordability strategy (or any streamlined Plan incorporating such strategy) for the jurisdiction in which the PHA is located.
2. The PHA has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, and provided this Board or Boards an opportunity to review and comment on any program and policy changes since submission of the last Annual Plan.
3. The PHA made the proposed streamlined Annual Plan, including policy and program revisions since submission of the last Annual Plan, and all information relevant to the public hearing available for public inspection at least 45 days before the hearing, published a notice that a hearing would be held and conducted a hearing to discuss the streamlined Plan and invited public comment.
4. The PHA will carry out the streamlined Annual Plan in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990.
5. The PHA will affirmatively further fair housing by examining their programs or proposed programs, identify any impediments to fair housing choice within those programs, address those impediments in a reasonable fashion in view of the resources available and work with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and maintain records reflecting these analyses and actions.
6. For streamlined Annual Plans that include a policy or change in policy for site-based waiting lists:  
The PHA regularly submits required data to HUD's MTCS in an accurate, complete and timely manner (as specified in PIH Notice 99-2);
  - The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
  - Adoption of site-based waiting list would not violate any court order or settlement agreement or be inconsistent with a pending complaint brought by HUD;
  - The PHA shall take reasonable measures to assure that such waiting list is consistent with affirmatively furthering fair housing;
  - The PHA provides for review of its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications, as specified in 24 CFR part 903.7(b)(2).
7. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
8. The PHA will comply with the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped.
9. The PHA will comply with the requirements of section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135.
10. The PHA has submitted with the streamlined Plan a certification with regard to a drug-free workplace required by 24 CFR Part 24, Subpart F.
11. The PHA has submitted with the streamlined Plan a certification with regard to compliance with restrictions on lobbying required by 24 CFR Part 87, together with disclosure forms if required by this Part, and with restrictions on payments to influence Federal Transactions, in accordance with the Byrd Amendment and implementing regulations at 49 CFR Part 24.
12. The PHA will comply with acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable.
13. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105( a).
14. The PHA will provide HUD or the responsible entity any documentation that the Department needs to carry out its review under the National Environmental Policy Act and other related authorities in accordance with 24 CFR Part 58.
15. With respect to public housing the PHA will comply with Davis-Bacon or HUD determined wage rate requirements under section 12 of the United States Housing Act of 1937 and the Contract Work Hours and Safety Standards Act.
16. The PHA will keep records in accordance with 24 CFR 85.20 and facilitate an effective audit to determine compliance with program requirements.



- 17. The PHA will comply with the Lead-Based Paint Poisoning Prevention Act and 24 CFR Part 35.
- 18. The PHA will comply with the policies, guidelines, and requirements of OMB Circular No. A-87 (Cost Principles for State, Local and Indian Tribal Governments) and 24 CFR Part 85 (Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments.).
- 19. The PHA will undertake only activities and programs covered by the streamlined Annual Plan in a manner consistent with its streamlined Annual Plan and will utilize covered grant funds only for activities that are approvable under the regulations and included in its streamlined Plan.
- 20. All certifications and attachments (if any) to the streamlined Plan have been and will continue to be available at all times and all locations that the PHA streamlined Plan is available for public inspection. All required supporting documents have been made available for public inspection along with the streamlined Plan and additional requirements at the primary business office of the PHA and at all other times and locations identified by the PHA in its streamlined Annual Plan and will continue to be made available at least at the primary business office of the PHA.
- 21. The PHA certifies that the following policies, programs, and plan components have been revised since submission of its last Annual PHA Plan (check all policies, programs, and components that have been changed):
  - 903.7a Housing Needs
  - 903.7b Eligibility, Selection, and Admissions Policies
  - 903.7c Financial Resources
  - 903.7d Rent Determination Policies
  - 903.7h Demolition and Disposition
  - 903.7k Homeownership Programs
  - 903.7r Additional Information
    - A. Progress in meeting 5-year mission and goals
    - B. Criteria for substantial deviation and significant amendments
    - C. Other information requested by HUD
      - 1. Resident Advisory Board consultation process
      - 2. Membership of Resident Advisory Board
      - 3. Resident membership on PHA governing board
      - 4. VAWA (Violence against Women Act) PHA notice: 2006-23
      - 5. Sex Offenders Mandatory Prohibition (24 CFR 992.553)

- 22. The PHA provides assurance as part of this certification regarding its streamlined annual PHA Plan that:
  - (i) The Resident Advisory Board had an opportunity to review and comment on the changes to the policies and programs before implementation by the PHA;
  - (ii) The changes were duly approved by the PHA board of directors (or similar governing body); and
  - (iii) The revised policies and programs are available for review and inspection, at the principal office of the PHA during normal business hours.

**MUNICIPALITY OF HORMIGUEROS**  
PHA Name

**RQ-035**  
PHA Number

Streamlined Annual PHA Plan for Fiscal Year: **07/2007**

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001,1010,1012; 31 U.S.C. 37293802)

Name of Authorized Official: PEDRO JUAN GARCIA FIGUEROA 	Title MAYOR
	Date 04/02/08

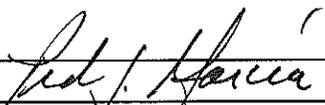
## DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352

Approved by OMB

0348-0046

(See reverse for public burden disclosure.)

<b>1. Type of Federal Action:</b> <input checked="" type="checkbox"/> a. contract <input type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance	<b>2. Status of Federal Action:</b> <input checked="" type="checkbox"/> a. bid/offer/application <input type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award	<b>3. Report Type:</b> <input checked="" type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change <b>For Material Change Only:</b> year _____ quarter _____ date of last report _____
<b>4. Name and Address of Reporting Entity:</b> <input checked="" type="checkbox"/> Prime <input type="checkbox"/> Subawardee Tier _____, if known:  Congressional District, if known: <sup>4c</sup>	<b>5. If Reporting Entity in No. 4 is a Subawardee, Enter Name and Address of Prime:</b>  N/A  Congressional District, if known:	
<b>6. Federal Department/Agency:</b> U.S. Department of Housing & Urban Development	<b>7. Federal Program Name/Description:</b>  CFDA Number, if applicable: <u>N/A</u>	
<b>8. Federal Action Number, if known:</b> N/A	<b>9. Award Amount, if known:</b> \$ N/A	
<b>10. a. Name and Address of Lobbying Registrant</b> (if individual, last name, first name, MI):  N/A	<b>b. Individuals Performing Services</b> (including address if different from No. 10a) (last name, first name, MI):  N/A	
<b>11.</b> Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when this transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.	Signature: <u></u> Print Name: <u>PEDRO JUAN GARCIA FIGUEROA</u> Title: <u>MAYOR</u> Telephone No.: <u>(787) 849-1630</u> Date: <u>4/2/08</u>	
<b>Federal Use Only:</b>		Authorized for Local Reproduction Standard Form LLL (Rev. 7-97)

*APP*

# Certification of Payments to Influence Federal Transactions

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

Applicant Name

MUNICIPALITY OF HORMIGUEROS - RQ035

Program/Activity Receiving Federal Grant Funding

TENANT - BASED HOUSING CHOICE VOUCHER PROGRAM

PHA ANNUAL PLAN 2007-2008

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

 (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying, in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties.  
(18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official

PEDRO JUAN GARCIA FIGUEROA

Title

MAYOR

Signature



Date (mm/dd/yyyy)

4/2/08

**Certification by State or Local Official of PHA Plans Consistency with  
the Consolidated Plan**

I, PEDRO JUAN GARCIA FIGUEROA the MAYOR certify  
that the Five Year and Annual PHA Plan of the MUNICIPALITY OF HORMIGUEROS is  
consistent with the Consolidated Plan of PUERTO RICO prepared  
pursuant to 24 CFR Part 91.

 4/02/08  
Signed / Dated by Appropriate State or Local Official

# Certification for a Drug-Free Workplace

U.S. Department of Housing and Urban Development

Applicant Name

MUNICIPALITY OF HORMIGUEROS - RQ035

Program/Activity Receiving Federal Grant Funding

## TENANT- BASED HOUSING CHOICE VOUCHER PROGRAM

Acting on behalf of the above named Applicant as its Authorized Official, I make the following certifications and agreements to the Department of Housing and Urban Development (HUD) regarding the sites listed below:

I certify that the above named Applicant will or will continue to provide a drug-free workplace by:

a. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Applicant's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

b. Establishing an on-going drug-free awareness program to inform employees ---

(1) The dangers of drug abuse in the workplace;

(2) The Applicant's policy of maintaining a drug-free workplace;

(3) Any available drug counseling, rehabilitation, and employee assistance programs; and

(4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

c. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph a.;

d. Notifying the employee in the statement required by paragraph a. that, as a condition of employment under the grant, the employee will ---

(1) Abide by the terms of the statement; and

(2) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;

e. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph d.(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federalagency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

f. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph d.(2), with respect to any employee who is so convicted ---

(1) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or

(2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;

g. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs a. thru f.

2. **Sites for Work Performance.** The Applicant shall list (on separate pages) the site(s) for the performance of work done in connection with the HUD funding of the program/activity shown above: Place of Performance shall include the street address, city, county, State, and zip code. Identify each sheet with the Applicant name and address and the program/activity receiving grant funding.)

P.O. BOX 97  
HORMIGUEROS, PUERTO RICO 00660

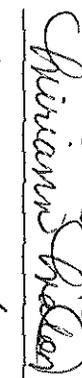
Check here  if there are workplaces on file that are not identified on the attached sheets.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties.  
(18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official PEDRO JUAN GARCIA FIGUEROA	Title MAYOR
Signature X <i>Pedro J. Garcia</i>	Date 4/2/08

HOJA DE ASISTENCIA  
 VISTA PUBLICA  
 Asamblea Municipal  
 Martes, 25 de marzo de 2008

NOMBRE	FIRMA	TELEFONO
Milagros Martinez Sny		892-1385
Maura Resques		685-7281
Van de Sels O'livencia		849-2545
Melinda Acevedo		849-1617
Miriam Natos Rodriguez		849-3877
Celady I. Hernandez yanes		—
Ernigine Pascoe Velaz		596-0589
Valeria M. Pacheco Arevalo		—
Gladys N. Colazo		951-2821
Carmon E. Vargas		316-9681
Dora C. Benayon Keyl		849-4071

## I. EXECUTIVE STATEMENT

The Municipality of Hormigueros' Section 8 Office has adopted the following mission statement:

- ❖ *To assist families during distress and gradually reduce the amount paid by the Program in an efficient manner while at the same time motivating these same families to become self-sufficient.*

The Municipality of Hormigueros continues to move toward the major initiatives outlined in our Five-Year Plan, submitted and approved by HUD in 2005. The plans, statements, and policies set forth and/ or referenced in this same Plan all lead towards accomplishing the Municipality's goals and objectives. It is for this purpose that the Municipality of Hormigueros has established a Section 8 Office to administer the Housing Choice Voucher Program, as well as any other Tenant-Based Subsidized Housing Program in order to assist financially disadvantaged families in meeting their housing needs, mainly decent, safe, and components which is the foundation of the tenant-based housing program:

- ❖ *To afford extremely low-income families the opportunity of choice and mobility in selecting where they chose to live;*
- ❖ *Maintain the essential elements of a private relationship between the tenant and the property owner on matter other than rent.*

As a result of this philosophy the Housing Choice Voucher Program is tenant-based, which does not tie the participant to any particular housing unit. Furthermore, there is an undeniable need for low-income housing within the PHA jurisdiction as evidenced by the waiting list as well as the latest U.S. Census. There also exist a need for quality housing units available for program participants but there is not an abundance of affordable housing for low income families within this same Municipality. Being cognizant of this, our Municipality has established realistic and attainable goals, whereby, particular thought has been given to the number of families which can be expected to need and want better housing. By number of families which can be expected to need and want better housing. By setting attainable goals, the PHA intends to provide a vehicle for those in needs and for those who have available units by coming together in a manner beneficial to both. This is in direct relation to both the major commitments and priorities of the U.S. Department of Housing and Urban Development (HUD). **The Municipality of Hormigueros is a tenant-based (Section 8) PHA only.**

The Municipality also administers various tenant-based subsidized housing programs geared towards certain sectors of the population in general to afford them the same opportunities as other extremely low-income and low-income families within the general population. Being cognizant of the housing needs of the growing number of families within our Municipality who remain poor, chronically unemployed, and basically dependent on government assisted programs, we have decided to pool our scare

resources with other adjacent PHAs, namely the Municipality of San German and Añasco, to hire an FSS Coordinator who can adequately attend the needs of our FSS families. The lead PHA for this consortium is the Municipality of Hormigueros:

- ❖ ***Family Self Sufficiency*** - a program whereby strategies are developed to coordinate the use of housing assistance under the auspices of the Housing Choice Voucher Program (Section 8) with public and private resources. Hence, enabling extremely low-income and low-income families, who are eligible to receive said assistance to achieve economic independence, and self-sufficiency.

The Annual Plan of Hormigueros as presented herein furthers HUD's statutory goal of merging the Voucher Program, respectively, in accordance with the quality Housing and Work responsibility Act of 1998, 24CFR 903, Section 545, whereby, the Municipality of Hormigueros has established a unified vision of community actions. This Same Plan will afford Hormigueros an opportunity to shape the various programs presented herein into effective, viable, and coordinated strategies by involving citizen participation. The Annual Plan provides a framework for local accountability and an easily identifiable source by which public housing residents, participants in the tenant-based program, and other member of the public may locate basic PHA policies, rules, and requirements concerning its operations, programs and services.

## **II. SUMMARY OF POLICY OR PROGRAM CHANGES FOR THE UPCOMING YEAR**

The Municipality of Hormigueros does not contemplate any significant changes or deviation in its policies or programs from the previous year's PHA Plan that is not covered in other sections of this same Plan. The following represents what the Municipality will be doing for the fiscal year 2005-2006 in relation to its subsidized housing program.

## **III. HOMEOWNERSHIP PROGRAMS ADMINISTERED BY THE PHA**

One of the mayor objectives of the present Administration, namely the Municipality of Hormigueros, is to create maximum opportunities for both low and very low income families to become first-time homeowners. Experience has clearly demonstrated that homeowners take more pride in, and better care of their individual housing units, than those families who occupy rental units. This fact will clearly assist in:

- ❖ Eliminating blight and blighting conditions within low income areas by preserving existing housing units.
- ❖ Develop self-sufficiency by encouraging other low and very low-income families to become self-sufficient, in order to qualify as first time homeowners.

- ❖ Revitalize and stabilize existing and deteriorated low-income neighborhoods.

The Municipality of Hormigueros has decided to delay, indefinitely, the implementation of the Section 8 Homeownership Program pursuant to Section 8 (y) of the U.S.H.A. Act of 1937, as implemented by CFR part 982. The Municipality currently utilizes resources, which are provided by the State Housing Department as well as the Housing Development Bank, such as:

1. ***"La Llave para Tu Hogar"***- a program sponsored by the State to assist low-income families with the purchase of their first home. This program provides a grant to these same families from \$3,000 up to \$15,000 towards the purchase of their home. The family is responsible for securing the closing cost, since these same funds cannot be used for this purpose. The selling price of the home cannot be higher than \$80,000.00, which is the threshold established by the State.
2. Homebuyer Program administered by the U.S. Department of Agriculture, Rural Development Administration.
3. ***Homeownership Program*** – The Section 8 Homeownership Program of the Municipality permits eligible participants in the Section 8 Housing Choice Voucher Program, including participants with portable vouchers, the option of purchasing a home with their Section 8 assistance rather than renting. Two options are available for the assistance: monthly homeownership assistance payment on behalf of a family, and provides homeownership assistance for the family in the form of a single grant to be used toward the down payment required in connection with the purchase of the home or closing costs. Until HUD publishes the regulations for down payment assistance, only monthly homeownership assistance and closing costs are available.

The Municipality will consider the implementation of HUD's homeownership program at some future date. The following actions, we feel, will address the obstacles that may be faced by potential buyers.

**Activities:**

***Provide Greater Assistance in Meeting Both Down Payment and Closing Cost Requirements:***

On the greatest barriers to homeowners by potential low income purchases, are the initial costs, such as down payment and closing costs. The Municipality will, working with such housing agencies as previously set-forth within this same submission, in order to create both a viable and effective program whereby low income families have the opportunity to become first-time homeowners.

**Objective:**

**Create Affordable Housing Within the Community:**

Affordable housing within the Municipality of Hormigueros will develop a strategy that identifies policies, which may require modification and initiate the following actions that will address the problem of affordable housing and the establishment of the Homeownership Program.

**Activities:**

**Improve Land Development Regulations**

At the present time the Puerto Rico Planning Board is the primary regulatory agency of the State government, that deals with land use and requirements for construction of housing subdivision, which combined with requirements of other State agencies tend to create obstacles to affordable housing. In this regard, the Municipality will be working with our elected officials, namely both the State Representative in the House of Representatives and our State Senator, in order to study existing applicable regulations and their impact upon the local housing market. Additionally, both the Mayor and representatives of the Municipality will be working with their counterparts within the Planning Board in reviewing existing land policies.

**Provide For the Coordination of Funding**

In order to achieve any degree of success in creating affordable housing for households classified as being either low or very low in income, requires funding for multiple funding sources. The Municipality will take into account and consider the appropriate changes in order to implement the Homeownership Program, whereby; it will consider the following:

- A. Assistance will be provided for:
  - 1. First-time homeowners.
  - 2. Family that owns or is acquiring in a cooperative.
- B. The total family that will be serviced through this program will be limited to approximately 20% of participating families, who are currently in good standing within our Housing Choice Voucher Program and who have been working in a verifiable job for over a year and have been determined to be in good standing with the program.
- C. Funding levels.

The Municipality of Hormigueros will take into account and consideration the appropriate changes in order to improve the application process for all federal programs that may have a beneficial impact upon the local housing market and affect programs covered within our Five Year Plan.

#### **IV. PHA CODE OF CONDUCT**

The public expects, and has a right to demand, that public employees maintain a high standard of ethical conduct. Maintaining the trust of the public means properly using government resources, information and power, which entails ensuring that the public sectors serves the public and the government of the day. Moreover, it means putting public interest before self interest as well as operating by the rules, the Acts, and guidelines which are designated to protect the public interest.

At all levels of government, officials should be sensitive to the actions they may take to create an appropriate control environment. People within any organization, be it government or private, must be convinced that senior officials believe that effective controls are essential and expect that each member of the organization will adhere to prescribed control procedures.

The atmosphere that prevails in the form of control, discipline, attitude and awareness significantly affects an organization's ability to achieve an effective level of control, implementation and execution. The factors which influence the level of control, implementation and execution. The factors, which influence the level of discipline, attitude and awareness, comprise the control environment.

It is useful to reflect on a number of control areas, which, in terms of the significance usually attached to them, make an important contribution to the government control environment. The control environment is directly influenced by the degree of oversight formally exercised by a legislative body. While the presence of an appropriate level of legislation oversight can have a positive influence on the control environment, it should also be recognized that an operative but an ineffective oversight role might have the opposite effect. Within most levels of government, a civil service or comparable personnel system exists to provide, among other things such as benefits, equity in job assignment, promotion and pay. The existence of a system of control over the establishment of positions, the life of such positions, and the qualifications and status of the employees who occupy positions has a major influence on control discipline and awareness.

Most units of government have instituted sophisticated procurement systems and procedures. These often-complex procedures have been adopted in an attempt to:

- A. To ensure equity in selection of vendors;
- B. To ensure uniformity in the application of procurement procedures.

Bearing this in mind, the Municipality of Hormigueros established and implemented a Code of Conduct and Ethics, which sets forth the conduct required by Municipal employees, including the staff of the Municipal Section 8 Office. The Code of Conduct and Ethics derives from various pieces of legislation such as the Human Resources Law (P.L. #81, August 30, 1991), Government Ethics Law of the Commonwealth of Puerto Rico, Law #12, July 24, 1985, Article 2 of the Civil Code and Article #20 of the Penal Code, 1974. All applicable regulations regarding the enforcement of the code of ethics are mandated by State regulations and are enforced by the State Office of the Controller and the State Office Government Ethics.

The Code of Conduct and Ethics is based on principles, values and behaviors outlined in the legislation and common law which establishes certain minimum standards or general obligations applying to the parties to any employment relationship. The Code is a formulation of policies, rules or guidelines that define the specific actions applicable to the employees of the Municipality of Hormigueros for a range of specific ethical issues, integrity and conduct.

The Municipality is a complex organization comprising of a diversity of populations that have a different relationship to one-another. These may be relations of power and/or status. It is essential in such a society that all members recognize and respect not only their own rights and responsibilities, but also the municipal staff. Cognizant of this fact, the Municipality of Hormigueros delineated and adopted a Code of Conduct and Ethics that will hereby adhered to by the employees of the Municipality. The following constitutes the Code:

### **1. Introduction**

The Code of Conduct and ethics hereinafter referred to, as the Code is a statement of the ethical principles, values and behaviors expected of the employees of the Municipality of Hormigueros. It stems from the belief that the Municipality fosters the value of openness, honesty, tolerance, fairness and responsibility in social and moral matters. The Code is intended to assist employees to identify and resolve ethical issues that might arise during their employment with the Municipality. Moreover, the Code puts forward a set of general principles rather than detailed determinations. The principles of the Code do not specify every potential act of behavior but rather, establish the obligations generally expected of the employees of the Municipality in their relationship with Government, their chief executive, colleagues, and the public. It stands beside, but does not exclude or replace, the rights and obligations of the staff under common law.

The first principle of the Code is concerned with public servants obligations to Government in the performance of their official duties. Essentially, they are expected to act in a manner, which will bear the closest public scrutiny. Employees are obliged to serve the aims and objectives of the Municipal Government. Employees should ensure that their personal interests or activities do not interfere with, or appear to interfere with this obligation.

## **2. Code of Conduct and Ethics**

The Code of Conduct and Ethics establishes six principles of conduct which all public employees of the Municipality of Hormigueros are expected to observe and adhere to:

- A. There are a number of circumstances, which may affect an employee's observance of these obligations, and the Code, therefore, provides guidelines for an appropriate conduct in a variety of contexts.
- B. In performing their duties, Municipal employees should respect the rights of their colleagues and the public.
- C. Employees should carry out duties in an efficient and competent manner, and avoid behavior, which might impair their effectiveness.
- D. Employees should fulfill their lawful obligations with professionalism, honestly, faithfully, efficiently, and avoid situations, which might compromise their integrity or otherwise lead to conflicts of interest.
- E. Develop a consciousness understanding with the Municipal employees about what constitutes just cause in any disciplinary action taken.
- F. To assist those employees who are demonstrating a conduct that is contrary to these same rules as they outlined in this chapter.

## **3. Rules of Conduct**

- A. A municipal employee must behave honestly and with integrity in the course of employment with the Municipality of Hormigueros.
- B. A municipal employee must act with care and diligence in the course of employment with the Municipality of Hormigueros.
- C. A municipal employee must comply with lawful and reasonable directives given by someone in the employee's Agency who has authority to give such operating instructions. In other words, the municipal employee shall not commit insubordination. For purposes of this rule, insubordination shall be defined as not submitting to authority, being insolent or refusing without just cause to comply with instructions.
- D. A municipal employee, when acting in the course of employment with the Municipality of Hormigueros, must treat everyone with respect, courtesy and without harassment.

- E. A municipal employee must maintain appropriate confidentiality about dealings with the Mayor; the Mayor's Staff Members and the public.
- F. A municipal employee must disclose, and take reasonable steps to avoid any and all conflict of interest (real or apparent) concerning their employment with the Municipality.
- G. A municipal employee must use the Municipality of Hormigueros' resources in an efficient and proper matter.
- H. A municipal employee must not provide false or misleading information and/or testimony in response to a request for information that is made for official purposes concerning their employment with the Municipality of Hormigueros.
- I. A municipal employee when acting in the course of employment with the Municipality of Hormigueros must comply with all applicable Commonwealth of Puerto Rico as well as all Federal Laws enacted by the Congress of the United States. For purposes of this rule, Commonwealth of Puerto Rico and Federal Laws, respectively, means:
  - 1. Any Act, or any instrument made under an Act;
  - 2. Any Law of the Commonwealth of Puerto Rico or Federal, including any instrument made under such a law.
- J. A municipal employee must not make improper use of:
  - 1. Inside information;
  - 2. The employee's duties, status, power, or authority;

In order to gain, or seek to gain, a benefit or advantage for the employee or for any other person.

- K. A municipal employee must at all times behave in a way that upholds the values, integrity and good reputation of the Municipality of Hormigueros.
- L. A municipal employee representing the Municipality of Hormigueros, within the Commonwealth of Puerto Rico or abroad, must at all times behave in a way that upholds the good reputation of the Municipality. For purposes of this rule, abroad is defined as visiting any foreign country or the United States mainland.
- M. No Municipal employee may accept or solicit any gift, favor or service that might reasonably tend to influence the office or employee in the discharge of official duties or that the officer or employee knows or should know is being offered with the intent to influence the independence of judgement in the performance of the officer's or employees official duties.

- N. No municipal employee may engage in business or professional activity for personal gain on Municipal property. For purposes of this rule, business or professional shall be defined as selling, buying, loaning or any other particular activity so as to benefit and/or obtain benefit from it.
- O. Failure to follow instructions, inattentiveness or inability by the employee of the Municipality of Hormigueros from the Agency head constitutes an infringement upon the rights and privileges of other employees.
- P. No employee of the Municipality of Hormigueros shall intentionally intercept either verbal; or written communication, be that as it may, official and/or private.
- Q. Municipal employees shall be subject to disciplinary action as provided for in this chapter, who either as a principal actor, aide, abettor, or accomplice and interfere with the personal rights and privileges of others, or the municipal functions, which violates any provision of this division and/or commits any of the following personal, property, or status offenses which are hereby prohibited:

1. **Property Offenses Related to the Work Area**

- a. An employee who commits malicious mischief shall consider it an offense. Intentional or negligent damage to, or destruction of, any municipal facility or any other public and/or private real or personal property.
- b. Employees of the Municipality of Hormigueros are expected to use all municipal facilities and equipment efficiently, carefully and honestly. Resources should be used economically, secured against theft or misuse and waste avoided.
- c. Unauthorized use of municipal equipment, personal and/or public property or supplies shall be considered an offense as well as permit that this same equipment, property or supplies are destroyed, lost, and/or harm comes to it. Converting of municipal equipment or supplies for personal gain or use without proper authority is not permitted.
- d. Theft and robbery. It will be considered an offense, punishable under the Penal Code of the Commonwealth of Puerto Rico, of any theft, robbery and improper use of the public and/or personal property, supplies, and services of the Municipality as defined in Art. 166, 33 L.P.R.A., Section 4272 of the Penal Code.

2. **Personal Offense Related to the Work Area**

- a. Assault, reckless endangerment, intimidation or interference upon another person.

- b. Disorderly, abusive, bothersome conduct. Disorderly or abusive behavior, which interferes with the rights of others or which, obstructs or disrupts the work area or administrative functions.
- c. Derogatory statement or physical contact. Engaging in unwelcome derogatory statement, other verbal and/or physical contact that causes discomfort or humiliation and interferes with job performance.
- d. False complaint, defamation of character and/or bearing false witnesses. Filing a formal complaint falsely accusing another employee or official of the Municipality with violating a provision of this chapter.
- e. Refraining from any conduct arising from malice or negligence of rules and regulations as well as generally accepted security norms that would harm and/or place in danger, directly or indirectly, the lives of municipal employee or public.
- f. Municipal employees may not get involved in or perpetuate a quarrel within municipal facilities during working hours.
- g. Employees should refrain from using their public post for politically oriented purposes or other purposes, which are not compatible with the public service being rendered by the municipal administration.
- h. Employees who have been charged with a criminal act, which implies a moral depravation, shall be dismissed.
- i. Employees shall refrain from violent or forcible acts in trying to bring the downfall of the governments of the Commonwealth of Puerto Rico or the United States of America.

### **3. Status Offenses Related to the Work Area**

- a. Refusing to disclose information concerning a physical or contagious medical condition affecting the employee, and/or family members of this same employee, this puts in danger or could present a health hazard to other employees.
- b. Forgery or alteration of records. Forging or tendering any forged records or instruments as defined in Art. 241, 33 L.P.R.A., Section 4437, Art. 242, 33 L.P.R.A., Section 4438, and 272,33 L.P.R.A., Section 4592 of the Penal Code of the Commonwealth of Puerto Rico, as now law or hereafter amended, of any municipal record or instrument to an employee acting in his/her official capacity as such.
- c. To perform the work required in a negligent form or disorderly manner.
- d. Refusals to do the work assigned or not do it in the time allotted, deliberate idleness or wasting time during working hours.

- e. Departing from the job route without just cause or authorization.
- f. Refusing to work overtime without just cause.
- g. Reporting late to work without justification.
- h. Absent from the work area without authorization or consistently being absent from work or tardiness without proper authorization.
- i. Falling asleep on the job or abandoning the work area without proper authorization.
- j. Forging another employee's signature on a time card or any assistance record.
- k. Not undertaking work, for which they are adequately trained or experienced.
- l. Employees of the Municipality of Hormigueros should avoid any activities, whether in connection with their official duties or otherwise, which might bring their department or the municipal government into disrepute, or jeopardize its relationship with the Mayor, clients, or the general public.
- m. Alcoholic beverages. Being demonstrably under the influence of any form of an alcoholic beverage. Possessing or consuming any form of an alcoholic beverage on municipal property.
- n. Weapons, explosives, and dangerous chemicals. Illegal or unauthorized use of possession of any device or substance which can be used to inflict bodily harm or to damage public or personal property.
- o. Controlled substances. Using, possessing, being demonstrably under the influence of, or selling any narcotic or controlled property, except when the use or possession of a drug is specifically prescribed as mentioned by an authorized medical doctor or dentist.
- p. Employees may distribute and post any notice, posters or printed material within the municipal facilities with the consent of the Mayor.
- q. Employees may not take part in or get involved with games, which are prohibited by law on municipal facilities during working hours.

#### 4. **Code of Ethics**

The Code of Ethics for the Municipality of Hormigueros is based on three universal and fundamental ethical principles. These are as follows:

### **A. Equity and Justice**

People are to be treated fairly and will not be discriminated against, abused or exploited. Justice is concerned with power sharing and preventing the abuse of power. In a just society, all members can access opportunities that allow for their full participation within the community.

### **B. Respect for People**

Individuals should be treated as human beings with rights to be honored and defended. Respect empowers others to claim their rights and achieve their potential. Respect for the rights of others is the foundation on which individuals become members of the community and accept their social means that individuals not only have rights but that they also have duties and responsibilities to others to act openly and honestly.

### **C. Personal and Professional Responsibilities**

The main idea of taking personal and professional responsibility requires not only that people avoid doing harm to others but that they exhibit courteous behavior as well as upholding the standards expected of all employees of the Municipality of Hormigueros as part of achieving a common good. Moreover, the employees are expected to protect the rights of others as well as respect the diversity of all cultures and peoples. Those individuals who assert their rights have a reciprocal duty to exercise care towards those who depend on them for their well being. This principle involves stewardship of assets, resources and the environment.

## **5. Rules of Ethics**

The employees of the Municipality of Hormigueros will hereby adhere to the following principles. The following factors are the foundation of our Code of Conduct and Ethics.

### **A. Fair, Equitable and Impartial Decisions and Procedures**

Fairness requires that your decisions be honest, candid and impartial. Equity requires that each individual be given his/her due. Essentially, everyone deserves a fair chance.

### **B. Conflict of Interest**

Municipal employees should take suitable measures to avoid, or appropriately deal with, any situation in which they may have, or be seen to have, a conflict of interest that could, directly or indirectly, compromise the performance of their duties. When staff members become aware of such a situation, they should take appropriate steps to disclose the conflict. Failure to do as well as a continuation of such a conflict of interest may lead to disciplinary action.

In accordance with 24, CFR Part 982.161 of the Federal Regulation, the staff members of the Municipal Section 8 Office will hereby adhere to the following:

1. Neither the Municipality nor any of its contractors or subcontractors may enter into any contract or arrangement in connection with the tenant-based programs in which any of the following classes of persons have an interest, direct or indirect, during tenure or for one year thereafter:
2. Any present or former member or officer of the Municipality (except a participant commissioner);
3. Any employee of the Municipality, or any contractor, subcontractor or agent of the Municipality, who formulates policy or who influences decisions with respect to the programs.
  - a. Any public official, member of a governing body, or state or local legislator, who exercises functions or responsibilities with respect to the programs;
  - b. Any member of the Congress of the United States.
  - c. Any members of the classes described in Section 5 (B); Part 1, of this section must disclose their interest or prospective interest to the Municipality and HUD.
  - d. The HUD field office for good cause may waive the conflict of interest prohibition under this section.

***C. Confidentially***

Staffs members who have access to official Municipal documentation and information must take due care to maintain the integrity, confidentiality and privacy of such information so to protect any individual concerned. Municipal employees should also undertake to maintain the privacy of oral communication where that has been requested.

Furthermore, staff members of the Municipal Section 8 Office must take due care to respect then confidentiality and privacy of all concerned with the tenant-based housing programs administered and only provide information when authorized by the parties concerned, the Mayor, or for legitimate legal purposes and/or request by the Judicial system.

**D. Acceptance of Gifts or Benefits**

All municipal employees are aware of the fact their official position of public good will is compromised by seeking private gain. Municipal employees will not solicit, encourage or accepted gifts or benefits that could be reasonably seen as an inducement to act in a particular way or to place staff member under any obligation that may either directly and indirectly compromise or influence them in their official capacity. Likewise, staff members are aware of the fact that it is a crime punishable under the Penal Code of the Commonwealth of Puerto Rico to use their official position to seek or obtain any financial or other advantage for oneself, their family, any other person and/or organization and to harass or oppress another person.

**E. Patronage and Nepotism is Unacceptable**

Municipal employees should take great care in treating colleagues, coworkers, and public fairly. Employees should not favor friends or relatives, when in dealing with Municipal programs of public interest, contracts for the supply of goods and services and/or appointing new staff members. Any appointments should be merit based and legislative requirements should be strictly adhered to. It is an unacceptable practice and contrary to abstracts emitted by the Puerto Rico Governmental Ethics Office to hire friends or relative for a position without designating the position.

**F. Obligations to Government and Political Neutrality**

Employees are obliged to serve the aims and objectives of the Municipal Government through its elected official. Municipal employees should ensure that their personal interests or activities do not interfere with, or appear to interfere with, this obligation. As public servants are required to serve the Government of the day regardless of which political party is in office, they must act not only to ensure that their department maintains the confidence of its Mayor, but also able to establish the same relationship with future Mayors.

Public servants have a recognized role in assisting with the development as well as the implementation of public policy. This may occur in different ways and at different levels within each department. It is the responsibility of public servants to provide honest, candid, impartial, and comprehensive advice to the Mayor, and to alert them to the possible consequences of following particular policies, whether or not such advice accords with the Mayor's view. Essentially, the municipal employees should exercise their judgement within the confines of legislative requirements, Government policy, ministerial direction and considerations of equity, efficiency and effectiveness. Furthermore, the final decision on policy is the prerogative of the Mayor, and public servants may not withhold relevant information from the Mayor, nor seek to obstruct or delay a decision, nor attempt to undermine or improperly influence Government policy (for example, by the unauthorized release of official information).

The dilemma for public servants that hold strong personal beliefs on certain issues is recognized, but it is one, which must be managed to avoid conflict with their official duties. It is the Mayor who bears the political responsibility for Government policies, and it is the role of the public servant to faithfully implement those policies to the best of their abilities. Once the Mayor has made a decision, it is the duty of the public servant to implement that decision within the law, whether or not they personally agree with it, with integrity, and to the best of their ability.

## **6. Procedural Fairness**

The Municipality of Hormigueros' procedures will have due regard for procedural fairness as called for under existing laws of the Commonwealth of Puerto Rico, Namely the Municipal Autonomous Law of August 30,1991, as amended. The principles of procedural fairness require people whose interests will be adversely affected by a decision to be given an opportunity to be heard, and decision makers to act without bias or self-interest, and to base their decisions on compelling or "logically probative" evidence.

The application of the principles of procedural fairness may vary, depending on the circumstances of the particular case or the way in which the particular statutory power is framed. In its fullest application, procedural fairness requires that:

- A. People against whom an adverse decision may be made must be informed of any allegations against them in as much detail as possible;
- B. Wherever possible people must be provide with an opportunity to put their case, and to hear the case against them, whether at an oral hearing or otherwise;
- C. Where a decision has to be made between competing interests, all parties must be heard and all parties must be heard and all arguments considered;
- D. No person judges their own case or a case in which they have a direct interest;
- E. Decision-makers must act fairly and without bias.

## **7. Action that may be taken if breach found to have occurred**

- A. If a determination is made that a municipal employee has breached the Code of Conduct and/or Ethics, either the employee may be counseled or a sanction may be imposed.
- B. If a sanction is imposed on the employee, the employee must be given a written statement setting out the reasons for the determination and the imposition of the sanction as called for under Article IV, Section 6, and Part A of this same directive.

- C. Once a scrupulous investigation has been carried out and concluded by the Agency head as authorized and called for in Article IV, Section 8, and subsection 1 of this same directive.
- D. It shall be the responsibility of the Agency Head to recommend in the written statement what action is to be taken on the findings and which Code did the employee violate.
- E. If a breach of the Code entails violating Article IV, Section 3, Part R, subparts 1-3, respectively, as described within this same directive, then the disciplinary procedures set forth in Section 9 will be adhered to.
- F. If a breach of the Code entails violating Article IV, Section 5, subsection B and C, respectively, as described within this same directive, then the disciplinary procedures set forth in Article IV, Section 9 will be adhered to.
- G. If a breach of the Code entails violating Article IV, Section 5, Parts D and C, respectively, as described within this same directive, then the following shall take place:

1. Setup of the Municipal Ethics Board

In accordance with the Government Ethics Law of the Commonwealth of Puerto Rico as amended on July 18, 1999, herein after to be known as the Ethics Law. The Municipality of Hormigueros is required to establish and implement a local Ethics Board. At a minimum the board shall consist of six members as dictated by Article IV, Section B of the Ethics Law and all shall be so designated by the Mayor.

2. Ethics Board Procedures

After the Mayor and/or the Human Resources Director receive the report filled by the Agency head, which did the investigation over the alleged breach of the Code of Ethics, the municipal Ethics Board will be convened. Upon reporting to the Ethics Board, the veracity of the report will be determined. Should the board determine that there exists a violation of the Code of Ethics or any section of the Ethics law, a report with the Ethics Board's entire finding, including the original report, shall be forwarded to the Puerto Rico Office of Government Ethics (O.E.G. as it is known in Spanish).

The Puerto Rico Office of Governmental Ethics will then proceed to investigate and determine the veracity of the reports in accordance with the Ethics Law as amended. Upon completing the investigation by the Puerto Rico Office of Governmental Ethics a determination will be rendered which could imply, but not necessarily, referring the case to the Puerto Rico Justice Department for processing as well as imposing economic sanctions for violating the Ethics Law. Based on the decision rendered by the Puerto Rico Office of Governmental Ethics, the Municipality of Hormigueros could also process and

impose their own sanctions as stipulated in Sections 8 and 9, respectively, within this same directive.

