

**OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES
ÁREA DE ASESORAMIENTO, REGLAMENTACIÓN E INTERVENCIÓN FISCAL
ÁREA DE ARCHIVO DIGITAL**

**MUNICIPIO DE JAYUYA
AUDITORÍA 2014-2015**

30 DE JUNIO DE 2015

O.C.A.M.
DIV. SERVICIOS GENERALES

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INFORME ESPECIAL SOBRE EL CUMPLIMIENTO DE LAS
RECOMENDACIONES CONTENIDAS EN LOS INFORMES DE AUDITORIA
DE LA OFICINA DEL CONTRALOR DE PUERTO RICO
Y LA CORRECCION DE LAS SITUACIONES COMENTADAS EN SUS INFORMES PREVIOS
AÑO FISCAL 2014-2015

MUNICIPIO DE JAYUYA

31 de marzo de 2016

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MUNICIPIO DE JAYUYA

INFORME ESPECIAL SOBRE EL CUMPLIMIENTO DE LAS
RECOMENDACIONES CONTENIDAS EN LOS INFORMES DE AUDITORIA
DE LA OFICINA DEL CONTRALOR DE PUERTO RICO
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AÑO FISCAL 2014-2015

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NIEVES VELAZQUEZ & CO., P.S.C.

Certified Public Accountants and Financial Consultants

INFORME ESPECIAL SOBRE EL CUMPLIMIENTO DE LAS
RECOMENDACIONES CONTENIDAS EN LOS INFORMES DE AUDITORIA
DE LA OFICINA DEL CONTRALOR DE PUERTO RICO
Y LA CORRECCION DE LAS SITUACIONES COMENTADAS EN SUS INFORMES PREVIOS
AÑO FISCAL 2014-2015

31 de marzo de 2016

Hon. Jorge L. González Otero
Alcalde
Municipio de Jayuya

Realizamos un examen para determinar el estatus de las recomendaciones contenidas en el Informe de Auditoría de la Oficina del Contralor de Puerto Rico y la corrección de las situaciones comentadas en el Informe de Auditoría M-14-32 del 18 de febrero de 2014.

BASE LEGAL

La *Ley Núm. 344 del 2 de septiembre de 2000* enmendó los artículos 7.010 y 8.016 de la *Ley Núm. 81 del 30 de agosto de 1991, Ley de Municipios Autónomos del Estado Libre Asociado de Puerto Rico de 1991*, según enmendada, para establecer que en los informes que remitan los auditores externos opinarán sobre el cumplimiento de las recomendaciones de la Oficina del Contralor de Puerto Rico y la corrección de las faltas comentadas en sus informes previos. De otra parte, en virtud de la *Ley Núm. 124 del 17 de octubre de 2009* se enmendó el Artículo 2 de la *Ley Núm. 273 del 10 de septiembre de 2003, Ley de Normas Contractuales sobre Independencia en las Auditorías Externas de las Entidades Gubernamentales*, para añadir el inciso (g) a fin de disponer aspectos similares.

ALCANCE Y METODOLOGIA

El examen cubrió del 1 de julio de 2014 al 30 junio de 2015. Este lo efectuamos de acuerdo con las *Normas de Atestación*, emitidas por el Instituto Americano de Contadores Públicos Autorizados (o las normas que apliquen de acuerdo con las circunstancias). Realizamos las pruebas que consideramos necesarias, a base de muestras y de acuerdo con las circunstancias para poder expresar una opinión sobre el cumplimiento de las recomendaciones de la Oficina del Contralor de Puerto Rico y la corrección de las faltas comentadas en sus informes previos.

Además, el 8 de septiembre de 2015 participamos de una reunión con el personal de la Oficina del Contralor de Puerto Rico relacionada con las recomendaciones de los informes a ser examinadas.

AGRADECIMIENTOS

A los funcionarios y a los empleados del Municipio de Jayuya, les agradecemos la cooperación que nos prestaron durante nuestro examen.



NIEVES VELAZQUEZ & CO., P.S.C.

Certified Public Accountants and Financial Consultants

INFORME ESPECIAL DE LOS AUDITORES INDEPENDIENTES

Hon. Jorge L. González Otero
Alcalde
Municipio de Jayuya

Hemos examinado el cumplimiento del Municipio de Jayuya con las recomendaciones de la Oficina del Contralor de Puerto Rico y la corrección de las faltas comentadas en el Informe de Auditoría M-14-32. Los funcionarios del Municipio de Jayuya son responsables del cumplimiento de dichas recomendaciones. Nuestra responsabilidad es expresar una opinión sobre el cumplimiento de las mismas por el Municipio de Jayuya basado en nuestro examen para el año fiscal terminado el 30 de junio de 2015.

Nuestro examen fue realizado de acuerdo con las *Normas de Atestación* emitidas por el Instituto Americano de Contadores Públicos Autorizados (o las normas que apliquen de acuerdo a las circunstancias), por lo tanto, examinamos, a base de muestras, el cumplimiento del Municipio de Jayuya de las recomendaciones de la Oficina del Contralor de Puerto Rico y la corrección de las faltas comentadas en dichos informes. Entendemos que nuestro examen provee una base razonable para emitir una opinión. Nuestro examen no provee una determinación legal sobre el cumplimiento del Municipio de Jayuya de las recomendaciones examinadas.

Según se presenta en el Anejo A, nuestro examen reveló que ciertas recomendaciones de la Oficina del Contralor de Puerto Rico incluidas en su Informe de Auditoría M-14-32 no fueron cumplimentadas por la Rama Ejecutiva y la Rama Legislativa del Municipio de Jayuya.

En nuestra opinión, excepto por lo indicado en el párrafo tercero, el Municipio de Jayuya cumplió, en todos los aspectos materiales con las recomendaciones de la Oficina del Contralor de Puerto Rico contenidas en el Informe de Auditoría M-14-32 para el año fiscal terminado el 30 de junio de 2015. En el Anejo A comentamos sobre las recomendaciones parcialmente cumplimentadas o no cumplimentadas.

Este informe ha sido preparado para uso e información exclusiva del Municipio de Jayuya, la Asamblea Municipal y la Oficina del Contralor de Puerto Rico. Sin embargo, este informe es un documento público y su distribución no está limitada.

NIEVES VELAZQUEZ & CO., P.S.C.
San Juan, Puerto Rico
31 de marzo de 2016

MUNICIPIO DE JAYUYA

INFORME ESPECIAL SOBRE EL CUMPLIMIENTO DE LAS
RECOMENDACIONES CONTENIDAS EN LOS INFORMES DE AUDITORIA
DE LA OFICINA DEL CONTRALOR DE PUERTO RICO Y LA CORRECCION
DE LAS SITUACIONES COMENTADAS EN SUS INFORMES PREVIOS
AÑO FISCAL 2014-2015

ANEJO A

RESULTADOS POR RECOMENDACION Y HALLAZGO - M-14-32

MUNICIPIO DE JAYUYA

INFORME ESPECIAL SOBRE EL CUMPLIMIENTO CON LAS RECOMENDACIONES DEL CONTRALOR Y LA CORRECCION DE LAS FALLAS SEÑALADAS EN EL INFORME DE AUDITORIA M-14-32 DEL 18 DE FEBRERO DE 2015 PARA EL AÑO FISCAL TERMINADO EL 30 DE JUNIO DE 2015

Recomendación Número	Hallazgo Número	Descripción de la Recomendación de la Oficina del Contralor de Puerto Rico en su Informe M-14-32 del 18 de febrero de 2014	Estatus del Hallazgo	Funcionario Responsable	Fecha Probable para Cumplimentar	Comentarios de los Contadores Independientes
3	1-a.2) y 3)	Tomar las medidas administrativas necesarias para desarrollar un plan de austeridad para eliminar los sobregiros en los fondos y en las cuentas bancarias.	Parcialmente Cumplimentada	Directora de Finanzas	30 de junio de 2016	Según el Modelo 4-A, al 30 de junio de 2015, el Municipio mantenía 94 fondos en sobregiros. De estos, 24 corresponden al Fondo Operacional y 70 a Fondos Especiales. No identificamos cuentas bancarias en sobregiro al 30 de junio de 2015.
4	3-b 4-a.1 al 9 y b	5) El registro de cheques para que contenga toda la información necesaria. 6) la falta de controles en las recaudaciones, tales como: la falta de investigaciones sobre los recibos con tachaduras, borrones o alteraciones; los recibos que no indican el tipo de valor, los cancelados sin indicar las razones, los no encontrados para examen, los no firmados, los que no se mantenían bajo llave, los que no indicaban el número de serie de los recibos del recaudador auxiliar; las libretas de recibo utilizadas por más de un cajero; las tardanzas en la entrega de las recaudaciones y las recaudaciones sin tener nombramiento para ello.	Parcialmente Cumplimentada No Cumplimentada	Directora de Finanzas Directora de Finanzas	30 de junio de 2016 30 de junio de 2016	Examinamos el registro de cheques que mantiene la Oficial Pagadora y encontramos un caso donde carece de la información de la persona que recibió el cheque. No obtuvimos evidencia que se hayan encontrado los recibos que se indican en el Informe del Contralor.

MUNICIPIO DE JAYUYA

INFORME ESPECIAL SOBRE EL CUMPLIMIENTO CON LAS RECOMENDACIONES DEL CONTRALOR Y LA CORRECCION DE LAS FALLAS SEÑALADAS EN EL INFORME DE AUDITORIA M-14-32 DEL 18 DE FEBRERO DE 2015 PARA EL AÑO FISCAL TERMINADO EL 30 DE JUNIO DE 2015

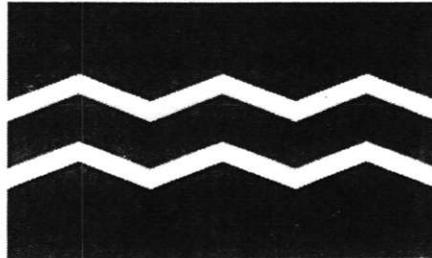
Recomendación Número	Hallazgo Número	Descripción de la Recomendación de la Oficina del Contralor de Puerto Rico en su Informe M-14-32 del 18 de febrero de 2014	Estatus del Hallazgo	Funcionario Responsable	Fecha Probable para Cumplimentar	Comentarios de los Contadores Independientes
4	11-b	9) la falta de información completa y adecuada sobre las cuentas y el resultado de las operaciones y la contabilidad de todos los fondos en el SUCM.	Parcialmente Cumplimentada	Directora de Finanzas	30 de junio de 2016	La información generada en el Sistema Uniforme de Contabilidad Mecanizado no refleja toda la información completa sobre las cuentas y los resultados de las operaciones y la contabilidad de todos los fondos. En los Estados Financieros auditados al 30 de junio de 2015 se comenta una situación similar.
5	2	Tomar las medidas administrativas necesarias para que, en lo sucesivo, los pagos al Servicio de Rentas Internas Federal y a las agencias gubernamentales se remesen dentro del tiempo establecido, y así evitar el pago de penalidades e intereses.	Parcialmente Cumplimentada	Directora de Finanzas	30 de junio de 2015	Al 30 de junio de 2015, el Municipio mantenía deudas con agencias, entre ellas: <ul style="list-style-type: none"> • Autoridad de Acueductos y Alcantarillados - \$149,763 • Servicios Generales - \$3,235
7	8 Comentario Especial 2	Recobrar de los funcionarios concernientes, de los contratistas, de los proveedores y otros, o de las fianzas de los funcionarios responsables, las cantidades: <ol style="list-style-type: none"> a. Los \$12,080 incurridos con cargo a la tarjeta de crédito del Municipio sino se presentan los justificantes necesarios, y ver que dicha situación no se repita. b. Los \$2,099 que se indican en el Comentario Especial 2. 	Parcialmente Cumplimentada	Directora de Finanzas	No determinada	La Directora de Finanzas informó que se sometió la información al Departamento de Justicia y está pendiente a contestación.

MUNICIPIO DE JAYUYA

INFORME ESPECIAL SOBRE EL CUMPLIMIENTO CON LAS RECOMENDACIONES DEL CONTRALOR Y LA CORRECCION DE LAS FALLAS SEÑALADAS EN EL INFORME DE AUDITORIA M-14-32 DEL 18 DE FEBRERO DE 2015 PARA EL AÑO FISCAL TERMINADO EL 30 DE JUNIO DE 2015

Recomendación Número	Hallazgo Número	Descripción de la Recomendación de la Oficina del Contralor de Puerto Rico en su Informe M-14-32 del 18 de febrero de 2014	Estatus del Hallazgo	Funcionario Responsable	Fecha Probable para Cumplimentar	Comentarios de los Contadores Independientes
8	9-a	Preparar un proyecto de Ordenanza y presentarlo a la Legislatura Municipal para establecer y reglamentar un Plan de Clasificación y Retribución Uniforme actualizado para los empleados en puestos de carrera y de confianza de la Rama Ejecutiva.	No Cumplimentada	Directora de Recursos Humanos	No determinada	No obtuvimos evidencia sobre la preparación de un proyecto de ordenanza presentado a la Legislatura Municipal para establecer y reglamentar un Plan de Clasificación y Retribución.
11	10	Ver que se mantengan registros y expedientes completos y actualizados de los vehículos municipales y los controles adecuados de las boletas para el despacho de combustible.	No Cumplimentada	Director de Obras Públicas	30 de junio de 2016	Seleccionamos una muestra de siete (7) expedientes de vehículos municipales y observamos que en cinco (5) casos la información en las bitácoras estaba incompleta. Sobre las boletas para el despacho de gasolina, encontramos que el inventario perpetuo no estaba completo. Para los vehículos municipales de Obras Públicas no se lleva un control de las libretas que se están utilizando. Para los vehículos municipales de otras dependencias solo se les entrega un acuse de recibo por la entrega de la libreta.
13	1, 2, 5, 8 y 9	Informar a la Legislatura Municipal las situaciones que se comentan en los Hallazgos 1, 2, 5, 8 y 9, de modo que se tomen las medidas correctivas que procedan y establecer un plan de seguimiento para ver que las situaciones se atiendan prontamente.	Parcialmente Cumplimentada	Secretaria Legislatura Municipal	30 de junio de 2015	Obtuvimos evidencia de la minuta sobre reunión de la Comisión de Asuntos del Contralor efectuada el 6 de noviembre de 2014, para discutir los Señalamientos del Informe del Contralor M-14-32 y el Plan de Acción Correctiva con fecha del 30 de mayo de 2014. Posterior a la reunión, no obtuvimos evidencia sobre un plan de seguimiento para la implantación de las recomendaciones emitidas en dicho informe.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA**



**BASIC FINANCIAL STATEMENTS
WITH ADDITIONAL REPORTS AND
INFORMATION REQUIRED BY THE SINGLE AUDIT ACT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**HON. JORGE L. GONZALEZ OTERO
MAYOR**

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

BASIC FINANCIAL STATEMENTS WITH ADDITIONAL REPORTS
AND INFORMATION REQUIRED BY THE SINGLE AUDIT ACT

FISCAL YEAR ENDED JUNE 30, 2015

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

BASIC FINANCIAL STATEMENTS WITH ADDITIONAL REPORTS
AND INFORMATION REQUIRED BY THE SINGLE AUDIT ACT

FISCAL YEAR ENDED JUNE 30, 2015

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NIEVES VELAZQUEZ & CO., P.S.C.

Certified Public Accountants and Financial Consultants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Jayuya, Puerto Rico (Municipality), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements. We were engaged to audit the financial statements of the governmental activities. These financial statements collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Principles Generally Accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on Governmental Activities" paragraph, however we was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation to the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Disclaimer of Opinion on Governmental Activities

The Municipality did not have a complete, updated and accurate accounting records of the capital assets in order to obtain sufficient and competent evidential matter related to the capital assets reported in the accompanying Statement of Net Position for \$19,240,734, net of accumulated depreciation of \$10,305,396. Also, the Municipality did not recorded the infrastructure assets and accordingly, has not recorded depreciation expense on those assets. Because of the inadequacy of the accounting records and accordingly, has not recorded depreciation expense on those assets. Because of the inadequacy of the accounting records. We were unable to form an opinion regarding the capital assets reported in the accompanying Statement of Net Position.

The Municipality did not comply with the requirements established by GASB No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs*, issued by the Governmental Accounting Standards Board and the regulations set forth by the U.S. Environment Protection Agency in its "Solid Waste Disposal Facility Criteria", issued on October 9, 1991. At June 30, 2015, the accompanying Statement of Net Position include a liability of \$1,486,948 for closure and post-closure care costs not based on a formal study of the actual landfill available and used capacity. Because, of the inadequacy of the accounting records, we were unable to form an opinion regarding the liability for closure and post-closure costs of the landfill.

As discussed in Notes 1 and 18 to the basic financial statements, the Municipality has not implemented the requirements of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. Accordingly,

1. The Municipality has not been able to determine and account for its proportionate share of net pension obligation, deferred inflow of resources and deferred outflow resources related to pension costs and,
2. The Municipality has not recognized the effect of current period changes in net pension obligation, deferred outflow of resources and deferred inflow of resources as these relate to pension costs.

Accounting Principles Generally Accepted in the United States of America require that pension related liability, deferred outflow of resources, deferred inflow of resources, as applicable, be recognized in accordance with the parameters established by GASB Statement No. 68, as well as the effect of current period changes of the aforementioned amounts that must be recognized in pension expense during the current period. Recognition of these amounts would increase liabilities, increase deferred outflow of resources, increase deferred inflow of resources, increase the deficit, and change the pension expenses of the governmental activities. The amounts by which this departure would affect liabilities, deferred outflow of resources, deferred inflow of resources, deficit, and expenses of the governmental activities has not been determined.

The accompanying notes to the basic financial statements do not disclose the pension cost information required by GASB Statement No. 68. In our opinion, disclosure of this information is required by Accounting Principles Accepted in the United States of America.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on Government Activities" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities. Accordingly, we do not express, an opinion on the financial position of the governmental activities of the Municipality at June 30, 2015, or the changes in financial position, thereof for the year then ended.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on the "Empresas de Desarrollo de la Tierra Alta" Fund and on the Business-Type Activities

Management has not included "Empresas de Desarrollo de la Tierra Alta" Fund in the Municipality's financial statements. Accounting Principles Generally Accepted in the United States of America require that "Empresas de Desarrollo de la Tierra Alta" Fund to be presented as a major enterprise fund and financial information about "Empresas de Desarrollo de la Tierra Alta" Fund to be part of the business-type activities, thus increasing that activity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, and changing its net pension. The amount by which this departure would affect the assets, deferred outflow of resources, net position, revenues and expenses of the business-type activities and the omitted major fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the "Empresas de Desarrollo de la Tierra Alta" Fund and on the Business-Type Activities paragraph, the financial statements referred to above do not present fairly the financial position of the "Empresas de Desarrollo de la Tierra Alta" Fund and the business-type activities of the Municipality, as of June 30, 2015, or the changes in financial position or cash flows thereof for the year then ended in accordance with Accounting Principles Generally Accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than "Empresas de Desarrollo de la Tierra" Fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2015, and the respective changes in financial position thereof for the fiscal year then ended in accordance with Accounting Principles Generally Accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting Principles Generally Accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 through 16 and 65 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with Auditing Standards Generally Accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters (Continued)

Required Supplementary Information Omitted

The Municipality has omitted the Schedule of the Municipality's Proportionate Share of the Net Pension Liability, and the Schedule of Municipality's Contributions to the Employees' Pension Plan, information that Accounting Principles Generally Accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on Governmental Activities" paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the Municipality's internal control over financial reporting and on 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* in considering Municipality's internal control over financial reporting and compliance

Nieves Velazquez & Co., P.S.C.
NIEVES VELAZQUEZ & CO., P.S.C.

San Juan, Puerto Rico
March 28, 2016

Stamp No. 02725866 of the Puerto Rico Society of
Certified Public Accountants has been affixed to
the original of this report.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The management of Municipality of **Jayuya**, Puerto Rico (Municipality) offers this narrative overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2015. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, and much of the information is comparable to prior year. This MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

This MD&A is prepared in order to comply with the reporting model required by Governmental Accounting Standards Board Statement No. 34 and, among other purposes, to provide the financial statements users with the following major information:

- a broader basis in focusing important issues;
- acknowledgement of an overview of the Municipality's financial activities;
- provide for an evaluation of its financial condition as of the end of the indicated fiscal year, compared with prior year results;
- identification of uses of funds in the financing of the Municipality's variety of activities and;
- assess management's ability to handle budgetary functions.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The Municipality's assets exceeded its liabilities at June 30, 2015 by \$8,992,392, and at June 30, 2014 by \$14,123,560, as restated;
- The Municipality's total net positions decrease by \$5,131,168 during fiscal year 2014-2015;
- As of June 30, 2015, the Municipality's governmental funds reported combined ending fund balance of \$6,058,593, an decrease of \$1,816,942 from the prior year;
- At June 30, 2015, the Statement of Net position presented an unrestricted deficit of \$(6,013,511);
- The Municipality's capital assets inventory increase as a result of this year's operations. Capital assets as of June 30, 2015 were \$19,240,734 (net of accumulated depreciation);
- The investment in capital assets for this year was \$9,197,497 (net of related debt);
- Loans principal payments were \$791,000 and \$598,500 in 2015 and 2014, respectively.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Municipality's financial statements. The Municipality's basic financial statements comprise three components: Government-Wide Financial Statements; Fund Financial Statements; and Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are composed of: (1) the Statement of Net Positions and (2) the Statement of Activities. These financial statements can be found immediately following this MD&A. These financial statements are designed to provide readers with a broad overview of the Municipality's finances, in a manner similar to a private-sector business.

STATEMENT OF NET POSITIONS

The purpose of the Statement of Net Positions is to attempt to report all assets owned and all liabilities owed by the Municipality. The Municipality reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. For example, the Municipality reports buildings and infrastructure as assets, even though they are not available to pay the obligations incurred by the Municipality. On the other hand, the Municipality reports liabilities, such as claims and judgments, bonds and notes payable, obligations under capital leases, compensated absences and certain accounts payable and accrued liabilities, even though these liabilities might not be paid until several fiscal years into the future.

The difference between the Municipality's total assets and total liabilities reported in the Statement of Net Positions is presented as net positions, which is similar to the total owners' equity reported by a commercial enterprise in its financial statements. Although the purpose of the Municipality is not to accumulate net positions, as this amount increases or decreases over time, such amount represents a useful indicator of whether the financial position of the Municipality is either improving or deteriorating, respectively.

STATEMENT OF ACTIVITIES

The Statement of Activities presents information showing how the Municipality's net positions changed during the fiscal year ended June 30, 2015, by presenting all of the Municipality's revenues and expenses. As previously discussed, the items reported in the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied, and expenses are recorded when incurred by the Municipality. Consequently, revenues are reported even when they may not be collected for several months after the end of the fiscal year and expenses are recorded even though they may not have used cash during the current year.

Although the Statement of Activities looks different from a commercial enterprise's income statement, the difference is only in format, not substance. Whereas the bottom line in a commercial enterprise represents its net income, the Municipality reports an amount described as net change in net positions, which is essentially the same concept.

The focus of the Statement of Activities is on the net cost of various activities provided by the Municipality. The statement begins with a column that identifies the cost of each of the Municipality's major functions. Another column identifies the revenues that are specifically related to the classified governmental functions. The difference between the expenses and revenues related to specific functions/programs identifies the extent to which each function of the Municipality draws from general revenues or is self-financing through fees, intergovernmental aid, and other sources of resources.

This statement also presents a comparison between direct expenses and program revenues for each function of the Municipality.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Both of the government-wide financial statements of the Municipality are principally supported by taxes and intergovernmental revenues. The governmental activities of the Municipality include; Mayor and Municipal Legislature, General Government, Public Safety, Public Works, Culture and Recreation, Health and Sanitation, Human Services and Welfare, Urban Development, Education and Interests. Property taxes, volume of business taxes, sales taxes, and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The Municipality's fund financial statements consist of: (1) the Balance Sheet and (2) the Statement of Revenues, Expenditures and Changes in Fund Balances. These financial statements report the financial position and the results of operations of the Municipality's governmental funds, with an emphasis on the Municipality's major governmental funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Municipality, like most other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each fund is considered an independent fiscal entity accounted for within a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial and contractual provisions.

GOVERNMENTAL FUNDS

The Municipality's basic services are reported in the government fund financial statements. The government funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Municipality adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information containing budget to actual comparisons for the general and major funds.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

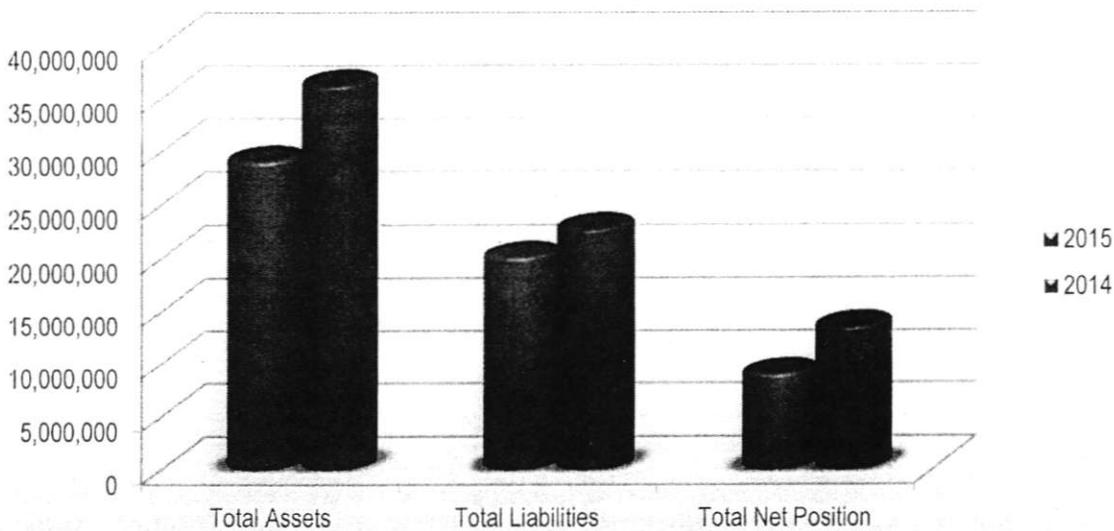
GOVERNMENTAL NET POSITIONS

As noted earlier, net positions may serve over time as a useful indicator of a government's financial position. In the case of the Municipality, assets exceeded liabilities by \$8,992,392 as of June 30, 2015, versus \$14,123,560 as of June 30, 2014, as restated. Our analysis below focuses on the net positions (**Table 1**) and changes in net positions of the Municipality's governmental activities.

Table 1

Statement of Net Positions

	<u>2015</u>	<u>2014</u>
Current and non-current assets	\$ 9,843,635	\$ 17,156,716
Capital assets	19,240,734	19,475,519
Total Assets	<u>29,084,369</u>	<u>36,632,235</u>
Current liabilities	5,693,501	4,182,374
Long-term liabilities	14,398,476	18,326,301
Total Liabilities	<u>20,091,977</u>	<u>22,508,675</u>
Net Positions:		
Investment in capital assets, net of related debt	9,197,497	10,903,920
Restricted	5,808,406	9,093,202
Deficit	(6,013,511)	(5,873,562)
Total Net Positions	<u>\$ 8,992,392</u>	<u>\$ 14,123,560</u>



COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the Municipality's net positions reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets still outstanding. These capital assets are used to provide services to citizens; consequently these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Municipality's net positions represents resources that are subject to external restrictions on how they may be used.

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the Municipality's net positions. Key elements of this decrease are as follows: the Municipality's governmental activities had net expenses of \$15,287,463. However, these services are intended to be primarily funded by taxes, as opposed to charges for services and grants, and those taxes and other general revenues did exceed net expenses by \$5,131,168.

The cost of all governmental activities this year was \$22,005,670. **Table 2** presents the cost of each of the Municipality's largest programs.

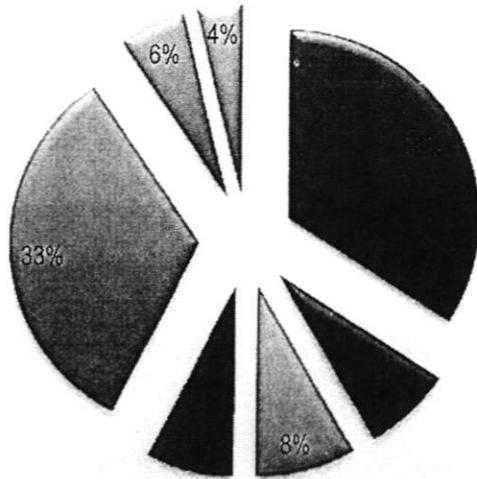
Table 2			
Statement of Activities	2015		2014
Revenues			
Grants and contributions	\$ 5,764,763		\$ 6,312,394
General revenues:			
Property taxes	1,254,755	-	1,586,770
Sales taxes	1,255,557	-	1,179,737
Volume of business taxes	1,430,269		1,295,291
Intergovernmental	5,555,521		6,079,000
Charges for services	953,444		2,076,951
Other General revenues	652,193		775,210
Total revenues	<u>16,866,502</u>		<u>19,305,353</u>
Expenses			
General administration	5,700,865		4,323,154
Public safety	297,833		433,772
Public works	1,274,022		1,739,200
Culture and recreation	733,464		942,741
Health and sanitation	749,180		615,412
Human services and welfare	8,373,747		4,341,964
Urban development	4,169,776		5,439,462
Interest on long-term debts	706,783		586,354
Total expenses	<u>22,005,670</u>		<u>18,422,059</u>
Changes in net positions	(5,131,168)		883,294
Net positions – beginning	14,123,560		13,240,266
Net positions – ending	<u>\$ 8,992,392</u>		<u>\$ 14,123,560</u>

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

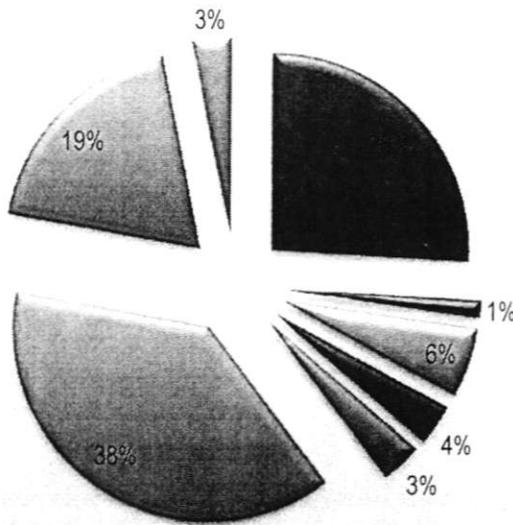
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

2015 Revenues



- Grants and contributions
- Property taxes
- Volume of business taxes
- Sales taxes
- Intergovernmental
- Charges for services
- Other General revenues

2015 Expenditures



- General administration
- Public safety
- Public works
- Health and Sanitation
- Culture and recreation
- Human services and welfare
- Urban development
- Interest on long-term debts

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Approximately 34% of the Municipality's governmental activities total revenue came from grants and contributions, and 33% came from state contributions not restricted for specific purposes. Federal grants represent 40% of the Municipality's grants and contributions revenues. Also, approximately 24% of total revenues come from property, volume of business and sales taxes.

The Municipality's governmental activities expenses included items such as Mayor and Municipal Legislature, General Government, Public Safety, Public Works, Culture and Recreation, Health and Sanitation, Human Service and Welfare, Urban Development and Interest on long term debts. Approximately 38% of total expenses resulted from Human Services and Welfare, 26% from General Administration, 19% from Urban Development and 6% from Public Works.

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENT FUND FINANCIAL ANALYSIS

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

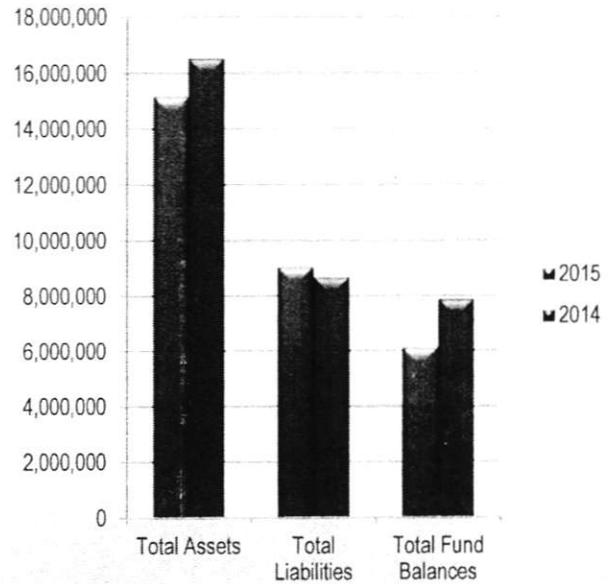


Table 3

Balance Sheet

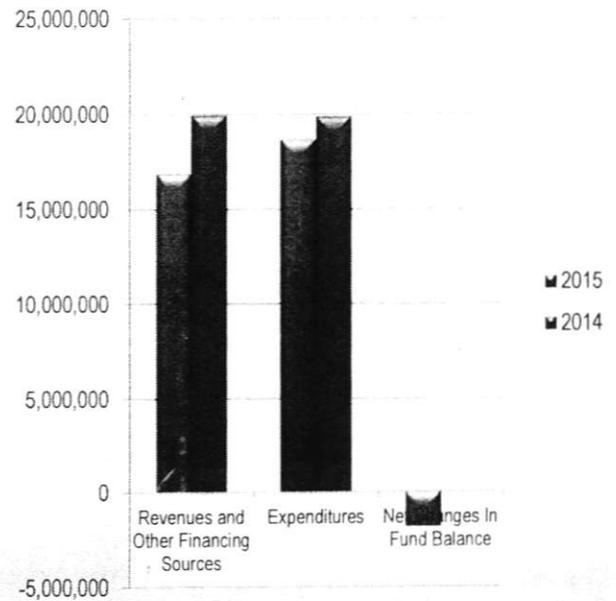
	2015	2014
Assets:		
Total assets – Major Funds	\$ 9,110,415	\$ 10,508,484
Total assets – Other Funds	5,984,112	6,025,568
Combined total assets	<u>\$ 15,094,527</u>	<u>\$ 16,534,052</u>
Liabilities:		
Total liabilities – Major Funds	7,638,488	7,395,399
Total liabilities – Other Funds	1,397,446	1,263,118
Combined total liabilities	<u>9,035,934</u>	<u>8,658,517</u>
Fund Balances (as restated):		
Restricted, Committed or Assigned – Major Funds	1,471,927	3,113,085
Restricted, Committed or Assigned – Other Funds	4,586,666	4,762,450
Unassigned	-	-
Combined total fund balances	<u>6,058,593</u>	<u>7,875,535</u>
Total liabilities and fund balances	<u>\$ 15,094,527</u>	<u>\$ 16,534,052</u>

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 4

<u>Changes in Fund Balances</u>	<u>2015</u>	<u>2014</u>
Revenues:		
Total revenues – Major Funds	\$ 10,917,823	\$ 15,282,268
Total revenues – Other Funds	5,956,680	4,108,221
Combined total revenues	<u>16,874,503</u>	<u>19,390,489</u>
Expenditures:		
Total expenditures – Major Funds	11,580,634	16,211,618
Total expenditures – Other Funds	7,110,812	3,658,622
Combined total expenditures	<u>18,691,446</u>	<u>19,870,240</u>
Other financing sources:		
Other financing sources – Major Funds	-	530,000
Other financing sources – Other Funds	-	-
Combined other financing sources, net	<u>-</u>	<u>530,000</u>
Net changes in fund balance	(1,816,942)	50,249
Fund Balance – beginning	<u>7,875,535</u>	<u>7,825,286</u>
Fund Balance – ending	<u>\$ 6,058,593</u>	<u>\$ 7,875,535</u>



COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENTAL FUNDS

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of its fiscal year. At June 30, 2015, the Municipality's governmental funds reported combined ending fund balances of \$6,058,593, an decrease of \$1,816,942 from the prior year.