## **8. Disciplinary Procedures**

### Section 1: *Investigation*

Agency heads are hereby authorized to make an administrative inquiry, when it is understood that an employee has committed a breach of the Code of Conduct and Ethics and/or has observed a breach that is not written or included in the Code that affects the image of the Municipality. Once the investigation has been concluded in relation to a suspected breach of the Code, a written record stating whether the employee has been found to have breached the Code must be prepared and presented to the Mayor or the Human Resources Director.

### Section 2: *Procedures of the Presentation of Formal Charges*

After having been officially appraised of the misconduct by an employee, the Mayor has 10 days to make a determination and upon doing so will send a written notification titled "A Notice of Formal Charges", to the employee who committed the breach. This notice will contain the following:

1. Name and last known address of the employee;
2. A brief detailed description of the suspected breach of the Code as well as specifying the grounds in which it must also set out the findings on material questions of fact and refer to the evidence or other material on which those findings were based;
3. The notification will contain the range of sanctions that may be imposed should there be a finding that the employee indeed breached the Code of Conduct and Ethics;
4. The notification will state that the employee has a right to request an administrative review before the Official Examiner of Disciplinary Matters. The employee will be afforded 15 working days after receiving the official notification to request such a review;
5. The notification will state where the review may be requested.
6. The notification will also state that the employee has a right to have legal representation present or any other qualified representation as well as witnesses present should there exist any.

### Section 3: **Procedures of an Administrative Review**

Any employee who has been served with a "Notice of formal Charges", which specifies the grounds for suspension, with or without remuneration, or termination of employment will have a right to request an administrative review before the Official Examiner of Disciplinary Matters within 15 working days from the time that the employee was served the official notice.

The administrative review will consist of an informal hearing, which is presided by the Official Examiner of Disciplinary Matters, who shall be recognized as being competent in the field of Administration of Human Resources and shall so be designated by the Mayor. The proceedings of the hearing shall be taped recorded and maintained in a file labeled "In Confidence" along with the employee's file located within the Human Resources Department.

Should the employee not solicit an administrative review, for he/she has a right, within the time stipulated of 15 working days, the Mayor will have the discretion to impose the sanctions called for within the office notice.

### Section 4: **Right to Present Admissible Evidence and Dispute of Misconduct Allegations**

Every employee, who has been charged with a breach of the Code, will have the right to present evidence or testimony on his/her defense and to dispute and all evidence that the Municipality might have against him/her which lead to the belief that the accused employee is guilty of violating the Code of Conduct and Ethics.

### Section 5: **Official Examiner of Disciplinary Matters Report**

Upon conclusion of the administrative review, the Official Examiner of Disciplinary Matters shall consider all the evidence therein presented and decide whether to uphold the decision of the disciplinary sanction proposed or not in a written report to the Mayor or Human Resources Director.

### Section 6: **Final Letter and Right to Appeal**

Once the Mayor or Human Resources Director adopts the final decision or recommendation made by the Official Examiner of Disciplinary Matters, the employee will be notified of said decision in writing. The adopted sanction will take effect as soon as the employee has been notified. It will be an indispensable requisite that the Mayor notify the employee aggrieved by the findings or conclusions of his/her right to appeal pursuant to existing State Law and Regulations before the Appeals Board of the Personal Administration System (J.A.S.A.P.) as it is known in Spanish. The employee may appeal in writing to the aforementioned Appeals board within thirty (30) days following notification of the final action taken.

## 9. Sanctions or Disciplinary Actions

The following disciplinary actions are hereby established and shall be imposed upon violators of the Code of Conduct and Ethics enumerated in this directive, and pursuant to the right of appeal as outlined in this chapter. These same actions can be imposed on an employee only after it has been determined that the employee has breached the Code.

Where such a determination has been made the Mayor and/or Human Resources Director may impose one or more of the following sanctions on the employee:

- ❖ Verbal Warning;
- ❖ Written Warning;
- ❖ Termination of Employment;
- ❖ Suspension of employment and wages for a maximum period of thirty (30) days;
- ❖ Suspension of employment, with remuneration;

It should be noted that the sanction imposed is a warning, either verbal or written, the Mayor's decision shall be final and said decision can only be revised by the Appeals Board for the Personal Administration System (J.A.S.A.P.). The sanction involving the suspension of employment and wages or has a right to request an administrative review before the Official Examiner of Disciplinary Matters prior to the Mayor making a final determination.

## V. *FINANCIAL RESOURCES*

### OBJECTIVE: **IMPROVE OPPORTUNITIES UNDER RENTAL HOUSING**

Renters experience more housing problems than do homeowners as evidenced by the latest U.S. Census of Population as well as been our own experience under our own local Housing Choice Voucher Program (Section 8). When renters are compared to homeowners, of the same household type and income levels, the percentage of renters with housing problems is higher than owners.

In the Municipality of Hormigueros, there is a high proportion of our low, very low and moderate income households that have not satisfied their housing needs because they either live in overcrowding conditions, in substandard units or have a very heavy cost burden above 30% of income that affects a total of 2,035 or 39.1% of the total of 5,205 registered household. Of the total households represented 1,624 or 38.5% is representative of owners and 411 or 41.7% is representative of the renter's households, who are in the very low, low and moderate income categories. There exists an urgent need to expedite housing applications in different housing assistance programs. Among the most needy groups, respectively. It is in this regard that the Municipality of

Hormigueros has established a one year goal to provide assistance of upwards to approximately 25 households with rental housing assistance, provided new funding becomes available.

The activities that will be undertaken by the Municipality to accomplish this goal are:

**A. Housing Funding Sources**

Seek out whatever available alternative housing Programs as they become available from such agencies as the Rural Economic and Community Development, Puerto Rico Housing Department, Housing development of the Commonwealth of Puerto Rico, U.S. Department of Housing and Urban Development (HUD) and local cooperatives.

Additionally, work with island housing contractors that may be interested in constructing housing units within Hormigueros, by offering incentives and assistance in one form or another that may be legally acceptable, in order to encourage such contractors to participate in the local housing market (short-term and long-term).

**B. Additional Subsidized Funding under the Voucher Program**

The Municipality of Hormigueros will work closely with the U.S. Department of Housing & Urban Development (HUD) in attempting to obtain additional vouchers, if and, when they become available. The Municipality will also petition HUD to become a participant under the Welfare-to-Work Program so as to assist the extremely low and low income families to become self sufficient.

**C. Target Available Assistance to Families With Special Needs**

**Family Self Sufficiency Program**

The purpose of this FSS Program is to promote the development of Local strategies to coordinate the use of public and private resources to enable families eligible to receive assistance under the Voucher Program achieve economic independence and self sufficiency.

**D. Available Funding Sources**

The Municipality of Hormigueros will submit for HUD's consideration its Annual Plan (FY 2007-2008) in accordance with CFR 24. In order to assist the needs of 103 families that are currently enjoying the benefits of the Municipality of Hormigueros tenant-based housing assistance program, we will be submitting for HUD's approval the following budget as illustrated:

**SUBSIDIZED HOUSING BUDGET HUD APPROVAL**

<b><u>PROGRAM</u></b>	<b><u>BUDGET ESTIMATE</u></b>
Housing Choice Voucher Program	<b>\$ 471,963.00</b>
Family Self-Sufficiency Program	<b>\$ 0.00</b>
Program Administration	<b>\$ 55,872.00</b>
Total Estimate of Budget to be submitted to HUD for Approval	<b>\$461,581.00</b>
Portability Program	<b>\$18,580.00</b>
Total for the Municipality of Hormigueros Housing Budget (Grand Total)	<b>\$527,835.00</b>

**VI PHA's COMMUNITY SERVICE AND SELF-SUFFICIENCY PROGRAM**

The purpose of the FSS Program is to promote the development of local strategies to coordinate the use of assistance under the Tenant-based Housing Assistance Program with public and private resource, to enable families receiving assistance under this same program achieve economic independence and self-sufficiency.

The Municipality of Hormigueros has developed and implements an FSS Program in conformity with the Housing Choice Voucher program (Section 8) regulations and applicable civil rights authorities. At the current time the Municipality has monies allocated to assist 9 families of low very low income.

It has been successful in the implementation of said program due to the hard work and motivation provided by not only the Section 8 Staff but also the Professional consulting firm.

Upon its inception, the Municipality of Hormigueros appointed and has received funding for an FSS Coordinator to carry out the necessary functions as set forth in the Federal Regulations governing this Program. The Municipality of Hormigueros has established the Program Coordinating Committee (PCC), which is integrated by professional representatives from public and private enterprises, church groups, community leaders, local business and other resources. The representatives from the entities have input in the program design and action steps of the FSS Program and are responsible for such functions as:

- A. Developing a working relationship with the FSS Coordinator and other related Program Staff in the achievement of the program objectives.
- B. Coordinating the needed actions for the selection of committee representatives.
- C. Making specific commitments of time, staff and resources to the program.
- D. Providing input into the program research and evaluation process.

## **VII STATEMENT REGARDING THE STEPS THE MUNICIPALITY OF HORMIGUEROS WILL TAKE TO AFFIRMATIVELY FURTHER FAIR HOUSING**

The Municipality of Hormigueros firmly feels that by implementing the following activities it will further fair housing, thereby benefiting those families, namely-low and very low income families achieve safe, decent and affordable housing.

### **Activities:**

#### **REVIEW OF EXISTING HOUSING PROGRAMS**

The Municipality of Hormigueros will, in order to further fair housing within the community, review all dwelling units and housing programs currently being carried out. This will be done to assure that these very same programs and/or projects are implemented in total compliance with existing applicable regulations. In addition, the Municipality of Hormigueros will undertake the following steps to as certain that owners and participants comply with fair housing laws as the Federal, State and Local governments establish them, respectively:

1. In order to promote fair housing, provide a suitable environment, and remedy discrimination as well as encourage fair housing choice, our Program, which permits low-income renters access to assisted housing regardless of race, color, religion, national origin, sex, familial status and disability, will be given to new as well as incumbent owners during the briefing session prior to execution of the housing assistance contract. Brochures will be prepared and handed out covering fair housing in both Spanish and English, which will form part of the owners and participant's information packet, respectively.
2. After a thorough review of our records and programs, each staff member of our Municipality is uniquely aware of the existing fair Housing laws and the importance of adherence to these same laws by the family, owner and staff. They have been instructed on the applicability of these same laws and how they must brief and/or provide proper orientation to a new as well as actual owner or family.
3. Where a family alleges that illegal discrimination is preventing them from finding a suitable unit within the community, our housing staff will provide reasonable assistance in this matter by directing the aggrieved to the necessary agencies.
4. The measures that will be undertaken to insure accessible housing to persons with all varieties of disabilities regardless of unit size are as follows:
  - (a) The local Housing Inspector will receive the proper training so that when a prospective home has been inspected, it complies not only with established HQS but also with the American Disabilities Act.
  - (b) Brief the owner concerning established local and federal laws on how to make the prospective dwelling unit comply with said laws and HQS as established by HUD.
  - (c) Revise the payment standard in accordance with our plan to assure owner acceptance as well as the incentive to invest and make the dwelling unit an accessible unit for individuals with disabilities.

### **COORDINATION BETWEEN PUBLIC AND PRIVATE RESOURCES**

The Municipality of Hormigueros will contact public and private operators of housing, including local financial institutions located within the town, to provide them with both information and descriptive materials making them aware of the need to further fair housing.

### **COORDINATING INFORMATION AND REGULATIONS**

Working closely with the housing division of HUD, the Municipality of Hormigueros will obtain copies of regulations and other training aids in order to provide seminars and create public awareness of the importance of fair housing.

### **CREATE AWARENESS OF LEAD BASED PAINT HAZARDS**

Since many of the private homes in Hormigueros were constructed prior to being informed that lead based paint represents a health hazard to all the members of the household, and the effect that this same problem has upon children, the Municipality of Hormigueros is committed both in a short term, as well as in the long term, to work with the Puerto Rico Department Housing, in order to both develop and implement a viable, effective, safe, and cost-effective method of reducing this same hazard. While great many precautions currently exists, effective abatement and likewise, hazard reduction activities require participation from providers and contractors, aside from individual residents.

Hormigueros feels rather strongly, that in order to create an effective system of abatement services it must coordinate it is activities with other state agencies dealing with this same problem. In cooperation with both the public and private sectors will initiate the following actions in order to achieve the most desirable results:

#### **Activities:**

### **COMPLYING WITH EXISTING REGULATIONS**

The Municipality of Hormigueros has a goal of working with the existing management of the various Public Housing Projects located within the Community, to review all units in cooperation with the State Housing Department and other applicable State Agencies over the five-year period of the HUD approved Plan, in order to both assist and coordinate the required abatement services.

## **VII HOUSING NEEDS**

The following represents the estimated housing needs projected for the next five-year (2005-2010) period. The data included within this portion of the plan is based upon available U.S. Census data, CHAS Data Book, the Puerto Rico Housing Planning Board statistical data, and other reliable sources such as the Commonwealth Department of the Family.

Since this same jurisdiction, namely the Municipality of Hormigueros, is not seeking funding on behalf of an eligible metropolitan statistical area under the HOPWA program, the needs described for housing and supportive services do not address the needs of persons with HIV/AIDS and their families throughout the eligible metropolitan statistical area.

Furthermore, it should be noted that the housing needs were based upon the number of renter and owner-occupied units with one or more housing problems. The definition of housing units with problems included those that:

1. Occupying units having physical defects or being in deteriorated state.
2. Classified as being overcrowded.
3. Meet the definition of having a cost burden of more than 30 percent.

Based upon the latter, housing needs were determined to represent a major problem in terms of identifying housing problems, in both renter and owner-occupied households with more than one problem, such as residing within overcrowded, deteriorated and/or dilapidated dwelling units, or meeting the definition of housing costs burden greater than 30 percent of families income.

#### **A. Housing Characteristics**

The Comprehensive Housing Affordability Strategy (CHAS) Data Book issued by the U.S. Department of Housing and Urban Development in the year 2000, indicates that the Municipality of Hormigueros, has a total of some 5,205 households of which some 1,296 households were classified as being very low income, 815 households were classified as being low income and 3,094 households were classified as being of moderate income.

#### **B. Renter Households**

According to the 2000 U.S. Census of Population, this study demonstrates that the Municipality of Hormigueros had some 6,423 year-round units of which percentage, 820 or 91% are occupied. Of the total 6,423 year-round housing units, renters on a year-round basis, of which 603 or 9% of the housing inventory remain vacant for various reasons, occupy some 1,150 units.

It is estimated from figures obtained from such sources as the Department of Housing and Urban Development, Department of the Family, the Planning Board, and our own internal figures based upon demands from the public at large upon local public housing units, and upon our locally administered Tenant-Based Subsidized Housing Program, that rental housing demands will require some additional 200 units by the year 2010. For a total renter household size of 1,350. This is assuming, of course, that the present economic conditions will stabilize at present levels, and that all social programs currently in place, will continue to be funded at present levels over the next five years. Should any social program be eliminated and/or receive severe cutbacks, the demand for renter households will then skyrocket at unpredictable levels.

It should be noted, that this same increase of 200 additional rental units on the local housing market is estimated to be among the extremely low and low income segment of our local society who are either unable and/or unwilling to relocate to other communities.

### **C. Other Housing Problems**

According to the CHAS Data Book dated 2000, there were some 411 or 41.7% renter households that were classified experiencing some type of housing problem. For purposes of this study, CHAS defines having "any housing problems" as experiencing a cost burden greater than 30% of income and/or overcrowding conditions, without complete kitchen and/or plumbing facilities.

In this regard, and based upon the statistical data presented herein, we have identified the following Renter Households by Income Groups and categories as demonstrated:

<b>TABLE II</b>					
<b>MUNICIPALITY OF HORMIGUEROS</b>					
<b>RENTER HOUSEHOLDS BY INCOME GROUPS: 2000</b>					
<i>Renter Households</i>	<i>Extremely Low Income (0-30%)</i>	<i>Very Low Income (31-50%)</i>	<i>Low Income (51-80%)</i>	<i>Moderate Income (81-95%)</i>	<b>TOTAL</b>
Elderly	8	28	16	42	<b>94</b>
Small Families	139	78	91	317	<b>625</b>
Large Families	36	50	28	48	<b>162</b>
Other	35	18	8	44	<b>105</b>
<b>TOTAL</b>	218	174	143	451	<b>986</b>

### **D. Elderly Rental Households**

According to the 2000 CHAS Data Book, there was a total of some 94 elderly households within the Municipality of Hormigueros of which 8 were classified as being of extremely low income, 28 households classified as being very low income, 16 households classified as being low income and 42 households classified as being of moderate income.

### **E. Cost Burden**

Within this same income category involving elderly households, some four were within the 0-30percentage, 16 households were within 31-50% range, 12 households were within the 51-80% range, and four were within the above 80% range.

### **F. Small Family Rental Households**

Within the small family rental household category, some 625 households represented the following numbers:

- ❖ 139 households classified as extremely low income;
- ❖ 78 households classified as very low income;

- ❖ 91 households classified as low income;
- ❖ 317 households classified as moderate income.

### **G. Cost Burden**

Within this same Small Family renter's household group some 38.8% of the households were classified as being of extremely low income, 57.7% households of very low income, 46.6% households of low income, and finally, 25.2% represented moderate income levels.

### **H. Large Family Renter Households**

This same Comprehensive Housing Affordability Strategy (CHAS) Data Book covering Puerto Rico and dated 2000, indicated that there was a total of some 162 large rental household families, of which some 36 were classified as being of extremely low income, 50 were classified as very low income and some 28 large family renter households representing low income families, as well as 48 large family renter households representing moderate income.

### **I. Cost Burden**

Within this same large family renter's household income group of some 28 households fall within the 0-30% group, 36 such households are within the 31-50% range, 24 households fall within the 51-80% range, and 26 households fall within the above 80% range.

### **J. Homeless Persons**

From a review of available reliable statistical data, the Municipality of Hormigueros does not possess any homeless persons. Perhaps one of the reasons may be, that (1) Hormigueros is a rather tight-knit community in terms of population and therefore does not possess a highly developed central business district with all night bars, cafeterias, bus stations, etc., where homeless people tend to congregate with total immunity, and (2) Since Hormigueros is adjacent to the metropolitan area of Mayaguez which possesses the latter sites that tend to attract homeless persons, they would tend to relocate to these other areas and thus free Hormigueros of having to deal with this same problem.

Since Hormigueros does not possess any homeless population, it has no need for shelters or supportive services covering this same segment of its local population.

### **K. Persons with Disabilities**

Utilizing various information available to the Municipality of Hormigueros including both the U.S. Census 2000, the Puerto Rico Planning Board, and likewise numerous state and local agencies having to deal with disabilities, we likewise have estimated our needs fairly accurately.

According to the Puerto Rico Development Disabilities Planning Board, it is a nationally accepted fact that within the general population, 1.8 percent will have one form or another of a development disability. In this respect, Hormigueros with 2000 total population of some 16,614 it is estimated that 299 persons are classified as having a development disability.

***L. Persons with Physical and Development Disabilities***

Within Hormigueros, the 299 estimated persons as having been classified as having either a physical or development disabilities are currently residing with other family members, or residing within a rental unit.

One of the projects requested within our first year of activities is housing rehabilitation, a part of which will be devoted not only to remove or correct health or safety hazards, in order to comply with applicable development standards or codes, and/or improve general living conditions of the resident(s), including improved accessibility by handicapped persons.

Now there are no known day care centers, either private or public for development disability within Hormigueros. These same services are rendered in the adjacent Municipality of Mayaguez.

Within Hormigueros, several obstacles prevent the disabled from obtaining adequate housing:

- ❖ Proper accessibility;
- ❖ Centrally located housing convenient to public transportation;
- ❖ The need for additional rent subsidies as those afforded under HUD's tenant based subsidized housing programs.

It is the intent of the present Mayor to seek out and obtain funds from other sources in order to provide new housing for this segment of the population. It is anticipated that the Municipality of Hormigueros will require some 250 additional supportive units over the next five years in order to severe both existing and anticipated needs within this same segment of its society.

Needless to say, any additional new units, or for that matter any rehabilitated units will be required among other factors, to meet the requirements for handicapped persons as

required by Americans with Disabilities Act, since most of all existing units occupied to meet the special needs of this same category.

***M. Estimate of Housing Needs Projected***

The projected housing needs within Hormigueros were estimated based on various sources such as the 2000 Census, Puerto Rico Planning Board, Puerto Rico Department of Housing, and our local Section 8 Office. Housing needs in most communities, of which Hormigueros is no different, come about because of the following:

1. High housing costs;
2. Housing located in areas subject to landslides or unstable terrain;
3. Physically deteriorated housing;
4. Inadequate and overcrowded units.

The Puerto Rico Planning Board clearly indicates three (3) reasons for which a dwelling unit would be classified as being inadequate housing:

- a. High housing cost;
- b. Being overcrowded;
- c. Being in a physical deteriorated condition.

It is in this regard that these general principles required to be operational through precise definitions according to the U.S. Census Bureau, such as a unit is considered overcrowded if the household consists of at least three persons and have 1.5 persons or more per room.

It should be noted, that households having unusually high housing costs when the following occurs:

- 1.) Two or more persons, with the heads of households less than 65 years of age paying more than 25 percent of their income for rent.
- 2.) Single person paying more than 35 percent of their income for rent.
- 3.) Two or more persons, with the heads of households over the age of 65, which are paying more than 35 percent of their income rent.

Furthermore, housing units lacking complete indoor plumbing facilities or kitchen facilities, as well as deteriorated/dilapidated housing units having all plumbing facilities are regarded as being inadequate. In this regard, estimating the total needs for housing

within Hormigueros was based on the various sources previously noted, regarding each of the three components of housing needs. From this analysis, it was concluded that there are existing housing needs for 1,350 housing units within the Municipality of Hormigueros covering extremely low and low-income families. This same projection, while based upon available data sources, does not take into consideration any change and/or elimination of any existing housing programs, or a severe downturn in either the national or the local economy.

The present municipal administration of Hormigueros is desirous in obtaining additional housing units over the next years and preserving existing housing stock.

### **O. Barriers to Affordable Housing**

Like any other community across this Nation, whether it is in Puerto Rico, or on the U.S. Mainland, the principle barriers to affordable housing within the Municipality of Hormigueros are:

1. The high cost of land development due to general lack of both vacant and available land;
2. The high cost of construction, which for the most part includes the construction of a sanitary sewer system, water lines, electrical services, within distant rural communities where vacant lands are currently available.

These combined factors representing the high cost, clearly indicates that better than 70% of the total population of Hormigueros would indeed require some kind of assistance in order to solve their housing problems.

At the present, time the only source of purchasing a home within Hormigueros is by securing a private mortgage lending institution, which for the most part is not approving mortgages to low or moderate income families. Now, it appears that the minimum income required purchasing a home, averages at least \$30,000.00. This same requisite along with a stable credit and employment recorded are required.

Bearing this in mind, if a family dose not qualify to purchase a dwelling unit, then they qualify to rent a housing unit. This is more acute, since (1) there exists a lack of rental properties available, and (2) those units that are available for rent, are so costly ranging from \$400.00 to \$600.00 a month, that without some form of a rental subsidy, are indeed beyond the low and moderate income families. This can be verified, since some 200 families are currently awaiting placement on a waiting list, seeking assistance under our own Tenant-based Subsidized Assistance Program.

## **IX HOUSING MARKET ANALYSIS**

### **A. Housing Market and Inventory Conditions**

Both the 2000 Census of Population and likewise the Comprehensive Housing Affordability Strategy (CHAS) Data Book of Puerto Rico provide both an accurate picture of the market conditions within the Municipality of Hormigueros.

Without exception of the total housing units (6,423), some 5,820 are occupied a year basis. In this regard, of the total occupied units (5,820), some 4,670 are occupied by the owner while the remainder 1,150 is occupied by renters, with the balance or 603 units being vacant for various reasons.

It should be noted that out of the 603 units classified as vacant, 402 units or 67% of the vacant inventory of units is rental. For the most part, they are vacant due to the high cost of rent and lack of any additional subsidized rental assistance programs in order to assist low, very low and moderate income families who are unable to make the required monthly payments, in addition to making other basic expenses such as food, clothing, electric and water service.

***B. General Characteristics***

According to the 2000 U.S. Census, the significant characteristics of the housing market within the Municipality of Hormigueros are depicted as follows:

<b>TABLE III</b>	
<b>HOUSING MARKET AND INVENTORY CONDITIONS</b>	
<b>HOUSEHOLDS</b>	<b>TOTAL</b>
Year Round Units	6,423
Vacant	603
For Rent	163
For Sale	58
For Recreational Use, Etc.,	70
For Other Reasons	239
Occupied	5,820
Owner Occupied	4,670
Renter Occupied	1,150
Vacancy Rate Owner Occupied Units	1.20%
Vacancy Rate Renter Occupied Units	12.40%
Average Household Size of Unit Occupied by Owners	2.80%
Average Household Size of Unit Occupied by Renters	2.92%
Average Household Size	2.82%
Average Family Size	3.21%

It should be noted, that the total population or some 16,614 persons reside on only some 11.32 square miles, representing a population density of some 1,467.1 persons per square mile and 567.2 dwelling units per square mile.

Because of Hormigueros' proximity to the Municipality of Mayaguez and the scarcity of available land for development, it makes the Municipality one of the highest population densities in Puerto Rico. This represents a major problem since land for housing construction is limited, and the cost of acquisition as well as the placement of the necessary infrastructure such as water, electric, and sewers, would place the cost of acquiring individual units way beyond the reach of low income families.

The tenant-based housing assistance program which is administered by the Municipality of Hormigueros, and funded by the U.S. Department of Housing Urban Development includes the following categories:

HOUSING CHOICE VOUCHER PROGRAM	<b>94</b>
FAMILY SELF-SUFFICIENCY PROGRAM	<b>09</b>
PORTABILITY MOVE-INS	<b>05</b>
HOPWA PROGRAM	<b>07</b>
SHELTER PLUS CARE PROGRAM	<b>07</b>
TOTAL TENANT-BASED UNITS	<b>122</b>

*ADMINISTERED BY THE MUNICIPALITY OF HORMIGUEROS*                      ***TOTAL*** **122**

The need for secure, decent and sanitary housing within the Municipality of Hormigueros is in fact a necessity for some 200 families currently on a waiting list seeking housing under this same program. When an acceptable rate per family within Puerto Rico is 3.5 persons per family, these same 200 families requesting housing under the Tenant-Based Subsidized Housing Program which is representative of some 700 persons or 4.2% of the total Municipal population.

The following table represents the households by income groups within Hormigueros according to the 2000 CHAS Data Book:

<b>TABLE IV</b>				
<b>ALL HOUSEHOLDS</b>				
TOTAL	INCOME GROUPS			
	VERY LOW	OTHER LOW	MODERATE	ABOVE
<b>5,205</b>	<b>674</b>	<b>622</b>	<b>815</b>	<b>3,094</b>

***C. Demand for Housing***

There clearly is a demand for housing within Hormigueros, due primarily to its location. The Municipality of Hormigueros is adjacent to the metropolitan area of Mayaguez, as well as possesses the necessary major highways connecting with each of these same areas. The desire for housing within Hormigueros is primarily among the residents- sons and daughters of residents of Hormigueros, because of it being such a close-knit community.

Nevertheless, the general lack of availability of land for development, along with the high cost of acquisition coupled with the high cost of construction and the general lack of governmental subsidized houses, places almost 75% of the total population of Hormigueros in a position that would require some form of government assistance and/or subsidies in order to purchase a home.

In this regard, the government, which includes federal, state, and local, has to deal with the following factors that are affecting the local market, which may include, but not necessarily be limited to the following factors such as:

1. Population growth;
2. Economic factor;
3. Family Income;
4. Land costs;
5. Construction costs;
6. Financing;
7. Interest payments;
8. Employment Opportunities;
9. Return of investment by either a financial institution and/or developer.

Hormigueros like so many other communities across this nation, must out of necessity, be forced to deal with one of the basic human needs, which is that of housing.

While the population continues to grow, this same growth is primarily among the low and very low-income groups, who are unable to deal with a mortgage payment of roughly \$600.00 or more. By the same token a review of both moderate and low-income families that are in need of adequate, decent, and affordable housing, are lacking the capacity to pay high rents.

**D. Percent of Renter Households Having Any Housing Problems**

It should be noted, that according to HUD's Comprehensive Housing Affordability Strategy (CHAS) Data Book for Puerto Rico, the Municipality of Hormigueros, has a total of 986, of which 41.7% or 412 are experiencing some sort of housing problem. For purpose of this study, CHAS defines; "with any housing problems" as experiencing a cost burden greater than 30% of income, overcrowding conditions and/or without complete kitchen or plumbing facilities. Table V provides the percent if incidence by family type:

<b>TABLE V</b>				
<b>PERCENT OF RENTER HOUSEHOLDS WITH ANY HOUSING PROBLEMS: YEAR 2000</b>				
<b>TOTAL</b>	<b>0-30%</b>	<b>31-50%</b>	<b>51-80%</b>	<b>&gt; 80%</b>
41.7%	62.4%	48.0%	61.5%	25.3%

Source CHAS Data Book (2000)

**E. Identification of Concentration of Low Income Areas/Racial Ethnic Minorities**

Due to Hormigueros land area, there are no definable areas (rural or urban) with the exception of the location of the Public Housing Projects, that can be defined as areas of concentrations of low income persons, when you consider that 75% of the total population has been classified as having incomes below the poverty level. These same poverty areas are clearly spread evenly throughout the entire municipality.

In terms of concentrations of either racial and/or minorities, the U.S. Census does not provide a breakdown of such categories within Puerto Rico, and as such, the population statistics include "all races".

**X CIVIL RIGHTS CERTIFICATION**

The Civil Rights Certifications are included in the PHA Plan Certifications in compliance with the PHA's Plan and HUD's rules and regulations.

**XI PHA'S RENT DETERMINATION**

**A. Total Tenant Payment**

Computation of the total tenant payment will be determined in accordance with 24 CFR Part 5, Section 5.613. The computation of TTP will be made once all income has been duly accounted for properly verified and all credits and usual expenses have been determined eligible under the other applicable factors.

The total tenant's payment will be the highest of the following amounts:

1. Thirty percent of the families' monthly adjusted income.
2. Ten percent of the families' monthly income.
3. If the family is receiving payments for welfare assistance from a public agency and a part of those payments, adjusted in accordance with the families actual housing costs, is specially designated by the agency to meet the families housing costs, the portion of those payments which are designated for housing.
4. Minimum rent in accordance with applicable provisions of Section 5.616.
5. A family renting a unit above the payment standard pays the higher of 30% of monthly adjusted income, 10% of monthly income, or the welfare rent, and the amount of rent above the payment standard but not more than 40% as the cap established by QHWRA of income on the family share of rent for initial leasing of any unit.

***B. Minimum Rent***

The Minimum rent established by the PHA is **\$50.00**.

***C. Hardship Exemption***

1. Should a family request a hardship exemption, said request will be honored upon determination of whether there is a qualifying financial hardship. The suspension of the minimum rent requirement will begin the month following the family's hardship request.
2. The following will be considered as financial hardship:
  - a. When the family has lost eligibility for, is waiting for eligibility for, or is waiting for an eligibility determination for a Federal, State or Local assistance.
  - b. When the family would be evicted as a result of the imposition of the minimum rent requirement.
  - c. When the income of the family has decreased because of a changed circumstance, including loss of employment.
  - d. When a death has occurred in the family.
  - e. Other circumstances as determined by the Municipality of Hormigueros.

***D. Request for Hardship Exemption***

1. If a family requests a hardship exemption, the Municipality of Hormigueros will suspend the minimum rent requirement beginning the month following the family's hardship request until the municipality determines whether there is a qualifying financial hardship and whether it is temporary or long term.
2. If the Municipality of Hormigueros determines that there is a qualifying financial hardship, but that it is temporary in nature, the Municipality of Hormigueros will not impose a minimum rent for a period of no more than 90 days from the date of the family's request. At the end of the 90-day suspension period, a minimum rent is imposed retroactively to the time of suspension. The family will be afforded a responsible repayment agreement for back rent owed.
3. If the Municipality of Hormigueros has determined that there is no qualifying hardship exemption, the municipality will reinstate the minimum rent including the back payment for minimum rent from the time of suspension on terms and conditions established by the PHA.
4. If the Municipality of Hormigueros determines that there is a qualifying long term financial hardship, the family will be exempted from the minimum rent requirements in compliance with 24 CFR Part 5, Section 5.616.

**E. Appeal of Financial Hardship**

Should the family appeal the financial hardship determination through the Municipality of Hormigueros' grievance procedure, it will be exempt from any escrow deposit that may be required in accordance with 24 CFR Part 5, Section 5.616.

**F. Payment Standard**

A payment standard will be set between 90%-110percentage of the Fair Market Rent for the PHA jurisdiction as established by QWHRA. The Municipality of Hormigueros has a payment standard of 100% of the FMR Metro Area.

The following represents the subsidy standards that determine the number of bedrooms required for families of various sizes and compositions:

<b>2007 FAIR MARKET RENT</b>				
<b>0 BEDROOM</b>	<b>1 BEDROOM</b>	<b>2 BEDROOM</b>	<b>3 BEDROOM</b>	<b>4 BEDROOM</b>
<b>345</b>	<b>374</b>	<b>416</b>	<b>497</b>	<b>686</b>

Furthermore, the Municipality of Hormigueros will be allowed to approve initial gross rents on a unit by unit basis which exceed the FMR's or payment standard established by the PHA for units, which by virtue of size, amenities or location, or in the case of expanding housing opportunities for low income families, or to obtain units which have been made accessible to the disabled, which are determined to warrant exception rents.

The PHA accepts the fact that this same authority will not be exercised for more than 20 percent of the units authorized by the ACC.

The local area office of HUD, namely the Economic and Market Analysis Division (EMAD), as well as the HUD Public Housing Director will be consulted on an annual basis, so as to confirm that the FMR employed are both accurate and reflect the general cost of housing for our area.

In the case of the PHA requesting a revision to the existing FMR, the PHA will include documentation showing the current median rent for standard units in our area. In this regard, the PHA's recommendations will be supported by such analytical data such as:

- ❖ Evidence that significant changes in rents have been experienced in the rental market, which differ from those changes measured by the Consumer Price Index (CPI) factors used to update the Annual Housing Services' based Median Rent.
- ❖ When convenient and/or required the PHA will provide local housing Market surveys that indicate the current median rent levels for standard units of various sizes within our designated FMR area.

**G. Determination of Unit Size in Relation to Family Composition**

The Municipality of Hormigueros has applied the following requirements when determining the unit size in relation to the family composition under our subsidy standards:

1. The subsidy standards provide for the smallest number of bedrooms required to house a family without causing overcrowding;
2. The subsidy requirements are consistent with space requirements under Housing Quality Standards;
3. The subsidy standards have been applied consistently for all families of like size and composition;
4. A child who may be temporarily away from the home because of placement in foster care is considered a member of the family in determining the family unit size;
5. A family consisting of only a pregnant woman will be treated as a two-person family;
6. Any live in aid which has been authorized by the Municipality to reside within the unit to care for a family member who is either disabled or at least 50 years of age will be counted in determining the family unit size;

7. The Municipality has agreed that unless a live in aid resides with the family, the family unit size for any family consisting of a single person must be either a zero or one bedroom unit.
8. The Municipality will grant an exemption to its established subsidy standards, in determining the family unit size for a dwelling unit, if it determines that the exception is justified by age, sex, health, handicapped or relationship of family members or other personal circumstances.

#### **H. Affordability Adjustments**

Upon rectification/predetermination of the applicant, any adjustments will be to the appropriate Payment Standard established by the PHA. Where it has been accurately determined by the PHA that based upon the documentation available to the PHA, that an overpayment was made by the PHA, the PHA will immediately advise the participant of the same and request a meeting in order to establish a repayment schedule or other acceptable plan in order for the PHA to recover the overpayment.

#### **I. Rent Adjustments**

Rent adjustments requested by property owners would be processed as indicated in Section 982.509 Federal Register, April 30, 1998, page 23863. The owner must request said revision to the contract rent sixty (60) days prior to the HAP contract anniversary date.

### **XII RECENT RESULTS OF PHA'S AUDIT**

The Municipality of Hormigueros has submitted to the HUD local office in Puerto Rico the findings of the most recent Single Audit and the action plan taken to correct the findings found to be in compliance with established HUD rules and regulations.

### **XIII PHA'S GRIEVANCE PROCEDURE**

#### **A. Informal Review**

At all times the Municipality will afford an applicant family the opportunity to request an informal review of any decision made to deny assistance under the Housing Choice Voucher Program.

Specifically, the Municipality will be required to notify an applicant in writing that assistance has been no later than fifteen (15) working days after said decision has been made. Within this same written notice, the applicant will be informed of their right to appeal the decision either in written form or verbally. Additionally, the participant must be advised by the Municipality, that they have some thirty (30) days from the date of the written notice to request an informal hearing. Such a request may either be in written or

oral form, and that the participant has the right to be represented by another family member, friend, and/or legal counsel.

Furthermore, the Municipality in advising the participant of his rights, must be stated within the denial letter the reason for the decision and at the same time reference that part of existing law, regulation, and more specifically the HUD regulation that was used as a basis for denying assistance to the family participant.

### **B. Hearing Procedures**

The following represents the Municipality of Hormigueros established procedures for conducting an informal hearing for participants:

1. The family will be given an opportunity to review and HA documents that are deemed necessary before the hearing. The PHA will permit the family to copy any such document at the family's expense.
2. It is agreed that the PHA must be given the opportunities to examine at its office any family documents that are directly relevant to the hearing. The PHA is there for allowed to copy any such documents at its own expense. It is then agreed, that if the family does not make the document available for examination at the request of the PHA, the family will not be permitted to submit the document(s) at the hearing.

### **C. Representation of the Family**

The Municipality agrees that legal counsel or other representative(s) may represent the family, at its own expense.

### **J. Hearing Officers**

A member of the legal staff of the Municipality will conduct the hearing, or any other person so designated by the Mayor, other than the person who made or approved the decision under review or a subordinate of this person. The Municipality in appointing a person to conduct the hearing is empowered to regulate the conduct of the hearing.

### **K. Evidence**

The Municipality and the family will be given the opportunity to present evidence as well as question any witness brought forth by either party. The Municipality agrees that the evidence presented will be considered without regard to admissibility under the rules of evidence applicable to judicial proceedings.

### **L. Issuance of Decision**

The Municipality will not be bounded by a hearing decision as described in section 982.555(f) of the Federal Register.

## **XIV SEMAP SCORE**

The Municipality of Hormigueros' last SEMAP score was 90%. This makes the Municipality a high operating PHA. See attachment A-SEMAP Score.

## **XV ADDITIONAL INFORMATION REQUIRED**

### **Substantial Deviation from 5-Year Plan or Amendment and/or Modification to Annual Plan**

In accordance with established HUD rules and regulations, the following will be the basic criteria that will be utilized by the Municipality of Hormigueros and it will constitute a substantial deviation from its 5-Year Plan and/or amendment or modification to its Annual Plan that has met full public process requirements including Resident Advisory Board Review:

- ❖ Changes to rent (i.e., minimum rent), admission policies and/or organization of the waiting list;
- ❖ Additions of new activities not included in the current Annual Plan;
- ❖ Any change concerning the administration of the subsidized housing programs administered by the PHA, including but not limited to the establishment of the homeownership program.
- ❖ Changes to the grievance procedures as established within our administrative plan.

Notwithstanding, the municipality of Hormigueros will consider the following to constitute a "substantial deviation" from the HUD approved Five-Year Plan:

- ❖ Any modification to the PHA's mission's statement or any substantial modification to the Municipality's goals or objectives.
- ❖ An exception to these definitions will be made for any of the above that are adopted to reflect changes in HUD's regulatory requirements. Additionally, the Municipality will not consider these same changes substantial deviations or significant amendments.

## **XVI SCREENING AND EVICTION POLICY FOR DRUG ABUSE AND OTHER CRIMINAL ACTIVITY**

## 1. Purpose

All federally assisted housing is intended to provide a place to live, raise families and not a place to commit crime, to use or sell drugs or terrorize neighbors. It is the intention of the Municipality of Hormigueros to fully endorse and implement a policy designated to:

- a. Assist families in their vocational/educational goals in pursuit of self-sufficiency whenever possible.
- b. Help create and maintain a safe and drug-free community.
- c. Keep participants free from threats to their personal and family safety.

## 2. Administration

All screening and termination of assistance procedures shall be administered fairly and in such a manner so as not to violate rights to privacy or discriminate on the basis of race, color, nationality, religion, familial status, disability, sex or other legally protected groups.

To the maximum extent possible, the Municipality will involve other community and governmental entities in the promotion and enforcement of this policy.

## 3. Denial of Admission and Termination of Assistance for Criminals and Alcohol Abusers

### A. Prohibiting Admission of Drug Criminals

The Municipality of Hormigueros will prohibit admission to the program of an applicant for five years from the date of conviction if a household member has been evicted from federally assisted housing for drug-related criminal activity. However, the Municipality may admit the household if it is determined:

- ❖ That the evicted household member who engaged in drug-related criminal activity has successfully completed a supervised drug rehabilitation program approved by the State.
- ❖ That the circumstances leading to eviction no longer exist, such as that the criminal household member has died or is imprisoned.

The Municipality has established the following standards for prohibiting admission:

- ❖ The Municipality has determined that any household member is currently engaging in illegal use of a drug.

- ❖ The Municipality has determined that it has reasonable cause to believe that a household member's illegal drug use or a pattern of illegal drug use may threaten the health, safety, or right to peaceful enjoyment of the premises by other residents;
- ❖ Any household member has ever been convicted of drug related criminal activity for manufacture or production of methamphetamine on the premises of federally assisted housing.

#### **B. Prohibiting Admission of Other Criminals**

The Municipality has established standards that prohibit admission to the program if any member of the household is subject to a lifetime registration requirement under a State sex offender registration program. The Municipality will screen the family by performing a criminal history background check necessary to determine whether any household member is subject to a lifetime sex offender registration requirement in the State where the housing is located and in other States where the household members are known to have resided. This screening is to be carried out through the Puerto Rico Police Department, which issues' a *Certificate of Good Conduct*.

#### **C. Prohibiting Admission of Alcohol Abusers**

The Municipality will prohibit admission to the program if it is determined that a household member's abuse or pattern of abuse of alcohol may threaten the health, safety, or right to peaceful enjoyment of the premises by other residents.

#### **4. Terminating Assistance for Drug Criminals and Other Criminals**

The Municipality will terminate assistance for a family under the program if it is determined that:

- ❖ Any household member is currently engaged in any illegal use of a drug.
- ❖ A pattern of illegal use of a drug by any household member interferes with the health, safety, or right to peaceful enjoyment of the premises by other residents.
- ❖ The Municipality will immediately terminate assistance for a family under the program if it is determined that any member of the household has ever been convicted of drug related criminal activity for manufacture or production of methamphetamine on the premises of federally assisted housing.

- ❖ The Municipality will terminate assistance under the program to a family it is proved that any family member has violated the family's obligation under Section 982.551 which states that the family will not engage in any drug related criminal activity.

#### **5. Terminating Assistance for Alcohol Abusers**

The Municipality of Hormigueros will terminate assistance under the Housing Choice Voucher Program if it is determined that a household member abuses or develops a pattern of alcohol abuse which may threaten the health, safety, or right to a peaceful enjoyment of the premises by other residents.

### **XVII SUMMARY**

In order to be in compliance with 24 CFR Part 903, PIH Notice 2003-34 dated December 19, 2003, which outlines the implementation of RIM, the Rental Housing Integrity Improvement Project (RHIIP), and the Improper Payments Information Act of 2002 as mandated by HUD, the Municipality of Hormigueros has established the following standards and procedures to be carried out in furtherance of HUD's objectives and goals.

Additionally, these same standards and procedures will ensure long term compliance with the requirements of the programs involvement, including but not necessarily limited to:

1. To provide low and very low-income families the opportunity choice and mobility in selecting where they want to live.
2. To maintain the essential elements of a private relationship between the tenant and the property owner on matters other than rent.
3. To develop strategies to coordinate the use of housing assistance under the Housing Choice Voucher Program with public and private resources, to enable eligible families to receive assistance under this it program to achieve economic independence and self-sufficiency.
4. To develop and implement a strong financial management system to ensure HUD's goal of improving efficiency and oversight. Making certain that the correct amount of assistance goes to the people who need the most.

It should be noted, that the Section 8 Office within the Municipality of Hormigueros will implement the necessary management systems and oversight controls, so as to assure, that the individual programs included within this same Plan are:

1. Completed within a timely manner in compliance with HUD's requirements.

2. That they are in total compliance with existing federal and state applicable regulations.
3. Compliance with SEMAP Indicators.
4. With the Rental Housing Integrity Improvement Project (RHIP).

Once a year a physical audit will be accomplished which will include not only the accountability of funds, but also an audit of the management system used to carry out the mandate of the Tenant Based Housing Program. This in depth review will be on an on-going basis that will serve to determine the effectiveness of individual programs based upon such data as:

- ❖ Families Assisted
- ❖ Subsidies Granted
  
- ❖ Compliance with the Rental Housing Integrity Improvement Project (RHIP) which is adhered to assure the improvement of any deficiencies detected during the RIM Reviews and/or SEMAP Certifications conducted by HUD or its designee.
  
- ❖ Complaints Resolved
  
- ❖ FSS families that moved onto becoming first-time homeowners.
  
- ❖ The effectiveness of communication by and between the various Municipal, State and Federal Agencies as well as with citizens.

Additionally, reviews will also serve to identify implementation of problems or noncompliance with goals and objectives of the Plan, and how the resources were used to assist the maximum number of beneficiaries.

The use of this same data will assist the Mayor, members of the Municipal Assembly, interested citizens of the community, participants of the Tenant-Based Housing Assistance Program to recommend changes within our strategy due to changes in the population characteristics and housing market within the Municipality of Hormigueros.

In conclusion, the following areas will at a minimum, be reviewed in the monitoring process:

- ❖ Cash/Management Systems.
- ❖ Budget Controls.
- ❖ Families serviced by income level (low, extremely low and moderate).

- ❖ Effective Internal Control System to reduces administrative errors.
- ❖ Staff resources and performance.
- ❖ Timely, accurate and complete information for management forecasting and policy decision-making.
- ❖ Preparing the necessary financial data to report to HUD.

The Municipality of Hormigueros feels rather strongly that procedures contained herein will effectively be performed with the necessary monitoring of all programs so as to assure that these same programs both initiated and developed are in total compliance with the applicable regulations promulgated by HUD.

# ***PLAN ADMINISTRATIVO 2007-2008***

## ***OFICINA SECCIÓN 8***

### **I - INTRODUCTION**

The revision of the Municipality of Hormigueros' Administrative Plan is too addressed with the intention of making modifications in accordance with the Quality Housing and Work Responsibility Act of 1988, 24 CFR 903, Section 545. All references herein are to the regulations currently in effect for the Tenant Based Housing Choice Vouchers Program, and they will be applied to all programs currently administered by the Municipality. To the extent that anything in this plan contradicts Federal Law Regulations, now existing or hereafter amended from time to time, the Federal Law or regulation shall take precedence.

The goal of the plan is to provide an overview of PHA policies. More detailed procedures are described in procedural handbook, forms in use, and related program documents.

AHA will select families for participation in the Section 8 Voucher Program without discrimination because of race, color, religion, sex, familiar status, national origin or disability.

In the administration of its programs, PHA will comply with, and will require its owner to comply with the following laws, as currently amended:

- The Fair Housing Act (42 U.S.C. 3610-3619).
- Title VI of the Civil Rights Act of 1964.
- The Age Discrimination Act of 1975.
- Executive Order 11063, Equal Opportunity in Housing 1962, as amended.
- Executive Order 12259, 46 FR 1253 (1980), as amended.
- Executive Order 12892, 59 FR 2939 (1994).
- Section 504 of Rehabilitation Act of 1973.
- Title II of the Americans with Disabilities Act, 42 U.S.C. 12101

## **II– APPLICATION PROCESS & DETERMINATION OF FAMILY INCOME.**

AHA will provide assistance to applicants/participants claiming illegal discrimination by:

- Posting Equal Housing Posters
- Assisting applicants and participants in completing appropriate paper work.
- Referring families experiencing problems to Human Rights Commission or other legal services.

### ***PREFERENCES CATEGORIES***

Applicants who certify housing need in one of the following categories shall be given first consideration in tenant selection. Priorities will not be given to the persons entering the waiting list until we finished the evaluation of the existing persons that were on the waiting list before it was re-opened. The categories are listed in the order of priority. Within each category, selection will be governed by date and time of application.

1. A Homeless Family – applicant who live or work in the geographical area of the Municipality of Hormigueros and is living in a substandard housing who lacks fixed, regular nighttime residence that is supervised publicly on privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing.
  - Transitional housing means housing that will facilitate the movement of homeless individuals and families to permanent housing within 24 months, and must meet all of the following requirements:
    - Is sponsored by a governmental or non-profit entity which meets the definition of a 501 © (3) organization as defined by IRS code.
    - Limits the length or time a person may stay.
    - Serves targeted populations.
    - Provides some level of service (s) to residents.
2. An applicant who lives or works in the geographical area of the Municipality of Hormigueros whose unit has become inhabitable due to a disaster (such as fire, flood or earthquake).
3. Applicants who live or work in the geographical area of the Municipality of Hormigueros whose unit has been declared unfit for habitation by an agency or unit government.

4. Applicants who live or work in the geographical area of the Municipality of Hormigueros who are vacated of their dwelling unit as a result of actual or threatened violence (Law 54).
5. Applicants who live or work in the geographical area of the Municipality of Añasco who certify that they currently live in a dwelling unit that meets one or any of the following criteria: - Selection will be governed by date and time of application.
  - a. The house is dilapidated.
  - b. Does not have a useable flush toilet inside the unit for the exclusive use of the family.
  - c. Does not have operable indoor plumbing.
  - d. Does not have a usable bathtub or shower inside the unit for the exclusive use of the family.
  - e. Does not have electricity or has inadequate or unsafe electrical service.
6. Applicants who live or work in the geographical area of the Municipality of Añasco who certify that are paying more than 50% of family income for rent. Selection will be governed by date and time of application.
7. All others applicants will be placed on the waiting list in order of date and time of application.

### ***PREFERENCE CERTIFICATION***

All applicants may certify that they qualify for a preference by stating such at the time of application. AHA will verify preference status as the time of issuance of a Voucher.

### ***PREFERENCE VERIFICATION***

Homeless preference must be verified at the time of issuance a Voucher. An applicant must give full cooperation and assistance in this verification process or subsidy may be denied.

Verification of homeless shall consist of one of the following:

1. Written notice from a shelter where the applicant is residing.
2. Written statement from law enforcement agency, welfare or social service agency, clergyman or counseling facility certifying the applicant is spending night times in a public or private place not designed for, or ordinarily used as regular sleeping

accommodation for human being. The person writing such certification must have observed the applicant at least three nights during midnight to 5:00 a.m., normal sleeping hours, and must be able to attest to the observation under auditor questioning.

### ***PREFERENCE DENIAL***

If AHA determines that an applicant who has requested a preference does not qualify for it, or an applicant who had a preference no longer qualifies for it; AHA will, within 10 days, provide the applicant written notice of the preference denial. The notice will contain:

1. A brief statement of the reasons for the determination.
2. And a statement that the applicant has the right to meet with AHA designee to review the decision.

Someone other than the person who made the decision or a subordinate of that person will conduct the review. The person conducting the review will issue a written decision to the applicant within seven days of the review, stating briefly the reasons for the decision.

### **III - WAITING LIST PROCEDURES AND THE SELECTION OF APPLICANTS**

AHA will place and select applicants from the applicable waiting list in chronological order by date and time of application unless an applicant qualifies for AHA's preference category (hereafter "preference") in which case the applicant will be given priority. Applicants who live or work in the Municipality of Hormigueros and have a homeless preference have the highest priority for selection.

Añasco Housing Authority will maintain separate waiting list by words. As units turn over, all AHA vouchers must be used to serve applicants on AHA's waiting list.

#### **Applicants will be placed on a waiting list as follows:**

1. If an applicant qualifies for a preference, that applicant shall be placed chronologically by date and time of application on the waiting list ahead of all applicants who do not qualify for a preference.
2. If an applicant does not qualify for a preference, that applicants shall be placed on the waiting list in chronological order by date and time of application behind those receiving preference.
3. If the necessity of a family who is already placed on the waiting list change so the family has a priority as defined in preference categories, the family will be place on the waiting list ahead of all applicants who do not qualify for a preference.

No applicants under the age of 21 years will be placed on the waiting list.

Persons qualifying for a special purpose funding from HUD may be placed on, and selected from the waiting list over the applicants on the list.

If a special purpose funding applicant is added to a closed waiting list is later determined to be ineligible for the special purpose funding, such applicant will be removed from the waiting list until such time as the waiting list is opened.

Applicants who come to the top of the waiting list that owe AHA or any other Housing Authority money will have 30 days to repay the funds or to make appropriate repayment arrangement. During the 30 day period, such applicants will retain their position on the waiting list, but may be skipped over subsidy becomes available. If such applicants have not repaid or made appropriate repayment agreement within the 30-day period, their name will be removed from the waiting list.

### ***WAITING LIST SELECTING SINGLE PERSONS***

Single persons who are not 62 years old or older, or disabled, as defined in Federal Regulations CFR 24, 5 5.403, will be placed on the waiting list. However, when issuing subsidy, AHA will first give preference to elderly persons and disabled persons, even if the single person is homeless. **AHA will give family status to single pregnant women.**

### ***WAITING LIST REMOVING APPLICANTS NAMES***

Applicants are expected to have a current address on file and are expected to send Agents any address change in timely manner.

#### **Applicants must respond to:**

- a. Waiting list update notices.
- b. An offering notice or a request to clarify any information given on the application.

#### **Within the stated period of time or they will be subject to removal of the waiting list.**

If notices are returned for undelivered mail, those applicants' names will be removed from the waiting list.

Applicants who have failed to respond to the above noted request and whose notices have not been returned because of undeliverable mail will be sent a certified letter stating AHA's intent to remove them from the waiting list and stating that failure to respond within 10 working days will result in removal. Failure to respond to the certified letter will result in removal from the waiting list.

Applicants who owe AHA or any Housing Authority money and have not repaid that money or made an agreement to repay within 30 days of coming to the top of the waiting list, will have their names removed from the waiting list.

AHA will provide reasonable accommodation to disabled applicants who, because of their disability, fail to respond to the requested information.

Applicants in transitional Housing will be offered assistance as the subsidy becomes available. Applicants who are not ready to leave Transitional Housing at the time subsidy is offered will be granted an exception and will not lose their status on the waiting list.

## **WAITING LIST PROCEDURES FOR CLOSING OR RE OPENING**

When AHA waiting list contains more applicants than funds can service in a reasonable period, for example 2 or 3 years, AHA may close the waiting list for the Municipality of Hormigueros.

To close AHA waiting list, AHA will give public notice in local newspapers and public service announcements on radio and/or television. Each notice will clearly state the date of the closing and criteria by which applications would be accepted during the closed period.

AHA will always accept verified homeless applicants and eligible Family Unification Programs applicants to the waiting list even if the list is closed.

To reopen a closed waiting list AHA will give public notice that families may apply for tenant based assistance through the Section 8 Voucher Program. Such notice will be by publication in local newspapers, public service announcements on radio and/or television, and other appropriate means. These notices will state the date of the reopening; the place where a family may apply and any limitations defining which families may apply to available slots in the program.

## **IV- OUTREACH TO LANDLORDS**

AHA will encourage owners outside the areas of poverty or minority concentration to participate in the program by:

- Developing and maintaining Program information for landlords.
- Addressing local area and statewide Landlord groups.
- Maintaining generic list of landlords who will accept Section 8 vouchers.
- Advertising via:
  - Public service announcements, statewide and locally.
  - Newspaper
  - Newsletters / Community Resources Guide / Church flyers.
  - Local landlord publication.

AHA will work with Research and planning to identify areas where Section 8 tenants are experiencing difficulty in finding rental housing and make presentations to landlords in those areas, encouraging participation in the program.

## **V - INFORMATION TO PROSPECTIVE OWNERS ABOUT POTENTIAL TENANTS**

In its program information for landlords AHA will include statements letting landlords know they can ask for information regarding current and past addresses of potential tenants.

AHA will always encourage landlords to check prior references of potential tenants.

When landlord request information regarding a prospective tenant, AHA will give:

- The family current address as shown in the Agent record.
- The name and address (if it is known) of the landlord at the family's current and prior address.

AHA will not provide landlords other information about the tenant rental history.

## **DISAPPROVAL OF OWNERS**

AHA reserves the right to disapprove owners from participating in the Section 8 Program if:

- The owner is noncompliant, or has history of noncompliance, with Section 8 Program requirements.
- The owner engages in abusive or violent behavior toward any AHA personnel or any of its Agents' personnel.
  - Abusive or violent behavior includes but is not limited to:
    - Actual or implied threats with a weapon.
    - Actual or implied physical harm to the worker.
    - Abusive language.
    - Stalking or harassment.

## **VI - LEASE TERM**

AHA will allow less than one year for the Initial Term of the lease in areas where tenants are having difficulty finding rents and where it is area practice to have leases less than one year. Such areas include, but are not limited to, coastal communities. The rent comparisons must document that leases for less than one year are common practice in the area.

## **VII - VOUCHER ISSUANCE OR DENIAL**

Unless mandated by HUD because of Special Purpose Funding, AHA will issue Vouchers in accordance with the Waiting List Procedures stated in this Administrative Plan. Based on the amount of funds received from HUD, we will serve as many very low-income families as possible.

The Voucher is the family's authorization to search for housing and is issued after the family has been verified eligible and briefed on program requirements. The housing Voucher describes the Family Obligations. Failure to comply with the Family Obligations will result in termination of subsidy.

In deciding whether to deny subsidy, AHA will consider:

- The circumstances of each case.
- The seriousness of the case.
- The extent of participation or culpability of the individual family members.
- The effects of denial or termination of assistance on other family members who were not involved in the action.
- In the case of drug related or violent criminal activity AHA will consider the length of time since the offense and the amount of rehabilitation.

AHA will deny assistance to any applicant who owes monies to AHA or any other Housing Authority, unless such applicant has paid the bill in full, or has entered into a repayment agreement.

AHA may deny assistance to any applicant who fails to live up the terms of a repayment agreement made with AHA or any other Housing Authority.

Applicants who come to the top of the waiting list and who owe any Housing Authority money will have 30 days to repay the funds or to make appropriate repayment arrangement. During the 30-day period, such applicants will retain their position on the waiting list, but may be skipped over as subsidy becomes available. If such applicants have not repaid or made appropriate repayment agreement within the 30-day period their name will be removed from the waiting list.

AHA may deny assistance to applicants who have been terminated from AHA Section 8 Voucher Program for a violation of family responsibilities unless such applicants can demonstrate they have corrected the problem for which they were terminated. Some examples of corrective action include, but are not limited to:

- Repayment of rent owed to past landlord.
- Payment to landlord for tenant caused damages.
- Rehabilitation of behavioral problems.

AHA may deny assistance to applicants if any member of the family has committed drug related criminal activity, violent criminal activity, or other criminal activity.

AHA may require an applicant to sign an agreement not to allow a family member who has engaged in domestic violence or drug related criminal activity, violent criminal activity, dating violence, sexual assault, stalking or other criminal activity to enter the household. Failure to sign or honor such an agreement could result in denial or termination of assistance.

**VOUCHER – TERMS, SUSPENSIONS, EXTENSIONS** – If an applicant did not live in AHA’s jurisdiction when he or she first submitted an application for assistance, the family must lease up their Voucher in AHA’s jurisdiction for the first 12 months. Exceptions to this policy will be made on case-by case basis where there is mutual agreement between AHA and the other HA.

Each Voucher will initially be issued to the family for a 60-day period during which time the family is expected to find a unit to rent. The family must submit a “Request for Tenancy Approval” within the 60-day period, unless AHA grants an extension. Authorization for an extension must be approved before the Expiration of the certificate or its extension. AHA will not allow for any suspension of time.

AHA will grant an extension of 30 days for the following reasons and may consider extensions for other reasons not here listed:

- Extenuating circumstances, such as death or illness, which prevent the family from finding a unit.
- The family submits “Request(s) for Tenancy Approval” which is denied by AHA or our Agent, or several units fail.
- The family size, other special accommodation (e.g., disabled family member needs an accessible unit) or market condition makes finding a unit difficult.

AHA will allow another 30-day extension for the same reasons listed above if the family is still unable to find suitable housing. This gives a total search time of up to 120 days in special circumstances.

“Finding suitable Housing”: means the family must have submitted a Request for Tenancy Approval within the 120 day limit and the unit must pass Housing Quality Inspection within the 5 day period AHA requires for initial inspections to be conducted by an Agent.

If a family does not find suitable housing within the 60 to 120 days allowed, the Voucher is no longer valid and the family will be placed on the bottom of the waiting list with the application date as the expiration date of the Voucher and will be given preference based on their situation as of that date.

Based on Section 504 Regulations, as a Reasonable Accommodation for families with a member who is disabled, the following will apply:

- If a family with a member who is disabled request in writing an extension beyond the maximum 120-day limit, and makes such request within the 120-day limit, AHA will extend for another 60 days.
- Before the 180<sup>th</sup> day if a request is made in writing, AHA will grant another extension of 30 days for the following reasons and may consider extensions for other reason not here listed:
  - Extenuating circumstances, such as death or illness, which prevent the family from a unit.
  - The family submits “Request(s) for Tenancy Approval(s)” which are denied by AHA or our Agent, or the units fail.
  - The family size, other special accommodations (e.g., disabled family member needs and accessible unit) or market condition makes finding unit difficult.

If the family is still unable to find suitable housing, AHA will allow another 30-day period extension for the same reasons listed above. This gives a total search time of up to 240 days in special circumstances.

### **VIII - DEFINITION OF WHEN A FAMILY IS CONSIDERS TO BE CONTINUOUSLY ASSISTED**

If family has been issued a Voucher prior to terminating one of the programs covered under de 1937 Housing Act, AHA will not consider continuity broken even if there is a break between moving from the previous assisted unit into the tenant-based unit, up to the expiration date stated on the Voucher, or any extension thereof.

Any interruption in assistance between any participation in housing Programs covered under the 1937 Housing Act and admission to the tenant-based program will be considered to break continuity of assistance.

### **DEFINITION OF WHEN A GROUP IS A FAMILY**

Family is defined as any person or combination of 2 or more persons sharing residency whose income and resources are available.

AHA will define a single pregnant woman as a family.

Persons remaining in the unit for longer than a two-week period will be considered family members and must be reported to AHA or its agent and added to the lease.

Dependents that by court decree spend 50% or more of their time with the family will be considered members of the family. Such dependants will be considered when subsidy standards are determined, will be listed on the lease, and will be considered for dependent allowances and income consideration.

### **IX - SUBSIDY STANDARDS**

The following factors will be considered in determination of unit size assignment:

- Number of persons.
- Relationship of persons.
- Sex and age of persons.
- Need to avoid overcrowding maximize use of space, and minimize subsidy cost.

Generally the standard will provide for no more than 2 persons per living/bedroom. (Note: Living/bedroom excludes kitchen, bathroom, closets, hallways, unfinished porches, unfinished basements or unfinished attics).

### **X - SUBSIDY STANDARD – MAXIMUM NUMBER OF BEDROOMS ALLOWED IN DETERMINING FAMILY UNIT SIZE ELIGIBILITY**

- a. 1 BR For – head of family / spouses.
- b. 1 BR For – every 2 children of same sex, including adult children of the family.
- c. 1 BR For - only child, only boy, only girl, or 1 additional same sex child not covered in item b.
- d. 1 BR For – multi-generational member or other adult not covered in items a, b, c.
- e. 1 BR For – approved Live-in-aides.

Exceptions may be granted by the Housing Authority if justified age, sex, health, disability, or relationship of family members or other personal circumstances, or by size of the rooms in the unit.

AHA will adjust the maximum number of Bedrooms to accommodate changes in Family size. Increases will be adjusted as needed and may be used as soon as lease obligations are fulfilled. Decreases will be adjusted at the annual re-certification or, in the case of elderly families (including elderly and disabled), at the time of a family move to another unit.

In the Voucher Program single women who are pregnant will not be issued a 2 BR subsidy until the child is born.

**XI - LIVE – IN – AIDES:**

Tenant must obtain approval from AHA before adding a Live – in - Aide to household. Agents will verify the need for the Aide by obtaining the appropriate medical verification.

A Live – in - Aide must be identified.

A Live – in - Aide may not be considered a family member even if he/she is a relative.

**XII - ABSENCE FROM THE UNIT:**

A family must notify AHA or its Agent of any extended absences from the unit (an “extended absence” is 30 days in any 45 day period.)

A family may be absent from the unit for up to and including 60 consecutive days. The HAP will be paid in that period and the family must pay the tenant portion of the rent. If the family is absent from the unit for a period exceeding 60 consecutive days for reasons other than health / emergency, HAP payments will be discontinued and subsidy terminated.

At the end of the first 30 days of absence, AHA will give the owner and family a written 30-day notice of termination of the subsidy and HAP payments end unless family has provided evidence that the absence is related to health or emergency reasons. The family may request a hearing to appeal the decision.

AHA must approve absences due to health or emergency reasons and families must comply with AHA requests for verifications of health/emergency or subsidy may be terminated. Legal incarceration is not a health or emergency reason.

Pursuant to HUD regulations, in no case may a person be absent from the unit for any reason for more than 180 consecutive days.

**MOVING RESTRICTIONS ON THE PARTICIPANT FAMILY**

During the Initial Term of the lease (usually the first year) AHA will not allow any moves that do not have mutual consent of the landlord. However, exceptions may be granted for, but not limited to:

- Verified domestic violence.
- Documented hate crimes.
- Verified appropriate medical reasons.
- Verified job offers.

## FAMILY BREAKS UPS – WHO REMAINS IN THE PROGRAM

Vouchers: Generally, the adult family member who is signatory to the lease and who remains in the unit retains subsidy.

When there are minor children in the family, the adult family member who is signatory to the lease and is providing primary housing for the minor children retains the subsidy.

Exceptions will be made on a case-by-case basis for such reasons as, but not limited to, verified domestic violence, custody issues, etc.

### **XIII- INCOME VERIFICATION, ASSETS AND MINIMUM RENT**

AHA will obtain written verification for all application information directly from the third-party. For family income AHA will not accept written third – party verification hand delivered by the family.

If attempts to obtain verification are unsuccessful, AHA will document oral verification. Such documentation will include facts, date of contact, and source of information. If third party verifications cannot be obtained, AHA will accept secondary sources of verification described in the HUD administrative Practices Handbook for the Section 8 Program.

The income and expenses allowed for each family are described in HUD regulation. AHA will not include, as assets, assets valuing \$1,000 or less that have been disposed of for less than fair market value.

AHA will require each participant family to pay minimum rent of **\$50.00**.

### **XIV - RE-CERTIFICATION OF FAMILY COMPOSITION**

AHA will conduct regular reexamination of household composition and income once every 12 month.

During the year the family must report changes in family composition and/or household income within 14 calendar days of the change.

For changes that affect the BR size for which the family qualifies, one of the following will apply:

- Those requiring a larger BR size will be issued the appropriate size as funds are available and lease obligations are fulfilled.

- Those requiring a smaller BR size will be given notice that assistance will be downsized at the earlier of their annual examination are fulfilled.
- Elderly and Disabled one and two person of the families will be downsized at the time of a family move. However, until a move the maximum subsidy AHA will pay for one person Elderly or Disabled family will be based on two bedrooms payment standard.

For change resulting in the reduction of the Total Tenant Payment:

The information must be reported no later than the 20<sup>th</sup> day of the month in order for AHA or our Agent to have the reduction effective the first day of the following month.

For changes resulting in an increase to the Total Tenant Payment:

- Increase of the Total Tenant Payment caused by family members obtaining employment wages or increasing wage income, due to a change in jobs or promotion, will be evaluated and processed at the first day of the following month after notification.
- Families are obligated to report such changes in wage income within two weeks of the change. Families who are found to have not reported the changes will be charged an increase in the total Tenant Payment back to the date of change. Such families will be offered the opportunity to repay the back charges in lump sum or by repayment agreement.

Families who enter the program with zero family income will be required to submit a monthly certification that the family is still at zero income. When the family first obtains income they will be charged a Total Tenant Payment based on the increase from zero income. After the initial income is established, such families will continue with annual re-certification procedures.

FSS participants who experience an increase in wages will be given the choice of having an interim examination, and thereby increasing their escrow account, or waiting until the annual reexamination to increase their total Tenant Payment.

## **XV - HQS UNIT INSPECTIONS**

AHA or its Agent will inspect units to ensure the unit selected by the applicant is decent, safe and sanitary. AHA will use the Housing Quality Standards (HQS) established by HUD regulation as the standard for compliance.

In addition to HQS, AHA has adopted the following standards:

1. AHA will require Hard-wired smoke detectors in units in apartment buildings as per the National Fire Protection Association's Life Safety Code – NFPS 101:

“Approved single station or multiple station smoke detectors continuously powered from the building electrical system shall be installed in accordance with 7-6.2.9 in every living unit within the apartment building regardless of the number of stories or number of apartments. When activated, the detector shall initiate an alarm that is audible in the sleeping rooms of the unit. This individual unit detector shall be additional to any sprinkler system or other detection system that may be installed in the building.”

(Note: apartment buildings containing three or more units. One and two unit buildings are considered family dwellings, not “apartment buildings”.)

2. AHA will require adherence to the state law requiring that heating systems be capable of maintaining 68-degree temperature 5 feet from the floor and 3 feet from exterior walls at a 20 degree Fahrenheit temperature.
3. For all interior deteriorated paint, AHA will require treatment and repainting regardless of the age of the building or age of the occupants.
4. For all exterior deteriorated paint, AHA will require the following treatment based on age of building and age of occupants:
  - a. Units constructed on or after 1978 and no child under the age of the six expected to reside in the unit: No paint inspection required; the inspector will recommend treatment and repaint.
  - b. Units constructed prior to 1978, and no child under 6 expected to reside in the unit: No paint inspection required; the inspector will recommend treatment and repaint.
  - c. Units constructed prior to 1978, with child under 6: paint inspection required. For all deteriorated paint, treatment recommending the use of safe work practices, repaint all exterior defective, peeling, or chipping paint on the residential structure.

Note: deteriorated paint is defined as: “any interior or exterior paint or other coating that is peeling, chipping, chalking or cracking, or any paint or coating located on an interior or exterior surface or fixture that is otherwise damaged or separated from the substrate.” (24 CFR 35.110)

5. AHA will require testing for lead-based paint in the following circumstances:
  - a. If the unit was built prior to 1978, and is occupied by a child less than 6 years of age who has an elevated lead blood level.

In the event lead based paint surfaces are found, treatment as prescribed by applicable State and Federal regulations will be required.

Lead based paint testing will be conducted by State or local housing agency or by an inspector certified by state or local health or housing agency.

AHA will not abate HAP if the landlord is complying with the State plan for treatment. However, if the landlord fails to comply with the State plan the AHA will abate HAP back to the date of the original 30-day notice.

6. For units located in housing built after 1989, AHA will require working ground fault circuit-interrupter protection (GFCI) for all visible outlets and light fixtures located in bathrooms and for all outlets that are located above counter tops and are within six feet of the sink in kitchens.

For units located in housing built prior to 1990, AHA will require any faulty or nonfunctioning visible outlets and light fixtures located in bathroom or outlets that are located above counter tops and are within six feet of the sink in kitchens be replaced with working ground fault-circuit-interrupter protection.

7. When a unit is found to contain windows that do not provide a minimum clear area of 5.7 square feet and therefore do not meet the NFPA 101 Life Safety Code, yet the Housing Inspector and the tenant agree that the window currently in the unit adequate for an emergency exit. AHA will require that the Inspector, Tenant and Landlord all sign AHA's Attachment A to the Housing Quality Inspection Form. Such an Attachment will state that the owner and tenant have been notified that the unit does not meet the code. It will further state that although Hormigueros Housing Authority strongly urges the owner to make attempts to comply with NFPA 101, the owner is ultimately responsible to local or statewide codes and may consider the required rehabilitation to be unreasonable and/or of financial hardship.

AHA Agents will conduct Initial Inspections within five working days of receiving a Request for tenancy Approval. The Initial Inspection must meet 100% HQS compliance before a HAP payment can begin. All assisted units will receive an Annual Inspection. Interim or Complaint Inspections will be conducted throughout that year at the request of the family or the owner.

AHA or its Agent, using the Inspections Checklist developed by HUD and including the additional requirements imposed by AHA Administrative Plan, will conduct the inspections. The report will be signed by the inspector and, whenever possible, by the applicant or tenant and the landlord.

Section 8 landlords are not subject to the 504 provisions for modifications to their units but must comply with all other provisions of all Civil Rights and Fair Housing laws.

## HQS ENFORCEMENT

Following in initial inspection, AHA or its Agent will notify owners of items needing repair. If the owner is unwilling to make the necessary repairs, the applicant must find another unit that passes Housing Quality Standards before the Voucher expires. Families may receive assistance in a unit where repairs have not been completed only if those uncompleted repairs are not in violation of Housing Quality Standards.

For units already occupied by participants:

Life-threatening items affecting health and safety must be corrected within 24 to 48 hours. Life threatening items include, but are not limited to:

- Non working smoke detector

- Hazardous electrical violation
- Canceled electricity and running water.

Emergency situations must be addressed within 48 hours. Emergency situations include, but are not limited to:

- Loss of running water
- Loss of electricity
- No smoke detector

Other HQS violations must be corrected within 30 days.

AHA will notify the owner of the violations and the time limit within which to correct the violations.

For tenant caused HQS violations, AHA will notify the tenant and the owner of the violation and the time limit within which to correct the violation. Tenant caused HQS violations are:

1. Family failure to pay for tenant supplied utilities.
2. Family failure to provide and maintain tenant supplied appliance.
3. Damage caused by family or guest to unit or a premise, which is an HQS fail.

Tenants must make retribution for tenant caused HQS violations.

For all failed units, AHA or its Agent will perform a re-inspection as soon as all required repairs have been completed. Under no circumstances will an agent simply take the landlord or tenant's word that smoke detectors or other life safety corrections have been completed.

If the HQS violations are not corrected within the initial stated time limit, the HAP payments will cease. If violations are later corrected, payments may begin again as of the date of the correction. If the family does not make retribution for family caused HQS violations, the landlord may begin the eviction process and AHA may terminate subsidy.

If the unit is determined to be uninhabitable because of fire, flood, or natural disaster damage, the subsidy on that unit will be terminated as of the end of the month in which the unit was made uninhabitable. No 30-days notice of HAP termination will be required. The family will be issued a voucher to search for a new unit as of the date the unit was made uninhabitable.

## OWNER OBLIGATIONS ENFORCEMENT

The Housing Authority of Hormigueros will enforce owner obligations as enumerated in the HAP Contract through ongoing monitoring, the inspection process, and the re-certification process.

Owners will be notified in writing of any violation of owner obligations under the HAP Contract and will be given a specified period of time during which to take corrective action. Failure to correct violations will result in abatement of the HAP payments for those days the owner was in non-compliance and could result in termination of the HAP Contract as well as disapproval as a participating owner in the future.

## **XVI - PAYMENT STANDARDS**

AHA has established a payment standard according to unit size in the Fair Market areas, based upon Section 8 Fair Market Rents (FMR's) as published in the Federal Register. AHA will set the payment standard at the Fair Market Rent unless the rent reasonableness data indicates the necessity to set the standard up to 110% of the FMR in certain areas.

AHA will consider adopting an annual affordability adjustment to the payment standard to avoid a rent burden to participants based on the following affordability adjustment determinations:

- Percentage of tenant rent to adjusted family/household income by bedroom size.
- Actual contract rents for specific bedroom sizes (eligibility bedroom size versus actual bedroom size selected).
- Actual rent increases for participant's families.
- Rent reasonableness data.
- Evaluation of housing Voucher funds to ensure that families can continue to be assisted on an ongoing basis.

## **XVII - HOUSING ASSISTANCE PAYMENTS**

AHA's Agents will issue Housing Assistance Payments (HAP) checks to owners, or their designated representative, according to program regulations. Such checks will be deemed received by owners as of the check mailing date plus two working days.

## **XVIII - SPECIAL POLICIES REGARDING SPECIAL HOUSING TYPES**

### **Units Receiving Other Subsidy**

AHA will use Vouchers in units that receive funding through Section 221(d) (3) BMIR, Section 202, Section 236 (insured), Section 236 (noninsured), RHS Section 515, and Federal Home Funds.

- Vouchers will use the unit's Utility Allowance

### **Other Housing Types:**

AHA will not use vouchers in Single Room Occupancy, Shared Housing, Congregate Housing, or Individual Group Residences.

### **XIX - SPECIAL PURPOSE FUNDING FROM HUD**

The Housing Authority of Hormigueros applies for funding according to determined program guidelines. When Housing Authority receives funding from HUD for a special purpose or special families or specified category of families AHA will apply those funds according to determined program guidelines. These guidelines may differ from the policies for issuance and denial that are stated in this Administrative Plan.

### **XX - TERMINATION OF ASSISTANCE**

Pursuant to CFR 24, §982.552(b), AHA will terminate subsidy to an Applicant or Participant Family who engages in any of the following activities:

- Commits serious or repeated violations of the lease.
- Fails to meet the Family Obligations as stated in CFR 24, §982.551 and on the Certificate or voucher.

#### **Family obligations include:**

- Supplying any information that AHA or HUD determines to be necessary including evidence of citizenship or eligible immigration status, and information for use in a regularly scheduled reexamination of family income and composition.
- Disclosing and verifying social security numbers, signing and submitting consent form for obtaining information.
- Supplying any information requested by AHA to verify that family is living in the unit or information related to family absence from the unit.
- Promptly notifying AHA in writing when the family is away from the unit for an extended absence (30 days within any 45 day period).
- Allowing AHA to inspect the unit at reasonable times and after reasonable notice.
- Notifying AHA and the owner in writing before moving out of the unit or terminating lease.