The Municipality has a fund balance in its General Fund that is restricted, committed and assigned; (a) to liquidate prior year obligations \$250,186; (b) to pay debt service \$711,496 and; (c) for capital projects and other special purposes \$5,096,911.

BUDGETARY HIGHLIGHTS

Budget and actual comparison schedules are provided in the Basic Financial Statements for the General Fund. The Budgetary Comparison Schedule of the General Fund shows the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general and major special revenue funds. **Table 5** summarizes the results of the General Fund's Budgetary Comparison Schedule:

Table 5	Final Budget	Actual Amounts	Variance
Total revenues	\$ 9,026,524	\$ 9,072,344	\$ 45,820
Total expenditures, encumbrances and other financing uses	<u>9,026,524</u>	<u>8,845,654</u>	<u>180,870</u>
Excess or deficiency	<u>\$ -</u>	<u>\$ 226,690</u>	<u>\$ 226,690</u>

The original and the final budget of the General Fund for the fiscal year ended June 30, 2015 amounted to \$8,614,722 and \$9,026,524, respectively. Over the course of the fiscal year, the Municipality revised the General Fund's budget in order to include increases and decreases in revenues that were identified during the course of the fiscal year based on current developments that positively affected the Municipality's finances. The laws and regulations of the Commonwealth mandate a balanced budget.

The total actual revenues (budgetary basis) of the General fund for the fiscal year ended June 30, 2015 were \$9,072,344, which is \$45,820 more than the budgeted revenues. In addition, the total actual expenditures, encumbrances and other financing uses (budgetary basis) of the General Fund for the fiscal year ended June 30, 2015 were \$8,845,654, which is \$180,870 more than the budgeted expenditures.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

INVESTMENT IN CAPITAL ASSETS

The Municipality's investment in capital assets for its governmental type activities as of June 30, 2015 amounted to \$19,240,734 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, parks, roads, and bridges. The total decrease in the Municipality's investment in capital assets for the current fiscal year was \$234,785. Additions during the fiscal year were for buildings, motor vehicles, and machinery and equipment. **Table 6** present the major classes of capital assets (net of accumulated depreciation):

Table 6	
Capital Assets	Amount
Construction in progress	\$ 2,062,282
Works of art	8,000
Land	2,441,334
Buildings	12,433,224
Infrastructure	1,008,463
Machinery and equipment	1,011,386
Motor vehicles	276,045
Total Assets	\$ 19,240,734

LONG-TERM DEBT

At June 30, 2015, the Municipality had total of \$15,815,951 in general obligations and others outstanding debts, as shown in **Table 7**. Of this amount, \$12,350,040 comprises debt backed by the full faith and credit of the government and \$3,465,911 is other obligations.

Table 7	
Long Term Debts	Amount
General obligations bonds and notes	\$ 12,350,040
Others	3,465,911
Total Long Term Debts	\$ 15,815,951

The Municipality is required to limit the amount of general obligation debt to 10% of the total assessment of property located within the Municipality in order for the bonds to be repaid with the proceeds of property taxes restricted for debt services. Other obligations include accrued vacation and sick leave and advances of property taxes. More detailed information about the Municipality's long-term liabilities is presented in the notes to the financial statements. The Municipality continues to meet its financial needs through prudent use of its revenues and creative debt financing programs.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local, national and international economic factors influence the Municipality's revenues. Positive economic growth is correlated with increased revenues from property taxes, volume of business taxes, sales taxes, charges for services, as well as state and federal grants. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction, assessed valuation, and other revenues.

All of these factors were considered in preparing the Municipality's budget for the 2015 fiscal year. Some cost reductions helped fund improvements of existing facilities, public safety and works, economic development initiatives and human service improvements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Municipality's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information contact the Municipality's Finance Department at (787) 828-0900.

COMMONWEATH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

Statement of Net Position
June 30, 2015

Assets

Current Assets:

Cash in commercial banks	\$ 5,213,465
Cash in fiscal agent	3,128,630
Accounts receivable, net of allowance for doubtful accounts:	
Property taxes	18,210
Intergovernmental	354,379
Sales tax	19,080
Municipal license	-
Federal Grants	1,072,230
Interest	-
Other	37,641
Restricted assets :	
Cash with commercial banks	-
Cash with fiscal agent	-
Investments	-
Total Current Assets	9,843,635

Noncurrent Assets:

Capital assets, net of accumulated depreciation and amortization of \$10,305,396	19,240,734
Total noncurrent assets	19,240,734
Total assets	29,084,369

Liabilities

Accounts payable	1,055,456
Bank Overdraft	-
Intergovernmental payables	136,277
Accrued interest payable on long-term debt	814,474
Unearned revenues	1,830,819
Long-term liabilities:	
Due with one year	1,856,475
Due in more than one year	14,398,476
Total liabilities	20,091,977

Net Position (deficit):

Invested in capital assets, net of related debt	9,197,497
Restricted for:	
Debt service	711,496
Other Purposes	5,096,910
Unrestricted net (deficit)	(6,013,511)
Total net position (deficit)	\$ 8,992,392

The accompanying notes to the basic financial statements are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

Statement of Activities
June 30, 2015

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Expenses and Charges in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities :					
Mayor and Municipal Legislature	\$ 1,060,475	\$ -	\$ 725,014	\$ -	\$ (335,461)
General Government	4,640,390	4,625.00	247,799	-	(4,387,966)
Health and Sanitation	749,180				(749,180)
Human Services and Welfare	8,373,747	458,448.00	1,190,518	-	(6,724,781)
Public Works	1,274,022	-	69,500	-	(1,204,522)
Public Safety	297,833	-	271,127	-	(26,706)
Culture, Recreation and Education	733,464	309,091	-	-	(424,373)
Community Development	-	-	-	-	-
Urban and Economic Development	4,169,776	181,280.00	2,462,957	797,848	(727,691)
Interest on long-term obligation	706,783	-	-	-	(706,783)
Total Governmental Activities	\$ 22,005,670	\$ 953,444	\$ 4,966,915	\$ 797,848	\$ (15,287,463)

General Revenues:

Taxes:

Property taxes, levied for general purposes	1,008,132
Property taxes, levied for debt services	254,623
Volume of business taxes	1,430,269
Sales taxes	267,118
Sales taxes levied for debt service	988,439
Construction excise taxes	181,975
Intergovernmental	5,555,521
Licenses and permints	15,561
Rent	88,294
Interests	128,503
Miscellaneous	237,860
Total general revenues	10,156,295
Net changes in net position	(5,131,168)
Net position at beginning of the year	14,123,560
Net position at the end of the year	\$ 8,992,392

The accompanying notes to the basic financial statements are an integral part of this statement.

Commonwealth of Puerto Rico
Municipality of Jayuya
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Disaster Grants - Public Assistance Fund	Loans Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 2,113,696	\$ 31,413	\$ -	\$ -	\$ 3,068,356	\$ 5,213,465
Cash with fiscal agent		9,133	1,663,003	1,455,776	718	3,128,630
Receivables:						
Sales taxes	19,080			-	-	19,080
Property taxes				18,210	-	18,210
Rent	3,265				-	3,265
State government		244,692			109,687	354,379
Federal grants		734,074			338,156	1,072,230
Other	19,269				15,107	34,376
Due from other funds	2,798,804				2,452,088	5,250,892
Total Assets	\$ 4,954,114	\$ 1,019,312	\$ 1,663,003	\$ 1,473,986	\$ 5,984,112	\$ 15,094,527
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 667,615	\$ -	\$ -	\$ -	\$ 387,841	\$ 1,055,456
Bonds and notes payable				439,000	-	439,000
Accrued interests				323,490	-	323,490
Due to governmental units	103,849				32,428	136,277
Due to other funds	2,302,271	1,010,169	1,152,768		785,685	5,250,893
Unearned revenues	1,630,194	9,133			191,492	1,830,819
Total liabilities	4,703,929	1,019,302	1,152,768	762,490	1,397,446	9,035,935
Deferred Inflows of Resources						
Unavailable revenues:						
Property taxes					-	-
Total deferred inflows of resources	-	-	-	-	-	-
Fund Balances						
Restricted		10		711,496	4,586,666	5,298,172
Committed			510,235		-	510,235
Assigned	250,186				-	250,186
Total fund balances (deficit)	250,186	10	510,235	711,496	4,586,666	6,058,593
Total Liabilities and Fund Balances	\$ 4,954,114	\$ 1,019,312	\$ 1,663,003	\$ 1,473,986	\$ 5,984,112	\$ 15,094,527

The accompanying notes to the basic financial statements are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Aggregate fund balance reported in the balance sheet - governmental funds \$ 6,058,593

Governmental activities' amounts reported in the statement of net position and the balance sheet - governmental funds are different because:

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds

Non Depreciable Capital Assets	\$	4,511,616	
Depreciable Capital Assets		25,034,514	
Accumulated Depreciation		<u>(10,305,396)</u>	
Total Capital Asset			19,240,734

Interest liabilities no due and payable in the current period and, therefore, are not reported in the funds (490,984)

The following liabilities are not due (mature) in the current period, therefore, are not reported in the governmental funds:

General Bond and Note		(12,350,040)	
Compensated absences		(987,045)	
Estimated Landfill Closure and Post- Closures Costs		(1,486,948)	
Notes payable to Municipal Revenue Collection Center (CRIM)		(546,987)	
Claims and Judgments		(150,000)	
Other Debts		<u>(294,931)</u>	
Accrued interest payable on long-term debt			<u>(15,815,951)</u>

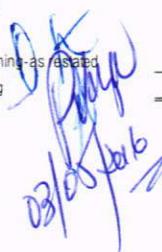
Net position as reported in the accompanying statement of net position \$ 8,992,392

The accompanying notes to the basic financial statements are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

Statement of Revenues, Expenditures and Changes in
Funds Balances Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Disaster Grants - Public Assistance Fund	Loans Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 1,008,132	\$ -	\$ -	\$ 254,623	\$ -	\$ 1,262,755
Volume of business taxes	1,430,269	-	-	-	-	1,430,269
Sales taxes	267,118	-	-	988,439	-	1,255,557
Charges for services	-	-	-	-	-	-
Federal assistances	-	571,146	-	-	1,637,618	2,208,764
Intergovernmental	5,555,521	190,382	-	-	3,233,992	8,979,895
Licenses and permits	197,536	-	-	-	-	197,536
Rent	88,294	-	-	-	-	88,294
Interests	128,503	-	-	-	-	128,503
Miscellaneous	237,860	-	-	-	1,085,070	1,322,930
Total Revenues	8,913,233	761,528	-	1,243,062	5,956,680	16,874,503
Expenditures						
Current						
Mayor and Municipal Legislature	1,060,475	-	-	-	-	1,060,475
General Government	3,910,562	-	-	-	1,115,621	5,026,183
Public Safety	306,383	-	-	-	-	306,383
Public Works	1,210,266	-	-	-	138,181	1,348,447
Culture and Recreation	400,153	-	-	-	310,463	710,616
Health and Sanitation	715,264	-	-	-	-	715,264
Human Services and Welfare	550,647	-	-	-	3,449,847	4,000,494
Urban Development	63,701	783,875	1,410,993	-	1,762,227	4,020,796
Debt Service						
Principal	-	-	-	571,000	334,473	905,473
Interest and other charges	-	-	-	597,314	-	597,314
Total Expenditures	8,217,451	783,875	1,410,993	1,168,314	7,110,812	18,691,445
Excess (deficiency) of revenues over (under) expenditures	695,782	(22,347)	(1,410,993)	74,748	(1,154,132)	(1,816,942)
Other financing sources (uses)						
Long term debt issuance	-	-	-	-	-	-
Transfers in	168,086	-	-	137,569	1,146,434	1,452,089
Transfers out	(619,827)	-	-	(664,176)	(168,086)	(1,452,089)
Total other financing sources (uses)	(451,741)	-	-	(526,607)	978,348	-
Net change in fund balances	244,041	(22,347)	(1,410,993)	(451,859)	(175,784)	(1,816,942)
Fund balance (deficit), beginning as stated	6,145	22,357	1,921,228	1,163,355	4,762,450	7,875,535
Fund balance (deficit), ending	\$ 250,186	\$ 10	\$ 510,235	\$ 711,496	\$ 4,586,666	\$ 6,058,593



03/05/2016

The accompanying notes to the basic financial statements are an integral part of this statement

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances- total governmental funds \$ (1,816,942)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital assets additions 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. In the current period, these amounts are:

Governmental Activities:

Capital Outlay	667,133	
Depreciation Expense	(901,918)	
Excess of Capital Outlay over Depreciation Expense		(234,785)

Repayment of long-term principal is expenditure in the governmental funds, but the repayment reduces Long Term in the Statement of Net Assets. In the current year, the repayments were:

General Bond and Note	791,000	
Compensated absences	179,898	
Estimated Landfill Closure and Post- Closures Costs	-	
Notes payable to Municipal Revenue Collection Center (CRIM)	19,514	
Line of Credit	1,221,542	
State Department of Labor -Debt Agreement	91,000	
Other Debts	207,390	
Total Long-Term Liabilities		2,510,344

Interest liabilities not due and payable in the current period and therefore, are not reported in the funds 5,003

Real estate sales 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. (5,594,788)

Net changes in net position reported in the accompanying statements of activities \$ (5,131,168)

The accompanying notes to the basic financial statements are an integral part of this statement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipality of **Jayuya**, Puerto Rico (Municipality) is a local governmental with full legislative, fiscal and administrative power to operate as a governmental under Law No. 81 of August 30, 1991, as amended, known as the *Autonomous Municipality Act of the Commonwealth of Puerto Rico (Law No. 81)*.

The Municipality's governmental system consists of executive and legislative branches. The Constitution of the Commonwealth of Puerto Rico (the "Commonwealth") provides for the separation of powers of the executive, legislative and judicial branches. A Mayor, elected every four years by the citizens, exercises the executive power of the Municipality. The legislative power is exercised by the Municipal Legislature, which is also elected every four years. The General Justice Court System of the Commonwealth, which has jurisdiction over the Municipality, exercises the judiciary power.

The Municipality assumes responsibility for providing services to its citizens related to Public Housing, Welfare, Public Safety, Health, Sanitation, Education, Culture, Recreation, Urban Development, and many other general and administrative duties.

The accounting policies of the Municipality conform to Accounting Principles Generally Accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

The accompanying basic financial statements of the Municipality have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). This statement established new financial reporting requirements for state and local governments. On July 1, 2003, the Municipality adopted the provisions of GASB No. 34 as well as other statements referred to below.

The accompanying basic financial statements present the financial position and the results of operations of the Municipality and its various funds and fund types. The basic financial statements are presented as of June 30, 2015, and for the fiscal year then ended. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

According to the financial reporting model established by GASB No. 34, the minimum required financial statement presentation applicable to the Municipality is composed of the following elements: (1) Government-Wide Financial Statements (GWFS), (2) Governmental Fund Financial Statements (GFFS), (3) Notes to Basic Financial Statements, and (4) Required Supplementary Information (RSI).

The Required Supplementary Information, which consists of a Management Discussion and Analysis (MD&A), is information presented along with, but separate from, the Municipality's basic financial statements. The MD&A is a narrative report that introduces the accompanying basic financial statements and provides an analytical overview of the Municipality's financial activities for the year ended June 30, 2015, based on the Municipality's knowledge of the transactions, events and conditions reflected in the basic financial statements. The MD&A also highlights certain key fiscal policies that control the Municipality's operations.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As previously mentioned, on July 1, 2003, other statements and interpretations were also adopted in conjunction and simultaneously with GASB No. 34. Those statements and interpretations are: (1) GASB Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, (2) GASB Statement No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, (3) GASB Statement No. 38 – *Certain Financial Statement Note Disclosures* and (4) GASB Interpretation No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB No. 34 also required that the accounting for all governmental activities reported in the GWFS be based on applicable pronouncements issued by the Financial Accounting Standards Board (FASB) and its predecessor bodies, such as the Accounting Principles Board (APB), issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. Accordingly, in conjunction and simultaneously with the adoption of GASB No. 34, the Municipality also adopted the following pronouncements: (1) APB Opinion No. 20 – *Accounting Changes*, (2) APB Opinion No. 21 – *Interest on Receivables and Payables*, (3) FASB Statement No. 5 - *Accounting for Contingencies* and (4) FASB Statement No. 16 – *Prior Period Adjustments*. The Municipality has elected to not apply all statements and interpretations issued by FASB after November 30, 1989.

The Municipality adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54), which modified the interpretations of certain terms within the definition of the special revenue funds and the types of activities the Municipality may choose to report in those funds. GASB No. 54 also clarified the capital projects fund type definition for better alignment with the needs of preparers and users. Definitions of other governmental fund types were also modified for clarity and consistency.

A. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of a primary government and its component units. Accordingly, for financial reporting purposes, the primary government is the Local Area. In accordance with GASB No. 14 and GASB No. 61, the criteria used to determine whether organizations are to be included as component units within the Local Area’s financial reporting entity are as follow: (1) the organization is legally separate entity; (2) the Local Area appoints a voting majority of the organization’s board; (3) There is a financial benefit/burden relationship between the Local Area and the organization or the Local Area is able to impose its will on the organization.

Organizations meeting the above criteria are included in the Local Area’s financial reporting entity as discretely presented component units. Entities which meet any of the following in addition to the above criteria are considered to be blended component units of the Local Area: (1) The organization’s governing body is substantively the same as the Local Area’s governing body and (a) there is a financial benefit or burden relationship between the Local Area and the organization, or (b) management of the Local Area has operational responsibility for the organization; (2) the organization provides services entirely, or almost entirely, to the Local Area, or otherwise exclusively, or almost exclusively, benefits the Local Area even though it does not provide services directly to it; (3) the organization’s total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with Local Area resources.

Legally separate organizations that do not otherwise meet the criteria for inclusion as a component unit may be included in the financial reporting entity if it is determined that their exclusion would render the financial statements misleading. This determination is bases on the nature and significance of the organization’s relationship with the Local Area.

Based on the application of the criteria outlined above, the Local Area’s management has concluded that there are no legally separate entities or organizations that should be reported as component units of the Local Area as of and for the fiscal year ended June 30, 2015.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide Financial Statements (the Statement of Net positions and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual; as soon as it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter, normally within sixty (60) days, to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

The exception to this general rule is the principal and interest on general obligation long-term debt and compensated absences, if any, are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues (federal grants) pursuant to GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (the Municipality may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

There are essentially two types of revenue. For some grants, funds must be expended by the Municipality on the specific purpose or project before any amounts will be reimbursed. Revenue is, therefore, recognized as expenditures are incurred to the extent available. For the other revenue, moneys are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria is met.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include the following:

- ❖ Employee's vested annual vacation and sick leave is recorded as expenditure when utilized. The amount of accumulated annual vacation and sick leave unpaid at June 30, 2015, has been reported only in the government-wide financial statements.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT PRESENTATION

The basic financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial model the focus is on either the Municipality as a whole, or major individual funds (within the basic financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide Financial Statements (the Statement of Net Positions and the Statement of Activities) report information of all the activities of the Municipality. For most part, the effect of inter-fund activity has been removed from these government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The focus of the Statement of Net Positions is designed to be similar to bottom line results for the Municipality and its governmental activities. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The Statement of Net Positions presents the reporting entities' assets and liabilities, with the difference reported as net positions. Net Positions are reported in three categories:

- ❖ **Invested in Capital Assets, Net of Related Debt** – These consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- ❖ **Restricted Net Positions** – These results when constraints are placed on net positions use, which can be either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- ❖ **Unrestricted Net Positions** – These consists of net positions which do not meet the definition of the two preceding categories. Unrestricted net positions often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net positions often have constraints on resources that are imposed by management, but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Municipality's policy to use restricted resources first, then the unrestricted resources as they are needed.

The accompanying Statement of Activities presents the Municipality's results of operations by showing, how the Municipality's net positions or liabilities changed during the fiscal year ended June 30, 2015, using a net (expense) revenue format. This statement presents the cost of each function/program as well as the extent to which each of the Municipality's functions, programs or other services either contributes to or draws from the Municipality's general revenues (such as property taxes, volume of business taxes, sales taxes, construction excise taxes, etc.).

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT PRESENTATION (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

A function/program describes a group of activities that are aimed at accomplishing a major service or regulatory responsibility. The functions/programs reported in the accompanying basic financial statements are: (1) Mayor and Municipal Legislature, (2) General Government, (3) Public Safety, (4) Public Works, (5) Culture and Recreation, (6) Health and Sanitation, (7) Human Services and Welfare and, (8) Urban Development. The governmental operations of the Municipality's departments and operational units are classified within the following functions/programs in the accompanying basic financial statements:

Mayor and Municipal Legislature:

Municipal Legislature
Mayor's Office
Department of Internal Audit

General Government:

Department of Finance
Department of Human Resources
Department of Municipal Secretary

Public Safety:

Department of Emergency Management – Civil Defense
Department of Municipal Police

Public Works:

Department of Public Works

Culture and Recreation:

Department of Sports and Recreation
Department of Art, Culture and Tourism

Health and Sanitation:

Department of Recycling Services

Human Service and Welfare:

Department of Health
Department of Citizen Affairs
Section 8 Program Office

Urban Development:

Department of Planning and Development
Federal Programs Office

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT PRESENTATION (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The Statement of Activities demonstrates the degree to which program revenues offset direct expenses of a given function/program or segments. Direct expenses are those that are clearly identifiable with a specific function, segment or operational unit. This statement reports revenues in three broad categories: (1) Program Revenues, (2) General Revenues and, (3) Special Items.

Program Revenues – These revenues are generated directly from a program itself or may come from parties outside the Municipality's taxpayers or citizens. In the statement of activities, program revenues reduce the costs (expenses) of the function/program to arrive at: (1) the net cost of the function/program that must be financed from the Municipality's general revenues or (2) the net program revenue that contributes to the Municipality's general revenues. The accompanying statement of activities separately reports the following categories of program revenues:

- **Charges for Services** – These revenues generally consist of exchange or exchange-like transactions involving charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services. These revenues include fees charged for specific services, rent, charges for licenses and permits, and fines and forfeitures, among others.
- **Program-specific Operating and Capital Grants and Contributions** -- These revenues consist of transactions that are either mandatory or voluntary non-exchange transactions with other governments, organizations, or individuals that restrict the resources for use in a particular program. Operating grants and contributions consist of resources that are required to be used to finance the costs of operating a specific program or can be used either for operating or capital purposes of a specific program. Capital grants and contributions consist of revenues or resources that are restricted for capital purposes – to purchase, construct or renovate capital assets associated with a specific program. Restricted operating and capital grants and contributions are program revenues because they are specifically attributable to a program and reduce the net expense of that program to the Municipality. They are reported net of estimated uncollectible amounts.

General Revenues – These revenues are the default category for revenues. It includes all revenues and gains that do not meet the definition of program revenues. Property taxes, municipal license taxes, construction excise taxes and sales and use taxes are reported as general revenues. All other nontax revenues (including unrestricted interest on deposits, grants and contributions not restricted for specific programs and miscellaneous revenues) that do not meet the definition of program revenues are classified as general revenues. Resources that are dedicated internally by the Municipality are reported as general revenues rather than as program revenues. All general revenues are reported net of estimated uncollectible amounts, which are recorded as reduction of revenues rather than as expenses.

Special Items – These items consist of revenues arising from significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT PRESENTATION (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Extraordinary items consist of revenues arising from significant transactions or other events that are both unusual in nature and infrequent in occurrence.

The general government function/program reported in the accompanying Statement of Activities includes expenses that are, in essence, indirect or costs of other functions/programs of the Municipality. Even though some of these costs have been charged to certain funds in the FFS as indirect cost allocations permitted under some federal programs, the Municipality has reported these indirect costs as direct expenses of the general government function. Accordingly, the Municipality generally does not allocate general government (indirect) costs to other functions.

The effects of all inter-fund governmental activities (revenues, expenditures and other financing sources/uses among governmental funds) have been removed from the accompanying statements of net positions and activities.

The Municipality classifies the most significant portion of its activities as governmental activities in the accompanying GWFS. These are activities generally financed through taxes, intergovernmental revenues and other non-exchange revenues that can be used to support the Municipality's programs or services. These governmental activities are also generally reported in the FFS.

The Municipality has no fiduciary activities, which are those in which the Municipality would be holding or managing net positions for specific individuals or other external parties in accordance with trust agreements or other custodial arrangements.

The Municipality has operations and activities that are financed and operated in a manner similar to private business enterprises, where the costs of providing goods or services to the general public (expenses, including depreciation) is financed primarily through user charges; and where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The accompanying FFS are composed of (1) the Balance Sheet – Governmental Funds, and (2) the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.

A funds is a fiscal and accounting entity consisting of a self-balancing set of accounts used to record assets, deferred outflow of resources, liabilities, deferred inflow of resources and residual equities, deficits or balance, and therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with GAAP and/or special regulations, restrictions or limitations. Fund accounting segregates fund according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT PRESENTATION (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

As defined in the GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54), fund types are as follows:

- **General Fund** – is the Municipality main operating fund used to account for and report all financial and reported resources and governmental activities, except for those required to be accounted for in another fund. It is presumed that the Municipality's governmental activities have been reported in the general fund except for transactions for which one of the following compelling reasons has required the use of another fund: (1) legal requirements, (2) USGAAP requirements or (3) the demands of sound financial administration requiring the use of a governmental fund other than the general fund. Its revenues consist mainly of taxes, licenses and permits, intergovernmental, charges for services and other.
- **Special Revenue Fund** – is a governmental fund used to account for and report the proceeds of specific revenue sources that are legally restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. Resources restricted or committed to expenditure for purposes normally financed from the general fund are generally accounted for in the general fund provided that all applicable legal requirements can be appropriately satisfied and the use of special revenue funds is not required unless they are legally mandated.
- **Debt Service Fund** – is a governmental fund used to account for and report for the accumulation of financial resources that are restricted for, and the payment of, principal and interest for: (1) bonds payable for which debt service payments are legally mandated to be accounted for in a debt service fund and (2) certain special long-term obligations for which the Municipality is being accumulating financial resources in advance to pay principal and interest payments maturing in future years.
- **Capital Projects Fund** – is a governmental fund used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities, including those outlays financed by the general obligation bond proceeds (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). The use of the capital projects funds has been limited to only for major capital acquisitions, construction or improvement activities that would distort financial resources trend data if not reported separately from the other Municipality's operating activities. The routine purchases of minor capitalizable assets (such as furniture, office equipment, vehicles and other minor capital assets or improvements) have been reported in the governmental fund from which financial resources were used for the payment.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT PRESENTATION (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

The model as defined in GASBS No. 34 established criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of either fund category in the governmental fund) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The Municipality reports the following major funds:

- **General Fund** – This is the general operating fund of the Municipality. It is used to account for all financial resources, except those required to be accounted for in another fund.
- **Disaster Grants- Public Assistance Funds** - This fund accounts for all the transactions related to grants provided by the Department of Homeland Security, for disaster.
- **Loans Fund** - This is the fund used to account for all financial resources and transactions related to the loans for construction purposes and capital outlays of the Municipality, which is financed by loans from the Government Development Bank of Puerto Rico.
- **Debt Service Fund** – This is the fund used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met.

All revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are generally recorded when the exchange takes place. In exchange transactions, each party to the transaction receives and gives up essentially equal values. An exchange-like transaction is one in which there is an identifiable exchange and the values exchanged, though related, may not be quite equal. Nevertheless, the exchange characteristics of the exchange-like transaction are strong enough to justify treating it as an exchange for accounting purposes.

All revenues, expenses, gains, losses and assets resulting from non-exchange transactions are recorded using the criteria set forth by GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (GASB No. 33). GASB No. 33 established accounting and reporting standards for non-exchange transactions involving cash and financial or capital resources (for example, most taxes, grants and private donations). In a non-exchange transaction, the Municipality gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. According to GASB No. 33, the Municipality groups its non-exchange transactions into the following four (4) classes in the accompanying Basic Financial Statements: (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government mandated non-exchange transactions, and (d) voluntary non-exchange transactions.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

In the case of derived tax revenue transactions, which result from assessments the Municipality places on exchange transactions, receivables and revenues are recorded when the underlying exchange has occurred.

In the case of imposed non-exchange revenue transactions, which result from assessments made by the Municipality on nongovernmental entities, including individuals, other than assessments on exchange transactions, receivables are generally recorded in the period when an enforceable legal claim has arisen. Property taxes are generally recorded as revenues in the period when resources are required to be used or the first period that the use of the resources is permitted.

Government-mandated non-exchange transactions (such as grants and contributions) result when a government at one level (such as the federal or state government) provides resources to the Municipality and the provider government requires the Municipality to use those resources for a specific purpose or purposes established in the provider's enabling legislation. In these type of transactions, receivables and revenues are generally recorded when all eligibility requirements imposed by the provider have been met. For the majority of grants, the Municipality must expend resources on the specific purpose or project before the provider reimburses any amounts. Revenue is, therefore, generally recognized as qualifying reimbursable expenditures are incurred.

Voluntary non-exchange transactions (such as donations and certain grants and entitlements) result from legislative or contractual agreements, other than exchanges, willingly entered into by two or more parties. In these types of transactions, receivables and revenues are generally accounted for in the same manner as government-mandated non-exchange transactions discussed above. Events that are neither exchange nor non-exchange transactions are recorded when it is probable that a loss has been incurred and the amount of loss is reasonably estimable. Receipts of any type of revenue sources collected in advance for use in the following fiscal year are recorded as deferred inflow of resources.

According to GASB No. 34, all general capital assets and the un-matured long-term liabilities are recorded only in the accompanying Statement of Net Position. The measurement focus and the basis of accounting used in the accompanying GWFS differ significantly from the measurement focus and basis of accounting used in the preparation of the accompanying Governmental Fund Financial Statements. Therefore, the accompanying Governmental Fund Financial Statements include reconciliations, as detailed in the accompanying Table of Contents, to better identify the relationship between the GWFS and the Governmental Fund Financial Statements.

Governmental Fund Financial Statements

The Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual; as soon as it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter, normally within 60 days, to be used to pay liabilities of the current period. Revenue sources not meeting this availability criterion or collected in advance are recorded as unearned revenues or deferred inflow of resources at June 30, 2015.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include the following:

- ❖ Employee's vested annual vacation and sick leave is recorded as expenditure when utilized. The amount of accumulated annual vacation and sick leave unpaid at June 30, 2015, has been reported only in the Government-Wide Financial Statements.

Allocation of costs, such as depreciation and amortization, are recorded in the accompanying Statement of Activities and the Statement of Revenues, Expenses and Changes in Fund Balances, but are not recorded in the accompanying Governmental Fund Financial Statements.

In applying the "susceptible to accrual" concept to intergovernmental revenues (federal grants) pursuant to GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (the Municipality may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as assets by the provider and a liability by the recipient.

There are essentially two types of revenue. For some grants, funds must be expended by the Municipality on the specific purpose or project before any amounts will be reimbursed. Revenue is, therefore, recognized as expenditures are incurred to the extent available. For the other revenue, moneys are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria is met.

E. Fund Balances

According to the provisions of GASB No. 54, the fund balances are reported in five categories:

- ❖ **Non-Spendable** – Amounts that cannot be spent because they are: a) not in spendable form or b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- ❖ **Restricted** – Amounts are restricted by external parties (creditors, grantors, contributors or law/ regulations) of other governments or restricted by law through constitutional provisions or enabling legislation.
- ❖ **Committed** – Amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action (ordinances or resolutions) of the Municipality's highest level of decision making authority (Municipal Legislature). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Municipal Legislature.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Balances (Continued)

- ❖ **Assigned** – Amounts that are constrained by the Municipality's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the Municipal Legislature, the Mayor or by an official to which the Municipal Legislature delegates authority in conformity with the Autonomous Municipalities Law of Puerto Rico.
- ❖ **Unassigned** – Represent the residual classification for the Municipality's General Fund. Therefore, in order to calculate unassigned fund balance, total fund balance less non-spendable, restricted, committed and assigned equals unassigned fund balance. The resulting amount will be available for any purpose.

Negative fund balance amounts are assigned amounts reduced to the amount that will raise the fund balance to zero. Consequently, negative residual amounts is restricted, committed and assigned fund balance classifications have been reclassified to unassigned fund balances.

The Municipality reports resources constrained to stabilization as a specified purpose (restricted or committed fund balance in the general fund) only if: (1) such resources meet the other criteria for those classifications, as described above and (2) the circumstances or conditions that signal the need for stabilization are identified in sufficient detail and are not expected to occur routinely.

However, the Municipality has not entered into any stabilization-like arrangements, nor has set aside material financial resources for emergencies and has not established formal minimum fund balance amounts as of and for the fiscal year ended June 30, 2015.

When an expenditure is incurred for purposes for which amounts are available in multiple fund balance classifications, the Municipality uses restricted resources first, and then unrestricted resources. Within unrestricted resources, the Municipality generally spends committed resources first, followed by assigned resources, and then unassigned resources.

At June 30, 2015, the accompanying Fund Financial Statements reported fund balances as restricted and unassigned.

F. BUDGETARY DATA

The Municipality annually adopts the Budget Resolution for all operating funds of the Municipality except for certain restricted accounts of Proprietary Funds and Special Revenue Funds. Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrance included as budgetary basis expenditures. The Municipality's Budget Resolution provides transfer authority (1) to the Mayor and the Management and Budget Director, within and between departments and funds, as long as the total budget of the Municipality (net of inter-fund transfers) is not increased; (2) to the Management and Budget Director to implement grant budgets as the grant applications are accepted by the Municipality; and (3) to the Management and Budget Director to amend (re-appropriate) each new year's budget, to the extent of outstanding encumbrances, and/or unexpended project/grant appropriations at year end. Municipality's Legislature action is required for (1) use of the budgeted Legislature contingency, and (2) the approval of supplemental appropriations. During the year, several supplemental appropriations were necessary.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BUDGETARY DATA

The budget columns (original and final budgets) of the Budgetary Comparison – General Fund reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

Amendments to the budget, including transfers, require the approval of the Municipal Legislature. Unencumbered appropriations lapse at the end of the next fiscal year. The Municipality follows these procedures, in accordance with Law, in order to establish the budgetary data reflected in the basic financial statements:

1. Prior of May 31 of each fiscal year, the Mayor submits to the Municipal Legislature a proposed budget for the fiscal year commencing the following July 1 in addition of a budget message;
2. The budget document is available for public inspection prior to its approval by the Municipal Legislature;
3. The Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law;
4. Prior to June 13, the annual budget is legally enacted through passage of the annual appropriation ordinance;
5. If a budget is not adopted prior to the end of the end of the fiscal year, the annual budget for the preceding fiscal year, as approved by the Municipal Legislature and the Mayor, is automatically renewed for the ensuing fiscal year until a new budget is approved. This permits the Municipality to continue making payments for its operating and other expenses until the new budget is approved;
6. Subsequent to the enactment of the annual appropriation ordinance, the Municipal Legislature has the authority to make necessary amendments made during the fiscal year and are reflected in the budget information included in the Budgetary Comparison Schedule – General Fund;
7. Budgetary data for the Special Revenue Fund has not been presented in the accompanying basic financial statements as such funds are budgeted over the life of the respective grant or project and not on an annual basis.