- Using the assisted unit as the family's only residence.
- Notifying AHA in writing, within two weeks of event, of birth, adoption or court-awarded custody of child.
- Obtaining written approval from AHA and the landlord before adding any other occupants to the unit.
- Requesting from AHA written approval to add a live-in aide to the household.
- Notifying AHA in writing within two weeks of the event, if any family member no longer lives in the unit.
- Giving AHA a copy of any owner eviction notice.
- Paying any utility bills and supplying any appliances that the owner is not required to supply under the lease.
- Notifying AHA of changes in family income within two weeks of the change.
- Rectifying any damage caused by family or guest to unit or premises is an HQS fail.
- Fails to make regular payments on monies owed to AHA or any other Housing Agency.
- Engages in drug-related criminal activity or violent criminal activity or other criminal activity.
- Threatens or engages in abusive or violent behavior toward any Hormigueros Housing Authority personnel.
- Abusive or violent behavior includes but is not limited to:
  - Actual or implied threats with a weapon.
  - Actual or implied physical harm to the worker.
  - Abusive language.
  - Stalking or harassment.

**The family (including each member of the family) must not:**

1. Own or have any interest in the unit (other than in a cooperative).
2. Commit any serious or repeated violation of the lease.

3. Commit fraud, bribery or any other corrupt or criminal act in connection with the program.
4. Participate in illegal drug or violent criminal activity.
5. Sublease the unit; let the unit or transfer the unit.
6. Receive Section 8 Voucher Program housing assistance while receiving another housing subsidy, for the same unit or a different unit under any other Federal, State or local housing assistance program.

In deciding whether to terminate subsidy, AHA will consider:

- The preponderance of evidence.
- The seriousness of the case.
- The effects of termination of assistance on other family members who were not involved in the action.
- In the case of drug related or violent criminal activity, AHA will consider the length of time since the offense and the amount of rehabilitation obtained.

Determinations involving denial or termination of assistance based on drug-related criminal activity or violent criminal activity will be guided by the following:

1. AHA reserves the right to obtain criminal records of Section 8 existing tenants or applicants.
2. AHA, or its agents, may deny or terminate assistance if the preponderance of evidence indicates that the participant or a member of the family has engaged in such activity, regardless of whether the individual has been arrested or convicted.
3. AHA, and its agents, shall have discretion to consider all of the circumstances in the each case, including the seriousness of the offense, the extent of participation in the activity by the participant or members participant's family, and the effects that denial or termination would have on other family members not involved in such activity.
4. In appropriate cases, the remaining family members may be allowed to continue to receive assistance under the condition that the family member involved in such activity will not reside in the unit.
5. AHA, or its agent, may require family members who have engaged in illegal use of drugs to submit evidence of successful completion of a drug treatment program as a condition to being allowed to reside in the unit.

AHA may terminate assistance of any family who violates agreement not to allow into the household a family member who has engaged in Domestic Violence, drug-related criminal activity, or violent criminal activity.

### **XXI - PROGRAM FRAUD**

The Housing Authority of Hormigueros is dedicated to maintaining the integrity of the Section 8 Rental Assistance Program and will take positive steps to prevent the occurrence of the abuse, misrepresentation or fraudulent activity by property owners or families.

Fraudulent/Program Abuse activities by owners include but are not limited to:

- The Owner receiving payment in excess of the rent stated in the lease and contract, as determined by AHA.
- The Owner receiving payment for a unit that is not occupied by members of the contract family.
- The Owner receiving payment for a unit that the assisted family has vacated.

Actions of the Hormigueros Housing Authority will take when an owner has committed fraud or other program abuse may include, but are not limited to:

- Deducting the amount of any overpayment from any amounts due the property owner.
- Terminating the Housing Assistance Payments Contract.
- Reporting overdue amounts to the Bureau of Taxation.
- Disapproving owner for further participation in the rental Programs.

Fraudulent/ Program Abuse activities by participants/applicants include but are not limited to:

- Failure to report income or assets to AHA or its Agents.
- Failure to report changes in assets or income.
- Failure to report changes in the household compositions.
- Allowing unauthorized individuals to reside in the contract unit.
- Owning or having any interest in the contract unit.

### **XXII- PAYMENT POLICIES OR MONIES OWED TO HA**

At time AHA pays a Special Claim, AHA or its Agent will send a certified letter to the tenant/landlord offering a choice of payment in full or a repayment agreement. AHA will

terminate subsidy of persons failing to live up the terms of a signed repayment agreement with AHA or another Housing Authority.

AHA will maintains records of monies owed for such things as: overpayments, fraud recovery, damage or unpaid rent.

The following data will be collected:

- Name
- Social Security Number
- Last known address
- Amount of funds owed
- Program allocation
- Comments
- Dates of correspondence

If the outstanding account balance exceeds \$50.00, AHA will send a certified letter to each landlord/tenant account notifying the party of the outstanding debt and requesting the party to clear the account by a specified date.

A repayment to be completed and returned by the tenant will accompany tenant accounts.

- If the tenant fails to sign the agreement, AHA will send notice that the bill will be paid in 90 days or subsidy will be terminated.
- If the tenant is no longer receiving assistance, no further assistance will be authorized until such debt is cleared.

If landlord accounts in excess of \$150.00 are not cleared by the dated specified the landlord will be sent a letter notifying him/her that the account will be referred to the Finance Department for collection.

Municipal Government will formally notify the party of the debt with the Housing Authority of Hormigueros and advise them that the Finance Department will be withholding some or all of their tax refund to clear the debt.

### **XXIII - INFORMAL REVIEWS FOR APPLICANTS**

AHA, or its agent, shall give an applicant for participation prompt written notice of a decision denying assistance, including a decision:

- Denying listing on the waiting list.
- Denying participation in the program.
- Denying preference status.

The notice shall:

- Contain a brief statement of the reason for the decision.
- Inform the applicant that he/she may request an informal review of the decision.
- Describe how to obtain the informal review.

Any person other than the person who made or approved the decision or a subordinate of such person may conduct the informal review.

The applicant/participant will be given the opportunity to present written or oral objections to the decision to deny assistance.

AHA, or its agent, will promptly notify the applicant/participant in writing of the final decision after the informal review, including a brief statement of the reasons for the final decision.

No opportunity for informal review shall be given for the following:

1. Discretionary administrative determinations or consideration of general policy issues or class grievances.
2. Determinations of number of bedrooms entered on the Voucher.
3. Determinations that unit located by a Voucher holder does not comply with minimum housing quality standards.
4. Disapproval of an Owner's Lease for the unit.
5. Decisions not to approve a request by a Voucher holder for an extension of term of the Voucher.

#### **XXIV - INFORMAL HEARINGS FOR PARTICIPANTS**

No opportunity for informal hearing will be given for the following:

- Discretionary administrative determinations or consideration of general policy issues or class grievances.
- Determinations that unit does not comply with minimum housing quality standards.
- Determinations that the unit is not decent, safe and sanitary because of an increase in participant's family size.

- Decisions to exercise any remedy against the owner of a unit, including the termination of housing assistance payments.
- Decisions not to approve a request by a participant for an extension of the term of the voucher issued.
- Decisions of how AHA determines its Utility Allowance Schedule.

AHA, or its agent, shall give a participant an opportunity for an informal hearing to consider whether decisions relating to the individual circumstances of the participant are in accordance with law, HUD regulations and AHA rules, in the following cases:

- A determination of the amount of total tenant payment or tenant rent, including the determination of schedule of utility allowances.
- A decision to terminate assistance of behalf of the participant.
- A determination that a participant is residing in a unit with larger number of bedrooms than appropriate and the determination to deny an exception from this standard.
- In the case of a participant who wants to move to another dwelling unit with continued participation.
- A determination of eligible immigration status.

AHA, or its agent, shall give a participant prompt written notice of any decisions that may result in a request for a hearing. The notice of the decision shall be sent by mail, to the participant's last known address and shall contain the following:

- A brief statement of the reasons for the decision.
- A statement informing participants that if they do not agree with the decision they may request an informal hearing on the decision.
- A statement that participant has seven days from the date of the notice to request the informal hearing.

If a decision has been made to terminate housing assistance payments on behalf of a participant, the participant shall be afforded the opportunity for an informal hearing before termination for housing assistance payments. In all cases where a hearing is requested, the hearing shall proceed in a reasonable expeditious manner and will be conducted by the Municipality of Hormigueros Legal Office.

Hearings conducted shall comply with the following:

1. The hearing will be conducted by the Department of Labor's Division of Administrative Hearing in accordance with the P.R. Administrative Procedures Act and 24 CFR 982.555.

2. At his or her own expense, a lawyer or other representative may represent a participant.
3. Prior to a hearing, participant shall be given the opportunity to examine any documents, including records and program regulations, directly relevant to the hearing. Participants will be allowed to copy any such documents at their expense.
4. AHA must given the opportunity to examine at its offices before the hearing any family documents that are directly relevant to the hearing. AHA's must be allowed to copy any such documents at AHA expense. If the family does not make the document available for examination the family may not rely on the document at the hearing.
5. The person conducting the hearing will regulate the conduct of the hearing in accordance with procedures.
6. AHA, or its agent, and the participant shall be given the opportunity to present evidence and may question witnesses. Evidence may be considered without regard to admissibility under the rules of evidence applicable to judicial proceedings.
7. The person conducting the hearing shall issue a written decision, briefly stating the reasons for the decision.
8. Factual determination relating to the individual circumstances of the participant shall be based on a preponderance of the evidence presented at the hearing.
9. A copy of the hearing decision shall be furnished to the participant within seven days of the hearing.

AHA shall not be bound by any hearing decision which is contrary to HUD regulations, contrary to Federal, State or local law, or which concerns a matter for which an informal hearing is not required to be provided and is in excess of the authority of the person conducting the hearing. If AHA determines that it is not bound by a hearing decision, it shall promptly notify the participant of the determination and the reasons for the determination.

## **XXV - PORTABILITY POLICIES**

When an eligible family wishes to transfer assistance outside of AHA's jurisdiction, AHA, as the initial Housing Authority (HA), will:

- Assists the family in making the move by advising the family how to contact the receiving HA.
- Advice the family of the maximum payment for the unit will be based on AHA fair market rent even if the rent of the new unit will be more.
- Notify the receiving HA to expect the family.

- Provide the receiving HA with the HUD-52665, Family Portability Information and a copy of the most recent HUD-50058 which provides the family's income information.

When AHA has a family moving into its jurisdiction from another HA, AHA may absorb the porting family and issue a Voucher to the family using funding under AHA's Annual Contributions Contract if funding is available or AHA may administer the contract for the initial HA.

In determining whether funding is available for assistance to a porting family, use of available funding for assistance to porting families may take precedence over selection of new families from AHA's waiting list.

### **XXVI - UTILITY ALLOWANCES**

AHA sets utility allowances for areas of the state.

If requested for a verified medical need, AHA will allow a higher electric utility allowance when the regular allowance does not meet the increased cost due to the medical need.

If there is pre-established Utility Allowance for a housing complex, AHA will use the project's Utility Allowance.

### **XXVII - RENT REASONABLENESS SYSTEM**

AHA has devolved a rent reasonableness system in accordance with HUD guidelines described in the HUD Handbook 7420, Chapter 6. The purpose of the rent reasonableness system (RRS) is to develop an overall knowledge of the rental market such that AHA agents can compare new Section 8 units with market rate units. Specifically, the system in place will allow AHA to establish appropriate rents by the type of rental unit. The RRS take the following into consideration:

- Location
- Unit size
- Unit type
- Quality
- Accessibility
- Amenities
- Facilities
- Management and maintenance services

- Age
- Rent
- Utilities

To accomplish this task, AHA will conduct a survey and establish an ongoing data collection effort to identify rental rates by type and market area. Conducted initially as a telephone survey of non-federally assisted rental units, the database will be updated with on-site inspections of non-federally assisted rental units being considered by a Section 8 recipient. Telephone surveys in the future will be conducted every year, or every other year, depending on market changes. A database on comparable rents will be maintained and updated regularly.

AHA has established a rent reasonableness point scoring system that will serve to rank new units being considered by Section 8 recipients. The agent will adjust the proposed rent for the new Section 8 unit. Adjustments will be the result of on-site inspection and rent reasonableness score.

AHA will examine the rent reasonableness point scoring system on an annual basis. The point scoring system will be adjusted based on data collection indicating changes in the market. AHA will disburse an update rent reasonableness guide to its agents on an annual basis.

### **XXVIII - COMPLIANCE WITH QUALITY HOUSING AND WORK ACT OF 1999**

#### A. Nondiscrimination Requirements:

AHA will conduct all its business in compliance of QHWA for the non discrimination requirement, such as the Fair Housing Act, title VI of the Civil Reports Act of 1964, Section 504 of the Rehabilitation Act of 1973, and Title II of American with disabilities Act, and (2) affirmatively Further fair Housing.

#### B. Ineligibility of individuals convicted of Manufacturing or Producing Methamphetamine. Section 428(F)

1. AHA will permanently deny admission to public housing units and the Section 8 Voucher.
2. AHA will terminate tenancy in public housing and section 8 assistance, of persons convicted of manufacturing or producing methamphetamine on the premises of the assisted housing project in violation of any Federal of state law.

3. AHA adjusted the policy that not less than 75% of its new admissions to the program must have incomes at or below 30% of the over median income.
4. Section 514-QHWA (24 CFE-5.415 (b)(1)
  - A. AHA is no longer recognizing the preference for admission of elderly disabled and displaced person before other single persons in Section 8 Program.
  - B. AHA adopts and recognizes a preference for admission to the Section 8 programs victims of domestic violence. The participant has to provide evidence from the court of the protection order to receive the benefits of Section 8 programs.

### **XXIX - DUTIES AND RESPONSABILITIES OF SECTION 8 PROGRAM PERSONNEL**

Section 8 Program Coordinator

Administrative Responsibility

Report directly to the Federal Programs Director

Supervise de Section 8 Office, the FSS Program and Home Ownership Program. Coordinate with the Accountant on financial matters. Coordinate the FSS Program and the Program Coordinating Committee (PCC).

Functional Responsibility

Has overall responsibility for compliance with the Administrative Plan and coordination of the Section 8 Voucher Program, Tenant policy Section 8 Office requirements, the FSS Program Operations, the Home ownership Program and pertinent Municipal policies, and responsible for meeting program goals and objectives.

#### **Specific Duties:**

1. Direct technical and administrative work of the Section 8 Voucher Program
2. Set Program goals and prepare staff work plan
3. Responsible for staff supervision
4. Prepare monthly performance reports
5. Prepare narrative and statistical reports in accordance with HUD regulations
6. Responsible for assuring compliance with HUD regulations in program implementation

7. Responsible for measuring the success of the FSS and Home ownership Programs
8. Organize, assigns and supervise work performed by program personnel
9. Negotiate contracts with unit, owners and tenants
10. Establishment and coordination of the PCC, FSS and Home ownership Action Plan
11. Evaluate grievances presented by unit owners and tenants
12. Perform Quality Inspection Report of 5% of the total rented units
13. Analyze and report on current rent reasonableness
14. Coordinate with the consultants on the required documentation in order to prepare additional funds proposals
15. Comply with any other duty assigned by the Federal Program Director (Supervisor)
16. Weekly reports to the Supervisor concerning progress and problems

### Section 8 Program Technicians

Execute special investigations due to grievances or information received regarding program abuse. The technicians are responsible for ensuring that each family selected to participate in the Section 8 Program enters into a contract which is to be signed by the head of the family.

Administrative responsibility

Reports to the Section 8 Program Coordinator

Functional Responsibility

Responsible for initiation and maintenance of contact with clients and applicants, verification of eligibility and follow-ups. Responsible for maintaining current, update files on available housing units and provide information to clients. Responsible for establishing the terms and conditions of the lease contract and the consequences for non-compliance.

### **Specific duties:**

1. Interview owner's applicants and complete applications for Section 8 Assistance, including telephone contacts.
2. Verify eligibility of families in order to ensure compliance with program eligibility criteria
3. Prepare case reports and maintain an adequate file of all documents
4. Prepare weekly activity reports
5. Conduct annual family re-examinations and or interim re-examination when needed
6. Verify family income
7. Participation in negotiation of contracts with owners
8. Maintain files including required documents and current listings of available housing units
9. Periodical contact with realtors, owners, lessees, etc., in order to update rental housing market information in coordination with Housing Inspectors
10. Provide individual information to clients concerning available housing and any other related matters
11. Prepare Home ownership and FSS Program contracts.

12. The FSS contract shall incorporate the individual training and service plans, the family's rights and responsibilities, the service to be provided and the activities to be completed by the head of the family, and each adult member of the family, who chooses to participate in the program.
13. Prepare monthly payrolls for housing owner participant of the Section 8 Program
14. Visit participants and/ or neighborhoods to perform any required special investigation or inspection

#### Section 8 Program Accountant

Fiscal unit coordinator

Administrative Responsibility

Reports to the Section 8 Program Coordinator

Functional (Program) Responsibility

Has overall responsibility for ensuring that all accounting books, records and reports and maintained in accordance with HUD requirements and generally accepted accounting standards.

#### *Specific duties:*

1. Inform Section 8 Program Coordinator on the status of the program's finances
2. Prepare requisitions for program funds
3. Prepare annual Section 8 applications (specially Form HUD 52672 and HUD 52673)
4. Maintain a record of rental payments to the owner (HAP register).
5. Coordinate with the Section 8 program Coordinator about changes in address, income, family composition and any other information pertaining to tenants and owners
6. Prepare financial reports at the end of the fiscal year
7. Perform other duties as required by the Section 8 Program Coordinator
8. Perform the accounting for the Section 8 , FSS and Home ownership Programs
9. Maintain accounting files in accordance with Section 8 Program needs
10. Verify payroll of Section 8 Program employees
11. Keep records of Portability payments and receivables
12. Prepare monthly trial balances for the Section 8 Program

#### Section 8 Program Housing Inspector

Administrative Responsibility

Reports to the Section 8 Program Coordinator

Functional Responsibility

Responsible for ensuring that the Housing units meet Section 8 Housing Quality Standards.

*Specific duties:*

1. Perform initial, annual or special inspections to proposed or under contract existing housing units
2. Will approve units in compliance with Housing Quality Standards
3. Notify owners and participants of deficiencies encountered and will give a time frame to perform the repairs
4. Analyze and report on current rent reasonableness for each contact housing unit
5. Filled and execute the Inspection Form (HUD 52580), Lead Based Paint Certification, Rent Reasonableness and Request for Lease Approval Forms.
6. Fully document each file with the necessary documents
7. Advise clients on all matters including complaint procedure. Hand-deliver documents to participants.
8. Arrange appointments with participant owners and tenants to discuss matters related to the Section 8 Program.
9. Make and receive telephone call related to the Section 8 Program
10. Responsible for the maintenance of documentation related to HQS inspections and of keeping them properly filed.
11. Perform other duties as required by the Federal Programs Director and/ or the Section 8 Coordinator.



## FAMILY SELF SUFFICIENCY PROGRAM ACTION PLAN

### I. INTRODUCTION

For many families progress and economical stability has been a struggling combat on daily basis. To some poverty is a short-term status. A family breaks up, a loss of a job or a medical condition may bring on a temporary condition of poverty. Nevertheless many families recover and return to productive lives. There is however, a growing segment of our population that remain in needs, chronically unemployed, welfare recipients and basically dependant of government assistance programs.

The Municipality of Hormigueros wants to take the opportunity to increase the Family Self-Sufficiency Program, through the update of our Action Plan to fight the problems of poverty and dependency of our residents. Using techniques that will focus and work as basis for the progress of these families. Community Agencies both government and private have been encouraged to continue their participation. This is an Action Plan prepared upon program approval containing specific dates.

### II. PROGRAM DESIGN

#### A. Level 1- Program Management and Agency Coordination

Hormigueros Housing Authority (PHA) has designated a coordinator to supervise and structure programs as well as a Coordinating Committee integrated by:

1. professional representatives from public housing
2. education
3. labor
4. criminal justice
5. police department
6. health and human services
7. church
8. community leaders
9. local business

Along with having input into the program design and the action steps Of the program, the team will is responsible for:

1. Selecting representatives
2. Making specific commitments of time, staff and resources to the program
3. Develop a working relationship with the program coordinator trainer
4. Provide input into the program research and evaluation process

## B. Level 2 - Program Implementation

Program implementation consists of the following:

### 1. Tenant Participation Selection

When vouchers become available, eligible families participating in the voucher choice program will be given the opportunity to participate in the program after carefully explaining the details of the FSS Program. If the family refuses to participate, they will **not** lose their participation in the voucher choice program. Those that agree to participate must follow program requirements or assistance will be terminated. *Anyone convicted of any type of sexual offense that requires a lifetime registration as sexual offender under state law shall not be admitted. MANDATORY PROHIBITION. (24 CFR 982.553)*

### 2. Tenant Group Orientation and Initial Training

The group orientation and initial training will be designed to establish and reinforce new social rules, norms and values, strengthen and increase self-image. Motivate participants to search for the development of skills and make effective use of community progress for growth and development.

During the initial orientation the following information will be provided to the selected participants:

- a. The objectives of the FSS Program
- b. The initial eligibility requirements for participation
- c. Selection process
- d. The number of Section 8 Voucher Choice Program available for the FSS Program
- e. Introduction to the FSS programs contract
- f. Grievance procedure

### 3. Work preparation counseling

Selected families will participate in activities designed to help the individuals take charge of their own living and learning environments. Counseling will be offered regarding drug abuse, health problems (Ex.: HIV), improve working habits, parent child relationship, budgeting and household management. The process will emphasize the practice of these supporting tools. Counseling will be a continuous process.

#### 4. Individual Skills Training

After completing initial training, the participants will be interviewed by qualified staff as well as committee members representing a variety of disciplines. Bases on the interviews, personal need assessment, will be prepared with corresponding individual Action Plan.

The personal needs assessment will identify any special needs of limitations that may inhibit the participant from achieving self-sufficiency.

The following committee representatives will handle this phase of the program:

- Department of Labor and Human Resources of Mayagüez- (787) 832-3232
  - Mr. Luis Ramírez/Mrs. Rebecca Vázquez
- Department of Labor and Human Resources of San Germán- (787) 892-1326
  - Mrs. Aurea Matos
- Department of Social Services of Hormigueros- (787) 849-2440
  - Mrs. Elizabeth Ramos
- Department of Education of Hormigueros- (787) 849-2790
  - Ms. Graciela Ithier
- Catholic Church of Hormigueros- (787) 849-2260
  - Father Gonzalo
- Presbyterian Church of Hormigueros- (787) 849-1781
  - Minister Fernando Rodríguez
- Agriculture Extension Services of Hormigueros- (787) 849-3031
  - Mrs. Milagros Martínez
- Community Civic Organizations
  - *Hormigueros Renace*
    - Mrs. Alodia Irizarry
  - *Lasertoma*
    - Mrs. Iris Betsy Bracero
- Southwest Consortium of Hormigueros- (787) 849-1705
  - Mrs. Wilmaries Rodríguez

#### 5. Job Training

During the training periods, employment agencies will be used to the maximum to encourage self-sufficiency and eventually begin the process of social and economical stability.

#### 6. Job Replacement and Retention

This step is designed to increase the possibilities of finding and retaining good jobs. With this initial support and continued encouragement, as well as,

monitoring their progress, the families will achieve self-sufficiency and begin the progress of accomplishing initial goals.

## 7. Support Services

Some of the services that may be offered can be childcare, transportation assistance, support groups, etc. The FSS Program coordinator will facilitate referrals to these service providers.

## 8. Escrow Account (HUD Form 52652)

The Section 8 Voucher Choice/FSS Program accounting division (Mrs. Linda Torres) will establish a FSS escrow account for each family participating in the program. In accordance with HUD regulations during the term of the contract of participation, the PHA (Hormigueros Housing Authority) will credit to the FSS escrow account the littlest of thirty percent of current monthly-adjusted income.

### **HOW IT WORKS**

- A participating family's earned income may increase during the term of the contract of participation.
- If this occurs, the PHA is required to credit to an escrow account a portion of the increase of rent that would otherwise result from increases in earned income during the term of the Contract of Participation.
- The escrow is only based on increase of earned income.
- Earned income is defined as income from wages, salaries and other employee compensation as well as any earnings from self-employment.
- It does not include any pension or annuity, transfer payments or any cash or in kind benefits.
- This is before payroll deductions. It includes overtime, commissions, tips. Bonuses and fees.
- Earned income also includes net income from the operation of a business or profession and military pay that is normally included in Annual Income definition.
- Earned income does not include income of children under 18. Once a dependant turns 18, automatically he/she is considered an adult and the income is counted. Unless this dependant is a full time student. In which case this dependant's income is excluded.

- The PHA must establish an escrow savings account for each participating family in the FSS program.
- During the term of the contract of Participation, the PHA will credit to the FSS account the amount of the FSS credit calculated in accordance with the procedures described as follows.
- The PHA must set up an escrow account amount for each family in two situations.
  1. When the family becomes employed when they previously were not; or
  2. When the family starts out with employment income and has an increase in employment income.
- If the family participates in education or job training and there is no employment income, there is no escrow fund calculation made.
- If there is no earned (employment) income, there is no contribution to an escrow account.
- Although the escrow account is like a "forced savings account" the families increased payment does not go directly into the escrow account in the Section 8 Program.
- Families pay regular share according to their income to the owner. PHA escrows an amount equal to the extra amount they are paying due to increased employment income from the HAP account.
- In Section 8 Voucher Choice Program, the PHA deposits in the family's escrow account an amount equal to the decrease in the Housing Assistance Payment paid by HUD.
- In the Public Housing Program, because the tenant rent is paid directly to the PHA, the PHA directly escrows the additional amount from the tenant's rent.
- The increased payment goes directly into the escrow account in Public Housing because the family pays the PHA, not the owner.
- PHA's can exclude the amount credited to the escrow account in calculating operated subsidy eligibility.
- There is no escrow if current family contribution is less than family contribution when contract was executed.
- For there to be an escrow, family contribution must be greater than family contribution when contract was executed.

## 9. Evaluation

The evaluation of the projects success will be measured in terms of the families self-sufficiency goals achieved. All participants will be evaluated using the following criteria:

- Educational level attained
- Employment
- Annual Income
- Job skills developed
- Job placement

## III. COMMUNITY SERVICE AND PROGRAMS AVAILABLE

A description of service and programs available in our community and represented in our committee are as follows:

1. Upward Bound Program- directed to meet academic and counseling needs of students with educational problems.
  - a. cultural activities
  - b. seminars about study habits
  - c. economic assistance for continuing education
  - d. vocational counseling
  - e. preparation for College Board
  - f. remedial courses
2. Educational Counseling- Available for junior-high school students, for those who have a high school diploma and want to continue post secondary studies.
  - a. academic counseling
  - b. vocational counseling
  - c. personal counseling
  - d. seminars about study habits
  - e. cultural activities
  - f. placement tests
3. Southwest Consortium WIA Program- This program offers the following service and training's:
  - 1.) Institutional training
    - a.) High School Diploma

- b.) Certified Plumbing Training
- c.) Certified Secretarial Skills
- d.) Certified Landscaping Skills

- 4. Department of Education- The state Department of Education contributes to the FSS Program with the following services:
  - a. Adult Basic Education (1<sup>st</sup> through 8<sup>th</sup> grade)
  - b. Adult Secondary Education (9<sup>th</sup> through 12<sup>th</sup> grade)
  - c. Placing Tests and courses (Act. 188)

#### IV. SUPPORT SERVICES AVAILABLE

By the coordinated efforts of public and private entities participating and providing support to the FSS Program, obstacles to family's self-sufficiency can be minimized or eliminated. Support services to be provided are as follows:

##### 1. Child Care

Childcare is considered an essential element of a successful self-sufficiency program. The local government through Head Start Centers and SENDEC provide these services.

##### 2. Counseling Assistance

Technical staff of the Municipal Section 8 Voucher Choice Program is available to provide counseling assistance or canalize help through local religious members of our community.

##### 3. Owners Participation

Local flyers and newspaper indicating the housing types and size requested for eligible families are posted to contact owners of eligible units to participate in the program.

##### 4. Transportation

Transportation assistance to program participants is provided by our Municipality and other volunteer community groups.

##### 5. Job Development, Training and Placement

The Department of Labor and Human Resources as well as the Southwest Consortium WIA Program are providing assistance in these areas.

## V. CONTRACT OF PARTICIPATION (HUD Form 52650 & 52650-S)

The contract of participation is an agreement between the PHA and the family. It includes an individual training and services plan, designed specially for the client.

The contract describes:

- 1.) The resources and appropriate supportive services which will be made available to the family under FSS.
- 2.) The PHA authority to terminate or withhold FSS supportive services and the termination of housing assistance if the family does not comply with the contract terms.
- 3.) The family's requirement to fulfill the obligations to which it has committed itself no later than five (5) years after entering into the contract.

It requires that the head of household seek and maintain suitable employment throughout the term of the contract, including any extensions to the contract.

Employment should reflect the persons training and availability for job opportunities. Head of household must seek employment.

The contract may require other family members to attend job training and counseling and interview for jobs, but the contract is fulfilled even if they do not find a job. PHA will define "seek employment" and develop appropriate standards and documentation. This is defined in negotiations with the head of household, as part of the contract of participation. It could include, looking for a job, going on interviews, following up on employment opportunities. The family should be encouraged to seek more than a minimum wage job.

### A. CHANGES IN THE CONTRACT

The PHA may agree to changes in the contract of participation such as:

- Number and identity of household members who will participate
- Family Self Sufficiency designated head
- Support Services providers as the family's needs and interest change.

Change must be consistent with local program objectives. The PHA must approve the changes.

#### B. EXTENSION ON THE CONTRACT

Contract may be extended for up to two years beyond the original (5) five-year term. Extensions must be for good cause such as: Serious illness, involuntary loss of employment. The family will continue to receive escrow credits during period of extension.

Non performance of the employment provision of the Contract by the head is not a good reason to extend the contract. Extension could be granted for rare circumstances, such as closing of a factory.

#### C. TRANSITIONAL ASSISTANCE

Continued provision of family self sufficiency support services can be offered to the family under these conditions:

- Family has completed Contract of participation, Family is employed; and the continuation of support services would assist the family to remain self-sufficiency.

#### D. GRIEVANCE PROCEDURE

##### 1. GRIEVANCE DEFINITION

For the purposes of the procedure set forth herein a grievance or complaint shall be defined as:

- a. Any dispute involving interpretation or application of the PHA's Regulations, policies or procedures, which affect the rights or duties of the complainant.
- b. Any action or omission to act by the PHA or a tenant who may affect the welfare or status of a tenant or the PHA.

#### E. TERMINATION OF ASSISTANCE

Assistance under the program will be automatically continued for eligible families unless the contract is terminated by the Municipality for reasons similar to those set forth in the HAP contract, such as:

- The family vacates the unit in violation of the lease without the owner's approval, and without notifying program.

- If the family vacates its unit in violation of the lease or tenancy agreement, the owner shall receive the housing assistance payment due under the HAP contract for the period of the month that the unit is vacant. If the unit continues to remain vacant after the first month, the owner shall receive a housing assistance payment from the PHA in the amount of 80 percent of the contract rent for a vacancy period not exceeding one additional month, or the expiration of the lease or tenancy agreement, whichever comes first. If the owner collects any of the family's shares, this must be reduced to an amount in which the payment does not exceed 80 percent of the contract rent.
- The owner has evicted the family in accordance with State/Local Law. (The owner must notify the Section 8 Office before instituting eviction procedures).

The PHA may also cancel the contract if:

- The family no longer requires assistance.
- The unit fails HQS.
- The unit is overcrowded and does not meet the HQS space requirements.
- The family does not comply with the obligations stated in the contract (FSS Contract). Even if the designated head of household is different from the one that started originally in the program.
- If the family has tried and failed to find employment, the PHA can cancel the participation in the FSS program but may choose not to cancel participation in the Voucher Choice Program.
- The Municipality discovers program abuse.
- The owner does not comply with the terms of the housing contract.
- The family and owner will be notified in writing before the termination.

## 1. EVICTIONS

- Although the Municipality of Hormigueros does not authorize or deny eviction actions, owners are required to:
- Comply with the requirements of State/Local Law.
- Provide a copy of the notice to the office when the notice is given to the family.
- *In accordance with PIH NOTICE 2006-23 the Municipality of Hormigueros establishes administrative procedures that prevent the eviction or termination of assistance from the Section 8 Programs of victims of domestic violence, dating violence, sexual assault or stalking.*

1. INFORMAL HEARINGS FOR DENIAL, REDUCTION OF TERMINATION OF ASSISTANCE:

The Municipality of Hormigueros, upon determining that a participant is ineligible, will notify the participant in writing the reasons for the ineligibility and their right to request an informal hearing.

If a tenant requests an informal hearing the hearing will be conducted by a hearing officer or other public official who is not directly involved in a day-by-day administration of the program. (Ex.: Fair Housing Official-Mr. Juan Rosado)

In addition, the family may retain counsel or other representation, if desired, at his or her own expense. The family or its counsel/representative must also be given an opportunity to present testimony and evidence in its favor. The decision of the hearing official must be in writing, based solely on evidence provided at the hearing and must state the legal and clear grounds for the decision.

2. HEARING PROCEDURES

The hearing must be promptly scheduled for a date and time at a place designated by the hearing officer.

- a. If the complainant does not file a grievance within the time allowed, he or she waives his right to the hearing. However, this shall not constitute a waiver of his right to thereafter battle the PHA's disposition of his grievance in an appropriate judicial proceeding.
- b. The hearing shall be private unless the complaint requests a public hearing. If the grievance is related to eviction from unit fines, inspections, transfers, rental disputes or any other violation to the contract, the complainant may examine before the hearing any copy at his or her expense, all documents, records and regulations of the PHA that are relevant to the hearing. The complainant may request, in advance and at his or her expense, a transcript of the hearing.
- c. The decision of the hearing officer shall be based upon evidence applicable to the program and HUD rules and regulations. If the decision is in favor of the complainant, the PHA shall take all actions necessary to carry out such decision or refrain from any action provided by such decision.
- d. The hearing officer shall prepare a written decision, including a statement of findings and conclusions, as well as the reasons or basis therefore, upon all material issues raised by the parties. This shall be done within five (5) working days after the date of the hearing. Copies shall be mailed to the complainant or the representative upon prior request.

- e. All written decision as well as documents related to the hearing will remain in the Municipality and available for inspection by any prospective complainant or their representative.

16 de Noviembre de 2007

Dr. Greduvel Durán Guzmán  
Seretario Auxiliar/Director Ejecutivo (OCASET)  
Salud Familiar y Servicios Integrados

Estimado doctor:

Saludos Cordiales. Sirva la presente misiva para presentarle el Plan Administrativo 2007-2008 de H.O.P.W.A. que desarrolló el Municipio de Hormigueros como requisito para administrar correctamente el programa conforme a la ley.

Entendemos que se hizo lo posible por incluir todos los reglamentos sustraídos de H.U.D. que aplican y que se cambiaron para cumplir con lo estipulado para el Programa H.O.P.W.A. Estamos en la mejor disposición de hacer modificaciones y/o cambios recomendados según lo requiera la ley.

Gracias por la oportunidad de permitir a nuestro municipio ayudar a ésta población.

Respetuosamente,

Pedro J. García Figueroa  
Alcalde  
Municipio de Hormigueros

## **PROGRAMA H.O.P.W.A.**

### *“HOUSING OPPORTUNITIES FOR PEOPLE WITH AIDS”*

#### Descripción del Programa H.O.P.W.A

Este programa fue creado en la virtud de la Ley Pública 102-550 “Aids Housing Opportunities Act of 1992”. Esta dirigido a desarrollar estrategias que permiten satisfacer las necesidades de vivienda de personas contagiadas con VIH/SIDA y sus familiares. Ofrece diversos clasificados en dos categories amplias:

- Asistencia en Vivienda
- Servicio de Apoyo

El Departamento de Salud reconoce que la vivienda es esencial en la provision de los cuidados de salud (otras ayudas) y persigue asegurar que todas las personas VIH puedan tener acceso a servicios, viviendas costeables, de calidad y que respondan a sus necesidades.

El Proyecto H.O.P.W.A. es desarrollado e implantado por el Departamento de Salud, mediante la participación directa de la Oficina Central para Asuntos del SIDA y Enfermedades Transmitibles a través del Programa de Proyectos Especiales y la contratación de los consorcios auspiciados por “Ryan White Care Act”, organizaciones de base comunitaria, municipios y organizaciones sin fines de lucro.

## Introducción

El Municipio de Hormigueros, mediante propuesta obtuvo fondos para implementar el Programa H.O.P.W.A. durante el año fiscal 2006-2007.

Este año con el solemne interés de ayudar a nuestros ciudadanos infectados con el virus de VIH hemos cumplido con los requisitos establecidos para participar un año más de fondos para la asistencia de alquiler de los nuestros.

Estos ciudadanos formarán parte de la lista de espera de forma voluntaria y se recibirán con referidos de centros de apoyo de la region, mediante referido social y de forma voluntaria “walk-ins”.

***Todo participante nuevo del programa de asistencia de alquiler, conocido en inglés como “Tenant Based Rental Assistance (TBRA)” del programa HOPWA del Estado, cumplirá con los requisitos mínimos de elegibilidad del programa. Estos requisitos son: ser paciente certificado de VIH/SIDA y el ingreso de la familia debe estar dentro del 80% de la mediana de ingreso para el municipio donde reside.***

***Para participar de la actividad de TBRA, los participantes deben estar recibiendo algún servicio de apoyo para lidiar con su condición y deberá reportarlo al momento de la entrada al programa y anualmente durante su proceso de reexamen.***

***Los elementos administrativos de la actividad de TBRA del Programa HOPWA del Estado se incorporarán al Plan Administrativo 2007-2008 existente.***

### **Areas de Servicio Del Municipio**

***El área de servicio se definirá como todo barrio, sector, urbanización y calles del pueblo de Hormigueros. En casos especiales, de no conseguir vivienda apropiada dentro de los límites de Hormigueros, se autoriza la búsqueda de vivienda en los pueblos colindantes. Tales como, San Germán, Cabo Rojo y Mayagüez.***

### **Determinación de Elegibilidad**

El Proyecto “Housing Opportunities for Persons with Aids” está limitado a servir a personas de escasos recursos económicos (ingresos bajos) e infectados/afectados con VIH/SIDA. La elegibilidad del solicitante deberá ser demostrada a través de documentos solicitados de acuerdo al servicio que el paciente necesite. Sin embargo, el principal criterio de elegibilidad es una prueba de laboratorio que indique que el paciente es VIH positivo. Los documentos que todo solicitante debe entregar son:

1. Prueba de Laboratorio “Western Blot o Elisa”
2. Verificación de Ingresos
  - a. Carta del Patrono
  - b. Copia de talonario de cheque
  - c. Copia de cheque de Seguro Social
  - d. Copia de cheque de Veteranos
  - e. Certificación de Asistencia Económica
  - f. Certificación de Asistencia Nutricional
  - g. Certificación de ASUME
3. Certificado de nacimiento original
4. Copia de tarjeta de seguro social
5. Recibos de agua y luz reciente
6. Carta de No-Propiedad del CRIM
7. Copia de ID con foto
8. Foto reciente

Solicitantes elegibles serán seleccionados de la lista de espera y deberán ser de ingresos bajos. Se entenderá por individuo o familia con bajo ingresos y su familia, aquel cuyos ingresos no excedan el 80% del ingreso promedio para el área donde reside, según determinado por HUD en su tabla de límite de ingresos revisada anualmente.