Since the budgetary basis differs from Accounting Principles Generally Accepted in the United States of America (GAAP), actual amounts for the General Fund in the accompanying Budgetary Comparison Schedule, is presented on the budgetary basis to enhance comparability.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BUDGETARY DATA (Continued)

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

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

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

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

G. CASH, CASH EQUIVALENT AND INVESTMENT

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

Under the Laws and Regulations of the Commonwealth, public funds deposited by the Municipality in commercial banks must be fully collateralized for the amounts deposited in excess of the federal depository insurance generally provided by the Federal Deposit Insurance Corporation (FDIC). All securities pledged as collateral are held by agents designated by the Commonwealth's Secretary of the Treasury, but not in the Municipality's name.

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CASH, CASH EQUIVALENT AND INVESTMENT (Continued)

Cash balance recognized in the Debt Service Fund is restricted for the payment of the Municipality's obligations, and others are restricted for specific projects, such as the acquisition or construction of permanent improvements. The sinking fund is maintained by the Governmental Development Bank of Puerto Rico, agency which acts as the insurer and payer of the Municipality's bonds and notes issued in accordance with Law.

H. RECEIVABLES

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

I. DEFERRED OUTFLOW / INFLOW OF RESOURCES

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period (s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Municipality has no deferred outflows of resources.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balances that applies to a future period (s) an so will not be recognized as an inflow of resources (revenue) until that time. The government has no deferred outflows of resources.

J. INVENTORIES

The General, Special Revenue and Capital Project Funds, purchases office and printing supplies, gasoline, oil and other expendable supplies held for consumption. The cost of purchases is recorded as expenditure in the appropriate fund and the inventory is not recorded in the basic financial statements.

K. REAL ESTATE HELD FOR SALE

Real estate's held for sale in the accompanying Statement of Net Positions are carried at the lower of the estimated fair value or historical cost. Subsequent declines in the value of real estate available for sale are charged to expense.

L. CAPITAL ASSETS

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Municipality's capitalization levels are \$500 on personal property. For improvements other than buildings, the capital outlay must be greater than \$10,000, extend the estimated useful life for ten years, and be greater than 10% of the original cost of the asset. Other costs incurred for repairs and maintenance is expensed as incurred.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. CAPITAL ASSETS (Continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Capital Assets	Years
Buildings and site improvements	40
Infrastructure	40
Vehicles	5
Furniture and fixtures	5
Machinery and equipment	3 to 5

Depreciation and amortization expense of capital assets is recorded as a direct expense of the function/program specifically identified with the asset. Depreciation and amortization of infrastructure is not allocated to various functions/programs but reported as direct expenses of the urban and economic development function.

M. LONG-TERM OBLIGATIONS

The liabilities reported in the Government-Wide Financial Statements included general and special obligation bonds and notes, and other long-term liabilities, such as vacation, sick leave, litigation, long-term liabilities to other governmental entities.

In the fund financial statements, governmental fund types recognize bond issuances cost, during the current period. The face amount of debt issued is reported as other financing sources, while bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

N. COMPENSATED ABSENCES

The Municipality accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The Municipality's employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The Municipality accrued a liability for compensated absences, which meet the following criteria:

1. The Municipality's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. COMPENSATED ABSENCES (Continued)

In accordance with the above criteria and requirements as established by GASBS No. 16; the Municipality has accrued a liability for compensated absences, which has been earned but not taken by Municipality's employees. For the Government-Wide Statements, the current portion is the amount estimated to be used in the following year. For the Governmental Funds Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

The following is a summary of changes in the balance of Compensated Absences for the fiscal year ended June 30, 2015.

<u>BALANCE JUNE 30, 2014</u>	<u>NEW ISSUES</u>	<u>RETIREMENTS AND CURRENT MATURATES</u>	<u>BALANCE JUNE 30, 2015</u>	<u>CURRENT PORTION</u>	<u>LONG-TERM PORTION</u>
\$ 1,166,943	\$ -	\$ (179,898)	\$ 987,045	\$ 959,000	\$ 28,045

O. INSURANCE

The Municipality has insurance coverage for its public facilities, primarily to provide protection from catastrophic losses. Also, principal officials of the Municipality are covered under various surety bonds. Corresponding premiums payable monthly are paid directly by the Municipality. Also, there is an additional insurance cost that is withheld by the Municipal Revenue Collection Center from monthly advances of annual property tax and subsidy sent to the Municipality.

P. INTER-FUND TRANSACTIONS

Inter-fund transactions are reflected as loans, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. The Municipality has the following types of reciprocal and nonreciprocal inter-fund activities:

- ❖ **Inter-fund Loans** – Represent amounts provided with a requirement for repayment, which are recorded as “due from” in the lender governmental fund and “due to” in the borrower governmental fund. Inter-fund receivables, which are not considered currently available financial resources, are reported as advances. For amounts not expected to be collected within a reasonable period, inter-fund receivables/payables are reduced to the estimated realizable value and the amount that is not expected to be repaid is reported as a transfer from the governmental fund that made the loan.
- ❖ **Inter-fund Transfers** – Represent flows of assets (permanent reallocation of financial resources among governmental funds) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported as other financing uses in the governmental fund making transfers and as other financing sources in the governmental fund receiving transfers.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. INTER-FUND TRANSACTIONS (Continued)

- ❖ Inter-fund Reimbursements – Represent repayments from the governmental fund responsible for particular expenditures or expenses to the governmental fund that initially paid for them.

Q. CLAIMS AND JUDGMENTS

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the General Fund. The Long-Term Liabilities includes an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

R. USE OF ESTIMATES

The preparation of the basic financial statements in conformity 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 disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported revenue and expenses during the reporting period. Actual result could differ from those estimates.

S. ACCOUNTING FOR PENSION COSTS

For the purpose of applying the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* (GASB No. 27), the state government of the Commonwealth of Puerto Rico is considered to be the sponsor of the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) and System 2000, a multi-employer cost-sharing defined benefit pension plan and a hybrid defined contribution plan, respectively, in which the employees of the Municipality participate. The Municipality is considered a participant and not a sponsor, of these retirement systems since the majority of the participants in the aforementioned pension trust funds are employees of the Commonwealth of Puerto Rico and the basic financial statements of such retirement systems are part of the financial reporting entity of the Commonwealth of Puerto Rico. Accordingly, no portion of the net pension obligation (NPO) related to ERS has been allocated to the Municipality in the accompanying basic financial statements. The basic financial statements of the Commonwealth of Puerto Rico report the total amount of the net pension obligation of ERS, including any amount that may correspond to the Municipality.

The Municipality accounts for pension costs from the standpoint of a participant in a multiple-employer cost-sharing plan. Accordingly, pension costs recognized in the accompanying basic financial statements are equal to the statutorily required contributions, with a liability recorded for any unpaid required contributions.

T. RISK FINANCING

The Municipality carries commercial insurance to cover casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the Municipalities of Puerto Rico.

Insurance cost paid by the Municipality during fiscal year 2014-2015 amounted \$183,596. In addition, cost of the workers compensation insurance that covers all municipal employees and is deducted from the gross property tax collections by the Municipal Revenue Collection Center ("CRiM") for the year ended June 30, 2015 amounted \$226,948.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following accounting standards that have effective dates after June 30, 2014:

- ❖ GASB Statement No. 67, "*Financial Reporting for Pension Plans*"—an amendment of GASB Statement No. 25.
- ❖ GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*"—an amendment of GASB Statement No. 27. This statement is effective for periods beginning after June 15, 2014.
- ❖ GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.
- ❖ GASB Statement No. 70, "*Accounting and Financial Reporting for Non-Exchange Financial Guarantees*". This statement is effective for periods beginning after June 15, 2013.
- ❖ GASB Statement No. 72, "*Fair Value Measurement and Application*". This statement is effective for financial statements for reporting periods beginning after June 15, 2015.
- ❖ GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets*" that are not within the scope of GASB Statements 68, and Amendments to certain provisions of GASB Statements 67 and 68. This statement is effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.
- ❖ GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*". This provisions in statement are effective for fiscal years beginning after June 15, 2016.
- ❖ GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*". This provisions in statement are effective for fiscal years beginning after June 15, 2017.
- ❖ GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". This statement are effective for fiscal years beginning after June 15, 2015.
- ❖ GASB Statement No. 77, "*Tax Abatement Disclosures*". This statement are effective for reporting periods beginning after December 15, 2015.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2. CASH AND CASH EQUIVALENTS

The Municipality maintains its deposits in various commercial banks located in Puerto Rico and Government Development Bank for Puerto Rico (GDB). Proceeds from bonds and funds related to certain grant awards are required by law to be held with GDB.

The Municipality adopted the provisions of GASB Statement No. 40 (GASB No. 40), *Deposit and Investment Risk Disclosure, an Amendment to GASB Statement No. 3*. This statement requires that state and local governments disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: (1) Credit Risk, (2) Interest Rate Risk, (3) Custodial Credit Risk, (4) Foreign Exchange Exposure.

- **Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In compliance with the laws and regulations of the Commonwealth, the Municipality has adopted, as its custodial and credit risk policy, the *Statement of Investment Guidelines for the Government of the Commonwealth of Puerto Rico*. Accordingly, the Municipality invests only in obligations of the Commonwealth, obligations of the United States of America, certificates of deposits, commercial paper, bankers' acceptances, or in pools of obligations of the municipalities of Puerto Rico, which are managed by GDB.

According to the aforementioned investment guidelines, the Municipality does not invest in marketable securities or any types of investments for which credit risk exposure may be significant. Therefore, the Municipality's management has concluded that the risk related to any possible loss related to defaults by commercial banks on the Municipality's deposits is considered low at June 30, 2015.

- **Interest Rate Risk** – This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Municipality manages its exposure to declines in fair values by: (1) not including debt investments in its investment portfolio at June 30, 2015, (2) limiting the weighted average maturity of its investments to three months or less, and (3) keeping most of its bank deposits in interests bearing accounts generating interests at prevailing market rates. At June 30, 2015, the Municipality's investments in certificates of deposits are recorded at cost, which approximates their fair value. Therefore, the Municipality's management has concluded that at June 30, 2015, the interest rate risk associated with the Municipality's cash and cash equivalents is considered low.
- **Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the Municipality's deposits may not be recovered. Pursuant to the *Statement of Investment Guidelines for the Government of the Commonwealth of Puerto Rico* the balances deposited in commercial banks by the Municipality are insured by the Federal Deposit Insurance Corporation (FDIC) generally up to a maximum of \$250,000 per depositor. In addition, public funds deposited in commercial banks by the Municipality are fully securities pledged as collateral are held, in the Municipality's name, by the agents of the Commonwealth's Secretary of Treasury. Deposits with GDB are uninsured and uncollateralized. However, no losses related to defaults by GDB on deposit transactions have been incurred by the Municipality through June 30, 2015. Therefore, the Municipality's management has concluded that at June 30, 2015 the custodial credit risk associated with the Municipality's cash and cash equivalents is considered low.
- **Foreign Exchange Risk** – The risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, the Municipality is prevented from investing in foreign securities or any other types of investments in which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Municipality's deposits is considered low at June 30, 2015.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2. CASH AND CASH EQUIVALENTS (CONTINUED)

The Municipality's bank balances in commercial banks of \$2,113,696 in the General Fund and \$31,413 in Disaster Grants-Public Assistance Fund were fully collateralized at June 30, 2015. In the Other Governmental Funds, there were deposits with commercial banks of \$3,068,356 that were fully collateralized.

The deposits at GDB of \$9,133 in Disaster Grants-Public Assistance Fund; \$1,663,003 in the Loans Fund, \$1,455,776 in the Debt Service Fund and the \$718 in Other Governmental Funds are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

3. RECEIVABLES

A. SALES TAXES RECEIVABLES

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 20th day of each month based on tax collected in the preceding month. Therefore, sales tax receivable of \$19,080 in the General fund represents the amount due by the taxpayers at June 30, 2015.

B. STATE GOVERNMENT RECEIVABLES

At June 30, 2015, the Disaster Grants - Public Assistance maintained an account receivable from the state government of \$244,692. Also, receivable in the Other Governmental Funds represents expenditures incurred, not yet reimbursed by the state agencies. Following is a detail of the state government receivable:

Description	Amount
Commonwealth of Puerto Rico-Department of Labor and Human Resources – Law 52	\$ 109,687
Total	\$ 109,687

C. FEDERAL GRANTS RECEIVABLE

Federal grants receivable in the other governmental funds represent expenditures incurred, not yet reimbursed by the federal agencies or the pass-through grantors. Following is a detail of the federal grants receivable:

Description	Amount
Special Program for Aging, Title III	\$ 151,456
Community Development Block Grant	154,229
Emergency Solutions Grant Program	5,421
Others	27,050
Total	\$ 338,156

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

4. DUE FROM / TO OTHER FUNDS

Inter-fund receivables and payables at June 30, 2015 are summarized as follows:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	Disaster Grants - Public Assistance Fund	Payroll and related accruals paid and not reimbursed, and others reimbursable expenditures	\$ 1,010,169
General Fund	Loans Fund	Payroll and related accruals paid and not reimbursed, and others reimbursable expenditures	1,152,768
General Fund	Other Governmental Funds	Payroll and related accruals paid and not reimbursed, and others reimbursable expenditures	635,867
Other Governmental Funds	General Fund	Cash pool in the same bank account	2,302,270
Other Governmental Funds	Other Governmental Funds	Reimbursable expenditures	<u>149,818</u>
Total			<u>\$ 5,250,892</u>

5. CAPITAL ASSETS

Capital assets, those with an estimated useful life of one year or more from the time of acquisition by the Municipality and a cost of \$500 or more, are primarily funded through the issuance of long-term bonds and loans.

The Municipality has not maintained complete and adequate records in order to obtain sufficient and competent evidential matter related to the Capital Assets reported in the governmental activities. In addition, the infrastructure assets recorded in the accompanying statement of net positions do not include a substantial portion of the Municipality's infrastructure assets constructed or acquired by the Municipality from 1980 through June 30, 2015. GASB Statement No. 34 requires to retroactively applying the requirements to major general infrastructure assets within at least four (4) years of the adoption of this pronouncement, which is not later than June 30, 2007. The Municipality has not complied with this requirement.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. CAPITAL ASSETS (CONTINUED)

A summary of capital assets and changes occurring during fiscal year 2014-2015, including those changes pursuant to the implementation of GASB Statement No. 34, follows (Land and construction in progress are not subject to depreciation):

Governmental Activities	Balance June 30, 2014	Additions	Retirements / Reclassifications	Balance June 30, 2015
Capital asset, not being depreciated:				
Land	\$ 2,441,334	\$ -	\$ -	\$ 2,441,334
Works of art	8,000	-	-	8,000
Construction in progress	<u>2,062,282</u>	<u>-</u>	<u>-</u>	<u>2,062,282</u>
Total capital assets not being depreciated	<u>4,511,616</u>	<u>-</u>	<u>-</u>	<u>4,511,616</u>
Capital assets, being depreciated:				
Buildings	15,775,542	-	-	15,775,542
Infrastructure	1,296,131	-	-	1,296,131
Machinery and equipment	4,463,451	503,279	-	4,966,730
Motor vehicles	<u>2,832,257</u>	<u>163,854</u>	<u>-</u>	<u>2,996,111</u>
Total capital assets being depreciated	<u>24,367,381</u>	<u>667,133</u>	<u>-</u>	<u>25,034,514</u>
Less accumulated depreciation for:				
Buildings	(2,952,560)	(389,758)	-	(3,342,318)
Infrastructure	(273,564)	(14,104)	-	(287,668)
Machinery and equipment	(3,547,460)	(407,884)	-	(3,955,344)
Motor vehicles	<u>(2,629,894)</u>	<u>(90,172)</u>	<u>-</u>	<u>(2,720,066)</u>
Total accumulated depreciation	<u>(9,403,478)</u>	<u>(901,918)</u>	<u>-</u>	<u>(10,305,396)</u>
Total capital assets being depreciated, net	<u>14,963,903</u>	<u>(234,785)</u>	<u>-</u>	<u>14,729,118</u>
Governmental activities capital assets, net	<u>\$ 19,475,519</u>	<u>\$ (234,785)</u>	<u>-</u>	<u>\$ 19,240,734</u>

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. CAPITAL ASSETS (CONTINUED)

Depreciation expenses were charged to governmental functions/programs as follows:

Governmental Activities	Amount
Mayor and Municipal General Government	\$ 16,788
Public Safety	588,302
Public Works	1,655
Culture and Recreation	89,429
Sanitation	22,848
Welfare	28,272
Urban Development	5,644
	<u>148,980</u>
Total Depreciation Expenses	<u>\$ 901,918</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities in governmental fund financial statements represent expenditures incurred during fiscal year 2014-2015, and not paid by the Municipality at June 30, 2015. Following is a detail of these accounts payable and accrued liabilities by major fund:

Major Governmental Funds	Accounts Payable	Accrued Liabilities	Total
General Fund	\$ 438,722	\$ 228,893	\$ 667,615
Disaster Grants - Public Assistance Fund	-	-	-
Loans Fund	-	-	-
Other Governmental Funds	<u>387,841</u>	<u>-</u>	<u>337,841</u>
Total	<u>\$ 826,563</u>	<u>\$ 228,893</u>	<u>\$ 1,055,456</u>

7. BONDS AND NOTES PAYABLE

As described below in Note 10, the Municipality issues general and special obligation bonds and notes, principally, to provide funds for the acquisition and construction of major capital facilities, to pay debt incurred in prior years, and to cover the expenditures of a special event. At June 30, 2015, the Government-Wide and Fund Financial Statements presented the following accounts payable, regarding to the outstanding balance of these bonds and notes, including its accrued interests:

Description	Amount
Principal	\$ 439,000
Interests	<u>323,490</u>
Total	<u>\$ 762,490</u>

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

8. DUE TO OTHER GOVERNMENTAL UNITS

As of June 30, 2015, balance due to other governmental units consists of the following:

<u>Governmental Agency</u>	<u>Amount</u>
Puerto Rico Aqueduct and Sewer Authority	\$ 71,880
Puerto Rico Treasury Department	8,605
General Service Administration	3,235
State Department of Labor	<u>20,129</u>
Total	<u>\$ 103,849</u>

At June 30, 2015, the Other Governmental Funds maintained a due to governmental units, amounting to \$32,428, related to the economies generated by the Public and Indian Housing Program.

9. DEFERRED REVENUES

The deferred revenues in the General Fund are related to volume of business taxes collected in fiscal year 2014-15, that will be earned in fiscal year 2015-16 (\$1,630,194).

Federal Grants – The deferred revenues presented in the other governmental funds represents the portion of federal grants received for which qualifying expenditures have not been incurred. Deferred revenues from the federal government are as follows:

<u>Program Description</u>	<u>Amount</u>
Disaster Grants - Public Assistance	\$ 9,133
Others	<u>191,492</u>
Total	<u>\$ 200,625</u>

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

10. GENERAL LONG-TERM DEBTS

Long-term liability activity for the year ended June 30, 2015, was as follows:

Description	Beginning Balance (as restated)	Borrowings or Additions	Payments or Deductions	Ending Balance	Due Within One Year
Bonds and Notes Payable	\$ 13,141,040	\$ -	\$ (791,000)	\$ 12,350,040	\$ 813,700
Compensated absences	1,166,943	-	(179,898)	987,045	959,000
Property Tax Debt – Law 42	497,062	-	(15,657)	481,405	16,857
Property Tax Debt – Law 146	69,439	-	(3,857)	65,582	3,858
Line of Credit	1,221,542	-	(1,221,542)	-	-
Claims and Judgments	150,000	-	-	150,000	-
Estimated landfill closure and post- closure care cost	1,486,948	-	-	1,486,948	-
State Department of Labor- Debt Agreement	91,006	-	(91,006)	-	-
Puerto Rico Aqueduct and Sewer Authority	270,450	-	207,390	63,060	63,060
Property Tax Debt – Advances	231,871	-	-	231,871	-
Total	<u>\$ 18,326,301</u>	<u>\$ -</u>	<u>\$ (2,510,350)</u>	<u>\$ 15,815,951</u>	<u>\$ 1,856,475</u>

A. GENERAL OBLIGATIONS BONDS AND NOTES PAYABLE

The Municipality issues general and special obligation bonds and notes, principally, to provide funds for the acquisition and construction of major capital facilities, to pay debt incurred in prior years, and to cover the expenditures of a special event. Bonds and notes payables as of June 30, 2015, are comprised of the following individual issues:

BONDS PAYABLE

DESCRIPTION	AMOUNT
\$400,000, Series 1997, for operational purposes, payable in semiannual installments ranging from \$10,000 to \$40,000, excluding variable interest from 1.48% to 5.00%, through July 1, 2016	\$ 40,000
\$505,000, Series 1998, for construction purposes, payable in semiannual installments ranging from \$5,000 to \$45,000, excluding variable interest from 6.19% to 6.56%, through July 1, 2022	240,000
\$117,200, Series 1998, for operational purposes, payable in annual installments ranging from \$3,000 to \$7,900, excluding interest at 4.50%, through January 1, 2022	48,800
\$420,000, Series 2003, for operational purposes, payable in semiannual installments ranging from \$5,000 to \$40,000, excluding variable interest from 1.23% to 7.00%, through July 1, 2027	285,000

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

10. GENERAL LONG-TERM DEBTS (CONTINUED)

A. GENERAL OBLIGATIONS BONDS AND NOTES PAYABLE (Continued)

BONDS PAYABLE (CONTINUED)

DESCRIPTION	AMOUNT
\$410,000, Series 2004, for construction purposes, payable in semiannual installments ranging from \$10,000 to \$30,000, excluding variable interest from 1.53% to 6.62%, through July 1, 2028	275,000
\$210,000, Series 2008, for real property acquisition, payable in semiannual installments ranging from \$5,000 to \$15,000, excluding variable interest from 1.53% to 7.25%, through July 1, 2032	170,000
\$498,000, Series 2008, for real property acquisition, payable in semiannual installments ranging from \$5,000 to \$36,000, excluding variable interest from 1.53% to 7.50%, through July 1, 2032	413,000
\$731,000, Series 2008, for construction purposes, payable in semiannual installments ranging from \$8,000 to \$60,000, excluding variable interest from 1.53% to 7.50%, through July 1, 2032	615,000
\$2,990,000, Series 2011, for construction purposes, payable in semiannual installments ranging from \$45,000 to \$205,000, excluding variable interest from 6.00% to 7.50%, through July 1, 2035	2,735,000
\$1,160,000, Series 2011, for construction purposes, payable in semiannual installments ranging from \$130,000 to \$205,000, excluding variable interest from 6.00% to 7.50%, through July 1, 2017	395,000
\$1,085,000, Series 2011, for construction purposes, payable in semiannual installments ranging from \$10,000 to \$90,000, excluding variable interest from 6.00% to 7.50%, through July 1, 2035	1,005,000
\$530,000, Series 2014, for construction purposes, payable in semiannual installments ranging from \$5,000 to \$45,000, excluding variable interest from 6.00% to 7.50%, through July 1, 2038	515,000
\$403,340, Series 2011, for construction purposes, payable in semiannual installments ranging from \$10,900 to \$22,840, excluding interest at 3.13% through January 1, 2033	381,240
\$253,000, Series 2006, for construction purposes, payable in semiannual installments ranging from \$6,000 to \$17,000, excluding interest at 4.25%, through January 1, 2034	<u>226,000</u>
Total General Obligations – Bonds	<u>\$ 7,344,040</u>

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

10. GENERAL LONG-TERM DEBTS (CONTINUED)

A. GENERAL OBLIGATIONS BONDS AND NOTES PAYABLE (Continued)

BONDS PAYABLE (CONTINUED)

DESCRIPTION	AMOUNT
\$1,000,000, Section 108 Loan, Series 2001, for construction purposes, payable in annual installments ranging from \$50,000 to \$100,000, excluding interest at 4.08%, through August 1, 2003	\$ 340,000
\$3,000,000, Section 108 Loan, Series 2002, for construction purposes, payable in annual installments ranging from \$165,000 to \$195,000, excluding interest at 5.00%, through August 1, 2022	1,350,000
\$3,497,000, Series 2009, for real property acquisition and construction purposes, payable in semiannual installments ranging from \$50,000 to \$292,000, excluding variable interest from 1.53% to 7.50%, through July 1, 2033	3,046,000
\$430,000, Series 2013, for purchase of equipment, payable in semiannual installments ranging from \$50,000 to \$75,000, excluding variable interest from 6.00% to 7.50%, through July 1, 2019	<u>270,000</u>
Total General Obligations – Notes	<u>\$ 5,006,000</u>

These bonds and notes are payable with the following Municipality's resources:

- ❖ Special ad valorem property tax, which is restricted for debt service and retained by the Government Development Bank for Puerto Rico for such purposes;
- ❖ Community Development Block Grants' funds;
- ❖ Municipal sales taxes resources restricted for debt service, and;
- ❖ Operational resources.

The annual requirements to amortize the general obligations bonds outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Principal payment	Interest payment	Total
2016	\$ 449,700	\$ 514,561	\$ 964,261
2017	437,300	483,462	920,762
2018	246,900	452,352	699,252
2019	270,600	435,586	706,186
2020	280,400	417,206	697,606
2021-2025	1,579,400	1,775,216	3,354,616
2026-2030	1,876,700	1,185,057	3,061,757
2031-2035	2,011,700	483,342	2,495,042
2036-2040	<u>191,340</u>	<u>23,316</u>	<u>214,656</u>
Total	<u>\$ 7,344,040</u>	<u>\$ 5,770,098</u>	<u>\$ 13,114,138</u>

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

10. GENERAL LONG-TERM DEBTS (CONTINUED)

A. GENERAL OBLIGATIONS BONDS AND NOTES PAYABLE (Continued)

The annual requirements to amortize the general obligations notes outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Principal payment	Interest payment	Total
2016	\$ 364,000	\$ 310,929	\$ 674,929
2017	375,000	288,714	663,714
2018	390,000	294,288	684,288
2019	400,000	268,755	668,755
2020	335,000	242,297	577,297
2021-2025	1,300,000	909,758	2,209,758
2026-2030	1,025,000	548,250	1,573,250
2031-2035	817,000	125,325	942,325
Total	\$ 5,006,000	\$ 2,988,316	\$ 7,994,316

B. COMPENSATED ABSENCES

The Government-Wide Statement of Net Positions includes \$987,045 of accrued sick leave benefits, and accrued vacation benefits, representing the Municipality's commitment to fund such costs from future operations.

C. PROPERTY TAX DEBT – LAW 42

On January 26, 2000, Act No. 42 was enacted to authorize the CRIM to enter into a financing agreement of up to \$200 million, for a term not exceeding 30 years. The financing agreement allows for the financing of a debt that the municipalities of Puerto Rico have with the CRIM, arising from the final settlements of property tax advances versus actual collections through fiscal year 2000. The amounts that the municipalities will collect from the additional property taxes resulting from the increases in the subsidy from the Commonwealth to the municipalities are assigned through this law to repay such loan. The increase in this subsidy was the result of the Public Law No. 238 of August 15, 1999.

In addition, on February 12, 2003, the Municipality entered into a repayment agreement with the Government Development Bank for Puerto Rico (GDB) and the CRIM, to pay off the excess of property tax advances through fiscal year 2000 and 2001. The CRIM retains the payment from the property tax advances of the Municipality. The amounts retained by the CRIM are remitted to GDB on July 1 of each year through July 1, 2032. The outstanding balance of the note payable to the CRIM at June 30, 2015 amounted to \$481,405.

D. PROPERTY TAX DEBT – LAW 146

On September 24, 2002, the CRIM, on behalf of the Municipalities of Puerto Rico, entered into a financing agreement with GDB pursuant to the provisions of Law No. 146 of October 11, 2001. The purpose of this financing agreement was to extinguish in advance certain bonds payable issued by the Public Finance Corporation, a subsidiary of the GDB, which were originally issued to pay certain property tax receivables owned by the Municipalities of Puerto Rico through 1996. The outstanding balance of the note payable to the CRIM at June 30, 2015 amounted to \$65,582.

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

10. GENERAL LONG-TERM DEBTS (CONTINUED)

E. CLAIMS AND JUDGMENTS

Liabilities of \$150,000 reported in the Statement of Net Positions represent the balance owed for claims and judgments at June 30, 2015, as described in Note 19.

11. LANDFILL CLOSURE AND POSTCLOSURE CARE COST OBLIGATION

The Municipality owns a municipal solid waste landfill and adopted the required provisions of Statement No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs*", issued by the Governmental Accounting Standards Board (GASB No. 18) and the regulations set forth by the U.S. Environmental Protection Agency (EPA) in its "Solid Waste Disposal Facility Criteria", issued on October 9, 1991. State and federal laws and regulations require the Municipality to place a final cover on its landfill site when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Municipality reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net positions date. The \$1,486,948 reported as landfill closure and post closure care liability at June 30, 2015, represents an estimate of the cumulative amount reported to date based on the percentage used of the estimated capacity of the landfill.

The Municipality will recognize the remaining estimated cost of closure and post closure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2015. The estimated life of the landfill according to the engineers of the Municipality is approximately twenty five (25) years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

12. DEBT RETIREMENT

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

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

Effective February 1, 2014, Commonwealth Act 19 of 2014 created the Municipal Financing Corporation (COFIM), by Spanish acronyms) to which resources from the Municipality's sales and use tax revenues will fund COFIM's issuance, payment of principal and interest, and retirement of debt related to the Municipality.

13. PROPERTY TAXES

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY TAXES (CONTINUED)

The tax rate per annum is 8.28% for real property and 6.28% for personal property of which 1.03% of both belong to the Commonwealth of Puerto Rico and 7.25% and 5.25%, respectively, belongs to the Municipality. From the portion belonging to the Municipality, 6.00% and 4.00%, respectively, represents the Municipality's basic tax rate that is appropriated for general purposes and therefore accounted for through the General Fund.

The remaining portion belonging to the Municipality of 1.25% represents the ad-valorem property taxes withheld by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico and restricted for debt service, which is accounted for through the Debt Service Fund (See Note 8). The Municipality has not reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad-valorem tax rate.

The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 assessed valuation on residential units occupied by their owners. However, the Municipality receives the full amount levied, except for residential units assessed at less than \$3,500 on which a complete exemption is granted. The Municipal Revenue Collection Center, instead of the property taxpayer, becomes the source of payment in these cases.

The Municipality grants a complete exemption from personal property taxes up to an assessment value of \$50,000 to retailers with an annual net sales volume of less than \$150,000. The Municipal Revenue Collection Center advances to the Municipality, on monthly payments, 100% of the contribution assessed over property for each fiscal year. In accordance to Law, these advances will be contributions by the Municipal Revenue Collection Center from taxpayers. The Municipal Revenue Collection Center periodically informs to the Municipality the amounts collected from taxpayers and applied to outstanding advances.

The Municipality records as revenue in the general fund the property tax contribution when received from monthly advances from Municipal Revenue Collection Center.

Due to the fact that collections of property tax are applied to the advances of property tax paid by the Municipal Revenue Collection Center, the amortization of the advance at end of year was not available due to that is in process of verification by external auditors.

14. VOLUME OF BUSINESS TAX

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

- ❖ 1.50% for financial institutions and savings and loan associations.
- ❖ 0.30% for all other organizations.

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

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
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15. 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 sale and use tax of 5.5% to be imposed by the Commonwealth Government. Act 117 also authorizes each municipal government to impose a municipal sale 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.

On July 29, 2007, the Commonwealth Legislature approved Act No. 80 (Act 80) which amends Act No. 117 of July 4, 2006 to impose 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% is collected by the Municipalities and the remaining .5% of the 1.5% is collected by the Puerto Rico Department of Treasury (PRDT).

The amount collected by the PRDT, (.5% of the 1.5%) is 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 be distributed among all the municipalities in accordance with a formula created by the Act,
- .2% of the .5% will be deposited in a Municipal Redemption Fund to finance loans to Municipalities 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 a municipal ordinance to conform to dispositions of Act 80. Effective January 1, 2011 the Commonwealth of Puerto Rico adopted a new Internal Revenue Code (2011 PR Code). Subtitle D (Sections 4010 to 4070) of the 2011 PR Code incorporates the dispositions applicable to the sales and use tax. As stated by Section 4050 the Municipalities may use the sales and use tax proceeds to finance solid waste, recycling, capital projects, health and public safety programs as well as any other activity that promotes sound public administration.

Individuals, organizations and entities subject to collect the municipal sales and use tax must file a tax return to the PRDT. The tax is due the 10th day of each month based on tax collected in the preceding month. The Municipality recorded as revenue \$80,867 in the general fund corresponding to the 1% imposition and \$981,797 in the debt service fund corresponding to the Municipal Redemption Fund.

Individuals, organizations and entities subject to collect the municipal sales and use tax must file a tax return to the Municipality. The tax is due the 10th day of each month based on tax collected in the preceding month. Municipal sales and use tax receivable in the general at June 30, 2015, of \$6,389, represents the tax collected on June (or before) by individuals, organizations and entities but reported and paid to the Municipality on or before July 10, net of uncollectible accounts.

On June 30, 2013, the Commonwealth approved Act No. 40 which among other things, reduces the municipal sales and use tax from 1.5% to 1% and increasing the Commonwealth sales and use tax from 5.5% to 6% effective December 1, 2013. This Act was subsequently amended to change this effective date from December 1, 2013 to February 1, 2014.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

15. SALES AND USE TAXES (CONTINUED)

In order to address the fiscal and credit crisis of the Commonwealth of Puerto Rico, the GDB liquidity and the difficult fiscal situation of the municipalities of Puerto Rico, on January 24, 2014 the Commonwealth approved Act No. 18 and 19. Those Acts provide for the restructuring and creation of financing structures from sales and use tax sources to guarantee and pay municipal long-term debt issuances. As a result of this legislation the municipalities of Puerto Rico may improve its credit capacity along with maintaining sufficient resources for operations.

The purpose of the Act No. 18 of January 24, 2014 is to create a special fund called Municipal Administration Fund (FAM) under custody of the Governmental Development Bank of Puerto Rico ("GDB") that permits the Municipalities to guarantee and pay long term debt and provide funds for its general operations. In addition, this Act improves the financing capacity of the Puerto Rico Sales Tax Financing Corporation (COFINA), a Commonwealth fund administered by GDB and the P.R. Secretary of Treasury. The Act includes provisions for municipalities that do not want to be covered by the Act. Special rules apply for those municipalities. The Act is effective on February 1, 2014.

The 6% corresponding to the Commonwealth's sales and use tax will be deposited in COFINA. From these funds during a transitory period from February 1, 2014 to June 30, 2014 the Commonwealth will deposit \$43,440,184 in the FAM to be distributed to the Municipalities as follows:

- .2% will be deposited in a Municipal Development Fund to be distributed to the municipalities,
- .2% will be deposited in a Municipal Redemption Fund to guarantee and repay the municipalities long term debt and,
- .1% 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.

After July 1, 2014 the 6% corresponding to the Commonwealth's sales and use tax will be deposited in COFINA. From these funds the Commonwealth will deposit .5% in the FAM. Distribution to municipalities will depend on whether the municipalities signed an agreement to be covered or not covered by the Act's provisions. The Municipality of Jayuya signed the agreement to be covered.