### **Lista de Espera de HOPWA**

***El Municipio mantendrá una lista de espera paralela a la lista de espera de Sección 8 analizando caso por caso y determinando elegibilidad por fecha y hora. “First come-first serve basis”.***

***Para ser admitido a la lista de espera el jefe de familia, su cónyuge o algún miembro de la familia, adulto o menor, debe ser un paciente certificado de VIH/SIDA y el nivel de ingreso de esa familia estar dentro del 80% de la mediana de ingresos para el área geográfica donde ubica el municipio.***

## Límite de Ingresos

El Municipio de Hormigueros se encuentra bajo los límites de ingresos del área estadística de Mayagüez, PR

Estos son desglosados de la siguiente manera:

Mayagüez, PR MSA  
FY 2007 MFI: 18100

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
30% of Median	5100	5800	6550	7250	7850	8400	9000	9550
Very Low Income	8450	9700	10900	12100	13050	14050	15000	15950
Low Income	13550	15500	17400	19350	20900	22450	24000	25550

**Esta hoja de elegibilidad por ingreso será revisada según la publique periódicamente HUD.**

## Contrato de Participación

El Programa de Sección 8 del Municipio de Hormigueros utiliza en su programa el contrato HAP (HUD Form 52641), el “Request For Lease Approval (HUD Form 52517) y el Acuerdo de Alquiler entre otros. Para el Programa H.O.P.W.A. se utilizará el contrato HAP tal como se utiliza para el programa de “vouchers” y el Acuerdo de Alquiler modificado. En éste se indicará nombre del jefe de familia (infectado/afectado), nombre del dueño, dirección de la unidad, composición familiar, cantidad de el alquiler, comodidades que se ofrece como nevera, estufa, microhondas, luz, agua, etc. y las firmas de las partes. La misma información que pide el contrato HAP. Además se le llenará por requisito federal:

- “Federal Privacy Act” HUD Form 9886
- “Drug Free Workplace Act”, Viviendas Libre de Drogas
- Hoja de Violaciones al Programa
- Formulario de Activos
- Formulario de Ciudadanía HUD Form 214
- Notificación de Envenenamiento con Pintura de Plomo

Como requisito del programa H.O.P.W.A. , es necesario los siguientes documentos para levantar el expediente a un solicitante que se le vaya a otorgar ayuda de asistencia de alquiler:

- Evidencia de prueba de sangre (“Western Blot o Elisa)
- Solicitud de Servicio
- Planilla de Datos Socio-Demográficos y de Salud del Participante
- Referido de una agencia y/o trabajador social

### **“Housing Quality Standards” HQS-Inspecciones**

Todo contrato tendrá vigencia de doce meses a disponibilidad de fondos. Se realizará una inspección inicial a la unidad antes de firmar un contrato. Para la inspección se utilizará la misma forma provista por HUD. (HUD Form 52580-A) Se buscará que toda unidad cumpla con los requisitos mínimos establecidos por HUD para una unidad decente, segura y sanitaria.

*Los HQS del Programa H.O.P.W.A. serán iguales a los HQS del Programa de Vouchers de Sección 8. Las inspecciones, trámites de querellas, cancelaciones de contrato, reinspecciones y contratos nuevos cumplirán con los mismos criterios del Programa de Vouchers de Sección 8.*

### **“Subsidy Standard”-Determinación de Subsidio**

*Se podrá utilizar para el análisis de subsidio la Forma HUD-50058, tomando en consideración, que dicha forma no será transmitida al PIC. El uso de dicha forma es exclusivamente para asegurar que los cálculos del subsidio, incluyendo los créditos y análisis se hace de forma correcta.*

*Computation of gross family contribution (GFC) is the greater of the following results:*

- ❖ 10% of the monthly income before any deductions.*
- ❖ 30% of the monthly income after allowances for minors, medical (if applicable) and other eligible expenses.*

### **“HAP Contract”-Contrato de Asistencia de Alquiler**

*Se podrá utilizar el modelo HUD 52641 para preparar el contrato de asistencia de pago de renta. En dicho modelo se incluirá una línea que identifique el tipo de servicio de apoyo que recibe el paciente VIH/SIDA.*

### **Terminación de Asistencia**

Asistencia de alquiler continuará para las familias elegibles a menos que el Municipio de Hormigueros determine cancelar la asistencia de alquiler por razones similares al contrato HAP como:

- La familia abandona la unidad en violación al contrato.
- El dueño cancela participación según la reglamentación.
- La familia se muda de la unidad sin informarle al dueño ni al Municipio de Hormigueros.
- Si la familia le hace daños maliciosos a la unidad.

- Si la familia deja de reportar ingresos que resulten como discrepancia en el sistema PIC de HUD constituyendo una violación al contrato.
- Si la familia es convicta de alguna delito de ofensa sexual y/o drogas.
- Si la familia deja de pagar alquiler por un periodo de tiempo y como resultado tiene una deuda pendiente con el dueño.

**IMPORTANTE:**

- Si el participante fallece, la familia restante no infectada se le termina la asistencia de alquiler por el programa H.O.P.W.A.

**Occupancy Standards**

Si un participante de H.O.P.W.A. necesita acomodo razonable, y un familiar le puede proveer éste acomodo razonable, El Municipio de Hormigueros, HUD ni H.O.P.W.A. se oponen al alquiler de la unidad. En este caso no se considerará un conflicto de interés porque lo que queremos es darle un hogar decente, seguro y sanitario a nuestros pacientes infectados/afectados. Dicho acomodo razonable se compensará de forma monetaria en el alquiler según los fondos recibidos y el Mercado de Renta Justa (FMR).

***Se proveerá una habitación independiente para el paciente de VIH/SIDA. El jefe de familia o su cónyuge decidirán si quieren habitaciones separadas en caso de que uno de ellos estén en un estado avanzado de la enfermedad.***

***Basada en la composición familiar del paciente elegible se determinará el tamaño de la unidad a alquilarse y el subsidio que se ofrecerá.***

***La siguiente tabla se utilizará para determinar el tamaño de la unidad.***

<b>TAMAÑO DE LA UNIDAD</b>	<b>CANTIDAD MINIMA DE PERSONAS EN LA UNIDAD</b>	<b>CANTIDAD MAXIMA DE PERSONAS EN LA UNIDAD</b>
0 BR	1	1
1 BR	1	2
2 BR	2	4
3 BR	4	6
4 BR	6	8

**“Fair Market Rent” FMR**

*Nuestro “ FMR” es utilizado a un cien porciento (100%) en el programa de Sección 8 y se seguirá utilizando en el programa H.O.P.W.A. Se establecerá un “payment standard” igual al “payment standard” adoptado en el Plan Administrativo del Municipio para su programa de Sección 8. Se llegará a un 100% del “payment standard” establecido en casos de pacientes en acomodo razonable.*

**FY 2007 PROPOSED FAIR MARKET RENTS FOR EXISTING HOUSING**

<b>0 BEDROOMS</b>	<b>1 BEDROOM</b>	<b>2 BEDROOMS</b>	<b>3 BEDROOMS</b>	<b>4 BEDROOMS</b>
\$345.00	\$374.00	\$416.00	\$497.00	\$686.00
<b>UTILITIES</b>				
N/A	N/A	\$47.00	84.00	\$90.00
N/A	N/A	\$53.00	114.00	118.00

**FY 2007-2008 PROPOSED RENTS FOR H.O.P.W.A.**

<b>0 BEDROOMS</b>	<b>1 BEDROOM</b>	<b>U</b>	<b>2 BEDROOMS</b>	<b>U</b>	<b>3 BEDROOMS</b>	<b>U</b>	<b>4 BEDROOMS</b>
N/A	\$374.00	\$89.76	\$416.00	\$49.92	\$497.00	\$59.64	N/A

**Estas tablas de renta justa serán revisadas según la publique periodicamente HUD.**

**Desahucios**

Todo desahucio que el dueño desee realizar debe ser notificado primero a la Coordinadora de H.O.P.W.A. de la Oficina de Vivienda Municipal.

Nota: Aunque el municipio de Hormigueros no autoriza ni rechaza una acción legal de desahucio, el municipio le requiere al dueño cumplir con leyes locales y estatales y proveer copia del desahucio.

**Vistas Administrativas**

Todo participante que recibe asistencia de alquiler de fondos H.O.P.W.A. tiene el derecho de solicitar una vista administrativa. Esta vista administrativa la conducirá una persona neutral designada por el Director Ejecutivo del Municipio de Hormigueros que actuará como árbitro entre la agencia y el municipio. El participante tiene derecho a un representante legal costado por él y puede traer cualquier evidencia que considere necesario para su caso. La vista administrativa se avisará por escrito por medio de correo certificado y su resultado se le notificará de igual manera. De no estar satisfecho con los resultados de la vista administrativa, tiene quince días laborables para apelar la decisión.

## **SECTION 8 HOME OWNERSHIP PROGRAM**

### **SECTION A - GENERAL PROVISIONS.**

#### **(1) Legal Background.**

#### **(2) Key Program Features.**

HUD has establish the following key program features:

- (i) First-time homeowner or cooperative member.
- (ii) A family that has not owned or had ownership interest in the past three years.

Minimum income requirement. Except in the case of disabled families, the qualified annual income of the adult family members who will own the home must not be less than the Federal minimum hourly wage multiplied by 2,000 hours (currently \$10,300). For disabled families, the qualified annual income of the adult family members who will own the home must not be less than the monthly Federal Supplemental Security Income (SSI) benefit for an individual living alone multiplied by 12 (currently \$6,624). *(The PHA may also establish a higher minimum income requirement for either or both types of families. Except in the case of an elderly or disabled family, welfare assistance is not counted in determining whether the family meets the minimum income requirement.)*

- (iv) Employment requirement. Except in the case of elderly and disabled families, one or more adults in the family who will own the home is currently employed on a full-time basis and has been continuously employed on a full-time basis for at least one year before commencement of homeownership assistance.
- (v) Additional PHA eligibility requirements. The family meets any other initial eligibility requirements set by the PHA.
- (vi) Homeownership counseling. The family must attend and satisfactorily complete the PHA's pre-assistance homeownership and housing counseling program. (Minimum of 30 Hours)

#### **(3) Local Home Ownership Policy, Goals and Objectives**

The Section 8 Home Ownership Program of the Municipality permits eligible participants in the Section 8 housing choice voucher program, including participants with portable vouchers, the option of purchasing a home with their Section 8 assistance rather than renting. Two options are available for this assistance: monthly homeownership assistance payment on behalf of a family, and to provide homeownership assistance for the family in the form of a single grant to be used toward the downpayment required in connection with the purchase of the home. Until HUD publishes the regulations for down payment assistance, only monthly homeownership assistance is available.

The home ownership option is limited to five percent (5%) of the total Section 8 voucher program administered by the Municipality of Hormigueros in any fiscal year, provided that disabled families shall not be subject to the 5% limit. If applications exceed such 5% limit, participants in the Family Self Sufficiency ("FSS") program shall receive a priority for participation in the home ownership program.

Eligible applicants for the Section 8 homeownership program must have completed an initial Section 8 lease term, may not owe the Municipality of Hormigueros or any other Housing Authority an outstanding debt, and must meet the eligibility criteria set forth herein.

Section 8 home ownership assistance may be used to purchase the following type of homes within the Municipality: new or existing single-family, condominium, planned use developments, cooperatives, lofts, live/work units, or manufactured homes. The Municipality will permit portability of Section 8 homeownership assistance to another jurisdiction, provided the receiving jurisdiction operates a Section 8 homeownership program for which the Section 8 homeownership applicant qualifies or authorizes the Municipality to administer the homeownership assistance in their jurisdiction.

✓ In order to effectively develop the Municipality of Hormigueros Homeownership Program, the agency has agreed upon a set policy for the administration and implementation of the program. This covers the applicant eligibility for the program, the application process, the financial and participatory requirements and the responsibilities of the housing agency and the counseling organizations in the administration of the program. Program participants will also be informed of their rights as homebuyers. Upon purchasing a home, families are required to sign a "Statement of Homeownership Obligations," agreeing to comply with the mortgage, maintain the property, pay the taxes, utilities, and insurance.

The Municipality will work with banking/financial institutions and non-profit organizations that have indicated interest in working with the program and that offer loan products and other concessions that further the affordability of mortgages for program participants. Many Section 8 participants will be eligible for subsidy funds providing down payment and closing cost assistance complemented with funds from the HOME Program, the Affordable Housing Program from the Federal Home Loan Bank of New York and any private corporation and foundation which pursue affordable housing. The Municipality will assist and coordinate the post purchase counseling and educational support and any proactive efforts on behalf of the homeowners so as to provide a safety net against defaults.

Counseling activities has been coordinated with Consumer Credit Counseling Service of Puerto Rico, a private non-profit organization.

## **SECTION B – FAMILY ELIGIBILITY AND PARTICIPATION REQUIREMENTS**

### **(1) *Selection and Admission of Applicants to the Program***

#### **(i) Section 8 Tenants**

Participation in the Section 8 home ownership program is voluntary. Each Section 8 homeownership participant must meet the general requirements for admission to the Section 8 housing choice voucher program as set forth in the Municipality of Hormigueros Administrative Plan. Such Section 8 family also must be "eligible" to participate in the homeownership program.

**(ii) Preference for Participation in FSS Program.**

Applicants for the homeownership program are not required to participate in the Municipality's Family Self Sufficiency ("FSS") program in order to participate in the homeownership program. **However, in the event the applications for home ownership assistance exceed five percent (5%) of the Municipality Of Hormigueros total voucher program in any fiscal year, FSS participants shall have a preference for participation in the homeownership program. Participants in an Individual Development Account ("IDA") program administered by an agency other than the Municipality of also will receive a preference for homeownership assistance in the event applicants for home ownership assistance exceed the 5% limitation.**

**(2) Portability**

Participants with portable vouchers may purchase a home in a jurisdiction other than the Municipality of Hormigueros, provided the Housing Authority in the receiving jurisdiction operates a Section 8 homeownership program for which the Section 8 homeownership applicant qualifies **or authorizes the Municipality of Hormigueros to administer the home ownership assistance in their jurisdiction.** In the former case, a family's participation in the Section 8 homeownership program will be subject to the Section 8 homeownership program and policies of the receiving jurisdiction.

**(3) Affordability Standards**

No affordability standards are issued other than the mortgage payment of the homebuyer should not exceed the payment standard authorized to the family at the time of recertification.

**(4) Employment and Credit Requirements**

**(i) Amount of Income**

At the time the family begins receiving homeownership assistance, the head of household, spouse, and/or other adult household members who will own the home, must have a gross annual income at least equal to the Federal minimum hourly wage multiplied by 2000 hours.

**(ii) Employment History.**

With the exception of disabled and elderly households, each family must demonstrate that one or more adult members of the family who will own the home at commencement of homeownership assistance is employed full-time (an

average of 30 hours per week) and has been so continuously employed for one year prior to execution of the sales agreement. In order to reasonably accommodate a family's participation in the program, the Municipality of Hormigueros will exempt families that include a person with disabilities from this requirement. The Municipality may also consider whether and to what extent an employment interruption is considered permissible in satisfying the employment requirement. It may also consider successive employment during the one-year period and self-employment in a business.

(iii) **Exclusion of Welfare Assistance Income.**

With the exception of elderly and disabled families, the Municipality of Hormigueros will disregard any "welfare assistance" income in determining whether the family meets the minimum income requirement. Welfare assistance includes assistance from Temporary Assistance for Needy Families ("TANF"); Supplemental Security Income ("SSI") that is subject to an income eligibility test; food stamps; general assistance; or other welfare assistance specified by HUD. The disregard of welfare assistance income under this section affects the determination of minimum monthly income in determining initial qualification for the homeownership program. It does not affect the determination of income-eligibility for admission to the Section 8 housing choice voucher program, calculation of the family's total tenant payment, or calculation of the amount of homeownership assistance payments.

(5) ***First-Time Homeowner.***

Each Section 8 family, except families with a disabled member, must be a first-time homeowner. A "first-time homeowner" means that no member of the household has had an ownership interest in any residence during the three years preceding commencement of homeownership assistance. However, a single parent or displaced homemaker who, while married, owned a home with a spouse (or resided in a home owned by a spouse) is considered a "first-time homeowner" for purposes of the Section 8 homeownership option; and the right to purchase title to a residence under a lease-purchase agreement is not considered an "ownership interest." A member of a cooperative (as defined in § 982.4) also qualifies as a "first time homeowner".

(7) ***Minimum downpayment***

**For the downpayment option the family must:**

- (i) **The family has a sufficient resource to pay a down payment equal to 3% of the purchase price of a typical home that meets their family household size and closing costs. No less than 1% will come from the participant's equity.**
- (ii) **The family has demonstrated to the Municipality that its gross income is sufficient to meet homeownership and other family expenses. The Municipality reserves the right to determine whether a family can or cannot afford the proposed financing before making the recommendation for assistance participation.**

(iii) The family has accrued at least \$500.00 in an escrow account.

**(8) Credit Requirements**

In compliance with the Fair Credit Act, the lending institution will make credit worthiness of the participant. In case the participant is unable to meet this initial criterion he/she will be referred to credit counseling and then reconsidered for the program.

**(9) Application Process and Review Criteria**

Once a family is determined to be eligible to participate in the program, it must comply with the following additional requirements: (i) complete a homeownership counseling program approved by the Municipality prior to commencement of homeownership assistance; (ii) within a specified time, locate the home it proposes to purchase; (iii) submit a sales agreement containing specific components to the Municipality for approval; (iv) allow the Municipality to inspect the proposed homeownership dwelling to assure that the dwelling meets appropriate housing quality standards; (v) obtain an independent inspection covering major building systems; (vi) obtain the Municipality approval of the proposed mortgage (which must comply with generally accepted mortgage underwriting requirements); and (vii) enter into a written agreement with the Municipality to comply with all of its obligations under the Section 8 program.

**(10) Other Eligibility Restrictions**

**(i) Repayment of Any Housing Authority Debts.**

Participants in the Section 8 housing choice voucher program shall be ineligible for participation in the Section 8 homeownership program in the event any debt or portion of a debt remains owed to the Municipality or any other Housing Authority. Nothing in this provision will preclude Section 8 participants that have fully repaid such debt(s) from participating in the Section 8 homeownership program.

**(ii) Completion of Initial Lease Term. (Optional)**

*Applicants for and new participants in the Section 8 housing choice voucher program shall be ineligible for participation in the Section 8 homeownership program until completion of an initial Section 8 lease term and the participant's first annual recertification in the Section 8 housing choice voucher program. Nothing in this provision will preclude Section 8 participants that have completed an initial lease term in another jurisdiction from participating in the Section 8 home program.*

**(iii) Elderly and Disabled Households.**

Elderly and disabled families are exempt from the employment requirements set forth in Paragraph 5 (ii) above. In the case of an elderly or disabled family, the Municipality will consider income from all sources, including welfare assistance in evaluating whether the household meets the minimum income required to purchase a home through the Section 8 homeownership program.

(iv) **Prior Mortgage Defaults.**

If a head of household, spouse, or other adult household member who will execute the contract of sale, mortgage and loan documents has previously defaulted on a mortgage obtained through the Section 8 homeownership program, the family will be ineligible to participate in the home ownership program.

(11) **Counseling Participation Requirement**

A family's participation in the homeownership program is conditioned on the family attending and successfully completing a homeownership and housing counseling program provided or approved by the Municipality of Hormigueros prior to commencement of home ownership assistance. The homeownership and counseling program will cover home maintenance; budgeting and money management; credit counseling; negotiating purchase price; securing mortgage financing and finding a home.

The counseling agency providing the counseling program shall HUD approve either or the program shall be consistent with the homeownership counseling provided under HUD's Housing Counseling program. **The Municipality may require families to participate in an approved homeownership-counseling program on a continuing basis.**

(12) **First Home Clubs – Optional**

A new initiative could be coordinated with lending institutions members of the Federal Home Loan Bank of New York; they provide a grant to sponsor the program "First Home Club" (FHC). This program is for first-time homebuyers and provides subsidy funds to assist very low-, low-, and moderate- income households overcome the financial difficulties of purchasing a home. The program is a non-competitive set-aside of the Affordable Housing Program (AHP) and is administered through approved members of the Federal Home Loan Bank of New York (Bank).

The FHC provides down payment and closing cost assistance by granting three dollars in matching funds for each dollar saved to qualified first-time homebuyers who follow a systematic savings plan and participate in an approved homeownership counseling program. Up to \$5,000 in matching funds will be awarded to qualified households based on the total savings deposited in a dedicated account with an approved member bank. OCAM, STATE PROGRAMS, HOME FUNDS ECT.

**SECTION C – THE HOUSING UNIT REQUIREMENT**

(1) **Timeframe to Locate**

Upon approval for the Section 8 home ownership program, a family shall have one hundred eighty (180) days to locate a home to purchase. A home shall be considered located if the family submits a proposed sales agreement with the requisite components to the Municipality of Hormigueros. For good cause, the Municipality of Hormigueros may extend a Section 8 family's time to locate the home for additional thirty (30) day increments. During a Section 8 participant's search for a home to purchase, their Section 8 rental assistance shall continue pursuant to the Administrative Plan. If a Section 8 participant family is unable to locate a home within the time approved by the Municipality

of Hormigueros, their Section 8 rental assistance through the Section 8 housing choice voucher program shall continue.

Once a home is located and a sales agreement is approved by the Municipality of Hormigueros and is signed by the family, the family shall have up to three (3) months, or such other time as is approved by the Municipality Of Hormigueros or set forth in the approved sales agreement, to purchase the home.

If a Section 8 participant is unable to purchase the home within the maximum time permitted by the Municipality, it shall continue the family's participation in the Section 8 housing choice voucher program. The family may not re-apply for the Section 8 home ownership program until they have completed an additional year of participation in the Section 8 housing choice voucher program following the initial determination of their eligibility for the home ownership option.

**(2) *Type of Home.***

A family approved for Section 8 homeownership assistance may purchase the following type of homes within the Municipality of Hormigueros: a new or existing home, a single-family home, a condominium, a home in a planned use development, a cooperative, a loft or live/work unit, or a manufactured home. The home must already exist or under construction at the time the Municipality determines the family eligible for homeownership assistance **[to purchase the unit (§ 982.628(a)(2).]**

**(3) *Seller cannot be debarred, suspended or Subject to LDP by HUD.***

The seller could not be posted in the Limited Denial of Participation (LDP). The listing is normally issued by a HUD Field Office and is an action that excludes a specific individual(s) or firm(s) from participating in a specific program, or programs, within that HUD Field Office's geographic jurisdiction, for a specific period of time. In limited instances HUD Headquarters may also issue LDP's.

**(4) *Extension of Jurisdiction***

The municipal territory of Hormigueros will is the main location for the homeownership program. Nevertheless, extension of this jurisdiction could be granted to participants with portable vouchers that may purchase a home in a jurisdiction other than the Municipality of Hormigueros, provided the Housing Authority in the receiving jurisdiction operates a Section 8 homeownership program for which the Section 8 homeownership applicant **qualifies or authorizes the Municipality Of Hormigueros to administer the home ownership assistance in their jurisdiction.** In the former case, a family's participation in the Section 8 homeownership program will be subject to the Section 8 homeownership program and policies of the receiving jurisdiction.

**(5) *Lease-Purchase***

Families may enter into lease-purchase agreements while receiving Section 8 rental assistance. All requirements of the housing choice voucher program apply to lease-purchase agreements, except that families are permitted to pay an extra amount out-of-pocket to the owner for purchase related expenses-- a "homeownership premium." Any

"homeownership premium," defined as an increment of value attributable to the value of the lease-purchase right or agreement, is excluded from the Municipality rent reasonableness determination and subsidy calculation, and must be absorbed by the family. When a lease-purchase participant family is ready to exercise their option, they must notify the Municipality and apply for the homeownership option. If determined eligible for homeownership assistance, the family may be admitted to the homeownership program and must meet all the requirements of these policies.

Prior to execution of the offer to purchase or sales agreement, the family must provide the financing terms to the Municipality **for approval**. The sales agreement must provide for inspection by the Municipality of Hormigueros and the independent inspection referred to in Section 3(E) and **must state that the purchaser is not obligated to purchase unless such inspections are satisfactory to the Municipality**. The contract also must provide that the purchaser is not obligated to pay for any necessary repairs. **The sales agreement must provide that the purchaser is not obligated to purchase if the mortgage financing terms are not approved by the Municipality**. The sales agreement must also contain a seller certification that the seller is not debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24. This will be verified by the Municipality.

**(6) *HQS Inspection by PHA.***

To assure the home complies with the housing quality standards of the Section 8 program, homeownership assistance payments may not commence until the Municipality first inspects the home.

**HQS inspection will be conducted in compliance to HUD requirements.**

**(7) *Independent Initial Inspection Conducted.***

An independent inspection of existing homes covering major building systems also must be completed by a professional selected by the family **The Municipality will not pay for the independent inspection**. The independent inspection report must be provided to the Municipality, which **may disapprove the unit due to information contained in the report or for failure to meet federal housing quality standards**.

**SECTION D - Financing Requirements.**

The proposed financing terms must be submitted to and approved by the Municipality of Hormigueros prior to close of escrow.

In first instance, the lending institution should submit to the Municipality of Hormigueros the Good Faith Estimate for the option to purchase contract, in order to determine the affordability of the family's proposed financing. In making such determination, the Municipality may take into account other family expenses, including but not limited to child care, unreimbursed medical expenses, education and training expenses and the like. Once completed the loan application, copy of the Settlement Statement should be presented to the Municipality for final approval.

Certain types of financing, including but not limited to, balloon payment mortgages, unless convertible to a variable rate mortgage, are prohibited and will not be approved by the Municipality.

The Municipality on a case-by-case basis shall consider seller-financing mortgages. If a mortgage is not FHA-insured, THE MUNICIPALITY will require the lender to comply with generally accepted mortgage underwriting standards consistent with those of HUD/ FHA, Ginnie Mae, Fannie Mae, Freddie Mac, Puerto Rico Housing Finance Agency (PRHFA), USDA Rural Housing Services, the Federal Home Loan Bank, or other private lending institution.

## SECTION E – ASSISTANCE LIMITS

### **(1) Assistance Limits**

Notwithstanding the provisions except for disabled and elderly families, a family may receive Section 8 homeownership assistance for not longer than ten (10) years from the date of close of escrow unless the initial mortgage incurred to finance purchase of the home has a term that is 20 years or longer, in which case the maximum term is 15 years.

### **(2) Exceptions to Elderly and Handicapped Applicants**

Families that qualify as elderly at the commencement of homeownership assistance are not subject to a maximum term limitation. Families that qualify as disabled families at the commencement of homeownership assistance or at any time during the provision of home ownership assistance are not subject to a maximum term limitation. If a disabled family or elderly family ceases to qualify as disabled or elderly, the appropriate maximum term becomes applicable from the date homeownership assistance commenced; provided, however, that such family shall be eligible for at least six additional months of home ownership assistance after the maximum term becomes applicable. The time limit applies to any member of the household who has an ownership interest in the unit during any time that home ownership payments are made, or is a spouse of any member of the household who has an ownership interest.

### **(3) Reexaminations Requirements**

**A participant in the Section 8 Home Ownership program shall meet the reexaminations (Recertifications) requirements.**

### **(4) HAP Payments**

The amount of the monthly assistance payment will be based on three factors: the voucher payment standard for which the family is eligible; the monthly homeownership expense; and the family's household income. The Municipality will pay the lower of either the payment standard minus the total family contribution ("TFC") or the family's monthly homeownership expenses minus the TFC. The Section 8 family will pay the difference.

#### **(i). Determining the Payment Standard.**

The voucher payment standard is the fixed amount the Municipality of Hormigueros annually establishes as the "fair market" rent for a unit of a particular

size located within the Municipality jurisdiction. In the homeownership program, the initial payment standard will be the lower of either (1) the payment standard for which the family is eligible based on family size; or (2) the payment standard which is applicable to the size of the home the family decides to purchase. The payment standard for subsequent years will be based on the higher of: (1) the payment standard in effect at commencement of the homeownership assistance; or (2) the payment standard in effect at the most recent regular reexamination of the family's income and size. The initial payment standard, for purposes of this comparison, shall not be adjusted even if there is a subsequent decrease in family size. The Municipality will request HUD approval of a higher payment standard, up to 120% of the published Fair Market Rent limit, where warranted as a reasonable accommodation for a family that includes a person with disabilities.

(ii) **Determining the Monthly Homeownership Expense.**

Monthly homeownership expense includes all of the following: principal and interest on the initial mortgage and any mortgage insurance premium (MIP) incurred to finance the purchase and any refinancing of such debt; real estate taxes and public assessments; homeowner's insurance; maintenance expenses per Municipality of Hormigueros allowance; cost of major repairs and replacements per Municipality of Hormigueros allowance (replacement reserves); utility allowance per the Municipality schedule of utility allowances; principal and interest on mortgage debt incurred to finance major repairs, replacements or improvements for the home including changes needed to make the home accessible; and homeowner association dues, fees or regular charges assessed, if any.

(iii) **Determining the Total Family Contribution.**

The TFC is that portion of the homeownership expense that the family must pay. It is generally 30% percent of the family's adjusted income, plus any gap between the payment standard and the actual housing cost. All family income (including public assistance,) will be counted to determine the family's adjusted monthly income for purposes of determining the amount of assistance.

(iv) **Payment to Family or Lender.**

*The Municipality of Hormigueros will provide the lender with notice of the amount of the housing assistance payment prior to close of escrow and will pay the Municipality contribution towards the family's homeowner expense directly to the family, unless otherwise required by the lender. The family will be responsible to submit the entire mortgage payment to the lender unless the lender requires direct payment of the Municipality of Hormigueros' contribution.*

## **SECTION F - TERMINATION OF SECTION 8 HOME OWNERSHIP ASSISTANCE.**

### **(1) Grounds for Termination of Home Ownership Assistance**

Failure to Comply with Family Obligations Under Section 8 Program or the Municipality of Homeownership Policies.

A family's homeownership assistance may be terminated if the family fails to comply with its obligations under the Section 8 program, the Municipality homeownership policies, or if the family defaults on the mortgage. **If required, the family must attend and complete ongoing homeownership and housing counseling course.** The family must comply with the terms of any mortgage incurred to purchase and/or refinance the home. The family must provide the Municipality with written notice of any sale or transfer of any interest in the home; any plan to move out of the home prior to the move; the family's household income and homeownership expenses on an annual basis; any notice of mortgage default received by the family; and any other notices which may be required pursuant to the Municipality homeownership policies. Except as otherwise provided in this Section, the family may not convey or transfer the home to any entity or person other than a member of the assisted family while receiving home ownership assistance.

**(2) *Occupancy of Home.***

Homeownership assistance will only be provided while the family resides in the home. If the family moves out of the home, the Municipality will not continue homeownership assistance commencing with the month after the family moves out.

**(3) *Changes in Income Eligibility.***

A family's homeownership assistance may be changed in the month following annual recertification of the household income, but **participation in the Section 8 Home Ownership program shall continue until such time as the assistance payment amounts to \$0 for a period of six (6) consecutive months.**

**(4) *Reaching Maximum Term of Home Ownership Assistance.***

Once the family is reaching the maximum term of homeownership assistance, the Municipality will notify 90 days before the date of such occurrence, that no further assistance will be disbursed to the family once the date of termination arrives.

**(5) *Procedure for Termination of Home Ownership Assistance.***

A participant in the Section 8 Homeownership program shall be entitled to the same termination notice, rights set forth in Conditions and Procedures for Termination of Assistance, of the Municipality Administrative Plan.

**(6) *Right to Informal Hearing Procedures***

A participant in the Section 8 Homeownership program shall be entitled to the same informal hearing procedures as set forth in Informal Hearing Procedures for Participants of the Municipality Administrative Plan.

**(7) *Continued Participation in Section 8 Housing Choice Voucher Program.***

**(i) Default on FHA-Insured Mortgage.**

If the family defaults on an FHA-insured mortgage, the Municipality may permit the family to move with continued Section 8 housing choice rental assistance if the

family demonstrates that it has (a) conveyed title to the home as put forth in the FHA documents.

- (ii) Default on non-FHA-Insured Mortgage.

**If the family defaults on a mortgage that is not FHA-insured, the Municipality may permit the family to move with continued Section 8 housing choice voucher rental assistance if the family demonstrates that it has (a) conveyed title to the home to the lender, to the Municipality Hormigueros or to its designee, as may be permitted or required by the lender; and (b) moved from the home within the period established or approved by the lender and/or the Municipality.**

- (iii) Return to tenant-based assistance on the Downpayment Grant.

The Municipality may not commence tenant-based rental assistance for occupancy of the new rental assisted unit so long as any family member owns any title or other interest in the home purchased with homeownership assistance. Further, 18 months must have passed since the family's receipt of the downpayment assistance grant.

**(8) *Administrative Fee.***

For each month that homeownership assistance is paid by the Municipality on behalf of the family, the Municipality shall be paid the ongoing administrative fee described in 24 CFR §982.152(b).

**(9) *Waiver or Modification of Home Ownership Policies.***

The Mayor of the Municipality shall have the discretion to waive or modify any provision of the Section 8 home ownership program or policies not governed by statute or regulation for good cause or to comply with changes in HUD regulations or directives.

El límite de tiempo comenzará el día en que se cierre la compra-venta, sin importar la fecha en que la familia se mude a la unidad adquirida. Si la familia recibe asistencia para la compra de vivienda con un vale portátil fuera de la jurisdicción del Municipio, el total de años de asistencia será el término máximo antes mencionado.

El límite de tiempo establecido no aplica a jefes de familias envejecientes o con impedimentos. Para estas familias el término será de 15 años sin importar el término de la hipoteca.

Si la familia deja de cualificar como un jefe de familia envejeciente o impedido, el término máximo de asistencia se ajustará desde la fecha del cierre hipotecario al término indicado de la extensión aplicable a la hipoteca. No obstante, se le podrá extender a la familia una extensión de al menos seis (6) meses siempre y cuando la familia siga siendo elegible para recibir la asistencia del pago de hipoteca.

Para poder lograr la elegibilidad del programa, el participante debe cumplir con los ocho pasos que se establecen en este documento. Estos pasos son:

#### LOS OCHO PASOS

1. Determinación elegibilidad
2. Consejería para Compradores de Vivienda y Pre-cualificación hipotecaria
3. Búsqueda de vivienda y aceptación de la unidad por Autoridad de Vivienda
4. Revisión del Contrato de Compra-Venta
5. Obtener la aprobación de la hipoteca por el Programa de Sección 8
6. Determinación de la cantidad del subsidio mensual o el pago del pronto
7. Compra de la Vivienda
8. Asistencia a sesiones de consejería continuas

\_\_\_\_\_  
Nombre del Solicitante

\_\_\_\_\_  
Nombre del Cónyuge

\_\_\_\_\_  
Fecha

\_\_\_\_\_  
Manejador de Caso

\_\_\_\_\_  
Fecha

## LISTADO DE DOCUMENTOS REQUERIDOS

### Para determinar la elegibilidad preliminar del solicitante, debe traer:

- Verificación de empleo de cada miembro de la familia; si trabaja por su cuenta debe presentar copia de ingresos y gastos de su negocio certificado por un Contador Público Autorizado (CPA), así también presentará evidencia de todo los ingresos suplementarios o complementarios que reciban.
- Copia certificada de la planilla de contribuciones del año\_\_\_\_\_ radicada en el Departamento de Hacienda.
- Para los dependientes mayores de 18 años se conseguirá la certificación del Negociado de Seguridad de Empleo del Departamento del Trabajo y Recursos Humanos.
- Para los dependientes reclamados por incapacidad, desempleo, envejecientes o desplazados, se presentarán los documentos que evidencie el reclamo pertinente, incluyendo las ayudas de gobierno que reciben a estos efectos (local y/o estatal).
- Foto de la composición familiar

### Para determinar la elegibilidad final del solicitante, debe traer:

- La solicitud firmada en la que autoriza al Programa de Sección 8 requisar su Informe de Crédito, o cualquier otro documento que evidencie ingresos
- Certificación negativa del CRIM para cada uno de los adultos en el grupo familiar.
- Certificación negativa del Departamento de Hacienda para cada uno de los adultos en el grupo familiar.
- Certificación de radicación de Planilla del Departamento de Hacienda para cada uno de los adultos en el grupo familiar.

### Para determinar la elegibilidad de la propiedad:

- Copia de la escritura de la propiedad que será comprada.
- Copia de la certificación de valor y de deuda del CRIM.

- Fotografía de la propiedad, frente y lateral.
- Contrato de opción de compra.
- Good Faith Estimate emitido por el banco.

**Para cerrar el negocio de compra-venta**

- Settlement Statement
- Firmar el contrato de asistencia económica
- Identificación personal con foto para el día del cierre hipotecario.
- Pagaré hipotecario
- Escritura de compra-venta

Advertencia: Todos los documentos deben estar certificados por las agencias de gobierno pertinentes y presentarse el documento original. En caso de copias fotostáticas, estas deben ser elegibles 100%; y serán certificadas/ fechadas por el técnico con la presentación del documento por escrito. En caso de que algunos de los documentos no puedan probar ingresos o composición familiar, dicho elemento en particular no será considerado en el computo final del tamaño familiar.

Participante	_____
Co-participante	_____
Fecha	_____
Manejador de Casos	_____
Fecha	_____

## OBLIGACIONES DEL PARTICIPANTE QUE SERÁ ASISTIDO POR EL PROGRAMA SECCIÓN 8 PARA LA COMPRA DE SU HOGAR

Este CONTRATO DE PARTICIPACIÓN es para ser firmado por los participantes del programa de compra de vivienda en presencia del Coordinador del Programa Sección 8 del Municipio de Hormigueros, una vez se determine su elegibilidad. El Coordinador explicará cualquiera y cada una de las cláusulas que usted, el participante, pueda no entender.

Los siguientes párrafos describen sus responsabilidades bajo el Programa Sección 8 de Compra de Vivienda. Si usted o algún miembro de su familia no cumple con estas responsabilidades, por negligencia u omisión, se le podrá poner fin a su participación en el Programa Sección 8 de Compra de Vivienda Propia.

### CLÁUSULAS PARTICIPATIVAS

1. Obligaciones de la Familia: Usted tiene que cumplir con todas la Obligaciones de la Familia del Programa Sección 8 de Vales para la Selección de Vivienda, exceptuando la prohibición de poseer o tener algún interés en una unidad de vivienda. Las secciones §§ 982.551(c),(d),(e),(f),(g) y (j) Obligaciones de la Familia *no aplican al Programa Sección 8 de Compra de Vivienda Propia.*
2. Consejería de Vivienda: Todos los miembros de la familia participante (esto es, aquellos que firmen el contrato de compra-venta y los documentos del préstamo) tienen que completar satisfactoriamente un programa de consejería de vivienda provisto o aprobado por el Programa de Sección 8 antes de comenzar a recibir asistencia para la compra de la vivienda con fondos del programa. El Programa de Sección 8 puede requerir a cualquiera o a todos los miembros de la familia participante asistir a clases de consejería de vivienda adicionales como condición de la asistencia continuada.
3. Contrato de Compra Venta: Usted tiene que incluir en dicho contrato una cláusula para que le den tiempo razonable al Inspector del Programa para (a) inspeccionar que la vivienda cumpla con los Estándares de Calidad de Vivienda establecidos por HUD; (b) para revisar y aprobar un informe profesional de inspección de la vivienda costado por usted de un inspector aprobado por el Programa de Sección 8; y (c) la aprobación por parte del Programa de los términos de financiamiento. Informe a su Corredor de Bienes Raíces de estos requisitos.
4. Obligaciones Hipotecarias: Usted tiene que cumplir con los términos de cualquier hipoteca incurrida para la compra de la propiedad y tiene que notificar al Programa de Sección 8 de en un plazo de cinco (5) días de cualquier aviso de atraso de pago o aviso de delincuencia en el pago de la hipoteca.
5. Ocupación: Usted tiene que ocupar la unidad como su residencia principal. Usted no puede transferir, vender o asignar cualquier interés en la propiedad sin previo consentimiento escrito del Programa de Sección 8. Usted no puede alquilar o dar en arriendo cualquier parte de la propiedad sin previo consentimiento escrito del Programa de Sección 8. Usted tiene que notificar por escrito con al menos 30 días de anticipación antes de mudarse de la vivienda por un período de 30 días o más o antes de cualquier venta, transferencia, alquiler u otra forma de enajenación de la propiedad asistida.

6. **Mantenimiento:** Usted tiene que mantener la propiedad en condiciones decentes, seguras y sanitarias. Usted tiene que permitir que el Inspector del Programa de Sección 8 inspeccione la propiedad dentro del plazo de una semana para realizar la inspección anual. Usted tiene que corregir cualquier notificación de deficiencia determinada por el Programa de Sección 8 dentro de la fecha límite especificada en dicha notificación. Si usted falla en mantener adecuadamente la propiedad, el Programa de Sección 8 puede retener cualquier porción de la reserva de mantenimiento y remplazo del pago para la compra de la vivienda a una cuenta de reserva (escrow account) para ser usada en el pago de gastos de mantenimiento necesarios y razonables.
7. **Re-examen Anual:** Usted tiene que proveer anualmente al programa de sección 8 la información requerida por dicha oficina.
8. **Refinanciamiento:** Usted tiene que notificar por escrito al programa de sección 8 de cualquier propuesta para refinanciar la hipoteca original o cualquier otra propuesta para gravar la propiedad con refinanciamiento secundario y obtener la aprobación escrita del Programa de Sección 8 de tal financiamiento, previo a la ejecución de cualquier documento de préstamo.
9. **Falta de pago:** En la eventualidad de una falta de pago de su obligación hipotecaria, usted tiene que cooperar con el Programa de Sección 8 y la entidad financiera para minimizar cualquier pérdida en el otorgamiento del préstamo y así mantener su elegibilidad para continuar como participante del Programa Sección 8 de Vales de Selección de Vivienda.

Mediante mi firma en este documento, declaro que he leído y entendido mis obligaciones como participante del Programa Sección 8 de Compra de Vivienda Propia y convengo en cumplir con estas obligaciones. Entiendo que el Programa de Sección 8 puede terminar mi asistencia para la compra de vivienda propia si violo cualquiera de estas obligaciones, pero que puedo solicitar un revisión informal de cualquier aviso de terminación propuesto, previo a que el mismo se haga efectivo.

\_\_\_\_\_  
Jefe de Familia

\_\_\_\_\_  
Cónyuge

\_\_\_\_\_  
Alcalde

\_\_\_\_\_  
Coordinador Programa Sección 8

\_\_\_\_\_  
Fecha

## HOJA DE CONTROL DE EXPEDIENTE

<p>SECCIÓN 1 HOJAS DE COTEJO</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Informe de Progreso</li> <li><input type="checkbox"/> Autorización Obtener/ Compartir Información</li> <li><input type="checkbox"/> Certificación del Participante (Documentos/ Orientación)</li> <li><input type="checkbox"/> Listado de Documentos Requeridos</li> </ul>
<p>SECCIÓN 2 DOCUMENTOS/ CONTRATO ASISTENCIA HOMEOWNERSHIP</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Voucher: Forma HUD-52646</li> <li><input type="checkbox"/> Solicitud Programa Compradores</li> <li><input type="checkbox"/> Voucher Programa Compradores</li> <li><input type="checkbox"/> Contrato: Obligaciones de Compradores de Sección 8 Homeownership</li> </ul>
<p>SECCIÓN 3 HOJAS TRABAJO/ CERTIFICACIONES DEL TÉCNICO</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Certificación Elegibilidad Participante por el Técnico</li> <li><input type="checkbox"/> Hoja Comentarios del Técnico</li> <li><input type="checkbox"/> Certificación Elegibilidad Compradores</li> </ul>
<p>SECCIÓN 4 DOCUMENTOS/ EVIDENCIAS PARTICIPANTES</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Formulario HUD-50058</li> <li><input type="checkbox"/> Verificación de Ingresos</li> <li><input type="checkbox"/> Verificación/ Documentos Composición Familiar (Identificaciones, etc.)</li> <li><input type="checkbox"/> Certificaciones de ASUME, HACIENDA, CRIM</li> </ul>
<p>SECCIÓN 5 DOCUMENTOS RELACIONADOS A LA VIVIENDA</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Inspección Vivienda del Municipio Forma HUD-52580-A</li> <li><input type="checkbox"/> Inspección Independiente de la Vivienda</li> <li><input type="checkbox"/> Contrato Compraventa</li> </ul>
<p>SECCIÓN 6 DOCUMENTOS DE CIERRE HIPOTECARIO</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Settlement Statement</li> <li><input type="checkbox"/> Pagaré</li> <li><input type="checkbox"/> Escritura</li> </ul>

**ESTADO LIBRE ASOCIADO DE PUERTO RICO  
MUNICIPIO DE HORMIGUEROS  
PROGRAMA DE SECCIÓN 8**

**Certificación de Elegibilidad del Participante**

**Nombre de los Participantes:** \_\_\_\_\_

**Fecha:** \_\_\_\_\_ **Voucher núm.:** \_\_\_\_\_ **Hab.:** \_\_\_\_\_

- Que la familia participante cumple con el requisito de ingresos, según establecido en la sección 982.627(c) del 24 CFR. El ingreso de esta familia es \$ \_\_\_\_\_.
- Que de acuerdo a los documentos presentados por la familia, por lo menos, uno de los miembros del grupo familiar, de los que firmaran como titular, ha estado trabajando durante un año previo a iniciar su participación en el Programa de Compradores de Vivienda.
- Que de acuerdo a los documentos presentados por la familia, ningún miembro del grupo familiar ha sido declarado en "default" bajo un Programa de Compradores de Vivienda de Sección 8.
- Que de acuerdo a los documentos presentados por la familia, ningún miembro del grupo familiar posee titularidad o interés en una vivienda al momento de ser admitido al Programa de Compradores de Vivienda de Sección 8.
- Que la familia participante firmó un contrato de compraventa con un vendedor elegible y que dicho contrato contenía el precio de venta, las condiciones de la compraventa, el requisito de una inspección independiente, una cláusula que no obliga al comprador a adquirir la unidad si menos que se repararen los elementos defectuosos identificados en la inspección independiente y que dichas reparaciones serían responsabilidad del vendedor, y que el vendedor no ha sido desafortunado (suspendido, o sujeto a una participación limitada en los programas de HUD), según establecido en la reglamentación federal.
- Que los participantes han cumplido con todos los requisitos establecidos en el Plan Administrativo del Programa de Compradores.

A estos efectos, firmo hoy \_\_\_\_\_ de \_\_\_\_\_ de 200\_\_\_, la presente certificación a favor de los participantes identificados en la primera partida de este documento.

\_\_\_\_\_  
Manejador de Caso

**ESTADO LIBRE ASOCIADO DE PUERTO RICO**  
**MUNICIPIO DE HORMIGEROS**  
**PROGRAMA DE SECCIÓN 8**  
**Actividad de Adquisición de Vivienda**  
**(HOMEOWNERSHIP)**  
Documento de Orientación

## INTRODUCCIÓN

El Programa para la Compra de Vivienda por los Inquilinos Participantes del Programa de Sección 8 del Municipio es un programa de participación voluntaria, que le permite a los participantes elegibles incluyendo a los participantes con vales portátiles, la opción de comprar un hogar en vez de alquilar, con el mismo dinero que se utiliza para el pago de la renta mensual. La opción de compra de hogar está limitada a un cinco por ciento (5%) del total de unidades en contrato con el Municipio, para cualquier año fiscal. Dicho programa lo administra el Programa de Sección 8. Las solicitudes que se hagan de las familias participantes en el programa de auto-suficiencia familiar y los jefes de familia envejecientes no estarán sujetos al límite del 5%. Si las solicitudes excedieran el 5%, los participantes del Programa de Auto-Suficiencia Familiar ("ASF") y los jefes de familia de envejecientes recibirán prioridad de participar en el programa de compra de vivienda.

Los participantes elegibles del Programa Sección 8 de Compra de Vivienda tienen que haber completado un contrato de alquiler por un término mínimo de un año, no pueden tener deuda vigente con el programa ni con ninguna otra Autoridad de Vivienda o parte interesada, y deben lograr los criterios de elegibilidad aquí establecidos.

La asistencia del Programa de Sección 8 para la Compra de Vivienda puede utilizarse para comprar cualquiera de los siguientes tipo de vivienda dentro de la jurisdicción del Municipio vivienda nueva o existente de característica uni-familiar, propiedad horizontal (condominios) y cooperativas. El Programa de Sección 8 permitirá el uso de los vales portátiles para comprar vivienda en otras jurisdicciones, provisto que la jurisdicción que lo reciba opere un Programa de Sección 8 de Compra en el que el solicitante califique o autorice al Municipio administrar el Programa Sección 8 de Compra en su jurisdicción.

El Municipio decidió implantar un tipo de asistencia de vivienda propia disponibles bajo la reglamentación vigente para este programa.

- 1) Asistencia mensual para el pago de su hipoteca.

El Sec. 8 Homeownership tipo de asistencia provee ayuda a los nuevos compradores de vivienda con los "pagos mensuales" de su hipoteca. Los pagos mensuales incluirán el pago de principal, interés, seguro hipotecario y las contribuciones sobre la propiedad. El Programa de Sección 8 hará el pago mensual directamente al banco hipotecario o a la familia. El pago directo al banco hipotecario nunca excederá el pago de la asistencia que le corresponda del contrato que tiene el inquilino. La diferencia correspondiente la hará el participante al banco.

El término máximo para la subvención del pago mensual de la hipoteca será:

- 10 años para hipotecas de 20 años o menos;
- 15 años para hipotecas de más de 20 años.

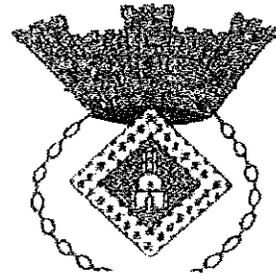
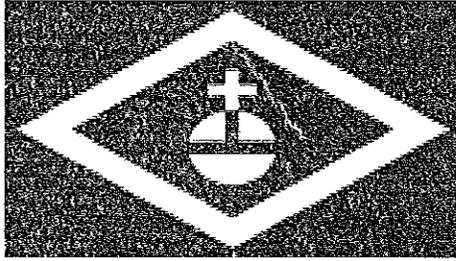
**MUNICIPIO DE HORMIGUEROS  
HORMIGUEROS, PUERTO RICO**

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**Independent Auditors' Report and  
Financial Statements  
(with Additional Information  
and Reports Required  
Under the OMB Circular A-133)**

**Fiscal Year ended June 30, 2007**

**VALDES, GARCIA, MARIN & MARTINEZ, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

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

*FISCAL YEAR ENDED JUNE 30, 2007*

**Hon. Pedro J. García-Figueroa**  
**Mayor**

**Mrs. Marinelda Acosta**  
**Finance Director**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

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**FINANCIAL SECTION**

# VALDES, GARCIA, MARIN & MARTINEZ, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
MEMBER OF THE AICPA PRIVATE COMPANIES PRACTICE SECTION

**PARTNERS:**

ERNESTO VALDÉS  
ARTURO GARCÍA SÁNCHEZ  
RAMÓN MARÍN  
LUZ N. MARTÍNEZ

P.O. Box 364831  
SAN JUAN, P.R. 00936-4831  
TELEPHONE: (787) 725-1600  
TELEFAX: (787) 721-2795

## INDEPENDENT AUDITORS' REPORT

Mayor and Members of the Municipal Legislature  
Municipality of Hormigueros  
Hormigueros, Puerto Rico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of Hormigueros, Puerto Rico, as of and for the year ended June 30, 2007, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

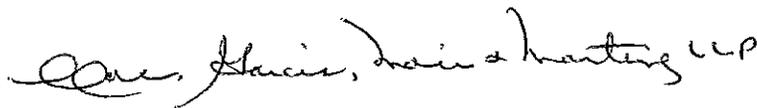
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of Hormigueros, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

The Management Discussion and Analysis on *pages 3 through 13* and the Budgetary Comparison Schedule – General Fund on *page 49*, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Hormigueros, Puerto Rico basic financial statements. 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 and Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "C. J. Garcia, CPA", with "CPA" written in block letters at the end.

San Juan, Puerto Rico  
December 21, 2007

Stamp 2295904 was affixed  
to the original

**Management Discussion and Analysis**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Fiscal year ended June 30, 2007**

The following discussion and analysis of the Municipality of Hormigueros' financial performance will provide an overview of the Municipality's financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the Municipality's financial statements, which follows this analysis.

**FINANCIAL HIGHLIGHTS**

***Highlights for Government-wide Financial Statements***

Information reported in the government-wide statements is based on the economic resources measurement focus and the accrual basis of accounting:

- The assets of the Municipality, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2006-2007 by \$31,362,703 (net assets). This represents an increase of 12% with respect to year 2005-2006.
- Revenues and expenses increased by 16% and 11% respectively in comparison with the previous year.
- The change in net assets increased 46% compared to the change in net assets of year 2005-2006 (as restated).

***Highlights for Fund Financial Statements***

Fund financial statements present information of the most significant funds of the Municipality based on the current financial resources measurement focus and the modified accrual basis of accounting:

- At June 30, 2007, a net change of (\$215,317) in the fund balances of the Municipality's governmental funds resulted in reported combined ending fund balances of \$7,996,478. Approximately 39% of the total combined fund balances is unreserved.
- Total fund balance of the general fund decreased by 19% and the unreserved fund balance decreased 22% in comparison to fiscal year 2005-2006.

***General Financial Highlights***

- The investment in capital assets as of June 30, 2007 was \$35,786,270 (net of depreciation).
- Long term debt increased to \$14,213,664; approximately .97% with respect to the prior year.
- On a budgetary basis, actual expenditures exceeded actual revenues by \$1,125,167.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

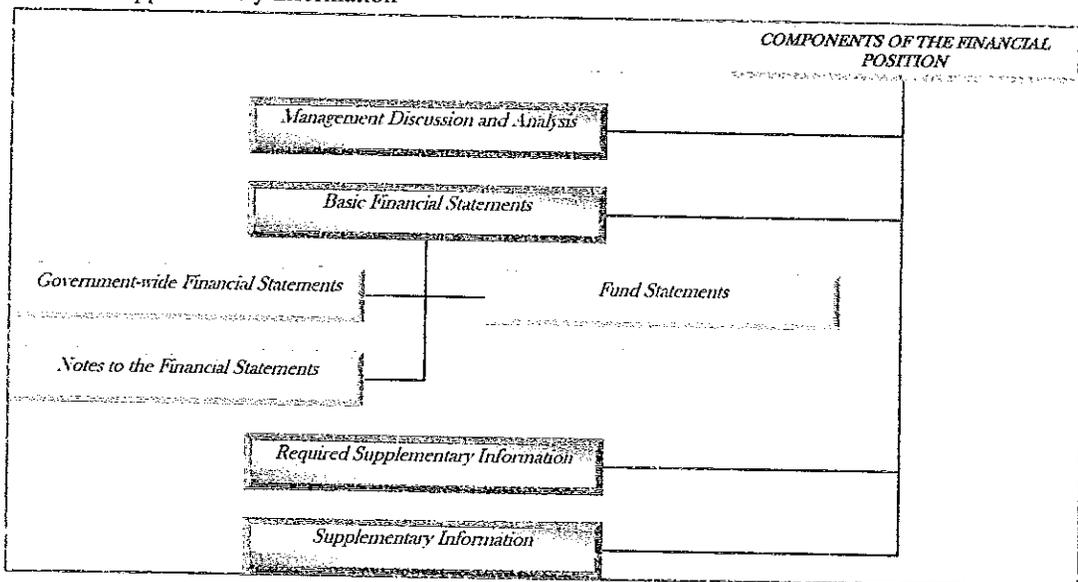
MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

The Municipality's financial report comprises four components:

- management discussion and analysis (presented here)
- basic financial statements
- required supplementary information
- supplementary information



The Municipality's basic financial statements consist of two kinds of statements, each with a different view of the Municipality's finances. The government-wide financial statements provide both long-term and short-term information about the Municipality's overall financial status. The fund financial statements focus on major aspects of the Municipality's operations, reporting those operations in more detail than the government-wide statements:

➤ *Government-Wide Statements*

The government-wide statements report information about the Municipality as a whole using accounting methods similar to those used by private-sector businesses. They are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The first government-wide statement – the statement of net assets – presents information on all of the Municipality's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Municipality's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as the condition of the Municipality's capital assets may need to be considered to assess the overall health of the Municipality. The second statement – the statement of activities – presents information showing how the net assets changed during the year. All of the current year's revenues and expenses are taken into account in the statement of activities regardless of when cash is received or paid.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2007

The government-wide statements reports as governmental activities the Municipality's basic services such as public works and sanitation, public safety, culture and recreation, housing, welfare, community development, education and general administration. These activities are primarily financed through property taxes, other local taxes and intergovernmental revenues. Included in the governmental activities are the governmental funds.

➤ ***Fund Financial Statements***

The fund financial statements provide more detailed information about the Municipality's most significant funds. Funds are accounting devices that the Municipality uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by Federal and Commonwealth regulations, as well as by bond covenants.

The Municipality's basic services are included in governmental funds, which are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide statements, the governmental funds are prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach the financial statements focus on near-term inflows and outflows of external resources, as well on balances of expendable resources available at year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.

The governmental fund statements focus on major funds. The Municipality's major funds are the general fund (which accounts for the main operating activities of the Municipality) and funds that comply with a minimum criterion (percentage of the assets, liabilities, revenues or expenditures). Funds that do not comply with this criterion are grouped and presented in a single column as other governmental funds.

➤ ***Notes to the financial statements***

The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

➤ ***Required supplementary information***

The statements and notes are followed by the required supplementary information that contains the budgetary comparison schedule for the General Fund.

➤ ***Supplementary information***

The required supplementary information is followed by a financial data schedule containing financial information of the Section 8 Housing Choice Voucher Program administered by the Municipality.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**MANAGEMENT DISCUSSION AND ANALYSIS**

Fiscal year ended June 30, 2007

**FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE**

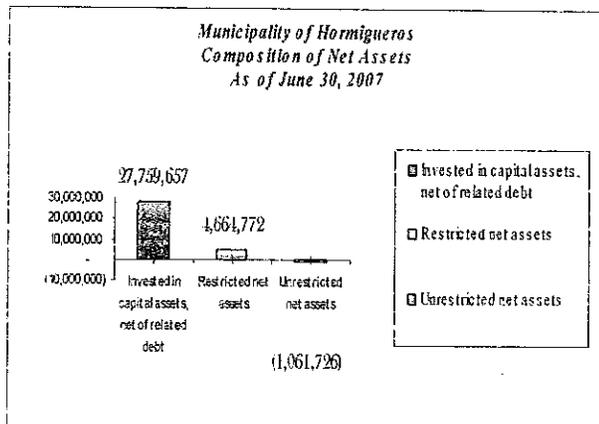
*Net Assets*

The following table presents a summary of the Statement of Net Assets as of June 30, 2007 and 2006:

**TABLE 1**

<i>Summary Statement of Net Assets As of June 30,</i>		
	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006 (as restated)</b>
<b>Assets</b>		
Current and other assets	\$12,616,273	\$ 12,763,211
Capital assets	35,786,270	32,639,836
<b>Total assets</b>	<u>\$ 48,402,543</u>	<u>\$ 45,403,047</u>
<b>Liabilities</b>		
Current and other liabilities	\$ 2,826,177	\$ 3,397,006
Long term liabilities	14,213,664	14,076,704
<b>Total liabilities</b>	<u>17,039,840</u>	<u>17,473,710</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	27,759,657	25,376,741
Restricted	4,664,772	3,262,434
Unrestricted	(1,061,726)	(709,838)
<b>Total net assets</b>	<u>\$ 31,362,703</u>	<u>\$ 27,929,337</u>

Net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the assets of the Municipality exceeded its liabilities by \$31,362,703, representing an increase of 12% with respect to fiscal year ended 2006. The largest portion of the Municipality's net assets reflect its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less accumulated depreciation and less any related outstanding debt used to acquire those assets.



The Municipality uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources, because capital assets are not generally liquidated for the purpose of retiring debt. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets are the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**MANAGEMENT DISCUSSION AND ANALYSIS**

Fiscal year ended June 30, 2007

As of June 30 2007, the Municipality presented an unrestricted net assets deficit. This deficit primarily arises from long-term obligations such as compensated absences and debts to CRIM for which the Municipality did not provide funding in previous budgets. Historically, such obligations have been budgeted on a "pay as you go" basis without providing funding for their future liquidation. In addition, operational loans and certain general obligation bonds do not have a related capital asset to be reported as invested in capital assets, net of the related debt section of net assets. Therefore, they are reported as part of the unrestricted net assets section.

***Changes in net assets***

The following table summarizes the changes in net assets for the fiscal years ended 2007 and 2006:

**TABLE 2**

<i>Summary of Changes in Net Assets As of June 30,</i>			
	<b>Governmental Activities</b>		
	<b>2007</b>	<b>2006 (as restated)</b>	
<b>Program revenues:</b>			
Fees, fines and charges for services	\$ 842,990	\$ 1,359,577	
Operating grants and contributions	1,149,885	1,298,856	
Capital grants and contributions	3,968,124	2,612,708	
<b>General revenues:</b>			
Property taxes	3,270,654	3,202,988	
Municipal license taxes	1,472,030	1,615,652	
Sales and uses taxes	1,587,192	-	
Grants and contributions not restricted to specific programs	4,391,662	4,133,740	
Interest	509,837	372,854	
Other	106,554	273,236	
<b>Total revenues</b>	<b>17,298,931</b>	<b>14,869,611</b>	
<b>Expenses:</b>			
General government	5,844,519	4,860,790	
Public works and sanitation	3,326,409	3,188,456	
Public safety	835,494	718,048	
Culture and recreation	1,183,301	1,069,543	
Health	362,325	356,525	
Housing, welfare and community development	1,697,149	1,723,825	
Education	29,888	22,237	
Interest on long term debt	586,479	579,753	
<b>Total expenses</b>	<b>13,865,563</b>	<b>12,519,177</b>	
<b>Change in net assets</b>	<b>3,433,367</b>	<b>2,350,437</b>	
<b>Net assets-beginning of year</b>	<b>27,929,337</b>	<b>25,578,900</b>	
<b>Net assets-end of year</b>	<b>\$ 31,362,704</b>	<b>\$ 27,929,337</b>	

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2007

FIGURE 1

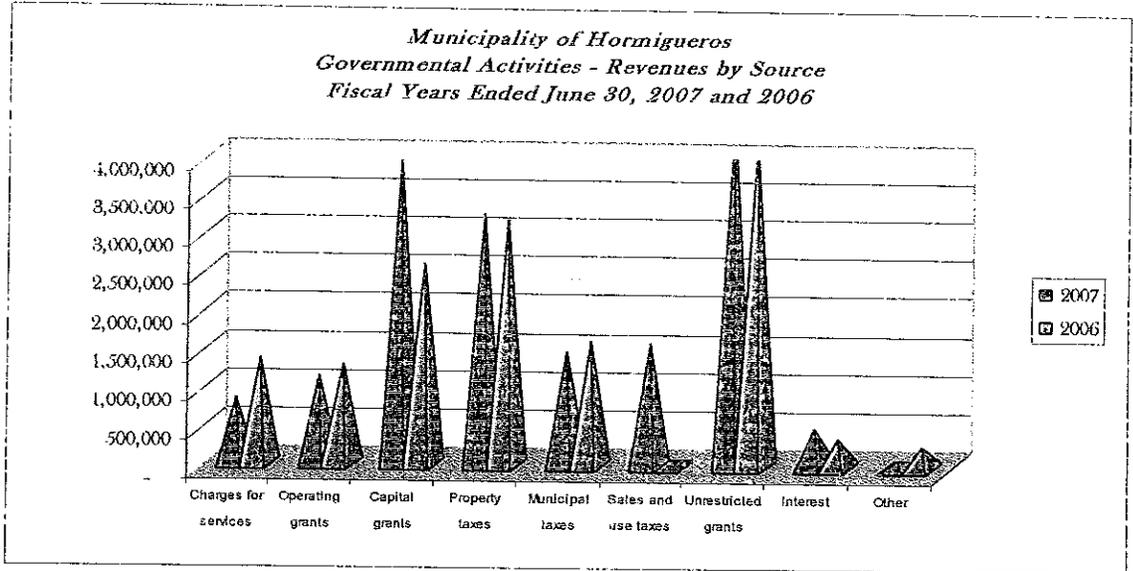
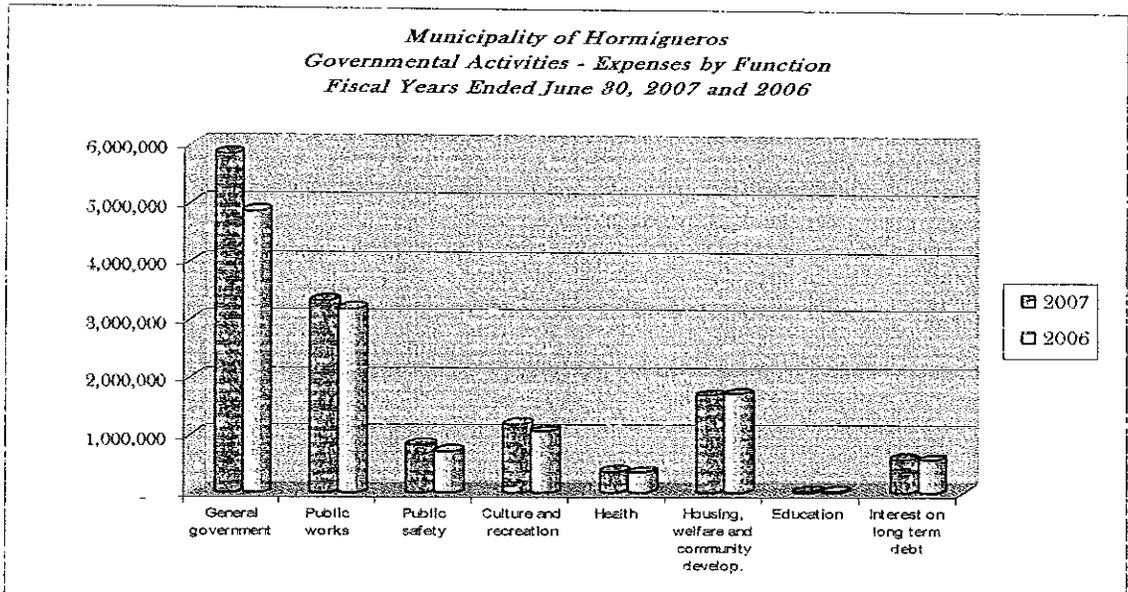


FIGURE 2



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Fiscal year ended June 30, 2007**

Approximately 30% of the Municipality's revenues came from operating and capital grants, 25% from grants and contributions not restricted to specific programs and 19% from property taxes. Revenues increased by 16% in comparison with fiscal year ended 2006. This net increase is mostly affected by the recognition of the new revenue source sales and use taxes which amounted to \$1,587,192, and a combination of the following: (1) a 52% increase in capital grants mostly due to an increase in revenues resulting primarily from a surplus of the proceeds of the \$575,000,000 Series A Public Improvements Bonds issued by the Commonwealth Government, (2) a 37% increase in interest revenue mostly from certificates of deposits, (3) a 38% decrease in fees, fines and charges for services due to a decrease in construction taxes collected, and (4) a 61% decrease in other revenues due to non-recurrent revenues received from the Puerto Rico Water and Sewer Authority for capital improvements in prior years.

The Municipality's expenses cover a range of services. The largest expenses are general government representing approximately 42%, public works and sanitation with 24%, welfare with 12% and culture and recreation with 9%. Program revenues of the Municipality covered 43% of total expenses.

Expenses increased 11% in comparison with the previous year. This includes an increase of 20% in general government (due to irregular employees salaries, Christmas bonus, and contribution to retired employees benefits), an increase of 16% in public safety (due to Homeland Security and Crime Prevention programs implementation), and an increase of 11% in culture and recreation (due to activities celebrated for the community).

As noted previously, the increase in revenues combined with an increase in expenses caused the net change in net assets to increase approximately 46% compared with net change in net assets reported in the fiscal year 2006 statement of activities. The following table focuses on the cost of each of the Municipality's largest programs as well as each program's net cost (total cost less fees generated by the programs and program-specific intergovernmental aid):

**TABLE 3**

<i>Net Cost of Municipality's Governmental Activities</i>				
<i>Fiscal years ended June 30,</i>				
<b>Functions/Programs</b>	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2007</b>	<b>2006 (as restated)</b>	<b>2007</b>	<b>2006 (as restated)</b>
General government	\$ 5,844,519	\$ 4,860,790	\$ 4,649,361	\$ 2,985,470
Public works and sanitation	3,326,409	3,188,456	(316,334)	978,142
Public safety	835,494	718,048	738,227	711,805
Culture and recreation	1,183,301	1,069,543	1,161,311	1,057,388
Housing, welfare and community development	1,697,149	1,723,825	693,308	556,716
Other	978,692	958,515	978,692	958,515
	<u>\$ 13,865,563</u>	<u>\$ 12,519,176</u>	<u>\$ 7,904,564</u>	<u>\$ 7,248,035</u>

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$842,990) and other governments and organizations that subsidized certain programs with grants and contributions (\$5,118,009). The \$7,904,564 net cost of services was fully covered by other general revenues including property, municipal license, and sales and use taxes.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2007

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

*Governmental funds*

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows and balances of resources available for spending. Such information is useful in assessing the Municipality's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a Municipality's net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2007, the governmental funds reported combined ending fund balances of \$7,996,478, a net decrease of \$215,347 in comparison with the prior year. This net decrease was caused primarily by an decrease in the General Fund of (\$950,182), and a increase of \$1,092,443 in Commonwealth Legislature Resolutions Fund due to the use in the current year of funds provided in previous years. Of the total combined fund balances, \$3,149,623 (39%) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that is not available for new spending.

The general fund is the operating fund of the Municipality. Unreserved fund balance of the general fund represents 39% of total combined ending fund balance. For the year ended June 30, 2007, the fund balance of the general fund decreased by (\$950,182). The key factors of this change is a new source of revenue from sales and use taxes combined with a decrease of 57% in construction permits and a 24% increase in general government expenses with respect to the fiscal year 2006. In addition, this result includes the net effect of a fund balance readjustment of \$1,957,569 of current year budget with prior year's fund balance resources, approved by the Municipal Legislature.

*General fund budgetary highlights*

The general fund original budget for the fiscal year 2006-2007 presented an increase of 6% with respect to prior year budget due to an increase in the estimated amount of license taxes, compensation in lieu of tax from the Puerto Rico Electric Power Authority (PREPA) and sales and use taxes.

Amendments to the original budget are approved by the Municipal Legislature. During the fiscal year budget revenues were increased by \$1,068,247 mostly due to additional collections for sales and use taxes, interest and other revenues. An amendment to budget expenditures of \$1,957,569 was approved, representing a readjustment of current year budget with prior year's budgetary surpluses. Actual revenues exceeded the revised budgeted revenues by \$688,480. The most significant variances were \$520,572 in sales and use taxes, \$89,152 from intergovernmental subsidies, and \$41,843 in interest (due to higher interest rates from certificates of deposit). The Municipality reported a positive variance of \$143,914 between revised budgeted appropriations and actual expenditures but ended with a total net negative variance of (\$1,125,167).

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital assets*

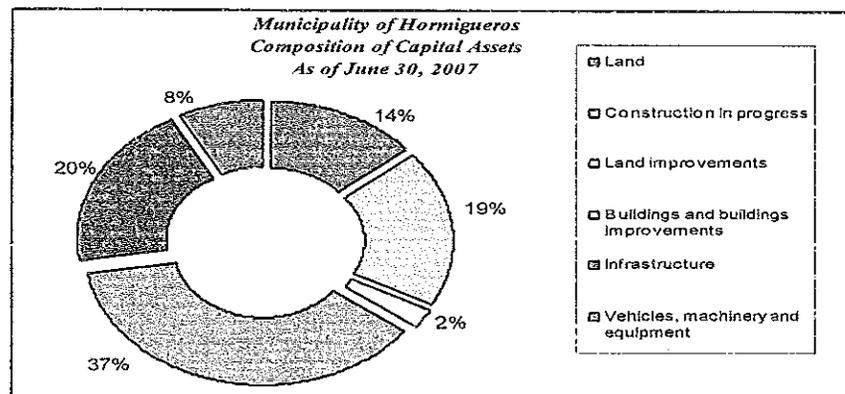
At the end of the fiscal year, the Municipality had invested \$35,786,270 in a broad range of capital assets, including buildings, parks, roads, bridges, land and equipment. This amount represents a net increase of 10% over the prior year.

TABLE 4

	<i>Capital Assets As of June 30,</i>	
	Governmental Activities	
	2007	2006
<b>Non-depreciable assets:</b>		
Land	\$ 5,013,333	\$ 3,956,471
Construction in progress	6,858,398	5,587,053
<b>Depreciable assets:</b>		
Land improvements	765,728	801,731
Buildings and buildings improvements	13,243,920	11,955,313
Infrastructure	7,168,497	7,667,115
Vehicles, machinery and equipment	2,736,394	2,672,153
<b>Total</b>	<b>\$ 35,786,270</b>	<b>\$ 32,639,836</b>

Certain projects are still in construction in progress as of June 30, 2007. The most significant of these projects are the construction of "Lavadero Sanitary Sewer System", the construction of the future Elderly Services Center, the construction of the Julio Rivera Urban Park and the construction of Lavadero's Multiuse Center, with reported costs of \$3,538,950, \$249,309, \$2,251,860, and \$315,793, respectively.

Figure 3



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Fiscal year ended June 30, 2007**

The Municipality's fiscal year 2007-2008 capital budget calls for a significant amount of new and continuous projects including the construction of an Elderly Services Center in the Verдум area for an approximate investment of \$1,325,000, which is being financed through grants from CDBG, Commonwealth Legislature Resolutions and Citizen Participation Funds. Another project that will be continued in this fiscal year is the construction of the Lavadero Multiple Purpose Center, with an estimated cost of \$1,129,381. "Lavadero de Oro" is a significant project that is on schedule for this fiscal year that is composed of eight housing buildings of social interest requiring an investment of \$6,000,000. This project will be realized with funds granted by the Puerto Rico Department of Housing.

Other projects that will be developed in the next fiscal year are the remodeling of Valle Hermoso Norte and Valle Hermoso Sur community centers, remodeling of the Verдум and Estancias del Rio basketball courts, the rehabilitation of the sport complex of Valle Hermoso Sur, the construction of a recreational park for kids, the construction of a electronic library, the construction of a Taekwondo and Gymnastics' Pavilion, and the construction of the Fine Arts School. All of these projects will be financed with other Commonwealth and Federal grants, funds from the Commonwealth Legislature and Municipal funds. More detailed information about the Municipality's capital assets and future projects is presented in Note F to the financial statements.

***Long term debt***

At year-end, the Municipality had \$ 10,370,252 in general and special bonds and notes; an increase of 14% with respect to the prior year. This increase was due to the addition of two bonds' issuances during the current year.

**TABLE 5**

<i>Outstanding Long-term Debt</i>		
<i>Fiscal years ended June 30,</i>		
	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
General and special obligation bonds and notes	\$ 10,370,252	\$ 10,087,949
Compensated absences	1,182,701	1,110,183
Claims and judgments	7,500	30,000
Payable to CRIM – prior years doubtful accounts	4,984	7,025
Note payable-Puerto Rico Treasury Department	1,039,490	1,203,226
Christmas bonus payable	194,067	152,741
Payable to CRIM - LIMS	136,442	162,176
Estimated landfill closing costs	1,100,400	1,063,099
Note payable to FEMA	177,828	260,305
<b>Total</b>	<b>\$ 14,213,664</b>	<b>\$ 14,076,704</b>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Fiscal year ended June 30, 2007**

The Municipality reported a decrease in the other long term debts of \$145,343. This decrease was primarily due to payments applied to the note payable with Puerto Rico Treasury Department, and FEMA. More detailed information about the Municipality's long term liabilities is presented in Note H to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Municipality's officials considered certain factors when setting the fiscal year 2007-2008 budget. One of these factors is the economy. Among economic areas considered are the population growth estimates, personal income, housing statistics and unemployment rates. The Municipality's unemployment rate now stands at 10.7% which compares with the Commonwealth rate of 11.9%.

For fiscal year 2006-2007 the Municipality applied a conservative approach in developing budget estimates. Amounts available for appropriations in the General Fund for the fiscal year 2008 are \$9,481,311, representing an increase of approximately 9% with respect to the prior year estimate. Budgeted expenditures are expected to rise according to the increase of budgeted revenues. If these estimates are realized, the Municipality's budgetary general fund balance is expected to increase modestly by the close of 2008 fiscal year. In addition to the general fund estimated budget the Municipality plans to submit Federal and Commonwealth funds proposals for welfare and community development as well as permanent capital improvements and public works.

**CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Municipality's Director of Finance at PO Box 97, Hormigueros, Puerto Rico 00660.