For municipalities covered by the agreement the .5% will be distributed as follows:

- .2% will be deposited in the Municipal Development Fund to be distributed to the municipalities,
- .2% will be deposited in a Municipal Redemption Fund to then be deposited in the municipalities general fund (the municipalities has the option to maintain funds in the Municipal Redemption Fund or to transfer funds from the Municipal Development Fund to increase its debt margin and issue loans to be obtained from financial institutions)
- .1% 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

15. SALES AND USE TAXES (CONTINUED)

For municipalities not covered by the agreement the .5% will be distributed as follows:

- .2% will be deposited in the Municipal Development Fund. Section 4 of the Act requires amounts deposited in the Municipal Development Fund of municipalities not covered by the Act to be redistributed to the municipalities covered by the Act,
- .2% will be deposited in a Municipal Redemption Fund to guarantee and repay long term debt through any financial institution (each semester the municipalities may transfer to their general fund the funds in excess of debt service requirements),
- .1% 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 purpose of the Act No. 19 of January 24, 2014 is to create the Municipal Finance Corporation (COFIM) a public corporation and a component unit of the Governmental Development Bank of Puerto Rico (GDB) which may issue, pay or refinance long-term debt of municipalities. Principal and interest of these bonds and loans will be guaranteed with the municipal sales and use tax (1%). The Act includes provisions for municipalities that do not want to be covered by the Act. Special rules apply for those municipalities. The Act is effective on February 1, 2014.

After July 1, 2014, the 1% corresponding to the municipalities' sales and use tax will be deposited in COFIM. From these funds COFIM will deposit to the COFIM's sinking fund the greater of: .3% of the 1% municipal sales and use tax or an Annual Rental Fee (RFA). The RFA for fiscal year 2014-2015 will be \$65,541,281 and thereafter will be 1.5% of the RFA of the preceding fiscal period. The excess of the required deposit to the COFIM's sinking fund (.7% of the 1% of the municipal sales and use tax) will be transferred to the general fund of municipalities covered by the agreement or to the Municipal Redemption Fund as decided by the municipality. Before the transfer of the .7% to the municipalities covered by the Act, COFIM will transfer the 1% municipal sales and use tax to the municipalities not covered by the Act. These municipalities cannot obtain loans guaranteed by COFIM's sinking fund.

If at any moment the required deposits to the COFIM's sinking fund were not sufficient to pay the principal and interest of any outstanding obligation, the deficiency will be covered by appropriations of the Commonwealth's general fund budget.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

16. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues consist primarily of funds received from the Commonwealth of Puerto Rico, "in lieu of tax" payments from the Quasi-Public Corporation, Puerto Rico Electric Power Authority, and federal financial assistance received from federal government.

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

17. INTER-FUND TRANSFERS

Inter-fund transfers during the fiscal year ended at June 30, 2015, are summarized as follows:

Transfer Out	Transfer In	Purpose	Amount
General Fund	Debt Service Fund	Debt retirement	137,569
General Fund	Other Governmental Fund	To cover special funds expenditures	482,258
Debt Service Fund	Other Governmental Fund	To cover special funds expenditures	664,176
Other Governmental Fund	General Fund	To cover operating expenditures	168,086
Total			<u>\$ 1,452,089</u>

18. EMPLOYEE'S RETIREMENT PLAN

a) Act No. 447 and System 2000 (until June 30, 2013)

As of June 30, 2015 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. Benefits vest after ten years of plan participation.

The system operates under Act 447, approved on May 15, 1951 effective on January 1, 1952 and Act 1 of February 16, 1990 for employees that entered as participants of the Plan starting April 1, 1990 and ending December 31, 1999. Under this Act, retirement benefits were determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation was computed based on the highest 36 months of compensation recognized by ERS. The annuity, for which a plan member was eligible, was 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

18. EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

a) *Act No. 447 and System 2000 (until June 30, 2013) (Continued)*

Act No. 305 of September 24, 1999 amended Act. No. 447 of 1951 and Act 1 of February 16, 1990 to establish a new pension program (System 2000). The new pension program became effective on January 1, 2000. Employees participating in the Act 447 system as of December 31, 1999 had the choice to either stay in the defined benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000 were only allowed to become members of the new program. System 2000 was a hybrid defined contribution plan, also known as a cash balance plan.

There would be a pool of pension assets, which would be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age would not be guaranteed by the State government and would be subjected to the total accumulated balance of the savings account. The annuity would be based on a formula, which assumed that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) would be invested in an account which would 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 the savings accounts balance was \$10,000 or less at time of retirement, the balance would be distributed by the System to the participant as a lump sum. Participants received periodic account statements similar to those of defined contribution plans showing their accrued balances. The employer contributions (11.275% of the employee's salary) would be used to fund the plan. Under System 2000 the retirement age was reduced from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

The Act No. 447, as amended, was the authority under which obligations to contribute to the Plan by the Plan members, employers and other contributing entities were established or amended. Plan members were 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 contributed 8.275% of gross salary. In order to address the unfunded actuarial accrued liability of the System, on July 6, 2011 (effective July 1, 2011) the Commonwealth Legislature approved Act No. 116 increasing the employers' contributions rate from 9.275% to 10.275% of employee compensation for fiscal year 2012, an additional 1% annually for each of the next four years, and 1.25% annually for each of the five years thereafter, reaching an aggregate contribution rate of 20.525% effective July 1, 2020. The purpose of this Act was to provide cash flow and strength the System to adequately cover administrative expenses and payment of benefits. The Municipality was required to contribute 9.275% of gross salary until the fiscal year ended on June 30, 2013. As stated in the Act, percent increases applicable to municipalities for fiscal years 2011-2012, 2012-2013, 2013-2014 and 2014-2015 would be financed through the Commonwealth's budget approved by the Commonwealth's Legislature.

b) *Act No. 3 of 2013 (beginning July 1, 2013)*

In order to address its unfunded liability and rescue the System from insolvency, on April 4, 2013 the Commonwealth of Puerto Rico enacted Act No. 3 of 2013, representing a comprehensive reform of the ERS. Act No. 3 became effective on July 1, 2013 and amends the provisions of the different benefits structures under the ERS, including, but not limited to, the following:

- All participants (employees) under the defined benefit pension plans (Act 447 and Act 1) and the defined contribution plan (System 2000) were moved to a new hybrid plan ("New Plan").

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

18. EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

b) Act No. 3 of 2013 (beginning July 1, 2013) (Continued)

- For active participants of the contributory defined benefit programs under Act No. 447 of 1951 and Act No. 1 of 1990, all retirement benefits accrued through June 30, 2013 were frozen. Thereafter, all future benefits will accrue under the New Plan. Participants will receive a pension at retirement age equivalent to what they had accrued under Act No. 447 and Act 1 up to June 30, 2013, and a supplemental annuity corresponding to contributions made after July 1, 2013.
- Participants under System 2000 will no longer receive a lump-sum payment upon retirement, but rather a lifetime annuity calculated at retirement based on a factor that will incorporate the individual's life expectancy and a rate of return.
- New participants under the New Plan will receive a lifetime annuity based on the accumulated balance of their individual accounts (employees' contributions plus a return on investment).
- Eliminated the possibility of accruing a merit pension (payable once the participant had achieved 30 years of creditable service) after June 30, 2013.
- Increased employee contributions from 8.275% to a minimum of 10.00%.
- After July 1, 2013 all employers must contribute 12.275% of employee contribution with an additional 1% annually up to June 30, 2016; after July 1, 2016 an additional 1.25% annually for each of the five years thereafter, reaching an aggregate contribution rate of 20.525% effective July 1, 2020. These contributions will be used to increase the System's assets, reduce the actuarial deficit and enable the System to comply with future obligations.
- Retirement age was modified as follows:
 - Act No. 447 regular employees: age 58 to 61,
 - Act No. 447 high risk employees (state and municipal police, firefighters and custody officials): from age 50 to 55 years,
 - Act No. 305 (System 2000) regular employees: age 60 to 65; high risk employees remain the same (55 years).
- Act 1 employees remained the same (65 years for regular employees and 55 for high risk employees. For new employees under the New Plan will retire after 67 years (retirement age will be 67 for regular employees and 58 for high risk employees).
- Due to changes to Special Laws, the minimum monthly pension for current retirees was increased from \$400 to \$500.
- Disability benefits were eliminated and substituted for a mandatory disability insurance policy. Beginning July 1, 2013, each employee must contribute to this insurance plan .25% of his or her monthly salary, up to a monthly maximum of \$5,000. Therefore, the maximum monthly employee contribution will be \$12.50 (\$5,000 x .25%).
- Survivor benefits were modified.

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

18. EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

b) Act No. 3 of 2013 (beginning July 1, 2013) (Continued)

The actual combined employer and employee contributions for the current and past two years, which are equal to the statutory required contributions, are as follows:

<u>Fiscal year ended June 30,</u>	<u>Total</u>
2015	\$ 328,355
2014	155,980
2013	187,461
Totals	<u>\$ 671,796</u>

c) Act No. 32 of 2013 (beginning July 1, 2013)

On June 25, 2013, Act No. 32 was approved in order to amend Act No. 447 of 1957 by creating a new Article 5-117 Additional Uniform Contribution (AUC), with the purpose of solving the cash flow deficit of the System. For each fiscal year, beginning on July 1, 2013, the ERS will: 1) determine the portion of the AUC attributable to each participating employer based on the percentage each employer's contributions represent of the total employer contributions established for that fiscal year; and 2) send to the director of the P.R. Office of Management and Budget (OMB) and to each public corporation and municipality whose employees are covered by this Act, a certification of the AUC owed by each employer.

Act No. 32 defines the concept of the AUC as follows:

- For the fiscal year 2013-2014, the AUC will be one hundred and forty million dollars (\$140,000,000).
- For each subsequent fiscal year, beginning with the 2014-2015 fiscal year until 2032-2033, the AUC will be the contribution certified by the external actuary of the System, at least 120 days prior to the beginning of each fiscal year, deemed necessary to prevent that the value of the System's projected gross assets, during any subsequent fiscal year, be lower than one thousand million dollars (\$1,000,000,000). If, for any fiscal, the certified AUC is not available within the 120-day period prior to the beginning of the said fiscal year or within a shorter term with the consent of the OMB, the AUC will be equal to the contribution certified for the immediate preceding fiscal year.

Each public corporation and municipality covered by this Act is directly responsible for the payment of their corresponding certified AUC. However, for any fiscal year, the OMB will consign in the Commonwealth's General Budget enough resources to subsidy totally or partially the AUC certified to any public corporation, municipality or governmental entity, including the Judiciary Branch, whose operating expenditures are not fully or partially covered by the General Budget and for which the OMB, has subsequently determined it does not have the financial capacity to assume such obligation during the fiscal year.

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

18. EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

c) *Act No. 32 of 2013 (beginning July 1, 2013) (Continued)*

For the fiscal year 2013-2014, \$41.142 million dollars were assigned to OMB through Commonwealth Legislative Resolution of Special Assignments No. 17 (RC 17-2013) for the total or partial subsidy of the AUC of any public corporation or municipality that the agency determined did not have the financial capacity to assume this obligation. The OMB's evaluation of a municipality's financial capacity was based on two parameters: financial indicators and population. The financial indicators to be evaluated were: profitability index (net income as a percentage of revenues); capital ratio (the proportion between the net position of the entity and the AUC) and debt margin ratio (the proportion between the AUC and the municipality's special ad valorem tax debt margin (CAE)). For the fiscal year ended June 30, 2015, the AUC partially subsidy received by the Municipality from OMB was \$52,736, which equaled the total contribution required.

In addition to the pension benefits described above, 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 and summer bonuses and death benefits. However, beginning July 1, 2013, Act 3 of 2013 modified these Special Laws benefits as follows:

- Reduction in the Christmas bonus from \$600 to \$200 (current retirees),
- Elimination of summer bonus of \$100 (current retirees),
- No change in medical plan contribution of up to \$1,200 and medicine bonus of \$100 (current retirees).
- Eliminated all Special Law benefits to future retirees.

Act No. 3 also established that employers will contribute \$2,000 per for each retiree that began working for the government on or before December 31, 1999. This contribution was established based on the assumption that the System will benefit from the savings generated between this employer contribution and the Special Law benefits paid out to retirees.

The historical trend information regarding the accumulation of assets and pension benefit obligation in the ERS is not available. For the ten-year trend information, refer to the separately issued financial statements of the ERS as of and for the fiscal year ended June 30, 2014. The P.R. Retirement Plan Administration provides additional information of the ERS. They issue a public available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Commonwealth of Puerto Rico. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, P.R. 00940.

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

18. EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

d) *Statement No. 68 of the Governmental Accounting Standard Board*

The Statement No. 68 of the Governmental Accounting Standard Board, "Accounting and Financial Reporting for Pensions" - an amendment of GASB No. 27 (GASB 68) became effective for the year ended June 30, 2015. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", as well as the requirements of Statement No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the ERS.

As of the date of the release of this report, the ERS has not issued its 2014 basic financial statements, nor has it provided the Municipality with the required information to implement the requirements of Statement No. 68 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Pensions" - an amendment of GASB Statement No. 27 (GASB 68). Therefore, the accompanying governmental activities financial statements do not have any adjustments that will be necessary for the Municipality to account for its proportionate share of the net pension liability, deferred inflow of resources and deferred outflow of resources in the statement of net assets as of July 1, 2014 and June 30, 2015, as well as the effect in the recorded pension expense in the statement of activities for the year ended June, 30, 2015. Also, additional disclosures required by GASB 68 as well as required supplementary information have been omitted from these basic financial statements.

The pension costs recognized in the accompanying financial statements are equal to the statutorily required contributions, with a liability recorded for any unpaid required contributions, which is not in accordance with accounting principles generally accepted in the United States of America.

During the fiscal years ended June 30, 2015, 2014, and 2013, the Municipality and the participating employees contributed substantially all of the required contributions to ERS and System 2000. The combined actual contributions made by the Municipality and its participating employees to ERS and System 2000 amounted to \$328,355, \$155,980 and \$187,461 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

19. COMMITMENTS AND CONTINGENCIES

A. CLAIMS AND JUDGMENTS

The Municipality is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the Municipality's activities. With respect to pending litigation, the Municipality has reported liabilities of \$150,000 in the government wide statement of net positions.

It is management's opinion, based on the advice of the legal counsel, that the potential claims against the Municipality not covered by insurance will not materially affect the financial resources for its payment.

In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsels with the information currently available cannot determine the final outcome of these proceeding. However, it has been the Municipality's experience that such actions are settled for amounts substantially less than the claim amounts.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

19. COMMITMENTS AND CONTINGENCIES

B. FEDERAL GRANTS

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

C. CONSTRUCTION

The Municipality had commitments at June 30, 2015 of approximately \$2,650,000 for the construction, improvements, or renovation of several capital facilities and the capital assets.

D. OTHER COMMITMENTS

At June 30, 2015 the general fund had commitments of approximately \$174,530 for executory purchase orders or contracts that will be honored during the subsequent year.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

20. FUND BALANCE

As of June 30, 2015, the fund balance (deficit) classifications are as follows:

Fund Balance	General Fund	Disaster Grants - Public Assistance Fund	Loans Fund	Debt Service Fund	Other Governmental Fund	Total
Restricted for:						
General Government	\$ -	\$ -		\$ -	\$ 707,388	\$ 707,388
Public Safety	-	-		-	25,295	25,295
Public Works	-	-		-	4,012	4,012
Culture and Recreation	-	-		-	215,801	215,801
Human Services and Welfare	-	-		-	208,522	208,522
Urban Development	-	10		-	1,682,568	1,682,578
Debt Service	-	-		711,496	-	711,496
Committed for:						
General Government	-	-		-	905,399	905,399
Public Works	-	-		-	81,933	81,933
Culture and Recreation	-	-		-	4,310	4,310
Human Services and Welfare	-	-		-	133,764	133,764
Urban Development	-	-	510,235	-	518,940	1,029,175
Assigned for:						
General Government	250,186	-		-	154,603	404,789
Public Works	-	-		-	-	-
Culture and Recreation	-	-		-	-	-
Human Services and Welfare	-	-		-	-	-
Total Fund Balance	<u>\$ 250,186</u>	<u>\$ 10</u>	<u>\$ 510,235</u>	<u>\$ 711,496</u>	<u>\$ 4,586,666</u>	<u>\$ 6,058,593</u>

21. SUBSEQUENT EVENTS

Subsequent events were evaluated by management through March 28, 2016, which is the same date the financial statements were available to be issued. Management is not aware of any subsequent event that require recognition or disclosure in the financial statements.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,008,132	\$ 1,008,132	\$ 1,008,132	\$ -
Volume of Business Taxes	1,231,379	1,430,315	1,430,269	(46)
Sales Taxes	230,000	230,000	267,447	37,447
Intergovernmental	5,612,428	5,710,204	5,710,205	1
Licenses and Permits	258,736	198,931	201,307	2,376
Rent	51,406	97,045	97,389	344
Interests	60,000	121,908	121,908	-
Miscellaneous	<u>162,641</u>	<u>229,989</u>	<u>235,687</u>	<u>5,698</u>
Total revenues	<u>8,614,722</u>	<u>9,026,524</u>	<u>9,072,344</u>	<u>45,820</u>
EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES:				
Current:				
Mayor and Municipal Legislature	928,295	1,038,818	1,038,236	582
General Government	3,493,997	3,815,565	3,667,669	147,896
Public Safety	468,947	309,423	306,383	3,040
Public Works	1,349,984	1,407,419	1,390,175	17,244
Culture and Recreation	598,571	400,785	400,153	632
Health and Sanitation	728,923	747,555	736,204	11,351
Urban Development	95,318	63,823	63,701	122
Human Service and Welfare	774,737	581,702	581,699	3
Transfers out	<u>175,950</u>	<u>661,434</u>	<u>661,434</u>	<u>-</u>
Total expenditures, encumbrances and other financing uses	<u>8,614,722</u>	<u>9,026,524</u>	<u>8,845,654</u>	<u>180,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,690</u>	<u>\$ 226,690</u>

EXPLANATION OF DIFFERENCE BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENSES

Sources/inflows of resources:	
Actual amounts (budgetary basis)"available for appropriation" from the budgetary comparison schedule	\$ 9,072,344
Differences-budget to GAAP	<u>(159,111)</u>
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 8,913,233</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis)"total charges to appropriations" from the budgetary comparison schedule	\$ 8,845,654
Differences-budget to GAAP:	
Current year encumbrance recorded as expenditures for budgetary purposes	(174,530)
Prior year expenditure are not outflows of budgetary resources, but are expenditure for financial purposes	548,333
Non-budgeted expenditures	<u>(382,179)</u>
Total expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 8,837,278</u>

COMMONWEALTH OF PUERTO RICO
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NOTES TO THE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY CONTROL

The Municipality's annual budget is prepared on the budgetary basis of accounting, which is not in accordance with GAAP, and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Municipal Legislature. Transfers of appropriations within the budget, known as Mayor's Resolutions, do not require the approval of the Municipal Legislature.