## **Basic Financial Statements**

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

STATEMENT OF NET ASSETS  
JUNE 30, 2007

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 4,846,182
Receivables, net (note C):	
Municipal license taxes	183,314
Sales and use taxes	149,598
Lease	382,643
Other	4,674
Due from (note D):	
Commonwealth Government	994,002
Federal Government	545,472
Restricted assets:	
Cash and cash equivalents	3,319,641
Cash with fiscal agents	2,112,875
Deferred bond issuance costs	77,872
Capital assets (note F):	
Land and construction in progress	11,871,731
Other capital assets, net	23,914,539
Total capital assets, net	<u>35,786,270</u>
<b>Total assets</b>	<u>\$ 48,402,543</u>
 <b>LIABILITIES</b> 	
Accounts payable and accrued liabilities	\$ 1,268,691
Interest payable	260,007
Due to:	
Commonwealth Government	14,906
Deferred revenues:	
Municipal license taxes	1,256,037
Federal grants	26,535
Long term liabilities (note H):	
Due within one year	1,250,999
Due in more than one year	12,962,665
<b>Total liabilities</b>	<u>17,039,840</u>
 <b>NET ASSETS</b> 	
Invested in capital assets, net of related debt	27,759,657
Restricted for:	
Capital projects	3,073,883
Debt service	1,477,188
Other purposes	113,701
Unrestricted (deficit)	(1,061,726)
<b>Total net assets</b>	<u>\$ 31,362,703</u>

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2007

Functions	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Assets
		Fees, Fines and Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$ 5,844,519	\$ 753,492	\$ 319,932	\$ 121,734	\$ (4,649,361)
Public works and sanitation	3,326,409	64,663	28,100	3,549,980	316,334
Public safety	835,494	-	97,267	-	(738,227)
Culture and recreation	1,183,301	21,990	-	-	(1,161,311)
Health	362,325	-	-	-	(362,325)
Housing, welfare and community development	1,697,149	2,845	704,586	296,410	(693,308)
Education	29,888	-	-	-	(29,888)
Interest on long term debt	586,479	-	-	-	(586,479)
<b>Total</b>	<b>\$ 13,865,563</b>	<b>\$ 842,990</b>	<b>\$ 1,149,885</b>	<b>\$ 3,968,124</b>	<b>(7,904,564)</b>

General revenues:

Taxes:	
Property taxes	3,270,654
Municipal license taxes	1,472,030
Sales and use taxes	1,587,192
Grants and contributions not restricted to specific programs	4,391,662
Interest	509,837
Other	106,554
<b>Total general revenues</b>	<b>11,337,932</b>
Change in net assets	3,433,367
Net assets-beginning as restated (note L)	27,929,337
Net assets-ending	\$ 31,362,704

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Major Funds							Total Governmental Funds
	General	Community Development Block Grant Program	Commonwealth Legislature Resolutions	Debt Service	Lavadero Sanitary Sewer System	Recreational Facilities (AFI)	Other Governmental Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 4,846,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,846,182
Receivables, net (note C):								
Municipal license taxes	183,314	-	-	-	-	-	-	183,314
Sales and use taxes	149,598	-	-	-	-	-	-	149,598
Lease	382,643	-	-	-	-	-	-	382,643
Other	-	-	-	-	-	-	4,674	4,674
Due from:								
Commonwealth Government (note D)	568,399	-	81,875	25,371	-	250,000	68,357	994,002
Federal Government (note D)	-	118,040	-	-	334,243	-	93,189	545,472
Other funds (note E)	489,118	-	-	-	-	-	3,510	492,628
Restricted assets:								
Cash and cash equivalents	-	1,571	2,532,576	-	230,180	-	555,314	3,319,641
Cash with fiscal agents	-	-	-	1,726,097	-	-	386,778	2,112,875
<b>Total assets</b>	<b>\$ 6,619,254</b>	<b>\$ 1,919,611</b>	<b>\$ 2,614,451</b>	<b>\$ 1,751,468</b>	<b>\$ 564,423</b>	<b>\$ 250,000</b>	<b>\$ 1,111,822</b>	<b>\$ 13,031,029</b>
<b>Liabilities and fund balances</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 484,820	\$ 87,221	\$ 42,489	\$ -	\$ 358,856	\$ 2,763	\$ 292,542	\$ 1,268,691
Matured bonds and interest payable	-	-	-	397,110	-	-	-	397,110
Due to:								
Commonwealth Government	14,906	-	-	-	-	-	-	14,906
Other funds (Note E)	-	30,951	38,015	14,950	-	247,237	161,475	492,628
Deferred revenues (notes C and G):								
Municipal license taxes	1,256,037	-	-	-	-	-	-	1,256,037
Lease	382,643	-	-	-	-	-	-	382,643
Intergovernmental-Commonwealth Government	534,958	-	54,860	-	-	250,000	-	839,818
Federal grants	-	31,234	-	-	264,881	-	86,603	382,718
<b>Total liabilities</b>	<b>\$ 2,673,364</b>	<b>\$ 149,406</b>	<b>\$ 135,364</b>	<b>\$ 412,060</b>	<b>\$ 623,737</b>	<b>\$ 500,000</b>	<b>\$ 540,620</b>	<b>\$ 5,034,551</b>
<b>Fund balances (deficits):</b>								
Reserved for:								
Encumbrances	784,939	-	-	-	-	-	-	784,939
Debt service	-	-	-	1,339,408	-	-	-	1,339,408
Capital projects	11,328	(29,795)	2,479,087	-	(59,314)	(250,000)	519,008	2,670,314
Other specified purposes	-	-	-	-	-	-	52,194	52,194
Unreserved	3,149,623	-	-	-	-	-	-	3,149,623
<b>Total fund balances (deficits)</b>	<b>\$ 3,945,890</b>	<b>\$ (29,795)</b>	<b>\$ 2,479,087</b>	<b>\$ 1,339,408</b>	<b>\$ (59,314)</b>	<b>\$ (250,000)</b>	<b>\$ 571,202</b>	<b>\$ 7,996,478</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 6,619,254</b>	<b>\$ 1,919,611</b>	<b>\$ 2,614,451</b>	<b>\$ 1,751,468</b>	<b>\$ 564,423</b>	<b>\$ 250,000</b>	<b>\$ 1,111,822</b>	<b>\$ 13,031,029</b>

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances:</b>		<b>\$ 7,996,478</b>
Amounts reported for governmental activities in the Statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		35,786,270
Other assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Deferred charges - bond issuance costs		77,872
Other assets are not available to pay current-period expenditures and therefore are deferred in the funds:		
Receivable:		
Lease agreement	\$ 382,643	
Due from Commonwealth Government:		
P.R. Infrastructure Financing Authority - recreational facilities	250,000	
P.R. Department of Treasury - Christmas bonus reimbursement	186,963	
CRIM - Property taxes (General Fund)	152,733	
P.R. Department of Labor - Law No. 52	150,596	
Commonwealth Legislature Resolutions	54,860	
P.R. Department of Labor - Law No. 82	23,833	
P.R. Department of Treasury - other	20,833	
Due from Federal Government:		
Rural Development	264,881	
HSGP	61,506	
CDBG	29,795	1,578,643
Interest liabilities are not due and payable in the current period and therefore are not reported in funds		(112,897)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds and notes	10,120,251	
Note payable to CRIM-LIMS	136,442	
Note payable to CRIM-financing of delinquent accounts	4,984	
Note payable to P.R. Department of Treasury	1,039,490	
Note payable to FEMA	177,828	
Compensated absences	1,182,701	
Christmas bonus payable	194,067	
Judgments and legal claims	7,500	
Estimated landfill closing costs	1,100,400	(13,963,663)
<b>Net assets of governmental activities:</b>		<b>\$ 31,362,703</b>

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2007

	Major Funds							Total Governmental Funds
	General	Community Development Block Grant Program	Commonwealth Legislature Resolutions	Debt Service	Lavadero Sanitary Sewer System	Recreational Facilities (AFI)	Other Governmental Funds	
<b>Revenues:</b>								
Taxes:								
Property taxes (note J)	\$ 1,901,006	-	\$ -	\$ 1,230,734	\$ -	\$ -	\$ -	\$ 3,131,740
Municipal license taxes (note C)	1,472,030	-	-	-	-	-	-	1,472,030
Sales and use taxes (note C)	1,587,192	-	-	-	-	-	-	1,587,192
Intragovernmental:								
Commonwealth government (note K)	4,635,812	-	1,803,262	-	40,000	-	783,512	7,262,586
Federal government	776,077	753,348	-	-	311,798	-	703,299	1,768,445
Fees, fines and charges for services	421,714	-	7,372	49,925	-	-	21,778	797,835
Interest	55,522	-	-	-	-	-	30,826	509,837
Other	-	-	-	-	-	-	16,314	71,836
<b>Total Revenues</b>	<b>10,849,353</b>	<b>753,348</b>	<b>1,810,634</b>	<b>1,280,659</b>	<b>351,798</b>	<b>-</b>	<b>1,555,729</b>	<b>16,601,521</b>
<b>Expenditures</b>								
Current:								
General government	5,815,870	121,734	4,200	14,950	-	-	87,295	6,044,049
Public works and sanitation	2,421,568	27,831	99,422	-	-	-	27,240	2,576,061
Public safety	658,848	-	-	-	-	-	81,579	740,427
Culture and recreation	734,617	-	-	-	-	-	-	734,617
Health	356,890	-	-	-	-	-	-	356,890
Housing, welfare and community development	535,630	349,006	-	-	-	-	737,200	1,566,294
Education	18,771	-	-	-	-	-	-	18,771
Capital outlays	1,185,876	340,572	646,428	-	473,357	250,000	1,816,710	4,711,943
Debt service:								
Principal	-	-	-	461,000	-	-	-	461,000
Interest	-	-	-	511,980	-	-	-	511,980
Bond issuance costs	-	-	-	-	-	-	4,642	4,642
<b>Total expenditures</b>	<b>11,728,070</b>	<b>783,143</b>	<b>750,508</b>	<b>987,930</b>	<b>472,357</b>	<b>250,000</b>	<b>2,734,666</b>	<b>17,726,674</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(878,717)</b>	<b>(29,795)</b>	<b>1,060,126</b>	<b>292,729</b>	<b>(120,559)</b>	<b>(350,000)</b>	<b>(11,988,937)</b>	<b>(1,125,153)</b>
<b>Other financing sources (uses):</b>								
Lease principal payments (note C)	69,806	-	-	-	-	-	-	69,806
Proceeds from general obligation bonds	-	-	-	-	-	-	840,000	840,000
Transfers in	74,938	-	51,321	211,298	-	-	75,912	413,469
Transfers out	(216,209)	-	(19,004)	(35,944)	-	-	(142,312)	(413,469)
<b>Total other financing sources (uses)</b>	<b>(71,465)</b>	<b>-</b>	<b>32,317</b>	<b>175,354</b>	<b>-</b>	<b>-</b>	<b>773,600</b>	<b>909,806</b>
<b>Net change in fund balances</b>	<b>(930,182)</b>	<b>(29,795)</b>	<b>1,092,443</b>	<b>468,083</b>	<b>(120,559)</b>	<b>(250,000)</b>	<b>(425,337)</b>	<b>(215,347)</b>
<b>Fund balances at beginning of year, as restated (note L)</b>	<b>4,896,072</b>	<b>-</b>	<b>1,386,644</b>	<b>871,325</b>	<b>61,245</b>	<b>-</b>	<b>996,539</b>	<b>8,211,825</b>
<b>Fund balances at end of year</b>	<b>3,965,890</b>	<b>(29,795)</b>	<b>2,479,087</b>	<b>1,339,408</b>	<b>(59,314)</b>	<b>(250,000)</b>	<b>571,202</b>	<b>7,996,478</b>

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances-total governmental funds: \$ (215,347)

Amounts reported for governmental activities in the Statement of activities are different because:

Governmental funds reports capital assets outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for capital assets	\$ 4,711,943	
Less: current year depreciation	<u>(1,541,228)</u>	3,170,715

Governmental funds only report the proceeds received in the disposal of assets. In the Statement of Activities, a gain or loss is reported for each disposal. Thus, the change in net assets differs from the change in fund balance by the cost of the disposed asset:

(24,284)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Intergovernmental - Commonwealth Government:

CRIM - Property taxes (General Fund - current)	152,733	
P.R. Department of Treasury - Christmas bonus reimbursement (current)	186,963	
P.R. Department of Labor - Law No. 52	150,596	
P.R. Department of Labor - Law No. 82	23,833	
P.R. Infrastructure Financing Authority - recreational facilities	250,000	
Commonwealth Legislature Resolutions	54,860	
Intergovernmental - Federal Government:		
HSGP	61,507	
CDBG	29,795	
Rural Development	<u>6,123</u>	916,410

Revenues reported in funds which are not reported as revenues in the Statement of Activities

P.R. Department of Treasury - Christmas bonus reimbursement (prior year)	(83,058)	
CRIM - Property taxes (General Fund - prior year)	(59,620)	
Federal Grants - HSGP	(6,242)	
Capital lease principal payment	<u>(35,090)</u>	(184,010)

Proceeds from notes payable and general obligation bonds are an other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Assets:

(840,000)

Expenditures reported in funds which are not reported as expenses in the Statement of Activities:

Matured bonds principal payments (net change)		(97,000)
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Repayment of long term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets:

General Obligation Bonds and Notes	557,697	
Other Long Term Liabilities	<u>611,641</u>	1,169,339

Governmental funds report the effect of bond issuance costs as expenditure when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:

Bond issuance costs	4,642	
Amortization of deferred charges	<u>(5,177)</u>	(535)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Christmas Bonus	(194,067)	
Judgment and claims	(7,500)	
Estimated Landfill Closing Costs	(37,301)	
Compensated Absences	(227,430)	
Accrued interest (net change)	<u>4,378</u>	(461,920)

Change in net assets of governmental activities: \$ 3,433,367

The accompanying notes are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Municipality of Hormigueros was founded in 1874. The Municipality is governed by the executive and the legislative branch elected for a four-year term during the general elections in Puerto Rico. The Mayor is the executive officer and the legislative branch consists of twelve (12) members of the Municipal Legislature. The Municipality engages in a comprehensive range of services to the community such as: general government administration, public works, health, environmental control, education, public security, welfare, housing, community development and culture and recreation activities.

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

**1. *Financial reporting entity***

The financial reporting entity included in this report consists of the financial statements of the Municipality of Hormigueros (primary government). To fairly present the financial position and the results of operations of the financial reporting entity, management must determine whether its reporting entity consists of only the legal entity known as the primary government or one or more organizations called component units. The inclusion of a potential component unit in the primary government's reporting entity depends on whether the primary government is financially accountable for the potential component unit or on whether the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are two methods of presentation of the component unit in the financial statements: (a) blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Municipality's balances and (b) discrete presentation of the component unit's financial data in columns separate from the Municipality's balances and transactions.

The basic criteria for deciding financial accountability are any one of the following:

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

In addition, a legally separate tax-exempt organization should be discretely presented as a component unit of a reporting entity if *all* of the following criteria are met:

- a. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- b. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- c. The economic resources received or held by an *individual organization* that the specific primary government or its component units is entitled to, or has the ability to otherwise access, are significant to the primary government.

Other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. Professional judgment is applied in determining whether the relationship between a primary government and other organizations for which the primary government is not accountable and that do not meet these criteria is such that exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete.

Based on the above criteria there are no potential component units which should be included as part of the financial statements.

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

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

**Management Discussion and Analysis**

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

**Basic financial statements**

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide statements

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

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

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

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Municipality has elected not to follow subsequent statements and interpretations issued by the FASB after November 30, 1989.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Statements

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

The Municipality reports the following major governmental funds:

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

**Community Development Block Grant Program Fund (CDBG):** CDBG fund is used to account for revenues sources for the development of viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

**Commonwealth Legislature Resolutions Fund:** This fund accounts for revenue sources from grants provided by the Commonwealth Legislature for specific purposes which includes, among others, acquisition, development and improvements of capital assets.

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

**Lavadero Sanitary Sewer System Fund:** This fund accounts for revenue sources from a grant provided by the USDA Rural Development for specific purposes, that is, the construction of a sanitary sewer system for the Lavadero's community.

**Recreational Facilities Fund (AFI):** This fund accounts for revenue sources from a grant provided by the P.R. Infrastructure Financing Authority for specific purposes, that is, the construction of recreational facilities.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when they are susceptible to accrual (i.e. both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues susceptible to accrual include property taxes, recognized as revenues in the year for which they are levied; municipal license taxes and sales and use taxes, recognized when the underlying exchange has occurred and time requirements are met and interest. In applying the susceptible to accrual concept to intergovernmental revenues, revenues are recognized when all eligibility requirements (including time requirements) imposed by the provider have been met and revenue becomes available. There are, however, essentially two types of these revenues. In the first case, on expenditure-driven grants, monies must be expended on the specific project or purpose (eligibility requirement), before any amounts are paid to the Municipality. Revenue is, therefore, recognized as expenditures are incurred to the extent available. In the other cases, monies are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. In these cases revenues are recognized as the time of receipt or earlier if the susceptible to accrual criteria is met. Licenses and permits, charges for services, rent, fines and miscellaneous revenues are generally recorded as revenues when received or are recognized earlier if the susceptible to accrual criteria is met.

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

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

**Notes to Financial Statements**

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

**Required Supplementary Information:**

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

**3. *Cash, cash equivalents (unrestricted and restricted) and restricted cash with fiscal agents***

Cash and cash equivalents consists of cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. The Municipality follows the practice of pooling cash of all funds except for certain Commonwealth's grants, restricted funds generally held by outside custodians and federal grants. Available pooled cash balance beyond immediate needs is invested in certificates of deposits. Cash and cash equivalents related to Commonwealth and Federal grants (including Commonwealth Legislature Resolutions) are restricted since their use is limited by applicable agreements or required by law.

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

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

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

Amounts due from federal government represent amounts owed to the Municipality for the reimbursement of expenditures incurred pursuant to federally funded programs. Amounts reported in the debt service fund represent property tax revenue of the current fiscal year collected by the CRIM on the first month (July) of the subsequent fiscal year.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Interfund receivables and payables*

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

6. *Inventories*

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

7. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure, (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the Statement of Net Assets. Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing vehicles, machinery and equipment. Infrastructure assets are capitalized based on a percentage of the estimated useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	20-50
Infrastructure	10-50
Vehicles, machinery and equipment	5-20

In accordance with current accounting standards capital assets are reviewed for impairment. Impairment occurs when there is a significant decline in asset service utility due to the occurrence of a prominent event or change in circumstances affecting the asset. Current standards provide guidance for accounting and reporting for impairment and for insurance recoveries.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Long-term obligations*

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

9. *Deferred bond issuance costs*

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

10. *Compensated absences*

The Municipality's employees accumulate vacation, sick leave and compensatory time based on continuous service. Compensated absences are recorded as a liability if (1) are earned on the basis of services already performed by employees, (2) it is probable that will be paid (in the form of paid time off, cash payments at termination or retirement, or some other means) and (3) are not contingent on a specific event (such as illness). The compensated absences are accumulated on the basis of 2½ days per month of vacation and 1½ days per month of sick pay and compensatory time up to a maximum of 60 days of vacations and 90 days of sick leave. Upon separation from employment the accumulated vacations are liquidated up to the maximum number of days. Accumulated sick leave, which is accrued based on all vesting amounts for which payment is probable, is liquidated to employees with 10 years or more service up to the maximum number of days.

The accrual of compensated absences includes estimated payments that are related to payroll. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. The non-current portion of the liability is not reported.

Pursuant to Law No. 152 of August 20, 1996 effective July 1, 1997 the Municipality is required to pay any excess of vacations and sick leave accumulated over 90 days as of December 31 of each year. Payments should be made on or before March 31 of the following year.

11. *Fund balances and Net Assets*

In the fund financial statements, governmental funds report reserved and unreserved fund balances. Reservations of fund balance represent portions of the fund balance that are legally segregated for a specific future use or are not appropriated for expenditure. The Municipality has the following reservations of fund balance:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

a. Net assets

In the government-wide statements net assets are segregated into three categories:

Invested in capital assets, net of related debt:	Consists of capital asset balances net of accumulated depreciation and outstanding balances of any bonds, notes and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. This category should not include cash that is restricted to capital asset acquisition or construction (unspent bond proceeds) and any unamortized debt issue costs.
Restricted net assets:	Represents net assets (restricted assets net of related debt) that are subject to restrictions beyond the Municipality's control. These include restrictions that are externally imposed (by creditors, grantors, contributors, or laws and regulations of other governments) or restrictions imposed by the law through constitutional provisions or enabling legislation (including enabling legislation passed by the government itself).
Unrestricted net assets:	Represent net assets that do not meet the definition of net assets Invested in capital assets, net of related debt or restricted. Unrestricted assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints are internal and management can remove or modify them. Designations are not reported on the face of the statement of net assets.

12. *Interfund transactions*

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

COMMONWEALTH OF PUERTO RICO  
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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**13. Risk financing**

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

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

**14. Use of estimates**

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

**15. Future adoption of accounting pronouncements**

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

Statement	To be Adopted in Fiscal year ended,	
43	Financial Reporting for Post employment Benefits Plans Other Than Pension Plans	June 30, 2008
45	Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions	June 30, 2009
48	Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues	June 30, 2008
49	Accounting and Financial Reporting for Pollution Remediation Obligations	June 30, 2009
50	Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27	June 30, 2008
51	Accounting and Financial Reporting for Intangible Assets	June 30, 2010

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE B – CUSTODIAL CREDIT RISK - DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Municipality maintains cash deposits in commercial and governmental banks located in Puerto Rico.

Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal deposit insurance. All securities pledged as collateral by the Municipality are held by the Secretary of Treasury of Puerto Rico in the Municipality's name. At year-end the Municipality's bank balance in commercial banks amounted to \$8,200,175.

Deposits in governmental banks (all of which are uninsured and uncollateralized), are exposed to custodial credit risk. At year-end the Municipality's bank balance in governmental banks amounted to \$2,112,876.

**NOTE C - RECEIVABLES**

*1. Municipal License Taxes*

Municipal License taxes are assessed annually by the Municipality to all organizations or entities subject to the tax doing business in the Municipality's location except for entities totally or partially exempt pursuant to certain Commonwealth's statutes. This tax is based generally on volume of business or gross sales as shown in a tax return that should be submitted on or before April 15. During the Fiscal year ended June 30, 2007 the tax rates were as follows:

Financial business - 1.50% of gross revenues

Other organizations - .50% of gross revenues

Municipal license taxes receivable and corresponding deferred revenues as of June 30, 2007 follows:

	<b>Municipal License Tax receivable</b>	<b>Deferred Revenue</b>
Prior years receivable balance	\$ 1,473	\$ -
Taxes collected in advance as of June 30	-	1,074,196
Taxes receivables on tax returns filed but not collected as of June 30	518,705	518,705
Less: allowance for uncollectible	(336,864)	(336,864)
	\$ 183,314	\$ 1,256,037

As required by current standards, the Municipality recognizes assets related to municipal license taxes when cash is received or in the period when the exchange transaction on which the government imposes the tax occurs. Management understands that as of tax return filling date an enforceable legal claim arises against the provider of resources. Therefore, an asset (receivable) is recognized as of June 30 for the balance on tax returns filed but not paid at that date.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE C - RECEIVABLES – Continued**

The tax is due in two equal installments on July 1 and January 1 of each fiscal year. Resources are intended to finance the operations of the applicable fiscal year. At this moment the Municipality recognizes revenues on municipal license taxes. A discount of 5% is allowed when full payment is made on or before April 15. Since this time requirement, cash collected and the receivable balance on tax returns filed but not collected are recorded as deferred revenues as of June 30.

*2. Sales and use taxes*

On July 4, 2006 the Commonwealth Legislature approved Act No. 117 (“Act 117”) which amends the Puerto Rico Internal Revenue Code of 1994 to provide, among other things, for a sales and use tax of 5.5% to be imposed by the Commonwealth Government. Act 117 also authorizes each municipal government to impose a municipal sales and use tax of 1.5%. This municipal sales and use tax has in general the same tax base and limitations (except for unprocessed foods) as those provided by the Commonwealth’s sales and use tax.

Section 6189 of the Puerto Rico Internal Revenue Code of 1994, as amended, authorizes the Municipalities in Puerto Rico to impose a sales and use tax to consumers. This tax must be imposed in conformity with the base, exemptions and limitations contained in Subtitle BB of the Code. The municipal sales and use tax is specifically imposed over all sales transactions of taxable items and combined transactions (as defined by the municipal internal regulation) taken place within municipal limits. The municipal sales and use tax is also specifically imposed over the purchase price for the use, storage or consumption of taxable transactions (as defined by the municipal internal regulation) taken place within Municipal limits.

The Municipal Legislature approved the imposition of the municipal sales and use tax on November 1, 2006 with Ordinance No. 22 Series 2006-2007, effective on November 15, 2006. Municipalities were authorized to implement municipal sales and use tax of 1% starting on July 1, 2006 and the Municipality has already done so, as approved by the Municipal Legislature. Individuals, organizations and entities subject to collect the municipal sales and use tax must file a tax return to the Municipality. Tax is due each 20<sup>th</sup> day of each month based on tax collected in the preceding month. The Municipal Ordinance does not impose specific restrictions or limitations on the use of the municipal sales and use tax resources. Resources are part of the general fund of the Municipality.

Municipal sales and use taxes receivable of \$149,598 represents the tax collected on June by individuals, organizations and entities but reported and paid to the Municipality on or before July 20, net of uncollectible accounts.

*3. Lease*

The Municipality is a lessor of a property, which consist of a building facility, classified as direct financing lease. The lease term is for twenty years under a noncancelable lease agreement. The following list the component of the net investment in direct financing lease as of June 30:

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MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

**NOTE C - RECEIVABLES – Continued**

	<b>Amount</b>
Total minimum lease payments to be received	\$ 520,372
Less: Unearned income	-137,729
Net investment in direct financing lease	\$ 382,643

At June 30, 2007, minimum lease payments for each of the five succeeding fiscal years are as follows:

Year	Amount
2008	\$ 76,152
2009	76,152
2010	76,152
2011	76,152
2012	76,152
2013-2014	139,612
	\$ 520,372

The net investment in direct financing lease in the amount of \$382,643 is recorded as deferred revenue in the governmental fund statements since is not available as required by current standards.

**NOTE D - DUE FROM GOVERNMENTAL ENTITIES**

Amounts due from governmental entities as of June 30, 2007 follows:

	Commonwealth Government	Federal Government
P.R. Infrastructure Financing Administration	\$ 250,000	\$ -
P.R. Department of Treasury – Christmas bonus reimbursement	186,963	-
P.R. Department of Labor – Law No. 52	153,087	-
Municipal Revenue Collection Center (CRIM) - property taxes (general fund)	152,733	-
Commonwealth Legislature Resolutions	81,875	-
Municipal Revenue Collection Center (CRIM) - property taxes (debt service fund)	25,371	-
Rural Development (RD) – Lavadero Sanitary Sewer	-	334,243
Office of Commissioner of Municipal Affairs - CDBG	-	118,040
US Department of Homeland Security	-	61,507
Others	143,973	31,682
	\$ 994,002	\$ 545,472

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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE D - DUE FROM GOVERNMENTAL ENTITIES - Continued**

Certain of these accounts are recorded as deferred revenues in the governmental funds statements since they are not available as required by current standards. See related note G.

**NOTE E - INTERFUND TRANSACTIONS**

*1. Due from/to other funds*

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

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - CDBG	\$ 30,951
	Major Fund - Debt Service fund	14,950
	Major Fund – Commonwealth Legislature Resolutions Fund	38,015
	Major Fund – Recreational Facilities (AFI) Fund	247,237
	Other governmental funds	157,965
Other Governmental Funds	Other	3,510
Total:		\$ 492,628

*2. Transfers in (out)*

Transfers between individual funds were made for operational purposes. Transfers includes interest earned on restricted cash with fiscal agents in the debt service fund and operating and capital improvement loans in other governmental funds which is transferred to the general fund; and principal and interest payments of general long term debt transferred from the general fund to the debt service fund.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE F - CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2007 is as follows:

	<u>Balance July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,956,471	\$ 1,056,862	\$ -	\$ 5,013,333
Construction in progress	<u>5,587,053</u>	<u>2,850,413</u>	<u>1,579,068</u>	<u>6,858,398</u>
Total capital assets not being depreciated:	9,543,524	3,907,275	1,579,068	11,871,731
Capital assets, being depreciated:				
Land improvements	1,046,506	-	-	1,046,506
Buildings and building improvements	17,568,119	1,818,459	-	19,386,578
Infrastructure	10,940,042	67,894	32,174	10,975,762
Vehicles, machinery and equipment	<u>6,289,735</u>	<u>497,386</u>	<u>55,936</u>	<u>6,731,185</u>
Total capital assets being depreciated	35,844,402	2,383,739	88,110	38,140,031
Less accumulated depreciation for:				
Land improvements	244,775	36,003	-	280,778
Buildings and building improvements	5,612,804	529,852	-	6,142,656
Infrastructure	3,272,929	555,838	21,500	3,807,267
Vehicles, machinery and equipment	<u>3,617,582</u>	<u>419,535</u>	<u>42,326</u>	<u>3,994,791</u>
Total accumulated depreciation	12,748,090	1,541,228	63,826	14,225,492
Total capital assets being depreciated, net	<u>23,096,312</u>	<u>842,511</u>	<u>24,284</u>	<u>23,914,539</u>
Governmental activities capital assets, net	<u>\$ 32,639,836</u>	<u>\$ 4,749,786</u>	<u>\$ 1,603,352</u>	<u>\$ 35,786,270</u>

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

Governmental activities:

General government	\$ 137,021
Public works and sanitation	713,049
Public safety	95,066
Culture and recreation	448,685
Health	5,435
Welfare and community development	130,855
Education	<u>11,117</u>
Total depreciation expense, governmental activities	<u>\$ 1,541,228</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

**NOTE G - DEFERRED REVENUES -- Commonwealth Government and Federal Grants**

Deferred revenues represent revenues not available as required by current standards or resources received before allowable expenditures are incurred. A detail of these balances as recorded in the fund statements follows:

	<b>Commonwealth Government</b>	<b>Federal Grants</b>
Major fund - general fund:		
Municipal Revenue Collection Center (CRIM)		
- property taxes	\$ 152,733	\$ -
P.R. Department of Treasury - Christmas bonus reimbursement	186,963	-
P.R. Department of Treasury - other	20,833	-
Major Fund - Commonwealth Legislative Resolutions	54,860	-
Major Fund - Recreational Facilities (AFI)	250,000	-
Major Fund - Rural Development, Lavadero Sanitary Sewer	-	264,881
Major Fund - CDBG	-	31,234
Other Governmental Funds:		
Homeland Security Grant Program	-	61,507
P.R. Department of Labor - Law No. 52	150,596	-
P.R. Department of Labor - Law No. 82	23,833	-
Others	-	25,096
	\$ 839,818	\$ 382,718

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE H – LONG-TERM DEBT**

*1. Summary of long-term debt activity*

The following summarizes activity in long-term debt for the fiscal year ended June 30, 2007:

	<u>Balance at July 1, 2006,</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2007</u>	<u>Due within one year</u>
General, Special Obligations Bonds and Notes	\$ 10,087,949	\$ 840,000	\$ 557,697	\$ 10,370,252	\$ 471,000
Note payable to CRIM- LIMS	162,176	-	25,734	136,442	27,288
Note payable to CRIM- financing of delinquent accounts	7,025	-	2,041	4,984	199
Note payable to Puerto Rico Treasury Department	1,203,226	-	163,736	1,039,490	313,661
Note payable to FEMA	260,305	-	82,477	177,828	86,696
Compensated absences	1,110,183	227,430	154,912	1,182,701	150,588
Christmas Bonus	152,741	194,067	152,741	194,067	194,067
Judgments and legal claims	30,000	7,500	30,000	7,500	7,500
Estimated Landfill Closing Costs	1,063,099	37,301	-	1,100,400	-
	<u>\$ 14,076,704</u>	<u>\$ 1,306,298</u>	<u>\$ 1,169,338</u>	<u>\$ 14,213,664</u>	<u>\$ 1,250,999</u>

*2. General and special obligation bonds and notes*

The Municipality's outstanding general and special obligation bonds and notes at June 30, 2007 amount to \$10,370,252. All these bonds are serviced by the Governmental Development Bank of Puerto Rico (GDB) maturing at various dates. As required by law, the Commonwealth Government is obligated to levy and collect property taxes for payment of principal and interest on bonds and notes. A debt service fund has been established for the bonds and notes at GDB with the proceeds of those property taxes, whereby sufficient funds must be set aside in order to cover the projected debt service requirement, before any new bonds are issued. Principal and interest payments of \$690,000 Revenue bonds are made from an "Interest Bearing Account" (IBA) maintained by GDB, which is financed with proceeds from lessee's rental payments. Principal and interest payments of long term debt issued for operational purposes are made through withholdings from the advances of property tax and amounts of municipal equalization fund sent to the Municipality by the Municipal Revenue Collection Center (CRIM). A detail of the general and special obligation bonds and notes as of June 30, 2007 follows:

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H – LONG-TERM DEBT – Continued

	<u>Outstanding Amount</u>
1994 public improvement bonds of \$85,000 due in annual installments of \$5,000 to \$10,000 through July 1, 2008; bearing interest at rates ranging from 5% to 7.61% (7.51% at June 30, 2007)	\$ 20,000
1994 public improvement bonds of \$125,000 due in annual installments of \$3,000 to \$10,000 through January 1, 2019; bearing interest at 5%	83,000
1992 public improvement bonds of \$168,000 due in annual installments of \$2,000 to \$17,000 through January 1, 2017; bearing interest at 5%	111,000
1997 general obligation bonds of \$175,000 due in annual installments of \$5,000 to 15,000 through July 1, 2021; bearing interest at rates ranging from 4.865% to 6.56% (5.62% at June 30, 2007)	125,000
1983 public improvement bonds of 251,000 due in annual installments of \$5,000 to \$17,000 through January 1, 2008; bearing interest at 5%	17,000
1996 general obligation bonds of \$390,000 due in annual installments of \$5,000 to \$40,000 through July 1, 2020; bearing interest at rates ranging from 4.70% to 6.63% (6.05 % at June 30, 2007)	310,000
1999 general obligation bonds of \$410,000 due in annual installments of \$5,000 to \$35,000 through July 1, 2024; bearing interest at rates ranging from 2.70% to 7.81% (3.54% at June 30, 2007)	355,000
2001 general obligation bonds of \$425,000 due in annual installments of \$5,000 to \$40,000 through July 1, 2025; bearing interest at rates ranging from 2.70% to 6.13% (3.54% at June 30, 2007)	385,000
1999 general obligation bonds of \$736,000 due in annual installments of \$19,000 to \$52,000 through January 1, 2024; bearing interest at 4.75%	627,000
1998 general obligation bonds of \$983,000 due in annual installments of \$23,000 to \$65,000 through January 1, 2024; bearing interest at 4.5%	795,000
2002 general obligation bonds of \$1,000,000 due in annual installments of \$21,000 to \$65,000 through January 1, 2030; bearing interest at 4.50%	956,000

COMMONWEALTH OF PUERTO RICO  
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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H – LONG-TERM DEBT – Continued

	<u>Outstanding Amount</u>
2000 general obligation bonds of \$1,040,000 due in annual installments of \$27,000 to \$76,000 through January 1, 2025; bearing interest at 5.12%	925,000
1997 general obligation bonds of \$1,538,000 due in annual installments of \$41,000 to \$109,000 through January 1, 2022; bearing interest at 4.75%	1,206,000
1992 revenue bonds of \$690,000 due in annual installments of \$5,000 to \$25,000 through July 1, 2013; bearing interest at 9%	280,000
2004 general obligation bonds of \$530,000 due in annual installments of \$15,000 to 40,000 through July 1, 2024; bearing interest at rates ranging from 3.28% to 5.00% (4.17% at June 30, 2007)	500,000
2004 general obligation bonds of \$1,355,000 due in annual installments of \$35,000 to 85,000 through July 1, 2029; bearing interest at rates ranging from 3.50% to 5.00% (4.17% at June 30, 2007)	1,285,000
2005 special obligation note of \$748,000 due in annual installments of \$92,000 to 124,000 through July 1, 2012; bearing interest at rates ranging from 5.00% to 7.50% (6.60% at June 30, 2007)	656,000
2006 general obligation bonds of \$920,000 due in annual installments of \$20,000 to 70,000 through July 1, 2030; bearing interest at rates ranging from 4.17% to 5.31% (4.17% at June 30, 2007)	900,000
2007 general obligation bonds of \$840,000 due in annual installments of \$10,000 to 75,000 through July 1, 2031; bearing interest at rates ranging from 6.60% to 7.50% (6.60% at June 30, 2007)	840,000
	10,376,000
Less: deferred charges arising from debt refunding:	(5,748)
	\$ 10,370,252

The annual requirements to amortize general and special obligation bonds and notes as of June 30, 2007 follows:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H – LONG-TERM DEBT – Continued

June 30,	Principal	Interest
2008	\$ 471,000	\$ 531,900
2009	479,000	496,544
2010	483,000	471,581
2011	504,000	445,493
2012	540,000	417,631
2013-2017	2,404,000	1,709,607
2018-2022	2,698,000	1,060,757
2023-2027	1,821,000	456,597
2028-2032	976,000	96,077
Totals	<u>\$ 10,376,000</u>	<u>\$ 5,686,187</u>
Less: deferred charges arising from debt refunding:	(5,748)	
	<u>\$ 10,370,252</u>	

3. *Other long-term liabilities*

**Note payable to CRIM (LIMS)** - On November 28, 2001 the Municipality entered into a financing agreement with the CRIM in the amount of \$261,009 for the payment of the Municipality's share of the cost of a management information system (LIMS) acquired by the CRIM for the management of taxpayer's properties located in Puerto Rico. The note is payable in semiannual installments of \$17,503, including interest of 5.95% and is due on November 28, 2011. Amount will be repaid with unrestricted funds through withholdings from the advances of property tax and amounts of municipal equalization fund sent to the Municipality by the Municipal Revenue Collection Center. Debt service requirements in future years are as follows:

Outstanding  
Amount

\$136,442

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE H – LONG-TERM DEBT – Continued**

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 27,288	\$ 7,583
2009	28,936	5,927
2010	30,684	4,171
2011	32,536	2,309
2012	16,998	421
Totals	<u>\$ 136,442</u>	<u>\$ 20,411</u>

**Note payable to CRIM (Financing of delinquent accounts)** - On March 19, 2002 the Municipality entered into a financing agreement with the CRIM in the amount of \$158,431 to finance delinquent property tax accounts sold to private investors, under the provision of Law No. 146 of October 11, 2001. The agreement is in the form of a non-revolving line of credit bearing interest of 6.5% for the first 5 years and variable for the next 25 years at 125 points over London Interbank Offered Rate (LIBOR) and is due on December 1, 2032. As described in Law No. 146, interest payments for the first 5 years were financed through .48% of the net increase of subsidy provided by the Commonwealth of Puerto Rico's general fund. Also, during the first 5 years any collection from those delinquent accounts was credited to the loan principal. After the 5 year period the loan outstanding balance was restructured for a 25 years period. Amount will be repaid with unrestricted funds through withholdings from the advances of property tax and amounts of municipal equalization fund send to the Municipality by the Municipal Revenue Collection Center. Debt service requirements in future years are as follows:

\$4,984

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 199	\$ 310
2009	199	297
2010	199	285
2011	199	273
2012	199	260
2013-2017	997	1,178
2018-2022	997	2,046
2023-2027	997	2,604
2028-2032	998	2,852
Totals	<u>\$ 4,984</u>	<u>\$ 10,105</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE H – LONG-TERM DEBT – Continued**

**Note Payable to Puerto Rico Treasury Department** - As of June 30, 2005 the Municipality recorded in the government-wide statements a \$1,850,000 liability for a legal case settled on July, 2003. On October 14, 2003 the Municipality refinanced this debt on a long term basis through a \$1,601,720 non-interest bearing note (imputed interest rate is 5.125%), from the Puerto Rico Department of the Treasury. On August 1, 2005 the Municipality refinanced this debt on a long term basis through a \$1,454,167 non-interest bearing note (imputed interest rate is 5.074%), from the Puerto Rico Department of the Treasury to extend the economic life of the obligation. The note is payable in annual installments of \$10,000 to \$31,131 (including interest) through November 1, 2011. The note balance as of June 30, 2007 is net of an unamortized discount of \$85,538 and will be repaid with unrestricted funds through withholdings from the advances of property tax and amounts of municipal equalization fund send to the Municipality by the Municipal Revenue Collection Center (CRIM). Debt service requirements in future years are as follows:

\$1,039,490

June 30,	Principal	Interest
2008	\$ 313,661	\$ 45,533
2009	332,598	28,533
2010	362,228	11,343
2011	31,003	129
Totals	\$ 1,039,490	\$ 85,538

**Note Payable to FEMA** - As of June 30, 2004 the Municipality recorded in the government-wide statements a \$538,334 liability for final disallowed costs as determined by an audit performed by the Governor's Authorized Representative (GAR) of FEMA funds related to Hurricane Georges. On June 9, 2005 the Municipality refinanced this debt on a long term basis through a \$345,884 non-interest bearing note (imputed interest rate is 5.00%), from Governor's Authorized Representative (GAR) of FEMA. The note is payable in annual installments of \$47,300 (including interest) through January, 2008. The note balance as of June 30, 2007 is net of an unamortized discount of \$11,371 and will be repaid with unrestricted funds through withholdings from the advances of property tax and amounts of municipal equalization fund send to the Municipality by the Municipal Revenue Collection Center (CRIM). Debt service requirements in future years are as follows:

\$177,828

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE H – LONG-TERM DEBT – Continued**

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	86,696	7,903
2009	91,132	3,468
Totals	<u>\$ 177,828</u>	<u>\$ 11,371</u>

<b>Compensated absences</b> - includes accrued vacations, sick leave benefits and other benefits with similar characteristics such as compensatory time, represents the Municipality's commitment to fund such costs from future operations. Amount is paid with unrestricted funds	\$1,182,701
<b>Christmas Bonus</b> - represent the accrued portion corresponding to fiscal year 2006-2007 of the Christmas bonus to be paid in December 2007	\$194,067
<b>Claims and judgments</b> - represent the final settlement of legal cases paid subsequent to June 30, 2007. The awarded amount will be paid with unrestricted funds.	\$7,500
<b>Estimated closure and post-closure care costs of Municipal Landfill</b> - The Municipality owns and operates a MSW landfill in Barrio Jaguitas, Hormigueros since about 1977. The Municipality has recognized an estimated liability for future closure and post-closure care costs. (See Note I)	\$1,100,400

**NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS OBLIGATIONS**

The Municipal operates a landfill since 1977. Commonwealth and Federal laws and regulations require the Municipality to place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability should be recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

**NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS OBLIGATIONS –  
Continued**

The Municipality has performed a study of the activities that need to be implemented at the Municipality's landfill to comply with applicable laws and regulations. As a result of this study, the Municipality has recognized an estimated liability for future closure and post-closure care costs. The recognition of this liability is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$1,100,400 as of June 30, 2007, which is based on 51% usage of the landfill. It is estimated that an additional \$1,063,099 will be recognized as closure and post-closure care expenditures between the date of the balance sheet and the date the landfill is expected to be filled to capacity (December 2035). The estimated total current costs of the landfill closure and post-closure care (\$2,163,499) is based on the amount that would be paid if all the equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2007. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE J - PROPERTY TAXES**

The Municipal Revenue Collection Center (CRIM) of the Commonwealth of Puerto Rico is responsible for the assessment, collection and distribution of real and personal property taxes. The tax on personal property is self-assessed by the taxpayer. The assessment is made on a return, which must be filed with the CRIM by May 15 of each year and is based on the current value at the date of the assessment. Real property is assessed by the CRIM. The tax is general assessed on January 1 on all taxable property located within the Municipality and is based on the current value existing in the year 1957. For personal property the tax is due with the return filed on or before May 15. Taxes on real property may be paid on two equal installments, July 1<sup>st</sup> and January 1<sup>st</sup>. Total tax rates in force as of June 30, 2007 are 7.03% for personal property and 9.03% for real property. The distribution of these rates follows:

<u>Description</u>	<u>Personal Property</u>	<u>Real Property</u>
Basic property tax rate, which is appropriated for general purposes and accounted in the Municipality's general fund:	4.00%	6.00%
Percent that belongs to the Commonwealth's debt service fund:	1.03%	1.03%
Percent that belongs to the Municipality's debt service fund:	2.00%	2.00%
Total tax rate:	<u>7.03%</u>	<u>9.03%</u>
Discount granted by law to the taxpayers but reimbursed to the Municipality by the P.R. Treasury Department:	<u>(.20%)</u>	<u>(.20%)</u>
Total percent to be paid by taxpayers:	<u>6.83%</u>	<u>8.83%</u>

Residential real property occupied by its owner is exempt by law from property taxes on the first \$15,000 of the assessed value. For such exempted amounts, the Puerto Rico Department of Treasury assumes payment of the basic tax to the Municipality, except for residential units assessed at less than \$3,500 on which a complete exemption is granted. Revenue related to exempt property is recorded in the General Fund. The Municipality grants a complete exemption from personal property taxes up to an assessment value of \$50,000 to retailers with annual net sales of less than \$150,000.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE J - PROPERTY TAXES – Continued**

The CRIM advances funds to the Municipality based on an estimate of special governmental subsidies and the property taxes to be levied and which are collected in subsequent periods. This distribution includes advances of property tax and amounts of municipal equalization fund from the Commonwealth government. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. The CRIM prepares a preliminary settlement not later than three months after fiscal year-end and a final settlement not later than six months after fiscal year-end. If actual collections exceed the advances a receivable from CRIM is recorded. However, if advances exceed actual collections, a payable to CRIM is recorded. A receivable of \$152,733 resulting from the preliminary settlement for fiscal year 2006-2007 is recorded as deferred revenue in the fund statements since is not available as required by current standards.

**NOTE K - INTERGOVERNMENTAL REVENUES**

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

	<b>Amount</b>
Amount of municipal equalization fund sent by CRIM	\$ 3,094,387
Compensation in lieu of tax from the Puerto Rico Electric Power Authority (PREPA)	914,253
P.R. Department of Labor – Law No. 52	175,000
P.R. Department of Labor – Law No. 82	34,920
Reimbursement from P.R. Department of Treasury - Christmas Bonus reimbursement	148,123
Amount of lottery and subsidy sent by CRIM	130,994
Other intergovernmental revenues	138,135
	\$ 4,635,812

**NOTE L - FUND BALANCES AND NET ASSETS RESTATEMENTS**

The following table disclosed the change to the balance of net assets at beginning of year as previously reported in the statement of net assets and to the fund balance of the Lavadero Sanitary Sewer System Fund at beginning of year as previously reported in the statement of revenues, expenditures and changes in fund balances. The changes resulted from the correction of an understatement of a Lavadero sanitary sewer grant receivable. The beginning balances have been restated as follows:

	<b>Fund balance, Lavadero Sanitary Sewer System Fund</b>	<b>Net assets</b>
Balance at beginning of year, as previously reported:	\$ 15,629	\$ 27,624,957
Correction of error, understatement of grant receivable	45,616	304,380
Balance at beginning of year, as restated:	\$ 61,245	\$ 27,929,337

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE M - RETIREMENT PLAN

1. *Plan description*

Regular employees of the Municipality contribute to a cost sharing multiple employer defined benefit retirement plan, administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covers all regular full time public employees working for the central government, the municipalities of Puerto Rico and certain public corporations not having their own retirement systems. The system provides retirement pensions, death and disability benefits.

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

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

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

**NOTE M - RETIREMENT PLAN -- Continued**

*2. Funding policy*

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

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

Fiscal year ended:	Law No. 447	System 2000
2007	<u>\$ 182,466</u>	<u>\$ 118,653</u>
2006	<u>\$ 192,038</u>	<u>\$ 99,677</u>
2005	<u>\$ 198,889</u>	<u>\$ 72,441</u>

**NOTE N -- POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note M, the Municipality is required to cover annually the 3% increase in the retirement plan of its retired employees, as required by Commonwealth's laws. Also, the Municipality is required to finance costs related to the application of certain "Special Laws" issued by the Commonwealth Government. Those Special Laws granted increases in pensions and other benefits to retired employees of the Municipality such as medicines bonus, Christmas bonus and death benefits. Costs related to these post employment benefits amounted to \$44,969 for the year ended June 30, 2007 and \$93,024 for the previous fiscal year. These benefits are recorded as expenditures when paid in the general fund.

**NOTE O- COMMITMENTS**

*1. Operating leases*

The Municipality leases office equipment under operating lease agreements, which generally have terms of one year or less and are automatically renewed for the same terms. Rental expenses amounted to \$30,608. Management believes that the summary of the future minimum rental commitments under noncancelable operating leases with terms exceeding one year is not significant.

*2. Construction*

The Municipality has commitments at June 30, 2007 of \$2,525,247 for construction, improvements or renovation of certain municipal facilities.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

**NOTE P – FUND BALANCE DEFICITS**

Certain special funds disclosed fund balance deficits as follows:

	<b>Amount</b>
<b>Major Funds:</b>	
CDBG	\$ 29,795
Lavadero Sanitary Sewer System	\$ 59,314
API Recreational Facilities	\$ 250,000
<b>Other Governmental Funds:</b>	
Homeland Security Grant	\$ 61,507
Lavadero Multipurpose Center	\$ 17,500

The deficits results from the accrual of expenditures without accruing intergovernmental revenues for reimbursement of expenditures. As required by current standards, the Municipality recorded intergovernmental revenues for reimbursement-based (expenditure-driven) grants on fund statements when all applicable eligibility requirements have been met and the resources are available.

**NOTE Q – NET CHANGE IN FUND BALANCE – GENERAL FUND**

The Statement of revenues, expenditures and changes in fund balance reported a net change in fund balance for the general fund in the amount of (\$950,182), which is composed of the following:

	<b>Amount</b>
Net change in fund balance, 01 Fund	\$ (300,389)
Net change in fund balance, other special funds (with self imposed restrictions) included as part of the general fund:	(649,793)
	\$ 950,182

Negative net change in fund balance in 01 Fund resulted of the effect of a fund balance readjustment of \$1,957,569. This represents a readjustment of current year budget with prior year's fund balance resources, approved by the Municipal Legislature. Resources to finance other special funds included as part of the general fund were provided in previous years but funds were expended in current year.

**NOTE R - CONTINGENCIES**

**1. Federal and Commonwealth grants**

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE R – CONTINGENCIES - Continued

2. *Litigations*

The Municipality is, at present, a defendant in a number of legal matters that arise in the ordinary course of the Municipality's activities. There are cases whereby the Municipality is a defendant or codefendant that will be covered by insurance, certain cases whereby the legal counsel has not determined an outcome and other cases that will not be covered by insurance. As a result of one settled case subsequent to June 30, 2007 and not to be covered by insurance, the Municipality accrued \$7,500 in the government-wide statements. However, it is the opinion of the Municipality and the legal counsels that based on their experience, such actions and the potential liabilities will not impair the Municipality financial position.

NOTE S – SUBSEQUENT EVENTS

1. *Sales and use tax implementation*

On July 29, 2007 the Commonwealth Legislature approved Act No. 80 ("Act 80") which imposed to all the Municipalities of Puerto Rico a uniform municipal sales and use tax of 1.5%. Effective August 1, 2007 1% of the 1.5% will be collected by the Municipalities and the remaining .5% of the 1.5% will be collected by the Puerto Rico Department of Treasury.

Act 80 also provides for restrictions on the use of the resources (including the .5 of 1.5% collected by the Commonwealth Government) to be invested in solid waste and recycling programs, capital improvements and health and public safety costs. Amounts collected by the Commonwealth Government will be deposited in accounts or special funds in the Governmental Development Bank of Puerto Rico ("GDB"), subject to restrictions imposed and distributed as follows:

- .2% of the .5% will be deposited in a "Municipal Development Fund" to finance costs as restricted by the Act,
- .2% of the .5% will be deposited in a "Municipal Redemption Fund" to finance loans to Municipalities subject to restrictions imposed by the Act and,
- .1% of the .5% will be deposited in a "Municipal Improvement Fund" to finance capital improvement projects; these funds will be distributed based on legislation from the Commonwealth's Legislature.

The Municipal Legislature approved Ordinance No. 6 Series 2007-2008 to amend Municipal Ordinance No. 22 Series 2006-2007 to conform to dispositions of Act 80.

2. *Debt issuances*

On August 21, 2007 the Governmental Development Bank of Puerto Rico approved the issuance of a general obligation note series 2007-2008 of \$525,000 for acquisition of equipment. On October 24, 2007 the Governmental Development Bank of Puerto Rico (GDB) approved the Municipality's request to engage in a \$3,000,000 loan from private banking for the acquisition of land and construction of municipal recreational facilities. GDB will act as a fiscal agent in this transaction.

**Required Supplementary Information**

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted amounts		Actual Amounts (Budgetary Basis) (See Note A )	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 2,734,676	\$ 2,764,486	\$ 2,796,295	\$ 31,809
Municipal license taxes	1,470,000	1,470,000	1,471,876	1,876
Sales and use taxes	200,000	917,022	1,437,594	520,572
Intergovernmental	3,287,353	3,301,276	3,390,428	89,152
Fees, fines and charges for services	725,590	781,228	772,191	(9,037)
Interest	200,000	451,854	493,697	41,843
Other	85,000	126,964	139,229	12,265
<b>Total revenues</b>	<u>8,702,619</u>	<u>9,812,830</u>	<u>10,501,310</u>	<u>688,480</u>
<b>Expenditures:</b>				
Current:				
General government	4,424,937	5,926,579	5,869,141	57,438
Public works and sanitation	1,885,193	3,315,652	3,251,986	63,666
Public safety	632,421	658,212	657,414	798
Culture and recreation	643,468	732,879	728,785	4,094
Health	357,528	357,528	356,890	638
Welfare and community development	609,472	619,277	601,998	17,279
Education	21,800	18,772	18,771	1
<b>Total expenditures</b>	<u>8,574,819</u>	<u>11,628,899</u>	<u>11,484,985</u>	<u>143,914</u>
<b>Excess (deficiency) of revenues over expenditures</b>	127,800	(1,816,069)	(983,675)	832,394
<b>Other financing sources (uses):</b>				
Transfers out	(127,800)	(141,500)	(141,492)	8
<b>Total other financing sources (uses)</b>	<u>(127,800)</u>	<u>(141,500)</u>	<u>(141,492)</u>	<u>8</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	-	(1,957,569)	(1,125,167)	832,402
<b>Readjustment from prior year fund balance (note B)</b>	-	1,957,569	-	(1,957,569)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,125,167)</u>	<u>\$ (1,125,167)</u>

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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**June 30, 2007**

**NOTE A - BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING**

The Municipal budget is prepared for the General Fund following the requirements of the Autonomous Municipal Law of 1981, as amended. It is developed utilizing elements of performance-based program budgeting and zero-based budgeting and includes estimates of revenues and other sources for ensuing fiscal year under laws existing at the time the budget is prepared.

Budget amendments are approved by the Municipal Legislature. Certain budget transfers within the limitations and restrictions of the Municipal Law can be approved by the Mayor or by the Municipal Legislature. The budget comparison schedule provides information about the original budget, the amended budget and the actual results, under the budgetary basis of accounting.

The budgetary basis of accounting is different from GAAP. Revenues are generally recorded when cash is received and expenditures are generally recorded when the related expenditure is incurred or encumbered. The encumbrances (that is, purchase orders, contracts) are considered expenditures when a commitment is made. On a GAAP basis, encumbrances outstanding at year end are reported in the governmental funds statements as a reservation of fund balance since they do not constitute expenditures or liabilities while on a budgetary basis encumbrances are recorded as expenditures of current year. Encumbrance appropriations lapse one year after the end of the fiscal year. Unencumbered appropriations are lapsed at year end. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the function level.

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

**NOTE B - BUDGET READJUSTMENT**

The budgetary comparison schedule - general fund present a fund balance readjustment of \$1,957,569. This represents a readjustment of current year budget with prior year's budgetary surpluses, approved by the Municipal Legislature.

**NOTE C - BUDGET TO GAAP RECONCILIATION**

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

June 30, 2007

NOTE C - BUDGET TO GAAP RECONCILIATION - Continued

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis):	\$	(1,125,167)
Budget to GAAP differences:		
<b>Entity differences:</b>		
Non budgeted funds recorded as revenues for financial reporting purposes:		353,044
Non budgeted funds recorded as expenditures for financial reporting:		(1,002,979)
Non budgeted transfers in:		5,053
Non budgeted transfers out:		(4,911)
<b>Basis of accounting differences:</b>		
Revenues recorded for financial reporting purposes but not in budgetary basis:		195,221
Revenues recorded in budgetary basis but not for financial reporting purposes:		(127,324)
Expenditures recorded in budgetary basis but not for financial reporting purposes:		127,180
Expenditures recorded for financial reporting purposes but not in budgetary basis:		(31,776)
<b>Timing differences:</b>		
Current year encumbrances recorded as expenditures for budgetary reporting purposes:		784,939
Prior year encumbrances recorded as expenditures for financial reporting purposes:		(123,462)
<b>Net change in fund balance (GAAP basis):</b>	<b>\$</b>	<b><u>(950,182)</u></b>

**Supplementary Information**

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

SUPPLEMENTARY INFORMATION - FINANCIAL DATA SCHEDULE  
BALANCE SHEET INFORMATION  
JUNE 30, 2007

<u>Line Item Number</u>		<u>Section 8 Housing Choice Vouchers 14,871</u>
	<b>ASSETS</b>	
	<b>Current Assets</b>	
	Cash:	
111	Cash - unrestricted	\$ 44,450
113	Cash - other restricted	11,714
<b>100</b>	<b>Total cash</b>	<b>56,164</b>
	Accounts and notes receivables:	
121	Accounts receivable - PHA projects	2,337
126.2	Allowance for doubtful accounts - other	(516)
128	Fraud recovery	2,972
128.1	Allowance for doubtful accounts - fraud	(119)
<b>120</b>	<b>Total receivables, net of allowance for doubtful accounts</b>	<b>4,674</b>
<b>150</b>	<b>Total Current Assets</b>	<b>60,838</b>
	<b>Noncurrent Assets</b>	
	Fixed assets	
164	Furniture, equipment & machinery - administration	19,872
166	Accumulated depreciation	(18,938)
<b>160</b>	<b>Total fixed assets, net of accumulated depreciation</b>	<b>934</b>
<b>180</b>	<b>Total Noncurrent Assets</b>	<b>934</b>
<b>190</b>	<b>TOTAL ASSETS</b>	<b>\$ 61,772</b>
	<b>LIABILITIES AND EQUITY</b>	
	<b>LIABILITIES</b>	
	<b>Current Liabilities</b>	
312	Accounts payable < 90 days	6,713
322	Accrued compensated absences - current portion	3,154
<b>310</b>	<b>Total Current Liabilities</b>	<b>9,867</b>
	<b>Noncurrent Liabilities</b>	
353	Noncurrent liabilities- other	8,233
<b>350</b>	<b>Total Noncurrent Liabilities</b>	<b>8,233</b>
<b>300</b>	<b>TOTAL LIABILITIES</b>	<b>18,100</b>
	<b>EQUITY</b>	
508.1	Invested in Capital Assets, Net of Related Debt	934
512.1	Unrestricted Net Assets	42,738
<b>513</b>	<b>TOTAL EQUITY/NET ASSETS</b>	<b>43,672</b>
<b>600</b>	<b>TOTAL LIABILITIES and EQUITY/NET ASSETS</b>	<b>\$ 61,772</b>

The accompanying notes are an integral part of this schedule.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

SUPPLEMENTARY INFORMATION - FINANCIAL DATA SCHEDULE  
STATEMENT OF REVENUES AND EXPENSES INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2007

<u>Line Item Number</u>		<u>Section 8 Housing Choice Vouchers 14,871</u>
703		
	<b>REVENUES:</b>	
706	HUD PHA operating grants	\$ 470,600
714	Fraud recovery	3,726
715	Other revenue	12,588
700	<b>TOTAL REVENUES</b>	<u>486,914</u>
	<b>EXPENSES:</b>	
	<b>Administrative</b>	
911	Administrative salaries	30,748
912	Auditing fees	5,000
914	Compensated absences	1,824
915	Employee benefit contributions- administrative	9,571
916	Other operating- administrative	6,830
	Subtotal	<u>53,973</u>
	<b>General expenses</b>	
966	Bad debt - other	516
	Subtotal	<u>516</u>
969	<b>TOTAL OPERATING EXPENSES</b>	<u>54,489</u>
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<u>432,425</u>
973	Housing assistance payments	441,051
974	Depreciation expense	985
900	<b>TOTAL EXPENSES</b>	<u>496,525</u>
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<u>\$ (9,611)</u>
<b>MEMO account information</b>		
1103	Beginning equity	54,613
1104	Prior period adjustments, equity transfers and correction of errors	(1,330)
1120	Unit months available	1,236
1121	Number of unit months leased	1,196

The accompanying notes are an integral part of this schedule.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

NOTES TO SUPPLEMENTARY INFORMATION - FINANCIAL DATA SCHEDULE

June 30, 2007

**NOTE A -- BASIS OF PRESENTATION**

The accompanying financial data schedule (FDS) is a trial balance of the Section 8 Housing Choice Voucher Program, administered by the Municipality. The FDS was created in order to standardize the financial information reported by Public Housing Authorities (PHA) to the Real Estate Assessment Center (REAC), as required by the Uniform Financial Reporting Standards (UFRS). REAC is the US Department of Housing and Urban Development (HUD) national management center created to assess the condition of HUD owned and assisted properties. The UFRS are rules to implement requirements of 24 CFR, Part 5, Subpart H, for the electronic filing of financial information to HUD.

In accordance with the guidelines for reporting and attestation requirements of UFRS, the accompanying FDS is included as information supplementary to the financial statements. It was prepared using the accrual basis of accounting, as required by REAC regulations.

**SINGLE AUDIT SECTION**

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number (note B)	Pass-Through Entity Identifying Number (note C)	Federal Expenditures (note A)
<b><u>U.S. Department of Agriculture</u></b>			
Passed through the P.R. Department of Education: Child and Adult Care Food Program	10.558	CCC-029	\$ 14,826
Water and Waste Disposal System for Rural Communities	10.760	N/A	<u>317,903</u>
Subtotal U.S. Department of Agriculture			332,729
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through the Office of Commissioner of Municipal Affairs: Community Development Block Grant - States's Program	14.228	FD - 30 AF - 30 AB - 30 CD - 30	\$ 783,143
Section 8 Housing Choice Vouchers Program	14.871	N/A	<u>494,011</u>
Subtotal U.S. Department of Housing and Urban Development			1,277,154
<b><u>U.S. Department of Justice</u></b>			
Passed through the PR Department of Justice: Edward Byrne Justice Assistance Grant	16,738	2005-DJ-BX-0072	35,898
<b><u>U.S. Department of Transportation</u></b>			
Federal Transit Formula Grants	20.507	N/A	34,627
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through the P.R. Office of Elderly Affairs: National Family Caregiver Support, Title III, Part E	93.052	N/A	22,072
Nutrition Services Incentive Program	93.053	N/A	9,086
Passed through the P.R. Department of Family - Families and Children Administration: Child Care and Development Block Grant	93.575	2005-2006-030 2006-2007-040	<u>96,978</u>
Subtotal U.S. Department of Health and Human Services:			128,136
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the P.R. Department of Justice: Citizen Corps Program	97.053	2004-GE-T4-0008	3,823
Passed through the Puerto Rico Governor Office - (Office of Public Safety Affairs): Homeland Security Grant Program (SHSP)	97.067	2005-GE-T5-4009	<u>61,507</u>
Subtotal U.S. Department of Homeland Security			65,330
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,873,874</u></u>

The accompanying notes are an integral part of this schedule.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2007

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Municipality and is presented on the modified accrual basis of accounting. Expenditures are recognized when the related liability is incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations". Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - FEDERAL CFDA NUMBER**

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

**NOTE C – PASS-THROUGH ENTITY IDENTIFYING NUMBER**

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

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

Description	Community Development Block Grant Fund	Lavadero Sanitary Sewer System Fund	Other Governmental Funds
10.558	\$ -	\$ -	\$ 14,826
10.760	-	317,903	-
14.228	783,143	-	-
14.871	-	-	494,011
16.738	-	-	35,898
20.507	-	-	34,627
93.052	-	-	22,072
93.053	-	-	9,086
93.575	-	-	96,978
97.053	-	-	3,823
97.067	-	-	61,507
Total federal awards expenditures	783,143	317,903	772,828
Total nonfederal awards expenditures	-	154,454	1,981,838
Total expenditures, fund statements	<u>\$ 783,143</u>	<u>\$ 472,357</u>	<u>\$ 2,754,666</u>

# VALDES, GARCIA, MARIN & MARTINEZ, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
MEMBER OF THE AICPA PRIVATE COMPANIES PRACTICE SECTION

**PARTNERS:**

ERNESTO VALDÉS  
ARTURO GARCÍA SÁNCHEZ  
RAMÓN MARÍN  
LUZ N. MARTÍNEZ

P.O. Box 364831  
SAN JUAN, P.R. 00936-4831  
TELEPHONE: (787) 725-1600  
TELEFAX: (787) 721-2795

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

Mayor and Members of the Municipal Legislature  
Municipality of Hormigueros  
Hormigueros, Puerto Rico

We have audited the financial statements of the Municipality of Hormigueros as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007, in which we have expressed an unqualified opinion. 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**

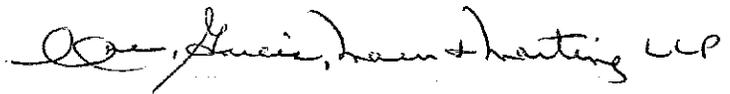
As part of obtaining reasonable assurance about whether the Municipality of Hormigueros' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Municipality of Hormigueros' 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the

internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, municipal legislature and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Luis Hernández" followed by some less legible characters, possibly initials or a second name.

San Juan, Puerto Rico  
December 21, 2007

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to the original

# VALDES, GARCIA, MARIN & MARTINEZ, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
MEMBER OF THE AICPA PRIVATE COMPANIES PRACTICE SECTION

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

Mayor and Municipal Legislature  
Municipality of Hormigueros  
Hormigueros, Puerto Rico

We have audited the compliance of the Municipality of Hormigueros 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 program for the year ended June 30, 2007. The Municipality of Hormigueros' 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 of Hormigueros' management. Our responsibility is to express an opinion on the Municipality of Hormigueros' 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 of Hormigueros' 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 of Hormigueros' compliance with those requirements.

In our opinion, the Municipality of Hormigueros complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

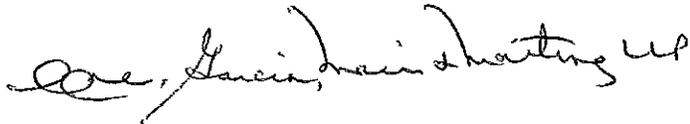
### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relative low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

San Juan, Puerto Rico  
December 21, 2007



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COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Audit Results

Year ended June 30, 2007

I. Summary of audit results:

Part I - Financial Statements

1. Type of audit report:  Unqualified opinion  Qualified opinion  
 Adverse opinion  Disclaimer of opinion
2. Reportable conditions reported:  Yes  No
3. Reportable conditions reported as a material weakness:  Yes  None reported
4. Material noncompliance disclosed:  Yes  No

Part II - Federal Awards

1. Reportable conditions reported:  Yes  No
2. Reportable conditions reported as a material weakness:  Yes  None reported
3. Type of report on compliance on major programs:  Unqualified opinion  Qualified opinion  
 Adverse opinion  Disclaimer of opinion
4. Audit findings required to be reported under Section 510(a) of Circular A-133:  Yes  No

5. Major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block State's Program
14.871	Section 8 Housing Choice Vouchers
10.760	Water and Waste Disposal System Rural Communities

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

**Section II - Financial statements Findings**

Finding . . . No matters reported.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF HORMIGUEROS

**Section III - Federal Awards Findings and Questioned Costs**

Finding

No matters reported.





ESTADO LIBRE ASOCIADO DE PUERTO RICO GOBIERNO MUNICIPAL DE BARCELONETA Oficina del Secretario Municipal Junta de Subastas

SUBASTA NÚM. 15 SERIE: 2007-2008 La Junta de Subastas del Municipio de Barceloneta, Puerto Rico, recibirá proposiciones para la Subasta General Año Económico 2008-2009 en sobre sellados en original y dos copias hasta el 20 de febrero de 2008 a las 10:00 p.m. en el Primer Piso de la Casa Alcaldía para cubrir las necesidades de las Dependencias Municipales, Programas Federales, Programas Head, Early Head Start, Child Care y Centro Autista de Barceloneta.

- Región Núm. 1: Materias de Corteza Tenestre
Región Núm. 2: Mantenimiento Equipo Pesado
Región Núm. 3: Montura, Reparación, Balaceo de Gomas y Alisamiento
Región Núm. 4: Reparación de Bompas, Mangas Hidráulicas, Alternadores, Radiadores y Starter Municipales
Región Núm. 5: Lavado, Cambio de Aceite y Engrase Vehículos
Región Núm. 6: Arrendamiento de Equipo Pesado
Región Núm. 7: Compra de Plantas Ornamentales y Variedad de Plantas
Región Núm. 8: Material de Construcción, Varillas, Panchas y Remanencia de Construcción
Región Núm. 9: Material de Electricidad
Región Núm. 10: Material de Alumbrado
Región Núm. 11: Suministro de Hormigón
Región Núm. 12: Suministro de Asfalto
Región Núm. 13: Piezas y Materiales para Vehículos Livianos
Región Núm. 14: Suministro de Lubricantes y Aceites
Región Núm. 15: Suministro de Gomas, Puntos y Accesorios
Región Núm. 16: Adornos de Gomas, Puntos y Accesorios
Región Núm. 17: Materias de Almacén, Armadillos
Región Núm. 18: Mantenimiento Plantas de Engranajes
Región Núm. 19: Arrendamiento Equipo de Construcción
Región Núm. 20: Materiales para limpieza y mantenimiento de piscinas
Región Núm. 21: Accesorio de Chatarra y Alquiler de Vigones
Región Núm. 22: Material de Remolque
Región Núm. 23: Mantenimiento Equipo Sonido Teatro
Región Núm. 24: Suministro de Uniformes
Región Núm. 25: Servidos de Pasadere para Fines Contributivos
Región Núm. 26: Equipos y Utensilios de Cocina
Región Núm. 27: Componentes de Nutrición y Necesidades Especiales
Región Núm. 28: Componentes de Nutrición, Centro Enseñadientes
Región Núm. 29: Maquinaria, Equipo de Edificación y Materiales Necesidades Especiales
Región Núm. 30: Material de Salud
Región Núm. 31: Suministro de Gas Inflammable con Instalación
Región Núm. 32: Servidos de Furgón
Región Núm. 33: Adquisición y Recarga de Extintores
Región Núm. 34: Material de Limpieza
Región Núm. 35: Material de Computadora y Sistema de Red
Región Núm. 36: Adquisición y Equipo de Computadora
Región Núm. 37: Material de Oficina
Región Núm. 38: Equipo de Oficina
Región Núm. 39: Adquisición de Formularios Impresos
Región Núm. 40: Artículos y Efectos Deportivos
Región Núm. 41: Servicio de Transporte: Carga Escolar
Región Núm. 42: Adquisición y Reparación de Serecas
Región Núm. 43: Suministro de Placas y Troques
Región Núm. 44: Alquiler de Carpas, Sillas y Mesas
Región Núm. 45: Servicio de Cheating

Todo licitador que desee aduegar a la Ley de Preferencia debe someter evidencia de los artículos acogidos bajo esta ley e indicar en el pliego de la subasta los mismos. Copia de las especificaciones estarán disponibles en la Oficina del Secretario Municipal, 2do Piso de la Casa Alcaldía en horas laborables. Las licitaciones vendrán obligadas, como requisito de subasta, a traer una fianza de garantía (Bid Bond) de \$1,000.00 dólares por cada región, en efectivo, en cheque certificado, giro postal o giro bancario a favor del Municipio de Barceloneta o por una compañía de seguros autorizada a hacer negocios en Puerto Rico.

La Junta de Subastas se reserva el derecho de aceptar o rechazar una o todas las proposiciones recibidas y de adjudicar aquellas condiciones que estime más convenientes a los mejores intereses del Municipio de Barceloneta, independientemente del precio.

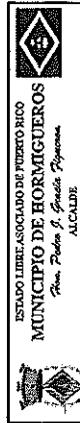
Verónica Arroyo
Verónica Arroyo Estrada
Secretaría Junta de Subastas

AUTORIZADO POR LA COMISION ESTIVAL DE ELECCIONES

PROMOCIÓN FRITO LAY TE RESUELVE 2008

- 1) La promoción comenzará el 4 de enero de 2008 y finalizará el 25 de febrero de 2008, o mientras dure la promoción, la que ocurra primero. No es necesario comprar o hacer alguna compra para participar.
2) Son elegibles para participar sólo los residentes legales de Puerto Rico y de las Islas Vírgenes de los Estados Unidos. Pueden participar cuantas veces deseen.
3) Para participar sólo baje de internet de la página de la promoción Frito Lay. No se permite el uso de correo electrónico en el sitio de la promoción.
4) Como no es necesario comprar para participar, puede haber un número limitado de premios y algunos premios pueden agotarse antes de que se agoten los premios.
5) Los premios son todos al instante e inmediatos. Son los siguientes: PREMIOS EN EFECTIVO: Cinco centavos por premio, cada uno de \$1.00; diez mil premios, cada uno de \$50.00; mil premios, cada uno de \$1,000; quinientos premios, cada uno de \$500.00; doscientos premios, cada uno de \$500.00; diez premios, cada uno de \$1,000. PREMIOS INSTANTÁNEOS: PREMIOS EN EFECTIVO: 100 premios, cada uno de uno ARN del Banco Popular de Puerto Rico de \$100.00 y 200.00 dólares de dólares al precio de mercado, para ir a Caribbean Charms.
6) También podrá ganar uno de 10 cupones para gastar en las gasolineras 70/10, por un período de treinta días, hasta un máximo de \$200.00. Opción para gastar para el período de \$100.00 en un restaurante de Puerto Rico.
7) También habrá premios por compras en supermercados. Como ejemplo, el cupón en Frito Lay que se otorga por comprar un paquete de 100 unidades de Fritos.
8) Podrá recibir los premios de los descuentos en los restaurantes participantes de Frito Lay en Bayreth y en Puerto Rico. Los premios de los restaurantes Frito Lay podrán recibirlos en los restaurantes de Frito Lay en Bayreth y en Puerto Rico. Los cupones de Caribbean Charms podrán ser recibidos en los restaurantes de Caribbean Charms participantes de toda la isla.
9) También habrá premios instantáneos consistentes en productos gratis. Quiébranos helado y crema mil cupones de helado de Choclate, Dulce de Leche o Mantequilla de Fritos 2oz. Válido hasta el 31 de marzo de 2008.
10) Frito Lay Sweets Caribbean se reserva el derecho de cambiar y/o descontinuar los premios de la promoción si las condiciones de la promoción cambian.
11) Ningún premio será asignado más allá de la cantidad por este tipo de premio. Los premios que no se asignen en el tiempo podrá redimirse en efectivo.
12) Todos los premios, de ser necesario, deberán ser asignados dentro de un período de treinta días a partir de la fecha de la promoción. Todos los premios deberán ser recibidos antes de las 11:59 p.m. del día 31 de marzo de 2008. De no haberse en el referido período, el premio correspondiente al premio.
13) Los premios se otorgarán de acuerdo a las reglas y condiciones.
14) La promoción está sujeta a todos los leyes y reglamentos aplicables al Estado Libre Asociado de Puerto Rico y legislación federal. El promotor se reserva el derecho de cambiar las fechas de esta promoción, o modificar estas reglas y las condiciones en caso de circunstancias imprevistas fuera de su control o ajenas a su voluntad.
15) Con la excepción del premio, los ganadores consenten a Frito Lay Sweets Caribbean, sus afiliados, sus agentes de publicidad, de relaciones públicas y promotores, el derecho de publicar y anunciar su nombre, presencia, voz e imagen en cualquier medio publicado en y fuera de Puerto Rico, Internet, en cualquier idioma, en cualquier formato, en cualquier medio de comunicación, con esta promoción y sus premios, y sus nombres, imágenes y fotografías, con la excepción de la misma. De igual manera, el nombre del premio, imágenes y nombres de los premios de esta promoción, los nombres de los ganadores, sus nombres, imágenes y fotografías, con la excepción de la misma, serán utilizados por los ganadores a su entera discreción.
16) No podrá participar en esta promoción, los ganadores que no sean residentes de Puerto Rico. Frito Lay Sweets Caribbean, sus afiliados, sus agentes de publicidad, de relaciones públicas y promotores, el derecho de publicar y anunciar su nombre, presencia, voz e imagen en cualquier medio publicado en y fuera de Puerto Rico, Internet, en cualquier idioma, en cualquier formato, en cualquier medio de comunicación, con esta promoción y sus premios, y sus nombres, imágenes y fotografías, con la excepción de la misma, serán utilizados por los ganadores a su entera discreción.
17) El premio de este concurso es Frito Lay Sweets Caribbean, una División de PepsiCo Caribbean, Inc. Si la promoción termina y el premio no es otorgado, el premio será otorgado como donación a una organización benéfica de Puerto Rico.
18) Los reglas se publicarán manualmente en el periódico Primera Hora, mientras dure la promoción.

AVISOS Y SUBASTAS



ESTADO LIBRE ASOCIADO DE PUERTO RICO MUNICIPIO DE HORMIGUEROS ALCALDE

AVISO PÚBLICO

El Municipio de Hormigueros invita al público en general y participantes del Programa de Sección "8" a emitir sugerencias y/o comentarios conducentes a la actualización del Plan Anual para el año fiscal 2007-2008.

El Plan Anual incluirá la misión del Municipio de Hormigueros para trabajar con las necesidades de las familias de ingresos bajos. Además, incluye las metas y objetivos que permitan al Municipio evaluar las necesidades de las familias identificadas con el Plan Anual.

El Plan Anual incluirá información y servicios que se ofrecen bajo el programa. En este aspecto se incluye la estrategia del Municipio para lidiar con los aspectos operacionales, las preocupaciones y necesidades de los participantes para el próximo año fiscal.

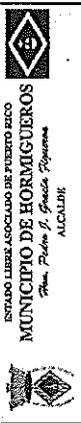
Se celebrará una Vista Pública el martes, 25 de marzo de 2008 a las 10:00 a.m. en el Teatro Juanita Arenas de Hormigueros cumpliendo con los 45 días establecidos en el CFR 903.17.903.19. El propósito de la Vista Pública es recopilar reacciones a las emendadas propuestas en el Plan Anual.

Para más información pueden visitar nuestras oficinas y/o comunicarse al (787)849-4071.

En Hormigueros, Puerto Rico, hoy 30 de enero de 2007.

PEDRO JUAN GARCÍA FIGUEROA ALCALDE

Aprobado por la Comisión Estatal de Elecciones Certificación Núm. CEE-C-08-121



ESTADO LIBRE ASOCIADO DE PUERTO RICO MUNICIPIO DE HORMIGUEROS ALCALDE

AVISO PÚBLICO

El Municipio de Hormigueros invita al público en general y participantes del Programa de Sección "8" a emitir sugerencias y/o comentarios conducentes a la actualización del Plan Anual para el año fiscal 2007-2008.

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