The Municipality prepares its annual budget including the operations of the General Fund.

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The unencumbered balance of any appropriation at the end of the fiscal year will lapse at the end of such fiscal year. Other appropriations, mainly capital project appropriations, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

The annual budget as presented in the Budgetary Comparison Schedule-General Fund is the budget ordinance at June 30, 2015 representing the original budget. There were no supplemental appropriations for the year ended June 30, 2015.



NIEVES VELAZQUEZ & CO., P.S.C.

Certified Public Accountants and Financial Consultants

INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Municipality of **Jayuya**, Puerto Rico (Municipality), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated March 28, 2016. We did not express an opinion on the governmental activities because we were unable to obtain sufficient and competent evidential matter related to the capital assets and the liability of the landfill closure and post-closure care costs. Also, an adverse opinion was issued for the business-type activities and for the enterprise fund because management did not include "Empresas de Desarrollo de la Tierra Alta" Fund in the Municipality's financial statements. Finally, an unmodified opinion was issued for each major fund other than "Empresas de Desarrollo de la Tierra Alta" Fund, and the aggregate remaining fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not design to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

INDEPENDENT AUDITOR'S 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
(Continued)

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. Findings 2015-002 and 2015-003.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany Schedule of Findings and Questioned Costs to be significant deficiencies. Finding 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004.

Municipality's Response to Findings

Municipality's response to the findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nieves Velazquez & Co., P.S.C.

NIEVES VELAZQUEZ & CO., P.S.C.

San Juan, Puerto Rico

March 28, 2016

Stamp No. 02725867 of the Puerto Rico Society of Certified Public Accountant has been affixed to the original of this report.



NIEVES VELAZQUEZ & CO., P.S.C.

Certified Public Accountants and Financial Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Municipality of Jayuya, Puerto Rico (Municipality) compliance with the type of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each Municipality's major federal programs for the fiscal year ended June 30, 2015. The Municipality's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Our responsibility is to express an opinion on compliance for each of the Municipality's major federal programs based on our audit of the types of compliance requirements referred to above. 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 our plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Municipality's compliance.

Opinion on Each Major Federal Programs

In our opinion, the Municipality complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)**

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

Municipality's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Municipality's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)

Report on Internal Control Over Compliance (Continued)

Municipality's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nieves Velazquez & Co. P.S.C.

NIEVES VELAZQUEZ & CO., P.S.C.

San Juan, Puerto Rico

March 28, 2016

Stamp No. 02725868 of the Puerto Rico Society of
Certified Public Accountant has been affixed to
the original of this report.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Community Facilities Loans and Grants	10.780		\$ 78,041
Pass-Through State – State Department of Education:			
Child and Adult Care Food Program	10.558	N/AV	74,716
Total U.S. Department of Agriculture			152,757
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Program:			
Shelter Plus Care	14.238		33,393
Section 8 Housing Choice Vouchers	14.871		20,100
Pass-Through State - Office of the Commissioner of Municipal Affairs:			
Community Development Block Grants – State's Program	14.228	14-AB 13-AB 12-AB 11-AB-FC 10-AB-FC 09-AB 08-AB	992,321
Pass-Through State – State Department of Family:			
Emergency Solutions Grant	14.231	N/AV	32,287

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (CONTINUED)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Pass-Through State – Department of Health: Housing Opportunities for Persons with AIDS	14.241	N/AV	11,236
Total U.S. Department of Housing and Urban Development			1,089,337
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE			
Pass-Through Office of Governor, Regional Elderly Office:			
Special Program for the Aging, Title III	93.045	N/AV	198,721
Child Care and Development Block Grant	93.575	N/AV	193,975
Community Services Block Grant	93.569	N/AV	16,020
Total U.S. Department of Health and Human Service			408,717
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-Through the Commonwealth of Puerto Rico Governor Office – Public Security Affair Office.			
Disaster Grants – Public Assistance	97.036	DR-PR-1946 DR-PR-4017	571,146
Total U.S. Department of Homeland Security			571,146
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,221,957

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. GENERAL

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. FEDERAL CFDA NUMBER

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

4. PASS-THROUGH GRANTOR'S NUMBER

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

5. LOAN OUTSTANDING

The Municipality had an outstanding loan balance under program Section 108 Loan Guarantee Assistance (CFDA No. 14.248), for which the grantor does not impose continuing compliance requirements. The outstanding balance of the Loan Guarantee Assistance at June 30, 2015 was \$1,690,000.

6. MAJOR PROGRAMS

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

<u>Opinion Units</u>	<u>Type of Opinions</u>
Governmental Activities	Disclaimer
Business-type Activities	Adverse
Municipal Hospital Fund	Unmodified
Disaster Grants – Public Assistance Fund	Unmodified
Loans Fund	Unmodified
Debt Service Fund	Unmodified
Aggregated Remaining Fund	Unmodified
Empresas de Desarrollo Económico Fund – Enterprise Fund	Adverse

Internal Control Over Financial Reporting:

Material weakness identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal awards

Internal Control Over Financial Reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	None reported

Type of auditor's report issued on compliance for major programs: **Unmodified Opinions**

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

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants / State's Program
97.036	Disaster Grants – Public Assistance

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

Auditee qualified as low-risk auditee? Yes No

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENTS FINDINGS

FINDING	2015-001
REQUIREMENT	ACCOUNTING RECORDS AND REPORTING SYSTEM
CONDITION	The Municipality did not maintain an accounting system that generates accurate accounting information for the preparation of the financial statements in conformity with generally accepted accounting principles (GAAP).
CONTEXT	<p>During my examination of the accounting cycle, we noted that the Municipality's management did not have adequate internal control procedures in place over the financial statements issued by the Municipality using the basis of accounting required by GAAP. The accounting records are maintained in the cash and budgetary basis and at the end of year, external consultants summarized in electronic worksheets the revenues, expenditures, capital assets transactions, accounts receivables, accounts payable and long term-debts. These worksheets are used for the preparation of the financial statements.</p> <p>Also, I noted the following conditions during my audit:</p> <ol style="list-style-type: none">Accounting transactions are currently accounted simultaneously through a manual and a computerized accounting system for which no reconciliation procedures are made among them. These accounting systems does not provide for a self-balancing set of accounts for each fund operated by the Municipality;Both accounting systems does not help management to distinguish between expenditures incurred and encumbrances and does not provide reliable financial information of transactions related with capital assets, accounts receivables, accounts payables and long-term debts. <p>In addition, during our examination of the Model 4a (the manual accounting report that summarizes the monthly cash transactions of the Municipalities), we noted that the Finance Department did not have adequate internal controls over the cash transactions of the current bank account, were the Municipality pooled the cash of various special revenue funds.</p> <p>Finally, during the fiscal year, the Municipal Legislature approved Ordinance No. 15 Series 2013-2014, in which established the creation of an enterprise fund named "Empresas de Desarrollo Económico de la Tierra Alta". This enterprise fund started operations during the fiscal year 2013-2014 and the financial information of the fund was not included in the financial statements of the Municipality.</p>

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENTS FINDINGS

FINDING	2015-001 (CONTINUED)
REQUIREMENT	ACCOUNTING RECORDS AND REPORTING SYSTEM
CRITERIA	Article 8.010 (b) of State Act Number 81- <i>Ley de Municipios Autónomos del Estado Libre Asociado de Puerto Rico</i> of August 30, 1991, states that the Municipality must maintain its fund accounting in accordance with GAAP. In addition, Article 8.010 (c) states that uniform accounting system used by the Municipality must produce reliable reports and financial statements provide complete information about the results of operations of the Municipality and include the necessary internal controls to account for all funds, capital assets and other assets.
CAUSE	The Municipality has not established effective internal control procedures over the preparation of the financial statements and the transactions recorded on its accounting records.
EFFECT	The Municipality is not in compliance with Article 8.010 (b) (c) of the State Law Number 81 of August 30, 1991.
RECOMMENDATION	We recommend management to establish the necessary internal controls and procedures in order to maintain a complete accounting system that provides trial balances by each fund in the modified accrual basis of accounting. In addition, the system should provide for the maintenance of the capital assets and the general long term debt of the Municipality. Finally, the Municipality should prepare the financial statements of the enterprise fund and included it as part of the financial statements of the Municipality.
MANAGEMENT RESPONSE	We will establish the necessary internal control and procedures in order to maintain a complete accounting system that provides trial balances by each fund in the modified accrual basis of accounting. And we will include the financial statement of the enterprises funds as part of the financial statements of the Municipality. We acquire a new computer system and it will be in function this year.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENTS FINDINGS

FINDING	2015-002
REQUIREMENT	ACCOUNTING RECORDS- CAPITAL ASSETS
CONDITION	The Municipality does not have an effective system to account the capital assets, including the infrastructure assets.
CONTEXT	During our examination of the capital assets records, we noted that the Municipality did not maintain adequate accounting records over the capital assets, including the infrastructure assets. The Municipality does not have adequate internal controls and procedures to ensure that all capitalizable expenditures and dispositions are recorded in a capital assets subsidiary ledger. Also, the Municipality has not recorded certain infrastructure assets, accordingly, has not recorded depreciation expenses for those assets. These infrastructure assets should be reported as part of the capital assets of the Municipality according to Statement No. 34 of the Governmental Accounting Standards Board (GASB 34).
CRITERIA	Article 8.010 (c) (3) of the State Law Number 81- <i>Ley de Municipios Autónomos del Estado Libre Asociado de Puerto Rico de 1991</i> of August 30, 1991, states that Municipalities should have systems that have effective controls and accounting over the capital assets. Also, GASB Statement No. 34, requires that all capital assets, including infrastructure, must be presented in the Statement of Net Position and that these assets must be depreciated during its useful life.
CAUSE	The lack of an adequate capital assets register did not permit the proper accounting over the capital assets, the accumulated depreciation and the depreciation expense presented in the financial statements of the Municipality.
EFFECT	The Municipality is not in compliance with Article 8.010 (c) (3) of the State Law Number 81 of August 30, 1991 and GASB Statement No. 34.
RECOMMENDATION	We recommend management and the Property Division of the Municipality to take a capital assets inventory and reconcile it with the subsidiary ledger. Also, management should be aware that all the capital assets, including infrastructure, are being capitalize and assure that the accumulated depreciation and the depreciation expense are properly calculated.
MANAGEMENT RESPONSE	The management and the Property Division will take a capital assets inventory and reconcile it with the subsidiary ledger. Also will be aware that all the capital assets are being capitalized and assure that the accumulated depreciation and the depreciation expense are properly calculated.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENTS FINDINGS

FINDING NUMBER	2015-003
REQUIREMENT	ACCOUNTING RECORDS- MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE AND MAINTENANCE COSTS
CONDITION	The Municipality did not comply with the requirements established in GASB No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post-closure costs.
CONTEXT	At June 30, 2015, the accompanying Statement of Net Position presents a liability for closure and post-closure care cost of the Municipality solid waste landfill of \$1,486,948. However, this estimate has not been updated based on a study, in conformity with the regulatory requirements established by the U.S. Environmental Protection Agency (EPA).
CRITERIA	Regulations set forth by the U.S. Environmental Protection Agency (EPA) in its "Solid Waste Disposal Facility Criteria"; the Municipality is required to place a final cover on the Municipality's solid waste landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. GASB 18 requires the Municipality to perform a study of the activities that need to be implemented at the Municipality's solid waste landfill facilities to guarantee the maximum yield of available space and to comply with applicable state and federal regulations. Based on this study, the Municipality must adjust the liability recorded in its statement of net position at June 30, 2015.
CAUSE	The Municipality failed to realize a study of the operation of the waste landfill, in accordance with the requirements of the EPA, in order to update the closure and post-closure costs.
EFFECT	The Municipality's government wide financial statements do not present fairly, the financial position of the governmental activities, and the change in net position. Also, the Municipality is not in compliance with GASB 18 and the "Solid Waste Disposal Facility Criteria" issued by the U.S. Environmental Protection Agency.
RECOMMENDATION	We recommend management to perform the study of the activities that need to be implemented at the Municipality's solid waste landfill facilities and determine the amount of the liability that should be reported in the governmental activities.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENTS FINDINGS

FINDING NUMBER	2015-003 (CONTINUED)
REQUIREMENT	ACCOUNTING RECORDS- MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE AND MAINTENANCE COSTS
MANAGEMENT RESPONSE	We will perform a study of the activities that need to be implemented at the municipalities solid waste landfill facilities and determine the amount of the liability that should be reported in the Governmental Activities. We will hire the professional services and prepare the landfill closure.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER	2015-004
FEDERAL PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANTS / STATE'S PROGRAM; (CFDA NO. 14.228) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS – OCAM
NONCOMPLIANCE	CASH MANAGEMENT
CONDITION	<p>The Program did not minimize the time between the receiving of the request of funds from the pass-through entity and the disbursement of funds.</p> <p>During our Cash Management test, we examined five (5) requests of funds made by the Program to the pass-through agency and found that three (3) requests took between seven (7) and nine (9) days from the moment the funds were deposited and the issuance of the checks.</p>
CRITERIA	A-102 Common Rule (.21), OMB Circular A-110 (2 CFR Section 215.22) states that procedures must be implemented to minimize the time between the drawdown and the disbursement from the time elapsing between the transfer of deposit of the federal funds to the bank and their disbursement were minimized.
CAUSE	The Program and Finance Department of the Municipality did not maintain appropriate cash management procedures in order to request funds to federal agencies only for immediate needs.
EFFECT	The Program is not in compliance with A-102 Common Rule (.21), OMB Circular A-110 (2 CFR Section 215.22)
RECOMMENDATION	We recommend management to strengthen its disbursements procedures to minimize the time between the transfer of funds by the pass-through entity and the disbursements made by the Municipality.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	To comply with the regulatory period for the disbursement of funds, we generated a document that indicates the date that the Official Payer must prepare the check to the vendor.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF JAYUYA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINDING NUMBER	COMPLIANCE	CFDA NUMBER	QUESTIONED COSTS	AUDITEE COMMENTS
14-III-04	Allowable Activities	14.228	None	Full corrective action has been taken.
14-III-05	Cash Management	14.228	None	No corrective action has been taken. Finding Reference 2014-004.
13-III-03	Cash Management	14.228	None	No corrective action has been taken. Finding Reference 2014-005.
12-III-04	Cash Management	14.228	None	No corrective action has been taken. Finding Reference 2014-005.
12-III-08	Allowable Activities	84.287	None	Actually we are not administering funds related to this Federal program.
12-III-09	Procurement and Suspension and Debarment	84.287	None	Actually we are not administering funds related to this Federal program.
10-III-05	Cash Management	14.850	None	The audit finding does not warrant further action because more than two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse.
10-III-08	Program Income	14.228	None	The audit finding does not warrant further action because more than two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse.

**MUNICIPALITY OF JAYUYA
FINANCIAL DEPARTMENT
P. O. BOX 488
JAYUYA, PUERTO RICO 00664**

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE, 2015

SINGLE AUDIT, 2014-15

FINDING	RESPONSIBLE	MANAGEMENT	CORRECTIVE	ANTICIPATED
NUMBER	INDIVIDUAL	VIEWS	ACTION	COMPLETION
			PLAN	DATE
2015-001	Finance Director	We agree with the findings and recommendations.	We will establish the necessary internal control and procedures in order to maintain a complete accounting system that provides trial balances by each fund in the modified accrual basis of accounting. And we will include the financial statement of the enterprises funds as part of the financial statements of the municipality. We acquire a new computer system and it will be in function this year.	jun. 30, 2016
2015-002	Finance Director	We agree with the findings and recommendations.	The management and the Property Division will take a capital assets inventory and reconcile it with the subsidiary ledger. Also will be aware that all the capital assets are being capitalized and assure that the accumulated depreciation and the depreciation expense are properly calculated.	jun. 30, 2016
2015-003	Finance Director	We agree with the findings and recommendations.	We will perform a study of the activities that need to be implemented at the municipalities solid waste landfill facilities and determine the amount of the liability that should be reported in the governmental activities. We will hire the professional services and prepare the landfill closure.	jun. 30, 2016

AUDITEE: *by* *Alicia Afonso Reyes* Mayor's Assistant

 HON. JORGE L. GONZALEZ OTERO - MAYOR

**MUNICIPALITY OF JAYUYA
FINANCIAL DEPARTMENT
P. O. BOX 488
JAYUYA, PUERTO RICO 00664**

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE, 2015

SINGLE AUDIT, 2014-15

page 2

FINDING NUMBER	RESPONSIBLE INDIVIDUAL	MANAGEMENT VIEWS	CORRECTIVE ACTION PLAN	ANTICIPATED COMPLETION DATE
2015-004	Federal Programs Director	We agree with the findings and recommendations.	To comply with the regulatory period for the disbursement of funds, we generated a document that indicates the date that the Official Payer must prepare the check to the vendor.	jun. 30, 2016

AUDITEE: *by: Alicia Gonzalez, Mayor's Assistant*
HON. JORGÉ L. GONZÁLEZ OTERO - MAYOR